

# THE HAYES REPORT

ON LOSS PREVENTION

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Mark R. Doyle Talks - - -

## Here Comes 2023 Are You Ready?



Can you believe another year has already passed and 2023 is upon us? I think this coming year will present the Loss Prevention/Asset Protection and Safety industries with more than enough challenges. Top Management will look towards their LP/AP and Safety teams to better control losses and increase their companies' bottom-line profits. Definitely not an easy task, however, with the top-notch professionals heading up the LP/AP and Safety departments in many retailers, I think we are up for the challenge. Hopefully, you have already decided how you are going to attack shrink in 2023 based on past experiences, and current shrink losses. I highly recommend a targeted approach attacking your highest loss stores, departments, and products and not a shot-gun approach just hoping for better results. Let's all work together to make 2023 a safe, secure and successful year! \$

Developing the Plan - - -

## Store's Shrinkage Control Plan-of-Action

By Mark R. Doyle

It's the end of one year and now we all begin looking forward to the next year. But first, many retail stores will take a physical inventory over the next 60 days to see how their Shrink/LP Program fared in 2022. Hopefully, you will be pleased with the results. Inventory shrinkage improvement rarely, if ever, simply happens! Experience teaches us such progress is usually the result of a formal shrinkage improvement program, implemented by the company, and complied with by the stores. These programs usually cover the loss prevention basics (access/egress controls, providing

good customer service, locking-up or securing high value/highly pilferable items, cash handling, POS controls, merchandise receipts, etc.). One of the more critical aspects of an effective LP/Inventory Shrinkage Control Program, is the requirement that management in each store creates their own store-specific "Plan of Action" to reduce their vulnerabilities to loss. While similar inventory shrinkage problems may exist from store-to-store (which a formal company Shrink Program typically addresses), it is important to recognize that each store is unique, their staff is unique, and so are the

Continued on Page 4

**Did You Know**

- Top sources of shrink:
  - 37.0% External Theft
  - 28.5% Internal theft
  - 25.7% Process Controls
  - 07.7% unknown
  - 01.2% Other

*2022 National Retail Security Survey*
- Top 5 Ways Data Breaches Happen:
  - Internal Theft – 34%
  - Accidental Data Leak – 27%
  - Hacking Attack – 24%
  - Malware – 9%
  - Ransomware – 4%

*Tonic.ai*
- In 2021 a Colorado Grand Jury indicted 8 people in a suspected criminal ring which focused on stealing high-end bicycles. They are accused of stealing \$985,000 worth of bicycles, \$258,000 worth of vehicles and causing over \$230,000 worth of property damage. Their mode of operations was to steal box trucks, smash windows of bicycle shops and sell to out of state criminals. On 9/22 two defendants pleaded guilty to “Operation Vicious Cycle” with one getting a 16 year prison sentence and the other 10 years behind bars.
 

*Boulder Daily Camera*
- Some General Safety Stats:
  - 2.7 million non-fatal workplace safety incidents in 2020
  - 4,764 recorded fatal workplace safety incidents in 2020
  - 15 American workers died per day in 2019
  - Preventable deaths increased almost every year from 2009 until 2019.

*Alert Media*

*Dishonesty: The Greatest Threat - - -*

## Climate of Honesty

By Dr. David J. Cherrington

*(Editor’s Note: This is an excerpt from Dr. Cherrington’s article “Assessing the Climate of Honesty” which was published in the Fall 2012 Hayes Report newsletter.)*

In the spring of 1980, I made the following comment on a radio talk show: “The greatest threat to the economy of the United States is simple dishonesty.” At that time I could not prove that my statement was correct; but I believed it and it sounded good. Today I am quite confident it is true and there are abundant data showing the enormous consequences of simple dishonesty.

In the intervening years as I have collected additional data, I have come to realize that every industry is rife with theft and fraud; no industry is immune from the cancer of simple dishonesty.

Theft and dishonesty are significantly influenced by the climate of honesty within each company; some companies do much better than others. Companies that have a strong climate of honesty tend to have less theft because there are general expectations that employees will follow company procedures and avoid taking things that do not belong to them.

Several years ago, I was contacted by an executive of a major manufacturing company and asked if I knew how they could measure their potential losses. He questioned my statement that every company should be concerned about internal theft because he did not think it was a real problem for his company. I assured him that most executives are shocked

when they learn that employee theft is so pervasive and costly. He reported our conversation to an executive committee and two members were appointed to examine the issue. After these members interviewed a sample of employees, they concluded that employee-related losses were much more serious than anticipated. To demonstrate the seriousness of the problem, these two committee members, dressed as regular workers, entered the buildings at night and confiscated over \$100,000 worth of tools, machines, computers, and other items, including an automobile from the carpool. These items should have been missed immediately and reported missing. Instead, nothing was ever reported missing. When the committee asked why the missing items were not reported, they were told either that no one noticed them missing or that missing items were such a common occurrence that they were not worth reporting. Because of this disturbing experience, the committee recommended that the company implement a program to reduce thefts. Every company ought to establish a way to measure its climate of honesty and the costs of dishonesty even if these metrics are only rough approximations. Over time, the measurements can be improved, and in the meantime they will draw attention to an important organizational problem. Simple acts of dishonesty are a significant problem in every company, but we should also recognize that indeed they damage our entire society. \$

Controls & Awareness - - -

## Employee Theft Prevention Tips

By Mark R. Doyle

Our 34<sup>th</sup> Annual Retail Theft Survey showed an increase in 2021 in both dishonest employee apprehensions and recovery dollars, 6.0% and 29.8% respectively. Survey respondents noted additional focus, enhanced investigation methods/tools and less associate supervision as some of the reasons for the increase in apprehensions and recovery dollars of dishonest employees.

In addition, the average dishonest employee case value in 2021 was \$1,188.46, an increase of 22.6% from 2020.

*Survey participants noted the following reasons as to why their Dishonest Employee apprehensions and recovery dollars increased or decreased in 2021:*

**Increased:**

- Additional focus/attention towards associate theft
- Enhanced investigation methods/ tools
- Less associate supervision created more opportunities for theft
- Increased store count/more stores open
- Increase in loyalty card fraud & discount abuse cases

**Decreased:**

- Updated POS software created less opportunities for theft
- Increased use of CCTV
- Less cash transactions
- Reduced LP staff/resources

- Better prevention with additional technology at POS

**Employee Theft Prevention Tips**

**• Effective 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 is most important. Money spent up-front in the screening process to identify ‘quality’ associates will result in savings from reduced turnover and losses.

**• POS Exception Monitoring:** Use an up-to-date POS exception-based monitoring program to quickly identify possible fraudulent transactions at the point of sale (ie. excessive refunds (cash or credit); refunds or voids before or after store hours; too many voids, 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:** Supervise the trash removal process, use clear bags, flattened all cartons, and keep dumpsters locked where possible.

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**Testing  
For Success**



**Knowing Industry  
Shrink Numbers**

Statistics from annual retail theft/ security surveys can be used as benchmarks for the industry. How well do you know your industry shrink numbers? Take our short test to find out.

According to the 2022 National Retail Security Survey (NRSS):

1. What is the average shrink rate at retail? 1.38%, 1.44%, 1.62%
2. What percent of shrink is attributed to external theft? 32.2%, 35.6%, 37.0%
3. What percent of respondents reported an increase in ORC activity where felony thresholds have increased? 70.8%, 75.2%, 80.8%

According to the 34th Annual Retail Theft Survey:

4. What percent of retailers reported an increase in shrink in 2021? 46%, 52% or 57%
5. Overall shoplifting recoveries increased by what percent in 2021? 19.2%, 28.5%, 30.8%
6. The average dishonest employee case value increased to \$1,188.46 in 2021, what percent increase is this from 2020? 22.6%, 26.0%, 26.6%

(Correct answers below)

*(Correct answers: 1.44%, 37.0%, 70.8%; 52.0%, 30.8%, 22.6%)*

# Correct:

- 5 or more: You know your numbers
- 4: You need to review your numbers
- 3 or less: Have you heard of these surveys?





**Believe It or Not**

**Student Newspaper Prints How-To-Shoplift Guide**

At the University of Queensland a student newspaper wrote an article titled “The Subtle Art of Shoplifting”, in which they stated “Frifting” (free shopping) was a legitimate action for the working class to take in ongoing class war. They stated “Be sure to target large corporations and not “ma and pa” joints, take what you need, and even what you can (giving to others in need), or at least turn a blind eye.” The article included tips on stealing from Grocery Stores and Clothing Chains and also on Picking Your Character (who you want to look like, ie. Nerd or IT worker, Business or Upper Class, Stressed parent with upset child, or Confused & Clumsy). While the article has drawn some criticism from public and school officials the editor-in-chief defended the article.

**Private School Administrator Charged in Theft of \$8.4 Million**

A man on Long Island is facing charges he stole some \$8.4 million over an 11-year period from the religious school he worked at. He used the money to buy 5 homes, luxury and collector vehicles, pay college tuition and a host of other personal items. He worked as CFO/CTO and Director of Operations during his tenure.

*Continued from Page 1*

**Store's Shrinkage Control Plan-of-Action**

characteristics of its customers and even the thieves that prey on their store. Therefore, to effectively impact inventory shrinkage, each store should be required to develop and implement a store-specific “Plan of Action” (POA). In your highest loss stores the location’s DM and LP representative should assist in the development of this plan.

A store’s POA should address the location’s highest loss departments, classifications or specific items. What is the store going to do to get losses down within these highest loss areas? The POA should address issues pertaining to the three major shrinkage causing factors (External Theft (shoplifters, vendors, drivers, outsiders), Internal Theft, and Operational issues. However, the POA should **not** contain action points/solutions that are already defined as company policy, or requirements listed in the company’s Shrink/LP Program. The reason for the store-specific POA is for management to think outside-the-box, and identify specific shrink concerns that directly affect their store due to its design/layout, geographic location, workforce, sales volume, etc.

When developing a store-specific POA it is important to involve the entire management team and to solicit their shrink concerns and recommendations. Consider the following when developing your store-specific POA:

- Meet with store associates and discuss the store’s losses and the three primary shrink causing factors (External Theft, Internal Theft and

Operational Issues). Ask for their thoughts and ideas to controlling losses. Before a formal plan can be created, management needs to identify and analyze their high loss areas/products/departments and related improvement opportunities.

- Actively involve the store’s management team, as it truly takes a “team effort” to reduce inventory shrinkage.

- Assign each management team member specific tasks/issues when developing your POA. Be certain to reach an acceptable completion date with all involved.

- Be sure the POA is realistic, adequately addresses the store’s loss issues, and contains ‘target dates’ for the completion of each action point/solution (some actions could be continuous or ongoing).

- Upon completion, the stores DM and/or LPM should review the POA and sign-off on its content and commitment to reducing the store’s losses.

The POA should be reviewed monthly by store management to ensure action points/solutions are being adhered to. In addition, a store’s POA should be a ‘live’ document which can be changed or updated during the year as store conditions change. All changes should be approved (signed-off) by the DM and/or LPM in advance.

*(Editor’s Note: In the next issue of The Hayes Report Newsletter, we will discuss specific items related to External Theft, Internal Theft and Operational issues which should be considered when creating a store-specific “Plan of Action”.)* \$

*Continued from Page 3*

## Employee Theft Prevention Tips

- **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 have management 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. \$

## 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.

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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.

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## *The Current State of - - -*

### Organized Retail Crime

Loss Prevention Magazine published a special edition on the current state of Organized Retail Crime. If you have not had a chance to read this edition, I highly encourage you to do so as it focuses on the many challenges and issues surrounding ORC.

Articles included in this special ORC issue include:

- Addressing the Scourge of ORC
- A Perfect Storm for Organized Retail Crime
- Taking the Battle Against ORC to Another Level
- Applying Effective Interviewing Skills to ORC Investigations

- Prioritizing People’s Safety in the Tidal Wave of ORC

- Human Trafficking and ORC

- What Research is Telling Us About the State of ORC

- Prosecuting ORC Cases

- Leading the Push for ORC Legislation

- Organized Retail Crime Associations (Directory)

You can use the following link to download the entire 56 page special Edition in a PDF format: <https://losspreventionmedia.com/whitepaper-orc-special-edition/>



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
- ✓ DC/Warehouse LP/Security Reviews
- ✓ Custom Designed and Implemented LP & Safety Programs and Audits
- ✓ 3<sup>rd</sup> Party Store & DC/Warehouse LP and Safety Audits.
- ✓ 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: <http://hayesinternational.com>

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## The Bulletin Board



### Retail Theft Statistics

Organized Retail Crime costs retailers \$30 billion a year

Top 5 cities for retail crime: Atlanta, Baltimore, Washington, Chicago & Dallas

25% of retail theft is kids while 75% are adults

Winter is the biggest retail theft season

Retailers that use facial recognition software saw a 34% decrease in retail theft

60% of shoplifters went inside 2 different locations of the same retail chain

47% of high schoolers admit to shoplifting within the past year

Inventory shrink costs the retail industry about \$46.8 billion a year

36.5% of inventory shrink is caused by organized crime and shoplifting

\$559 is the average loss of a retail theft

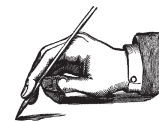
(Source: Querysprout)

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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](mailto:operations@hayesinternational.com)



### California Brown Bear is a Repeat Shoplifter!

A convenience store worker in California was surprised when the store's sliding doors opened around 1:30am but he saw no one enter. Upon closer look it was a California Brown bear that wandered in looking for some sweets. Per the employee, this was not the first time the bear had come in to steal some chocolate and he eventually had to block the door to stop the bear's repeated shoplifting.

\$