



## GS1 UK Solution: In-store shrinkage

Understand how GS1 UK can help reduce shrinkage, enabling:

- The ability to deter and detect theft in-store
- Better visibility through the supply chain
- Improved customer experience and increased sales through greater product availability



# About GS1 UK



Our mission is to make it **faster, cheaper** and **safer** for our members to serve their customers. This is achieved by the industry wide adoption of global GS1 standards and locally delivered services.

Life is simpler when we all have the same information. GS1 UK licenses unique numbers to identify everything from products to patients in a standard way. These numbers are used to automate the flow of goods and information and are integrated into one or more GS1 UK Solutions to increase supply chain efficiency.



## GS1 UK adds value

GS1 UK Solutions improve business processes by cutting cost and time and increasing revenue and efficiency.

We have teams of industry experts with multiple disciplines to tackle the most complex problems businesses face today. We work with companies and their trading partners to increase efficiency in their business. Organisations approach us when they want:

- **innovative and sustainable efficiency:** we deliver solutions to improve efficiency, sustainability and traceability in areas such as asset tracking, data quality management and retail point of sale
- a **responsive approach:** we listen, and deliver positively and effectively to their needs
- **delivery of real results:** we produce tangible benefits to their business

We are independent, profit-neutral and part of a global organisation of over one million member companies world wide, operating in 108 countries.

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# What is shrinkage?



Shrinkage is the loss of products between the point of manufacture and the point of sale. Colin Peacock from Proctor and Gamble describes it as:

*“...intended sales income that was not and cannot be realised.”*

It's estimated that shrink is equivalent to 1.43% of retail sales in the UK - equivalent to £1bn.\* Most shrinkage is caused by theft, especially of new product lines such as DVDs, video games and popular clothing brands.

- Last year, over 300,000 instances of customer theft were recorded by the police\*\*
- DIY and hardware stores record the highest number of customer thefts per store and clothing stores record the highest number of employee thefts
- Theft is increasing, particularly receipt fraud and the return of stolen goods in exchange for vouchers
- 64% of the cost of shrinkage in the UK is due to customer theft

Using existing non RFID based loss prevention techniques such as Electronic Article Surveillance (EAS) reduces shrink-related costs and is used for 38.3% of product lines.

However, these existing EAS-only systems have a number of limitations:

- The tags are limited to deterring and detecting theft
- Retailers operate separate, isolated systems that aren't integrated
- Articles often have various tags attached including ones from the manufacturer, the retailer as well as the EAS tag
- No actionable intelligence is provided when the alarm sounds; the only information that is known is that an EAS tag has passed the pedestals
- No help with inventory, returns or detection of counterfeited products
- Incompatible technologies has led to less source tagging
- False alarms are common due to handling errors in the store (or in a store previously visited by the customer)
- Difficult to monitor fraudulent tag deactivations

*“RFID based EAS is from our point of view crucial for the introduction of item level tagging. The solutions should be easy and built on existing standards to avoid unnecessary complexity and costs.”*

Joachim Wilkens, Program Office and IT Logistics, C&A

\* Source: The Global Retail Theft Barometer

\*\* Source: UK Crime Survey

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# Challenges for the retail industry



Alongside the issue of shrinkage, the retail industry faces some tough challenges, particularly in this economic climate:

- Consumers are shopping less
- It's essential that products are always available on the store shelf for customers to purchase
- Inventory must be optimised
- Theft needs to be reduced
- Merchandise variety needs to be greater
- Supply chains are getting more complex
- Manufacturing and logistics are outsourced to reduce cost

There is a need for a solution that helps retailers meet the wider sector challenges as well as those just of shrinkage.

## The new EPCglobal EAS standard

The new EPCglobal standard is designed specifically for retailers and enables you to store a unique serial number on an item's EAS tag to give an item an 'identity'. It means you can accurately and quickly check your stock, control inventory, improve replenishment and prevent theft. The solution also enables item level visibility throughout the supply chain to prevent shrinkage and counterfeiting.

## Benefits for retailers

Electronic Article Surveillance (EAS) enables retailers to prevent or detect theft. When integrated with EPCglobal RFID technology it brings many benefits to the retail community by streamlining the point of sale (POS) process and validating returned merchandise. It provides the retail industry with unique item level identification, derived from serialisation. This enables the following benefits to be achieved :

- Deter and detect theft in store
  - Get item level visibility throughout the supply chain
  - Prevent or detect shrinkage in the supply chain from manufacturer to front door
  - Improve customer experience and increase sales by increasing product availability on the shop floor
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## The apparel sector

The apparel sector traditionally operates closed loop supply chains because retailers mainly sell only own brand products. Until now, few retailers have demanded global data standards and have used their own proprietary coding structures.

The retailers who are looking to other formats to promote and sell their brand have seen their losses increase due to counterfeiting, theft and poor supply chain control. Increasingly, clothing retailers are joining GS1 UK to identify their items with a globally unique identifier.

The use of RFID on retail apparel, including shoes, is growing rapidly and will continue to grow according to ID Tech Ex. It's estimated that 12 billion anti theft tags are sold annually at fewer than 10 US cents each.

*“Greater item level visibility, operational efficiencies, profit improvements and customer satisfaction continue to be key focus areas of our technology development activities for retailers. As a founding member of GS1 EPCglobal, Sensormatic continues to support the industry’s efforts of standards-based RFID solutions. The guidelines for RFID-based EAS solutions are a natural progression of item level intelligence for retailers as they continue to invest in new technologies.”*

Scott Clements, President, Sensormatic Retail Solutions



# The GS1 UK Solution



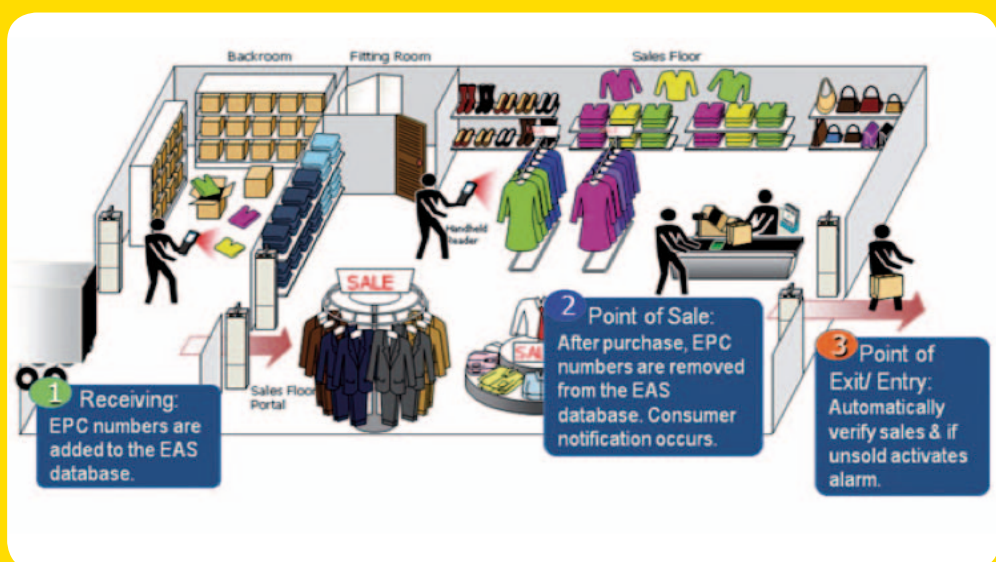
RFID based EAS is a technology that combines the ability to deter and detect the theft of consumer goods with stock visibility through the supply chain. The combined tags, which are based on the GS1 EPCglobal Gen 2 standard, are fixed to an item's packaging or to the item itself. These tags can be removed, reused and/or disposed of by consumers or sales associates after purchase.

One of the main benefits of RFID based EAS is that it combines theft deterrence with stock visibility within the same system rather than them being separate systems. Retailers can determine when a theft occurred and what was stolen.

Retailers can get high resolution visibility of what's happening inside their stores and the technology offers a greater level of surveillance (item level insight). This insight enables retailers to re-stock the shelf in order to maintain on-shelf availability, reduce the incidence of out-of-stocks and, most importantly, avoid the high cost of missed sales opportunities. By reducing out-of-stocks, retailers ensure that goods are on the shelf when customers want to buy. This increases sales, both of the items that would have been out-of-stock as well as ancillary items and improves the customer shopping experience.

## How does this solution work?

1. When the retailer receives the goods, the inventory is checked by adding the items' serialised EPC numbers to a database
2. When an item is sold, the EPC number is removed from the database before the item leaves the store
3. At the store exit, a detection system sounds an alarm or alerts staff when it senses tags that are still on the inventory database



## What are the benefits of combining EAS and RFID tags?

- They're based on open standards, which means manufacturers no longer need to use different tags for different retailers
- More items will be secured with EAS at source which reduces the retailers' costs
- The standardised approach will help the retail industry to maintain more brand security, improve item identity and protect their items more effectively
- Improve supply chain visibility and help prevent and detect shrinkage throughout the logistics chain and the retail environment
- Better inventory control, more efficient returns and detection of counterfeit products due to item level identification
- When an alarm is activated, there is visibility not only that an item has passed the pedestals but additionally which particular item has activated the alarm and the quantity of items passing through the pedestals at that moment. This will help the loss prevention department refine its deployment of theft deterrent resources
- The manufacturer only has to apply one tag that can be used throughout the supply chain for many functions. All costs of readers, tags, hardware installation, application of tags, etc. could be dedicated to the single tag approach
- Tagging at source eliminates the labour expense, for the retailer, needed to apply the RFID-based EAS tags themselves, and potentially reduces the time between receipt of merchandise and when the merchandise is ready for sale
- Suppliers can benefit from the opportunity to use RFID for inventory management and greater visibility
- Product aesthetics can be preserved by incorporating the tags within the product packaging
- Source tagging allows the RFID-based EAS tags to be concealed and more difficult to remove, if desired
- If items leave the store illegitimately, they can be identified if a return is attempted and the item can be replenished on the shop floor to prevent lost sales

*"By combining the advantages of EAS and EPC/RFID technology, we potentially realise the benefits of visibility throughout the supply chain together with the capability of deterring and detecting theft,"* Brand L. Elverston, Director Asset Protection Systems and Analysis at Walmart Stores Inc.

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# How can GS1 UK help?



## GS1 UK Professional Services

Our Professional Services team are here to help you improve your supply chain. We provide useful advice and invaluable support to businesses who want to reduce costs, save time and improve the efficiency of their processes.

### What makes our services different?

We're independent and we don't have a vested interest in one solution. You can be certain that you're getting impartial advice and recommendations. What matters to us, is that we can help you solve the real issues in your supply chain.

### We offer flexible packages

Our services are shaped around your needs, not ours. Whether you need a helping hand or complete project management, we'll provide you with the most appropriate level of support.

### How we do this:

#### **For small to medium-sized companies**

A GS1 UK consultant will carry out a half-day study to review your company processes and customer requirements and produce a report outlining how GS1 standards could help.

#### **Making your business even better**

We make sure we understand your business completely and its current systems. We then provide recommendations and an easy-to-follow roadmap for GS1 System implementation.

#### **A helping hand when you need it**

We'll send an expert to be part of your team - either as a helping hand or to project manage the whole implementation so you can get on with day-to-day business.

#### **Already using GS1 standards, but would like to check you're following best practice?**

We can help companies check whether they, or their suppliers, are using GS1 standards in a way that complies with industry and customer best practice. GS1 standards can deliver the most benefits when they are used according to our guidelines. We'll provide a detailed audit of your processes to identify areas where improvements could be made.

#### **For getting your suppliers onboard with GS1 standards**

We'll get your business running the way you need it to while saving time and money by helping your suppliers use GS1 standards to your specific requirements. Our supplier engagement programme ensures there's no interruption to your business and you can enjoy all the benefits of using the GS1 System from day one.



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*“Retailers need to reduce shrink, reduce out-of-stocks, reduce on-hand inventory, and increase sales today more than ever. RFID-based EAS is an exciting extension of RFID-based merchandise visibility, and a way to achieve these objectives. As retailers increasingly look to deploy RFID-based solutions to meet their business needs, they will be well-served by the GS1 EPCglobal guides.”*

Per Levin, President, Shrink Management and Merchandise, Visibility Solutions - Checkpoint Systems

*“The business case for adopting RFID will be further enhanced through the development of these standards that will allow retailers and vendors to have a common platform for using EPC Gen2 RFID as a tool for providing EAS functionality. As an industry leader with deep RFID and RF-based EAS experience, we are proud to have contributed to this important industry milestone.”*

Paul Chamandy, Vice President, New Business Development - Avery Dennison



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*“By using RFID technology for multiple purposes, such as EAS and inventory visibility, we can further integrate supply chain processes and the potential benefit for all partners involved is significantly enhanced,”*

Dr Gerd Wolfram, Head of CIO-Office at Metro AG.



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# Contact us



If your organisation is looking to increase supply chain efficiencies and reduce operating costs then the GS1 UK team can provide a strategic and pragmatic approach to delivering you a solution.

Contact GS1 UK for an initial discussion or visit

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