

Product Bulletin

StoreNext Connected ShrinkTrax[®]

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StoreNext Retail Technologies is pleased to provide ShrinkTrax as a subscription product under the StoreNext Connected Services application suite. With 22,000 stores installed, Trax is clearly the industry leader in loss-prevention and the launch of Connected ShrinkTrax from StoreNext brings new Connected Services value to all independents, including single-store operators.

This bulletin describes the Connected ShrinkTrax program, features and capabilities together with commercial and implementation details. Make sure you see the *Trax Software Legacy Customer Program* detailed on Page 9 of this Bulletin. Trax is actually converting some legacy customers to StoreNext Connected ShrinkTrax and turning those customers over to the Dealer for implementation with no selling responsibilities for the Dealer!



For information regarding Connected Services in general, see StoreNext Connected Services [Marketing Bulletin 1185](#).

ShrinkTrax Overview

It's great when your store managers catch a "bad guy" but it's even better if those managers can keep the employees honest instead. This is why ShrinkTrax is called a "loss-prevention" application and not a "thief-apprehension" tool.

Trax has made it their business to understand the true nature of employee behavior at stores, and has developed an outstanding set of tools and processes that really work, keeping the staff and actually preventing good workers from going bad.

A typical tragic pattern leading the checker to the dark side happens when they make an honest mistake, or end up testing the system in some other way — for example, shoppers leaving \$1.00 for the Sunday paper and leaving the store without a receipt instead of interrupting a busy checkout lane. When the checkers discover that they can simply pocket the money, it launches a predictable series of actions where the employee tests again, enhances the plan, steals more and more until the worker is truly hooked. Some get away with it for a long time, others get busted and end up being a turnover statistic as well as a criminal one.

But ShrinkTrax jumps in at the early stages, finds the issue and is able to turn the employee back to honesty at checkout, (either that, or the employee decides that fraud is where they want to be, and they quit before they can do real damage — it's obviously too risky at a ShrinkTrax store.)

And restitution? Maybe you'll get the industry average of 3.17% — not exactly an exciting prospect. On the other hand, true prevention:

- Minimizes loss
- Reduces Investigation Overhead
- Reduces Turnover
- Creates Positive Work Environment
- Increases Cashier Effectiveness

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- Improves Customer Service
- Improves the bottom line
- Causes Focus on excellence and service

StoreNext offers two subscription packages for ShrinkTrax.

- The “Store-Level” version offers the features and capabilities listed below.
- The “Enterprise” version includes all these capabilities too, but also provides combined multi-store reporting and ShrinkTrax’s advanced DM² data mining

SHRINKTRAX STORE-LEVEL CAPABILITIES

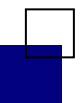
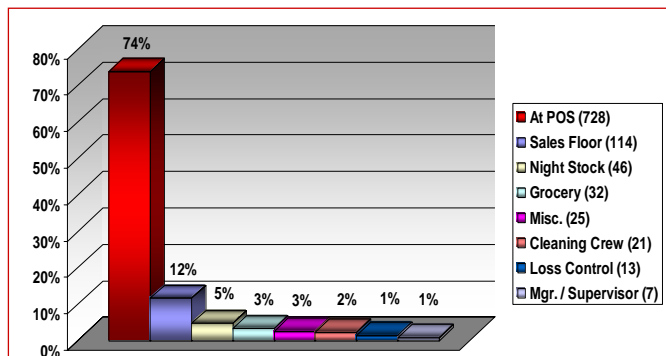
The fact is that you can’t “arrest” your way to lower shrink. You have to prevent it before it happens, and the best way to prevent it is for your employees to know that the systems in your store are smart enough to figure out what they’re doing. The cold fact is that an employee *cannot* steal from a store without negatively affecting at least three of the nine most shrink-sensitive categories. ShrinkTrax knows what these are, and ShrinkTrax is smart enough to give managers the information they need about it *in plain English*.

ShrinkTrax has proved itself again and again to accomplish this task, with dramatic returns to the grocers. And, despite what you might think, employee morale at “tight ship” stores actually increases since *esprit de corps* is able to build when other employees aren’t ripping off the store. ShrinkTrax:

- Is designed to significantly improve store profitability by preventing cashier-caused shrink associated with theft, fraud and errors.
- Weeds-out poor or suspect performers, and teach managers to run measurably smarter and more efficient check-out operations.
- Is the only preemptive loss-prevention solution that is guaranteed to prevent cashier-related shrink — *before* it happens.
- Uses intelligent data mining technology analyzes data points throughout the store.
- Provides exclusive narrative action plans provide store managers with intuitive analyses of their most shrink-sensitive areas and employee productivity opportunities, as well as suggestions for corrective action, all in easily understood plain-English text.
- Targets specific transactions for fraud, deception and inefficiency, while identifying cashiers whose patterns and trends suggest suspicious or problematic behavior. Exclusive narrative reports identify shrink, pinpoint customer service problems and provide specific corrective action plans for retraining to achieve recognizable improvement.

The way that ShrinkTrax accomplishes all this is by examining interrelated Key Performance Indicators (“KPIs”) targeting problematic cashiers. ShrinkTrax is able to automatically learn each store’s unique statistical characteristics, then monitor daily, weekly, 6- and 12-week trends by cashier, store or groupings of stores.

Why focus on cashiers? The data at right speaks pretty clearly for itself — with 74% of all store shrink occurring at the cash register, it’s the obvious place to focus loss-prevention operations.



But the sophistication doesn't stop there: rather than reams of unfathomable tables, ShrinkTrax instead arms and guides store managers with *actionable* information, using plain-English descriptions of shrink-related activity that's graphical, simple to comprehend and quick to act upon. Problem areas are pointed out, complete with the best-practice corrective action to eliminate shrink and other store inefficiencies. ShrinkTrax reports include:

- *Narrative Summary Report* — automatically selects the targeted cashiers to meet with for the week. It spells out (in plain English) the serious trends of these cashiers and possible causes for these trends.
- *Weekly ShrinkTrax Report* — cashiers are compared to the weekly store averages, as well as providing the six-week trends for the cashiers.
- *Weekly Transaction Report* — similar to the “Weekly ShrinkTrax Report” in nature, it illustrates 8 additional measurement categories for cashiers.
- *One-Week Ranking Report* — lists cashiers in order by performance across several categories. This report should be posted on for all employees, highlighting and recognizing the “Star Performers”.

Further, managers are able to drill-down to item level, provide enterprise summaries, use lane accountability for till reconciliation and even integrate with CCTV systems.

The net result is ShrinkTrax reduces shrink in a store by 10-38%, improves cashier productivity and accuracy 7-11% and increases store profits in just 12-16 weeks. Managers will work smarter, cashiers will stop dishonest behaviors, and your customers' stores will achieve a new culture of shrink awareness and accountability.

And it's not all about honesty — ShrinkTrax also finds inefficiencies that rob stores of productivity and high shopper service. For the independent grocer, these are especially important, and single-store operators to regional chains will discover that a ShrinkTrax program will:

- Increase checkout efficiency and enhance the customer shopping experience
- Improve customer service
- Increase productivity
- Increase cashier sales per customer and sales per hour
- Decrease turnover — building and retaining a team of motivated, honest, productive performers.

Trax software has long guaranteed a complete return of grocers' investment in only 12-16 weeks(!) But with Connected Services ShrinkTrax, the stores do even better since there is no large up-front investment they need to recover. Instead, savings overwhelm StoreNext's subscription charges starting on day one!

SHRINKTRAX ENTERPRISE CAPABILITIES

The “*Enterprise Version*” includes all the store-level capabilities described above and adds combined enterprise/multi-store reporting and ShrinkTrax's advanced DM² data mining.

DM² removes the guesswork from traditional exception reporting. DM²'s analytics apply more than 1,600 exclusive “expert rules” that statistically pinpoint otherwise undetectable losses and aberrations from your sales data — then drills down to the actual receipts! Store managers get point-and-click open query analysis — anytime and anywhere — for immediate, targeted, and effective actions to protect their profits and shopper service.

The basic premise of DM² is to begin at the most broad level of data, and then drill down to the actual transaction itself to find the information you are looking for. DM² provides several

“starting points” from which you may drill down, but everything eventually drills down to the actual store receipt, complete with all of the item-level detail. Along the way, DM² will provide several different views that will allow you to find the most valuable and relevant information for your specific search. From the three personalized “desktops” to the more granular query builders, you will be able to quickly find the types of cashier activity you are looking for.

DM² provides:

- Smart technology — intelligent analytics automatically gauges multiple interrelated the Key Performance Indicators in the store to quickly unearth data abnormalities that users would otherwise not know to look for.
- Point-and-click query design — generates an infinite array of custom queries, complete with flexible rules and targeting triggers to search through historical data.
- Data mining accuracy — factor in the unique characteristics and selling mix of every store – and automatically adjust search criteria for unequaled data mining accuracy.
- Labor savings and productivity — eliminates wasted time building complex queries and chasing dead-end opportunities. DM² tells you who, what, when and where your most problematic issues exist.
- Profitability control — from reduced shrink and more productive case management to increased sales and lower employee turnover, build better enterprise profitability.

ShrinkTrax ROI

The ROI factors from the implementation of ShrinkTrax are as dramatic as one will ever see in the grocery business. The primary factors include reducing shrink, increasing cashier productivity, decreasing cashier turnover and improving customer services. It is clear that all of these are particularly critical to the independent and smaller-chain grocers for which StoreNext Connected Services is the target market:

REDUCE STORE SHRINK:

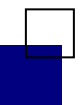
- Stop cashier theft, fraud and errors.
- Dramatically improve shrink prevention awareness.
- Establish clear shrink reduction goals and action plans.
- Learn to coach cashiers to improved performance.

Reduces store shrink 10-38% in less than 16 weeks.

INCREASE CASHIER PRODUCTIVITY

- Set goals, improve scanning skills and gain efficiency.
- Specialized Performance Scorecards guide managers.
- Proactively create “positive” peer competition.
- Recognize and reward “top performers”.

Increase cashier productivity 7-11% in less than 16 weeks.



DECREASE CASHIER TURNOVER

- Hire honest cashiers and weed-out the dishonest.
- Promote a “team” environment.
- Help cashiers to succeed with positive feedback
- Special feedback system shows cashiers where they stand every week.

Decrease cashier turnover
20-35% in less than 16 weeks.

IMPROVE CUSTOMER SERVICE

- Improve scanning accuracy in customers orders
- Speed-up checkout efficiency
- Increased customer confidence & loyalty

Increases store sales .2 - .4%

Additional ROI models may be developed by StoreNext and Trax in the future to further assist your sales campaigns.

Sales Campaign Support

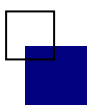
StoreNext will provide the following items for the Dealer to assist in your sales program:

- *ShrinkTrax Sales Presentation* (PowerPoint) — this presentation describes the advantages and functions of ShrinkTrax and how the grocer can benefit. This will be available from the StoreNext Dealer support Web site on both the [Presentations Page](#) or the Connected Services [All-In-One Page](#).
- *ShrinkTrax Data Sheets and Flyers* — a new ShrinkTrax data sheet brochure from provides a quick overview of Connected Services ShrinkTrax in soft Acrobat (.PDF) format that the Dealer prints locally on a color printer to match the general Connected Services brochure. See either the [Brochures Page](#) or the Connected Services [All-In-One Page](#).
- *This Marketing Bulletin* — maintained on the StoreNext Dealer support Web site on the [Reference Bulletin](#) page and the Connected Services [All-In-One Page](#).
- *ShrinkTrax Update Bulletins* — maintained on the StoreNext [Updates](#) Web page and the Connected Services [All-In-One Page](#).

Support

The Connected Services communications agent (the same agent is used for ShrinkTrax as for other Connected Services applications) is provided at no charge to StoreNext Dealers who have qualified by completing the Connected Services orientation and start-up session. Updates are automatically provided to all qualified Dealers in good standing.

Levels 1 and 2 support for user installations will be provided by the Dealer.



StoreNext will provide Dealers with Levels 3 and 4 technical support for Connected ShrinkTrax via StoreNext's Support Services 800 number. This service is offered at no charge (outside of abuse calls) for StoreNext Connected Services Dealers in good standing.

ShrinkTrax Training

A combination of classroom, remote, e-learning, computer-based training and on-site ShrinkTrax coursework is available.

Training session will be provided by Trax Retail Solutions certified trainers, normally conducted remotely using web based tools. There are several training packages, including an option for customers to opt for on-site training at an additional cost (see training package 'D' below)

Package 'A' — is mandatory with subscription of either of the Connected ShrinkTrax packages. This training package is priced at \$1,100 and includes:

- A one-hour Executive Overview web based session owners and or CEOs.
- Two sessions of Store Manager training (2½ hours in duration delivered via the Web).
- Training follow-up will be provided for a period of 8 weeks via remote Trax trainers.

Package 'C' — consists of DM² data mining Training (for customers choosing package B). This is a 2-hour web session priced at \$1,100.

Package 'D' — is onsite training. Executive overview, store manager training, and district manager training and DM² data mining can be delivered by Trax Retail Solutions upon request at a cost of \$2,000 per session plus expenses.

Implementation Services

StoreNext provides a set of professional services upon which Dealers and users can draw in order to quickly convert, implement and train on Connected ShrinkTrax.

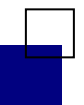
To simplify these professional services offerings, they have been packaged with a specific set of tasks designed to provide predictability and the security of a positive kickoff.

Initial Setup — a one-time-per-company setup charge applies to enable ShrinkTrax to accept and comprehend store data. Setup of a new customer with Connected ShrinkTrax involves a few steps that are similar to any Connected Services Installation, along with some specific setup and configuration that pertains to the subscribed ShrinkTrax applications. StoreNext and Trax implementation teams will work with the dealer and grocer to properly set up and configure the systems. This initial setup is required for any company implementing ShrinkTrax, including one-store operators.

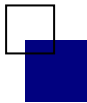
Some of the steps required for implementing new customers include:

- Install CS communications agent at stores. In the event that the store is already connected to CS, a configuration change may be required in the communications agent.
- Conduct an operational survey with the customer
- Set up customer environment on the CS servers, based in input from the survey.
- Collect sample data (test transactions) from customer
- Configure ShrinkTrax applications according to customer's data/settings

Consulting — Trax Retail Solutions also provides data investigation services for customers that would wish to use the expertise of the Trax professional services department in analyzing their



data and providing specific case content for investigation. These services will be quoted separately for customers.



Pricing and Configuration

Connected ShrinkTrax Pricing

StoreNext currently offers the following Connected ShrinkTrax applications:

| PIN | Item | Weekly Subscription per Store |
|------------------|---|--------------------------------------|
| SCSTS | StoreNext Connected ShrinkTrax — Store-Level Package. | \$ 35 |
| Withdrawn | | |
| SCSTE | StoreNext Connected ShrinkTrax — Enterprise Package, includes SCSTS plus multi-store reporting and the DM ² data mining tools. | \$ 40 |

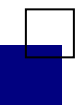
There are no standard discounts available on Connected Services products. StoreNext may offer promotions on specific Connected Service items from time to time, and will entertain negotiated proposals from larger chains.

The first store in a chain rollout will start the clock on StoreNext's 60-day money-back guarantee. Automatic subscription billing will commence upon agreement. Subscriptions are charged on a weekly basis and may be collected on a monthly or quarterly basis depending on the billing mechanism.

Connected ShrinkTrax Implementation Pricing

| PIN | Item | Service Price |
|------------|--|----------------------|
| SCSVSTS | ShrinkTrax initial system setup — one time charge per chain. See Page 6 for details. | \$ 500 |

Discounts are not available on services items. Additional Connected Services Professional Services are available on a daily rate basis.



Connected ShrinkTrax Training Pricing

| PIN | Item | Service Price |
|------------------------------|---|---------------|
| SCSVSTTA | ShrinkTrax Package 'A' application training, required for all ShrinkTrax implementations — see Page 6 for details | \$ 1,100 |
| SCSVSTTB <i>Withdrawn</i> | ShrinkTrax Package 'B' District Manager training, required for all ShrinkTrax implementations— see Page 6 for details | 1,100 |
| SCSVSTTC | ShrinkTrax Package 'C' DM ² Data mining training — see Page 6 for details | 1,100 |
| SCSVSTTD | ShrinkTrax Package 'D' On-site training — see Page 6 for details | 2,000 |

Discounts are not available on services items. Additional Connected Services Professional Services are available on a daily rate basis.

Connected ShrinkTrax Revenue Sharing

Dealers will receive 35% of all Connected ShrinkTrax revenues for stores sold by the Dealer under normal circumstances.¹ Payments to Dealers will be made quarterly based upon collected subscriptions.

In normal circumstances, Dealers have no responsibility for collecting Connected Services subscription charges from the user. Collections will be done by automated account transfer or by the wholesaler — the Dealer's share of the revenue will be the same 35% in either case.

If a Dealer and StoreNext terminate their relationship for new sites, the Dealer will continue to receive their share of the revenues from Connected Services sites the Dealer installed for three years. After three years, StoreNext may assign the revenues to the currently authorized Dealer for the affected territory.

It is possible that future wholesaler arrangements may include significant additional sales value-add that could increase the wholesaler share of the revenues.

Connected ShrinkTrax Legacy Customer Program

Trax has successfully sold its older site-by-site “legacy” ShrinkTrax product to many grocers across the country over the past few years.

Trax Retail Solutions will engage in a telemarketing campaign to bring these legacy customers back to updated and modern software, having them implement the Connected ShrinkTrax offering via StoreNext instead of upgrading the software in their stores.

Where TRAX undertakes the sales effort, they will be responsible for the following activities:

- Initiate customer contact and generate interest in the StoreNext Connected ShrinkTrax application
- Demonstrate the Connected version, including providing the ROI information on Connected ShrinkTrax

¹ The ShrinkTrax store arrangement for legacy ShrinkTrax stores (see Page 9) does not constitute “normal circumstances” and a different Dealer share is provided.

- Provide the customer with a proposal for StoreNext Connected ShrinkTrax
- Have customer complete all necessary paperwork (including payment forms)
- Hand over customer information to StoreNext and the StoreNext Dealer for installation

In this program, the the Dealer will have little or no selling to accomplish, and need to do little more than the task of connecting the pre-sold stores by installing the Connected Services Agent.

In such campaigns where the effort of selling the solution is handled by Trax, the Dealer's revenue share will be 17% instead of the typical 35%.

This altered percentage will *only* apply to the Connected ShrinkTrax applications — any other Connected Services offering will retain the appropriate Dealer share based on their specific circumstances.

To Your Success,



Anthony van Seveiter

