

By JANICE HUNT

It's an ongoing challenge to plug the gaps and stop the shrinkage leaks in any retailing environment, but the combined and highly determined efforts on the part of retailers, associations, suppliers, and law enforcement organisations are seeing progress.

### Crime down

Reports earlier this year (see [www.supermarket.co.za](http://www.supermarket.co.za), 8 March 2011) from the Consumer Goods Risk Initiative (CGRI) indicated that armed robberies decreased by 43% and burglaries by 26% in 2010 compared with 2009.

New crime figures are due to be released by the SA Police Services at the time of going to press and industry pundits are optimistic that even further gains have been made in the ongoing war against crime. James Oosthuizen, manager of the CGRI, accolades the retailers, police, and other stakeholders for the willing sharing of information that is contributing to the arresting of perpetrators and reducing the vulnerability of retailing outlets and their staff and customers against the effects of crime. Good news it is, but the war is by no means over and, as Oosthuizen points out, "one armed robbery is one too many".

Nonetheless, this drop in shrinkage is a global trend, according to the Global Retail Theft Barometer (GRTB) 2010, which reports on key trends in retail shrinkage and crime in 42 countries and regions across the world. The Middle East/Africa region was represented by Morocco and South

# Lock up retail crime



Strong industry action sees drop in retail crime

Africa, from which usable information was received from 39 retailers with 4 733 stores and combined sales of R31.5 billion.

"Retailers surveyed in all regions are all addressing the problems of the spike in retail shrinkage and crime losses seen in 2009. Total global shrink in 2010 cost

retailers almost R751.1 billion – an average of 1.36% of global retail sales. This was a drop in shrinkage of 5.6% compared to last year, when the comparable result was 1.44%. The highest fall in the shrink rate was seen in North America, where it fell by 6.9%, which can be compared to a rise of 8.1% in 2009."

South Africa's total shrinkage was reported as R5.1 billion (\$0.732 billion). As a percentage of sales, it was 1.62% in 2010, representing a -5.8% percentage change from 2009 to 2010. The countries with the highest rates of shrinkage as a percentage of sales were India (2.72% of total retail sales), Morocco (1.64%) and Brazil (1.64%). The lowest rates of shrinkage were found in Taiwan (0.87%), Hong Kong SAR (0.91%), and Austria (0.97%).

Sources of retail shrinkage in South Africa were given as shoplifting (36.2%), employee theft (37%), suppliers/vendors (8.5%) and internal error (18.5%). ▶



Collaboration and effective collating and analysing of information is paying off. It's all systems go at this stage of the year as retailers prepare for the annual festive season crime wave.

## LOSS CONTROL ►

### Spar's initiatives

Spar North Rand division's retail risk manager, Charles Lowings, is enthusiastic about the strides in loss control that his division is making. It started with a decision that determined action would be taken against rising crime in the stores and it became a strategically developed and delivered risk management drive.

It is a combined system of monitoring, auditing and analysis, technology, accountability, and – extremely importantly – return on investment. Lowings elaborates: "We analysed our shrinkage figures and took a hard look at our loss control initiatives. Then we developed exceptionally detailed specifications for every single area of security for new and existing stores. This included guidelines for all the technology that we recommend."

Results are extremely encouraging. Lowings says that their research shows that the average loss in a store with no loss control technology is R26 per hour and the average loss in stores that have installed technology and implemented the systems is between R3.75 and R6.25 per hour. The return on investment is excellent, he states.

In assessing high loss areas, Spar determined that internal theft and shoplifting were responsible for the highest proportion of shrinkage. Scales came up as a danger zone and clearly needed attention. Systems were developed that linked scales to CCTV cameras. Any abnormal activity is red-flagged, monitored, and invariably, the



*Retailers are required by law to restrict access to scheduled drugs to anyone other than authorised personnel through a security policy. MediRite outlets in Shoprite Checkers stores throughout the country are having Trellidor retractable and lockable security gates installed that meet these requirements.*

perpetrator is identified and dealt with. In the same way, tills can also be monitored and managed. Exact specifications for all CCTV and monitoring equipment have been developed by Lowings, but he does make the point that Spar does not specify suppliers. The retailers can select their own, based on the detailed specifications.

According to information supplied to security companies by Spar's risk management consultant, Keith Alexander, 37% of theft from the stores is losses on the floor and 62% is internal. Of the 37%, 70% is on 10 products, which include razor blades, baby formula, disposable nappies, ink cartridges, cosmetics, and cigarettes.

With shoplifting, Lowings says the measures are detailed, but more staff-oriented and entailed developing security guard standard operating procedures and

rigorous daily stock taking to get a clear picture of shrinkage. Lowings says they've found that about 90% of shoplifting is done on less than 10% of the products; though clearly the top targeted products do change in different demographic areas. At the start, he suggests monitoring about 20 typically shoplifted products. When the top five or six have been identified, the number of products monitored can reduce. Lowings claims a 70% success rate in reduction of shoplifting in stores where effective monitoring is in place.

Armed robbery numbers have been reduced too, predominantly through stringent cash management procedures. This includes drop safes and cash-in-transit (CIT) and is, in fact, compulsory in all stores. These measures were introduced in 2007, and within two years had seen ►



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## LOSS CONTROL ►

armed robberies in Spar stores reduce from 46% to 11%. Another initiative that Lowings says has contributed to the reduction in armed robberies is the communications system run by the CGRI whereby suspicious activity is shared with retailers in the potentially targeted area.

The third contributor to the reduction in armed robberies is off-site monitoring of CCTV. For instance, an alert can be triggered when someone lies down on the floor of a store, the situation assessed, police contacted, and criminals apprehended.

These, and other measures within Spar North Rand's effective risk management strategy, are achieving their objectives and ensuring a return on investment for the stores that implement them. At the core of the initiative is accountability by designated people for the completion of risk registers and the performance of risk and control tasks. It's working and is no doubt contributing to the overall reduction in South Africa's retail crime figures.

### Loss prevention initiatives

On a wider scale, initiatives to reduce shrinkage continue to develop and South Africa is proving to be at the leading edge of security in many instances. Says the GRTB, "Retail companies in South Africa spent R691 million in the year to June 2010 on loss prevention to prevent crime

and apprehend offenders, which was an average of 0.21% of sales among the retailers concerned. In common with the global results for retailers, more than one-half of loss prevention budgets (R448 million or 63.6% of the total) in Middle East/Africa was spent on loss prevention employees."

Figures showed that spend on directly-employed loss prevention employees dropped by R14 million compared to 2009, and spend on contract employees increased by R35 million, to R231 million.

Spending on security equipment was R133 million (19%). A further R86.8 million (12.4% of security spending) was allocated to armoured vehicle cash collection. Spending on other categories was R35 million (5% of the security budget).

### Supplier initiative

Kimberly-Clark, supplier to the retailing industry, is also gaining ground in loss control with some hard-hitting initiatives. Vijay Gajjar, the company's corporate governance and IT director, says it has effective internal control and audit functions to minimise the risk of white collar crime. Kimberly-Clark Global Security Function reviews data in its SAP system using intelligent software analysis, and Kimberly-Clark Global Audit Function executes regular internal audits. Full annual external audits are conducted by a major audit firm. A further barrier to commercial crime is the company's externally managed



*Baby formula is one of the most pilfered products in-store. New electronic article surveillance (EAS) technology provides completely tamper-proof tags, Perspex bottles and stands for tins, like baby formula.*



*As with many high tech systems, its efficacy is only as effective as its management, and the better the management controls of the system, the more effective it is.*

'Ethics Hot Line', which employees, customers and suppliers are encouraged to use to report wrong-doing. Kimberly-Clark supplies products that are vulnerable to shoplifting, including disposable nappies, and Gajjar advises retailers that constant scrutiny and analysis of trends goes a long way towards detecting abnormal stock activity or potential problem areas.

Looking ahead, Gajjar says that increasing syndicate activity represents a huge threat to the retail trade and supply chain. "These groups are constantly searching for opportunities to subvert employees and inveigle them into their networks. Once there is collusion, it's difficult to find the source of losses in inventory records. Retailers and suppliers must collaborate proactively – not only after an incident. Intelligence and interaction with law enforcement agencies should be shared, as should detection and surveillance activities and the attendant costs. Cross-checking information can lead to identifying common identities involved in suspect activity."

### Industry initiative

Oosthuizen also highlights the actions of the proactive Shopping Centre Security

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Initiative which is hosted by the CGRI and is a partnership between the Consumer Goods Council of SA, the SA Property Owners Association, Liberty Life, the SA Council of Shopping Centres, and others, and aims to reduce the vulnerability and eliminate opportunities for violent crime at shopping centres and identify and implement joint preventative measures.

Collaboration and effective collating and analysing of information is reaping dividends in this initiative, says Oosthuizen, and it's all systems go at this stage of the year as it prepares for the annual festive season crime wave.

## Technology

Customer theft, including shoplifting and organised retail crime, remains a major problem for retailers and was determined to cause the greatest shrinkage loss in most countries surveyed in the GRTB, representing 42.4% of total shrinkage at a total value of R33.6 billion.

Antonio Smith, manager of commercial systems at ADT Security, which distributes Sensormatic EAS systems in South Africa, emphasises that security solutions to combat this theft need to be based on the retailer's unique issues. He maintains that a combination of EAS (electronic article surveillance), CCTV, access control, analytical solutions, alarms, value-added offerings and a security service provider, can contribute to reducing shrinkage. He encourages retailers to implement a principle-based culture at store level and get everyone to understand that crime and shrinkage affects them all. EAS has made great technological strides in the past

decade, and is available in two main formats – RF (radio frequency) and AM (acousto magnetic), with AM as the most advanced of the technologies. Ryan Beeton, MD of SecureAtag, says that benefits of the RF and AM systems include their slimline, aesthetically-pleasing and modern-looking pedestals at store exits, easily hidden labels, and improved detection distances. However, there are instances where RF technology would be appropriate, such as in smaller stores with a limited number of high value items.

He recommends that to ensure a good return on investment, retailers consider an AM-based EAS system when shoplifting is at 0.8% or higher of total sales. The company has had success with systems installed in a several outlets of a major department store chain. "In one store in Durban's CBD, shoplifting was at 2.2% of total sales. Within three months of having a full EAS system installed, this had reduced to 0.8%. The store's target is 0.5%."

As with many high tech systems, though, its efficacy is only as effective as its management, and the better the management controls of the system, the more effective it is. System monitoring and staff training need to be consistent.

But as is invariably the case with new anti-crime initiatives, criminals find a way around them. Evading the EAS sensors on the exit pedestals is possible with the use of foil lined bags. In fact, Beeton mentions a shoplift of about R12 000 worth of electronic goods by criminals using a foil lined trolley in the south of Johannesburg and another instance in Ilanga Mall where thousands of Rand worth of goods were



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## LOSS CONTROL ▶

stolen with the use of foil lining in a bag. The latest technology to prevent this type of loss is a combination of metal detection and AM or RF sensors in the EAS exit pedestals. All incoming traffic carrying metal items could quickly be checked by staff and handed in at the parcel counter, if necessary.

The tags too, are becoming more and more sophisticated, and Beeton mentions several innovative options from Cross Point, the EAS solutions company it represents in South Africa. "The newer tag offerings are completely tamper-proof and include various bottle neck tags for high value bottles of liquor, adjustable spider wrap tags that wrap around electronic items such as gaming consoles, stands for tins such as baby formula, perspex boxes for small items such as perfume, and many others."

ADT's Smith says that statistics revealed in the GTRB show that there is a definite trend towards an increased use of EAS tagging and open merchandising of products. "When comparing the protection of the 50 most stolen lines in 2009 to 2010, it is evident that the use of different EAS tags increased across the board. The percentage of retailers using no protection decreased from 28% in 2009 to 25.5% in 2010, which means that retailers are looking at EAS specifically for protecting their 50 most stolen lines." Bearing this out is the fact that Sensormatic reached an industry milestone in August this year by achieving 40 billion consumer items protected for retailers globally.

The reality in shoplifting is that the 80/20 principle applies, with 80% of thefts involving about 20% of a store's product inventory. The GRTB says that globally in 2010, "thieves stole a wide range of merchandise, but tended to focus on expensive popular branded items including razor blades/shaving products; cosmetics/face creams and perfumes; smartphones and electrical gadgets; alcohol; fresh meat/expensive foodstuffs; electric toothbrushes, electronic monitoring devices; infant formula and coffee; DVDs and electronic games; fashion (especially branded items, leather handbags and accessories); sports-branded goods and sports shoes; electronic goods; branded sunglasses and watches."

As far as controlling internal theft is concerned, Beeton says high resolution



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CCTV cameras positioned above cashiers are just the start. What's also needed is a system that records activities and sales per till. Effective audits must then be done consistently on exception-based reports such as, for instance, the daily 'worst cash intake' till. Video footage must then be checked for no sales or low value sales on high value items. Relevant action must then be taken.

When it comes to technology and equipment selection, all interviewees appealed to retailers to stick to known and trusted brands with strong backup and support policies and avoid being tempted by low price, grey, generic products that are likely to lead to losses in the long-term, either because the equipment breaks down or because it is ineffective against losses.

### In the end

Ultimately, the message is clear. Retailers who choose to be left behind in the war against crime will lose out one way or another (which is not to say that a store with highly sophisticated security systems will not be targeted). The statistics bear this out. But equally vital is thorough and effective assessment of the risks and a risk management plan that is do-able and ensures return on investment. At the end of the day, shopping needs to be a pleasant experience for customers and intense and intrusive security measures could see shoppers going elsewhere.

Or, as Spar's Keith Alexander says, "be safe".

