

# Shrinkage & Risk Analysis: The Full Story

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## Report Highlights

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Here is the simple truth about our money. We are losing it, and we can stop it.

**The Main Problem:** We lose over **\$1,000 every day** because of three simple things:

- **Shrinkage:** Items missing or used, but not paid for.
- **Waste:** We buy food that rots.
- **Lost Sales:** We run out of milk by lunch.

### The "Loss" Story:

- **The Fact:** A few people (like **Rony Perez**) are linked to ~\$90/day in missing items.
- **The Cause:** They think "nobody counts the stock," so mistakes happen.
- **The Danger:** 269 other staff are watching. If they start being careless too, we will lose an extra **\$454,970**.
- **The Fix:** Check Rony's stock every day. He will stop making mistakes.

### The "Waste" Story:

- **The Mistake:** Westin trashes 10 cartons of milk daily. Bldg80 has none.
- **The Fix:** Don't buy more. Just move the extra milk from Westin to Bldg80.

**The Result:** These two fixes will save us nearly **\$500,000** this year.

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## Part 1: The Bucket Problem

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Think of our business as a bucket of water. We pour water (sales) in the top. But the bucket has holes. Money is leaking out.

We found two big holes: 1. **Missing Items:** Food is eaten or taken without a record. 2. **Rotting Food:** We buy too much food that nobody eats.

**Total Loss:** Over **\$1,000 every single day**.

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## Part 1.5: The Root Causes

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It comes down to three simple things:

## Money Loss:

- **Items Missing:** Taken without being paid for.
- **Spoilage:** Buying food that expires before we can sell it.

## Ordering Mistakes:

- **Overstock:** Buying more than we can sell (leads to waste).
- **Understock:** Running out of popular items (leads to angry customers).
- **Wrong Mix:** Ordering the same for every store, even though Westin is busy and Brandt is quiet.

## Process Gaps:

- **Bad Rotation:** Putting new stock in front of old stock. The old stock rots in the back.
  - **No Sharing:** One store has too much milk, another has none. We don't move it.
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## Part 2: The "Missing Items" Story

Where is the stock going? We looked at the data.

### The "Rony Perez" Example

One employee, **Rony Perez**, works at Westin. \* **What we see:** When Rony works, items worth **\$90** go missing every day. \* **Why?** It is likely a mistake. He thinks no one checks the stock, so he is not careful. \* **The Cost:** This one issue costs us **\$11,465+**.

Staff to Watch	Risk	The Cost	The Lesson
Rony Perez	HIGH	\$11,465+	If we don't check, stock goes missing.
Elmer Mancia	HIGH	\$3,254	We know exactly where to look.
Edward Smedley	HIGH	\$3,023	We can fix this easily.

## Part 3: The Hidden Danger

This is the big risk. Most staff currently have very small losses (~\$100). We ignore them.

### Careful staff become Careless staff

1. The "Careful" staff watch **Rony**.
2. They see Rony has \$90/day in missing stock.
3. They see that **nothing happens to Rony**.
4. They think: "*I don't need to be careful either.*"

### The Cost of being Careless

If everyone stops being careful, the cost explodes.

- **High Risk Group:** They have already reached the limit. The cost cannot go higher.
- **Medium Group (111 people):** If they become as careless as Rony, they lose **\$943 more** each.
  - *Math:* 111 people x \$943 = **\$104,654** loss.
- **Low Risk Group (269 people):** If they become careless, they lose **\$1,302 more** each.
  - *Math:* 269 people x \$1,302 = **\$350,316** loss.

**Total Future Risk: \$454,970.** We must act now.

Group	Count	Current Loss	Max Risk	Added Cost
High Risk	68	~\$1,402	~\$1,402	\$0
Medium Risk	111	~\$459	~\$1,402	+\$104,654
Low Risk	269	~\$100	~\$1,402	+\$350,316
<b>TOTAL</b>	<b>448</b>	<b>~\$387</b>	-	<b>+\$454,970</b>

## Part 4: Waste Problem (Reality)

We are losing about **\$605/day** to food waste (spoilage) across Westin, Bldg80, and Brandt.

**Root cause:** Westin over-stocks, while other sites either run short or quietly let stock expire.

**8-week Transaction List** shows that at Westin each "problem SKU" actually sells about 1-1.4 units per day, not 5-10.

#### **Example daily averages at Westin (8-week data):**

- **Milk Shamrock Lowfat 7oz (PC10997):** 1.36/day
- **Lunchables Turkey & Cheddar (PC10762):** 1.16/day
- **Schweppes Ginger Ale 20oz (AVR00149):** 1.14/day
- **Mountain Diet Dew 20oz (AVR09658):** 1.03/day
- **Fairlife & Muscle Milks (AVR18526, AVR27451, AVR27452):** 1.05-1.12/day
- **FR SLB turkey sandwiches (AVR26220/225/226):** 1.0-1.03/day

Today, these often sit in coolers in larger quantities "by habit", which is why they show up in spoilage logs.

#### **Data-Driven Par Levels (Westin)**

From these averages, the new Westin par sheet is:

Product Code	Product Desc	Avg units/day	New Par (units in cooler)
PC10997	Milk Shamrock Lowfat 7oz	1.36	2
PC10762	Lunchables Turkey & Cheddar	1.16	2
AVR00149	Schweppes Ginger Ale 20oz	1.14	2
AVR09658	Mountain Diet Dew 20oz	1.03	2
AVR18526	Fairlife Chocolate Milk 14oz	1.07	2
AVR27451	Muscle Milk Chocolate 14oz	1.12	2

AVR27452	Muscle Milk Vanilla 14oz	1.05	2
AVR26226	FR SLB Triangle Turkey Wheat	1.03	2
AVR26225	FR SLB Sub Turkey & Cheese	1.00	2
AVR26220	FR SLB Multigrain Turkey & Bacon Club	1.00	2

#### Rule for Westin manager (laminated sheet):

"For these 10 SKUs, keep 2 in the cooler. If you see more than 2, do not load more; move extras to another site or leave in back stock."

This matches real sales and immediately cuts over-stocking.

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## Part 5: Site Action Plan (Aligned with PDF)

### Westin Long Beach (high traffic)

- **Use the par sheet above:** (2 units each for key milk/turkey/ginger/dew SKUs).
- **Rotation:** move oldest milk, Ginger Ale, Diet Dew, and yogurt/protein milks from back - front daily so the 2 on display are always the oldest stock.
- **Result:** Westin stops wasting slow-moving units that used to sit in back coolers and hit expiry.

### Bldg80 (excess turkey, milk shortages)

- **Turkey:** When on-hand is well above its own average, send up to 50 units to Westin in the morning (as in your example), instead of letting them expire.
- **Milk:** Receive Westin's extra units when Westin is above par; Bldg80 sells them instead of buying new.
- **Yogurt/drinks:** Use the same 8-week logic to set Bldg80's own pars and take Westin's extras when needed.

### Brandt Russell Guthrie (quiet site, weekend rot)

- **Milk:** Order less (for example, 12/day in your PDF example) and enforce rotation so weekend stock does not rot.

- **Yogurt:** Order around 18 Mon-Fri if that matches its 8-week average; do not load more.
  - **Turkey:** Receive limited units (e.g., 20) from Bldg80 only when Brandt's forecast justifies it.
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## Part 6: Money Impact (same as PDF, now with backing)

- **Rotting Food:** Moving excess milk/turkey from quiet/over-stocked sites to busy sites and cutting pars to match real demand can save about **\$220,000/year**.
- **Empty Shelves:** Filling gaps with that same excess stock (instead of ordering wrong items) can unlock about **\$160,000/year** in sales.
- **Missing Stock (shrinkage):** Daily audits of HIGH-risk operators reduce another **~\$175,000/year**.

**Total potential impact remains ~\$500,000/year saved**, but now your Transaction List tables show exactly which SKUs at Westin justify pars of 2 instead of big piles in the cooler.