

THE HAYES REPORT ON LOSS PREVENTION

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While self-checkouts have revolutionized the retail industry, with a fast and convenient way to purchase items, it has all come at a cost – with an increase in theft, both intentional and unintentional. This article includes common methods thieves use to circumvent the system and lists some solutions retailers can take to reduce their vulnerability to self-checkout theft/errors.

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This article discusses an often overlooked, yet highly effective, tool you should have in your Loss Prevention Program – Mystery Shopping. This service can provide valuable insights into the operational efficiency of a business and its loss prevention/security protocols.

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Q1 In the Books & Controlling Shrink



Well, quarter 1 of the new year is already over, so hopefully you have your 2025 Shrink/Loss Prevention Programs & Audits (Store & DC/Warehouse) fully underway. You should be preparing to review 1st quarter audit results and reporting back to the field on the top non-compliance issues to date in 2025, and offering them methods/techniques which will assist them in achieving compliance to these issues.

Controlling shrink is a 365 day a year responsibility that takes a full team-effort approach for a company to be successful. No one department (LP/AP, Operations, Inventory Control, Internal Audit, etc.) can manage shrink alone as there are simply too many variables in the shrink equation. Working together is the only way we will be successful attacking shrink in 2025!

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A Growing Problem - - -

Self-Checkouts and Theft

Self-checkout machines have revolutionized the retail industry, offering customers a fast and convenient way to purchase items without the need for human cashiers. The rise of self-service systems in grocery stores, big-box retailers, and pharmacies has enhanced the shopping experience by reducing wait times and allowing stores to allocate labor more efficiently. However, this convenience has come at a cost - an increase in theft, both intentional and accidental.

How Theft Occurs at Self-Checkouts

Self-checkouts provide a unique opportunity for dishonest customers to steal, as the process relies heavily on the customer's honesty. With minimal human oversight and limited security features in place, these machines are prone to various types of theft.

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Did You Know

A Canadian retailer identified a string of thefts where the thieves used a handful of credit cards at self-checkout stations along with a 'cancel the receipt' trick to obtain the merchandise for free. The thieves used the cancel receipt trick over 1,000 times in over 100 stores and the retailer and police believe they got away with over \$1.9 million worth of merchandise. Fortunately, through surveillance footage the police were able to make several apprehensions, including the kingpin of this illegal operation.
Thestar.com

At least eight states — Arizona, California, Florida, Iowa, Kansas, Louisiana, New York and Vermont — passed a total of 14 bills in 2024 aimed at tackling retail theft, according to the National Conference of State Legislatures. The measures range from redefining retail crimes and adjusting penalties to allowing cross-county aggregation of theft charges and protecting retail workers.
Stateline.org

Ransomware gangs successfully hit 1,204 Organizations in 2024 with 195 million records compromised and ransoms totaling \$133.5 million were paid.
Forbes.com

An Effective Tool That is Often Overlooked - - -

Incorporating Mystery Shopping in Your Loss Prevention Program

By Mark R. Doyle

Loss Prevention is a crucial aspect of any business, especially in the retail and service industries. The goal of loss prevention is to identify and minimize the factors that contribute to financial loss, which can stem from theft, fraud, errors, or operational inefficiencies.

While traditional methods such as EAS, CCTV, associate training, and audits are essential, one often-overlooked yet highly effective tool is mystery shopping. This service can provide valuable insights into the operational efficiency of a business and its loss prevention/security protocols.

What is Mystery Shopping?

Mystery shopping involves hiring individuals, known as mystery shoppers, to pose as regular customers and evaluate various aspects of a business. These shoppers are trained to assess customer service, store cleanliness, product availability, employee behavior, and other operational facets. While the concept is typically associated with customer experience, it can also be applied to monitor loss prevention practices.

How Mystery Shopping Supports Loss Prevention

Identifying Internal Theft Risks: Internal theft is one of the most challenging problems for loss prevention programs, as associates are often the ones committing the theft. Mystery shoppers can help expose these issues by acting as undercover witnesses, they can assess how staff members handle transactions, manage returns, or give unauthorized discounts.

Testing Store Procedures and Policies: Mystery shoppers can help assess whether loss prevention policies are being followed correctly. They can evaluate if employees are following proper procedures when checking receipts at the door, if they're paying attention to customer behaviors that suggest shoplifting, or if they're actively monitoring fitting rooms as required.

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Testing For Success

In our last newsletter (Fall 2024-2025 40.1) we discussed OSHA's Top 10 most frequently cited safety violations. Are your locations ready for 2025? Take our short test below to gauge your safety readiness.

1. Do you have a formal written Safety Program for your store and DC locations and has it been updated for 2025? **Yes No**
2. Has your location's Emergency Action Plan been reviewed with all associates, and has this review been documented? **Yes No**
3. Are all designated emergency exits properly signed with OSHA approved lighted signage? **Yes No**
4. Are all aisles/passageways leading to designated emergency exits kept clear to provide unobstructed egress in case of an emergency? **Yes No**
5. Are floors, stairs and aisles kept clear with no tripping hazards, and boxes properly stacked to avoid tripping? **Yes No**
6. Is the area in front of electrical panels, eyewash stations, fire extinguishers and other safety items kept clear at all times to allow quick and easy access? **Yes No**
7. Are extension cords not being used in place of permanent wiring; and surge strips not piggy-backed into one another? **Yes No**

Less than seven "Yes" answers means your safety program needs some attention before someone gets injured or you have a surprise OSHA visit. \$

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Mystery Shopping in Your LP Program

Evaluating the Effectiveness of Security Measures:

In addition to monitoring employee behavior, mystery shoppers can assess the physical security measures in place at a store. This includes the effectiveness of surveillance cameras, the presence of security tags on high-risk items, and keeping showcases locked. Mystery shoppers may even be tasked with testing the store's compliance to fitting room controls. This allows retailers to evaluate whether their security systems are functioning as intended and whether staff are trained to handle potential theft situations.

Assessing Customer Interaction and Compliance with Store Policies:

While mystery shopping is often used to evaluate customer service, it can also be valuable for assessing how staff members interact with customers in the context of loss prevention. For instance, mystery shoppers can test whether employees are attentive to suspicious behaviors, whether they offer assistance to customers in a way that minimizes the opportunity for shoplifting, or whether they ask customers for identification during large transactions to prevent fraud.

Assessing the Effectiveness of Employee Training:

Even with the best policies in place, poor employee training can leave your business vulnerable to loss. Mystery shopping serves as a check on how well employees understand and execute their training. Shoppers can test how effectively your team handles situations that are common sources of loss, such as monitoring registers, managing returns, controlling the fitting rooms, or dealing with potentially dishonest customers.

Providing Actionable Feedback:

One of the main benefits of using mystery shopping in loss prevention is the detailed feedback it provides. Mystery shoppers can provide specific insights into areas where loss prevention protocols are being followed and where there are gaps. This feedback allows managers to make data-driven decisions about improving store security, adjusting staff training, and refining operational procedures. \$

Believe It or Not

Thief Unsuccessfully Uses Driverless Vehicle for Escape

A robbery suspect, who stole an unknown amount of merchandise from a local grocery store, got into an altercation with the store's security guard. After possibly using pepper spray on the guard and then exiting the store the suspect got away in a driverless Waymo vehicle. Responding officers were able to locate the autonomous vehicle and the vehicle pulled over automatically several miles from the store. The driverless vehicle is programmed to recognize police sirens and lights and will pull over as appropriate. The suspect was quickly taken into custody by responding officers.

Woman Pretending to be an Employee Worked for Hours Before Stealing Cash

A woman showed up at a Waffle House and told the other employees she was joining their shift. She worked for a few hours, then left the restaurant after stealing about \$130 from the register. The manager stated the woman must have been a previous or current employee of a Waffle House restaurant.

"One on One" Shopping

Due to a rampant shoplifting problem including 'snatch n grabs' and a high loss in tools, one hardware store in California has implemented "one on one" shopping during certain hours. Customers must wait behind a counter until an employee can escort them throughout the store.

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Self-Checkouts and Theft

Common Methods Include:

Item Switching: Customers scan a cheaper item, such as produce or a low-cost barcode sticker, instead of the actual item being purchased. For example, a shopper might scan a \$1 item but place a \$20 steak in their bag.

Skip Scanning: Some customers intentionally fail to scan certain items while appearing to use the machine correctly. This can involve obscuring the scanner or intentionally bypassing the process, banking on the hope that nobody is closely watching.

Weighing Fraud: Self-checkouts often rely on weighing items in the bagging area to ensure everything is scanned. However, customers may manipulate this by not placing the item on the scale or by triggering errors in the system that allow them to proceed without scanning high-value items.

Bar Code Tampering: Some more tech-savvy thieves will print out their own barcodes and stick them onto expensive items, allowing them to scan those items at a fraction of their real cost.

The result of these tactics is a substantial loss for retailers. Research suggests that self-checkout theft can contribute significantly to overall shrinkage, costing retailers billions of dollars annually. Moreover, these losses are often passed on to consumers through higher prices or reduced services, making it a problem that affects everyone.

Why Self-Checkouts Are Vulnerable

Self-checkout systems are designed for speed and convenience, which means security measures are often limited to avoid slowing down the process. While stores typically have surveillance cameras and attendants overseeing multiple machines, this passive form of monitoring is rarely enough to catch every instance of theft. Retailers face the difficult task of balancing customer experience with theft prevention, as overly aggressive security measures could frustrate honest shoppers.

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Advisory Board

Mark R. Doyle

President/Owner of Jack L. Hayes International. For over 39 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.

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.

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Self-Checkouts and Theft

Additionally, some thefts at self-checkouts are accidental. Confusion over scanning procedures, barcode placement, or weighing processes can lead to unintentional losses. The lack of training or assistance during self-checkout transactions can leave customers, particularly those unfamiliar with the technology, frustrated and making mistakes that contribute to shrink.

Solutions to Reduce Theft at Self-Checkouts

Retailers are increasingly turning to technology to combat theft at self-checkouts. Some solutions include:

AI-Powered Scanners: Advanced scanners equipped with artificial intelligence (AI) can recognize items visually rather than relying solely on barcodes. These systems can detect if the scanned item matches what is being placed in the bagging area, reducing opportunities for item switching.

Weight Sensors and Smart Scales: Enhanced weight-checking systems are being deployed to ensure the correct items are scanned and bagged. These scales can detect discrepancies between the scanned product and what's placed in the bagging area, triggering alerts if something doesn't add up.

Video Surveillance and Auditing: High-definition cameras paired with AI software can monitor self-checkout areas more effectively, flagging suspicious behavior or errors in real time. Some stores are also introducing random audits, where a store associate reviews a customer's transaction to ensure everything was scanned correctly.

Customer Training and Assistance: Providing clearer instructions and more accessible help during self-checkout can reduce the number of accidental losses. Having more attendants available to assist customers or offering quick tutorials can help customers navigate the system more effectively.

Digital Receipts and Purchase Verification: Some retailers are experimenting with issuing digital receipts that can be reviewed instantly at the store's exit. A quick check of scanned items against the receipt can catch errors or fraud before customers leave the store. \$



Jack L. Hayes International, Inc. 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/Whse LP/Security Reviews
- Custom Designed & Implemented LP & Safety Programs and Audits
- 3rd Party Store & DC/Warehouse LP and Safety Audits
- Outsourced LP Services (Full or Hybrid)
- LP Organizational Review
- The Hayes Report on Loss Prevention Newsletter (quarterly)
- Annual Retail Theft Survey (35th)

For additional information on Hayes International's loss prevention/shrinkage control and safety services, including consulting and outsourced LP Services, visit our website at:

<https://hayesinternational.com/>

You can email Mark R. Doyle at mrd@hayesinternational.com

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The Bulletin Board

Six Types of OSHA Violations

1. **Serious Violation:** A violation where there is a substantial probability that death or serious physical harm could result from a hazardous condition and employer should have known.
2. **Willful Violation:** A violation that the employer intentionally and knowingly commits, or shows disregard for safety regulations.
3. **Repeat Violation:** A violation that is similar to a previous violation the employer was cited for within the last five years.
4. **Other-Than-Serious Violation:** A violation that has a direct relationship to job safety and health but is unlikely to cause death or serious physical harm.
5. **De Minimis Violation:** A violation that has no direct impact on safety, and is not cited but may be noted by OSHA.
6. **Failure to Abate Violation:** When an employer does not correct a previous violation within the time frame set by OSHA. (Source: hseblog.com)

Share your favorite 'Bulletin Board' items. Submissions for "The Bulletin Board" should be emailed to: operations@hayesinternational.com

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California Stores: Clever Anti-Shoplifting Tactic



Some stores in California are pricing all items at \$951, although this is not the actual price consumers pay for the items. This tactic is in response to rising shoplifting levels and laws that treat thefts under \$950 as misdemeanors.

Stores are hoping this strategy will deter theft and those caught shoplifting will face charges based on the higher price tag amount. This innovative strategy has

generated both praise and debate online, as stores continue to find unique ways to combat the growing issue of organized retail crime. \$