

WHITE PAPER · THRIFT-RETAIL FINANCE & OPERATIONS

What You Can't See

Measuring shrinkage in thrift retail — and what the numbers reveal when you finally look.

By [endorsing finance leader — name & title to be supplied]

Most thrift retailers estimate shrinkage at 5–6% — a figure borrowed from general retail, not counted inside their own stores. When one chapter of more than 20 stores measured it at the item level, the real number proved materially higher, and far more uneven across stores, than anyone had assumed. This is what measurement revealed — and why the highest-return control a thrift finance leader can put in place is measurement itself.

This paper sets out what item-level measurement revealed in a multi-store resale operation, why thrift retail is uniquely exposed to loss it cannot see, and why the single highest-return control available to a thrift finance leader is not a new deterrent or policy — it is measurement itself.

1 The number nobody measures

Ask a thrift operator what their shrinkage rate is and most will answer “about 5 or 6 percent.” Ask how they know, and the answer is almost always the same: it’s an industry figure. It was not counted inside their stores. It was borrowed.

That gap — between an assumed number and a measured one — is the subject of this paper, because in thrift retail the difference turns out to be large, and expensive.

Thrift retail has historically lacked the means to count at the item level. Inventory arrives donated, without manufacturer barcodes, in near-infinite variety, and is priced by hand. There has been no practical way to know what entered the floor versus what left through the register. So loss has been real but invisible — and an invisible number is, by default, an underestimated one.

2 Why thrift retail is uniquely exposed

In conventional retail, shrinkage is painful but cushioned: there is a cost of goods to absorb part of the blow. In thrift, there is no cushion.

- **Cost of goods is near zero.** Inventory is donated, so every dollar of shrinkage is a dollar of pure margin — there is no COGS to offset it. A point of shrink in thrift hits the bottom line harder, dollar for dollar, than the same point in conventional retail.
- **Volume and variety compound small losses.** A chain processing millions of low-value items a year turns pennies of per-item loss into seven-figure totals.

→ **Loss is structurally easy and rationally tolerated.** Hand-applied price tags make tag-switching trivial, and operators sensibly decline to confront low-value theft. The result is an operating culture that tolerates a level of loss it has never quantified.

The combination — pure-margin exposure, compounding volume, and a tolerated-but-uncounted loss — is what makes the unmeasured number in thrift retail so consequential.

3 What measurement revealed

A thrift chapter with more than 20 stores tagged every item at the point it was priced and reconciled what was tagged against what was sold or counted — continuously, store by store. Over twenty months of continuous measurement (September 2024 – April 2026), four findings stood out.

MEASURED RATE

7–9%

vs. the assumed 5–6%; down from a peak near 16%

STORE SPREAD

3–18%+

best store to worst across the window — a six-fold range

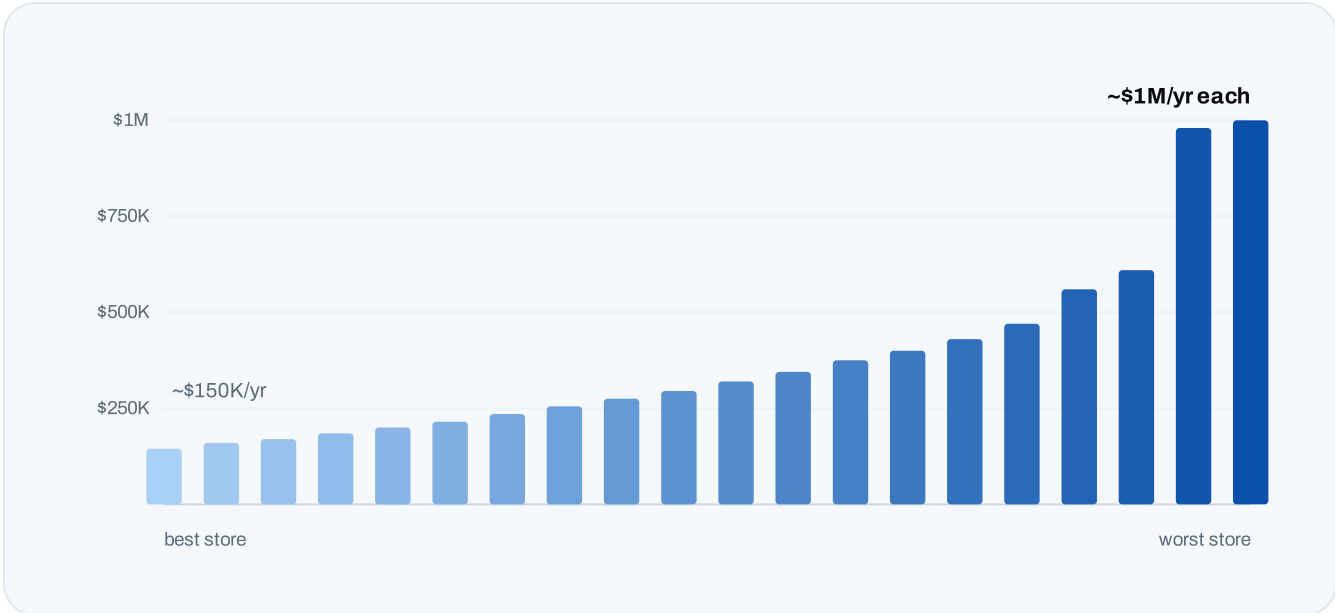
MERCHANDISE LOST

~\$10M

per year, chapter-wide; ~\$1M at the worst store

The level was higher than assumed. Chapter-wide shrinkage ran 7–9% of units handled — not the 5–6% the field assumes — and peaked above 16% in September 2024, at the start of the measured window.

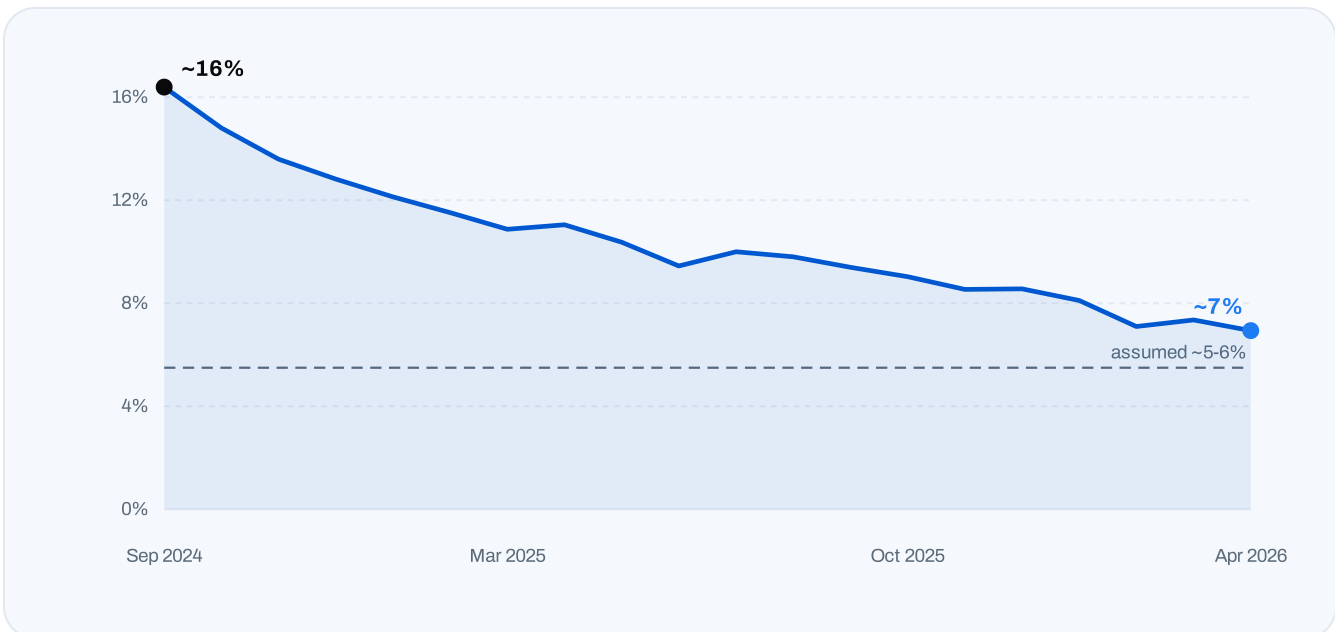
The average concealed the real problem. Store-level shrinkage ranged from under 3% at the best stores to over 18% at the worst — a six-fold spread — and the worst performers were the same locations month after month. No chapter-wide average would ever have surfaced them. The store a leader would have defended as healthy could, on the numbers, be the one bleeding most.



Store-by-store shrink in dollars — same chapter, same month (April 2026 reading, annualized). Each bar is a store (anonymized), from actual measured data. The best store loses about \$150K of merchandise a year; the two worst lose roughly \$1 million each. Percentage alone conceals the money: a mid-pack store at 5.6% and another at 8.3% lost nearly identical dollars. The worst stores were the same ones month after month.

The dollars were substantial. At the measured rate, on the order of \$10 million a year in merchandise value went unaccounted across the chapter. The single worst store alone accounted for roughly \$1 million of it.

Once visible, the number moved. With shrinkage measured continuously and broken out by store, the chapter-wide rate fell from about 16% to below 7% over the window — more than halving. Nothing about the stores changed except that the loss became something leadership could see — and therefore manage.



Measured shrink, % of units handled, September 2024–April 2026. Twenty consecutive monthly readings from the same chapter. Once loss was measured store by store, the chapter-wide rate more than halved. The dashed line is what operators typically assume.

These are measured figures, not estimates. They are what counting produced where, before, there had only been an assumption.

4 The finance lens: shrink is a control, not a security problem

How shrinkage is framed determines who owns it and whether anything gets done. Framed as theft, shrinkage becomes Operations' burden, invites fatalism, and resists action. Framed as measured margin leakage, it becomes a finance control — a line that can be quantified, budgeted against, benchmarked between stores, and driven down like any other.

The arithmetic is unusually clean in thrift because there is no COGS to muddy it. On a chapter moving \$100 million in priced goods, each measured point of shrinkage is about \$1 million of pure margin. Moving from 9% to 7% — two points — is roughly \$2 million to the bottom line, at zero incremental cost of goods. Few other interventions available to a thrift finance leader offer that return.

The risk runs the other way too: a number you do not have is a number you cannot budget, benchmark, or intervene on. Operating on an assumed 5–6% when the measured figure is 8% is not conservatism — it is a multi-million-dollar blind spot carried on the books as if it were under control.

5 Why measurement was missing — and what changed

The reason thrift retail has lived with an assumed number is not negligence; it is that item-level visibility was impractical. Donated goods carry no native identifiers, SKU variety is effectively infinite, and counting by hand at any meaningful frequency is impossible.

Item-level RFID changes the economics of counting. Each item carries its own identity from the moment it is priced; reconciliation between what was produced and what was sold becomes continuous and automatic rather than a periodic manual exercise.

The essential point is what the technology delivers first. In the case above, the chapter did not eliminate loss — it made loss measurable, and then managed it down. The hero of that story is not a deterrent. It is visibility. Deterrence is what becomes possible once you can finally see.

6 The path: measure first

Because the value is visibility, the way in is a measurement, not a chain-wide commitment. A thrift chapter can establish the real number in a single store, or over a baseline period, and let the data set the agenda.

From there the management follows naturally: address the worst stores first, watch the trend, and hold the gains. But all of it depends on the first move, which is simply to find out the real number.

7 Conclusion

You cannot manage what you cannot measure. Thrift retail has operated for decades on an assumed shrinkage figure that measurement shows to be both higher and far more uneven than the field believes. The highest-return step available to a thrift finance leader is not a new policy, a new deterrent, or a new technology project. It is to replace an assumption with a number — store by store — and then act on what the number says. Everything else follows from that.

METHODOLOGY & NOTES

- “Shrinkage” here means measured net unaccounted shrink: the gap between item-level production and pricing counts and reconciled inventory. It comprises theft, miscounts, and process loss together — not theft alone.
- Figures are drawn from an anonymized thrift retail chapter of more than 20 stores, measured continuously from September 2024 through April 2026 — twenty consecutive monthly readings. The measured panel grew over the window. Chapter-wide rates are volume-weighted: total unaccounted units divided by total units handled across all stores, not an average of store percentages.
- Monthly figures through late 2024 are measured on inventory scan cycles indexed to the report month; subsequent figures are calendar-month readings. Store-level dollar values are a single monthly reading annualized. One early-window single-store count anomaly was excluded from the spread figures. Ranges are approximate and rounded; store-level figures illustrate the measured spread rather than identifying any location.
- The decline was validated by a second, independent measurement methodology over the same window, which showed the same downward arc from a different baseline.
- The within-window decline reflects both reduced loss and improving count accuracy as the program matured, and should not be attributed to any single intervention.

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