



16530 Ventura Boulevard  
Suite 400  
Encino, California 91436-4551  
Voice 818.385.1500  
Fax 818.385.0567  
[www.entmerch.org](http://www.entmerch.org)

## EMA Statement on Benefit Denial Technology

EMA encourages the development and testing of benefit denial technology on optical discs in order to reduce shrink, both in the back room and on the sales floor, and to improve sales.

### Background:

Shrink of entertainment media is estimated at over \$400 million each year. In addition to these losses incurred by retailers, are the lost sales due to SKU's that remain out-of-stock - as replenishment is often based on POS sales. In addition, to control shrink, many retailers don't openly display DVDs or video games, or don't carry the category at all in their stores – impeding sales potential. Finally, supply chain costs and payroll are increased when excess titles are returned, when store labor has to deal with security packaging or cases at store level, and when package size needs to be increased to reduce shrink.

"Benefit Denial" is the concept of denying the shoplifter or internal thief the usage benefit of a stolen product. For example, the apparel industry deploys security tags that contain sealed vials of permanent dye that break if forcibly removed from a garment, rendering the item unsuitable for wear, return or resale.

One example of "benefit denial" technology is a system which allows entertainment media (DVDs and video games) to be shipped to retail stores in a "disabled" state and those discs would remain in a "disabled" state until "activated" based on a point-of-sale transaction. Such technology will not only reduce losses due to shrink, but additional benefits include:

- (a) Sales lifts by permitting the open merchandising of DVDs and games, and by reducing out-of-stocks due to shrink.
- (b) Labor and supply/equipment cost savings by not storing media in keeper cases or inside glass cases.
- (c) Savings related to the cost of returns (product can be "permanently deactivated" and destroyed at store level).
- (d) Packaging can be reduced, both in size and in security, allowing for smaller packages (possibly more eco-friendly) which would take less shelf space and cost less to ship; and packaging could be easy to open, improving the consumers' experience.