

THE HAYES REPORT

ON LOSS PREVENTION

QUARTERLY

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In This Issue

■ Store Plan-of-Action Development.....Page 1

This is the continuation of Mark Doyle's article on Developing a Store Plan-of-Action to reduce losses. In this issue he talks about the three major shrink causing factors.

■ OSHA's Top 10 Safety ViolationsPage 2

This article lists OSHA's Top 10 Safety Violations in 2022 and the top hazard(s) cited for each violation. In addition, two examples of penalties OSHA assessed in 2022 to retail operations for safety non-compliance, with each fine in excess of \$600,000.

■ Testing For Success.....Page 3

With the average dishonest employee case value surging 22.6% in 2021, take our short quiz to see if your current employee theft prevention program is effective in reducing/controlling internal theft losses.

■ Unaccounted-For Theft LossesPage 4

For every \$1 recovered from a shoplifter or dishonest employee, another \$11.67 is lost to retail theft. Therefore, only 7.9% of total retail theft losses result in a recovery.

■ The Bulletin Board.....Page 6

See the Bulletin Board for the U.S. Crime Clock and how often crimes occur in the United States.

Mark R. Doyle Talks - - -

How About Some Positive Anti-Theft News!



It seems like daily we are bombarded on the news with stories of thefts, organized retail crime, and shoplifting like never before. Well, let's not forget there have been some very positive anti-theft actions taking place too, such as: The INFORM Consumers Act; RFID technology combined with machine learning; Artificial Intelligence technology; Facial/Feature Recognition; Power tool activation technology; Self-service locking cases; Checkout-free shopping (Just Walk Out Technology); among many others. Let's stay positive, the future is bright!

We are currently in the process of gathering statistics for our 35th Annual Retail Theft Survey. Participants are never identified, data is strictly confidential and always grouped for reporting purposes. If your company would like to participate in this short one-page survey, email me at mrd@hayesinternational.com \$

Theft & Operational Issues - - -

Store's Shrinkage Control Plan-of-Action Development

By Mark R. Doyle

(Editor's Note: In the last issue of The Hayes Report Newsletter: Vol 38 No. 1) Mark discussed creating a store-specific Plan-of-Action. In this issue, he addresses specific items relating to the three major shrinkage causing factors.)

External Theft/Shoplifting

Physical Aspects:

Store design and layout can greatly affect a store's vulnerability to shoplifting. Height and location of

fixtures; placement of cashier stations; blind spots on salesfloor, etc. all impact salesfloor visibility. Remember, shoplifters want and need privacy – so take it away from them! Cameras, mirrors, relocating fixtures can help reduce blind spots. Also, the use of door chimes to signal associates when a customer enters/exits the stores can be of benefit in some low staffed stores.

Protecting high value/highly pilferable product which thieves target can help reduce losses. The placement of these

Continued on Page 3

Did You Know

- Cargo Thefts spiked 15% across the US and Canada in 2022. In addition:
 - California, Texas and Florida lead the nation in supply chain thefts.
 - Top commodity for theft was Household Goods followed by Electronics and Food/Beverage.
 - Top targeted theft locations: 1) Warehouses/Distribution Centers and 2) Parking Lots
 - Nine out of ten times a cargo theft incident occurs, its usually perpetrated by an organized crime group.

CargoNet's 2022 Data
- Top new strategies and technologies retailers plan to implement to reduce risks are:
 1. RFID Systems
 2. AI-based POS/self-checkout video analytics
 3. License plate recognition
 4. Self service locking cases or lockers

2022 National Retail Security Survey
- According to a study, nearly a third of businesses are being reckless with customer data, and 45% claim their company has faced a major data breach within the past five years due in part to the use of data in an insecure environment.

Tonic.ai
- Average Theft Case Values increased in 2021 to the tune of:
 - Total Thefts: Up 26.0%
 - Shoplifters: Up 26.6%
 - Employees: Up 22.6%

34th Annual Retail Theft Survey

2022 Statistics - - -

OSHA'S Top 10 Safety Violations

By Mark R. Doyle

When developing or updating your Safety Program, a good start would be to review OSHA's "Top 10" most frequently cited safety violations (2022s are listed below). These issues should be promptly reviewed with your team regarding how they impact your operations, and then include them in your Safety Program. Lack of compliance to OSHA regulations can result in large fines (see two examples below), so Safety Program components should be audited monthly to ensure full and ongoing compliance.

The Top 10 safety violations and the top hazard(s) cited for each:

- #1 Fall Protection - General**
Failure to provide adequate fall protection (sides & holes).
- #2 Hazard Communication**
Failure to develop/maintain written Haz Comm Program & Training; and lack of proper labeling.
- #3 Ladders**
Failure of ladder side rails; used only for designed purpose; and top of ladder not used as step.
- #4 Respiratory Protection**
Failure to evaluate need/use of respirator; lack of fit tests & proper usage; and missing written program.
- #5 Scaffolding**
Failure to provide adequate fall protection, guardrails and support.
- #6 Lockout/Tagout**
Failure to develop, train, maintain and comply with a written Energy Control Program.

#7 Powered Industrial Trucks
Failure to operate units safely; and lack of refresher training, evaluations; and daily inspections.

#8 Fall Protection - Training
Failure to provide and train employees exposed to fall hazards; and lack of training documentation.

#9 Personal Protection: Eye/Face
Failure to ensure affected employees use correct eye & face protection.

#10 Machine Guarding
Failure to provide proper machine guarding and anchoring.

The penalties OSHA assesses for failure to adhere to the above and other safe workplace practices can be significant, especially if there are repeat and willful violations. Two examples:

An auto parts seller was assessed over \$1.2 million in penalties and fines following an OSHA inspection.

Major citations:

- 26 serious, 6 willful, 1 repeat violation
- Inadequate safeguards to protect workers after machine startup
- Willful failure to develop and implement lockout/tagout and machine guarding processes

A discount retail chain was assessed over \$680,000 in penalties/fines following a complaint. Major citations:

- 4 willful and 1 repeat violation
- Unsafe walking-working surfaces
- Unstable stacks of merchandise
- Blocked or obstructed exit routes, fire extinguishers and electrical panels

Let's all make 2023 a safe year! \$

Continued from Page 1

Store Shrinkage Control Plan-of-Action Development

items on the sales floor (in highly visible areas (ie. across from cash wrap) and the protection of them (in locked showcase, tagged with RFID/EAS) will help in high shoplifter risk stores.

Human Element:

Customer service is rated by many to be the best deterrent to shoplifting. As stated earlier, shoplifters want and need privacy so take it away from them with good consistent customer service.

A dishonest cleaner/vendor when given the opportunity to exit the premise carrying any type of container capable of concealing merchandise, can commit significant theft if left unchecked. Be sure to monitor cleaners/vendors inside store and at egress.

The receiving/shipping process is an area where significant dollar losses have occurred in non-alert stores. Losses most frequently occur as result of intentional concealed shortages; a careless employee signing for product/cartons not actually received; product setting near dock area/back door and being loaded by a dishonest driver when supervision is not present; and allowing a vendor rep to process RTV merchandise without a management person verification count.

What actions/solutions can your store implement to reduce its vulnerability to external theft/shoplifting?

Internal Theft

When evaluating the effectiveness of your internal controls, it is most important that only the position (not the individual) and its related risks be analyzed.

Point of Sale: If associates are not closely monitored and their transactions regularly “spot-audited” by management, a

dishonest associate/cashier will quickly take advantage of the situation. They may under-ring items (price overrides), “pass-out” merchandise, or create fraudulent refunds or voids and pocket the money.

Door Controls/Bag Checks: Are exterior doors properly secured/alarmed to prevent an associate from passing product to the outside to a friend or for later retrieval? Are bag checks consistently completed whenever an associate exits the store?

Store to Store Transfers: If these type transfers are not closely monitored to ensure the accuracy of both incoming and outgoing product, your vulnerability to theft is greatly increased. The person who prepares the transfer should never be the same person who carries or ships the product. Two associates should always verify the outgoing and incoming product to ensure accuracy.

Offsite/Outside Storage: Storage of merchandise in an outside container/trailer or in an offsite storage unit is always high risk from an internal theft viewpoint. Theft vulnerability is increased when a single associate has the ability to move product between the store and the storage unit. Key control and second person verification of product being moved is of utmost importance.

Pre-employment Screening: The first step to reduce internal theft starts at the point-of-hire – do not hire the “bad apple”. Is there anything additional you can do to ensure you are hiring honest and quality associates?

Self-Audits: Spot-checks and audits are a great way help control internal losses and identify honest mistakes.

Continued on Page 5

Testing For Success



Hayes International’s 34th Annual Retail Theft Survey reported the average dishonest employee case value in 2021 was \$1,188.46, up 22.6% from the previous year. Take our short quiz to see if your current employee theft prevention program is effective in reducing/controlling internal theft losses.

1. The first step to controlling employee theft starts at the point-of-hire - do not hire a ‘bad-apple’! Does your company have a thorough pre-employment screening process in place to help weed-out the “bad apples”? **Yes No**

2. Does your company use an up-to-date POS Exception Based Reporting program to quickly identify possible fraudulent transactions at the POS?

Yes No

3. Are the ‘LP Basics’ (door controls, bag checks, trash removal controls, POS controls, etc.) in place and always being adhered to?

Yes No

4. Does your company have a confidential reporting line and reward program in place for associates to easily report their suspicions of theft and abuse?

Yes No

5. Are unannounced store audits completed on a regular basis to ensure ongoing compliance to company policies/procedures?

Yes No

Hopefully you were able to answer YES to each of the above questions. If not, take corrective actions now to reduce your vulnerability to employee theft. \$



Believe It or Not

Fire Used as Diversion in Retail Thefts

Three fires have been set in the past couple months in Atlanta area stores by shoplifters in order to distract attention from their thefts. Police state that shoplifters are getting bolder in their tactics, as arson is a violent crime that not only destroys property but puts people at a great risk. In addition, a CA man was charged last year with setting a store on fire to steal power tools. The blaze reportedly destroyed \$17 million in inventory and was detected by a satellite orbiting earth.

Catholic School Principal/ Nun Pleads Guilty

A California nun/elementary school principal admitted to stealing more than \$800,000 over a 10-year period to pay for a gambling habit. She pleaded guilty to one count each of wire fraud and money laundering and was ordered to pay the school back approximately \$835,000 as restitution.

Airline Catches Crew Stealing During Audit

After reporting an increase in company property losses, an airline warned their employees that random audits would be conducted. Over a weekend, six crew members were caught red-handed pocketing everything from cutlery to bottles of booze. One of the items most lifted was small containers of Haagen-Dazs ice cream, which reportedly some crew members had freezers at home packed with the product.

34th Annual Theft Survey - - -

Unaccounted-For Theft Losses

By Mark R. Doyle

The 25 large retail companies surveyed for Jack L. Hayes International's 34th Annual Retail Theft Survey, reported recovering over \$580 million from both shoplifters and dishonest employees in 2021. These companies reported 37,659 dishonest employee apprehensions and 204,404 shoplifter apprehensions resulting in \$44.7 million and \$196.5 million in recoveries respectively. In addition, these 25 surveyed retailers reported dollar recoveries of \$339 million from shoplifters where no apprehension was made.

Based on these survey statistics, for every \$1.00 recovered from a dishonest employee or shoplifter, \$11.67 was lost to retail theft. Therefore, only 7.9 percent of total retail theft losses resulted in a recovery.

Statistics were reported as follows:

1. 2021 Annual Retail Sales for the 25 companies surveyed equaled \$656.7 billion.

2. Shrinkage was calculated at 1.6% (at retail, per NRSS) which equaled = \$10.508 billion
(2021 Annual sales multiplied by the annual shrinkage percent.)

3. "Paper-Related" Shrinkage was assigned a conservative 30% of total shrinkage.

(Shrinkage of \$10.508 billion multiplied by 30% equals \$3.152 billion for "paper-related" shrinkage. Note: This figure is believed to exceed realistic "paper-related" shrinkage which we estimate to be under 25%.)

4. Shrinkage/Losses Due to Theft for the 25 surveyed companies equaled \$7.355 billion.

(Total shrinkage minus "paper-related" shrinkage, equals shrinkage/losses due to theft.)

5. Apprehension/Recovery Dollars (Shoplifters and Dishonest Employees in 2021) for surveyed participants equaled \$580.4 million.

6. Unaccounted-For Theft Losses equaled \$6.775 billion.

(Total shrinkage/losses due to theft minus apprehension/recovery dollars equals dollars in theft that were not identified/unaccounted-for.)

Jack L. Hayes International's 34th Annual Retail Theft Survey

1. 2021 Annual Retail Sales of Participants	\$ 656,770,024,164
2. Shrinkage (1.60%, NRSS)	\$ 10,508,320,387
3. Allowance for Paper Shrinkage (30%)	-\$ 3,152,496,116
4. Shrinkage/Losses Due to Theft	\$ 7,355,824,271
5. Recovery Dollars	-\$ 580,365,280 (7.9%)
6. Unaccounted-For Theft Losses	\$ 6,775,458,991 (92.1%)

Continued from Page 3

Store Shrinkage Control Plan-of-Action Development

Therefore, conduct frequent spot-checks and self-audits to ensure associates are doing what they are required to do.

Collusive Thefts: Closely monitoring activities between multiple individuals (associates & vendor/service reps; cashiers & customers), can greatly assist in preventing loss in the event of dishonesty.

What actions/solutions can your store implement to reduce its vulnerability to internal theft/losses?

Operational Issues

Inventory shrinkage can quickly occur within the “operational” area (paperwork, administrative errors, etc.) when control documents or data are inaccurate or lost; someone fails to monitor a crucial report; or even when an individual counting inventory fails to count/scan correctly, or simply miskeys a critical number. The amount of paper/operational shrink can vary greatly between companies, and/or stores within a company depending on the focus/attention given this shrink contributing area.

Price Changes:

Most price changes are automatically captured by the system and manual counts are no longer required. However, the accuracy of your on-hand system can cause inaccuracies in permanent price change dollars. On-hand counts should be regularly spot-audited and large discrepancies investigated/corrected. In-store price changes are regularly captured via the POS system, so ensure all cashiers know how to properly ring in-store POS markdowns and mark-out-of-stock items.

Receiving: The accuracy of inbounds shipments (both DC and direct from

vendor) is crucial to maintaining an accurate inventory. All direct store deliveries should be detail checked-in by store personnel (never let the service vendors conduct the count!) and spot-checked by management to ensure accuracy. Depending on your company, you may or may not be required to detail check-in receipts from your DC. However, it is a good practice to spot-check your receipts, especially high dollar items, to ensure you are not short shipped.

Outbound/Shipping: As with the receiving process, the accuracy of outbound product (RTV, damage/defective, transfers, etc.) to both the DC and direct to vendor/supplier should be detail counted by store personnel and spot-checked by management to ensure accuracy.

Physical Inventory: Shrinkage can quickly occur during the physical inventory taking process if all merchandise is not properly counted (salesfloor, stockrooms, off-site units, outside containers, etc.). In addition, mis-scanning or mis-counts of merchandise (going too fast, not paying attention, etc.) can result in shrink/loss.

There are many other ‘operational/paper/system’ issues which can also cause shrinkage at store level such as out-of-period transactions/bookings; in-transit accounts not properly reconciled; inaccurate cut-offs; duplicate payments or bookings; etc. However, when completing your Plan-of-Action just focus on those areas you can control at store level.

What actions/solutions can your store implement to reduce its vulnerability to operational/paper/system losses? \$

ADVISORY BOARD



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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.

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President/Owner of Jack L. Hayes International. For over 35 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.

Michael Mershimier

Globally recognized advisor to America’s favorite franchised, retail & food service brands. For 30 years, has advised on & designed loss prevention solutions which improve franchise sales reporting, brand compliance, and inventory shrinkage.

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Jack L. Hayes International is recognized as the foremost loss prevention/inventory shrinkage control consulting firm in the world. They offer a variety of related services and products utilized by hundreds of the finest retail, manufacturing and industrial organizations throughout the world.

Consulting Services & Products:

- ✓ Shrink Control Analyses and Assessments
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- ✓ LP Organizational Review
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- ✓ The Hayes Report on Loss Prevention Newsletter (quarterly)
- ✓ Annual Retail Theft Survey

For additional information on Jack L. Hayes International's loss prevention/shrinkage control and safety services, including consulting and outsourced LP Services, visit our website at: <http://hayesinternational.com>

You can e-mail Mark R. Doyle at: mrd@hayesinternational.com

Or visit us on Social Media

 <http://www.facebook.com/JackLHayesInternational>

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The Bulletin Board



The U.S. Crime Clock Reports:

- * Every 4.6 seconds: A property crime offense was committed.
- * Every 6.2 seconds: A larceny theft was committed.
- * Every 26.3 seconds: A violent crime was committed.
- * Every 28.3 seconds: A burglary offense was committed.
- * Every 38.5 seconds: An aggravated assault was committed.
- * Every 43.8 seconds: A motor vehicle theft occurred.
- * Every 2.0 minutes: A robbery occurred.
- * Every 32.1 minutes: A murder occurred.

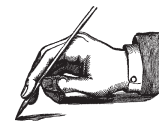
(Source: FBI Crime Clock)

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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



I'm a pro at shoplifting candy bars. How, you ask?
I got a few Twix up my sleeve.



There's a gang going through town, systematically shoplifting clothes in order of size.

Police say they are still at large.

I never thought I'd be shoplifting from a kitchen supply store.
But that's a whisk I'm willing to take