

The State of the Loss

Prevention Industry: 2008 Update

We recently completed our 20th Annual Retail Theft Survey, and for the second year in a row, both the apprehensions and recovery dollars from shoplifters and dishonest employees increased substantially. Shoplifting apprehensions and recovery dollars were up 9.16% and 7.69% respectively, while employee theft apprehensions increased an incredible 17.57%, and the dollars recovered during those apprehensions were up an amazing 12.39%. The numbers of shoplifters and dishonest employees being caught stealing by U.S. retailers continues to amaze us.

The 20th Annual Retail Theft Survey covers 24 major retail companies, representing 119,151 stores, with retail sales exceeding \$689 billion (2007), and reports thieves stole over \$6.7 billion from these retailers in 2007. It should be noted that the survey participants are large retail companies who practice true loss prevention strategies, yet they still apprehended over 700,000 shoplifters and dishonest employees in 2007, and recovered more than \$150 million from those apprehensions, an increase of 10.08% and 19.73% respectively.

Below are some of the highlights from our 20th Annual Retail Theft Survey:

Shoplifting

- In 2007, survey participants apprehended 626,314 shoplifters, a substantial increase of 9.16% from the prior year.
- For the 7th straight year, dollars recovered from shoplifting apprehensions increased. In 2007, dollar recoveries were in excess of \$83.2 million, an increase of 7.69% over 2006's recovery dollars.
- For the 11th consecutive year, dollars recovered from shoplifters where no apprehension was made (\$30,531,116) increased. In 2007, this increase was 15.09%.
- The average shoplifting case value in 2007 was \$132.91, which was a slight decrease of 1.34% from 2006's average case value (\$134.72).

Employee Theft

- One out of every 28.2 employees was apprehended for theft from their employer in 2007. (Based on comparison data of over 2.3 million employees.)
- In 2007, survey participants apprehended 82,648 dishonest employees, a significant increase of 17.57%. This was the 4th straight year of employee apprehension increases.
- Dollars recovered from dishonest employee apprehensions totaled over \$67.7 million in 2007, a substantial increase of 12.39%. This was the 4th straight year that dishonest employee recovery dollars increased.
- The average dishonest employee case value in 2007 was \$808.09, a 4.41% decrease from 2006's average case value (\$845.35).

We asked our survey participants what they thought was the cause(s) behind the increase in shoplifting apprehensions and recovery dollars in 2007 and they contributed the following to increased shoplifting activity:

- Increased organize retail crime (ORC) activity
- Economically driven; more shoplifting is taking place
- More focus and attention on key theft areas
- Better associate awareness and recognition programs
- Reduced sales floor coverage / customer service
- Improved identification technology and focus on shoplifting

We also asked our survey participants what they thought was the cause(s) behind the increase in employee theft apprehensions and recovery dollars in 2007, and they contributed the following to increased employee theft activity:

- Enhancement in detection systems (POS Exception and CCTV systems)
- Economically driven; more employee are stealing
- Better associate awareness and reward programs
- Reduced supervision of associates due to less management staff
- More focused approach on internal theft cases

With shoplifting apprehensions and recovery dollars up substantially for the 2nd year in a row, prevention is the key. Companies need to:

- Focus on customer service. Shoplifters want and need privacy to commit their thefts; good customer service takes that away from them.
- Wisely invest in physical security deterrents such as E.A.S. (Electronic Article Surveillance) systems and CCTV.
- Continue to pursue EAS source tagging of high value and highly desirable items.
- Working with retail trade associations and the Federal Government for legislation to combat organized retail crime (ORC).
- Train employees and staff in the area of shoplifting prevention as it will take a 'team-effort' approach to combat this problem.

With employee theft apprehensions and recovery dollars up for the 4th year in a row, companies should focus on the following: A thorough pre-employment screening process including, reference checks, "honesty testing", SSN trace/verification, criminal background checks and drug testing. Money spent up-front in the screening process to identify quality employees will result in savings from reduced turnover and losses.

- Using a POS exception based monitoring program to quickly identify possible fraudulent transactions at the point of sale.
- Consistent compliance to company policies and procedures. By reducing the opportunity, you reduce the chance of theft/loss.
- Invest in loss prevention training and awareness programs for all employees, and a reward program for employees who report dishonest activities.

In summary, the seriousness of retail theft is a much greater problem than many people realize. The numbers of shoplifters and dishonest employees being caught stealing by U.S. retailers continues to rise. These thefts/losses are causing higher retail prices for the consumer, hurting our economy, and forcing some stores and/or businesses to close.



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