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Photo Attached

TECHNOLOGY, ECONOMIC, ENVIRONMENTAL AND SOCIAL ISSUES CONVERGE ON THE WAYWARD SHOPPING CART AS LOSSES MOUNT

For Some, It's The Only Wheels They've Got; For Others, It's A Nuisance; For The Grocery Business, It's a \$300 Million Annual Bath In Red Ink.

IRVINE, CA, USA – June 28, 1999 – Every year, the flood control channel known as the Santa Ana River gives up more than 2,000 shopping carts taken from Southern California grocery markets.

During the rainy season, the river can be a raging torrent through Orange County from the mountains to the sea, but for most of the year it is a relatively dry concrete basin that seems to invite illegal dumping of suburban discards. While county engineers do not keep formal statistics of the different types of debris pulled from the channel at taxpayer expense, one engineer says the shopping cart haul is a minimum of six a day.

Carts in working order are collected for pickup by companies that contract with supermarket chains to scour alleys, sidewalks and vacant lots to retrieve and return carts to their rightful owners. The rest are hauled to a county dump.

Compared to nationwide losses of more than 1.6 million carts a year, the Santa Ana River is a mere trickle in a growing problem, although Southern California seems to be most vulnerable to the epidemic. One independent cart retrieval company in the region operates a fleet of trucks to pick up an average of 11,000 carts a day at a cost to owners of up to \$1 each. For lost carts not retrieved, stores write off \$60 to \$110 each.

What goes into the Santa Ana River channel is mostly out of view of Orange County residents. What really gets them worked up is abandoned carts on their neighborhood streets. From homeowners' associations to city councils to the California State Legislature, the wayward shopping cart is a hotly-debated issue. California was one of the first states to make shopping cart theft a misdemeanor and to require a statement of the law and the owner's name be displayed on each unit.

For years, many supermarket chain operators have contended they do their part by hiring companies to retrieve their carts, while maintaining a lax policy toward neighborhood shoppers who have no other way to get their groceries home. The issue becomes more intense and complex when you add social implications to economic and environmental arguments, according to Hans Jorgensen, president of Gatekeeper Systems LLC; which markets an electronic device to prevent cart pilferage.

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"It's easy to say we have a technical solution to the problem, but a comprehensive solution demands consideration for store customers who don't have a means of transportation," he said. "It has become part of the culture of Southern California for low income and elderly shoppers to wheel their carts home, and many are considerate enough to bring them back on their next shopping trip."

There is a seamy side to the problem as well. Cart "rustlers" routinely steal for a profit, earned from stripping and reselling to stores in other areas and even across the border into Mexico. But most losses are simply due to inconsiderate people who regard the cart as theirs to use and discard like a shopping bag when it is no longer useful.

Gatekeeper and other loss prevention system manufacturers have historically had very few industry allies in addressing the problem. Store owners are intuitively concerned about customer backlash, cart manufacturers sell an extra 2 million units a year, and retrieval companies exist for no other reason.

The strongest lobby for bucking the system today is coming from municipal governments and their constituents. City ordinances are increasingly designating discarded carts as a nuisance and/or a potential safety hazard. Some cities impound carts and ticket owners with a \$5 to \$45 fee for each cart. The stance of city governments, combined with escalating losses due to theft, is getting the attention of major retail chains.

"This is a classic instance of retailers getting caught between two conflicting demands for socially-responsible action," Jorgensen said. "It's environmental and safety concerns versus needs of the financially disadvantaged, and that's why the industry needs to come together to work out a larger solution."

The technical aspect of the solution is relatively easy to grasp and implement. Gatekeeper, for example, installs a patented wheel on each cart that automatically brakes and locks when it reaches a predefined invisible barrier. The barrier in this case is a cable buried in the ground that emits a low-frequency signal that activates a self-braking mechanism inside the wheel. Other manufacturers likewise focus on braking a wheel, but use more cumbersome external devices for stopping.

Gatekeeper is the original inventor of The Wheel®, which has been awarded three patents incorporating claims relating to the locking mechanism, the lock in concert with a perimeter system, and use of a very low frequency signal that is not affected by radio frequency devices. The company launched The Wheel® in 1996, but pulled back in 1998 to work on design improvements. A new version is being test marketed by major retailers in eight states this summer.

"Ideas for technology solutions have been around a long time but before 1996 store executives had seen so many wacky concepts that it was like trying to sell a perpetual motion machine," Jorgensen said. "The Wheel® turned around perceptions of technology, and most attention has been focused since on cost effectiveness and customer acceptance."

Jorgensen sees several major retailers taking their first truly objective look at loss prevention. "They are testing more than a wheel, they are studying customer and community reactions, as well as tangible savings over a period of time - typically 4 to 8 months."

The cost of a pilot Gatekeeper installation varies according to the number of carts and size of the perimeter, but a typical 200-cart store will spend \$18,000-20,000, with a full payback in the first year, according to Jorgensen. Net savings will escalate in subsequent years to about \$40,000 annually.

"That's a fairly substantial turnaround compared to a cart-related net loss of \$15,000 to \$100,000 annually per store," he continued. "A typical grocery company with \$15,000 in cart losses has to sell over \$1,000,000 worth of merchandise to recoup its loss."

Under normal circumstances, it would be an easy decision for store owners based on economics alone. But the solution keeps coming back to customer satisfaction. There are communities that provide free bus service between housing developments and shopping centers, but not enough. One small chain started its own twice-daily shuttle service after implementing cart management. A Catholic charity in Los Angeles gives shopping carts to the homeless. Jorgensen particularly likes the idea of keeping a supply of older carts as loaners to regular customers.

"I think The Wheel®, combined with consumer education, will encourage people to think more responsibly and win their approval. As for those who steal for profit, we may not change their attitude, but we can certainly put a brake on their behavior," Jorgensen says.

ABOUT GATEKEEPER SYSTEMS, LLC

Gatekeeper Systems, LLC blends cutting-edge microprocessor technology, inventive product design, and exceptional customer service to provide comprehensive front-end loss-prevention solutions to retailers around the globe. The proven success of the GS I System has established Gatekeeper Systems as the industry-leader in shopping cart containment. Founded in 1994, Gatekeeper Systems is a privately held company headquartered in Irvine, California with international offices in Hong Kong and the United Kingdom.

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