

THE HAYES REPORT

ON LOSS PREVENTION

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In this article, Jack reviews a recent ORC case with a Tijuana connection topping \$20 million. He also talks about the "tools of the trade" used by these shoplifters and some preventative strategies the average retailer should take.

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See the Bulletin Board for a **FREE** book offer as Hayes International celebrates its 40th Anniversary!

Mark R. Doyle Talks - - -

2018 is Off and Running!



Wow, where did the 1st quarter of 2018 go? As this year got off to a fast start, we are currently in the midst of gathering statistics for our 30th

Annual Retail Theft Survey. I'm also hearing retailers are having a renewed interest in shrink and safety this year - that's always a good thing.

This year I will be attending the NRF Protect 2018 Loss Prevention Conference and Expo in Dallas, TX. The conference is being held at the Gaylord Texan Resort in Dallas on June 11-13, 2018. If you attend this important

industry conference (and you should), I hope we can meet up. Also, don't miss the "Conquering Chaos" session which takes place on Wednesday, June 13th at 10:30am. This session, moderated by my colleague Michael Mersheimer, will discuss how two national retailers are meeting their day-to-day LP challenges by utilizing shared resource service providers to supplement components of their Loss Prevention program and initiatives.

I hope you enjoy this newsletter and follow us on the web, LinkedIn, Facebook and Twitter. Until next time...\$

Organized Retail Crime - - -

The Big Bust!

By Jack L. Hayes

The number of headlines across the country regarding Organized Retail Crime (ORC) are mind-boggling: **Tijuana shoplifting ring hit U.S. malls for \$20 million.**

These well organized shoplifting crews not only targeted malls around San Diego County - teams traveled as far away as Washington, Illinois, Oregon, Maryland and points east.

Just how serious is this problem?

According to the National Retail Federation, "Organized crime costs US retailers nearly \$30 billion a year. In recent years, large theft rings have been broken up in Texas, New Mexico and

other states."

The Tijuana Connection

On Wednesday, September 6th, over 250 federal law enforcement agents - armed with warrants - arrested at least 14 of the 22 people indicted by a San Diego, California federal grand jury and after searches of three homes in the San Diego area \$30,000 in cash, a dozen trash bags filled with new clothing and security tags were seized. Additional items recovered in those raids included several piles of expensive shoes, jewelry and perfume.

The indictment alleges that these thieves typically stole thousands of dollars

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Did You Know

- Temporary workers file lost-work day claims twice as much as permanent workers.

WA State Dept of Labor & Industries

- Employee theft stats are staggering. Consider these:

-75 percent of all employees steal at least once, and half of these steal repeatedly.

-One of every three business failures is the direct result of employee theft.

US Chamber of Commerce

-Employee dishonesty costs American business in excess of \$50 billion annually.

US Dept of Commerce

-Businesses lose 20% of every dollar to employee theft.

-20% of employees are aware of fraud at their companies.

-The average time it takes for an employer to catch a fraud scheme is 18 months.

American Society of Employers

- On-the-jobs deaths are at their highest level since 2008. Notable findings include:

-Transportation-related fatalities account for 40% of all fatal work-related injuries.

-Deaths among workers 55 and older is at its highest level since stats were kept (1992).

-Occupation with highest fatalities is drivers/sales workers.

-Fatalities among leisure and hospitality workers increased 32%.

Bureau of Labor Statistics

Controlling Inventory - - -

Peg Hook Merchandise Solution

By Edmund Di Marco

In today's economy retail companies are having to work harder and harder to compete with online industry giants like Amazon. This past Black Friday was one of the first times in history that online purchases exceeded in store purchases by a staggering amount; with online sales at \$5.03 billion, this was more than a billion dollars higher than the previous year.

With retailers having to compete with online companies, we here at DaVinci Industries have created a product that can help give retail stores 'a leg up' on e-commerce companies through better tracking technology. Our product Acutrack is a replacement for scan hook products throughout the industries. This maintenance free display solution makes the product self-face driven by the hands of the customer, not the employees. Every time an item is removed from Acutrack the remaining merchandise is pulled forward, automatically facing the storefront. With our patented tracking technology, available in the second generation of this product, retailers can monitor each Acutrack unit through radio frequency identification (RFID) communications. With this feature, Acutrack will be the first and only display product in the market to provide retailers with a store front electronic inventory solution. The major benefit to the buyer is a return on investment gained through less money spent on labor devoted to inventory management, as well as fewer inventory losses. This product will change the way both

large and small businesses face their stores and how they approach inventory management solutions. Currently, inventory tracking in retail stores is approximately 68%, and with Acutrack a retailer's accurate tracking would be close to 95%.

The time we currently live in is a difficult time for retail stores with many companies like Toys r Us declaring bankruptcy because they can't track and predict how much inventory they have or need for their retail stores. Imagine if you could go to a retail store, and you knew for a fact, that the product you wanted would be there - that is our dream for retail stores. We are bringing the retail industry tracking systems into the modern century with better tracking technology built into their retail store fixture products. This will allow for retail companies to reduce out-of-stocks, help them have accurate numbers on the amount of shrinkage they have in their stores, and allow them to better combat theft.

We at DaVinci Industries want to help make the life of customers, employees and owners of retail stores easier, as we are the next generation in retailing solutions.

(Editor's Note: If you would like to learn more about DaVinci Industries and their Acutrack product, visit them at <http://davinciindustries.com/> or call them at 815-708-9285.) \$

A Simple Effective Solution - - -

The Power of Safety Signage

By Mark R. Doyle

In today’s environment with so many distractions in the workplace, capturing and maintaining employees’ attention can be a difficult proposition. However, attention and awareness are key components in keeping your workplace safe. So, how do you keep your employees’ thoughts and attention on safety? One of the simplest, yet very effective methods is ‘signage’. That’s right, never underestimate the power of professional looking signage to keep safety awareness high throughout the workplace.

When is the last time you took a good look at your safety signage? I bet it has been awhile! So, take a look now, and what did you see? Was the signage missing, covered up, or old and faded and just blending in with the wall decor? Or did it ‘pop’ right out at you because it was highly visible, bright and grabbed your attention? In my opinion, it is rare that you can have too much safety signage, unless of course it is unprofessional, cluttered and/or confusing.

Unprofessional Signs: Have you ever seen a hand-drawn emergency evacuation map posted in a store or warehouse location? Or a “Not an Exit” sign or Hazardous Material sign hand-written? If so, what did you first think when you saw it (besides a 1st grader could have done a better job)? Most likely these hand-drawn signs gave you the impression that the store or warehouse really doesn’t place much emphasis on safety. Someone told them



to put up a sign quickly, and that is exactly what they did!

Cluttered and/or Confusing Signs: Does a fire extinguisher sign hang where there once was, but no longer is, a fire extinguisher? Is there an “Exit” sign hanging over a door which is no longer an emergency exit due to a remodel? Have you ever seen so many signs in one place that you intuitively ignored them so as not to confuse yourself even further? These are instances we frequently see in our travels.

The first thing you need to address when reviewing your safety signage is to be sure to comply with all OSHA standards. For example, lighted or luminescent ‘Exit’ signage is required for evacuation routes and designated emergency exit doors. (Sorry, those 99 cent ‘Exit’ signs do not comply with OSHA regulations!) Then review your company’s internal policies/procedures, survey your location/building, and make a thorough list of the safety signage that is missing or needs replacement (Exit, Directional Exit, Hazardous Materials, Hazardous Waste, Eyewash Stations, PPE locations, First Aid Materials, Use of Wheel Chocks, etc.).

Most safety signage is professionally produced and available from a wide variety of companies. See the difference professional signage can make in the safety awareness at your location. \$

Testing For Success



Knowing Your ORC Numbers

With all the talk about Organized Retail Crime (ORC), how well do you know statistics associated with this problem? Take our short test to find out.

According to the 2017 Organized Retail Crime Survey:

1. What percent of retailers believe their company has been a victim of ORC? 90.4%, 94.6%, 98.2%
2. What percent of retailers have seen a significant increase in ORC activity? 26.4% 30.2%, 36.8%
3. How many states have specific ORC laws to help LP professionals partner with law enforcement to combat this crime? 29, 32, 34
4. What percent of retailers said their top management understands the complexity and severity of ORC? 54.7%, 60.8%, 70.2%
5. What percent of retailers are allocating additional resources to address the ORC issue? 40%, 50%, 60%
6. Which of the following is among the top stolen ORC items? Quality Meats, Laptops, Designer Clothing (Correct answers below)

Correct:
5 or more: You know your numbers
4: You need to review ORC stats
3 or less: Have you heard of ORC?
(Correct answers: 94.6%, 30.2%, 34, 54.7%, 40%, Designer Clothing)



Believe It or Not

Large Scale Food Thefts

300 Gallons of Used Cooking Oil:

We have all heard that Kentucky Fried Chicken (KFC) has carefully guarded their recipe for years, which includes 11 herbs and spices, but what about other items used at the restaurants? Well, some thieves made off with 300 gallons of used cooking oil from a KFC store. Instead of pumping out the used cooking oil, the thieves took the entire container of used oil.

42,000 Lbs of Muenster Cheese:

NJ State Police arrested a truck driver in a rest area with 42,000 pounds of cheese in his refrigerated trailer. The driver planned on selling the cheese to restaurants, cheese shops, corner stores or to a middleman. Value: Over \$200,000.

\$158,000 Worth of Shrimp:

A Miami man was apprehended and found guilty of stealing and reselling over \$150,000 in shrimp. The driver claimed his refrigeration system failed and he had to 'dump' the product. But instead, he sold it to another shrimp distributor.

\$80,000 Pounds of Walnuts:

In Northern California two trailers of Walnuts were stolen by a rogue delivery driver over a period of several days. Total Value: \$300,000.

29th Annual Retail Theft Survey - - -

Additional Survey Stats

By Mark R. Doyle

In the Summer 2017 (Vol. 32 No. 3) issue of The Hayes Report newsletter we provided statistics on our 29th Annual Retail Theft Survey which reported on over 430,000 apprehensions taking place in just 23 large U.S. retail companies in 2016. These companies represented 16,038 stores with combined 2016 annual sales of over \$377 billion.

Below are some additional company total statistics from that survey.

Shrink Trend 2016:

- ▶ 56.5% (13 of 23 retailers) had an increase in company shrink.
- ▶ 21.7% (05 of 23 retailers) had a decrease in company shrink.
- ▶ 21.7% (05 of 23 retailers) had no change in company shrink.

Shoplifting Apprehensions 2016:

- ▶ 47.8% (11 of 23 retailers) had an increase in apprehensions.
- ▶ 52.2% (12 of 23 retailers) had a decrease in apprehensions.

Shoplifting Apprehension Recovery Dollars 2016:

- ▶ 34.8% (08 of 23 retailers) had an increase in recovery dollars.
- ▶ 60.9% (14 of 23 retailers) had a decrease in recovery dollars.
- ▶ 04.3% (01 of 23 retailers) had no change in recovery dollars.

Shoplifting Recoveries Without an Apprehension 2016:

- ▶ 72.2% (13 of 18 retailers) had an increase in recovery dollars.
- ▶ 27.8% (05 of 18 retailers) had a

decrease in recovery dollars. (Note: Only 18 of our 23 survey participants reported shoplifting recoveries without an apprehension in 2016.)

Dishonest Employee Apprehensions 2016:

- ▶ 43.5% (10 of 23 retailers) had an increase in apprehensions.
- ▶ 56.5% (13 of 23 retailers) had a decrease in apprehensions.
- ▶ One out of every 27.0 employees was apprehended for theft from their employers in 2016. (Based on over 1.4 million employees.)

Dishonest Employee Apprehension Recovery Dollars 2016:

- ▶ 60.9% (14 of 23 retailers) had an increase in recovery dollars.
- ▶ 39.1% (09 of 23 retailers) had a decrease in recovery dollars.

Unaccounted-for Theft Losses:

For every \$1 recovered by our survey participants, \$12.82 was lost to retail theft. Therefore, only 7.8% of total retail theft losses resulted in a recovery.

(Note: Statistics for our 29th 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.) \$

Continued from Page 1

The Big Bust

in merchandise each time, including \$5,000 from an American Eagle store in Visalia, \$4,500 from a Victoria's Secret in Escondido, and \$6,700 from a Las Vegas Victoria's Secret.

The crews would also take orders for clothing and items not available in California stores.

David Shaw, special agent in charge of Homeland Security Investigations in San Diego, said, "The ring operated since at least 2005. Its U.S. members smuggled in acquaintances from Mexico who had previously been deported to help steal. They're not just shoplifting. They're using violence to get what they want."

Tools of the Trade

The shoplifting crews were well organized by team leaders. Each member was assigned a specific job. The leader's job was to scout stores and choreograph the heists using cell phones and hand signals, prosecutors said.

A "blockers" job was to distract store employees or shield the movements of the "mules," who used foil-lined "booster" bags to conceal the merchandise, while at the same time defeating security tag sensors as they exited the store.

As previously noted, these gangs are not just shoplifting. They are determined not to be apprehended and when threatened, they are known to resort to violence. Accusations include - knocking over an infant in a stroller and injuring the dad; grabbing a loss prevention officer by the throat and throwing her to the ground; and intimidating a witness from talking to police - anything to get away with their crimes, the U.S. Attorney's Office said.

Preventative Strategies

First, let me make it perfectly clear: Shoplifting gangs such as the ones described above are extremely dangerous. So, what do I think the average retailer should do?

1. Awareness is key. Understand and communicate to your associates your store's policies relating to shoplifters and actions to be taken. Safety first!
2. Form a good relationship with your local police or law enforcement agency. Keep in mind that many are over-burdened from having to deal with and investigate other types of crimes; shoplifting is not high on their priority list. Educate local police on the severity of retail theft by producing some eye-opening statistics and actual examples.

Ask for help. Retailers cannot succeed in taking on organized crime thieves without assistance. Strive to open communication lines to notify police when groups of suspected thieves are spotted within your store or mall.

3. Promptly pass-along and/or share information between stores, as well as with local law enforcement.

4. Educate your staff regarding methods these thieves use. Ensure that they are sufficiently trained to be able to identify suspected shoplifters. Stress the importance of safety first!

Approach

Remember, the above points are critical if your store carries items that are in demand and easily resold.

Bottom line, reducing retail theft requires a three-prong approach:

Educating employees, implementing anti-theft standards and technology, and cultivating stronger relationships with law enforcement agencies, mall management, and other retailers. \$

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. Producers of several award winning LP training programs and author of the book "Business Fraud: From Trust to Betrayal".

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 30 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.

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Jack L. Hayes International 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
- ✓ Safety & OSHA Compliance Analyses and Assessments
- ✓ Third Party Store & Warehouse/ DCLP and Safety Audits
- ✓ Custom Designed and Implemented LP & Safety Programs and Audits
- ✓ Outsourced LP Services
- ✓ Annual Retail Theft Survey
- ✓ “The Hayes Report” on Loss Prevention Newsletter (quarterly)
- ✓ Pre-employment Screening

For additional information on Jack L. Hayes International's loss prevention/shrinkage control services, including consulting and outsourced LP services, visit our website at:

<http://www.hayesinternational.com>

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

Or visit us on Social Media

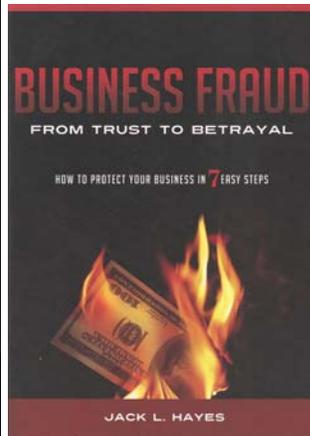
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The Bulletin Board

40th Anniversary Book Give-Away



As Hayes International celebrates its 40 Year Anniversary we are giving away a select number of complimentary copies of Jack's award winning book "Business Fraud-From Trust to Betrayal". For your free copy email us at: operations@hayesinternational.com with your name, title and shipping address. You will be shipped a copy of the book free of all charges (limited supply)!

Thanks to all our clients, colleagues and friends for a great 40 years, and we look forward to continuing these relationships and building new ones in the future!

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



"Meat" the Mad Hatter

A supermarket employee noticed a shady looking character walking around the store wearing a novelty 10 gallon hat. As she approached the man to offer assistance, she noticed streaks of what appeared to be blood running down the man's face. She quickly called her manager who approached and asked the man if he was all right, and requested him to remove his hat. The manager was surprised as underneath his hat was an entire pot roast!