

New Strategies to Combat Organized Retail Theft

Retailers have long struggled to identify and overcome Organized Retail Theft in their stores. Now, new tools and solutions are emerging to help retailers deal with this problem more successfully and efficiently.

A For nearly two decades, retailers have been battling the dramatic rise in formal efforts by crime gangs to rip off their stores. And for much of that time, retailers have struggled merely to keep up with the thieves, let alone get a real handle on the problem.

Whether these criminals are part of well-structured hierarchies or loose confederations of ad hoc gangs, the result is the same: Organized retail theft (ORT) is a big problem for retailers – one that the industry continues to struggle with. Electronic Article Surveillance (EAS) systems have helped retailers address traditional sources of theft, and provided some additional levels of deterrence against ORT. But even the most successful retailers are finding that it's important to add another layer of defense in their efforts to combat ORT.

Just how big a problem is ORT? Estimates vary widely, but there's little doubt it's measured in the tens of billions of dollars annually. In fact, the 2008 Global Retail Theft Barometer pointed out that ORT is becoming a larger portion of the \$104 billion global shrink challenge. However, trying to measure the size of this problem misses the real point: ORT is on the rise—especially so as the economy began softening in the second half of 2008. As a result, retailers are under more pressure than ever to come up with solutions. Failing to do so has tremendous implications for the health of their businesses in many ways.

To appreciate just how substantial a problem ORT represents, let's put it in perspective:

- **Data from the Federal Bureau of Investigation's** Unified Crime Report indicates ORT is bigger than auto theft, burglary and larceny.
- **A survey from the National Retail Federation** revealed that more than 80 percent of senior loss prevention executives said their organizations had been impacted by ORT.
- **ORT was the single-largest contributor** to the rise in customer theft in the past 12 months, according to the Centre for Retail Research.

Let's be clear on one thing: ORT is evolving from fairly crude, "smash-and-grab" tactics that rely on physical intimidation and swift getaways to much more sophisticated, well-planned programs that recognize and often overcome many basic anti-theft systems. ORT is further facilitated by the realities of today's retail



staffing levels: Store associates often are distracted by accomplices, while the thieves help themselves to merchandise, or rely upon disengaged store associates who fail to exercise sufficient diligence in keeping their eyes open for potential theft. Finally, there even

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are more and more examples of “inside jobs.”

In a nutshell, retailers have been engaged in a difficult game of leapfrog with organized retail criminals for some time: Retailers and their anti-theft solutions partners have developed and implemented new tools to thwart ORT, only to have the criminals develop new techniques that require newer, more sophisticated technologies and processes to detect ORT and defend their bottom lines.

Unquestionably, this struggle has been maddening, frustrating and expensive to retailers, who certainly understand the negative impact ORT has on their bottom lines, their brand reputations and their customers’ buying experiences. Thieves have become more sophisticated in what and how they steal, and the economics of ORT have made it a very attractive business for unscrupulous groups of every kind—from the stereotypical Mafia mob hierarchy to the less-structured groups of gangs, boosters, mules, fences and middlemen who take their piece of the action.

Although stores have continued to invest in anti-theft technologies, it’s easier than ever for thieves to quickly dispose of stolen materials via the Internet and slip anonymously out of the spotlight until their next foray. There are even primers developed to help thieves defeat some anti-theft systems – arrogantly posted for public viewing on Internet sites.

Add to this equation a new factor: When the global economic slowdown hit in the second half of 2008, retail shrink of all types began rising as an inevitable byproduct of higher unemployment and rising costs of living. This economic environment acts to promote the incidence of ORT

for two reasons: One, it’s a crime that “pays well” for criminals; and two, current and former store employees become more willing to participate as insiders to promote theft either due to job dissatisfaction, falling wages or the lure of participating in what they are told is a “victimless” crime.

But the tide is now turning. In terms of both business processes and technology-based solutions, retailers are re-inventing their defenses against ORT. The evolution of new best practices for retailers fine-tuning their business processes against ORT has been further bolstered by the introduction of a number of sophisticated new technologies. These technologies, along with additional industry developments, include:

- **Sophisticated new multi-layer** protection solutions that give the retailer advanced warning if the protection is tampered with,

and draw “can’t miss” attention to a thief as he passes through EAS antennas.

- **New Electronic Article Surveillance (EAS)** systems offering cutting-edge performance in detection with differentiated alarms if a protected, high-value item breaches the antenna signal field.
- **Application software that “mines”** a vast array of data in numerous formats (barcodes, PDFs, video feeds, etc.) to determine trends and signal potentially suspicious behavior both in the store and throughout the retail/wholesale supply chain.
- **Making ORT a higher priority** within retail LP organizations, often including having a dedicated ORT program as a subset of a retailer’s shrink management systems.
- **Industry-wide collaboration among** retailers and with law-enforcement officials to raise awareness of specific ORT threats and



to share information leading to detection, apprehension and prosecution.

- **Stepped-up employee training programs** designed to raise retail staffs’ level of understanding of ORT.
- **Legislation is being debated**—and has a greater-than-ever chance of passage—to criminalize certain ORT activities, such as knowingly abetting the sale of stolen merchandise through otherwise legitimate Web sites such as eBay or Craigslist.

Some of the trickiest items to protect are those called “high-theft items,” which by their very nature are both very attractive to criminals and—without anti-theft deterrents—relatively easy to remove from a store. These items often are fairly pricey, such as high-end cosmetics or electronic devices. Or, they can simply be small and easy to hide, such as DVDs, razor blades, bottles or cosmetics. Whatever the situation, there’s a common issue—high demand and low obstacles to reselling in online markets.

A recent study, however, has pointed out how a sound anti-theft strategy for these high-theft items can pay off. The Loss Prevention Research Council (LPRC) worked with Kroger, a major grocery retailer, to test the effects of Alpha Keeper™ products on shrink and sales of blades and razor products in Kroger stores. The results in test and control stores were impressive on three measures:

- **Shrink decreased significantly** at stores using Keepers, and lower shrink was sustained in different measurements after the tests’ conclusion.
- **Sales of blades and razor products** increased at stores using Keepers.
- **Labor costs were flat** in tests’ stores, compared with that in control stores.

“Retailers are *reinventing* their defenses against ORT with new business processes and *technology-based* solutions”

The bottom line: Keepers delivered an internal rate of return of more than 139 percent to the stores participating in the test, with a payback on the original investment after just eight months.

Few companies understand—and are as able to address the multifaceted problem of ORT—as well as Checkpoint Systems. That’s because Checkpoint not only offers a wide variety of individual products and services for ORT, but offers retail customers a holistic approach to the problem, integrating products and services in a way that offers the possibility of remarkable synergies.

From hardware and software to security monitoring and print service bureaus, Checkpoint helps retailers confront ORT in a variety of ways. These include:

- **Checkpoint’s family of RF EAS-based** antennas, deactivators and labels gives retailers a diversified family of solutions for a variety of requirements.
- **Alpha, a Checkpoint division**, is the global leader in developing innovative solutions to thwart theft of high-risk merchandise and increase sales through open merchandising. Alpha solutions also complement retailers’ EAS investments in both RF and AM technologies.
- **CheckView is Checkpoint’s in-store** security and surveillance solution, providing

24/7 alarm monitoring and video systems that document store activity from the checkout counter to the loading dock.

- **CheckPro applications software addresses** ORT through such functions as ensuring compliance to store policies, analyzing theft incidents and other transactional activities.
- **OATSystems, Checkpoint’s RFID solutions** division, attacks ORT from the standpoint of merchandise visibility, allowing retailers to detect and deter theft even before products hit the stores. A recent article in *LossPrevention Magazine* put the global cost of cargo theft at more than \$50 billion annually, so retailers increasingly are turning to RFID technology and applications to protect trucks and the merchandise they carry from the factory to the distribution center and, ultimately, to the retail store’s receiving dock.

Within Checkpoint’s solutions portfolio for ORT, several capabilities stand out. One of the biggest weapons available to retailers to overcome ORT is the wide range of high-theft solutions from Alpha. Recently, Alpha developed its unique 3 Alarm™

solutions for high-theft items, increasing the layers of protection for high-risk merchandise. This innovative technology activates at three points: first, if the product is tampered with in the store; second, if it breaches EAS storefront systems; and third, if the protected merchandise is taken beyond the store.

Complementing product-based solutions from Alpha and other Checkpoint groups are the in-store security and surveillance services of CheckView. A variety of off-the-shelf and custom-developed technologies are used, such as the Advanced Public View (APV) monitors, exit-view cameras and networked digital video systems. CheckView helps retailers by using networked video recorders to capture, archive and transmit images of activities in all areas of the store, including parking lots and loading docks.

When ORT incidents are suspected, a networked video system enables retailers to view, confirm and distribute video of the activity with local law enforcement officials, company headquarters and other stores. And, CheckView's "video content analysis" software is able to process live video data in order to identify potentially suspicious activity as it occurs.

Individually, each of Checkpoint's shrink-management and inventory-visibility solutions helps retailers address shrink on a real-time basis. But the real power of Checkpoint's approach is the ability to integrate EAS hardware, applications software, application-specific high-theft solutions, RFID solutions and intelligent video surveillance into a comprehensive ORT defense mechanism—both in the store and throughout the retailer's supply chain.

Checkpoint Systems: Your Shrink Management Partner

Checkpoint Systems is the leading supplier of shrink management solutions. Checkpoint partners with retailers to reduce theft, achieve operational excellence, increase inventory visibility and provide customers with greater merchandise availability. Our advanced RF technology, broad merchandise protection programs, added-value software and real-time labeling solutions help retailers increase sales and cut costs.

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