What is your ROI model? Are your resources, financial budget and human capital, allocated to maximize their value potential? Better yet, are they aligned with your business risk exposure?

Over the years we have all seen the industry studies that categorize loss/shrink into 4 main buckets.

Loss/Shrink - PROFIT EROSION BUCKETS	contribution of loss
internal - low risk	50.0%
vendor - low risk	12.0%
admin - low risk	8.0%
external - high risk	30.0%

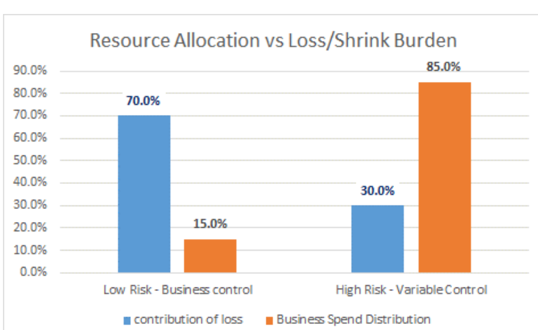
Understanding the risk related to the above buckets… "low" being the business controlled categories… and "high" or external… which carries a significantly higher risk and/or liability. That being said… if we were to align these buckets by low risk and then by high risk…

Loss/Shrink - PROFIT EROSION RISK low vs high	contribution of loss
Low Risk - Business control	70.0%
High Risk - Variable Control	**30.0%**

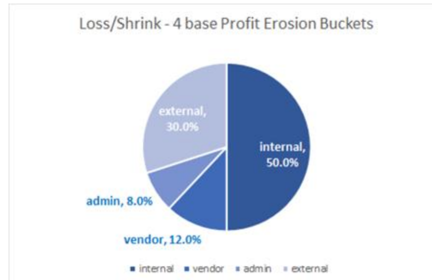
When we view the risk (loss/shrink) by the 2 categories (low risk & high risk)… we quickly see that an estimated 70% of where loss/shrink occurs is within the businesses reach, specifically these buckets are under their control, with minimal liability risk related to stopping the loss/shrink… then stabilizing the loss, and ultimately driving improvement…

Whereas, the high risk, or 30% of the loss/shrink incurred carries a significantly higher level of risk, in direct and collateral liability.

Moreover, many retailers are unbalanced in how they allocate resources to reduce the risk of loss. Be they human capital in store detectives, and/or EAS/product protection counter measures designed to reduce external theft. The vast majority of the opportunity is to curb the impact of the 3 low risk buckets; internal, vendor, and administrative. As these 3 buckets have both operational execution opportunities as well as the potential for fraud/theft.



Resource deployment vs Loss/Risk exposure



Funding/Resource Allocation vs Area of Loss	contribution of loss	Business Spend Distribution
Low Risk - Business control	70.0%	15.0%
High Risk - Variable Control	30.0%	85.0%

The take away… there is a significantly greater opportunity to balance your resources, both financial allocations & human capital, to reduced loss/shrink while optimizing the net contribution of each resource dollar allocated.

The term for this critical financial measure is ROI – Return on investment. ROI is the benefit to an investor resulting from an investment of some resource. As a performance measure, ROI is used to evaluate the efficiency of an investment related to the benefits the investment yields.