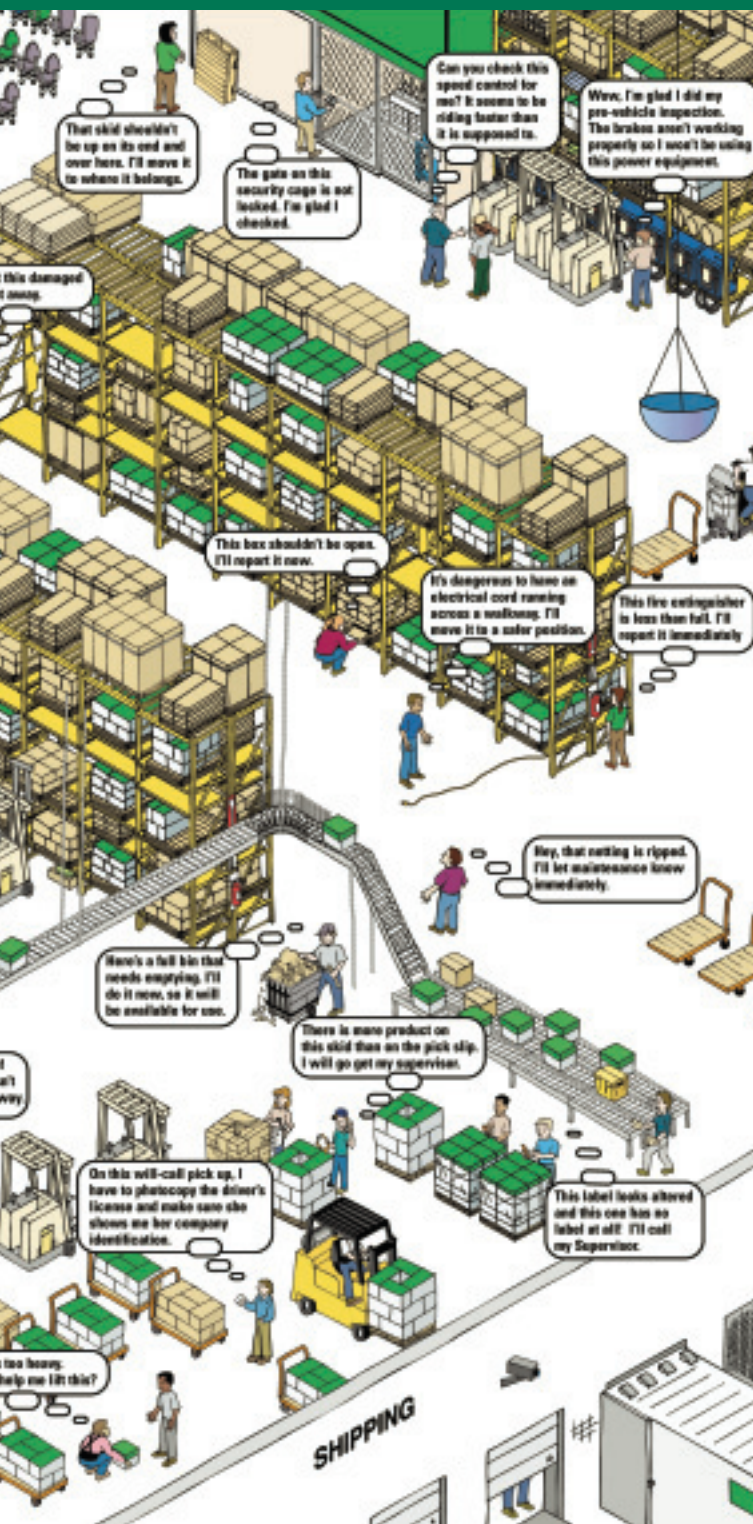


# Boosting Employee Shrinkage and Safety Awareness in the DC Environment

by Susan Sonnesyn Brooks



Four major retailers discovered that reducing losses in their distribution centers (DCs) boiled down to one primary challenge—getting associates to take responsibility and accountability for inventory losses, as well as for health and safety in the workplace.

Working closely with management, each DC took a good, hard look at its existing practices and made deliberate procedural changes, where necessary. Then, with the help of an outside employee communications firm, each DC rolled out a loss awareness program that relies on large, colorful posters, behavior-based incentives, and consistent, value-driven communications throughout the organization.

Following are descriptions of how four retailers approached the challenge of communicating shrinkage control and employee safety in their DC environment.

### BOISE OFFICE SOLUTIONS/GRAND & TOY *Y.E.S. to Success*

For Toronto-based Grand & Toy, the Canadian division of Boise Office Solutions and the largest supplier of commercial office products in Canada, key LP concerns are inventory loss and theft, as well as the health and safety of its DC workforce, according to Gerard Betsch, manager of resource protection.

To encourage associates to take responsibility for thwarting losses of all kinds in the workplace, the company introduced a unique in-house branding strategy called Y.E.S. (You Ensure Success). The acronym appears on all printed LP and safety materials, along with a toll-free telephone number for reporting losses or any activities threatening the company's success.

**The Big Picture.** Posters are the primary visual tool used to convey the loss awareness message. One permanent poster—measuring six-feet-by-four-feet and aptly named “The Big Picture”—highlights best-on-floor practices. Illustrations of fifty or so workers, drawn “Where’s Waldo?” style, say via “word bubbles” various practical reminders and tips, such as:

- “This box is too heavy. Could you help me lift it?”
- “I’ve checked the paperwork against the shipment, and it’s correct. Now it can move on.”
- “On this will-call pick-up, I have to photocopy the driver’s license and make sure she shows me her company identification.”

**Reinforcing the Message.** Tabletop cards in the lunchroom, touting such phrases as “Proper Paperwork Protects Profits,” are used to reinforce the message of the poster. Every month, supervisors and their staff members discuss selected loss-related topics.

To gauge how well associates have grasped the concepts of the LP discussions, Grand & Toy asks everyone to take a simple

quiz. "It's a fun exercise to ensure that associates are paying attention," says Betsch. "And we link participation in those quizzes to some of our incentive programs.

"For example, we acknowledge complete departments, complete shifts, for not having lost-time accidents for a series of days that beats their previous records, often for hundreds of days worked," Betsch explains. "In addition, we measure participation in the program—whether they've had the safety talks with their supervisors or filled out the quizzes. The approach is multifaceted. It's not just sticking up a poster on the wall and hoping someone passively reads it."

Grand & Toy is a national organization with seventy stores and twenty different sales offices and branches. "We cannot be on the ground dealing with safety and security quality-control issues on a day-to-day basis," says Betsch. "We depend on our associates to pick up our learning, our guidelines, and use it to help us solve problems together."

**Workplace Watch.** One such problem was a rash of daytime car thefts and vandalism in employee parking lots in 2002. With input from associates, Grand & Toy rolled out a "Workplace Watch" program under the Y.E.S. moniker. "It's like a Neighborhood Watch for the industrial environment," Betsch explains. Management worked with local police and building maintenance to make the parking lots less susceptible to car theft and break-ins.

A notice board provides information on suspicious activities, including digital images and the time, place, and nature of the activity. Employees now put Workplace Watch stickers on their windshields, identifying their cars for security. They also are asked to keep an eye out for strange vehicles or people and to report issues immediately to management.



**Performance Incentives.** "Double It Up" is another Y.E.S.-linked program that encourages employees to double their performance over time to increase the number of days they can go without a lost-time accident. "With each doubling, we award them an incentive of increasing value," says Betsch. Incentives include a pizza lunch for any shift or department that goes thirty days without a lost-time accident, movie tickets after sixty days, and jackets after 120 days.

"Many branches now exceed 200 days with no lost time, which was unprecedented a few years ago," he notes. "The incentives are paid for by the savings we accrue from not having so many workers' compensation cases."

**Results.** As partial proof of the success of Y.E.S., the Workplace Safety Insurance Board of Ontario recently awarded Grand & Toy \$168,000 for having lower-than-average workers' comp claims. "That's essentially payback for all the investment we've made," says Betsch, "in addition to the goodwill we get from not injuring our associates and their participation in the program."

Betsch believes the dual effects of tangible incentives, plus enhanced awareness are helping to modify employee behavior, improve safety records, and reduce losses within the DC.

Keith Blakemore, director of security at Boise Office Solutions, the parent company of Grand & Toy, agrees. "The program allows us to reinforce key loss prevention behaviors, and it allows associates to understand in a simple way how they fit into the company's LP and security initiatives."

**Random Shipping Audits.** At Boise Office Solutions, random shipping audits are proving to be another loss prevention best practice. According to Blakemore, supervisors and managers might do a complete audit of a randomly selected shipment—verifying the entire order against the shipping manifest. Or, they might simply inspect the back end of a delivery truck.

"If there is theft through collusion between one of our drivers and an employee or a contract delivery person," Blakemore explains, "the last items that go on a truck tend to be those that will be stolen or diverted once that truck leaves our DC. Or, sometimes we have missorted or misloaded merchandise on the wrong truck.

"A random shipping audit can be a red flag that we have a potential theft issue that warrants further investigation," he adds.

## **MARMAXX** **"Right On" Processing**

Marmaxx is an off-price retailer headquartered in Boston. Nine nationwide distribution centers service such stores as T.J. Maxx and Marshalls. Instead of directly sending to stores full boxes of clothing or giftware from specific designers or manufacturers, Marmaxx employees choose samplings of items for each store. Shipments vary from month to month, allowing



for lower prices to the end consumer. Many hands touch each item, adding to the complexity of the distribution process.

To save processing time, outside vendors increasingly are putting together the shipments, which often include hundreds of boxes and many thousands of individual pieces. With these shipments—called “vendor packs”—the DCs simply apply the proper labels and ship each vendor pack to the stores.

With both types of shipments, any inaccuracies in counting, sorting, ticketing, or labeling can quickly add up to large losses. To counter such challenges, Marmaxx launched an employee awareness initiative in 2000 called “Right On: Right price. Right stuff. Right truck. Right store.”

“We build in multiple check points where individuals ensure that the ticket is correct and the right ticket is going on the right merchandise,” explains Tony DiVincintis, Marmaxx’s manager of distribution services for loss prevention in Framingham, Massachusetts.

**Catching Errors.** He recalls one associate who discovered and corrected a potential 3,300-unit error. A vendor claimed that each of 250 vendor packs contained 1,100 boxes, with six pieces in each box. The associate discovered there were really only three pieces in each box. “We pay off those counts to our vendors based on that information,” says DiVincintis. “The DC would have thought we had one amount of merchandise when we went to process it, and would have come up with much less but not known why.”

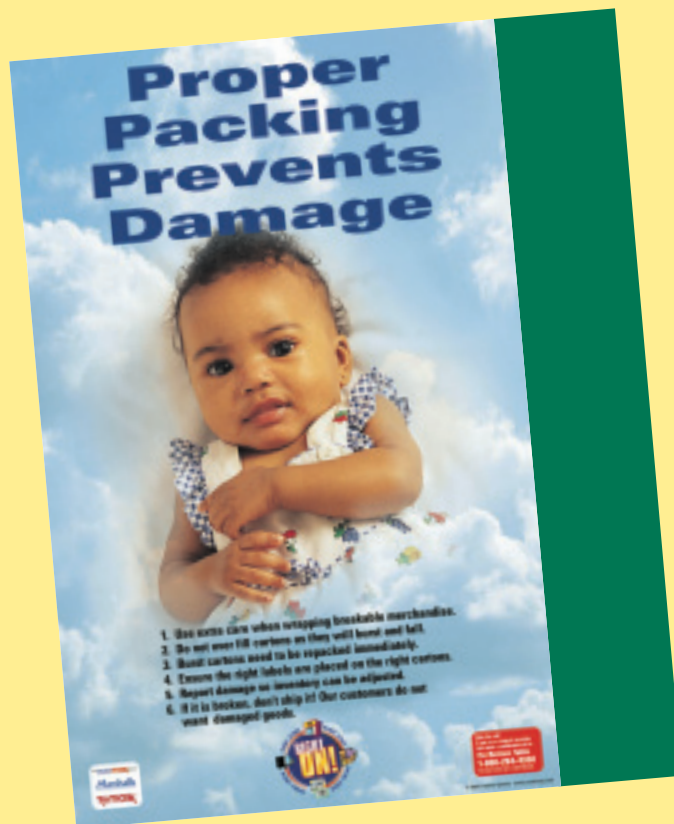
In another case, a Marmaxx associate noticed that half of a vendor’s order for top designer shirts bore a generic label that would not have enticed customers to buy as readily as they would the designer label. “The generic labels had been mixed in at some point through a consolidator,” says DiVincintis.

“If the shipment is pre-ticketed and pre-packed by the vendor, we check about 30 percent of it, and we utilize vendor counts for the rest of the order,” he explains. “This error was actually found because the associate was going through the whole order. It wasn’t even part of her job function. She was supposed to simply attach tickets to the merchandise, but went a step beyond. We try to reward associates who go beyond their normal duties.”

**Scratch and Win.** To reward employees for identifying loss exposures or for catching cartons destined for the wrong truck or store, Marmaxx began giving out scratch-and-win recognition cards. On the back of each card is a place for supervisors to record an observed behavior of an operation done correctly. In one year alone, the company gave out 40,000 cards to its 6,000 associates companywide.

This year, Marmaxx introduced bi-monthly instructional programs and posters that highlight specific shrink exposures in such areas as scanning, counting, ticketing, lay-up, receiving, product selection, and shipping. One poster reminds employees that “Scanning Is the Law,” while another features a baby’s photograph and “Handle with Care” as the caption. “We really hit the motherly/fatherly instincts with that one,” recalls DiVincintis.

By themselves, posters probably won’t change employees’ behavior, concedes Lynn Shwadchuck, creative director of



Creative Options, the communications firm that developed the poster program for each of these DCs. However, when consistent messages are conveyed in a clear, concise manner from the top of the organization to the DC floor, the entire corporate culture can change. Employees begin to care about...and change their behaviors to reflect...issues their stores care about, such as the condition of a fragile gift item.

**Audits.** The latest Marmaxx best practice involves paper-based LP auditing throughout the distribution process, instead of audits at the loading dock door alone. “The sooner we catch errors along the process, the much better off we will be,” DiVincintis says.

“I am proud of what we’ve been able to do with our shrink awareness programs,” he concludes. “All of our DC associates are now involved in the resolution of shrink exposures. This translates to more accurate shipments to our stores and obviously lowers shrink.”

## ACE HARDWARE Independent Shrink Reduction

At Chicago-based Ace Hardware, one of the most successful best practices is a shrinkage reduction program that helps ensure order accuracy between the seventeen Ace Retail Support Centers and the company’s 5,000 independently owned retail stores. Between 2001 and 2002, the program helped reduce charge-backs from the stores by 45 percent, says Phil Barney, regional loss prevention manager for the western United States in Oak Brook, Illinois.

**Order Accuracy.** “The program starts by identifying stores that are filing large claims for shipping shortages,” says Barney.



“Second, we complete quality checks on those stores to ensure order accuracy. Once we are sure that order integrity is not an issue, we visit the stores when the order is delivered and review the store’s check-in process.”

When the program began four years ago, Ace found that some stores did not check in the product properly after the warehouse delivered it. “Orders might sit in the stock room or on the sales floor and get picked apart,” Barney recalls. “If a customer needed something not on the floor, an employee might take it right from that order. Later, when store personnel would check it in, they’d find the order wasn’t all there. Assuming that the order was short, the store would file a claim with the warehouse.”

Barney emphasizes that Ace Hardware differs from other hardware and home improvement companies “because our retailers own the company and their individual hardware stores. We can’t dictate how or when they check in product, who does it, or when it is done. We can, of course, suggest procedures, such as how to check the order in and what kind of training takes place in the stores.”

Ace used the store visits as an opportunity to show its independent retailers how accurate the orders already were coming straight from the Retail Support Centers (RSC) and why it was not really necessary for employees to double-check them. “We would demonstrate the order accuracy and the cost associated with the check-in process,” Barney says. “With the orders being this accurate, the payback just wasn’t there.”

**Tools of Success.** To make the Retail Support Centers aware of their role in combating shrinkage, Ace installed a “Big Picture” poster in each facility. This year marked the start of “Tools of Success,” a monthly program in which supervisors

discuss with their employees one of twelve prominently featured topics relating to safety, loss prevention, and quality control.

“We feel the one-on-one conversation that this approach generates creates real communication within the warehouse and the different departments,” says Barney.

True-or-false quiz cards are passed out after each training session. Employees with all the correct answers place their cards into a drawing, and prizes are drawn for at least three employees every month. In an element unique to Ace, the back of each card bears a color photograph of an Ace employee correctly demonstrating a specific procedure, such as safely lifting a heavy container.

“Employees pay more attention to a program that has obviously been done just for them,” says Shwadchuck. “They can tell these messages didn’t come from the safety poster store.”

## TOYS “R” US Increasing Safety Awareness

Workplace safety is among the top concerns of distribution centers at Toys “R” Us, one of the world’s leading retailers of toys, children’s apparel, and baby products. “In mid-2002, we began making a concerted effort to reduce the number of accidents and lost time in our ten distribution centers,” says Jim Grizzetti, director of safety for the company’s U.S. division. This multistep program has resulted in significantly improved safety performance.

One step was to create formal accident review boards in each DC to examine the root cause after an accident to prevent similar accidents from occurring.

Another step was to increase overall safety awareness. “The vast majority of our accidents result from unsafe behavior, not an unsafe work environment,” Grizzetti notes.

The accident-reduction efforts also included updating an existing incentive program called “Safety Bingo,” with monthly goals for each DC, depending on the number of associates in that facility. “If they meet their incentive goals, each associate can win stadium blankets, weekend bags, hats, watches, or other prizes chosen by their safety committee,” says Grizzetti. “Or, the DC associates can decide on a barbecue or tickets to a baseball game for the entire team.

“Sometimes only one DC wins, sometimes we have three, sometimes none,” he continues. “For associates to win a prize, they can’t have any lost-time accidents, and only a certain number of medical-only occurrences.”

Customized leaders’ guides and attention-getting posters highlighting loss prevention and accident prevention topics helped to gain associates’ buy-in and commitment to safety improvement at Toys “R” Us. Says Grizzetti of the largest poster, “It really stands out. It’s colorful, it’s laminated so it won’t tear,



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