

# THE HAYES REPORT

ON LOSS PREVENTION

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*I guess thieves get thirsty when they are working. How many cans of Red Bull or bottles of Liquor can one person conceal at a time? Read here to find out!*

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*See the Bulletin Board for a rare picture/poster of Jack from his Director of Security days.*

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## The Holiday Season is Upon Us!



With the busy holiday season fast approaching, the good news is more shoppers in the stores and hopefully a lot more sales! Unfortunately, the holiday season also brings out more shoplifters and seasonal/temp associates who are likely not as engaged or committed to the company as regular FT/PT associates. So we need to be very vigilant in our shrink/loss controls efforts to ensure the extra sales realized during this season do not get cancelled out by

higher losses. See Jack's article below where he discusses a few anti-shoplifting strategies for the holiday season. We also have an interesting article by Larry Miller discussing several keys for running a low shrink growth store. And, don't forget to see The Bulletin Board (last page) for a rare pic/poster of Jack (years ago) addressing fellow workers regarding an increase in shoplifting during the busy 3 month holiday season. Let's all make this a great and successful holiday season and don't forget to follow us on the web, LinkedIn, Facebook and Twitter. Until next year... \$

*Anti-Shoplifting Basics - - -*

## Holiday Season Challenges

By Jack L. Hayes

Ah, the busy (*we hope*) holiday season is rapidly approaching. With that in mind, I thought it might be helpful to offer a few refresher type pointers on things that any retailer can do to help reduce their vulnerability to losses during the holiday season. I am not going to recommend you run out and purchase expensive CCTV, EAS, P.O.S., or other technology systems. Yes, these types of expenditures, where needed, generally provide excellent paybacks on your investment. But they may not be cost-effective if installed in every store without full research and consideration

be given. So, with that said, I want to pass along a few anti-shoplifting "basics" that will work.

Year after year shrink forecasts focus on apparel, electronics, and electronic accessories as being the most desirable and stolen items during the holiday season. However, just keep in mind, that thieves will steal whatever they can get their hands on, especially if there is a resale market for what you carry.

### ***Will you be ready?***

We just completed our 30<sup>th</sup> Annual Retail Theft Survey. Not surprisingly, shoplifting is leading the way. Over the past 10 years shoplifter apprehensions

*Continued on Page 4*

**Did You Know**

- When shopping you'll see prices that end in "9" almost everywhere, but do you know how the "99 effect" (as it is referred to) came about? It has been suggested the "99 effect" was introduced to curtail employee theft in the early part of the 20th century. Why? It forced cashiers and sales staff to open the tills for change thus reducing the chances of them just pocketing the money from the sale.

*RTE Brainstorm*

- A recent survey revealed the following interesting facts:

- 54% of respondents stated that External Theft was their most concerning form of loss for businesses.

- Only 29% of respondents were very satisfied with their business' current approach to loss prevention.

- How often do companies conduct reviews of loss prevention strategies, tools and techniques?

- A few times p/year (36%)
- Once p/year (32%)
- Less than once p/year (17%)
- Monthly (11%)
- No Comment (4%)

Respondents wanted to know more about:

- Approaching a Shoplifter (43%)
- Credit Card Fraud Protection (37%)
- Managing inventory shrink (33%)
- Protecting Mdse against theft (31%)

*ShopInsights - RCC 2018*

- Top 4 compliance concerns in 2018:

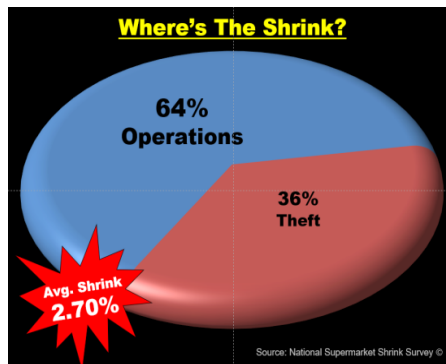
- Negligent Hiring (42%)
- EEOC issues (40%)
- Fair Credit Reporting Act (24%)
- Ban-the-Box Legislation (20%)

*HireRight*

*Effective Use of Data - - -*

**Interpreted Analytics for Operations**

Forget the *Retail Ice Age* news headlines. *Brick and Mortar* is not dead. Top Operators use Interpreted Data to deliver profit improvement answers to Store Operations and Asset Protection Teams. Interpreted Data gives Store Managers, Supervisors and AP Professionals clear direction to support best practice execution which grows sales, reduces shrink loss, mitigates out of stock item conditions, and improves cash flow. Here are 6 Keys to Running a Low Shrink Growth Store: When it comes to running a Profitable Store, Store Teams must understand these 6 Keys to Managing Inventory in the Profit Optimization Supply Chain. These Keys form the foundation for achieving P&L goals.



**1. Operations Excellence is Circular:** Stores Order, Receive, Stock, Handle, Produce, Display, and hopefully sell what they ordered and received daily. This circular process is a constant at the core of running a profitable store. The Store Manager and their team have two fundamental jobs—customer service excellence to grow sales, and shrink prevention for profit optimization.

**2. Supporting Positive Sales:** Much is written about Sales solving Shrink Loss, but in this market of strained

sales, shrink prevention remains a challenge we must overcome. Here are some helpful tips:

- *Inventory TURNS is Key!* Buyers need to buy for TURNS and stores need to order for TURNS. Inventory needs to be managed because a failure to TURN hurts sales and weakens gross margins. In over 80% of companies, Managers and Department Leads have very little consciousness of the vital role of inventory TURNS in everything they do. Effectively managed inventory TURNS create cash flow, grow profit, improve labor efficiency, reduce shrink loss and promote positive morale.

- *SKU Optimization/Rationalization* This subtle, but important issue helps promote sales and storewide shrink reduction. SKU Rationalization goes 2-ways. First, don't carry items that aren't selling. Second, be sure every store's Top 1000 Selling Items are always in stock. FMI and GMA report out of stock items cost stores 1.8%-3.0% in annual sales, customer disappointment and elevated shrink levels.

**3. Focus on Preventing Shrink:** It has often been said, "Shrink Happens," or "Shrink is a Cost of Doing Business." Shrink does happen, but excessive shrink is "caused." Controlling Shrink is everybody's business. Every Department Manager, every Store Manager, every Product Specialist and every Buyer.

*It always amazes me how easy it is to reduce store shrink 10, 15, even 20% when we make it a Team Effort.*

**4. Store Teams** must be trained and held accountable to implement proven

*Continued on Page 5*

30th Annual Retail Theft Survey - - -

## Additional Shrink Stats & Trends

By Mark R. Doyle

In the Summer 2018 (Vol. 33, No. 3) issue of The Hayes Report newsletter we provided statistics on our 30<sup>th</sup> Annual Retail Theft Survey which reported on over 430,000 apprehensions taking place in just 21 large U.S. retail companies in 2017. These companies represented 16,409 stores with combined 2017 annual sales of over \$428 billion.

Below are some additional company total statistics from that survey.

### Shrink Trend 2017:

- ▶ 61.9% (13 of 21 retailers) had an increase in company shrink.
- ▶ 28.6% (06 of 21 retailers) had a decrease in company shrink.
- ▶ 09.5% (02 of 21 retailers) had no change in company shrink.

### Shoplifting Apprehensions 2017:

- ▶ 47.6% (10 of 21 retailers) had an increase in apprehensions.
- ▶ 47.6% (10 of 21 retailers) had a decrease in apprehensions.
- ▶ 04.8% (01 of 21 retailers) had no change in company shrink.

### Shoplifting Apprehension

#### Recovery Dollars 2017:

- ▶ 52.4% (11 of 21 retailers) had an increase in recovery dollars.
- ▶ 42.8% (09 of 21 retailers) had a decrease in recovery dollars.
- ▶ 04.8% (01 of 21 retailers) had no change in recovery dollars.

### Shoplifting Recoveries Without an Apprehension 2017:

- ▶ 75.0% (12 of 16 retailers) had an

increase in recovery dollars.

- ▶ 12.5% (02 of 16 retailers) had a decrease in recovery dollars.
- ▶ 12.5% (02 of 16 retailers) had no change in recovery dollars.

(Note: Only 16 of our 21 survey participants reported shoplifting recoveries without an apprehension in 2017.)

### Dishonest Employee

#### Apprehensions 2017:

- ▶ 57.2% (12 of 21 retailers) had an increase in apprehensions.
- ▶ 42.8% (09 of 21 retailers) had a decrease in apprehensions.
- ▶ One out of every 35.0 employees was apprehended for theft from their employers in 2017. (Based on over 1.4 million employees.)

### Dishonest Employee

#### Apprehension Recovery Dollars

#### 2017:

- ▶ 47.6% (10 of 21 retailers) had an increase in recovery dollars.
- ▶ 52.4% (11 of 21 retailers) had a decrease in recovery dollars.

### Unaccounted-for Theft Losses:

For every \$1 recovered by our survey participants, \$11.54 was lost to retail theft. Therefore, only 8.7% of total retail theft losses resulted in a recovery.

(Note: Statistics for our 30<sup>th</sup> Annual Retail Theft Survey can be found on our website at:

<http://hayesinternational.com/news/annual-retail-theft-survey/>

There is also a downloadable and printable PDF version of the survey which contains some thoughts behind the numbers.) \$

## Testing For Success



With the 2018 holiday season fast approaching, now is the time to take our short test to see if your loss prevention strategies are ready for the peak crowds and sales.

### External Theft

**1.** Do all associates (both current & seasonal) understand that quality and consistent customer service is our best deterrent to shoplifting? (Ask 5 associates) **Yes No**

**2.** Have cash safeguards (collecting, counting, depositing, etc.) been strengthened to protect against robberies/external losses? **Yes No**

**3.** Are physical anti-shoplifting safeguards (EAS, ink/fluid tags, CCTV, mdse alarms, product tie-downs, shelf guards, etc.) in good working condition; and are checks/audits conducted at least weekly to ensure proper use and operation? **Yes No**

### Internal Theft

**4.** Will seasonal / temporary hires go through a similar pre-employment screening process as do your full-time associates? **Yes No**

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

**6.** Are your auditing programs continuing during the holiday season to ensure policies / procedures are strictly adhered to? **Yes No**

If you answered "NO" to one or more of the above six questions, take it as a "warning sign" to act now to ensure a profitable 2018 holiday season! \$



**Believe It or Not**

**Thieves Get Thirsty When They Work!**

**How Many Cans of Red Bull Can You Conceal?**

Police are searching for a man suspected of stealing about 30 4-packs, or 120 cans, of Red Bull from the same Illinois convenience store during three different trips. Surveillance footage shows the man putting at least 11 4-packs down his pants in the middle of the afternoon, and exiting the store without paying for the drinks. Later the same day, he is suspected of taking at least 8 additional 4-packs of Red Bull. The following day he stole about 11 more 4-packs of Red Bull by concealing them in his sweat pants.

**How Many Bottles of Liquor Can You Conceal?**

A Louisiana woman has been charged with stealing 11 bottles of alcohol by concealing them in her bra and pants. Video surveillance shows that the woman entered the liquor store, and in a span of just 2.5 minutes, concealed 11 bottles of booze and then purchased a bottle of wine before casually walking out of the store. The liquor was valued at \$750 per the prosecutors, but her lawyers are questioning the true value of the booze and are looking to quash the felony charge. The woman, who pleaded “not guilty”, has nine previous arrests for shoplifting in the area, with the latest being \$509 worth of meat and baby formula that were concealed in a purse and jacket. A social media post by a person identifying herself as the woman, stated shoplifting is “what I do”. \$

*Continued from Page 1*

**Holiday Season Challenges**

and dollar recoveries have taken the top spot in eight of those 10 years.

**Knowledge is power**

One glaring thing that comes across very clear is that the majority of retailers do not have the staff to combat these thieves on a one-on-one basis. Therefore, your anti-shoplifting plan should include the following strategies:

- Physical Security Safeguards
- Operational/P.O.S. Controls
- Shrink Awareness Training

*Physical Security:* My first piece of advice would be to meet with your local (in-store or regional) LP specialist and jointly review your current physical safeguards. Identify what additional steps can be put in place.

*Operational Controls:* Here I would place my focus on four areas: E.A.S., front door, P.O.S., and fraudulent refunds.

*E.A.S.* works, but it requires good management. Check to ensure that theft risk items are properly tagged, and that your staff responds to door alarm activations, and they are not simply ignored.

I am a great believer in using audits in helping to identify both operational and LP issues. Ensure that your points-of-audit also focus on your sales floor coverage strategies.

*Front Door:* The front door has always been a “hot-spot” for theft prevention; any uncovered exit gives the thief a good opportunity to walk out with stolen merchandise. Sure, EAS will scare off the opportunist, but not the hardcore or ORC thieves.

Front coverage is critical, as is a look in the eye “greeting” when the customer walks inside.

*P.O.S.:* Those antiquated theft techniques of ticket switching, concealing extra or switching items inside of boxes that show signs of being opened, or simply hiding an item inside of another - still make the shoplifter’s hit list. Your cashiers/associates need to be aware of these techniques. If your store is one that allows customers to self-scan their items, I suspect you have already encountered the reality of non-scanned merchandise, be it intentional or by error. Having a salesperson spot assisting customers or simply observing can reduce your risk in these areas.

*Fraudulent Refunds:* For years, retailers have taken a beating in this area. This high-risk area requires a strong refund policy and the ability to track/monitor repeat returns.

*Shrink Awareness:* Education is key! If necessary, dig out those anti-theft awareness messages from your files and make it a point to talk about one or two specific topics on a daily basis. ***I still sincerely believe that good customer service is the best method for reducing shoplifting.*** Don’t overlook having your LP person, mall guard, or police officer give brief talks to your staff.

Unfortunately, in today’s world the shoplifter has become more violent than in past years. Make certain that your staff never jeopardizes their safety if a suspected thief is in your store. Let everyone know your company’s policy relating to what actions are to be taken. Naturally, if you are assigned to a high shrink location, I would expect a well defined anti-shrink program to be in place.

Have a great and successful season! \$

*Continued from Page 2*

## Interpreted Analytics for Operations

best practices and be empowered by smart technology to *Compete, Beat, and Win.*

a. As Local Grocers expand Fresh Departments to ward-off sales erosion, shrink has a natural tendency to increase. Managers must be trained to be a Profit Realization Expert, proactively managing shrink loss in real dollars to take appropriate actions and correct excessive shrink loss.

b. The National Supermarket Shrink Survey reports when retailers measure shrink loss as the difference between gross margin projected versus realized, they mask shrink loss. This opens Pandora's Box of bad behaviors. Reactionary Instincts dictate a price hike to get your gross despite shrink loss. Operational pricing audits have shown retailers build 8% shrink loss into their Fresh pricing, causing an undesirable competitive pricing condition. Second, 48% of Fresh Departments cut variety - ignoring what they could sell - while others avoid shrink by planning Produce to run out of stock. This hurts Sales and increases Shrink.

c. We need a reasonable amount of shrink to promote and grow sales, but Excessive Shrink is bad. Remember, to control shrink to acceptable levels, you must measure it. If you can see it, you can control it. Once you know what it is, why it is, and learn how to prevent it, you can win the War on Shrink.

**5. Training:** We have trained over 10,000 Managers and Supervisors to use smart technology and reduce loss in over 900 Companies. When Training is perceived as an expense, it becomes one of the first areas we cut.

Companies grow when they view expert Training as a vital business optimization investment. When Store Teams are well trained and leadership supports a People-First Culture, the team unlocks new sales, improves cash flow, lowers shrink, and reduces out of stocks. Store Teams are essential to providing a positive in-store shopping experience.

**6. Technology:** Our industry has no shortage of data, but it is under-utilized. Interpretive Analytics provide Store Managers and Supervisors with clear visibility into the meaning of data and provide actionable guidance on how to resolve operational shortfalls. Don't get me wrong, **I Love Data**, but I love the effective use of data.

That's why we created ProfitTrax BI with daily, plain English Action Alerts and embedded Best Practice reminders to interpret store data and direct how to grow sales, reduce shrink loss, mitigate out of stock conditions, assure proper inventory of on-hand top selling items, and enable Store Manager effectiveness to drive profit.

Store Teams will grow your business if you give them smart technology, expert training, clear goals, and accountability. Smart Technology<sup>1</sup> can provide Store Teams with plain English Action Alerts to grow sales and reduce shrink loss up to 15% in just 90 days. \$

*(Editor's Note: This article was written by Larry Miller, CEO at Smart Retail Solutions. If you would like to learn more please visit their website at: <https://smartretailsolutions.com/> or call them at: 602-448-8500)*

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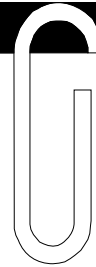
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## The Bulletin Board



### Where Did The Years Go?

As Jack L. Hayes International celebrates its 40-Year Anniversary, I thought we would share this picture with you that hangs in our main office. Any idea the year of this picture, or the company Jack was working for at the time?

Well, I asked Jack and the picture/poster is from 1971 when he was Director of Security at Jordan Marsh Department Stores, New England. How time passes! Today Jack is mostly retired, and enjoying his time in The Villages, FL writing business and baseball books (he is on his 6th book I think), playing golf, traveling and just enjoying life with his beautiful wife Darlene.

\* \* \* \* \*

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

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