

Where Inventory Shrinkage Happens

- Employee Theft 44.5%
- Shoplifting 32.7%
- Administrative Error 17.5%
- Vendor Fraud 5.1%

According to the study conducted by the University of Florida with a funding grant from Sensormatic Electronics Corporation, employee theft was up almost 2 percentage points from the previous study conducted in 1998. Employee theft now accounts for more than 44 percent of all retail losses in the United States. The tight labor market has created a combination of factors that lead to higher dollar losses across the retail industry. The record labor shortage leaves retailers short-staffed, producing more opportunity to steal. This is compounded by the more dishonest employees allowed into the workplace because of these same retail staffing shortages.

Employee theft and shoplifting combined account for the largest source of property crime committed annually in the United States. One positive note is while total dollars lost are up, there is a slight reduction of overall inventory shrinkage as a percent of sales. In this year's study total inventory shrink was 1.69 percent of sales, down slightly from 1.72 percent two years ago.

Other findings

- The amount of financial loss caused by the typical dishonest employee theft is \$1,023.00.
- A dishonest employee typically works for his or her employer an average of nine months.
- The value of the average amount of merchandise taken by the typical shoplifter is \$128.00.
- Employee theft and shoplifting were the number one and two biggest concerns respectively among retail loss prevention professionals.
- Retail segments with higher than average shrink rates as a percent of sales include: Gifts (2.91%), Toys & Hobbies (2.82%), Optical (2.59%), Convenience Stores (2.23%), Discount Stores (2.01%), Sporting Goods (1.91%), Department Stores (1.89%), Drug Stores (1.82%) and Supermarkets (1.81%).

What can retailers do to deter shoplifters?

- Provide good customer service
- Use electronic article surveillance (EAS) tags on merchandise
- Place closed circuit TV (CCTV) cameras in plain view

Security and loss prevention advancements, such as source tagging, are taking hold in many retail segments. In the music industry, a retail segment prone to theft because of the small, highly desirable merchandise it carries, has seen a 25% drop in losses over the past two years, since source tagging with anti-theft technology has been implemented.

"While traditional methods of security will always be used by retailers, improvements such as source tagging, RFID systems and technologically advanced surveillance systems are the real weapons in a retailer's war against revenue loss," said Per-Olof Loof, Sensormatic's president and CEO. "Perhaps most importantly, consumers benefit from these new systems as they can provide a safer shopping experience while helping the retailer hold down the cost of merchandise and offer a wider selection of products."

What can retailers do to deter employee theft?

- Use video surveillance of sales associates, especially those working at cash registers
- Perform systematic background screening of job applicants
- Pay higher wages to hire and retain more dedicated employees
- Improve job satisfaction levels of retail sales associates

Watchful and attentive management is always a good deterrent to both employee theft and shoplifting. Richard C. Hollinger, Ph.D., the study's author, cites increased security as the most effective theft prevention method. "Retailers that take the time to protect their merchandise can greatly reduce their losses," said Hollinger. "Technical advances in store security systems, both those that watch the consumer and, more importantly this year, those that observe employee patterns, are essential elements in the fight to protect a retailer's bottom line."