THE HAYES REPORT
ON LOSS PREVENTION

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Mark R. Doyle Talks - - -

Mid-Year – Time to Review

It's summer, time to relax, take a few days off, and maybe go on that well-earned and needed vacation. But before you do, be sure to remind your people to always stay vigilant and alert as shrink is a 365 day a year job and unfortunately thieves never seem to take time off!

This is also a good time to perform a mid-year review of LP & Safety Programs to see if you are on-track with your shrink and safety goals and overall compliance is meeting or exceeding your expectations. Review cycle count results during the year, any mid-year shrink results, and compliance to audits to identify if any changes may be needed to your programs before rolling into the busy holiday season.

Have a great Summer, and we'll catch-up this Fall before the holiday season is upon us.

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Stats, Methods, Prevention - - -

Employee Theft in Retail

By Mark R. Doyle

Employee theft is a significant issue in retail, contributing to a large portion of shrinkage. Employees know the company's policies and procedures, and will bide their time waiting for a convenient opportunity to commit their thefts. In the U.S. alone, on average employee theft accounts for approximately 33-35% of total retail shrinkage, however by company that figure could be much higher. While external theft (such as shoplifting) also plays a role, internal theft is particularly damaging because it erodes trust and the climate of honesty within a company.

Statistics on Employee Theft

. Employee theft accounts for roughly one-third of total shrinkage, costing U.S. retailers billions annually.

. On a per case basis, the average dollar amount stolen by employees is significantly higher than that of shoplifters, often exceeding $1,000 per incident.

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Did You Know

2024 saw record-breaking cargo theft activity across the USA and Canada, with 3,625 reported incidents representing a 27% increase from 2023. The estimated average value per theft rose to $202,364, up from $187,895.
CargoNet.com

A man admitted to police that he used a soup barcode hidden in his ring to under ring high-value items at the self-service checkout. He stated he had done this multiple times including buying a $300 grill for the price of a can of tomato soup.
nbcnews.com

Stockton, CA launched the Stockton Takes Action Against Retail Theft (STAART) app in the Fall of 2024 and reports early success with the app designed to fight retail theft and make shopping safer. The app, supported by billboards around the county, allows shoppers to send in photos and videos of retail thefts in progress. Retailers and police have their own dashboards to track cases and evidence. In the first 5 months the app had over 1,300 users and over 390 submissions.
abc10.com

A store owner in the UK says he cut shoplifting rates in his store by 80% when he began arresting thieves himself by carrying out citizen's arrests. The owner states retailers and police invite shoplifters to come and steal by doing nothing about the soaring thefts.
NYpost.com

Working Together - - -

Store Layout & Theft Prevention

Store layout plays a crucial role in shaping the shopping experience and can significantly impact theft prevention efforts. A well-designed layout not only enhances the flow of customers but also helps minimize opportunities for theft, making it an essential element in a retailer's loss prevention strategy. The connection between store layout and theft prevention lies in the ability to reduce blind spots, encourage customer interaction, and increase overall visibility, all of which contribute to deterring criminal activity.

One of the key factors in preventing theft is the strategic placement of store displays and merchandise. Items that are placed near the cash registers or in high-traffic areas are more likely to be seen by both employees and customers, making it harder for thieves to steal without being noticed. Additionally, reducing clutter and keeping aisles clear helps improve the visibility of both staff and security cameras, ensuring that potential thieves are more easily spotted.

Another important aspect of store layout is the use of "power aisles" or high-visibility zones, where staff can easily observe customers. These areas should be designed to direct traffic toward check-out lanes or the most monitored sections of the store. By placing high-value or easily pilferable items in visible areas or near registers, retailers can reduce the chances of these products being stolen. Similarly, placing expensive or small items in locked displays can further reduce the likelihood of theft.

The placement of security measures, such as surveillance cameras, also plays a vital role in theft prevention. Cameras should be positioned strategically to cover blind spots and areas that are difficult to monitor directly. In areas with limited visibility, mirrors can be used to improve sightlines and help employees keep an eye on every corner of the store.

A well-designed store layout does more than just improve the shopping experience—it helps create an environment where theft is more easily detected, and opportunities for stealing are minimized. By considering theft prevention in the store design process, retailers can better protect their inventory, and create a safer environment for customers and employees. $

Testing For Success

According to the National Retail Security Survey the average dollar loss reported for an internal theft was $2,180 per investigation. Take our short quiz to see if your current employee theft prevention program is effective in reducing/controlling internal theft losses.

1. Controlling internal theft starts at the point-of-hire; so does your company have a thorough pre-employment screening process in place to help weed-out undesirable applicants? **Yes No**
2. Does your company's LP training program have a section focused on internal theft with a confidential reporting hot-line # and reward program in place for associates to easily report their suspicions of theft and abuse? **Yes No**
3. Are the 'LP Basics' (door controls, bag checks, trash removal supervised, POS controls, etc.) in place and adhered to? **Yes No**
4. Does your company use an up-to-date POS Exception Based Reporting program to quickly identify possible fraudulent transactions at the POS? **Yes No**
5. Are unannounced store audits completed on a consistent basis to ensure compliance to company policies and procedures? **Yes No**

Hopefully you were able to answer YES to all 5 questions above. If not, take corrective actions now to reduce your vulnerability to internal theft. $

A Vital Aspect of Your LP Program - - -

Employee Loss Prevention Training

Employee loss prevention training is a vital aspect of retail operations, designed to safeguard businesses from internal theft, fraud, and other forms of shrink/loss. In the retail environment, losses can stem from both customers and employees. However, the impact of employee theft is particularly harmful, as it often involves trusted personnel who may exploit their position for personal gain. To mitigate such risks, many retailers implement specialized training programs aimed at educating staff on loss prevention strategies, policies, and ethical conduct.

Effective loss prevention training begins with educating employees about the different types of theft and fraud that can occur within the workplace. These may include stealing merchandise, manipulating inventory records, or abusing return and discount policies. Understanding the methods used by thieves—such as stealing items in groups, concealing products, or tampering with security tags—is crucial in identifying patterns that may go unnoticed by untrained employees.

One of the core elements of loss prevention training is fostering a strong culture of accountability. Employees should be encouraged to report any suspicious activities they observe and understand that the organization takes any form of theft/abuse seriously. Additionally, employees should be adequately trained on the use of security systems, such as surveillance cameras, alarms, EAS systems and inventory tracking tools, which can deter potential theft.

Retailers must also emphasize ethical standards and the importance of honesty, which helps to reduce the likelihood of dishonest actions. By providing clear guidelines and fostering an open dialogue about expectations and consequences, retailers create an environment where employees understand the importance of maintaining integrity.

Employee loss prevention training is an essential tool for retail businesses to protect their assets, ensure a safe working environment, and maintain a positive organizational culture. Well-trained employees not only help prevent theft/abuse but also contribute to the overall success of the business. $

Believe It or Not

Shoplifters Sentenced to Wash Cars in Retailers Parking Lot

A Michigan judge has sentenced shoplifters to wash cars in the retailer's parking lot. When the judge joined the bench, he was shocked to see 48 shoplifting cases on the docket in a single day. He expects 75-100 shoplifters will be ordered to wash cars over a 2 month period this Spring. The judge hopes the humiliation of a thief seeing someone they know while washing cars will make them think twice about shoplifting again. (Update: Chief Judge overrules sentence ☹)

Trooper Arrested for Shoplifting 23 Times in 2024

A Massachusetts state trooper was arrested with shoplifting 23 times in 2024 at various stores from the same retailer. The trooper allegedly used a "skip-scanning" technique at the self-checkout where he scanned and paid for some items while passing other items around the scanner. In one instance, he stole gold balls and razors using this technique to the tune of over $800.

Employees Caught Using Fraudulent Shipping Labels

Four shipment delivery workers in Arizona are facing felony charges for stealing thousands of dollars' worth of electronics and household goods while working in a warehouse. An investigation into missing packages revealed the workers were creating fraudulent shipping labels and sending the products directly to their homes.

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Employee Theft in Retail

. High-value items such as electronics, jewelry, and branded clothing along with highly pilferable and high demand items such as OTC drugs, infant formula and razor blades are frequently targeted, along with cash and gift cards.

Common Methods of Employee Theft

Cash Theft: This includes skimming from the register, voiding sales after a customer has left, or not ringing up transactions and pocketing the cash. Cash register manipulation is one of the easiest and most common forms of employee theft.

Refund and Return Fraud: Employees may process false refunds or returns and keep the money or goods. They could issue refunds to themselves or accomplices without an actual sale taking place.

Inventory Theft: Employees may directly steal merchandise, either by hiding items on their person or using accomplices. They might also manipulate stock counts to disguise the theft or falsify inventory records.

Discount Abuse: Employees may abuse their access to discounts, providing unauthorized discounts to friends or family members. This can also include "sweet-hearting," where an employee doesn't charge a customer for all items in a transaction.

Gift Card Fraud: Employees may issue fraudulent gift cards or manipulate legitimate gift card balances to steal money without raising immediate suspicion.

Time Theft: While not as financially damaging as other forms of theft, time theft occurs when employees falsify their time records, clock in for others, or take extended breaks, leading to higher payroll costs.

Preventative Methods for Retailers

Surveillance Systems: Installing visible and hidden cameras around registers, stockrooms, and high-value inventory areas is crucial. Regularly reviewing footage can deter potential theft and identify suspicious activity.

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Employee Theft in Retail

POS System Monitoring: Advanced point-of-sale (POS) systems can track anomalies in transactions, such as unusually high numbers of voids, returns, or discounts by specific employees, which can help identify theft early.

Random Audits: Conducting random cash register and sales verifications makes it difficult for employees to predict when their actions will be scrutinized. Spot checks can uncover discrepancies and deter theft.

Segregation of Duties: Ensure no single employee has complete control over high-risk tasks, such as processing refunds, taking out the trash, or conducting inventory counts. By dividing responsibilities, you reduce the opportunity for theft.

Employee Background Checks: Before hiring, conduct thorough background checks to identify candidates with past records of theft or fraud. While not foolproof, this helps reduce the risk of hiring employees with malicious intent.

Clear Policies and Communication: Establish a clear theft policy that outlines the consequences of dishonest behavior. Make sure all employees understand the policy and feel that they are being treated fairly.

Employee Awareness and Training: Regularly train employees on loss prevention measures and the importance of honesty in the workplace. Encouraging employees to report suspicious activity through anonymous tip lines or reward programs can foster a culture of accountability.

Controlled Access: Limit access to certain areas (such as high value stock and cash handling areas) to only authorized employees.

Employee theft is a costly issue for retailers, but with proactive measures in place, it can be significantly reduced. Combining technological solutions like surveillance and POS monitoring with a strong company culture built on trust, transparency, and accountability can help minimize the risks of internal theft. Clear policies, regular audits, and consistent employee training will contribute to a more secure and honest working environment. $

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- 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:
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The Bulletin Board

Workplace Theft in 2025

Workplace theft consists of multiple factors from falsifying time-cards and taking naps while on the clock, to outright theft and embezzlement. These practices result in a loss of $30 billion of retail shrinkage each year. Some interesting findings include:

- Two out of every three workers admit to stealing time, supplies and more, costing companies billions of dollars annually.

- 67% of employees have committed some type of theft from their current employer; while 41% have stolen in more ways than one from their employer.

- 27% admit stealing company supplies such as pens, paper, paper clips, folders, etc.

- Managers are twice as likely to steal money from their employer than non-managers are.

- 24% of workers manipulate the number of hours they work, resulting in an average of 4.5 hours per week of stolen time. *(Source: business.com)*

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

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Man Tries Swallowing Evidence

A 32 year old man, who stated to a jewelry store employee that he represented an NBA basketball player, was taken to a VIP room and shown several high-end pieces of jewelry. He quickly grabbed 3 pieces of jewelry, tussled with an employee, and ran from the store. The police were promptly alerted, and the Highway Patrol spotted the get-a-way vehicle on the freeway and pulled the man over. The suspect swallowed the evidence, over $700,000 in stolen earrings, then asked if he was going to be charged with what's in his stomach! $