



Loss prevention spending is tied to shrink

A recent survey from an independent research firm confirms that retailers see a strong correlation between reducing loss prevention spending and higher shrink levels in their stores.

The retail industry has been hit hard by the recent economic downturn, but retailers considering cutting their loss prevention (LP) budgets to save money should think twice. According to the recent Loss Prevention Budget Trends report, there is a strong correlation between reducing LP spending and increased retail shrink. Preference Research anonymously surveyed 329 subscribers of a U.S. loss prevention magazine in May 2008, asking them a series of questions about their LP budget practices and shrink levels.

Historically, retailers have reduced their LP budgets during economic slowdowns. According to the survey, 77% of respondents reported that during past soft economies their spending was cut or delayed, with 61% reporting their spending

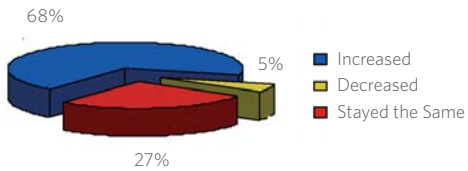
was not restored to prior levels until after the recession. Another 33% indicated that their LP spending was not restored at all.

“ The survey indicates that savings found through cutting the Loss Prevention budget could be quickly surpassed by the cost of increased theft. ”

That trend may be continuing: 38% of respondents reported that their annual LP budgets had been delayed or cut after their budget plan was finalized, while only 8% reported an increase in their budget.

ALIGNING PAST LP SPENDING CUTS WITH SHRINK

During the period when LP spending was cut, what is your best recollection of what happened to your company's merchandise shrink levels?*



*Source: The Loss Prevention Budget Trends Market Research, Preference Research, June 2008.

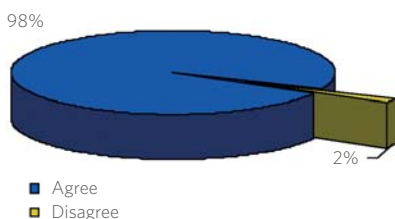
Counting the cost of lower LP spending

If history is a guide, those retailers cutting their LP budgets may pay a higher cost in shrink. The majority of respondents correlated reduced LP spending with increased theft, with 68% reporting that shrink increased when LP spending was cut. Sixty percent of respondents expected merchandise shrink to increase as a result of reduced or delayed loss prevention budgets/spending, compared to 30% who said shrink would remain the same.

Nearly all respondents –95%– agreed that during weak economic times or recessions, merchandise shrink was more likely to increase, and 98% agreed that cutting LP budgets would make retailers more susceptible to theft during an economic slowdown.

CUTTING LP BUDGETS IN RECESSION = HIGHER SHRINK

Q: Please indicate if you agree or disagree with the following statement: "Cutting LP budgets makes a retailer more susceptible to theft during weak economic times or recessions."**



**Source: The Loss Prevention Budget Trends Market Research, Preference Research, June 2008.

The survey indicates that savings found through cutting the LP budget could be quickly surpassed by the cost of increased theft and that any reduction in LP spending needs to be effectively measured against the potential impact of increased shrink.

Survey results also indicated that most retailers have either increased their 2008 LP budgets over 2007, or maintained them at existing levels. Asked how their 2008 budgets compared with 2007, 32% responded that their budgets would be higher, 36% said their budgets would remain the same, and 32% responded that they were lowering their LP budgets. ■

INFO

For more details on the survey, please download the **LP Budget Survey** on checkpointsystems.com

