

THE HAYES REPORT

ON LOSS PREVENTION

QUARTERLY

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2020 - How's Your Shrink Vision?



Well, it's the beginning of a new year and the problem of retail theft is not getting any better. How will you be attacking your shrink problems in 2020? I suggest you have a targeted approach based on shrink research and past/current loss experiences, and not use a shotgun approach hoping for better results. If you are not sure of your shrink approach this year, consider having a shrink analysis/review conducted to determine your specific areas of strength and opportunities.

The Hayes Report Turns 35! This year commences our 35th year in publishing this newsletter – wow, where did the time go? It seems like only yesterday when Jack & I decided to publish a newsletter for the loss prevention industry. I would like to thank all our guest writers over the years, and a special “Thank You” to all our readers! We wish you a safe, secure and successful 2020! \$

Daily Controls = YE Profits - - -

Back to the LP Basics

By Mark R. Doyle

As we begin this new year of 2020, let's all make a commitment to keep shrinkage control a **daily** priority within our stores, warehouses, and distribution centers. While some losses do occur at the time of physical inventory taking (inaccurate counts, misidentifying merchandise, etc.), the greater majority of our losses occur day-to-day throughout the year. From the moment product arrives at your location via the warehouse/DC, direct vendor shipment, company transfer, drop shipment, etc. until it is received by our customers, or returned to the supplier/manufacturer, there are many opportunities for losses to occur. So, let's start off 2020 the right way by checking to ensure that

your location is consistently doing 'the LP basics', day in and day out. We believe this is one of those areas that management sometimes takes for granted as being completed and complied with, since most companies have policies and procedures in place to address these 'basic' loss prevention/shrinkage control issues. Yet, our experiences consistently show that many locations, especially those with high losses, fail to properly implement, maintain, or consistently comply with 'basic' loss prevention policies and procedures on a **daily** basis. Here are just a few LP "basics" you should be complying with on a daily basis.

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Did You Know

- Cargo thefts increased 13% in volume and 31% in value during the 3rd quarter of 2019 (compared to the 2nd quarter of 2019). The average loss value was \$155,709, with electronic loads being the most stolen product type, followed by “home & garden” and “food & drinks”.
SensiGuard Supply Chain
- A recent survey of 20,000 worker compensation claims revealed:
 - When a retail worker is injured on the job, the average employee is out for 24 days.
 - The top 3 injury types with the highest average payout were: 1) Falls from ladder \$21,000; 2) Repetitive motion injury: \$14,000; and 3) Motor vehicle accident \$13,900.
 - Injuries related to lifting accounted for 23% of the total dollar payout for the top 10 injury types.
AmTrust Financial – Retail Risk Report
- In the past two decades a national trend has emerged to raise felony threshold levels (which includes shoplifting).
 - Nearly 40 states have increased felony thresholds since 2000.
 - Virginia and New Jersey have one of the lowest felony thresholds, just \$200, while Texas and Wisconsin have one of the highest levels at \$2,500.
The Pew Charitable Trusts
- 44% of worker compensation claims included at least one prescription for opioids. In addition, prescription drugs account for 25% of all worker comp medical costs.
Safety+Health October 2019

Only as Good As You Make it - - -

Confidential Reporting Program

(Editor’s Note: This article is by the late Brad Kelsheimer who worked with Hayes Intl for many years.)

Do confidential reporting programs really work? In more than 25 years in the loss prevention industry, I can honestly say “Yes”. But keep in mind that a program is only as good as you make it. This type of program must be marketed to your associates just like your company’s products must be marketed to be successful. There are several confidential reporting programs out there, as well as various loss prevention and safety awareness programs.

I can honestly say that from an investigative point-of-view, approx. 10-15% of all employee theft cases over the past 25 years have come from company-wide confidential reporting programs. If this shrink reduction tool is used properly, it can become even more effective than the above percentages. In most organizations, a call-in type feature is used to obtain information on possible theft/abuse activities taking place inside an organization. These calls usually concern some type of employee misconduct or theft activity. Over the years I have investigated a few large employee theft cases which more than returned their investment for the confidential reporting program.

The confidential reporting program can consist of flyers, posters, etc. all containing information on the program and a confidential call-in

number. The main part of the program is getting the word out. This must be followed-up with monthly or quarterly meetings as well as some type of reward/compensation program for reporting the suspicious activity. Over the years, nothing seems to work better than a cash reward.

As a Loss Prevention Professional when attending shrink meetings, one item from the program is always a little misunderstood by employees. Many employees seem to think that they need to be able to prove the theft/abuse occurrence before they will make a call to a hotline system. This should not be the case. The call is just information that could lead to an investigation or be helpful in determining if any wrongdoing was occurring. Now it is always wise to ensure that the person receiving the call gets as much information as possible and reassures the caller that the information provided is extremely confidential. A follow-up call to the original caller should be done at the end of the investigation only to provide a brief update on the case. This will reassure the employee that the information is both confidential and is actually being researched and investigated.

So, in closing, your confidential reporting program is only as good as you allow it to be. These programs do work, and will pay dividends in the long run. This is just another tool for the investigator to use to ensure a successful conclusion to an investigation. \$

Simple to Do and Effective - - -

3 Things to Minimize Internal Theft

By Jack L. Hayes

To kick-off 2020, I have listed below three things that I consider to be the most critical steps that any company can take to help minimize internal theft:

1.) *New-Hire Process:* For decades, we have said that the number one most important step in controlling employee theft begins at the point of hire. After the candidate has completed all of the required application forms, perform a detailed review of those documents. Look for any gaps in employment or other questionable indicators. The purpose of this review is to help structure your interview questions and ensure that all required forms are signed and completed.

Some companies have a policy of checking only two previous job references. We are not in favor of this type of screening, as it not uncommon to find that some applicants may have reached that number in just a few months or so. We like to go back between 5 and 7 years. A thorough structured interview, along with a reasonable background check, will go a long way in helping to prevent the hiring of a 'bad apple'. For younger applicants, keep in mind that many state laws prohibit release of juvenile records.

"Go back between 5 and 7 years. A thorough structured interview, along with a reasonable background check, will go a long way."

2.) *Climate of Honesty:* Without question, the most essential variable in creating a climate of honesty starts at

the top. *Its all about attitudes!* If managers consistently have positive attitudes toward honesty and show that they are highly ethical, and will not condone dishonesty or lying in any form, and that you also expect the same from your staff, it becomes obvious: Dishonesty, on any level, will not be tolerated! In addition, no 'double standards' - policies and procedures should apply to all - from your newest hire to your most trusted associate.

3.) *Multiple Tasking:* It amazes me at the number of *easily preventable* significant thefts that are allowed to take place in all sorts of businesses daily. While the type of companies may differ, the method of these theft schemes, whether in retail or not, are generally the same: A 'trusted' employee takes advantage of a weak or ignored internal control as well as the trust placed in them by their manager or boss. It is a game of 'checks and balances', no one individual should be performing multiple tasks.

"A 'trusted' employee takes advantage of a weak or ignored internal control as well as the trust placed in them by their manager or boss."

Well, as you have seen above, those are my three simple, inexpensive, and effective ways to help minimize internal theft! Have a great and prosperous upcoming year! \$

**Testing
For Success**



Welcome to 2020!

With the new year upon us, now would be a great time to check your shrink program preparation for the new year. Take our short test below to gauge your shrink readiness for 2020.

1. Do you have a custom and updated written LP/Shrinkage Control program for your store and DC locations for 2020?

Yes No

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

2. Does your 2020 Program focus attention on last year's highest shrink locations, departments, and/or merchandise?

Yes No

3. Does your LP/Shrinkage Control program require location specific "Action Plans" be created to address and correct that location's highest loss areas?

Yes No

4. Do Shrinkage Control training, awareness and reward programs for associates play a major role in your program, and have these items been recently updated?

Yes No

5. Is a formal "third party" audit process in place to measure program compliance and help ensure program success?

Yes No

Less than Five 'Yes' answers means some work is needed if you are to have shrink success in 2020.

(Note: If #1 was answered 'No', all I can say is "good luck" on meeting your 2020 shrink goals!) \$



Believe It or Not

The Shortest Theft Trial

A man stood before the judge at his criminal arraignment and when the judge asked him how he wanted to plea on the theft of an automobile, the man surprised the judge with his answer. The judge expected to hear a simple “guilty” or “not guilty” plea, but instead the man stated, “Before we go any further your honor, just let me explain why I stole the car”.

Time To Pay Up

There was a string of vending machine robberies taking place over the past few weeks and the police finally made the arrest, thinking they likely had the right guy. However, when the suspect paid his \$400 bail amount entirely in quarters, the police then knew for sure they had their man!

Just Ask – You Never Know

A man entered a gas station/convenience store and pulled a gun on the attendant and demanded all the money in the register. The attendant said he would comply, and then asked the robber for a favor. The robber asked why a favor, and the attendant stated that every victim is allowed one phone call. So, the robber agreed, but told the attendant to hurry with the call and money. The attendant called the police who arrived shortly thereafter and apprehended the robber. \$

Continued from Page 1

Back to the LP Basics

Opening/Closing:

From both a security and safety point-of-view, ensure two associates are always present at the opening and closing of the store/location.

Receiving Process:

This is the area/process where it all begins. If your inbound freight is not received and documented accurately your numbers/inventory will be off from the start. Follow your company’s receiving policy and promptly document and report any shortages, overages or damages you identify.

Transfer / Delivery Process:

When shipping or delivering merchandise, it is most important to ensure items leaving your location are accurately picked/pulled, packaged and then accounted-for in the system. Always double check for picking accuracy before finalizing any transfer or delivery. Being “in a hurry” is not a good reason for an inaccurate count.

Damaged & Defective Product:

Product received or found damaged/defective in your location, must be treated the same as good saleable items. Therefore, carefully and accurately check-in and process all damaged/defective product to ensure its’ correct disposition.

Pre-Employment Screening:

Prior to hiring new associates, ensure your company’s pre-screening requirements are fully complied with to assist in hiring only honest and ‘quality’ employees.

LP/Shrink Training:

- *New Hires:* Ensure all new-hires are familiar with your location’s Loss Prevention/Shrinkage Control Program, and all company policies/procedures relating to merchandise accountability and security are thoroughly reviewed with them.

- *Current Associates:* Ongoing loss prevention/shrinkage control materials should be regularly provided to, or reviewed with, all employees. This would include newsletters, monthly messages, security briefs, confidential 1-800 reporting lines, etc.

Door Controls:

- *Back Doors:* All back/emergency exit doors should be protected by a *functioning* local alarm-lock which is ‘set’ at all times thus prohibiting unauthorized use of these doors to walk or pass-out merchandise.

- *Overhead Doors:* These doors should be closed and padlocked when not in actual use. This will prevent someone from entering the location thru an open OH door, and also prohibit the passing-out of merchandise.

For Specialty Stores and locations with single employee coverage:

- *Customer Entrance/Exit Door:* This door/entryway should have an audible bell/chime that sounds on both the sales floor and in the stockroom that alerts associates when someone enters or exits the store.

- *Stockroom Doors:* The stockroom door(s) should always be kept closed, and have a chime/bell affixed to sound when the door is opened.

Continued on Page 5

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Back to the LP Basics

Package/Bags Checks:

All associates (including management) should have any package/bag/lunch box they are carrying consistently inspected immediately prior to exiting the location.

Trash Removal:

Trash contents should be inspected by a manager/2nd person immediately prior to removal to check for intentionally or unintentionally concealed merchandise. In addition, boxes/cartons should always be flattened prior to removal, and clear trash bags used in all trash receptacles.

POS Transactions:

Critical POS transactions such as refunds, voids, price overrides, etc. should be consistently verified at the time of occurrence by a manager/2nd person. In addition, unannounced sales verifications should take place daily to ensure all merchandise is properly rung into the register.

Customer Service:

All customers should be promptly greeted upon entering and then approached and offered assistance. Associates should not be so task oriented that they get tunnel vision and ignore customers walking about the sales floor.

Product Knowledge:

Know what products thieves like to steal the most and display accordingly, by keeping items in open areas with good sight lines and limiting the quantity of these items openly available on the sales floor.

Fitting Rooms:

Lock and/or monitor fitting rooms at all times to ensure product going in is counted and accounted-for upon customer exiting. Keep fitting rooms clean at all times, and caulk areas where tags, price tickets, etc. could be concealed inside the fitting room.

Manage Technology/Devices:

Remember, technology (EAS, CCTV, merchandise alarms, Locked showcases, keeper boxes, etc.) must be managed, and policies/procedures regarding this technology adhered to at all times.

Auditing:

Ensure consistent compliance to company policies/procedures by conducting unannounced audits. By reducing the opportunity, you reduce the chance of theft/loss.

These are just some of the 'basics' when it comes to practicing good loss prevention on a daily and consistent basis. Remember, daily controls will result in positive year-end profits. Now go have a great 2020! \$



ADVISORY BOARD



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Consulting Services & Products:

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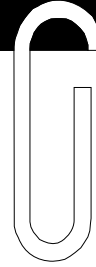
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The Bulletin Board



Let's Start 2020 Off By Winning!

The 7 C's To Build a Winning Team

1. Coaching
2. Character
3. Communication
4. Commitment
5. Contagious Energy
6. Caring
7. Consistency



* * * * *

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



Return For Activation

Two guys came up to the cellphone kiosk and started talking to the employee. One guy distracted the employee while the other stole one of the cellphones they were looking at. Upon realizing a phone had been stolen, the employee phoned the police to report the theft. Less than 30 minutes later the guy came back and asked the employee to activate his (the stolen) phone. Upon checking the serial number, the employee told the man the phone was stolen, and the police were on the way. The man ran off empty handed! \$