

THE HAYES REPORT

ON LOSS PREVENTION

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In This Issue

■ Theft Continues to Plague U.S. Retailers.....Page 1

This article discusses some recent retail theft statistics; reasons for the increase in apprehensions and/or recovery dollars; and lists some actions retailers should take to reduce their vulnerability to both shoplifting and employee theft.

■ Protecting Your Brand.....Page 2

Mike Mershimer gives a real-life example of how you must be relentless in enforcing brand standards in order to build consumer trust in a brand.

■ Holiday Cargo Theft Alert....Page 3

It is that time of year again when the industry typically sees an increase in cargo thefts. This article provides a sample message that could be sent to traffic and logistic teams reminding them of the increase in trailer thefts and burglaries during the holiday season, and some action points to take to reduce their vulnerability to loss.

■ Testing For Success.....Page 3

Take this short quiz to see if your anti-shoplifting strategies for the holiday season will be effective in helping to control external theft.

■ The Bulletin Board.....Page 6

See the Bulletin Board for the true meaning of some important words we frequently hear and/or use.

Mark R. Doyle Talks - - -

2020 Holiday Season - It's Here Ready or Not!



What a year it has already been, and now the busy holiday season is upon us. What will it bring? Who the heck really knows! But I say, let's plan for more shoppers, spending more dollars, while also preparing for more shoplifters who may be looking to make up for lost time/thefts during the earlier retail shut-down. I think greeters and customer service will be key to controlling losses this holiday season, along with proper use of anti-theft technology. In addition, keep up your shrink control audits to ensure compliance to your LP Program and company P&P, which will help reduce your vulnerability to internal theft. And don't forget your seasonal hires - they are now part of the team - ensure they get proper training and guidance!

I wish you and your family a safe, healthy and enjoyable holiday season, and don't forget to follow us on the web, LinkedIn, Facebook and Twitter.

Until next year . . . \$

32nd Annual Retail Theft Survey - - -

Theft Continues to Plague U.S. Retailers

By Mark R. Doyle

Two-thirds of retailers participating in this survey reported an increase in shrink in 2019, which is reflected in their reported apprehensions and recovery dollars. Overall apprehensions increased 2.4% and recovery dollars from those apprehensions were up 4.9%. Shoplifting apprehensions and recovery dollars increased 3.0% and 3.5% respectively, with recovery dollars from shoplifting incidents without an apprehension increasing by 11% (to \$176 million) over the prior year. While employee theft apprehensions were

down 2.9%, the recovery dollars from those apprehensions increased 7.8%. Overall, retail theft continues to be a serious problem for retailers negatively impacting their bottom-line and creating more out-of-stocks and higher prices to the consumer.

Shoplifting

Survey participants noted the following as to why their Shoplifting apprehensions and recovery dollars increased or decreased in 2019:

Increased:

Continued on Page 4

Did You Know

- Mid-Year 2020 Robbery statistics include:
 - Robberies are up 4% from 2019 and up 11% from 2016
 - 51% of robbery incidents occur between 8pm and 4am.
 - Almost half of the robberies occurred in C-Store, Restaurant and Jewelry stores.
 - 87% of the suspects were male, 8% female and 5% unknown.
 - 38% of the robberies were armed, 37% unarmed and 25% burglary.
 - Monday, Sunday and Tuesday were the three most common days for robberies to occur.

D&D Daily

- According to a recent survey:
 - Total merchandise returns account for \$309 billion in lost sales for U.S. retailers.
 - The amount of fraudulent returns as a percent of total returns was 8.8% or \$27 billion.
 - Return fraud risk is increasing as annual losses (\$27 billion) were up 35% in 2019, and the return fraud percent (8.8%) was 76% higher than 2018.

Appriss Retail Consumer Returns 2019

- A recent annual retail survey reported the following:
 - Shrink is at an all-time high of 1.62% of retail sales, costing the U.S. retail industry \$61.7 billion in 2019.
 - The average dishonest employee theft case was \$1,139.32, down slightly from 2018.
 - The average shoplifting theft case was \$270.06, down significantly from 2018.

NRSS 2020

Customer Expectations - - -

Protecting Your Brand

By Michael Mersheimer

As most Ice Cream retailers will attest, product produced for store dipping cabinets come in three-gallon tubs as displayed in the image below. This makes it difficult for the consumer, looking into the dipping cabinet to determine if the store is selling the brands premium high quality product or a lower quality brand of ice cream. They trust the brand, or they do not.



Unfortunately, but as you can imagine, some franchisees or licensees of major brands will look for ways to cut corners and costs. One way we discovered is by purchasing a much less quality \$9 ice cream tub, and putting it in the dipping cabinet, replacing the brands required premium ice cream that could cost \$25 a tub or more. As my franchising mentor told me repeatedly, "We can never tolerate a franchisee misleading the consumer into thinking they are buying our premium product, and sell them something less. Ever!" So, our answer to this problem was to wrap our logo around the tubs so the consumer would recognize our premium ice cream. I thought "great, problem solved! Next?"

Months later during a market tour, I

noticed a clothes iron in a few stores, and asked a part-time employee if they were ironing their uniforms in the back room. When she stopped laughing, she explained that this franchisee instructed them to use the iron to go around the outside of the lower quality ice cream tubs she purchased to loosen the product from the walls of the tub. That way it was easier to slide the product out and into the recently emptied and cleaned premium company branded tubs! Problem obviously was NOT solved!

We were able to quickly investigate, document, audit, and quantify how much chocolate and vanilla ice cream were being purchased outside the system, costing this franchisee her three store network. Again, no misleading the consumer! Relentless enforcement of brand standards is the only thing that builds consumer trust in a brand.

Key Tip: When people entrusted with your ice cream brand buy outside the system, they typically purchase chocolate and vanilla (primary beverage flavors). Keep an eye out for drops in ordering of your key items from approved sources. \$

(Editor's Note: This article was written by Michael Mersheimer, President, Brand Standards & Compliance at IntelliShop. If you would like to learn more about sales reporting integrity and brand compliance, visit their website at: [https://www.intelli-shop.com/.](https://www.intelli-shop.com/))

Taking Precautions - - -

Holiday Cargo Theft Alert

By Mark R. Doyle

Historically cargo thefts increase - up to 40% - during the holidays and experts expect similar increases for this coming 2020 holiday season. Food items are typically one of the most stolen cargo items, but during the holiday season thieves prefer electronics, designer clothing and home goods.

As trailer thefts and burglaries increase during the holiday season we recommend companies, especially retailers, remind their logistics and traffic teams to take extra precautions to secure their buildings and trucks/trailers.

Below is a sample message:

This message is a reminder to take extra precautions during the upcoming Thanksgiving, Christmas and New Year holidays to ensure the physical security of our buildings and trucks/trailers is in place, and to protect our physical inventory against loss due to theft.

Our assets are particularly vulnerable during this time of year with reduced staffing, vacations and extended periods where the operation is closed, and no one is present on-site.

In addition, trucking companies and parcel carriers will use many 'temporary employees' during the holidays, thus increasing our exposure to people we don't know.

Some basic items to consider include:
- Advise your local security/alarm provider of your work schedule and the times when the building is not occupied.

This is also a good time to verify your call-list with the alarm company and the protocol they have on-file. Damage from fire, sprinkler systems or water

line breaks can also create significant inventory loss; therefore, make sure your monitoring company is alert and has an up-to-date call list.

- Verify the security systems in place (locks, access controls systems, CCTV, etc.) at all building entrance and exits, including dock doors, are in good working order. Double check to ensure that alarm points-of-protection are activated and functioning by conducting an "alarm test" with your alarm company.

- Ensure all trailers have 5th wheel locks/air brake locks in place, side and backdoors are padlocked, and delivery vehicles are locked and secured.

- Advise local law enforcement of your Holiday schedule and request additional patrols of your building's exterior and parking lots.

- Your location could be a target. *Do not assume you are not!*

Making sure these and other security steps are in place will help ensure a successful and safe holiday season. \$



I want to hear the story that made this sign necessary.



Testing For Success



With the 2020 holiday season fast approaching, and a likely increase in shoplifting on the horizon, take our short anti-shoplifting quiz to if your store is ready for the crowds and thieves.

1. Will seasonal hires be instructed on shoplifting prevention tips and taught what to do if they suspect a shoplifter? **Yes No**

2. Will customers be promptly greeted upon entering, and will customer service be a key component of your shoplifting prevention program? **Yes No**

3. Will high value/high theft items be displayed in limited quantities on the sales floor, or locked-up to prevent their easy theft? **Yes No**

4. Are cash safeguards being increased to further protect against robberies and cash loss? **Yes No**

5. Will your EAS system be checked daily to ensure it is operational, and tagging of required product be at a minimum 98% compliance level? **Yes No**

6. Will fitting rooms (if applicable) be locked or consistently monitored to ensure proper controls are in place? **Yes No**

If you answered "NO" to one or more of the above items, take corrective action now so you will have a more profitable holiday season! \$



Believe It or Not

Judge Orders Unusual Punishment for Shoplifter

A York County judge offers an unconventional punishment to shoplifter for stealing a Nintendo Switch. The judge stated, "You have a significantly horrible criminal history, this is your eighth offense." He stated, two years probation, with the first six months on house arrest and then the judge pulled a large sign from below his bench that read "I AM A SERIAL RETAIL THIEF. 7 PRIORS!!" As part of the sentence the shoplifter agreed to stand with the sign from 8:30am till 4:30pm twice a week for three consecutive weeks outside the York County Judicial Center.

Robber Writes Hold-Up Note on Own Gas Receipt

A man wearing a mask entered a UDF (United Dairy Farmers) store and handed the clerk a note demanding cash and stating he had a gun tucked into the waistband of his shorts. After leaving the store with an undisclosed amount of cash the police were called. Upon examining the robber's note, the police noticed it was written on the back of a gas station receipt. The receipt was time stamped an hour earlier from the gas station directly across the street. Surveillance photos provided by the gas station showed the robber at the location an hour earlier and he was not wearing a mask.

Continued from Page 1

Theft Continues to Plague U.S. Retailers

- Increased ORC activity
- Legislation increasing felony thresholds embolden thieves
- More 'hit n run' / fleeing shoplifters
- Increased focus on shoplifting
- Less staffing created more opportunities for shoplifters

Decreased:

- More focus placed on recovery, than apprehension
- Increase in LP awareness and customer service
- Less LP/AP staff due to restructuring or transition
- More prevention (ie. Public View Monitors, Greeters, etc.)
- Less attention to shoplifting and more toward systemic shrink issues

Here are a few actions retailers should take to reduce their vulnerability to Shoplifting:

Use a Greeter: Position an associate/greeter at the store entrance(s) to greet all customers and offer assistance.

Focus on good customer service and not 'tasks': Shoplifters want and need privacy; so take it away from them. When they respond, "I'm just looking", teach associates to say, "Ok great, I'll keep my eye on you in case you need any assistance".

Have associates walk the sales floor: Keep visible, and keep displays neat and organized (so missing items are easily noticed).

Have good sight lines on the sales floor: Do not block the view of high value/highly popular items, and keep these items in view of work areas.

Limit item quantity on sales floor:

Limit the number of certain items (high value, highly pilferable) placed on the sales floor. This will reduce vulnerability to large losses of these items.

Know your merchandise: Highly popular items, high value items, what's stolen most often and what's easily stolen. Study why these items are taken, evaluate their locations and packaging—make changes as needed.

Hire honest/motivated associates: Train them to prevent shoplifting (what to look for, how to respond to a possible shoplifter, etc.).

Store Location: For stores facing parking lots. Keep an eye on area outside of store for possible get-a-way car(s) setting at the curb.

Controls Fitting Rooms: Lock fitting room doors, and monitor usage (customers and pieces).

Use technology: Remember, technology (EAS, CCTV, ink/dye tags, merchandise alarms, product tie-downs, Keeper boxes, etc.) must be managed. Also ensure policies/procedures regarding technology are adhered to.

High Shoplifting Stores: Consider use of off-duty police, or guards.

Communications: Talk with other stores in your center/mall to stay current on local theft issues.

Prosecute shoplifters: Thieves know which retailers prosecute and those that do not. Prosecution can be a good deterrent.

Employee Theft

Survey participants noted the following as to why their Employee Theft apprehensions and recovery dollars increased or decreased in 2019:

Continued on Page 5

Continued from Page 4

Theft Continues to Plague U.S. Retailers

Increased:

- More focus toward associate theft
- Improved technology/analytic tools resulted in more DE cases
- Low unemployment rate in 2019, resulted in less quality hires
- Increase in merchandise credit card and loyalty card frauds
- Less associates in store created more opportunities for dishonest employees

Decreased:

- Added technology to higher risk stores to reduce exposures
- Better education and awareness programs for associates
- Decrease in LP Staff due to restructuring or transition
- Less focus on apprehensions and more on shrink creating processes
- Less associates resulted in less employee cases

Here are a few actions retailers should take to reduce their vulnerability to Internal Theft:

Pre-Employment Screening Process: The first step to controlling employee theft starts at the point-of-hire; do not hire the “bad apple”. A thorough pre-employment screening process including, reference checks, honesty testing, and criminal background checks, is most important.

POS Exception Monitoring: Use a POS exception-based monitoring program to quickly identify possible fraudulent transactions at the point of sale (ie. excessive refunds; refunds or voids before/after store hours; excessive reward credits, dummy SKU usage, price overrides, etc.).

Confidential Reporting Line & Reward Program: Establish and promote a confidential line and reward

program for associates to report acts of dishonesty, theft and abuse.

Training & Awareness: Invest in a loss prevention training and awareness programs for both new-hires and current associates.

Door Controls: Keep overhead doors closed/locked, and designated emergency exit doors alarmed to prohibit unauthorized use.

Trash Controls: Supervised the trash removal process, use clear bags, flattened all cartons, and keep dumpsters locked where possible.

Package/Bag Checks: Conduct a package/bag check whenever an associate exits the location.

POS Controls: Two associates (one a manager/supervisor when possible) should witness and verify refunds, voids, price overrides, etc.)

Sales Verifications: “Pass-outs” are an easy way to steal with friends/relatives, so conduct daily unannounced sales verifications to ensure all product sold was properly rung thru the POS register.

Opening and Closing Coverage: Where possible, at least two associates (one a key-holder) should always be present at the opening and closing of the store. This is both a security and safety issue.

Auditing for Compliance: Ensure consistent compliance to company policies and procedures by conducting unannounced loss prevention/shrink audits on a regular basis. Auditing not only helps keep awareness high, but by reducing the opportunity, you reduce the chance of theft/loss.

The full survey can be viewed and/or downloaded/printed from on our website at: <http://hayesinternational.com/news/annual-retail-theft-survey/> \$

ADVISORY BOARD



Jack L. Hayes

Internationally recognized expert on Asset Protection who has consulted for some of the finest retail companies world-wide over his 50 years in the industry. Producer of several award winning LP training programs and author of the book “Business Fraud: From Trust to Betrayal”.

David J. Cherrington

Professor of Organizational Leadership and Strategy at BYU; certified SPHR, and recognized authority on employee dishonesty and white collar crime.

Mark R. Doyle

President/Owner of Jack L. Hayes International. For over 30 years has consulted with some of the finest companies in the world assisting them in the design and implementation of programs to control inventory shrinkage and loss.

The Hayes Report is published quarterly by Jack L. Hayes International, Inc., 27520 Water Ash Drive-Suite 100, Wesley Chapel, FL 33544. Telephone (813) 991-5628

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The Bulletin Board



The True Meaning of Important Words

(The Power of Positive Thinking!!!)

If you fail, never give up because F.A.I.L. means: **“First Attempt In Learning”**

End is not the end. In fact, E.N.D. means: **“Effort Never Dies”**

If you get NO as an answer, remember N.O. means: **“Next Opportunity”**

* * * * *

Share your favorite ‘Bulletin Board’ items. Submissions for “The Bulletin Board” should be addressed to:

The Hayes Report
27520 Water Ash Drive - Suite 100
Wesley Chapel, FL 33544
or emailed to: operations@hayesinternational.com



Shoplifter Returns to the Scene of the Crime and Gets Arrested!



A woman was observed bagging merchandise, leaving the store without paying for the items, and then dropping her backpack during her get-a-way. The backpack was recovered, and the incident reported to the police. The following day, the woman returned to the store to request her backpack, and the police were called, and the woman was apprehended for shoplifting. \$