

PRESS RELEASE

May 30, 2018

Shoplifting Continues to Rise - 8 of Past 10 Years, According to Jack L. Hayes International's 30th Annual Retail Theft Survey!

Wesley Chapel, FL – Over 432,000 shoplifters and dishonest employees were apprehended in 2017 by just 21 large retailers who recovered over \$188 million from these thieves, according to the 30th Annual Retail Theft Survey conducted by Jack L. Hayes International, the leading loss prevention and inventory shrinkage control consulting firm.

"Theft continues to plague the retail industry, with shoplifting leading the way! In 2017, Shoplifting apprehensions increased 2.3%, with the dollars recovered from these shoplifters increasing almost 13%. This is the 8th rise in both shoplifter apprehensions and dollar recoveries in the past 10 years. Recoveries from shoplifters where no apprehension was made increased for the 21st consecutive year, up an amazing 18% in 2017, ", said Mark R. Doyle, President of Jack L. Hayes International. Mr. Doyle added, "While dishonest employee apprehensions and recovery dollars were down (almost 4% and 7% respectively), retail theft overall continues to be a serious problem for retailers negatively impacting their bottom-line, which results in higher prices to consumers."

Highlights from this highly anticipated annual theft survey include:

- Participants: 21 large retail companies with 16,409 stores and over \$428 billion in retail sales (2017).
- Apprehensions: 432,046 shoplifters and dishonest employees were apprehended in 2017, up 1.7% from 2016.
- Recovery Dollars: Over \$188 million was recovered from apprehended shoplifters and dishonest employees in 2017, up 8.1% from 2016.
- Shoplifter Apprehensions: 391,760 shoplifters were apprehended in 2017, up 2.3% from 2016.
- Shoplifter Recovery Dollars: Over \$149 million was recovered from apprehended shoplifters in 2017, an increase of 12.9% from 2016. An additional \$185 million was recovered from non-apprehended shoplifters.
- Employee Apprehensions: 40,286 dishonest employees were apprehended in 2017, down 4.0% from 2016.
- Employee Recovery Dollars: Over \$38 million was recovered from employee apprehensions in 2017, down 7.0% from 2016.
- Shrink: 61.9% of survey participants reported an increase in shrink in 2017, with 28.6% reporting a decrease in shrink, and another 9.5% reported shrink stayed about the same.

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

30th ANNUAL RETAIL THEFT SURVEY

Jack L. Hayes International, Inc.

www.hayesinternational.com

SHOPLIFTING CONTINUES TO RISE - 8 OF PAST 10 YEARS!

Theft plagues retail industry, led by increases in shoplifting apprehensions and recovery dollars. Highlights from this year's survey include:

- ✓ **Participants:** 21 large retail companies with 16,409 stores and over \$428 billion in retail sales in 2017.
- ✓ **Apprehensions:** Participants apprehended 432,046 shoplifters and dishonest employees in 2017, up 1.7% from 2016.
- ✓ **Recovery Dollars:** Participants recovered over \$188 million from apprehended shoplifters and dishonest employees in 2017, up 8.1%.
- ✓ **Shoplifter Apprehensions:** 391,760 shoplifters were apprehended in 2017, up 2.3% from 2016.
- ✓ **Shoplifter Recovery Dollars:** Over \$149 million was recovered from apprehended shoplifters in 2017, up 12.9% from 2016. An additional \$185 million was recovered from shoplifters where no apprehension was made, up a substantial 18.1% from 2016.
- ✓ **Employee Apprehensions:** 40,286 dishonest employees were apprehended in 2017, down 4.0% from 2016.
- ✓ **Employee Recovery Dollars:** Over \$38 million was recovered from apprehended employees in 2017, down 7.0% from 2016.
- ✓ **One in every 35 employees** was apprehended for theft from their employer in 2017. *(Based on over 1.4 million employees.)*

SURVEY PARTICIPANTS

- 21 Large Retail Companies
- 16,409 Stores (representing an excellent cross-section of the United States)
- \$428,180,872,917 in Annual Retail Sales (2017)

TOTAL RETAIL THEFT APPREHENSIONS

	<u>2016</u>	<u>2017</u>	<u>#/\$</u>	Difference <u>Pct.</u>
Apprehensions	425,022	432,046	7,024	1.65%
Recoveries	\$174,150,449	\$188,300,301	\$14,149,852	8.13%
Avg. Case Value	\$409.74	\$435.83	\$26.09	6.37%

Retail Theft Apprehensions Breakdown

SHOPLIFTING

	<u>2016</u>	<u>2017</u>	<u>#/\$</u>	Difference <u>Pct.</u>
Apprehensions	383,081	391,760	8,679	2.27%
Recoveries	\$132,298,007	\$149,359,289	\$17,061,282	12.90%
Avg. Case Value	\$345.35	\$381.25	\$35.90	10.40%
Hours Per Apprehension* (*10 companies reporting)	29.72	26.51		-10.80%
Recoveries (No Apprehension Made)	\$157,166,943	\$185,566,529	\$28,399,586	18.07%

DISHONEST EMPLOYEES

	<u>2016</u>	<u>2017</u>	<u>#/\$</u>	Difference <u>Pct.</u>
Apprehensions	41,941	40,286	-1,655	-3.95%
Recoveries	\$41,852,442	\$38,941,012	-\$2,911,430	-6.96%
Avg. Case Value	\$997.89	\$966.61	-\$31.28	-3.13%

Source: Jack L. Hayes International, 27520 Water Ash Drive - Suite 100, Wesley Chapel, FL 33544

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HIGHLIGHTS FROM JACK L. HAYES INTERNATIONAL'S 30th ANNUAL RETAIL THEFT SURVEY

TOTAL RETAIL THEFT

- Survey participants apprehended a total of 432,046 dishonest individuals (shoplifters and employees) in 2017, an increase of 1.7% from the prior year. In addition, dollars recovered from those apprehended thieves totaled over \$188 million, which was a 8.1% increase from 2016.
- For every \$1.00 recovered by our surveyed companies, \$11.54 was lost to retail theft. Therefore, **only 8.7%** of total retail theft losses resulted in a recovery.

SHOPLIFTING

- **Apprehensions:** Survey participants apprehended 391,760 shoplifters in 2017, an increase of 2.3% from the prior year.
- **Recoveries:** Dollars recovered from shoplifting apprehensions totaled over \$149 million in 2017, an increase of 12.9% from 2016.
- Dollars recovered from shoplifters where no apprehension was made (over \$185 million) increased an amazing 18.1% in 2017. This was the **21st consecutive year** of increases.
- **Case Value:** The average shoplifting case value in 2017 was \$381.25, reflecting a significant increase (10.4%) from 2016 (\$345.35).

EMPLOYEE THEFT

- One out of every 35 employees was apprehended for theft from their employer in 2017. *(Based on data of over 1.4 million employees.)*
- **Apprehensions:** Survey participants apprehended 40,286 dishonest employees in 2017, down 4% from 2016.
- **Recoveries:** Dollars recovered from dishonest employee apprehensions totaled over \$38 million in 2017, down 7.0% from 2016.

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 have been utilized by hundreds of the finest retail, manufacturing, and industrial organizations throughout the world.

Consulting Services

- ✓ ***Shrinkage Control Analyses & Assessments:*** These studies examine the client's vulnerability to the primary shrinkage causing factors (internal theft, external theft, and paper/systems), and the ways, methods and programs currently used to deal with these problems. Analysis includes a detailed review of stores, facilities and home office functions.
- ✓ ***Distribution Center Loss Prevention/Security Review:*** This analysis focuses on the distribution facility, and its daily operational procedures from a LP/security viewpoint.
- ✓ ***Third-Party Store & DC/Warehouse Audits:*** We regularly perform Store and DC/Warehouse audits for a variety of clients. These visits/audits provide a realistic picture of normal daily operations; measure compliance to the company's LP/Safety Programs; and greatly assist in keeping their programs on-track.
- ✓ ***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 full outsourced loss prevention solutions, or a hybrid of loss prevention services that complement the client's current loss prevention program/efforts.
- ✓ ***Loss Prevention Organizational Review:*** During this review, we evaluate and make recommendations regarding the highly technical/complex issues of LP as they relate to structure, staffing, productivity, equipment investments, etc.

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30th Annual Retail Theft Survey

For additional information, statistics, and our thoughts-behind-the-numbers, visit our website at: <http://hayesinternational.com/news/annual-retail-theft-survey/> where you can view a downloadable/printable PDF version of the survey.

The Hayes Report on Loss Prevention Newsletter

For a free sample of The Hayes Report on Loss Prevention newsletter, which we have been publishing on a quarterly basis for over 33 years, visit our website at <http://hayesinternational.com/products/the-hayes-report-on-loss-prevention-newsletter/> and click-on the newsletter pic. If you wish to sign-up for this FREE quarterly newsletter then simply enter your email address at the top of the same screen in the "Subscribe to our newsletter" box.

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30th ANNUAL RETAIL THEFT SURVEY – 2018

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Shrink Trend:

13 of the 21 retailers (61.9%) had an increase in company shrink
06 of the 21 retailers (28.6%) had a decrease in company shrink
02 of the 21 retailers (09.5%) had no change in company shrink

Shoplifting Apprehensions:

10 of 21 retailers (47.6%) had an increase in shoplifter apprehensions
10 of 21 retailers (47.6%) had a decrease in shoplifter apprehensions
01 of 21 retailers (04.8%) had no change in shoplifter apprehensions

Shoplifting Recoveries:

11 of 21 retailers (52.4%) had an increase in shoplifter recovery dollars
09 of 21 retailers (42.8%) had a decrease in shoplifter recovery dollars
01 of 21 retailers (04.8%) had no change in shoplifter recovery dollars

Shoplifting Recoveries Without an Apprehension:

12 of 16 retailers reporting (75.0%) had an increase in shoplifting recovery dollars without an apprehension
02 of 16 retailers reporting (12.5%) had a decrease in shoplifting recovery dollars without an apprehension
02 of 16 retailers reporting (12.5%) had no change in shoplifting recovery dollars without an apprehension

Dishonest Employee Apprehensions:

12 of 21 retailers (57.2%) had an increase in employee theft apprehensions
09 of 21 retailers (42.8%) had a decrease in employee theft apprehensions

Dishonest Employee Recoveries:

10 of 21 retailers (47.6%) had an increase in employee theft recovery dollars
11 of 21 retailers (52.4%) had a decrease in employee theft recovery dollars

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30th ANNUAL RETAIL THEFT SURVEY – 2018

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Based upon our survey results, for every \$1.00 recovered, \$11.54 is lost to retail theft. Therefore, **only 8.7 percent** of total retail theft losses result in a recovery.

Support/Calculation for the Above Statement:

- Annual retail sales of the participating companies were \$428,180,872,917.
- According to the 2017 National Retail Security Survey, the average shrinkage is 1.44% 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 2017)	\$428,180,872,917
Shrinkage (retail sales x 1.44%)	\$ 6,165,804,570
Allowance for “Paper-Related” Shrinkage (shrinkage x 30%)	<u>-\$ 1,849,741,371</u>
Shrinkage/Losses Due to Theft	\$ 4,316,063,199
Recovery Dollars (Survey Participants 2017)	<u>-\$ 373,866,830</u> (8.7%)
Unaccounted-For Theft Losses	\$ 3,942,196,369 (91.3%)

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HAYES INTERNATIONAL'S 30th 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 2017; they contributed the following:

Increased:

- Less risk with selling stolen merchandise online
- Change in product lines - carrying more theft desirable items
- Increased focus on shoplifters and on high theft categories/departments
- Felony thresholds being raised/increased in various states
- Nationwide drug crisis increasing

Decreased:

- Implemented a more thorough return process/policy
- Increased focus on prevention, instead of apprehension
- Better merchandise display standards
- Better EAS tagging compliance

Hayes International cites the following shoplifting issues:

- **Reduced Customer Service Due to Fewer Sales Associates on Floor**
Fewer sales associates on the sales floor provides shoplifters with the privacy they want/need to commit their acts of theft. Unfortunately, more retailers are becoming self-service, instead of customer service focused.
- **Shoplifting Felony Thresholds Increasing**
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.
- **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.
- **Organized Retail Crime (ORC) Continues to Increase**
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.

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)

Source: Jack L. Hayes International, Inc.

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Jack L. Hayes International, Inc.

HAYES INTERNATIONAL'S 30th ANNUAL RETAIL THEFT SURVEY

Thoughts Behind The Numbers - Employee Theft

We asked our survey participants why their Dishonest Employee apprehensions and recovery dollars increased or decreased in 2017; they contributed the following:

Increased:

- Increased focus to eliminate DEs early in their tenure
- Use of specialized investigative team
- Increase collusion between employees & customers
- Enhanced POS exception reporting software resulted in better/quicker DE identification

Decreased:

- Less focus on DEs, and more on shoplifting
- Eliminated loyalty fraud
- More associate training and focus on prevention
- Less associates resulted in less employee cases

Hayes International cites the following employee theft issues:

- **Less Effective or Reduced Pre-Employment Screening Requirements**
More restrictions on various types of pre-employment screening has resulted in the hiring of less than desirable associates. In addition, some retailers have reduced their pre-screening requirements in an effort to save money and staff locations more quickly.
- **Less Supervision of Associates and Fewer Associates Overall**
Opportunities for dishonest associates to commit acts of theft/abuse with less chance of detection has increased with reductions in staff and supervisors.
- **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.
- **General Decline in Honesty**
On a regular basis 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.