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A Health Enthusiast's MUST HAVE Guide to 2014

Our Shrink Rap calendar is chock-full of interesting subjects for 2014; our goal is to remind long-term Vitamin Shoppe Health Enthusiasts, educate newer members of our team and help reduce shrink in your store. LP awareness is still the foundation for preventing losses in each store. We will highlight areas where Health Enthusiasts can effectively impact inventory shrink and avoid scams. Be on the lookout for information on how to handle certain emergencies and tips on where to go for additional information. Together, we can make a significant difference in our shrink.



Below is the outline of information we plan to address in Shrink Rap this year.

JANUARY

In this issue, you will learn about three areas of store losses. Which system should Health Enthusiasts use to report an incident vs. potential issues at the store?

FEBRUARY

Shrink Rap will illustrate why inventory preparation is so important. To help you make your physical inventory more accurate, we will review the TOP TEN inventory issues so that you are prepared for a smooth, accurate inventory.

MARCH

Our mission is to help Health Enthusiasts better understand store receiving and provide advice about how to report problems with a delivery or driver. We will also review a case about internal theft by consumption, suggest you ask yourselves if this is occurring at your store and let you know the best way to report such a loss. We will also share information about safety -- expired and dented bottles on your shelf.

APRIL

We will address the importance of engagement with your customers. Not only does it build a loyal customer base but it prevents shoplifting and helps make your store a top performer! Learn about a shoplifting caper, how you can identify shoplifting behaviors and how to report your findings to the SM. We will also provide information about how to use the Emergency Quick Reference Guide and why it is so important to our teams and customers.

MAY

What is each Health Enthusiasts' role in preventing internal theft and how can you make a difference in the financial health of our company?

We will explore cases that have revealed dishonest Health Enthusiasts and what you can do if you are in a situation where you want to report a potential loss. We will also showcase a mystery Health Enthusiast.

JUNE

We look forward to sharing "Believe It or Not" things that occur at the Vitamin Shoppe. This month we will review an interesting internal case that was captured by a covert camera. Additionally, we will discuss seasonal safety tips and the importance of staying hydrated in the summer.

JULY

We will address the upcoming PEC and the importance of sample products and how they are to be used. We will look at cash theft (which is different from product theft) and how to recognize a cash theft in your store. Stay tuned for an interview with the Shrink Rap Advisory Panel.

AUGUST

Learn when and how to use Crash Packs, especially when you have a line of customers waiting at the register. In this issue we will share information about a fraudulent refund case and how you can best handle it. Our Safety Tip focuses on the use of hand tucks.

SEPTEMBER

A flash mob is in your store...how do you handle this situation? We will provide you with information on how to safely respond to a flash mob, how to protect yourselves and how to protect our inventory. Look for ways to avoid being a victim of shrink! In this issue we will ask you to challenge yourself to understand shoplifter behaviors. This month's Safety Tip focuses on taking out the trash.

OCTOBER

Look for Part I of "Through the eyes of a Health Enthusiast." The popularity of using candles in pumpkins and other Halloween items, prompts us to address fire safety and prevention in this month's Safety Tip. Also, we will challenge Health Enthusiasts to identify inconsistencies in our story, "Through the eyes of a Health Enthusiast."

NOVEMBER

Look for Part II of "Through the eyes of a Health Enthusiast: Resolution." We look forward to presenting store feedback on Part I. Thanksgiving is our subject for Safety Tips and in this issue, Shrink Rap will interview our good friend, Dana.

DECEMBER

Shrink Rap will reflect on 2014, present the year in review and explore the year's principal challenges and successes. Our Safety Tip will address safe driving in bad weather.

We are looking forward to arming you with the tools you need to have a successful 2014. By working together, we can make this year one of our best.



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THE INSIDER...

LP Analytics is a software-based exception reporting application that runs each night to analyze hundreds of thousands of daily transactions.

In one of our recent theft cases, LP Analytics identified an ASM who was conducting fraudulent refunds. When the LP Coordinator examined the results of LP Analytics and noticed the deceptive activities, he expanded the investigation to include line item voids and cash refunds.

Subsequently, the Sales Audit system identified the transactions in question as being fraudulent. The investigation revealed that the ASM created what he thought was a system to steal cash through cash refunds. He created fictitious refunds and line item voids from customers who paid in cash. The ASM also enticed his friends to visit the store empty handed and leave with unpaid merchandise. During

the investigation and interview with the ASM, he admitted to \$8,200 in theft. The case was then referred to local authorities.

KEY LEARNINGS:

- Each Store Management Team must review the Daily Media to be aware of any unusual activities.
- If you notice suspicious refunds, contact the SM, DM, or RLPM to let them know about the activities. When you report your observations, the LP team can determine whether or not the refunds are valid. It's never too soon to report a situation that you suspect is fraudulent.
- In the event that you are concerned about how you can best report a potential problem, read the LP poster in the back of the store. Our poster contains contact information for Field Managers and EthicsPoint, which is always anonymous.

Manage to the MAX with....

Ruby Gonzalez

Store Manager, Store #292 Arlington, TX



What is the most effective thing you do in your store to protect the company assets and reduce shrink? I train my entire team on the importance of accurate zero scans, proper shelving, and delivering the Branded Customer Experience. I deliver hands-on training and consistent coaching with FIFO, rotations and register accuracy, which leads to inventory accuracy.

I hire the right people and gain their buy-in by understanding how each individual learns; then I coach to their style. This way there is someone in the store ready to step up to continue the path to shrink reduction!

Can you tell us how you use the Branded Customer Experience to reduce loss and prevent theft in your store? I ask my staff to consider how they like to be treated and then I ask them to think of the customers as family. By delivering the Branded Customer Experience, they can make everyone feel like family. Also, by building customer trust, we create an environment in which people are less likely to steal. When new customers come in the store I make it my mission to get to know them and create brand loyalty.

Do you use the LP incident reporting system? Yes. We use it at least once a month and most often we use it for items we find during non-zero scan times, like empty boxes, etc. We also use it for register inaccuracies, such as over/shorts.

Ruby has more than 19 years of retail experience and has been with the Vitamin Shoppe for 9 years.

External, Internal & Operational Losses

Each Health Enthusiast can help reduce store shrink by understanding the origin of losses. Through physical inventory shrink analysis, we have identified the 3-areas as **external**, **internal**, and **operational losses**. A Health Enthusiast plays a vital role, because each day, during their work shift, they are exposed to these three areas.

EXTERNAL LOSS

We attribute external loss to customers who walk out of the store with unpaid merchandise. Health Enthusiasts know them as shoplifters.

How can a Health Enthusiast derail a potential shoplifter?

A Health Enthusiast can prevent possible shoplifting **before** it happens, by using the Branded Customer Experience. This means you engage all customers on the sales floor, provide great customer service - from greeting them as they enter, to checking them out at the register and to the final "thank you" when they leave the store. When you see open containers and/or merchandise holes on the shelves, inform your Store Management team. Store Management can immediately input this information in the LP Incident Reporting System where we collect the data and deliver it to the RLPM who will in turn, provide direction to the store.

INTERNAL LOSS

While a majority of Health Enthusiasts are honest, there are always a few who don't follow company policy, consume unpaid merchandise, steal cash from the register, walk out with unpaid merchandise or take money from a bank deposit, just to name a few!

How do I report a potential internal loss?

We have established three confidential channels for Health Enthusiasts to report a problem, or a potential dishonest action. You can report the problem to your Store Manager, contact your **RD**, **DM**, **RHRM**, or **RLPM**, or use EthicsPoint. When a Health Enthusiast takes action, they are helping reduce shrink and preserving the team atmosphere in the store.

OPERATIONAL LOSS

Health Enthusiasts cause operational loss when they don't follow company guidelines or policies.

Should I be concerned about minor issues?

Yes. Typically, shrink happens when a Health Enthusiast doesn't report a problem to the SM. For example you see someone throwing out damaged merchandise, you notice missed scanned SKU(s) during a transaction, or someone fails to report potential dishonest actions by another Health Enthusiast. These small mistakes can lead to bigger problems if not corrected.

When you choose to be part of the solution by reporting potential problems, you are making a positive difference in your store's overall shrink reduction!

