

Tips for a Safe and Profitable Holiday Season

Three Loss Prevention Stories designed to help you
prepare for the rush of shoppers and shoplifters

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Advice for Prepping Systems Now for the Upcoming Holiday Shoplifting Season

To eliminate stress in the final days before gift giving, some shoppers hit the stores early. While many last-minute shoppers are waiting in long lines, they are home, relaxing, cocoa in hand. While these “oh, I finished my shopping a month ago” consumers can rankle procrastinators, they’re a useful model for loss prevention. Prepare now—especially with respect to anti-theft technologies—so you’re ready for the thieves that accompany every holiday season.

Retailers make as much as 50 percent of their yearly profits over the holiday season, but it can sometimes seem that thieves do as well. All aspects of loss prevention are put to the test.

The risk of cargo theft incidents is much higher during the holiday season, according to FreightWatch International. Organized cargo theft rings are particularly active over the Thanksgiving weekend, for example, and risks are acute at store locations as well; whether trailers are transported and maintained at loading dock areas or storage cartons are located on the premises.

About 3.5 percent of all holiday returns are fraudulent, costing retailers a total of

\$2.2 billion, according to the National Retail Federation’s 2015 Return Fraud Survey.

’Tis the season of shoplifting. Out of the primary shopping seasons, the end of year holiday season is the highest theft time for 72 percent of US retailers, according to the Global Retail Theft Barometer (GRTB), 2013-2014. In fact, nearly half of yearly losses suffered by retailers (46 percent) occur in winter, almost twice as much as the next season (autumn)—and the chief cause is shoplifting.

Just as holiday sales can make or break a retailer, the season is the ultimate test of a LP department. “Crime rates in some regions go up almost double around the holidays and unfortunately retailers see heightened occurrences of theft, fraud, and shoplifting,” said Bob Moraca Vice President for Loss Prevention at the National Retail Federation (NRF). Between the holidays of Thanksgiving and New Year’s Day, retail thefts go up “exponentially,” he added.

Problematically, seasonal variables make some theft prevention strategies less effective; this, at the very time that they’re needed most.

Seasonal sales associates, for example,

are heavily relied upon during the holiday season but they are likely to be less attuned to signs of shoplifting. Even if they are aware of shoplifting behavior, crowds make it harder to spot it. When stores feel like madness, they are probably too busy trying to manage customers, keep shelves stocked, and maintain aisles in good order to notice if someone is stealing. Crowds also lessen the theft prevention value of staff, as shoplifters are keenly aware of the cover that large crowds give them. Furthermore, carrying large bags is common during the holidays, and so not the tip-off to LP staff of possible criminal intent that they are during the rest of the year. Finally, long lines, and the resulting frustration, can become a justification to steal for normally honest shoppers.

These many challenges, taken together, suggest that it can be harder to rely on personnel theft prevention strategies during the holiday shoplifting season. As a result, your stores' anti-theft technologies become even more valuable.

Electronic Article Surveillance (EAS) antennas, labels, and tags are the most popular solutions for loss prevention at the product level, used by 73 percent retailers, according to the 2014-2015 GRTB. Just as early present shopping can ease the Christmas crunch, loss prevention teams should be sure to order now all the supplies they'll need to fully leverage this key security tool throughout the holiday season.

If applicable, retailers should also ensure they have a complete inventory of spider wraps and security pods/containers (used by 44 percent of retailers) and secure cable devices (employed by 27 percent).

Now is also the time to test and review systems to ensure they're working properly, and to enforce daily testing protocols to keep them that way. CCTV, video analytics, and EAS may be at the core of a shoplifting prevention program but the value they provide depends on them working optimally.

The run-up to the holidays is also the time to review, revamp as necessary, and reiterate loss prevention policies and procedures, including shoplifting apprehension protocols and cash control policies and cash pick-up procedures, and relevant store policies, such as managing fitting rooms or alternating the direction of hangers on racks.

This year, that review should also account for the increase in omnichannel retailing.

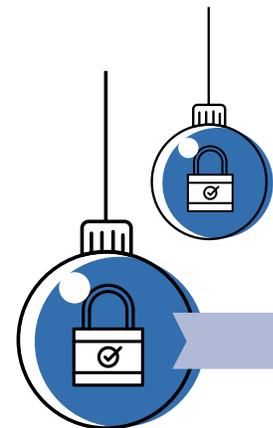
According to the NRF's 2016 Retail Holiday Planning Playbook, "buy online pick-up in store and buy online return in store are on the rise." Loss prevention leaders should establish protocols to ensure that that such merchandise is protected from theft while waiting for pick-up or after drop-off.

It's also time to begin making store layout considerations, to ensure that merchandise most likely to be targeted by thieves this holiday season is positioned to maximize its visibility and away from exits. Now is also a good time to review placement of store security mirrors, CCTV cameras, lighting, and loss prevention signage (such as "Shoplifters Will Be Prosecuted.")

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Finally, theft prevention may not be the only policy area that LP leaders should assess. A social media monitoring strategy, for example, can be helpful for advanced warning of threats such as holiday flash mobs. And the crush of crowds at special events such as doorbuster sales make it especially important to manage crowds effectively. In addition to the real risk crowds' pose to safety, retailers often face the cost of defending itself against fabricated injury claims by unscrupulous individuals who know that anytime a crowd is pushing there is a lawsuit waiting to be filed. The NRF has released an updated edition of its Effective Crowd Management Guidelines, which help retailers prepare for both expected and unexpected events (www.nrf.com/resources/retail-safety/crowd-management). OSHA has also issued recommendations, Crowd Management Safety Guidelines for Retailers (www.osha.gov/OshDoc/data_General_Facts/Crowd_Control.pdf).

The holiday season is still a few months away but taking action now will go a long way to protect your store's holiday profits. Make sure anti-theft technologies are working properly. Stock up on related supplies. Prime your policies and procedures. Prep your team. Get ready now so you're ready for the holiday shoppers—and the shoplifters who will be among them. ■





Will Seasonal Workers Cause Your Shrink Rates to Rise this Holiday Season?

Less loyal workers are more likely to steal, making part-time seasonal hires a risk that needs attention.

Amazon, 50,000. Kohl's, 69,000. Target, 70,000. Macy's, 83,000. Retailers have announced some impressive seasonal hiring numbers for the 2016 Christmas and holiday season. Totaled, US retailers will hire approximately 738,800 extra part-time workers from October through New Year's, according to a forecast by outplacement firm Challenger, Gray & Christmas. Unfortunately, these temporary sales associates and stock workers will also cause shrink numbers to rise.

Seasonal workers are, by definition, less attached to their employer. And workplace research shows that the less loyalty an employee feels, the less likely they are to go out of their way to protect a company's property—and the more likely they are to steal themselves. The University of Florida's Security Research Project (SRP), an academic research institute focused on retail loss prevention, has found that loss due to shrink grows right alongside the use of short-time and part-time employees—up to 40 percent higher compared to stores with 75 percent or more permanent, full-time employees. Indeed, according to the SRP, once temporary workers comprise more than 50 percent of a retail store's workforce, shrink enters into “an unacceptable range”—a tipping point at which shrink actually eats away labor savings.

Theft of merchandise by these less-loyal workers is the principal concern. To combat

it, retailers should develop a set of standards for conducting background investigations of temporary hires.

Studies show that the “extended workforce,” which includes temporary personnel, are screened one-third as often as permanent, full-time workers. But the extent of a retailer's background screening should be tailored to the sensitivity of the position, not how long they will be employed. (A dangerous or dishonest associate can cause harm on day one.)

Time-to-hire is a significant pressure, but retailers can't allow it to come at the expense of accuracy and completeness in background screening. Policies for hiring seasonal staff should identify the standards that investigations should follow and provide clear guidelines for resolving questionable findings. If using a temporary agency to hire seasonal workers, a retailer should conduct random spot checks of new hires to ensure that the background check was done in accordance with established protocols.

Limiting the opportunity for seasonal hires to steal is the next step. Restricting access to stockrooms, alarm codes, cash, business checks, computerized records, and keys to company vehicles can help with this. Video audit systems can help identify possible problems by tracking whether stores are following practices that reduce loss, such as breaking down trash cartons to prevent the hiding of stolen

merchandise in store trash.

A retailer's control policies and procedures—which reduce the opportunity for employee dishonesty—are critical to limiting theft by seasonal workers. Such controls can include securing the damaged-merchandise case, inspecting trash, checking for propped-open doors, and conducting bag checks.

Naturally, there is a limit to the amount of training that it makes sense to provide to seasonal workers, but all new hires should be made aware of policies that outline employee responsibilities, standards of honesty, and general security procedures and the consequences for not following them. Make sure all new employees read the security policy, understand it, and sign it as a condition of employment.

The problem of sweethearting is particularly affected by low organizational commitment, according to a 2012 study by researchers at Michigan State University and Florida State University entitled *Service Sweethearting: Its Antecedents and Customer Consequences*. Thus, there is a high risk that seasonal hires will commit it. Technology solutions can help to mitigate the risk. For example, the use of camera surveillance system analytics at the point of sale can help retailers spot cashiers who bypass barcode scanners.

Strong personnel strategies can also help discourage sweethearting and should start at the time of hire, concluded researchers. "Firms that use pre-employment screening tests can head off sweethearting if they include measures of personal ethics and need for social approval and then focus on applicants who are high and low on these scales, respectively." It may also be wise to avoid job applicants who score at the very high end of the risk-seeking scale, researchers added. Finally, the researchers said training is important, and advised retail managers to include discussions on personal integrity and the consequences of deviant behaviors, like sweethearting, during new-hire orientations.

Merchandise theft is not a retailer's only worry. According to the Center for Identity Management and Information Protection (CIMIP) at Utica College, in Utica, NY, 20.3 percent of all identity theft results from thieves accessing records at their place of employment. The retail industry is uniquely susceptible to identity theft by their employees. Nearly 60 percent of workers who steal personal information at work to commit identity theft work in retail. Financial services

ranked second, far behind at 22.2 percent. Problematically, although a criminal history check is valuable, the CIMIP found that 71 percent of identity thieves did not have any prior arrest history, indicating that an employee background check alone is insufficient to guard against an employee identity thief.

According to a study of identity theft conducted by law firm Waller Lansden Dortch & Davis, "employer records are among the top sources of identity theft." The study, *The Threat of Identity Theft*, indicates that high-profile cases from retail, including employees skimming customers' credit card numbers, "demonstrate the vulnerability of the personal information that businesses maintain about their employees and customers."

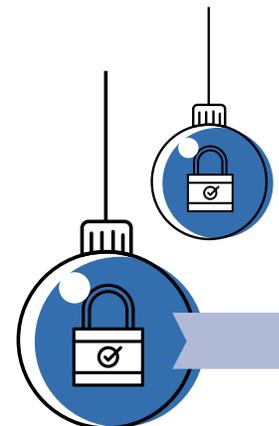
Access to personally identifiable information (PII) should be limited to employees with a legitimate business need, which often excludes seasonal workers. But stores still need to employ strategies to prevent sensitive information from falling into their hands. Following is a list of sample strategies:

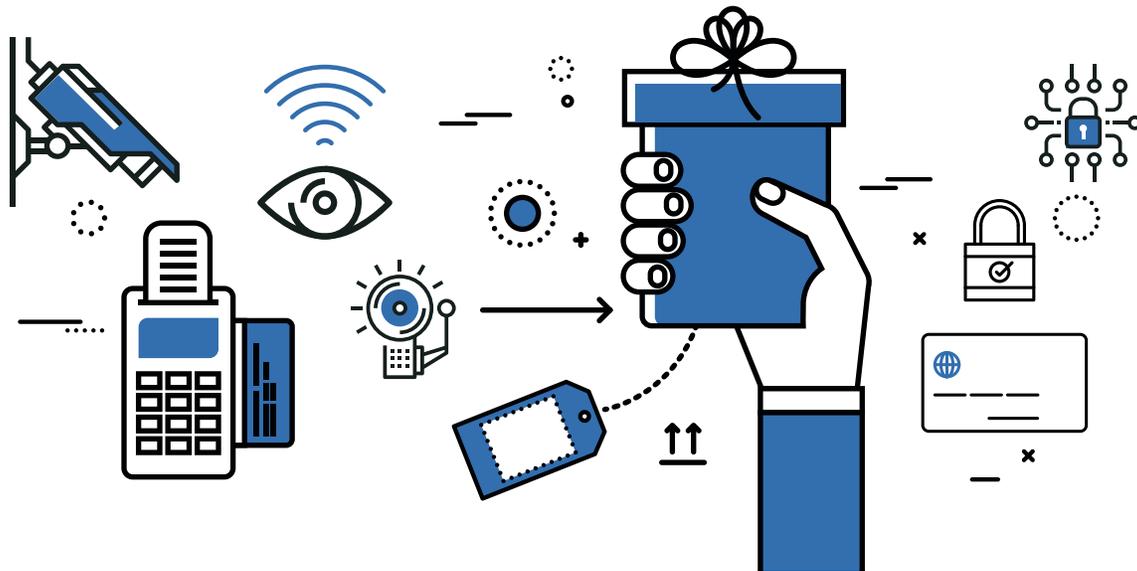
- Enforce a comprehensive information security policy that includes responsible information-handling practices for employee, customer, and other sensitive business records.
- Train employees with access to sensitive information on how to keep it secure.
- Store paper documents (and files, zip drives, etc.) in a locked room or file cabinet;
- During security rounds, confirm hard-copy personnel and customer files are under lock and key.
- Enforce key controls and implement appropriate building access control.
- Enforce information disposal practices that are reasonable and appropriate to prevent unauthorized access to PII.

Finally, there is little time to give loss prevention training to seasonal staff, but it's still smart to provide them with simple instructions that can assist shoplifting prevention, such as to "provide helpful customer engagement." Just getting them to say hello can both improve the experience of honest shoppers and discourage shoplifting.

The holiday season is drawing closer and, as always, retailers and LP teams will need to keep an eye on shoplifters. Don't forget the potential risk associated with hiring thousands of short-term workers. Maintain your hiring standards and enforce your controls to keep less-loyal staff from taking a bite out of this season's profits. ■

Time-to-hire is a significant pressure, but retailers can't allow it to come at the expense of accuracy and completeness in background screening.





Holiday Crooks Are Here; Get Ready Inside and Out

Make sure you're doing the things that shoplifters hate—and don't forget to consider security beyond your front door.

You've readied your technical systems, stocked up security supplies, gone over loss prevention protocols with staff, and tried to hire only honest seasonal workers. Now, it's time for shoppers—and criminals—to start filling your stores.

Will you hit your LP goals this holiday season? Here's a quick guide to help you thwart shoplifters inside the store, as well as prepare you for risks outside—because problems don't stop and start at the store entrance.

Smart Security Inside...

Criminals steal a wide variety of merchandise, but a large percentage of the value stolen during the holidays typically involves only a small proportion of a store's inventory. As the holiday season rolls on, it's vital to analyze data to determine which items holiday thieves are targeting and to devise appropriate countermeasures. According to the 2016 Retail Holiday Season Global Forecast, the items that are expected to be stolen most often this holiday season are apparel, children's toys, electronics, and electronic accessories.

What does it take to discourage a holiday shoplifter? A recent survey of shoplifters for the *Journal of Interior Design* found they are most deterred by:

- **Formal Surveillance**—Stores dissuade shoplifting when they invest in loss prevention agents and security guards, video surveillance systems and various alarm systems, and actively cooperate with outside authorities such as local law enforcement.
- **Product Positioning**—Shoplifters are given pause when sought-after items are in open areas and in clear view, such as near checkout lines.
- **Security Tagging**—Retailers that use security tags on most high-theft items effectively push shoplifters to stores that only deploy security tags on 20 to 30 percent of items according to shoplifter interviews. Anti-theft technologies can be invaluable during the holiday season.

Deterrence is also enhanced—or not—by what a store's merchandising conveys to potential shoplifters about the chance of apprehension. Well-lit and well-kept aisles suggest to potential thieves that the risk is higher than at stores with dim lighting and poorly maintained merchandise shelves. Employees who actively engage with customers suggest to shoplifters a higher likelihood that they'll be spotted concealing merchandise.

In addition to discouraging shoplifting, informal surveillance strategies, such as

maintaining a pleasant and clean store environment, are believed to reduce consumers' and employees' safety and security concerns at the store level, according to a study presented at the 2012 conference of the American Society of Business and Behavioral Sciences titled "Evaluating the Effects of Formal and Informal Surveillance: A Retailer's View."

...And Outside

The potential for crime inside retail stores typically commands the bulk of attention leading up to and during the holiday shopping season, but the risk outside is also heightened. It's worth your consideration. A customer's attitude toward a retailer—and even the reputation of a store location—can be significantly harmed by unwanted activity in parking areas. Risk ranges from aggressive panhandling and harassment, grabbing customers' purchased merchandise or purses, and car-break-ins to violent assault. An unusually high amount of merchandise in vehicles during the holiday season provides an added incentive for criminals to target parking lots this time of year.

Video cameras play a key role in parking area surveillance. Some malls place security officers with binoculars on rooftops to scope out parking areas. Coordinating with local law enforcement or mall operators to add police patrols in busy parking lots can help ensure a safe shopping experience for customers.

Other possibilities can boost external security as well:

Encourage staff to assist shoppers to their cars with packages to help improve their experience and give retailers a more frequent presence in parking areas.

Remind employees about appropriate reporting procedures, in case they happen to notice a particular individual hanging around a parking area and become concerned.

Deploy security lot patrols more frequently during the holidays, and vary the routes and schedules of patrols to prevent criminals from learning where and when they can hit a parking area.

Ensure signs put would-be holiday thieves on notice that parking areas are under 24-hour video surveillance (if applicable). Notification inside is also a helpful strategy. In addition, provide clear and adequate signage to reduce confusion and help visitors move safely and efficiently through parking structures.

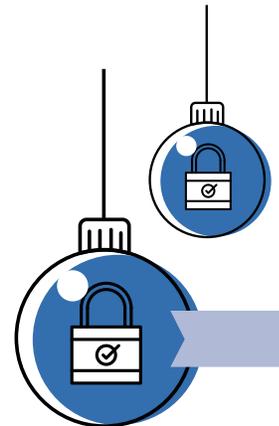
Position someone at the main entrance to the parking garage/area. An officer at this post can eyeball everyone who comes in and will frequently receive reports from exiting visitors that they wouldn't otherwise report, such as, "Hey, just so you know, there was a guy on Level 2 that was just hanging around."

Crime doesn't start and stop at the front entrance of a retail location. Parking lots and other external areas also need robust security to protect customers, merchandise, and a retailer's reputation.

Produce incident frequency reports on a regular schedule so you can deploy people appropriately. In addition to parking areas, other outside areas can benefit from some special holiday attention.

- **Dumpsters and Trash Receptacle Areas**—Placing stolen merchandise in trash bags, disposing of it, and retrieving it later, is a common ruse of dishonest employees. Video monitoring and more frequent checks by LP staff can help.
- **Loading Areas**—These areas are hectic during the holidays, and merchandise sitting on a loading dock is a tempting target for an employee, external thief, or delivery driver. Enforce the closing of loading dock doors, patrol regularly, and use video surveillance to prevent theft.
- **Store Perimeters**—Ensure exteriors are well lit, comprehensively covered by CCTV, and cleared of hiding areas, such as overgrown landscaping.

The holiday season presents one of loss prevention's toughest challenges. First, there is crime in the store, with retail shrink this holiday season expected to be twice that of the prior two quarters, according to the 2016 Retail Holiday Season Global Forecast. And there is also the fact that crime doesn't start and stop at the front entrance of a retail location. Parking lots and other external areas also need robust security to protect customers, merchandise, and a retailer's reputation. ■





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