

THE HAYES REPORT ON LOSS PREVENTION

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In This Issue

Frequently Targeted Items by ORC Groups.....Page 1

ORC Groups often target high value/highly pilferable items for theft. The 2023 Retail Security Survey listed these items as the most frequently targeted by ORC.

Good Management's Impact on Shrink.....Page 2

In this article, Dr. Cherrington discusses how one of his good friends controlled shrink in his store by "Good Management", and what actions he took that confirmed this good management.

When a Person Steals....Page 3

Mark Doyle talks about the three key interactive factors that come into play when a person steals, (Personal Integrity, Situational Pressures and Convenient Opportunities), and how those factors can influence whether a person steals or not.

Testing For SuccessPage 3

Is your Loss Prevention/Shrinkage Control Plan-of-Action as effective as it should be? Take our short test to find out.

The Bulletin BoardPage 6

See the Bulletin Board for 2023 Pushout Theft Stats (when a person or people roll through a retailer's store exit with a loaded shopping cart of unpaid merchandise).

Mark R. Doyle Talks - - -

Halfway Home



Well, we are halfway thru this calendar year, so how is your 2024 Shrink/LP Program progressing? Very good, I hope! If you are questioning if your program is on-track, then look at these few issues comparing results from Jan-Jun 2024 vs Jan-Jun 2023 to see if your trend is heading in a positive or negative direction. Average Audit Score; Known Theft Losses/Incidents; Cycle Count Results; and Mid-Year Physical Inventory Results. Hopefully these issues are pointing in the right direction for a good year-end shrink result. If not, you still have time to make some adjustments to your current shrink program/effort to realize your desired results come year-end. \$

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Frequently Targeted Items by ORC Groups

ORC Groups often target specific items or groups of items that are of high value/highly pilferable. Many times they already have standing orders for these items, or they know they will be an easier sell. According to the 2023 Retail Security Survey these are some of the most frequently targeted items by ORC Groups.

- ❖ Accessories: Backpacks, Handbags, Hats, Jewelry, Sunglasses
- ❖ Clothing: Athletic, Denim, Graphic Ts, Lingerie, Underwear, Suit Jackets
- ❖ Electronics: Mobile Phones, Tablets, Batteries, Cellphone Accessories, Gaming Consoles, Printer Ink/Toner
- ❖ Food/Beverage: Alcohol, Energy Drinks, Frozen Seafood, Fresh Meats & Seafood
- ❖ Footwear: Athletic Shoes, Designer Footwear, Boots
- ❖ HBA: Body Cream, Body Wash, Cosmetics, Deodorant, Fragrances, Over-the-Counter Medications (Pain), Vitamins
- ❖ Home Furnishings/Improvement: Bedding, Candles, Home Electronics, Laundry Detergent, Tools, Electronical Wiring, Hardware, Plumbing
- ❖ Infant Care: Diapers, Formula
- ❖ Other: Ammunition, Baseball Bats/Gloves, Golf Balls, Luggage, Trading Cards, Toys \$

Did You Know

Shoplifting surged 31% in Canada from 2021 to 2022. With some of the largest Canadian retailers reporting a 300% increase in thefts since 2020. According to the Retail Council of Canada and the Toronto Police, the value of retail theft in Canada exceeds \$5 billion annually.
Globe and Mail

Cargo theft was up 46% in the 1st quarter of 2024 vs similar period in 2023, with the average stolen shipment reported as \$281,757.
Cargonet.com

Olive Oil has become the #1 most wanted item for shoplifters in Spain. Prices have been surging on this “liquid gold” amid shortages due to extreme weather damaging harvests.
The Guardian

Shoplifting offenses increased 37% in England and Wales and have now risen to their highest levels in 20 years. A survey by the British Retail Consortium found that the shoplifting surge went hand in hand with an increase in violence toward shop workers.
BBC News

Half of U.S. businesses fell victim to fraudulent activity in 2023, with many paying a steep financial price. The average enterprise lost \$2.96 million to fraudulent attacks, though the typical luxury fashion retailer lost an average of \$5.21 million.
Chain Store Age

Creating a Healthy Environment - - -

Good Management’s Impact on Shrinkage

By Dr. David J. Cherrington

One of my good friends, Joseph Nelson, tried to convince me that inventory shrinkage was mostly a management problem. Based on his experience as a store manager, Joe claimed that the conduct and example of top management were the most important factors in curtailing shoplifting and employee theft. I was much more inclined to focus on the dishonesty of customers and employees.

Joe was a very effective store manager, and his shrinkage rates supported his argument. Under his leadership, the shrinkage rates for the previous eight years in his department store were less than 0.2 percent while the average rates for other stores in the same national chain were about 2.0 percent. The shrinkage rates for two similar department stores in the same mall usually ranged between 1.5 and 2.0 percent.

When I asked Joe what he did that was so effective in controlling shrinkage he simply said, “good management.” I said that was not an adequate answer and pressed him to learn what exactly he did. He described several things and I disregarded most of them as not really having much impact on shrinkage. For example, he explained how he left his office frequently and walked around the store visiting with each employee. He knew all the employees personally and called them by name, and he coached them on their job performance. When he saw display items that didn’t look attractive, he would stop and change them. When he saw items that were not stacked neatly, he restacked them. When he saw litter on the floor, he picked it up. Employees were quick to help him make improvements. When customers needed help, he tried to find someone to help them, or he would help them himself.

I thought there were only a couple of actions that might have impacted shrinkage and even they seemed rather trivial. First, he insisted on meeting all new employees before they were hired, and second, he taught about 30 minutes of each new employee orientation. When he met job applicants, he would visit with them in a very personable way for a few minutes and then he

Continued on Page 5

Testing For Success

Each store/DC has its own shrink issues they must deal with due to physical location, design/layout, applicant pool, turnover, customer type, etc. So it is very important that high loss locations create and follow a location-specific Plan of Action (POA) to help reduce and control their losses/shrink. Take our short test below to find out if your LP/Shrink POA is as effective as it should be.

1. Is each high loss location (Target/Focus) required to create and comply with a location-specific POA? **Yes No**
2. Is the locations POA created by the management team with help from their DM, then signed-off by the location's LP partner? **Yes No**
3. Are the locations Top 3-5 high loss departments adequately addressed in the location-specific POA? **Yes No**
4. Are POA action-points measurable and realistic and specific to the location and not already part of the company's P&P or LP/Shrink Program? **Yes No**
5. Does Field Management and LP review POA action points during their audits to ensure ongoing compliance? **Yes No**

Five 'Yes' answers means your POA, if adhered to, should help reduce the location's losses/shrink.

Four or less 'Yes' answers means your Plan-of-Action process needs some work to help ensure its effectiveness! \$

Three Interactive Factors - - -

When A Person Steals

By Mark R. Doyle

What makes some people steal and others remain honest? What factors influence a person's decision making process when considering if they are going to steal or not? Why would they steal from us? These and similar questions are often asked after a person considered to be trustworthy is caught in the act of committing a theft.

Our extensive experience and research indicates that there are three important interactive factors that come into play when a person steals (The Fraud Triangle). They are:

- Personal Integrity
- Situational Pressures
- Convenient Opportunities

Of these three factors, employers have some means of identifying, especially during the pre-employment screening process, one factor (personal integrity); they have relatively no control over another factor (situational pressures; and fortunately they can greatly influence the last factor (convenient opportunities). Let's review each factor individually.

Personal Integrity: How honest is the person; have they internalized their honesty; and do their attitudes, character and behavior support honesty? Determining the answers to these questions is no easy task. However, since honesty is a personality trait, it can be measured using one of several Integrity Tests available to employers. These tests measure an applicant's honesty/integrity, and assist an employer in identifying those applicants who have a higher probability of committing a dishonest act. *Since past behavior is usually the best predictor of future behavior*, a thorough criminal background check is beneficial to verify a person's past behavior. However, just because a person has high integrity doesn't mean they won't steal; but they are certainly more likely not to engage in dishonest activity than people with low integrity.

Situational Pressures: This refers to problems a person faces at a certain point in time, especially a need for money, and cannot be controlled by an employer. An example of financial or monetary pressures would be a person's spouse loses their job

Continued on Page 4

Believe It or Not

Cop Caught Shoplifting While on Duty and in Uniform

A Mississippi police officer was arrested by her colleagues for allegedly shoplifting sneakers (value \$140) while on duty and in uniform. She was also taken into custody in her own squad car. She was immediately placed on administrative leave, and later fired after a unanimous city council vote.

Next Time, You Better Check Traffic First

Two women were observed shoplifting in a local home store. Upon exiting the store, they jumped into a vehicle and drove off. The police were called and shortly later found the women stuck in heavy traffic on a nearby freeway. They were arrested and accused of stealing more than \$1,500 worth of merchandise.

Not Obeying Traffic Laws Will Get You Pulled Over

Three men from Tennessee driving a U-Haul truck were pulled over by police for running a red light. The driver had a suspended license and an active warrant out for merchandise theft. During a pat-down of the driver the police found powder (suspected Fentanyl) and some cash. A search of the U-Haul uncovered a new lawn mower, weed eater, Oxi Clean, trash bags, and some Pine-Sol - all totaling over \$800 in value. The police later learned the items had been stolen approximately 1 hour earlier from a nearby big box store.

Continued From Page 3

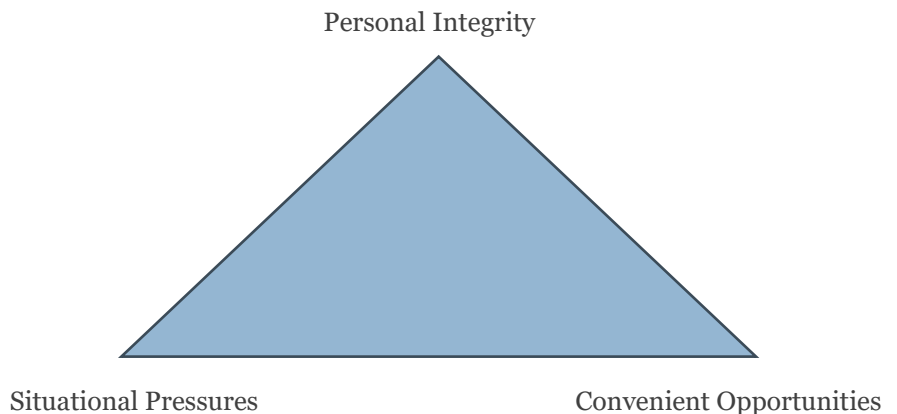
When A Person Steals

and suddenly they have a difficult time meeting their financial obligations; a family member becomes ill, and it places a financial burden on the wage earners; or a person's car breaks down or they get into an accident and don't have the monetary resources to have it repaired. Situational pressures can also be 'emotional'. For example, peer pressure. Friends pressuring an associate to steal for them or to 'look the other way' as they steal from the store. These type pressures can change from day to day. Those individuals with low integrity are more likely to turn towards dishonesty when they encounter a situational pressure, than those with high integrity.

Convenient Opportunities: Just how easy does the employer make it for someone to steal? Fortunately, theft opportunities are controlled by both the type and effectiveness of a company's internal controls (policies/procedures). Are proper 'checks and balances' in place to both prevent and detect dishonesty? Or are associates given what we call 'multiple tasks' to perform, which would greatly reduce the likelihood of them being detected if they did steal? Occasionally, theft is so convenient that even people with high integrity succumb, even though they may have had no intention of being dishonest.

So, whether a person will steal in a given situation depends on more than just their personal integrity, it also involves their situational pressures at the time, and how convenient or difficult the employer makes the theft opportunity. \$

The Fraud Triangle



Advisory Board

Mark R. Doyle

President/Owner of Jack L. Hayes International. For over 36 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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Professor of Organizational Leadership and Strategy at BYU; certified SPHR, and recognized authority on employee dishonesty and white-collar crime.

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

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Continued From Page 2

Good Management's Impact on Shrinkage

would ask them directly if he could trust them. Obviously, they all said yes; so I didn't think this served as a very effective screening interview.

During the orientation session he explained how sales associates should act and dress and how they should treat the customers. His vision of professionalism was highly inspiring to the sales associates and many of them told me they were very motivated by his instruction. His argument was that in the eyes of the public they represented the store. At the end, he would remind them about the time he asked them if they could be trusted and then he would say: "We would not hire you if you were not smart enough to discover clever ways to steal from us; therefore we have to trust you. Consequently, I confer upon you my sense of trust and hope that you never do anything to violate it."

I told Joe I thought his expectations were useful; but I didn't think they adequately accounted for his results. He claimed that all of his good management practices contributed to his success. I didn't buy it then; but now, I think I was wrong. Subsequent research suggests that many small management actions can contribute to reducing inventory shrinkage rates.

One of my colleagues, Katie Liljenquist, published a study in *Psychological Science* showing that a clean environment influences the moral behavior and fairness of experimental subjects. Now I believe that inventory shrinkage is influenced by everything management does to create a healthy and attractive environment. Everything about a store should be clean and orderly, including the merchandise, the displays, the floors, the walls, and the aroma. Everything about the sales associates should be equally clean and professional, including their facial expressions, their hair, their clothes, their shoes, and their conversation. I agree with Joe that inventory shrinkage is mostly a management problem and I have a much greater appreciation for the little things he did as a manager to create a climate of integrity and professionalism in his 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 Jack L. Hayes International's loss prevention/shrinkage control and safety services, including consulting and outsourced LP Services, visit our website at:

<https://hayesinternational.com/>

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The Bulletin Board

2023 Pushout Theft Stats

(A person or people who roll through a retailer's store exit with a loaded shopping cart of unpaid merchandise.)

- . Average Pushout Theft Dollar Amount: \$1,290 (up 11.2%)
 - . Percent of Pushout Thefts that end in violence: 23% (up 6.1%)
 - . Percent of Pushouts Thefts that are opportunistic: 73.0%
 - . Days of Week With Highest Pushout Thefts: Thursday & Friday
 - . Average Number of Items per Pushout Theft: 21
 - . Top Pushout Theft Average By Retail Type: Specialty Store; Department Store; Super Store; Supermarket; Home Improvement
 - . Most Pushed Out Items: Groceries; Electronics; Tools; Cleaning Supplies; Home Appliances
- (Source: 2023 Pushout Theft Annual Snapshot)*

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

operations@hayesinternational.com

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Safety Signage

