



*Eco-Safe Ozone Disinfection Systems
Are the Key to Increase Profit*

- **Controlling Perishable Shrink is the Fastest, Easiest Way to Increase Profit**
- **Eco-Safe Ozone Disinfection can save at least 25% of Meat, Produce, and Seafood Shrink**

**The Attached 2005 Supermarket Shrink Report indicates
This Boosts Your Profit Margin by Over 25%!!**

According to the National Supermarket Research Group, The smartest way to minimize perishable shrink is to sell it... And to sell it while it is fresh.

That's where Eco-Safe comes in—We keep it fresher, longer.

HOW WE GET OUR NUMBERS

The following 2005 Supermarket Shrink Report by the National Supermarket Research Group reports responses from 30 companies with an average of 348 stores each, with an average of \$1,833,000 in monthly sales. From this report:

- **Average Supermarket Net Profit is 1.10% of Sales**
 - **Average Shrink is 2.76% of Sales, 2½ Times the Net Profit**
 - **Meat, Produce, and Seafood Shrink is 42% of Total Shrink**
 - **Ozone Disinfection can save at least 25% of Meat, Produce, and Seafood Shrink.**
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- **This increases your profit by more than 25% with no increase in sales!!**

And these are conservative numbers. From the same Shrink Research Report, 72% of the stores documented under-reporting shrink by as much as 27%.

Eco-Safe Ozone Disinfection ***makes you money*** and the cost of the system is recouped in as little as 2 months. Every month after that, your profit is increased by more than 25% simply by controlling these areas of perishable shrink.

Until you can think of a better way to boost your profit by 25%, make your money with ***Eco-Safe Ozone Disinfection!***

2005 SUPERMARKET SHRINK REPORT

The National Supermarket Research Group
1-800-469-1070
www.retailcontrol.com

Larry Miller
Director

Janet Allen
Senior Analyst

Overall retail shrink reported in 2005 by companies participating in this survey was 2.76% of retail sales. This figure represents a 19% increase in the level of shrink reported in 2002.

Overview

The average supermarket reported annual store sales of \$21,996,016 and, at 2.76% of retail sales, lost \$607,730 to retail shrink. For a 100-store chain retail shrink represented a total annual loss of \$60,773,000 per company. Recent studies report the average supermarket earns 1.10% in net profit, which results in \$241,966 in per-store profit.

That means for every dollar in sales, the average retailer earns 1.1 cents in net profit, but only after losing 2.76 cents to shrink. Based on these figures, a 10% reduction in shrink (2.49% or \$564,967) results in a 44% increase in net bottom-line profit. While retailers often focus on increasing same-store sales, it is much more cost effective to put in place proven programs to reduce shrink than it would be to increase sales by 44%.

Contributing to the dramatic 19% increase in overall store shrink (from 2.32% in 2002 to 2.77% in 2005) were several factors.

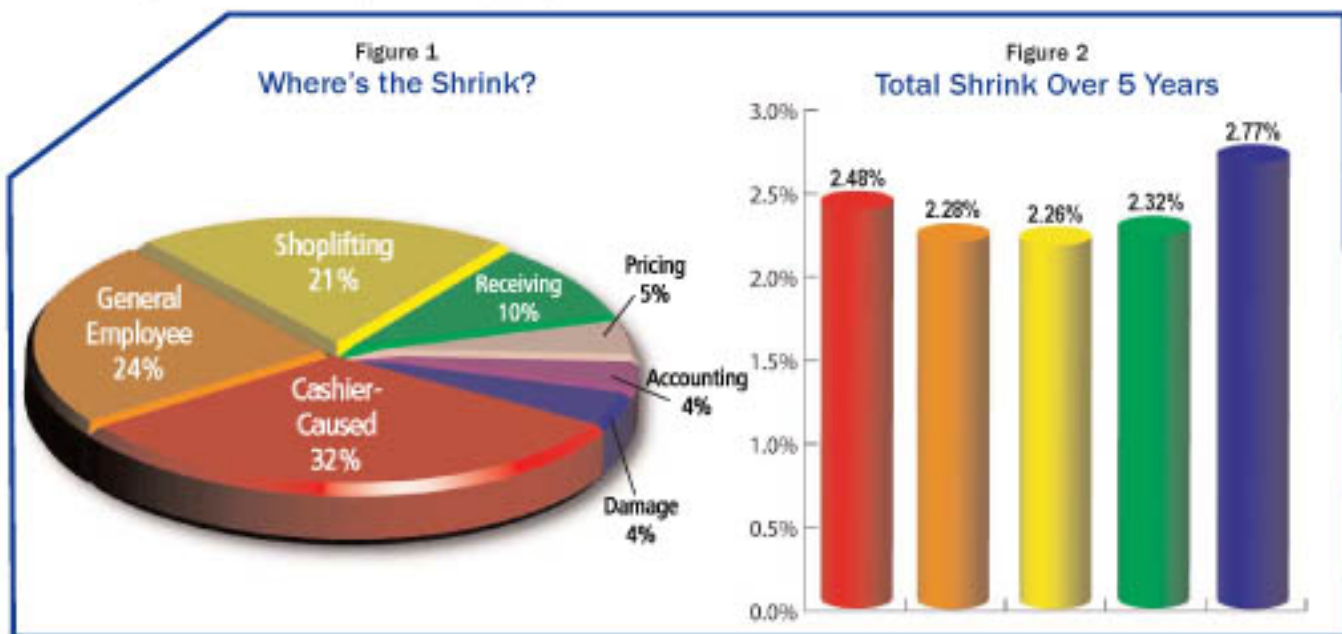
First, with the advent of Sarbanes-Oxley, corporations are now far more concerned with accountability. Consumer confidence is at record lows, spending is down, and payrolls have been slashed. The first actionable step in reducing store shrink, after management has made shrink reduction a top priority, is to report shrink accurately. However, up to 72% of this year's survey respondents

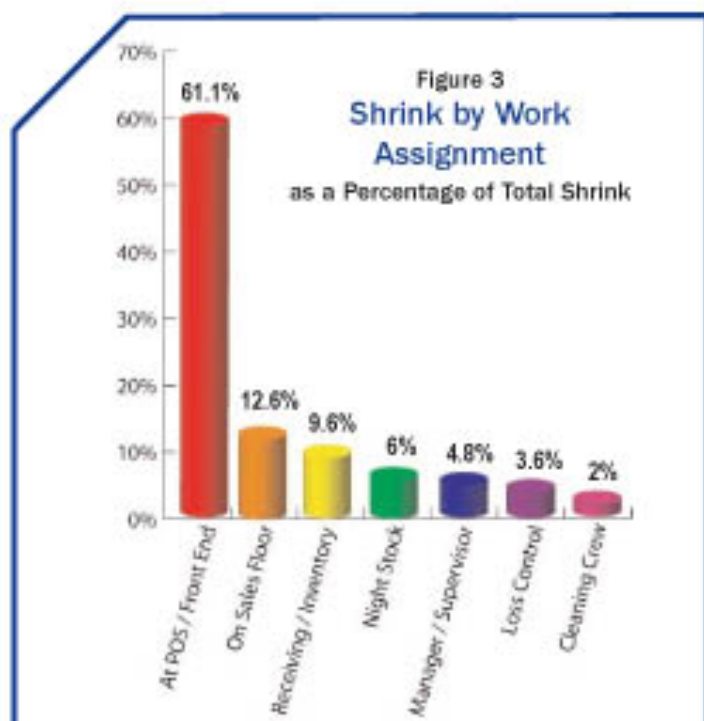
reported they allow some form of store level "positive" price manipulation which allowed departmental shrink to be under-reported by as much as 27%, or over \$122,161 per year, per store. This means that in some companies, overall store shrink could be as high as 2.95% of total store sales. With this fact in mind, any retailer wishing to honestly understand where their shrink is must begin by mandating 100% accountability at store level and remove all methods to cover-up their true losses due to shrink. On the positive side, more companies are continuing to focus on unmasking the true sources of their shrink, which results in more accurate reporting of shrink percentages.

Historical Trends

This year's survey continues a nine-year trend of total store shrink reported at over 2.00%, with a six-year average of 2.27%.

The causes of store shrink were reported in seven primary areas (figure 1.) Once again, employee-caused shrink remained the largest contributor to store shrink at 56% with shoplifting ranking second at 21%. This finding supports the long standing trend (also supported by other shrink surveys) where employee-caused shrink and shoplifting combined account for 75-80% of all retail shrink.





Retail shrink was identified in eleven primary departments. The perishable departments contributed the majority of store shrink for the fourth consecutive year. In 2005, 56% of all store shrink was reported to have occurred in the perishable departments and 44% of all store shrink was contributed by the non-perishable departments.

New Facts and Findings

- Retailers continued reporting that they sell cigarettes from the security of the courtesy booth (57%). This trend has reduced the amount of reported cigarette theft by approximately 5% each year.
- 86% of store managers are on some form of a bonus incentive plan that is primarily based on the overall profitability of the store.
- 51% of company executives reported having a relatively high confidence level in the accuracy of their inventory results and reported overall shrink at 2.03% while 19% reported having a relatively low confidence level in the accuracy of their inventory results and reported overall shrink at 2.57%.
- 22% of this year's survey respondents reported they believed their shrink had gone down in 2005 as a direct result of their shrink reduction efforts. However, 33% reported they believed employee-caused shrink will continue to rise in the next two years and 58% reported they believed shoplifting would rise in the next two years.

- 59% of store managers receive profit and loss statements monthly and 34% of store managers received profit and loss statements quarterly and achieved similar shrink results. However, store managers who received profit and loss statements less than quarterly reported 75% higher total store shrink.
- Perishable departments made up 39% of total store sales and contributed 64% of total store shrink.
- Non-perishable departments made up 61% of total store sales and contributed 36% of total store shrink.

The next actionable step in reducing store shrink is a continued integration of shrink awareness programs with automated processes and disciplined implementation. Companies doing this effectively, who also prohibit their stores from any manipulation of retail, are able to significantly enhance bottom line profits and report overall shrink as low as 1.68%.

Where's the Shrink by Department?

The individual store departments where shrink occurred in the perishable departments were meat, produce, deli, seafood, floral and bakery. The individual store departments where shrink occurred in the non-perishable departments were grocery, general merchandise, HBA, beer/wine/liquor, frozen foods, pharmacy, and dairy. In previous years, general merchandise and pharmacy were not tracked; therefore year-to-year comparisons cannot be made in these categories. Any company reporting sales outside of the individual store departments noted above were grouped into other (e.g. video.)

Survey Responses

Stores	% of Respondents	Shrink
Less than 100 stores	20%	2.83%
100 – 199 stores	43%	2.84%
200 – 999 stores	27%	2.66%
1,000+ stores	10%	2.79%
Total	100%	2.78%

This year's survey is based on responses from 30 companies representing 10,744 stores. Responding companies ranged from mid-size independent owner/operators to tier-one national supermarket chains. The 30 companies responding to this year's survey had an average of 348 stores and reported average annual store sales of \$21,996,016.

While perishable department sales only made up 39% of the total store sales in the average supermarket in 2005, the perishable departments contributed 64%, or \$252,278, of total store shrink (figure 5 and 6.) These results continue a six-year trend where the majority of all store shrink was reported to be contributed by the perishable departments.

While non-perishable department sales made up 61% of the total store sales in the average supermarket in 2005, the non-perishable departments contributed 36%, or \$200,882 toward total store shrink (figure 5 and 6.) The grocery department contributed 24% of all store shrink dollars in 2005, just surpassing the meat department at 21%.

Figure 6
Perishable vs Non-Perishable Sales

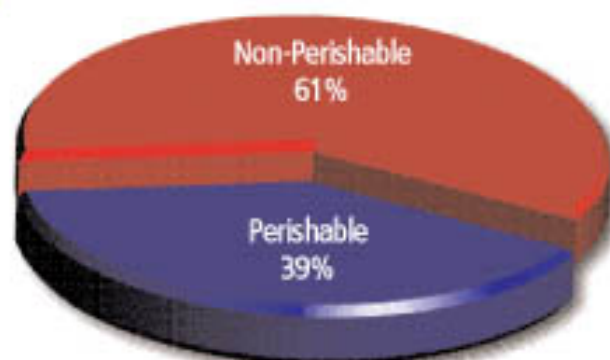
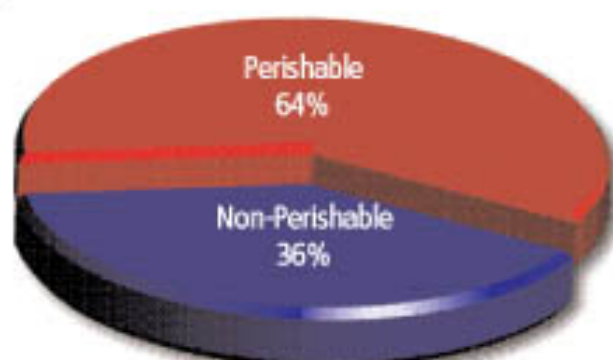


Figure 5
Perishable vs Non-Perishable Shrink



Historically, most years show the meat department contributing the largest dollar amount of shrink, although last two surveys reported grocery shrink surpassing meat shrink. This year, the meat department regained the top position with the highest average reported shrink dollars (\$141,536). Meat shrink represented over 23% of all shrink dollars for the average supermarket in 2005. Grocery shrink contributed the second-largest dollar amount of shrink at \$120,935 for the average store, and almost 20% of all shrink dollars in 2005.

2005 Annual Sales		\$21,996,016			
Department	Sales %	Sales \$	Depart Shrink %	Depart Shrink \$	Shrink Contribution
Grocery	41.03%	\$ 9,024,965	1.34%	\$ 120,935	19.85%
General Merch	5.53%	\$ 1,216,380	3.45%	\$ 41,965	6.89%
Dairy	6.52%	\$ 1,434,140	0.82%	\$ 13,194	2.17%
Frozen Food	3.62%	\$ 796,256	0.85%	\$ 6,768	1.11%
HBA	3.68%	\$ 809,453	3.85%	\$ 31,164	5.12%
Beer / Wine / Liquor	2.76%	\$ 607,090	1.36%	\$ 8,256	1.36%
Other	1.74%	\$ 382,731	2.45%	\$ 9,377	1.54%
Prescriptions	2.20%	\$ 483,912	-0.45%	\$ (2,178)	-0.36%
Non-Perishable	67.08%	\$ 14,754,927	1.56%	\$ 229,482	37.67%
Meat	13.24%	\$ 2,912,272	4.86%	\$ 141,536	23.23%
Seafood	1.14%	\$ 250,755	4.92%	\$ 12,337	2.03%
Produce	9.05%	\$ 1,990,639	5.02%	\$ 99,930	16.40%
Floral	1.13%	\$ 248,555	6.24%	\$ 15,510	2.55%
Deli	5.73%	\$ 1,260,372	5.98%	\$ 75,370	12.37%
Bakery	2.63%	\$ 578,495	6.05%	\$ 34,999	5.75%
Perishable	32.92%	\$ 7,241,088	5.24%	\$ 379,683	62.33%
TOTALS	100.00%	\$ 21,996,016	2.77%	\$ 609,164	100.00%