

THE HAYES REPORT ON LOSS PREVENTION

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Goodbye 2024, Hello 2025



While 2024 is now behind us and can't be changed, we can certainly learn from it. From a shrink perspective, it's essential to review what went well and what didn't last year and make the necessary adjustments to your 2025 Shrink & Audit Program. Preparation will be key

in getting your shrink programs off to a strong start, with a team-effort approach being essential.

Ideally, you've already begun reviewing your 2024 program and making the necessary adjustments for the year ahead. Once you receive and analyze year-end shrink results, it's time to make final adjustments to your program, select target/focus locations, and promptly roll out your updated initiatives.

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Controlling Losses - - -

Retail Loss Prevention in 2025

As retailers face increasing competition and tighter margins, controlling shrinkage through effective loss prevention measures is more important than ever. Shrinkage, which includes theft, fraud, and administrative errors, costs the global retail industry billions of dollars annually. In 2025, loss prevention programs must adapt to new challenges by embracing cutting-edge technologies, adopting a more holistic approach to shrink control, while not losing sight of "The Basics" which are the foundation for any effective LP Program.

Embrace Technology-Driven Solutions

The future of loss prevention hinges on advanced technology. Retailers need to invest in tools like artificial intelligence (AI) and machine learning (ML) to monitor real-time transactions and flag suspicious activity. AI-powered cameras can detect unusual behavior in stores, while predictive analytics can identify patterns of theft or fraud before they occur. These systems enable retailers to take a proactive approach.

Additionally, smart surveillance systems, such as those integrating facial recognition (where permitted by law), can help

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Did You Know

Shrink percentages can vary significantly by retail sector. Sectors such as pharmacy, grocery, mass merchandise and department stores have average shrink rates of over 2%, while those in specialty apparel have average shrink rates of 1.9%. Retail segments including jewelry, watches, home furnishings/furniture, and footwear average below 1.5% or less.

2023 Retail Security Survey

Identity theft is when a fraudster steals your personal information and uses it to steal your money, open credit accounts, make unauthorized purchases, or make health insurance claims without your consent.

Top 5 states for most Identity Theft: Georgia; Florida; Nevada; Connecticut; Delaware

Top 5 states for least Identity Theft: South Dakota; Vermont; Wyoming; West Virginia; Alaska

DOJ and FTC

The Top 5 OSHA Violations for the Retail Industry are:

- . Maintenance, safeguards, and operational features for Exit Routes (Standard 1910.37)

- . Power industrial trucks (Standard 1910.178)

- . General electrical requirements (Standard 1910.303)

- . Hazard Communication (Standard 1910.1200)

- . Handling Materials – general (Standard 1910.176)

Pie Insurance

Ensure Compliance & Reduce Losses - - -

Importance of Auditing Retail Stores

By Mark R. Doyle

Auditing is a crucial tool for retailers, helping ensure operational compliance, identify vulnerabilities, and minimize losses due to theft, fraud, and inefficiencies. A comprehensive audit program helps retailers maintain consistency, adhere to company policies, and address discrepancies before they escalate.

Retail stores face risks such as employee theft, shoplifting, inventory inaccuracies, and procedural failures, all of which contribute to shrinkage. Auditing provides an opportunity to review financial records, inventory management, and operations, verifying that policies are followed correctly, and losses are minimized. Well-conducted audits can not only help reduce shrinkage but also improve store efficiency.

Audit Pitfalls

- . **Inconsistent Audit Procedures:** If audits lack standardization, different auditors may follow varying procedures, leading to inconsistent results and difficulties in comparing risks across stores.

- . **Audit Frequency:** Auditing too infrequently can allow issues to go unnoticed, leading to significant losses before they are detected. However, auditing too frequently may hinder the implementation of corrective actions, as teams may not have sufficient time to address findings before the next audit.

- . **Ignoring Feedback:** Store associates may have valuable insights into inefficiencies or risks. Ignoring their input during audits can lead to missed opportunities for improvement.

- . **Failure to Act on Findings:** Without corrective actions or monitoring, identified issues can persist, allowing discrepancies to recur.

- . **Announcing Audits:** When audits are announced in advance, stores may attempt to temporarily fix issues just to pass the audit, rather than addressing the root causes of the problems. This can lead to a false sense of compliance and fail to uncover deeper inefficiencies or risks.

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Testing For Success

2024 has come and gone and hopefully your shrink program was a success! Whether it was or not, now is a great time to review your shrink program preparation for 2025. Take our short test below to gauge your shrink readiness for this coming year.

1. Do you have a formal written LP/Shrinkage Control program for your store and DC locations and has it been updated for 2025? **Yes No**

(Note: If you answered 'No', go directly to the bottom of this column).

2. Are your 2025 Shrink Program requirements focused on specific shrink causing issues within your company, and not a program simply copied from another retailer? **Yes No**

3. Are location specific Shrink Action Plans and LP Training, Awareness & Reward programs part of your 2025 Program?

Yes No

4. Does your Program have Senior Management's full support and backing? **Yes No**

5. Is a formal 3rd party audit process in place to measure program compliance and help ensure success. **Yes No**

Less than Five 'Yes' answers means some work is needed if you are to have shrink success in 2025.

(Note: If #1 was answered 'No', you'll need some luck on reaching your 2025 shrink goals!) \$

OSHA's Top 10 - - -

2024 Safety Violations

By Mark R. Doyle

To kickstart the development or update of your 2025 Safety Program, begin by reviewing OSHA's "Top 10" most frequently cited safety violations. The 2024 list is provided below. Discuss these issues with your team and assess how they might affect your operations. Non-compliance with OSHA regulations can result in substantial fines (examples listed below), so it's crucial to audit your Safety Program components monthly to ensure continuous adherence to all safety standards.

1. Fall Protection – General Requirements

Inadequate fall protection for workers at height.

2. Hazard Communication

Failure to properly communicate hazardous materials and safety data sheets.

3. Ladders

Improper use of maintenance of ladders.

4. Respiratory Protection

Lack of proper respiratory protection programs and equipment.

5. Lockout/Tagout

Inadequate procedures for controlling hazardous energy during maintenance.

6. Forklifts and Powered Industrial Trucks

Safety violations related to the operation of forklifts and other powered industrial vehicles.

7. Fall Protection – Training Requirements

Inadequate training for fall protection for workers at heights.

8. Scaffolding

Violations related to the safety and construction of scaffolding.

9. Personal Protection & Life-Saving Equipment: Eye/Face Protection

Failure to provide or enforce the use of appropriate PPE.

10. Machine Guarding

Lack of adequate guards on machinery to protect workers from moving parts.

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Believe It or Not

Serial Shoplifter Accused of Theft From Store Same Day He Was Released From Jail

A 33 year-old man who had been arrested nearly 100 times was released from jail and expected to immediately report for treatment. Instead, he decided to go back to his old ways and was apprehended for shoplifting within hours of being released.

Woman Sets Fire in Store in Attempt to Shoplift

In the early morning a woman and man entered a grocery store and proceeded to fill a shopping cart full of groceries. The woman then allegedly ignited a lighter and set fire to items on a shelf in the baking aisle, and quickly proceeded to the self-checkout area. While several employees responded to the fire, the self checkout employee remained in position at the front of the store. A fire spokesman credited the self checkout employee as the likely reason why the woman left without her full cart of groceries.

Woman Must Really Love Mayonnaise

A woman was arrested and charged with shoplifting after filling a suitcase with Best Foods mayonnaise and wheeling it out of the store. Employees gave the police a detailed description of the woman, and they quickly located her at a nearby bus stop wheeling a suitcase. Police said they had “closed the lid” on the thief and they “relished the opportunity” to assist in the arrest.

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Retail Loss Prevention in 2025

identify repeat offenders and organized retail crime (ORC) rings. For self-checkout areas, AI-powered scanners and weight-check systems can prevent common theft methods, such as item switching and skip scanning.

Enhance Employee Training and Awareness

While technology plays a crucial role, human intervention remains essential. Retailers must invest in continuous loss prevention training for their employees, ensuring they understand the latest fraud tactics and can recognize red flags during transactions. Associates should be trained in observing customer behavior and knowing how to approach situations without escalating conflicts.

Moreover, empowering employees to understand how their actions contribute to shrinkage is vital. Employee theft is a significant component of shrinkage, and building a culture of accountability and honesty with the workforce can reduce loss.

Strengthen Inventory Management

A robust inventory management system is key to preventing shrinkage caused by operational errors. Implementing RFID (radio frequency identification) technology can allow retailers to track items more accurately, reducing miscounts and making inventory more transparent in real time. By integrating inventory data with point-of-sale (POS) systems, retailers can detect discrepancies faster and minimize stock losses.

Foster Cross-Department Collaboration

Loss prevention should no longer be viewed as an isolated department. Instead, retailers must foster collaboration between departments, including IT, human resources, and operations. Sharing data across these teams can uncover hidden trends, helping to spot vulnerabilities.

Loss Prevention Basics

Never lose site of the fact that the “LP Basics” need to be a daily priority in all locations with consistent compliance, as these are the foundation of any successful LP Program. These basics include: Opening/closing coverage; consistent customer service; door controls; fitting room controls; bag checks; supervision of trash removal; monitoring POS transactions and exceptions; auditing; and accurate receiving/shipping processes are just some of the daily basics you need to keep in place. \$

Advisory Board

Mark R. Doyle

President/Owner of Jack L. Hayes International. For over 38 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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2024 Safety Violations

Failure to comply with these and other workplace safety practices can result in hefty penalties, especially if violations are repeated or willful. Here are two examples from 2024:

- A dollar retailer settled with OSHA for \$12 million to resolve safety violations. The settlement included corporatewide changes to improve employee safety, such as addressing blocked emergency exits, electrical panels, and fire extinguishers. This retailer has faced repeated safety violations in recent years.
- A footwear retailer is facing almost \$400,000 in fines at one of their warehouses for repeat issues including a lack of guardrails and unsafe ladders which exposed employees to potential falls of up to 10 feet. The safety hazards had not been addressed since a previous OSHA visit.

Let's work together to make 2025 a safer year!

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Importance of Auditing Retail Stores

Audit Recommendations

- . Standardized Audit Procedures: Develop a uniform audit process across all stores, with detailed checklists for cash handling, inventory control, employee procedures, customer service, and loss prevention. Ensure auditors are trained to follow these guidelines consistently.
- . Conduct Regular Audits: Perform scheduled audits to maintain continuous compliance. Unannounced audits can keep stores vigilant. High loss stores should be audited more frequently.
- . Comprehensive Audits: In addition to inventory and financial checks, audits should review operational processes to identify inefficiencies, procedural failures, and loss prevention/shrink vulnerabilities.
- . Engage Store Personnel: Include employee feedback in the audit process. Frontline workers often know of inefficiencies or risks not visible in financial records. Regularly collecting their input helps uncover hidden issues.
- . Follow-Up on Findings: Create an action plan to address audit findings, with clear steps and deadlines. Conduct follow-up audits to ensure corrective actions are implemented and effective. \$



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/

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The Bulletin Board

Organized Retail Crime (ORC)

Top Targeted Products by ORC

- . Grocery (Cigs, energy drink, high-end liquor, infant formula)
. OTC Medication (Allergy, diabetic strips, pain, weight loss)
. Home (high-end vacuums and appliances, elec toys, detergent)
. HBA (Teeth whitening, pregnancy tests, shaving razors)
. Clothing (Denim pants, designer clothing and handbags)
. Electronics (GPS devices, laptops, tablets, cameras, cellphones)

Common Types of ORC

- . Professional Shoplifters
. Booster Operations
. Cargo Theft Rings
. Credit Card Fraud Rings
. Refund Fraud Rings
. Burglary Incidents
. Robbery Incidents
. Cyber Crimes
. Check Fraud Rings
. Gift Card Fraud Rings

Impact of ORC

- . Price Increases
. Loss of Tax Revenue
. Product Integrity
. Health & Safety Risks
. Additional Crimes

(Source: Organized Retail Crime Resource and Guide)

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

operations@hayesinternational.com

Oops, I Forgot Something

Two women selected what they wanted from the salesfloor of a nail salon and allegedly walked out the front door without paying. Minutes later one of the woman returned to the store and asked for her cellphone she had left behind, which also happened to have her drivers license and a credit card inside the phone holder. Instead of returning her cellphone, employees called the police to report the incident. When officers arrived at the woman's home, they arrested the pair as the stolen merchandise was sitting in plain sight inside their vehicle. \$