

## ***2<sup>nd</sup> Shrinkage Survey – Alto Chile and Santiago's Chamber of Commerce***

### ***Executive Summary***

Losses in the retail of Chile increased to 1.42%, equivalent to an annual loss of US \$ 286 million

- The decrease or loss comes largely from internal theft, representing 47% of shrinkage. They are followed by theft or external theft with 30%.
- The physical store or point of sale to the final consumer is the area where most losses occur in 44% of the total.

The Chamber of Commerce of Santiago (CCS), in conjunction with the company ALTO Chile, commissioned ESE Business School of the University of the Andes for the second consecutive year an inquiry into the retail industry in Chile, which revealed that the operating loss amount is approximately US \$ 286 million, corresponding to 1.42% of total sales and representing an increase of 12% of the total amount of loss compared with the same 2014 study sample.

The Second Study of Operating Losses of Retail in Chile was conducted between June and September 2015 and involved more than 85% of the retail chains, which have revenues for US \$ 18,450 million, and operate approximately 3,000 stores throughout the country.

Regarding the origin of the shrinkage, the research shows that 75% of the total corresponds to unknown causes, that is, those that can not be attributed to a specific cause, while the remaining 25% are known causes, ie, one to which he can identify its origin and valorize at cost.

As for unknown losses, they come in 47% of internal theft, followed by external theft with 30%, administrative mistakes 17% and of suppliers errors 6%. Additionally, respondents revealed that the physical place where losses occur more often is the store with a 44%, followed by the stores warehouse (or cellar depending of the retail chain) with a 24%, where goods are received with 14 %, distribution centers with a 11% and during transport with a 7%.

The study incorporates the view of managers and loss prevention Directors in key issues, such as measures being taken to lower shrinkage, issues of concern and actions to be implemented in the future. Furthermore, the report is supplemented with information from a proprietary database of Alto Chile containing more than 360,000 cases of Shoplifting, just in Chile for the last 10 years.