



# The Distribution Team

We wrote THE BOOK on Distribution Inventory Management

## **Securing the Vault**

**By Jason Bader**

**Managing Partner - The Distribution Team**

When I talk about the warehouse in a distribution company, I usually refer to it as a vault. This is where we keep the greatest asset - inventory. Inventory can often be mistaken for many things, such as material, boxes or crates. Isn't it really just money in a different form? In fact, most of the owner's money in a wholesale distribution company is found neatly stacked on the shelves and pallet racks of the warehouse. If we actually inventoried stacks of bills, in all of their greenback glory, do you think that we would manage our facilities a little differently?

Rather than running out to install some elaborate theft deterrent system with video cameras and flashing lights, look at the basics of the operation. I love the expression "shrinkage" in our business. It is such a nice way to express three less pleasant realities: lost it, broke it or somebody stole it. Depending on your industry, theft can play a major part in this shrinkage number. Statistically speaking, 20% of the people who work with us and for us will always steal from us. Conversely, 20% of the people who work with us and for us will never steal. And lastly, 60% of the people who work with us and for us will steal if we make it easy. Scary thought. Our job is to remove the easy temptations.

### **Change the mindset of your vault personnel.**

The first order of business is to teach the vault team the value of the items all around them. When they come to work each day, what do they see? They see boxes of stuff. They don't see that there are stacks of money all around them. In order to emphasize this point, try this exercise. Go to the bank and buy \$200 in quarters. Have some of the senior management come in over the weekend and help throw the quarters all over the warehouse. Casually observe the behavior of the warehouse personnel over the week. By Tuesday, employees will be climbing pallet racks and sweeping under them in search of a stray quarter. Those floors will never look as good. Folks who are notoriously late will suddenly show up early for work. One thing is for certain, the pop machine will be empty. At the end of the week, round everyone up and tell them about throwing the quarters around. Make observations on how great the place looks. Have a discussion about the warehouse as a vault and encourage them to talk about security. Above all, listen to their ideas. Rather than throwing around quarters every week, create a weekly incentive to keep the place looking top notch. Isn't it worth \$200 to have a clean and orderly vault?

Now that the vault team is beginning to understand the importance of their charge, give them some identity. Give them all cool looking shirts that say, "Vault Security Team" or "Asset Protection Team". This will help identify certain individuals who should not be

allowed in the vault. If you don't have a shirt, you shouldn't be there. Sales people love samples. Samples are a legitimate marketing vehicle for the outside salesperson. That is not the issue. However, items leaving the shelves without proper documentation is a real problem. "Hey Boss, I just ran a couple stacks of twenties over to Joe as a sample, I hope you don't mind". Sales people should never roam the aisles unescorted. It's just too tempting.

### **Who's roaming through your cash?**

Most companies have a fairly open door policy when it comes to the vault. A couple of groups that we need to be watched are truck drivers, customers and manufacturer reps. Never let truck drivers roam through the vault. Most of us are more than willing to point out the way back to the bathroom. "Sure, friend. Go down the row of twenties, turn left at the fifties, and take the second door on the right". Many companies like to let customers wander through the expanse of the vault. By showing the breadth of product mix, the customer will become duly impressed and buy more. This isn't a bad philosophy. Just make sure that the person has an escort to help them with their tour. "For insurance reasons, we require...". The final group is the manufacturer's sales representative. Why do they need to be in the vault? To straighten their product on the shelf? The vault team can handle this job quite well.

### **Inspect what you expect.**

One of the best ways to discourage internal theft is to make yourself visible. Take random walks through the vault during the day. Smile and greet your employees by name. If you don't know them, learn them. It is much less appealing to steal from someone you know. Every so often, hang out around the exit at quitting time. Thank everyone for working so hard to keep the company going. Watch for some strange behavior. If someone sees you at the door and does a quick about face, there is a good chance that something is leaving your facility without documentation.

### **Don't set the stage for theft.**

Thieves will commonly stage items near the door before the end of the day. Look for random items stacked near the exits. Avoid leaving open shelves near the exit. The dumpster is another great staging area. Move dumpsters away from the building. A would be thief should have to travel a good distance before putting something in the dumpster. This increases the time of visibility and will provide more of a deterrent to use this as a staging area.

Warehouse security is not a difficult process. Many of the solutions have little or no cost. It does require a change in old habits and the discipline to enforce them. Remember, 80% of the people who work with us and for us will not steal if we make it hard. Good luck.

**Jason Bader is the managing partner of The Distribution Team. The Distribution Team specializes in providing inventory management training, business operations consulting and technology utilization to the wholesale distribution industry. Jason brings over 20 years of experience working in the distribution field. He can be reached at 503-282-2333, [Jason@distributionteam.com](mailto:Jason@distributionteam.com), or at [www.thedistributionteam.com](http://www.thedistributionteam.com).**

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