

THE HAYES REPORT

ON LOSS PREVENTION

QUARTERLY

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OSHA is stepping up their unannounced compliance audits this year, so this article looks at four recent examples of fines issued by OSHA upon retailers. Many of the fines were for 'basic' safety violations. Are your locations in compliance?

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NEW Shoplifting & Employee Theft Stats



This issue contains the results of our 28th Annual Retail Theft Survey, and I would like to sincerely say **"Thank You"** to the 25 large retailers who participated. Without your continued support this survey would not be possible, and those LP Executives who depend on these statistics to help justify their budgets and minimize staff reductions, would have one less tool at their disposal. This survey also helps retail executives to keep in mind the most important role

that their Loss Prevention/Asset Protection personnel play in helping to improve overall company profits. In addition, it continues to create public awareness to the ongoing theft issues retailers must deal with. We have some of the finest and brightest people in the LP/AP industry, and they willingly take on the increasing theft and fraud issue on a daily basis. This is no easy task, and our thanks go out to them too!

I hope you enjoy this issue of the newsletter, and have a great, safe summer. Also, don't forget to regularly follow us on the Web, LinkedIn, Facebook and Twitter! \$

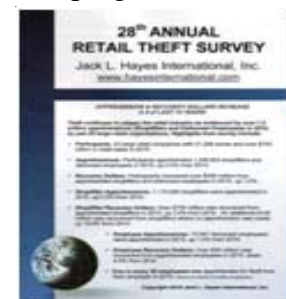
Theft Increasing- - -

28th Annual Retail Theft Survey

By Mark R. Doyle

We just completed our 28th Annual Retail Theft Survey, and overall apprehensions increased 2% with both shoplifter and dishonest employee numbers increasing slightly. (*The apprehension of both shoplifters and dishonest employees has increased in 9 of the past 10 years.*) Overall dollar recoveries from these apprehensions increased 1.2%, with shoplifting dollars up 3.2% and dishonest employee dollars down 4%. It should be noted that the companies participating in this annual survey

actively practice the concept of true loss prevention. They all use various tools to prevent theft in the first place. The apprehension of retail thieves is a secondary step in their Shrinkage Control/Prevention programs. \$



Did You Know

- The average company’s network is accessed by 89 different vendors every week - but only a third of the companies were confident that they knew the exact number of vendors who had accessed their systems. In addition, three-quarters of those surveyed stated the number of third-party vendors used by their company has increased in the last two years, and 71% believed the numbers will continue to increase in the next two years.

Bomgar - T Research Report

- The ten largest OSHA fines in 2015 ranged from \$477,900 to \$2,280,200, with two of the top 10 fines issued to retailers.

OSHA

- Men’s & Women’s Specialty Apparel companies and supermarkets led all retailers in use of pre-employment screening methods. Specialty Apparel: 92% check criminal backgrounds and 83% verify past employment. Supermarkets: 100% reported conducting criminal background checks and 83% tested for drugs.

National Retail Security Survey

- The Top 5 employee theft/fraud types in 2014 for companies with less than 500 employees were:

1. Outright Funds Theft
2. Check Fraud
3. Credit Card Fraud
4. Payroll Fraud
5. Vendor Fraud

2015 Hiscox Embezzlement Watchlist

Prop 47: A Troubling Increase - - -

Win for Shoplifters in California

By Jack L. Hayes

Wouldn't it make you sick to hear some retailers say, "They'll [shoplifters] pick up the \$800 unit and just grab it and run out the door." And the police respond and say, "Our hands are tied because it's a misdemeanor. It's not worth pursuing; it's just a waste of manpower." Well folks, be prepared for the possibility that something similar could take place in your store(s). Shoplifters have discovered a very useful strategy, or lack of, that provides additional help in their assault on the retailer. The state of California serves as a good example.

Imagine turning on the TV or picking up a newspaper and being hit with this glaring headline:

"It turns out that thieves are smarter than politicians give them credit for, and thanks to Proposition 47 that passed in late 2014, this is something California is learning the hard way".

According to reports, Proposition 47 downgraded a number of crimes including drug possession, fraud, forgery, and shoplifting—where the amount stolen is below \$950—to a misdemeanor offense. Proposition 47's goal was to reduce prison and jail overcrowding by reducing select criminal charges from a felony to a misdemeanor offense; one that could be disposed of with a citation, fine, probation, or insignificant jail time.

Is this new law working?

Well, the politicians will answer with a resounding, yes! Prisons and jails are less crowded. Estimates are that the state's prison population has been reduced by 13,000 along with a savings of \$150 million in the first year. However, a number of law enforcement officials and retailers take exception.

Large retailers claim shoplifting has increased at least 15 percent, and doubled in some cases, since voters approved the referendum and ended charging certain acts of shoplifting as a felony that carried the possibility of a prison sentence. Little, if any, consideration was given to the possible ramification that reduced penalties would have on the criminal element, particularly those involved in organized crime. Shoplifting reports to the Los Angeles Police Department jumped by a quarter (25%!) in the first year, according to statistics the department provided to The Associated Press.

Initial FBI crime statistics show a 12 percent jump in the larceny-theft category, which includes shoplifting.

To further add to the problem of retail theft, California is among those 17 states without an organized retail crime law that specifically focuses on shoplifting rings with more severe penalties.

Bottom line, since California's Proposition 47 was implemented, we are receiving reports from both large and small retailers that "shoplifting has increased significantly in their stores." Unfortunately, it is the thief who is benefitting... and the retailer is the one picking up the tab. \$

Unsafe Retail Workplaces - - -

OSHA Violations Can Be Costly



By Mark R. Doyle

We are half way through 2016, so now is a good time to review OSHA and safety compliance within all your company locations (warehouses/distribution centers, stores and office buildings). OSHA will be stepping up their unannounced compliance audits, and increasing fines in 2016.

Below are four recent examples of OSHA fines levied upon retailers for serious, willful and repeat violations. These should be a good reminder to everyone that safety needs to be a daily priority.

Furniture Retailer (\$1.77 million fine):

Major Violations: Cited for 12 willful and 12 repeat violations related to unsafe machinery. Violations included: Moving machine parts not adequately protected; lack of safety mechanisms on machinery; and unintended starting of machinery.

Serious Violations: Cited for 14 serious violations including: lack of safety training for employees; insufficient emergency stop buttons; and hazards present when servicing machinery (inadequate lockout/tagout).

Texas Retail Store (\$55,000 fine, Company over \$800,000 in fines in 5 months):

This national discount retailer has been cited more than 200 times for safety and health violations since 2009. The latest violations included failure to keep exit doors and pathway to exit doors unobstructed (willful violation), and

failing to store products in a safe, stable and secure manner (willful violation). Repeat violations included: Failing to keep passageways clear/clean; blocked access to portable fire extinguishers; unsecure compressed gas cylinders; and blocked access to electrical panels.

Georgia Discount Retail Store (\$83,000 fine):

This store was cited for four (4) repeat safety violations just 90-120 days after the initial inspection. Repeat violations included: Blocked exits and exit ways; blocked access to electrical panels; and improperly maintained fire extinguishers.

Texas Warehouse/Distribution Centers (\$86,000 fine):

This home furnishings retailer was cited for safety violations at two of their warehouses/distribution centers. Violations included three (3) serious violations, and two (2) repeat violations. Insufficient training for forklift drivers was both a serious and repeat issue, while other violations included forklifts not properly inspected, and unsafe/damaged storage racks.

If you have questions concerning OSHA violations; are in need of a safety review; or need help in creating a pro-active Safety Program to address OSHA requirements, give us a call at 813-991-5628 or visit us at: www.hayesinternational.com. \$

Testing For Success



With every location (store or DC) having its own individual shrink issues (due to design/layout, location, applicant pool, customer type, etc.) it is important that they create a unique Plan of Action (POA) to address their specific shrink issues. Take our short test to see if your locations' POA is paying shrink dividends.

1. Is each location, at a minimum each high shrink Target/Focus location, required to develop and follow a location specific POA? (Note: If No, go directly to the bottom of this column.) **Yes No**

2. Is POA specific to the location's needs, and created by the store/DC management team, with DM, RM, or LP approval/sign-off? **Yes No**

3. Do POA "Action Points" include addressing/focusing on the location's top 3 to 5 highest shrink items/departments? **Yes No**

4. Does the location's POA not contain "Action Points" which are already part of the company's overall Shrink/LP program? **Yes No**

5. Are all "Action Points" measurable and realistic, and checked for compliance during a store audit? **Yes No**

Five 'Yes' answers means your POA, if followed and complied with, should help control/lower the location's shrink.

Four or less 'Yes' answers means your POA process likely needs some work to ensure effectiveness.

(Note: If #1 answered 'No', you are losing a great opportunity to engage location management in their shrink control/reduction efforts.) \$



Believe It or Not

Ripley’s Believe It or Not Museum was Ripped off!

The Ripley’s museum in Manhattan was recently a target for crooks. The thieves swapped some authentic baseball memorabilia with some fakes, getting a Joe DiMaggio bat and baseballs signed by Ted Williams and Joe DiMaggio. In addition, two shrunken heads were also noticed to have been stolen from the museum.

The staff members who noticed the stolen heads and swapped baseball memorabilia were not sure how long the items had been missing.

Food Retailers Losing Millions From Theft of Plastic Trays!

Yes, plastic trays! Those same trays used to deliver milk, bread, eggs and other goods to supermarkets, convenience stores and restaurants around the country. The trays are typically stacked up outside the store/location in a delivery area for reuse, but they are now being stolen and sold to recycling facilities for cash! While these thefts are taking place all around the country, South Florida seems to be being hit the hardest.

Vital Life Saving Equipment Stolen From Fire Engine!

In April a Fire Station was broken into and life saving equipment valued at over \$21,000 was stolen from a fire engine. A thermal imaging camera and a piece of equipment used to free trapped people inside a highly damaged vehicle were among the items stolen.

SURVEY PARTICIPANTS

- 25 Large Retail Companies
- 21,288 Stores (representing an excellent cross-section of the U.S.)
- \$703,726,429,595 in Annual Retail Sales (2015)

TOTAL RETAIL THEFT APPREHENSIONS

	<u>2014</u>	<u>2015</u>	<u>#/\$</u>	Difference <u>Pct.</u>
Apprehensions	1,222,000	1,246,003	24,003	1.96%
Recoveries	\$204,142,987	\$206,529,916	\$2,386,929	1.17%
Avg. Case Value	\$167.06	\$165.75	- \$1.31	- 0.78%

Retail Theft Apprehensions Breakdown

SHOPLIFTING

	<u>2014</u>	<u>2015</u>	<u>#/\$</u>	Difference <u>Pct.</u>
Apprehensions	1,146,753	1,170,056	23,303	2.03%
Recoveries	\$146,049,421	\$150,772,653	\$4,723,232	3.23%
Avg. Case Value	\$127.36	\$128.86	\$1.50	1.18%
Hours Per Appreh.*	34.86	35.69		2.38%
(*9 companies reporting)				
Recoveries (No Apprehension Made)	\$120,040,489	\$142,611,822	\$22,571,333	18.80%

EMPLOYEE THEFT

	<u>2014</u>	<u>2015</u>	<u>#/\$</u>	Difference <u>Pct.</u>
Apprehensions	75,247	75,947	700	0.93%
Recoveries	\$58,093,566	\$55,757,263	-\$2,336,303	-4.02%
Avg. Case Value	\$772.04	\$734.16	-\$37.88	-4.91%

**HIGHLIGHTS FROM JACK L. HAYES INTERNATIONAL'S
28TH ANNUAL RETAIL THEFT SURVEY**

TOTAL RETAIL THEFT

Survey participants apprehended a total of 1,246,003 dishonest individuals (shoplifters and employees) in 2015, an increase of 2.0% from the prior year. In addition, dollars recovered from those apprehended thieves totaled over \$200 million, which was a 1.2% increase from 2014.

For every \$1.00 recovered by our surveyed companies, \$19.61 was lost to retail theft. Therefore, only **5.1%** of total retail theft losses resulted in a recovery.

SHOPLIFTING

Apprehensions: Survey participants apprehended 1,170,056 shoplifters in 2015, an increase of 2.0% from the prior year.

Recoveries: Dollars recovered from shoplifting apprehensions totaled over \$150 million in 2015, a 3.2% increase from 2014.

Case Value: The average shoplifting case value in 2015 was \$128.86, reflecting a slight increase (1.2%) from 2014 (\$127.36).

Dollars recovered from shoplifters where no apprehension was made (over \$142 million) increased an amazing 18.8% in 2015. This was the **19th consecutive year** of increases.

EMPLOYEE THEFT

Apprehensions: Survey participants apprehended 75,947 dishonest employees in 2015, an increase of 1.0% from the prior year.

Recoveries: Dollars recovered from dishonest employee apprehensions totaled over \$55 million in 2015, a decline of 4.0% from 2014.

Case Value: The average dishonest employee case value in 2015 was \$734.16, a decrease of 4.9% from 2014's average case value (\$772.04).

One out of every 38 employees was apprehended for theft from their employer in 2015. *(Based on comparison data of almost 3.0 million employees.)*

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 40 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 and safety 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
- ✓ Risk Management 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 and safety services, including consulting and 3rd party audits,

visit our website at:

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Or visit us on Social Media

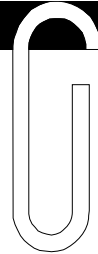
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The Bulletin Board

Identity Theft Top 10 States



The number of Identity Theft victims is growing every year. The biggest scam is with fraudulent government documents, such as when a SSN is stolen and used to file a fraudulent tax return. This is followed by credit card fraud.

The Top 10 States for Identify Theft as reported in 2015 were:

1. Missouri
2. Connecticut
3. Florida
4. Maryland
5. Illinois
6. Michigan
7. Georgia
8. Texas
9. New Hampshire
10. California



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

What's Worse Than Getting Caught With Your Pants Down?



How about not wearing or even bothering to bring your pants when committing a crime. The owner of an automobile observed a naked man trying to break into his car. Upon arrival, he found the man sitting behind the wheel and ordered him out of the car, and gave him a sheet to cover himself. The man attempted to run but tripped on the sheet as the police arrived, thereby exposing himself as the thief! \$