

THE HAYES REPORT

ON LOSS PREVENTION

QUARTERLY

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Mark R. Doyle Talks - - -

Coming Soon: Holiday Double Feature - Sales and Shrink. . .



As we hopefully continue to exit the Covid-19 pandemic downturn, the holiday season is quickly approaching, which means more shoppers and hopefully many more sales! We need to be very vigilant in our shrink/loss control efforts to ensure the extra sales realized during this holiday season do not get cancelled out by higher losses. From a shrinkage control viewpoint, now is the time to prepare for likely increases in both external and internal theft. With many retailers facing difficulties properly staffing their locations, opportunities for theft are increasing. In addition, many stores will be forced to rely more on PT seasonal associates this year, than they have in previous holiday seasons. That means these PT seasonal hires will need to be well trained in proper customer service techniques; spotting shoplifter characteristics; the use of diversions tactics and booster bags; fitting room controls; identifying counterfeit bills; techniques of quick-change artists, fraudulent refunders; and the list goes on. The fate of this holiday season may very well rest with the quality of PT seasonal associates you hire and the extent of the training they receive!

Reporting Dollar Losses - - -

Developing the Admission for a Retail Interview

By Greg Edwards, CFI

Although they admitted to stealing "X" amount, we believe the theft to be much higher.

If you have ever written, or said, the above statement, then this article is for you. While we may never know the exact dollar amount of a particular theft situation, we should always strive to obtain the most accurate amount through our interviews. I have found that most interviewers do well in obtaining admission, seeking truthful

answers, and communicating their findings to the company, however, when it comes to reporting the dollar losses, we often fall far short.

When I attended my first class on interview and interrogation (W-Z 1992), I fell into the trap of focusing my attention on obtaining the admission/seeking the truth and the rest of the process got lost. Once the subject made their admission, everything else went blank. The more

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Did You Know

❖ A significant change for the Loss Prevention Professional is the increased focus on Health & Safety, for both the customer as well as store associates. Over 76% of respondents confirmed that health & safety has been added to their job responsibilities and for many it has become their main focus.

The State of Retail Loss Prevention (2020)

❖ In terms of seasonality, winter is the prime shoplifting season in the US with 81% of the season losses occurring during the holidays/festivities.

comparecamp.com/shoplifting-statistics/

❖ The legalization of marijuana in multiple U.S. states creates challenges for worker safety: An NSC survey of 500 employers shows that 81% are concerned about the drug having a negative impact on the workplace.

Safety+Health Magazine

❖ In June 2021 local authorities in Colorado arrested seven ring-leaders involved in a shoplifting and money laundering scam to the tune of \$5.2 million. The items were stolen locally, then sold online and shipped by mail leading to Federal charges for using the US Mail to ship stolen items.

Colorado Community Media

❖ Shoplifting apprehensions and recovery dollars increased 8.6% and 15.3% respectively in 2020 for “essential” retailers.

33rd Annual Retail Theft Survey

33rd Annual Retail Theft Survey - - -

Theft Prevention Tips

By Mark R. Doyle

While temporary store closures due to the Covid-19 Pandemic resulted in fewer thieves being caught stealing in 2020, the average shoplifting case value increased 13.0% and the average dishonest employee case value increased 3.8% over 2019. As expected, the Covid-19 Pandemic clearly affected apprehensions and recovery dollars in 2020, with shoplifting apprehensions and recovery dollars down 43.8% and 36.5% respectively; and dishonest employee apprehensions and recovery dollars down 20.3% and 17.2% respectively. However, those participant retailers designated as “essential”, saw overall apprehensions rise 7.9% and dollar recoveries increase 9.1% during 2020.

Shoplifting

Reasons cited by survey participants why their Shoplifting apprehensions and recovery dollars increased or decreased in 2020:

Increased:

- ORC continues to be primary factor
- Less stores to choose/steal from
- Major increase in “theft for need”
- Increasing felony thresholds
- More ‘hit n run’/fleeing shoplifters

Decreased:

- Store closures; less shoppers
- Deterrence focus during pandemic
- Fitting rooms closed extended time
- Focused on better customer service
- Less LP/AP staff during transition

Shoplifting Prevention Tips

- **Use a Greeter:** Position an associate at store entrance(s) to greet all customers and offer assistance.

- **Focus on good customer service and not ‘tasks’:** Shoplifters want and need privacy; so take it away from them. When they respond, “I’m just looking”, teach associates to say, “Ok great, I’ll keep my eye on you in case you need any assistance”. Honest customers are ok with this, and this is the last thing a shoplifter wants to hear.

- **Have associates walk the sales floor:** Keep visible, and keep displays neat and organized (so missing items can be more easily noticed).

- **Have good sight lines on the sales floor:** Do not block the view of high value/highly popular items.

- **Limit item quantity on sales floor:** Limit the number of high value/highly pilferable items on the sales floor. This will reduce vulnerability to large losses of these items.

- **Hire honest and motivated associates:** Train them to prevent shoplifting (what to look for, how to respond to a possible shoplifter, etc.).

- **Store Location:** Stores facing parking lots need to keep an eye on area outside of store for possible get-a-way car(s) sitting at the curb.

- **Control Fitting Rooms:** Lock fitting room doors and monitor usage.

- **Use/Manage technology:** EAS, CCTV, mdse alarms, ink/dye tags, product tie-downs, Keeper boxes, etc. must be managed. Also ensure P&P regarding technology is adhered to.

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Retail Interview

interviews I conducted and the more training that I attended, the more I realized that while the admission is important, I needed to show the whole picture, not just a small piece of it. I learned the importance of note taking and mapping out their statements to developing the admissions.

I created a system to track the amounts of clothing or money stolen while keeping it simple. When conducting an interview, note taking must be done efficiently without distracting from listening to what the subject is saying. Also knowing that my notes may be used in criminal or civil proceedings, I needed them to be easily read without misinterpretation.

I developed a pattern of questions that elicit the best responses and, along with taking detailed notes and filling out a "Merchandise Worksheet", the subjects' written statements became much more detailed and complete.

My subjects' statements went from, "I stole \$10,000 worth of clothes" to, "I recall stealing 14 pairs of men's jeans at \$69.99 each, 17 men's polo shirts at \$49.99 each...I sold the jeans on (specific website/app)...I gave the shirts to my cousin for his business...I gave the jackets as Christmas presents to..."

I think we all would agree that the latter is a much better statement. With that end in mind, I asked myself, "How do I get them to tell me all that detail?" The answer is simply to ask them. Therefore, I started asking, "What did you do with the product?" "Did you sell it or give it to other people?" "Who did you give it or sell it to?" You will no doubt recognize the framing of the question where either response is an admission. Those questions are as much for me as they are

for the subject. The subjects realize that their initial admission is low and allow me to expand the admission.

Once we determined who the merchandise was for, if they sold it, where did they sell it, how much did they sell it for, we had to determine, as closely as possible, how much they recalled stealing and that is where the Merchandise Worksheet comes into play. The Merchandise Worksheet assists their recollection of each item, how many and what the cost was. To clarify, the worksheet is a table with columns. Our store sell men's, women's and children's clothes, those are the column headers. The first column however is the type of merchandise (i.e., short sleeve shirts, long sleeve shirts, hats, pants, etc.). It is just a matter of asking the right questions, such as, "How many men's short sleeve shirts do you recall stealing?" This is followed up with questions to describe the various short sleeve shirts in the store (i.e., t-shirts, polo shirts, dress shirts, etc.) along with the price of each item. After going through all the items and prices, the total is generally higher than their initial admission.

When the interview is complete and the statement is written, the numbers rarely surprise the subject as they have discussed each item in detail. Developing the admission by asking follow up questions and documenting their responses on the Merchandise Worksheet led to a dramatic increase, from their original admission. By obtaining the detailed explanations, it also allows the interviewer to substantiate the admissions once the interview has concluded. While no one

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Testing For Success



The 2021 holiday season is fast approaching, so now is the time to take our short test to see if your loss prevention strategies are ready for the upcoming peak crowds and sales.

External Theft

1. Do all associates (new hire and tenured) understand that consistent quality customer service is our best deterrent to shoplifting? (Ask 5 associates) **Yes No**

2. Have cash safeguards been strengthened to protect against robberies/external losses? **Yes No**

3. Are physical anti-shoplifting safeguards (EAS, CCTV, product tie-downs, etc.) in good condition; and audited weekly? **Yes No**

4. Are fitting rooms secured and monitored for good customer service and shrink control? **Yes No**

Internal Theft

5. Will seasonal hires go through a thorough pre-employment screening process? **Yes No**

6. Will shrinkage control training, as it relates to shoplifting and employee theft, be required for seasonal/temp hires? **Yes No**

7. Are all associates aware of the company's confidential reporting line and reward program? **Yes No**

8. Does your auditing program continue during the holiday season to ensure company policies/procedures are strictly adhered to? **Yes No**

If you answered "NO" to one or more of the above eight questions, take it as a "warning sign" to act now to ensure a profitable 2021 holiday season! \$



Believe It or Not

Thou Shall Not Steal

Four members of a group of 6 alleged Romanian nationals were apprehended for stealing from churches across the country. The theft ring was charged with stealing more than 1,700 checks from 636 churches, totaling more than \$760,000. Church mailboxes were the focal point of how the thefts were carried out, as Covid-19 swept across the country, more people stayed home and mailed in their contributions.

Nun Pleads Guilty to \$835,000 in School Theft

In California, a nun who took a vow of poverty agreed to plead guilty to federal charges for stealing more than \$800,000 to pay for a gambling habit. As a principal, the nun controlled the checking, savings and an account to paying living expenses for the nuns. She acknowledged diverting funds from donations, tuition and fee moneys to pay for her expenses and casino gambling debts.

Make-A-Wish CEO Pleads Guilty to Theft of Funds

A former CEO of a Make-A-Wish office pleaded guilty to embezzling over \$40,000 from the charity that supports sick children and their families. The CEO made unauthorized charges on the foundations credit card, and gave herself unapproved bonus and salary increases which were noted during an internal compliance review.

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Retail Interview

remembers every item, the statements have become more reflective of the true losses. By going over the questions and their responses with them, it reduces the chance of false confessions. Most subjects are going to be unable to answer questions consistently if they are not being honest.

Interviewing is an art and we must be creative in order to succeed and grow. We should regularly review our processes and address areas of opportunity. The methods I have described have consistently

demonstrated measurable success for me over the past 9 years. No one person has all the answers so by sharing the best practices I have developed with the IAI community, I am hopeful that you will do the same. If you have suggestions, success stories, comments, concerns or improvements, please pass them along. I look forward to hearing from you. \$

(Editor's Note: This article was first published in the Certified Forensic Interviewer Insider Newsletter earlier this year. The writer, Greg Edwards, CFI is a friend and colleague who you can contact at: GregEdwards@pvh.com)

Should Have Been Worried - - -

Luck Runs Out

By Michael Mersheimer

Several years ago, I was at the annual convention of a sandwich chain in Las Vegas. I joined some franchisees at the craps table to try and learn the game. One of the franchisees started throwing down thousands on the table, when I was introduced by another franchisee to this high roller as the loss prevention and franchise audit guy. He laughed and said if the IRS couldn't catch his underreporting, he was not worried about me. Fast forward about 7 months and following an investigation where we arranged daily large cash orders for our fake business with this same franchisee, we met again in a hotel meeting room with his attorney and accountant, where I reminded him of the comments he made in Vegas earlier that year, just before we introduced weeks of video recordings showing him delivering the product to us and accepting large cash payments. Following a royalty audit, we were able to demonstrate that none

of those transactions were recorded at the store, resulting in no royalties being collected for those transactions. He lost a three-unit network and paid tens of thousands in back fees and expenses.

I always remember this and others like it when franchise executives tell me they have sophisticated POS and other systems to prevent this, and that this is a self-reporting issue. That is great, if the franchisee rings transactions into the register, and buys his raw materials through the system.

What's happening in your brand? **Your franchise owners expect you to have things in place to protect the brand equity and their ad fund contributions.** Happy to schedule time with your leadership team to discuss how we help brands protect their revenue and brand standards. Stay tuned for more stories which are meant to educate readers to various methods of underreporting you may not have considered. \$

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Theft Prevention Tips

- **High Shoplifting Risk Stores:** If needed, use off-duty police or guards.
- **Communications:** Talk with other stores in your center/mall to stay current on local theft issues.
- **Prosecute Shoplifters:** Thieves know which retailers prosecute and those that do not. Prosecution can be a good deterrent.

Employee Theft

Reasons cited by survey participants why their Employee apprehensions and recovery dollars increased or decreased in 2020:

Increased:

- More focus towards associate theft
- Improved technology/analytic tools
- Fewer associates; less supervision
- Increase in loyalty card fraud
- Increase in discount abuse cases

Decreased:

- Store closures; less associates
- Less focus on apprehensions
- Additional technology at POS
- Reduced travel by LP/AP staff
- Decrease in LP/AP staff

Employee Theft Prevention Tips

- **Pre-Employment Screening:** The first step to controlling employee theft starts at the point-of-hire; do not hire the “bad apple”. Money spent upfront 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.
- **Confidential Reporting Line & Reward Program:** Establish and

promote a confidential line and reward program for associates to report acts of 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.

- **Package/Bag Checks:** Conduct a package/bag check whenever an associate exits the location.

- **POS Controls:** A key-holder should witness and verify refunds, voids, price overrides, etc.

- **Sales Verifications:** “Pass-outs” are an easy way to steal with friends, 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 P&P 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. \$

The full survey can be viewed and/or downloaded/printed from on our website at: <http://hayesinternational.com/news/annual-retail-theft-survey/>

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The Bulletin Board



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: \$968.00

State With Highest Avg Pushout Theft: Wisconsin (\$1,651)

Average # of Items Per Pushout Theft: 21

Average Age of Pushout Theft Shoplifter: 36

Days of the Week With Highest Pushout Thefts: Sunday & Saturday

Average Time of Pushout Theft: 3:00pm

Top 5 Most Pushed Out Items: Food/Alcohol, Electronics, Power Tools, Clothing, Appliances

Large Dollar Amount Stolen: \$5,981 (Power Tools)

Most Number of Items Stolen in a Pushout Theft: 238

(Source: 2020 Pushout Theft Annual Snapshot)

* * * * *

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

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or emailed to: operations@hayesinternational.com



Dumb Criminals: Litter Trail Leads to Arrest!



Early in the morning, three men wore blue surgical gloves (so as not to leave prints) entered a local drug store, waved guns at employees and made off with more than 10,000 pills (estimate street value \$320,000) in several large white garbage bags. While investigating the incident, police noticed empty pill bottles along the road. Following the pill bottles, like bread crumbs, led the police to a house where they found the thieves and the stolen drugs inside! \$