

THE HAYES REPORT

ON LOSS PREVENTION

QUARTERLY

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In This Issue

34th Annual Retail Theft Survey

.....Page 1
This is a quick summary of the 34th Annual Retail Theft Survey. Full survey statistics and some highlights can be found later in this issue.

Mystery & Integrity Shopping

.....Page 2
In this article Mike Mershimer discusses the history of Mystery & Integrity Shopping and how it can be used as a cost-effective tool in your loss prevention program.

Theft Survey Statistics.....Page 3

Results of our 34th Annual Retail Theft Survey are revealed comparing 2020 vs 2021 statistics for shoplifting and dishonest employee theft apprehensions and recovery dollars.

Testing For Success.....Page 3

Retention is the key when reading new information. Take our short quiz AFTER reading this newsletter to see if you retained any information from the articles and side columns.

Theft Survey Highlights.....Page 4

Highlights from our 34th Annual Retail Theft are reported here, separated into Total Retail Thefts, Shoplifting and Employee Theft.

The Bulletin Board.....Page 6

See the Bulletin Board for 13 inspiring traits of exceptional leaders. Do you share some or all of these traits?

Mark R. Doyle Talks - - -

Thank You Survey Participants!



This Summer newsletter reports the results of our 34th Annual Retail Theft Survey (see below and on pages 3 & 4). I would like to express my sincere THANK YOU to the 25 large retail companies who participated in this survey! Without your support this survey would not be possible. We do this annual theft survey at our own expense for the retail asset protection/loss prevention community, and we hope it helps justify budgets, minimize staff reductions and helps retail executives keep in mind the most important role their AP/LP personnel play in helping to improve overall company profits.

I hope you enjoy this issue of The Hayes Report newsletter and have a safe and enjoyable summer! \$

Dollar Recoveries Up 30.7% in 2021 - - -

34th Annual Retail Theft Survey

By Mark R. Doyle

We recently completed our 34th Annual Retail Theft Survey, and you can find the results on pages 3 & 4 of this newsletter. For additional information, and to download a complimentary copy of this survey with some thoughts behind the numbers, visit our website at:

<http://hayesinternational.com/news/annual-retail-theft-survey/>

While shoplifting apprehensions were down in 2021 (16%), this is largely due to various retailers moving away from apprehensions and focusing more on recoveries in 2021. The pandemic environment, staff safety, lower police response and higher risks were noted as some of the reasons for the change. Employee theft apprehensions were up

6% and recoveries from those apprehensions were up a staggering 30%! Survey participants noted additional focus on internal theft, enhanced investigation methods/tools and less associate supervision as some of the reason for these increases.

Overall recovery dollars in 2021 from both apprehended and non-apprehended thieves were up a staggering 30.7% to over \$580 million!

Case averages for Total Thefts, Shoplifters and Dishonest Employees were all up between 22.6% and 26.6% in 2021. They may have apprehended a few less thieves in 2021 but they were caught with much more merchandise than the previous year. \$

Did You Know

• The following six (6) fraudulent return transactions were prevalent during the past holiday season:

- Return of Stolen Merchandise
- Returns using counterfeit or stolen receipts
- Returns of used non-defective merchandise (wardrobing)
- Cross-retailer returns
- Price switching and price arbitrage
- Employee assisted fraud

Appriss Retail/NRF

• A dental firm in South Korea has sued an employee for embezzling almost \$158 million, making it the largest embezzlement case in the country's history

BusinessInsurance.com

• Some of the financial impacts of workplace violence include:

- 50% drop in productivity for the organization
- 20-40% rise in employee turnover
- \$500,000 average out-of-court settlement
- \$3 million average jury award for a lawsuit

Insider Threat Mitigation Guide

• The average Pushout Theft by region is as follows:

- West \$1,343
- Southeast \$887
- Northeast \$853
- Midwest \$772
- Southwest \$545

2020 Pushout Theft Annual Snapshot

A Loss Prevention Tool - - -

Mystery & Integrity Shopping

By Michael Mershimer

When talking about Loss Prevention tools or solutions, Mystery Shopping is not typically “in the room”. Most executives view Mystery Shopping as a market research or customer service tool only. The fact that many Loss Prevention programs do not involve a mystery shopping component is interesting, as mystery shopping had its roots in loss prevention at the inception of the industry. According to information found on the website of the Mystery Shopping Providers Association (MSPA), “...mystery shopping was a technique used by private investigators to prevent employee theft – primarily at banks and retail stores”. The term mystery shopping was coined in the 1940s and started being used as a method for evaluating customer service at this time.

“Mystery Shopping is the practice of using trained shoppers to anonymously evaluate customer service, operations, employee integrity, merchandising and product quality”. - MSPA

It seems that mystery shopping has come full circle since the 1940s, as more and more retail and restaurant organizations see the deterrent value of the practice and are including mystery shop type programs as part of their overall loss prevention strategy. There are other names for these types of covert shops, including Bar Spotting and integrity shops. Several full-service mystery shopping companies got their start through Private

Investigators conducting “Bar Spots” in restaurants and lounges. The goal of bar spotting is to identify employees at the bar over or under portioning liquor, underringing sales, comping drinks to friends and family, etc.

Integrity shopping is the retail variation of bar spotting. Retail and restaurant loss prevention departments have learned that it is more economical to send in a mystery shopper to test an employee, than to send in a field LP manager to conduct an investigation on the integrity of an employee. What do I mean by “Test” an employee? Here is an example: You suspect the GM in a store is dishonest and have heard complaints from customers or other employees that the GM was observed not ringing a transaction, or offered an item for less than the ticketed price, as long as the customer paid in cash. You have a couple options here. One inexpensive approach would be to send in a mystery shopper and offer the GM a reduced price, drop a \$20 bill and leave. This is often referred to as a “Cash Drop” Shop. Following the drop, the District Manager or some other manager can verify whether the sale was recorded in the register system. In this situation, as well as others, you are simply providing the GM the opportunity to take the right action, and ring or report the transaction, and place the money in the register. Another action would be to hand the employee a \$20 bill and explain that you just found it on the floor, and document what the employee did with the cash.

Continued on Page 5

34th ANNUAL RETAIL THEFT SURVEY

SURVEY PARTICIPANTS

- 25 Large Retailers (Dept, MM/Big-Box, Specialty Apparel, Supermarkets)
- 22,751 Stores (representing an excellent cross-section of the U.S.)
- \$656,770,024,164 in Annual Retail Sales (2021)

TOTAL RETAIL THEFT APPREHENSIONS

	<u>2020</u>	<u>2021</u>	<u>Difference</u> <u>#/\$</u>	<u>Pct.</u>
Apprehensions	234,441	204,404	-30,037	-12.8%
Recoveries	\$219,618,232	\$241,276,985	\$21,658,753	09.9%
Avg. Case Value	\$936.77	\$1,180.39	\$243.62	26.0%

Retail Theft Apprehensions Breakdown

SHOPLIFTING

	<u>2020</u>	<u>2021</u>	<u>Difference</u> <u>#/\$</u>	<u>Pct.</u>
Apprehensions	198,897	166,745	-32,152	-16.2%
Recoveries	\$185,148,693	\$196,520,951	\$11,372,258	06.1%
Avg. Case Value	\$930.88	\$1,178.57	\$247.69	26.6%
Recoveries (No Apprehension Made)	\$224,361,560	\$339,088,295	\$114,726,735	51.1%

EMPLOYEE THEFT

	<u>2020</u>	<u>2021</u>	<u>Difference</u> <u>#/\$</u>	<u>Pct.</u>
Apprehensions	35,544	37,659	2,115	06.0%
Recoveries	\$34,469,539	\$44,756,034	\$10,286,495	29.8%
Avg. Case Value	\$969.77	\$1,188.46	\$218.69	22.6%

*Testing
For Success*



Do You Remember?

AFTER reading this newsletter, take our short test below to see if you retained any beneficial information from the articles and side columns.

1. Did overall theft apprehensions increase or decrease in 2021?
2. The term Mystery Shopping was coined in what decade: 1940s, 1950s or 1960s?
3. Were Dishonest Employee theft apprehensions and recovery dollars up, down or about the same in 2021?
4. Besides Mystery Shops, what are two other names for these types of covert shops?
5. Shoplifting recovery dollars in 2021 where no apprehension was made, were up significantly. What percent did these type recoveries increase by?
6. The average Pushout Theft was highest in the: Southeast, Northeast or West?
7. What city spent almost \$134,000 trying to fire an employee over a \$2.99 theft?

*# Correct:
6 or more: Great job retaining some good information.
5: You should re-read the newsletter.
4 or less: Did you read the NL?*

*Correct answers:
Decreased; 1940s; Up; Bar Spotting & Integrity Shops; 51%; West; Ontario-CA.*



Believe It or Not

City Spends \$133,866 Trying to Fire Employee Over \$2.99 Theft

Records show the city of Ontario, CA spent almost \$134,000 in legal fees in its failed attempt to fire an employee who officials accused of stealing a \$2.99 energy bar from a convenience store. After an arbitrator found no cause to fire the employee the City Council voted to uphold her dismissal anyways. Over a year later a Superior Court judge found the theft had not been proved and ordered the employee reinstated.

Thieves Use Fire as Distraction While They Attempt to Steal

- A thief was charged with three counts of arson, seven counts of grand theft and three counts of petty theft when he was accused of setting a fire within a home center store to intentionally distract workers while he stole thousands of dollars worth of goods. Evidence shows the thief trying to push a cart full of product out the front door without paying.
- A woman was arrested and accused of stealing from a store after lighting a Molotov cocktail inside the store. Police said the woman used the cocktail as a diversion to leave the store with unpaid for merchandise.

Man Steals 20 Shoes but Can't Make a Pair

A man cut a hole in the roof of a store and stole 20 high-end shoes from the display wall. Unfortunately for the crook, all the shoes on display were left feet shoes!

HIGHLIGHTS FROM JACK L. HAYES INTERNATIONAL'S 34th ANNUAL RETAIL THEFT SURVEY

TOTAL RETAIL THEFT

Apprehensions: Survey participants apprehended a total of 204,404 dishonest individuals (shoplifters and employees) in 2021, a decrease of 12.8% from the prior year.

Recoveries: Dollars recovered from those apprehended thieves increased a 9.9% to over \$240 million in 2021.

Case Value: The average theft case value in 2021 was \$1,180.39, an increase of 26.0% from 2020.

SHOPLIFTING

Apprehensions: Survey participants apprehended 166,745 shoplifters in 2021, a decrease of 16.2% from the prior year.

Recoveries: Dollars recovered from shoplifting apprehensions totaled over \$196 million in 2021, an increase of 6.1% from 2020.

Recoveries (no apprehension): Dollars recovered from shoplifters where no apprehension was made (over \$339 million) increased a staggering 51.1% in 2021.

Case Value: The average shoplifting case value in 2021 was \$1,178.57, an increase of 26.6% from 2020.

EMPLOYEE THEFT

Apprehensions: Survey participants apprehended 37,659 dishonest employees in 2021, up 6.0% from 2020.

Recoveries: Dollars recovered from dishonest employee apprehensions totaled over \$44 million in 2021, up an amazing 29.8% from 2020.

Case Value: The average dishonest employee case value in 2021 was \$1,188.46, an increase of 22.6% from 2020.

Continued from Page 2

Mystery & Integrity Shopping

Several retailers conduct “Integrity Shops” in all of their stores on a recurring basis. Some only conduct these types of shops in their “High Shrink” locations. Either way, the goal should be to promote sales reporting integrity, as the true impact of such shops come from promoting the program at the start, and to regularly promote the results of such shops. If employees know that the LP department uses Integrity Shoppers, they will have to consider that every customer may be that shopper.

Although there are many benefits to using mystery shopping as a tool in your loss prevention program, there are also some challenges. There is a tendency to want to take immediate disciplinary action when the shopper claims the sale was not recorded. When this occurs, the more responsible course of action would be to go back into the same location and attempt to duplicate the dishonest action using a licensed private investigator in that state. Depending on the state you are shopping, there may be a requirement that such integrity related shops are to be conducted only by licensed private investigators. If adverse employment or legal actions are taken against an employee when a non-private investigator shopper claims dishonesty by the employee, the retailer could face legal or employment action by the employee. It is very important to make sure you know the state law on this issue prior to taking a negative employment action based on a mystery shop result. With that said, retailers realize the value of using a mystery shopper to conduct an integrity shop to document that dishonest behavior is

occurring, then follow that up with a licensed PI to further document the action, and to support a prosecution or termination.

The savings realized through the use of a mystery shopper first, can be significant. Using a mystery shopper upfront will cost you a per shop fee of \$35-\$60, where a PI charges typically by the hour at a rate of \$55-\$90 per hour. With a PI, there are usually minimum hours of 2-4 hours, and you are likely to be charged at least an hour for report writing, and travel time, which you do not have with a traditional mystery shopper. Additionally, over the past 5-7 years there appears to be a rise in the use of mystery shopping or subcontract audit companies to co-source other LP functions, including operational, loss prevention, and standards auditing. Again, there are several benefits to this, primarily financial. Another benefit is the issue of independence in the findings. However, in using outside resources to provide these solutions, or to support your existing staff, work quality must be managed closely to ensure that contract staff are well trained and are representing your department effectively.

While traditional LP tools such as Audits, CCTV, Burglar Alarms, Investigations, Hotlines, and Exception Based Reporting are all highly effective tools in preventing loss in retail, don't leave Integrity Shopping out of your toolbox. It is an effective and economical strategy when used with the other components of your loss prevention program. \$

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.

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 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 Mershimer

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
- ✓ Outsourced LP Services
- ✓ 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:

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The Bulletin Board



13 Inspiring Traits of Exceptional Leaders

1. They trust you to do the job you've been hired to do.
2. They seek your advice and input.
3. They find opportunities to let you shine.
4. They recognize your contributions.
5. They have your back during tough times.
6. They are master storytellers.
7. They challenge you to do bigger and better things.
8. They express appreciation.
9. They are responsive.
10. They know when to apologize.
11. They give credit when credit is due.
12. They treat others with dignity and respect.
13. They care.

(Source: Glenn Leibowitz)

* * * * *

Share your favorite 'Bulletin Board' items. Submissions for "The Bulletin Board" should be addressed to:

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Wesley Chapel, FL 33544
or emailed to: operations@hayesinternational.com



Short Term Employee Quits and Promptly Gets Arrested For Stealing Merchandise From Former Employer



An employee at a towing company with an automotive service and body shop worked for only seven days then abruptly quit. The next business day the employer noticed two expensive automotive paint spray guns were missing from inventory. An employee searched online for a replacement for the missing spray guns and came across the Facebook page of the ex-employee who just happened to be selling two paint spray guns. Police were called and the ex-employee was promptly arrested for felony theft. \$