



The taming of

Two years ago New Look's chief executive Phil Wrigley committed the business to reduce shrinkage by 50% over four years. Here he reveals how it's gone



Phil Wrigley

What is shrinkage?

It's not just about shoplifting and internal theft, although both are part of the problem. Organised crime is on the increase and we are seeing our products and other retailers' products turning up on websites or market stalls. Sometimes, however, it's just about human error, such as shortages of stock on delivery or the wrong stock sent into stores, or poor stock-counting in stores.

What was the thinking behind your focus on shrinkage in the business?

Our record on shrinkage was worse than the average across the high street. We needed to do better and we calculated it could save us a

minimum of £7.5 million in EBITDA. That kind of money is more than significant when you consider the climate retailers are working in today. Costs are generally growing faster than like-for-like sales; Brussels arbitrarily sticks quotas on footwear; oil prices go up; utility bills soar; the minimum wage increases and you are grappling with upward-only rent reviews and increases in business rates. These are external factors we have no control over and they put our margins under extreme pressure.

So you say, OK, what things do we have direct control over? That's when shrinkage is an obvious target. We worked out that 1% off our shrinkage costs was worth £9m to the bottom line. That really concentrates the mind.



That shrinking feeling: shrinkage can be reduced in every area of a business. New Look expects to save between £7.5 million and £10m by raising awareness among shopfloor staff, introducing new security measures and improving stock procedures



products. We have it on about 10% at the moment, mainly at the premium end of the offer. We are also being more strategic about how we use CCTV, looking at where cameras are positioned and training staff to use the information we get from them more effectively. The main reason I value CCTV is because it contributes to staff safety.

What have been the benefits?

We are slightly better than average now but I would like us to be in the top quarter of retailers with the best record on shrinkage by the end of the four years. So we have got a lot further to go, perhaps another year to 18 months before we will have reached where we want to be. Net of the investment we are putting into it, a fairly conservative estimate of our savings will be somewhere between £7.5m and £10m, and that's well worth going for.

The results can be seen on the bottom line and are not difficult to evaluate. But one of the reasons I decided to drive this project is the additional benefits the business can get from it. If you lose garments in the system then you can't replenish them - which results in unhappy customers and lost sales. This means it's not only a financial issue but a customer satisfaction issue which is crucial for our brand.

How will the project evolve?

For all the New Look staff it's a cultural issue and I think this is where some companies find it difficult to keep up the momentum. It's a constant push to keep it alive, interesting and relevant to all the staff across the business. It's one of those things that when you take your foot off the gas, problems start to appear again.

We have to be really focused on maintaining standards. There are no simple quick wins - it's a constant battle. To try and ensure we maintain our focus we have worked profit-protection performance into our incentive schemes for staff all the way down to store level. It is also part of our focus on suppliers' performance and we penalise them if deliveries are wrong. Since we have been doing this we have had significant improvement in supplier compliance but the most valuable part of it has been in the stores. From an investment point of view the costs have been significant but they are a lot less than what we have got out of the project.

Is there anything else you have gained from the project?

In September last year we held the first meeting of The Retail Forum, which is a group of fashion retailers sharing information and best practice on reducing shrinkage. Our sector is ultra-competitive but this is an area we can usefully share information and exchange ideas on. It's a good cross-section of fashion retailers - Next, Mothercare, Jaeger, River Island, Monsoon and M&S. We discuss what our biggest concerns are in risks to staff and stock, and how we are going to tackle them. We meet every couple of months and it has been very positive.

the shrink

What did you decide to do about it?

The first thing to do was recognise that it was important for me to have ownership of the project and drive it from the top. The key thing was to get the whole business behind it because shrinkage is a business-wide issue - it's not just the job of the loss-prevention department. You need collaboration between retail, buying, merchandising, human resources and finance.

What processes have you put in place to drive the project?

We brought in a consultant - Laurence King, managing director of Oris Consulting - to bring an outsider's point of view to the loss-prevention department. I had worked with Laurence before when I was at Debenhams and Dorothy Perkins. I knew he knew his stuff and is passionate about this issue and how retail

businesses can do more to tackle it. With the team he assessed what tracking systems we needed to get in place to deal with internal shrinkage, and we use a suite of Oris products that helps us to see how to go about changing the approach to loss prevention.

For example, we have systems that track any unusual transactions on the tills. We also used Laurence's expertise to put together team-building exercises for the whole of the loss-protection team, right down to the security guys in store. Apart from new systems, an investment in staff training has been a key factor. We have had to make sure staff understand we need to adopt a zero tolerance approach to fraud and stock loss.

We have been source tagging (RF security) a certain amount of product for the past 12 months. It's a relatively new technology and is in its infancy, so we don't apply it to all