

THE HAYES REPORT

ON LOSS PREVENTION

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In This Issue

- **An Age-Old Problem.....Page 1**
Shoplifting has likely been around since the very first merchant openly displayed their goods. This article takes a look at the history of shoplifting; one of the first leading shoplifters of her time; and a pair of shoplifters who may have been the first to use a "booster-device".
- **Audit Program Pitfalls.....Page 2**
After reviewing hundreds of loss prevention, shrinkage control and safety audits used by some of the finest companies in the retailer industry, this article discusses several pitfalls that plague many audit programs.
- **Blinded By Love.....Page 3**
Mike Mershimer shares an actual case where one of the owners was stunned to learn that the other was voiding sales, and therefore underreporting revenue to the franchisor.
- **Testing For Success.....Page 3**
It is important to create a Plan of Action (POA) to address a location's specific shrink issues. Take this short quiz to see how well your location's POA is paying shrink dividends.
- **The Bulletin Board.....Page 6**
See the Bulletin Board for some various Employee Theft Statistics. Some of these may amaze you.

Mark R. Doyle Talks - - -

Theft Survey & Shrink Results



Annual Retail Theft Survey: We were thinking of possibly not doing our annual survey this year due to many business disruptions in 2020. However, we have been receiving requests as retailers want to see how their numbers compare with the industry overall. Therefore, we are in the process of gathering statistics for our 33rd Annual Retail Theft Survey. Participants are never identified, information provided is strictly confidential, and always grouped for reporting purposes. Participants also receive additional statistics/results that are not published. If your company would like to participate is our short 1-page survey form see contact info below:

Shrink Results: I am sure you have been reviewing your year-end 2020 shrink results, so how are you feeling about them? 2020 was a very strange year, but hopefully you were able to keep the focus on shrink and your results were better than expected! However, if you were not satisfied with your shrink results, we can help!

Visit us at: <https://hayesinternational.com>

Email us at: operations@hayesinternational.com

Send me a note via our website: <http://hayesinternational.com/contact-us/>

Hope you enjoy this issue of the newsletter. Until the Summer . . . \$

Shop-Lifting - - -

An Age Old Problem

By Jack L. Hayes

Ever wonder when the first shoplifting incident took place or how shoplifting truly got its name? Well, I did and as result I found out a few interesting things. First of all, shoplifting is probably as old as time itself! Through the ages, since Adam and Eve, people have been tempted to take things that didn't belong to them. Therefore, it is highly probable that the very first retail merchant who openly displayed his/her goods thousands of years ago also

became the very first victim of shoplifting. To help in my quest to learn about shoplifting when it was in its infancy, my associate Dr. David Cherrington of BYU searched high and low for some writings to help satisfy my needs. David finally found a book entitled 'Lives of the Most Remarkable Criminals' published in 1927 and based on original papers and authentic memoirs published in 1735. Thanks David!

Continued on Page 4

Did You Know

- ❖ The three industries with the most work-related deaths continue to be:
 - Construction
 - Transportation & Warehousing
 - Agriculture*Safety+Health*

- ❖ An Office Manager was charged with embezzling over \$2.3 million from her employer to fund a private horse farm as well as fancy restaurant meals, trips and lavish shopping sprees.

The Ladders

- ❖ Some employee theft statistics really are shocking. For example:
 - 75% of employees have admitted to stealing from their employer at least once.
 - 95% of all businesses suffer from theft in the workplace.
 - 37.5% of employees have stolen at least twice from their employer.
 - 29% of employee theft cases lasted more than five years.

Total Security Advisor

- ❖ Police stopped a shoplifter for stealing less than \$12 in merchandise, but found 4 grams of Meth, a tab of LSD, some black tar heroin, and \$3,000 in cash leading to second and third degree felony charges.

Daily Times

- ❖ The average dishonest employee theft case is \$1,380.62, while the average shoplifting theft case is \$288.71.

These average case values increased 11% and .5% respectively.

32nd Annual Retail Theft Survey

Issues to Consider - - -

Audit Program Pitfalls

By Mark R. Doyle

Over the past 35+ years we have had the unique opportunity to review hundreds of loss prevention, shrinkage control and safety audits used by some of the finest companies in the retail industry. We have also assisted many of these retailers in revising their audit programs to be more efficient and effective. These audit programs have ranged from simple 1 page Yes/No formats in Word or Excel, to more thorough computerized audits completed on a cellphone or tablet with weighted scoring formulas. Most of these audits were completed by LP/AP, Safety, Internal Audit and Store Operations personnel.

Our review of these various audit programs has resulted in the identification of several pitfalls that plague many loss prevention, shrinkage control and safety audits. Listed below are a few of the more common pitfalls we have encountered.

Audit Creation

Unfortunately, many companies design their audit program prior to developing their custom LP, shrink or safety program. A good audit program is always built around and designed to measure location compliance to the company's LP, shrink or safety program.

Audit Length and Scope

Many times, we review audits where the author definitely thought quantity was much more important than quality. Big mistake! We call this the "shotgun approach" – trying to audit too much too quickly. This typically results in a

lack of audit focus and renders the audit ineffective.

Audit Focus

Do these points-of-audit sound familiar? "Are all associates wearing name tags?" "Are all associates dressed in appropriate attire?" "Are shopping carts cleared from the parking lot?" We frequently see these type of audit points on LP, shrink and safety audits. We are not saying these points-of-audit are not important, just that they do not belong on an LP, shrink or safety audit that is designed to measure program compliance and predict shrink or safety losses.

"Our shrink audit is completed the second week of February every year, and usually on a Tuesday."

Audit Question Weight/Value

This is a frequent and major pitfall of many LP, shrink and safety audits we have reviewed over the years. In most any audit, select points-of-audit are more important than others. For example, in a loss prevention/shrink audit points-of-audit addressing customer service, backdoor security, EAS tagging, associate package checks, fitting room controls, and compliance to refund and void policies are much more important than the monthly LP topic posted on the bulletin board, stockroom door being closed, all associates signing the LP meeting form, or visitor sign-in/out log completed in full. Each point-of-audit

Continued on Page 5

Voiding The Profits - - -

Blinded By Love



By Michael Mershimer

We start each Franchise Royalty Assurance program by analyzing food costs, POS exceptions, purchasing data, etc. We use this report to identify the “low hanging fruit”, which is based on worst weighted score.

One particular unit in Southwest Utah, for a global sandwich chain came screaming off the page at us. It indicated that 60% of all items initially rang into the POS system each day were voided prior to the sale being closed. You can imagine the impact on reported sales from this single unit operator, where both the husband/wife franchisees worked the store every day.

I sat down with the two and presented the 300 pages of POS data documenting the huge volume of voids, and the significant sales reporting variance calculated during our audit of this franchisee. I could not help but notice that the husband was fully engaged, distraught and could not explain how he was buying so much bread and their sales were so low. I further noticed his wife, who was anything but engaged, spent the entire discussion looking at her phone, and seemed to not have a care in the world. I finally got her attention when I asked what roles they each played in the business, and the husband explained he worked the front of the make line as order taker, and his wife worked the register every day for the three hour lunch rush. She always left by 2:00 PM as she had to drive to Las Vegas for her night job.

After the second or third nudge from

me, the husband finally woke up, realizing his wife was the only one that could be voiding the transactions. She would ring up the items, collect the full sale amount, then item delete down to the drink or chips. Then start the next sale from there. We saw tickets open for over 60 minutes. At 1:30 every day, she would run the register reading, take the cash that was “over”, and head to Vegas.

Based on the husband’s reaction, and his immediate offer to settle the case with us, including paying back all past due royalties and our audit costs, it was apparent that he was being duped by his wife, and he had no knowledge of what she was doing. It was a sad moment watching his reaction when it finally dawned on him what was happening. Believe it or not, I received a note from this franchisee several months after we met. He had removed his wife from the business, and thanked me, explaining his sales were up dramatically, and he was making money. He further explained his wife was getting professional help for a gambling addiction. It was great to hear they were both turning things around. \$

(Editor’s Note: This article was written by Michael Mershimer, President, Brand Standards & Compliance at IntelliShop. If you would like to learn more about sales reporting integrity and brand compliance, visit their website at: <https://www.intelli-shop.com/>.)

Testing For Success

Plan of Action



Each location (facility or store) has its own unique shrink issues due to design/layout, location, customer base, applicant pool, etc. Therefore, it is important to create a Plan of Action (POA) to address the location’s specific shrink issues. Take our short quiz to see if your location’s POA is paying shrink dividends.

1. Is each location (or at a minimum each high shrink/target location) required to develop and comply with a POA to reduce their losses? (Note: If NO, go directly to the bottom of this column.)

Yes No

2. Is POA specific to location’s needs; created by location management; and approved/signed-off by RM, DM or LP?

Yes No

3. Do requirements/actions on POA focus on location’s highest loss departments or categories?

Yes No

4. Are POA requirements/actions not already part of company policy or part of shrink program?

Yes No

5. Are POA requirements/actions measurable and realistic, and verified for compliance during store audits?

Yes No

Five ‘Yes’ answers means your POA should assist in lowering your shrink if followed and complied with.

Four or less ‘Yes’ answers means your POA process likely needs some work to ensure effectiveness.

(Note: If #1 answered ‘No’, you are losing a great opportunity to engage local management in their shrink control efforts.)



Believe It or Not

Servant Steals Over \$100,000 From Royal Family

A catering assistant working at Buckingham Place had his duties changed during the pandemic to include more cleaning tasks. These new duties gave the man access to offices and other areas he would not normally have been given. After a medal was noticed missing, an investigation took place and the medal along with other stolen items were found listed for sale online. The catering assistant plead guilty to stealing 77 items totaling over \$100,000 which included: signed photographs, a state banquet photo album, and various medals.

Shoplifter Uses Kool-Aid Packet to Ring-up \$994 in Fraudulent Charges

A store loss prevention worker recognized a man from a previous incident, so she followed him around the store and observed him while at the register. Using a self-checkout register, the man was observed using a hidden Kool-Aid packet in his hand which he scanned for each item he passed thru the self-checkout (each item rang up for just \$0.24). His receipt totaled just under \$25, however the merchandise he pass-thru totaled over \$994! Unpaid items included: Scooter (\$248); Batteries (\$160) and a navigation system (\$120). The police apprehended the man shortly after he exited the store.

Continued from Page 1

An Age Old Problem

**Shoplifters
will be
Prosecuted**

History wise, my first book's documented instances of shoplifting reported the following: "In the summer of the year 1726, shop-lifting became so common a practice, and so detrimental to shopkeepers, that they made application to the Government for assistance in apprehending the offenders; and in order thereto, offered a reward and a pardon for any who would discover their associates in such practices. It was not long before by their vigilance and warmth in carrying on the prosecution, they seized and committed several of the most notorious shoplifters about town, and at the next several ensuing sessions convicted six or seven of them, which seems to have pretty well broke the neck of this branch of thieving ever since." Jenny Holmes was believed to have been one of the leading shoplifters of her time. "According to her crew, who, if they were to be believed upon their oaths, were inferior to her in the art or mystery of shop-lifting." The woman who became a evidence against her (Jenny) swore so positively on the several indictments, and what she said was corroborated with so many circumstances, that the jury found Jenny guilty on four indictments: For stealing 20 yards of silk on the 1st of June 1726; stealing 40 yards of silk on the 1st of May, same year; taking a silver cup on the 7th of January; stealing 80 yards of mantua silk on the 24th of December. Jenny Holmes was sentenced to death for shop-lifting. At the time of execution, she was about thirty-four years of age.

Amongst the rest of those shoplifters convicted and sentenced to death was Katherine Fitzpatrick. Katherine was convicted of stealing 19 yards of green damask on July 29, 1724; taking 10 yards of green satin on the 10th of February 1724/25; stealing, in company of another person, 50 yards of green mantua on May 5, 1725; and stealing 63 yards of modena and pink Italian mantua on February 24, 1724/25. At the time of her execution on the 6th of September 1726, Katherine Fitzpatrick was about thirty-eight years of age.

No wonder the "art" of shoplifting has improved so dramatically over the years.

Even in the early 1700's, shoplifters were hard at work in sharpening their skills of thievery. Writings indicate the use of "diversion" by an associate thief along with booster devices were rapidly becoming "tricks of the trade". Mary Robinson and Jane Homes, may well be the first shoplifters convicted of using a "booster-device". Mary was convicted along with Jane Holmes for stealing a silver cup and for stealing eighty yards of mantua silk on the 24th of December. Evidence showed that the two women had a contrivance under their petticoats, not unlike two large hooks, upon which they laid a whole roll of silk, and so conveyed it away at once, while one of their confederates amused the people of the shop in some manner or until they got out of reach. Mary Robinson, at the age of 70 years was also put to death for the crime of shop-lifting. \$

Continued from Page 2

Audit Program Pitfalls

should carry a weight that is related to its overall importance.

Audit Scoring

We have found that audit programs which are not scored, usually do not carry as much importance as those that are scored. Five (5) 'NOs', depending on the audit questions importance could result in a passing or failing score. Some executives may see 5 non-compliance issues as good, while others will see it as unacceptable. However, if those 5 NOs resulted in a 92% score or a 74% score then the executives will likely view the results more similarly.

Audit Location Selection

In some companies we have found they treat all stores the same when it comes to audits (every store audited once a year or twice a year). Shrinkage results, sales volume, management turnover, profitability, etc. play no role in the frequency in which a store is to be audited. A high volume, high shrink store is audited the same number of times a low volume, low shrink store gets audited. Shrinkage Control/LP audits should focus on those locations where the biggest return on investment can be realized.

Audit Notice

When it comes to scheduling audits there always seems to be a bit of a battle within companies regarding announced vs unannounced audits. We are strong believers that unannounced audits provide the most realistic picture of normal daily operations; better measure true compliance to program requirements;

and greatly assist in keeping audit's focus (LP, shrink control or safety) a priority issue within the company.

Audit Timing

I'll never forget when visiting a client store and asking the Store Manager about shrink audits completed in their store (ie. who completes them, how often, etc.) and the manager stated, "Our shrink audit is completed the second week of February every year, and usually on a Tuesday." I asked if shrink audits must be announced or scheduled in advance. The manager said No, it was just most convenient for his auditor to do his store the second week in February. For audits to have their greatest impact, ensure the audit rotation schedule is changed on an annual basis.

Audit Follow-up

Unfortunately, we have found on many occasions, usually due to a workload issue, failing audits are not re-audited on a consistent basis. Lack of follow-up to failing audits or non-compliance to key points-of-audits can render even the best of audit programs ineffective. To audit and identify deficiencies, but then fail to train personnel and re-audit to ensure deficiencies have been corrected defeats the very purpose of auditing.

These are a few of the major audit program pitfalls we have encountered over the years. If your audit falls into one or more of the above pitfalls, now would be a great time to make some needed changes. \$

ADVISORY BOARD



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.

David J. Cherrington

Professor of Organizational Leadership and Strategy at BYU; certified SPHR, and recognized authority on employee dishonesty and white-collar crime.

Mark R. Doyle

President/Owner of Jack L. Hayes International. For over 35 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.

Michael Mershimer

President, IntelliShop Loss Prevention & Compliance. Globally recognized advisor to America's favorite franchised, retail & food service brands. For 30 years, has advised on & designed loss prevention solutions which improve franchise sales reporting, brand compliance, and inventory shrinkage.

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<http://hayesinternational.com>

You can e-mail Mark R. Doyle at:
mrd@hayesinternational.com

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The Bulletin Board



Various Employee Theft Statistics

2/3 of all U.S. based small businesses fall victim to employee theft
(*National Federation of Independent Business*)

Clocking someone in when they are not actually at work and similar time theft schemes affect approximately 75% of all businesses in the U.S.
(*Replicon*)

More than 40% of all employee theft cases are uncovered through tips provided by an employee, customer, vendor or anonymously.
(*Association of Certified Fraud Examiners*)

It is estimated U.S. businesses lose up to \$110 million a day due to employee related crimes.
(*Hire Power Associates*)

Dollars recovered from dishonest employee apprehensions totaled over \$45 million in 2019, up 7.8% from 2018.
(*Jack L. Hayes International's 32nd Annual Retail Theft Survey*)

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

The Hayes Report
27520 Water Ash Drive - Suite 100
Wesley Chapel, FL 33544
or emailed to: operations@hayesinternational.com



Online Bragging Gets Five Thieves Busted!



Five men had a thriving business, shoplifting cases of liquor and cartons of cigarettes from stores in South Florida. They wore orange vests, yellow gloves, and wore wigs and fake beards. However, they wore the same clothing and drove the same vehicle to several thefts, and then bragged about their exploits online, evening posting photos of the liquor and wads of cash. Police watched security video and recognized some of the men from previous encounter, and arrests were quickly made! \$