

PRESS RELEASE

June 16, 2017

Theft Takes a Toll on Retailers' Bottom-Line Profits, According to Jack L. Hayes International's 29th Annual Retail Theft Survey!

Wesley Chapel, FL – Over 438,000 shoplifters and dishonest employees were apprehended in 2016 by just 23 large retailers who recovered over \$120 million from these thieves, according to the 29th Annual Retail Theft Survey conducted by Jack L. Hayes International, the leading loss prevention and inventory shrinkage control consulting firm.

"In 2016, dishonest employee apprehensions increased almost 10%, with the dollars recovered from these dishonest employees up nearly the same amount (9.3%). While shoplifting apprehensions and the dollars recovered from these shoplifters decreased ever so slightly, 0.2% and 0.9% respectively", said Mark R. Doyle, President of Jack L. Hayes International. Mr. Doyle added, "The seriousness of retail theft is a much greater problem than most customers realize. These theft losses are stealing profits from retailers' bottom-line, which results in consumers having to pay higher prices for goods."

Highlights from this highly anticipated annual theft survey include:

- **Participants:** 23 large retail companies with 16,038 stores and over \$370 billion in retail sales (2016).
- **Apprehensions:** 438,082 shoplifters and dishonest employees were apprehended in 2016, up 1.0% from 2015.
- **Recovery Dollars:** Over \$120 million was recovered from apprehended shoplifters and dishonest employees in 2016, up 2.5% from 2015.
- **Shoplifter Apprehensions:** 384,296 shoplifters were apprehended in 2016, down up 0.2% from 2015.
- **Shoplifter Recovery Dollars:** Over \$78 million was recovered from apprehended shoplifters in 2016, a decrease of 0.9% from 2015. An additional \$163 million was recovered from non-apprehended shoplifters.
- **Employee Apprehensions:** 53,786 dishonest employees were apprehended in 2016, up 9.9% from 2015.
- **Employee Recovery Dollars:** Over \$42 million was recovered from employee apprehensions in 2016, up 9.3% from 2015.
- One out of every 27 employees was apprehended for theft from their employer in 2016. *(Based on over 1.4 million employees.)*
- **Shrink:** 56.5% of survey participants reported an increase in shrink in 2016, with 21.7% reporting a decrease in shrink, and another 21.7% reported shrink stayed about the same.

Full survey results are available at: <http://hayesinternational.com/news/annual-retail-theft-survey/>

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29th ANNUAL RETAIL THEFT SURVEY

Jack L. Hayes International, Inc.

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THEFT TAKES TOLL ON RETAILERS' BOTTOM-LINE PROFITS!

Losses continue as Shoplifters and Dishonest Employees steal profits from U.S. retailers. Highlights from this year's survey include:

- ✓ **Participants:** 23 large retail companies with 16,038 stores and over \$377 billion in retail sales in 2016.
- ✓ **Apprehensions:** Participants apprehended 438,082 shoplifters and dishonest employees in 2016, up 1.0% from 2015.
- ✓ **Recovery Dollars:** Participants recovered over \$120 million from apprehended shoplifters and dishonest employees in 2016, up 2.5%.
- ✓ **Shoplifter Apprehensions:** 384,296 shoplifters were apprehended in 2016, down 0.2% from 2015.
- ✓ **Shoplifter Recovery Dollars:** Over \$78 million was recovered from apprehended shoplifters in 2016, down 0.9% from 2015. An additional \$163 million was recovered from shoplifters where no apprehension was made, up a substantial 14.6% from 2015.
- ✓ **Employee Apprehensions:** 53,786 dishonest employees were apprehended in 2016, up almost 10.0% from 2015.
- ✓ **Employee Recovery Dollars:** Over \$42 million was recovered from apprehended employees in 2016, up 9.3% from 2015.
- ✓ **One in every 27 employees** was apprehended for theft from their employer in 2016. (Based on over 1.4 million employees.)

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Consultants in Asset Protection & Safety

SURVEY PARTICIPANTS

- 23 Large Retail Companies
- 16,038 Stores (representing an excellent cross-section of the United States)
- \$377,420,446,000 in Annual Retail Sales (2016)

TOTAL RETAIL THEFT APPREHENSIONS

	<u>2015</u>	<u>2016</u>	<u>#/\$</u>	<u>Difference</u> <u>Pct.</u>
Apprehensions	434,003	438,082	4,079	0.94%
Recoveries	\$117,529,916	\$120,432,810	\$2,902,894	2.47%
Avg. Case Value	\$270.80	\$274.91	\$4.11	1.52%

Retail Theft Apprehensions Breakdown

SHOPLIFTING

	<u>2015</u>	<u>2016</u>	<u>#/\$</u>	<u>Difference</u> <u>Pct.</u>
Apprehensions	385,056	384,296	-760	-0.20%
Recoveries	\$78,772,653	\$78,080,581	-\$692,072	-0.88%
Avg. Case Value	\$204.57	\$203.18	-\$1.39	-0.68%
Hours Per Apprehension* (*10 companies reporting)	35.69	29.73		-16.70%
Recoveries (No Apprehension Made)	\$142,611,822	\$163,384,090	\$20,772,268	14.57%

DISHONEST EMPLOYEES

	<u>2015</u>	<u>2016</u>	<u>#/\$</u>	<u>Difference</u> <u>Pct.</u>
Apprehensions	48,947	53,786	4,839	9.89%
Recoveries	\$38,757,263	\$42,352,229	\$3,594,966	9.28%
Avg. Case Value	\$791.82	\$787.42	-\$4.40	-0.56%

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HIGHLIGHTS FROM JACK L. HAYES INTERNATIONAL'S 29th ANNUAL RETAIL THEFT SURVEY

TOTAL RETAIL THEFT

- Survey participants apprehended a total of 438,082 dishonest individuals (shoplifters and employees) in 2016, a slight increase of 1.0% from the prior year. In addition, dollars recovered from those apprehended thieves totaled over \$120 million, which was a 2.5% increase from 2015.
- For every \$1.00 recovered by our surveyed companies, \$12.82 was lost to retail theft. Therefore, **only 7.8%** of total retail theft losses resulted in a recovery.

SHOPLIFTING

- **Apprehensions:** Survey participants apprehended 384,296 shoplifters in 2016, a slight decrease of 0.2% from the prior year.
- **Recoveries:** Dollars recovered from shoplifting apprehensions totaled over \$78 million in 2016, a decrease of 0.9% from 2015.
- Dollars recovered from shoplifters where no apprehension was made (over \$163 million) increased a significant 14.6% in 2016. This was the **20th consecutive year** of increases.
- **Case Value:** The average shoplifting case value in 2016 was \$203.18, reflecting a slight decrease (0.7%) from 2015 (\$204.57).

EMPLOYEE THEFT

- One out of every 27 employees was apprehended for theft from their employer in 2016. *(Based on data of over 1.4 million employees.)*
- **Apprehensions:** Survey participants apprehended 53,786 dishonest employees in 2016, up almost 10% from 2015.
- **Recoveries:** Dollars recovered from dishonest employee apprehensions totaled over \$42 million in 2016, up 9.3% from 2015.

JACK L. HAYES INTERNATIONAL, INC. is recognized as the foremost loss prevention / inventory shrinkage control consulting firm in the world. In addition to their loss prevention and shrinkage control 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.
- ✓ **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.
- ✓ **Outsourced Loss Prevention Services:** We provide one-stop full or hybrid loss prevention solutions.
- ✓ **Safety & OSHA Compliance Analyses & Assessments:** These studies include a detailed review of locations as they relate to loss thru accidents, injuries, worker comp claims, and OSHA citations/violations.

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A MUST READ BOOK **Business Fraud - From Trust to Betrayal**

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)

For additional information, please contact:

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[Jack L. Hayes International, Inc.](http://www.hayesinternational.com)

29th ANNUAL RETAIL THEFT SURVEY – 2017

Jack L. Hayes International, Inc.

Shrink Trend:

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

Shoplifting Apprehensions:

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

Shoplifting Recoveries:

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

Shoplifting Recoveries Without an Apprehension:

13 of 18 retailers reporting (72.2%) had an increase in shoplifting recovery dollars without an apprehension
05 of 18 retailers reporting (27.8%) had a decrease in shoplifting recovery dollars without an apprehension

Dishonest Employee Apprehensions:

10 of 23 retailers (43.5%) had an increase in employee theft apprehensions
13 of 23 retailers (56.5%) had a decrease in employee theft apprehensions

Dishonest Employee Recoveries:

14 of 23 retailers (60.9%) had an increase in employee theft recovery dollars
09 of 23 retailers (39.1%) had a decrease in employee theft recovery dollars

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29th ANNUAL RETAIL THEFT SURVEY – 2017

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Based upon our survey results, for every \$1.00 recovered, \$12.82 is lost to retail theft. Therefore, **only 7.8 percent** of total retail theft losses result in a recovery.

Support/Calculation for the Above Statement:

- Annual retail sales of the participating companies were \$377,420,446,000.
- According to the 2016 National Retail Security Survey, the average shrinkage is 1.38% 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 2016)	\$377,420,446,000
Shrinkage (retail sales x 1.38%)	\$ 5,208,402,155
Allowance for “Paper-Related” Shrinkage (shrinkage x 30%)	-\$ <u>1,562,520,647</u>
Shrinkage/Losses Due to Theft	\$ 3,645,881,508
Recovery Dollars (Survey Participants 2016)	-\$ <u>283,816,900</u> (7.8%)
Unaccounted-For Theft Losses	\$ 3,362,064,608 (92.2%)

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HAYES INTERNATIONAL'S 29th ANNUAL RETAIL THEFT SURVEY

Thoughts Behind The Numbers - Shoplifting

We asked our survey participants why their Shoplifting apprehensions and recovery dollars increased or decreased in 2016; they contributed the following:

Increased:

- Increased focus on shoplifters and on high theft categories/departments
- Continued growth of ORC with more Gift Card/Mdse Credit Card fraud
- Felony thresholds being raised/increased in various states
- Less associates/staff on the sales floor to prevent shoplifting

Decreased:

- More use of EAS, with better tagging compliance
- Less focus on shoplifters, and more focus on dishonest employees
- Stricter refund policy with better refund tracking system
- More focus on prevention, less on apprehension

Hayes International cites the following shoplifting issues:

- **Fewer Associates on Sales Floor Results in Less Customer Service**
There are simply far fewer sales associates on the sales floor these days, providing shoplifters with the privacy they want/need to commit their theft acts. Unfortunately, more retailers are becoming self-service, instead of customer service focused.
- **Increases in Organized Retail Crime (ORC)**
Losses from ORC are reported to be over \$30 billion annually, with almost 100% of retailers acknowledging they have been a victim of ORC activity in the past 12 months. These thieves work diligently to commit their theft of popular items such as over-the-counter medicines; razors; batteries; tools; cell phones; and designer clothing. It is common for them to work in "teams", employ distraction techniques, and use 'booster-bags' to circumvent anti-shoplifting systems.
- **Stolen Merchandise is Easy to Sell to Larger Audiences**
Many thieves have found that selling their stolen items through various on-line auction sites, or returning their stolen goods for a merchandise credit or gift card (which they sell to a second party) results in quicker sales and much higher prices than the traditional selling of items on the street or at a local flea market.
- **States Are Increasing Shoplifting Felony Thresholds**
There are currently 29 states with a felony threshold for Shoplifting/Larceny of \$1,000 or higher. Shoplifting cases less than these high dollar thresholds result in a misdemeanor offense only, meaning less police assistance and little if any punishment. Thieves view shoplifting as a high reward, low-risk endeavor.

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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:

<u>Time Frame</u>	<u>Dollars</u>	<u>Incidents</u>
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 29th ANNUAL RETAIL THEFT SURVEY

Thoughts Behind The Numbers - Employee Theft

We asked our survey participants why their Employee Theft apprehensions and recovery dollars increased or decreased in 2016; they contributed the following:

Increased:

- Better/quicker identification of dishonest employees thru enhanced POS exception reporting software/programs
- Less supervision of sales associates, and more access to secured products for customer service reasons
- Associate disregard for integrity
- Increased focus on dishonest employees

Decreased:

- Focused on case quality, not case quantity
- Increased associate training and more focus on prevention
- Less associates resulted in less employee cases
- Poor systems to assist LP in identifying DE cases

Hayes International cites the following employee theft issues:

- **General Decline in Honesty**
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 rationalize their theft acts.
- **Reduced Pre-Employment Screening Requirements**
When statistics show one out of every 27 employees is actually caught stealing by their employer, there has to be some type of breakdown in the pre-employment screening process. In an effort to reduce their costs and to staff a store/location more quickly, we hear of retailers reducing their pre-employment screening requirements, thus hiring less desirable associates.
- **Fewer Associates & Less Supervision**
Reductions in staffing levels has resulted in less supervision over associates, thus increasing the opportunity for dishonest associates to commit acts of theft/abuse with less chance of detection.
- **Stolen Merchandise is Easy to Sell to Larger Audiences**
Dishonest employees have found that selling stolen items through various on-line auction sites, or having a friend or family member return the stolen goods for a merchandise credit or gift card (which they sell to a second party) results in quicker sales and much higher prices.

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