JACK L. HAYES INTERNATIONAL, INC.
Consultants in Asset Protection & Safety

PRESS RELEASE   **June 2014**

Shoplifters and Dishonest Employees Are Apprehended in Record Numbers by U.S. Retailers According To 26th Annual Retail Theft Survey by Jack L. Hayes International

Wesley Chapel, FL – Almost 1.2 million shoplifters and dishonest employees were apprehended in 2013 by just 23 large retailers who recovered over $199 million from these thieves, according to the 26th Annual Retail Theft Survey conducted by Jack L. Hayes International, the leading loss prevention and inventory shrinkage control consulting firm.

"In 2013, the number of apprehensions and recovery dollars were up for both shoplifters and dishonest employees. For shoplifting, the apprehensions were up 2.5% and the recovery dollars 4.5%; and for dishonest employees the apprehensions were up 6.5% and 2.5% for recovery dollars", said Mark R. Doyle, President of Jack L. Hayes International. "What is also of importance is these increases follow similar increases reported the previous two years!" Mr. Doyle added, "Retail theft is a serious problem which is stealing retailers' profits, and causing consumers to pay higher prices to help offset these losses."

Highlights from this highly anticipated annual theft survey include:
- Participants: 23 large retail companies with 23,204 stores and over $660 billion in retail sales (2013).
- Apprehensions: 1,180,720 shoplifters and dishonest employees were apprehended in 2013, up 2.8% from 2012.
- Recovery Dollars: Over $199 million was recovered from apprehended shoplifters and dishonest employees in 2013, up 4.0% from 2012.
- Shoplifter Apprehensions: 1,102,635 shoplifters were apprehended in 2013, up 2.5% from 2012.
- Shoplifter Recovery Dollars: Over $144 million was recovered from apprehended shoplifters in 2013, an increase of 4.5% from 2012. An additional $98.6 million was recovered from shoplifters where no apprehension was made, up a significant 22.2% from 2012.
- Employee Apprehensions: 78,085 dishonest employees were apprehended in 2013, up 6.5% from 2012.
- Employee Recovery Dollars: Over $55 million was recovered from employee apprehensions in 2013, up 2.5% from 2012.
- One out of every 39.5 employees was apprehended for theft from their employer in 2013. *(Based on over 3.0 million employees.)*
- On a per case average, dishonest employees steal approximately 5.4 times the amount stolen by shoplifters ($706.21 vs $130.89).

For full survey results visit our website at: www.hayesinternational.com

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26th ANNUAL
RETAIL THEFT SURVEY

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The Alarming Facts

The world has always had its share of liars, cheats, and thieves. However, Shoplifters and Dishonest Employees continue to be apprehended in record numbers by U.S. Retailers. Highlights from this year's survey include:

- ✓ **Participants**: 23 large retail companies with 23,204 stores and over $660 billion in retail sales in 2013.

- ✓ **Apprehensions:** Participants apprehended 1,180,720 shoplifters and dishonest employees in 2013, up 2.8% from 2012.

- ✓ **Recovery Dollars:** Participants recovered over $199 million from apprehended shoplifters and dishonest employees in 2013, up 4.0%.

- ✓ **Shoplifter Apprehensions:** 1,102,635 shoplifters were apprehended in 2013, up 2.5% from 2012.

- ✓ **Shoplifter Recovery Dollars:** Over $144 million was recovered from apprehended shoplifters in 2013, up 4.5% from 2012. An additional $98.6 million was recovered from shoplifters where no apprehension was made, up 22.2% from 2012.

- ✓ **Employee Apprehensions:** 78,085 dishonest employees were apprehended in 2013, up 6.5% from 2012.

- ✓ **Employee Recovery Dollars:** Over $55 million was recovered from apprehended employees in 2013, up 2.5% from 2012.

- ✓ **One in every 39.5 employees** was apprehended for theft from their employer in 2013. (Based on over 3.0 million employees.)

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SURVEY PARTICIPANTS
➤ 23 Large Retail Companies
➤ 23,204 Stores (representing an excellent cross-section of the United States)
➤ $669,385,561,011 in Annual Retail Sales (2013)

TOTAL RETAIL THEFT APPREHENSIONS

	2012	2013	Difference #/$	Pct.
Apprehensions	1,148,648	1,180,720	32,072	2.79%
Recoveries	$191,846,599	$199,463,816	$7,617,217	3.97%
Avg. Case Value	$167.02	$168.93	$1.91	1.15%

Retail Theft Apprehensions Breakdown

SHOPLIFTING

	2012	2013	Difference #/$	Pct.
Apprehensions	1,075,351	1,102,635	27,284	2.54%
Recoveries	$138,056,274	$144,319,615	$6,263,341	4.54%
Avg. Case Value	$128.38	$130.89	$2.50	1.95%
Hours Per Apprehension* (*6 companies reporting)	38.32	37.30		-2.67%
Recoveries (No Apprehension Made)	$80,715,127	$98,648,755	$17,933,628	22.22%

DISHONEST EMPLOYEES

	2012	2013	Difference #/$	Pct.
Apprehensions	73,297	78,085	4,788	6.53%
Recoveries	$53,790,325	$55,144,201	$1,353,876	2.52%
Avg. Case Value	$733.87	$706.21	-$27.66	-3.77%

HIGHLIGHTS FROM JACK L. HAYES INTERNATIONAL'S
26th ANNUAL RETAIL THEFT SURVEY

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TOTAL RETAIL THEFT

- Survey participants apprehended a total of 1,180,720 dishonest individuals (shoplifters and employees) in 2013, an increase of 2.8% from the prior year. In addition, dollars recovered from those apprehensions totaled over $199 million, which was a 4.0% increase from 2012.

- For every $1.00 recovered by our surveyed companies, $23.26 was lost to retail theft. Therefore, **only 4.3%** of total retail theft losses resulted in a recovery.

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SHOPLIFTING

- **Apprehensions:** Survey participants apprehended 1,102,635 shoplifters in 2013, an increase of 2.5% from the prior year.

- **Recoveries:** Dollars recovered from shoplifting apprehensions totaled over $144 million in 2013, a 4.5% increase from 2012. This was the 11th increase in shoplifting recovery dollars in the past 12 years.

- For the **17th consecutive year**, dollars recovered from shoplifters where no apprehension was made (over $98 million) increased. In 2013, this increase was an astonishing 22.2%.

- **Case Value:** The average shoplifting case value in 2013 was $130.89, which was an increase of 2.0% from 2012's average case value.

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EMPLOYEE THEFT

- One out of every 39.5 employees was apprehended for theft from their employer in 2013. *(Based on comparison data of over 3.0 million employees.)*

- **Apprehensions:** Survey participants apprehended 78,085 dishonest employees in 2013, up 6.5% from 2012.

- **Recoveries:** Dollars recovered from dishonest employee apprehensions totaled over $55 million in 2013, an increase of 2.5% from 2012.

JACK L. HAYES INTERNATIONAL, INC. is recognized as the foremost loss prevention / inventory shrinkage control and safety consulting firm in the world. In addition to their loss prevention/shrinkage control and safety consulting practice, they also offer a variety of loss prevention/shrinkage control products and services which are utilized by hundreds of the finest retail, manufacturing, and industrial organizations throughout the world.

Consulting Services
- ✓ *Shrinkage Control Analyses & Assessments:* These studies include a detailed review of stores, facilities and home office functions as they relate to the primary shrinkage causing factors.
- ✓ *Safety & OSHA Compliance Analyses & Assessments:* These studies include a detailed review of locations as they relate to loss thru worker comp claims, accidents, injuries, and OSHA citations/violations.
- ✓ *Third-Party Store & DC/Warehouse Audits:* These visits/audits provide a realistic picture of daily operations; measure compliance to LP/Safety programs; and greatly assist in keeping programs on-track.
- ✓ *Distribution Center Loss Prevention/Security Review:* This analysis focuses on distribution, and its daily operational procedures from a LP/security viewpoint.
- ✓ *Program Design, Implementation & Field Audits:* We design and implement Store and DC/Warehouse Loss Prevention/Shrinkage Control and Safety programs and related audits.
- ✓ *Risk Management Services*: We provide risk assessment analyses, safety programs, self-insured feasibility studies, and related analyses.

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MUST READ BOOK: <u>Business Fraud - From Trust to Betrayal</u>

In this revolutionary and award winning book, Jack L. Hayes, one of the nation's top experts on business crime, reveals a number of startling facts such as:
- The six devastating internal fraud-producing mistakes most often made by management.
- Why it is a huge mistake to rely on auditors to keep your workplace free from fraud.
- The three factors consistently creating the greatest internal fraud risk in any organization.

Read this insightful book and you will:
- Change your way of thinking if you believe your operation is not at risk to fraud.
- Find out how REALLY vulnerable your operation is to fraud and embezzlement.
- Learn where, why, and how these crimes occur.
- Learn 7 easy steps to protect your business from fraud.

(Note: This book is available for under $20 on www.amazon.com)

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26th ANNUAL RETAIL THEFT SURVEY – 2014

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Shoplifting Apprehensions:
10 of 23 retailers (43.5%) had an increase in shoplifter apprehensions
13 of 23 retailers (56.5%) had a decrease in shoplifter apprehensions

Shoplifting Recoveries:
11 of 23 retailers (47.8%) had an increase in shoplifter recovery dollars
08 of 23 retailers (34.8%) had a decrease in shoplifter recovery dollars
04 of 23 retailers (17.4%) had no change in shoplifter recovery dollars

Shoplifting Recoveries Without an Apprehension:
08 of 17 retailers reporting (47.1%) had an increase in shoplifting recovery
  dollars without an apprehension
09 of 17 retailers reporting (52.9%) had a decrease in shoplifting recovery
  dollars without an apprehension

Dishonest Employee Apprehensions:
16 of 23 retailers (69.6%) had an increase in employee theft apprehensions
07 of 23 retailers (30.4%) had a decrease in employee theft apprehensions

Dishonest Employee Recoveries:
12 of 23 retailers (52.2%) had an increase in employee theft recovery dollars
11 of 23 retailers (47.8%) had a decrease in employee theft recovery dollars

Shrink Trend:
11 of the 23 retailers (47.8%) had an increase in company shrink
11 of the 23 retailers (47.8%) had a decrease in company shrink
01 of the 23 retailers (04.4%) had no change in company shrink

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26th ANNUAL RETAIL THEFT SURVEY – 2014

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Based upon our survey results, for every $1.00 recovered, $23.26 is lost to retail theft. Therefore, **only 4.3 percent** of total retail theft losses result in a recovery.

Support/Calculation for the Above Statement:

- Annual retail sales of the participating companies were $669,385,561,011.

- According to the National Retail Security Survey, the average shrinkage is 1.47% of sales (at retail).

- Shrinkage allowance for paper/systems errors was assigned a **very conservative** 30% dollar figure. (*This figure is believed to exceed realistic "paper-related" shrinkage which we estimate to be less than 25 percent.*)

Annual Sales (Survey Participants 2013)	$669,385,561,011
Shrinkage (retail sales x 1.47%)	$ 9,839,967,747
Allowance for "Paper-Related" Shrinkage (shrinkage x 30%)	-$ 2,951,990,423
Shrinkage/Losses Due to Theft	$ 6,887,977,423
Recovery Dollars (Survey Participants 2013)	-$ 298,112,571 (4.3%)
Unaccounted-For Theft Losses	$ 6,589,864,852 (95.7%)

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HAYES INTERNATIONAL'S 26th ANNUAL RETAIL THEFT SURVEY

Thoughts Behind The Numbers - Shoplifting

What was the cause(s) behind the continued increase in shoplifting apprehensions and recovery dollars in 2013?

Survey participants contribute the following to increased shoplifting activity:

- Continued growth and complexity of Organized Retail Crime (ORC) activity
- Lackluster economy and continued higher unemployment levels
- Carrying higher dollar product lines/items
- Less sales associates on the selling floor to prevent thefts
- More focus by Loss Prevention staff
- Overburdened Criminal Justice System

Why does shoplifting continue to plague the retail industry?

Hayes International believes the following contributes to the shoplifting problem:

- **Organized Retail Crime is Increasing**
  Losses from Organized Retail Crime are reported to be over $30 billion annually, triple what they were just 10 years ago. These thieves work in teams often using distraction to commit their theft of items such as over-the-counter medicines; razors; baby formula; batteries; CDs & DVDs; tools; and designer clothing. It is not uncommon for retailers to tell of experiences where groups of professionals, hardcore, or international shoplifting gangs 'hit' their stores using 'booster-bags' and similar shoplifting devices. Losses routinely are reported in the thousands of dollars per incident.

- **Stolen Merchandise Easier to Sell**
  Many thieves have found that selling their stolen items through various on-line auction sites results in quicker sales and much higher prices than the traditional selling of items on the street or at a local flee market. This easy access to a much larger audience has resulted in shoplifting becoming a highly popular way to quickly get cash.

- **Reduced Sales Floor Coverage / Customer Service**
  Less employees on the sales floor servicing customers, creates greater opportunities for thieves to steal.

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- **Increase in Fraudulent Returns/Refunds**
  Losses from fraudulent returns/refunds are estimated at $16 billion a year. Thieves create fraudulent receipts with desktop publishing software and color printers, and then return stolen items to the store for their full retail value (vs. 50% or less when sold over the internet or on the street).

- **Reduced Social Stigma & "Low Risk/Non-Offensive" Crime**
  While the amateur shoplifter is finding the social stigma of shoplifting to be lessening, many professional and hardcore thieves find shoplifting is both a highly profitable and low jail-risk endeavor. Shoplifters know that violent crimes can draw jail time, while the prosecution of non-violent crimes such as shoplifting is not always encouraged by law enforcement, and therefore seldom results in 'jail time'.

Is Shoplifting a 'victimless crime'?

Absolutely not! While no one knows the actual negative impact that shoplifting has on the economy and general public, all evidence indicates that this crime is much more serious than many believe! Based upon our retail industry data analyses and extensive research over the past two decades it appears that this crime has steadily grown to the point that we now estimate that 700,000-900,000 shoplifting incidents occur <u>daily</u> within the United States. Furthermore, we conservatively estimate the <u>daily</u> take for this group of thieves is between $36 and $48 million.

Shoplifting is a big business that is costing both the retailer and the general public plenty! Stores suffer as result of lost profits; employees lose their jobs as result of cutbacks in staff or layoffs brought about because of those lost profits; consumers are penalized by higher retail prices; and the general public pays through increased taxes incurred as result of lost sales tax revenue on merchandise that was stolen. Furthermore, shoplifting also has a violent side! Today it is not uncommon to find serious injuries or even death happening to both store personnel and customers in those instances where suspected shoplifters violently resist being apprehended.

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SHOPLIFTING

- Total retail losses are approximately $44.2 billion annually (based on University of Florida survey)

- Shoplifting is conservatively estimated to account for 30% - 40% of total retail shrink/losses. (Both University of Florida and Hayes International surveys)

- Average shoplifting case for all types of retail is approximately $50.00 (Based upon data taken from various surveys)

Therefore, Hayes International estimates the following number of theft incidents and dollars lost to shoplifters:

Time Frame	Dollars	Incidents
Annually	$13 - $18 Billion ($13.26 - $17.68 Billion)	260 - 350 Million (265 - 353 million)
Daily (365 days)	$36 - $48 Million ($36,328,000 - $48,438,000)	700,000 – 950,000 (726,575 – 968,767)
Per Hour (24)	$1.5 - $2.0 Million ($1,513,698 - $2,018,264)	30,000 - 40,000 (30,274 – 40,365)
Per Minute (60)	$25,000 - $33,000 ($25,228 - $33,637)	500 - 650 (504 – 672)

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HAYES INTERNATIONAL'S 26th ANNUAL RETAIL THEFT SURVEY

Thoughts Behind The Numbers - Employee Theft

What was the cause(s) behind the continued increase in employee theft apprehensions and recovery dollars in 2013?

Survey participants contribute the following to an increase in employee theft:
- Lackluster economy
- More diligent review and follow-up on dishonest employee cases
- Increased focus and resources by Loss Prevention staff
- Increased exception reporting capabilities
- Less supervision and more part-time associates
- Abuse of Loyalty Programs is increasing

Why does employee theft continue to be a problem in the retail industry?

Hayes International believes the following contributes to the employee theft problem:

- **Ineffective Pre-Employment Screening**
  The first step to controlling internal theft starts at the point-of-hire; do not hire the "bad apple"'. Some retailers, in an effort to reduce their costs, have lowered their pre-screening requirements and are now hiring more 'questionable' employees. Anytime statistics show *one out of every 39.5 employees is actually caught stealing by their employer*, there has to be some type of breakdown in the pre-employment screening process.

- **Less Employee Supervision**
  With lower management levels, there is less supervision of employee activities which results in more opportunities to commit theft.

- **Ease in Selling Stolen Merchandise**
  Merchandise stolen by employees can be more quickly and easily sold, and for a much higher price using internet auction sites. This easy access to a much larger audience for stolen goods has resulted in more theft by those dishonest employees looking for quick cash.

- **Decline in Honesty**
  There are more dishonest people throughout the nation today, and this decline in personal honesty is taking its toll. Almost daily we hear of business, government, law enforcement, celebrities, sports figures, and even church leaders being caught up in questionable activities. Such events make it easier for "borderline" employees to steal and to rationalize their theft acts. In addition, the part-time workforce is growing, and it is not uncommon to find that many such workers have <u>less loyalty</u> to their employer, and are more apt to take advantage of opportune circumstances.