

COVER FEATURE



**TO STOP
OR NOT
TO STOP**

IS THIS STILL A QUESTION?

By Johnny Custer, LPC, CFI

A male shoplifting suspect has been coming into store 153 three times a week for as long as anybody can remember. Store management has even attributed this guy as a major cause of the store's shrink woes that have put them on the corporation's "target store" list for the last two inventory cycles. As the store's LP agent, you have tried to stop him in the past, but it seems like you have always been just one step behind him and unable to make an apprehension.

"Today is going to be different," you say to yourself.

You can feel it. Today he is finally going to get what's coming to him, and, more importantly, your apprehension dry spell is going to end. No more excuses needed for the boss. Today you are going to be stopping the guy that nobody else has been able to get.

You have spent the last ten minutes following the suspect through the store, tracking him carefully from the moment he entered. You have observed him approach, select, and conceal multiple computer accessories that you estimate to be worth over \$200.

"Just maintain constant surveillance."

You never lose sight of him. He definitely still has the merchandise as he passes all of the open and operating registers, failing to declare the merchandise in his coat.

"He's heading for the door..."

Decision Time

At this point most seasoned loss prevention agents (LPA) begin to experience a rush of adrenaline and a constant stream of internal dialogue:

- Am I sure that he is attempting to steal this merchandise? *"Yes, I am sure."*
- Is there any possibility that the merchandise could have been paid for by the suspect or anyone else? *"No."*
- Can I handle this apprehension on my own? *"He looks pretty manageable. I've dealt with bigger and scarier suspects, and come out okay."*
- Could he have a gun on him? *"Oh, good question. It is a pretty big coat, but I've been doing this a long time and have never seen a gun."*
- What about a knife? *"Nah, I've got this."*
- Needle in his pocket? *"Okay, enough with the questions and second guessing. Today is the day for this guy!"*

You decide that your pre-stop requirements have been met and cautiously follow the suspect out to the sidewalk in front of the store. You approach him and say:

"Good afternoon, sir. I am an LP agent with this store, and I need to speak with you privately back in store please."

What happens now? How have you presented yourself? Did you run up and grab his shoulder? Did you walk past him to approach him from the front? Were you professional, yet firm? Were you nervous and unsure, or perhaps a bit aggressive and confrontational? Does the suspect run? Does he swing at you? Is there an argument or confrontation at the front of the store? Does the subject return to the LP office willingly? Does he produce unpaid merchandise when asked?

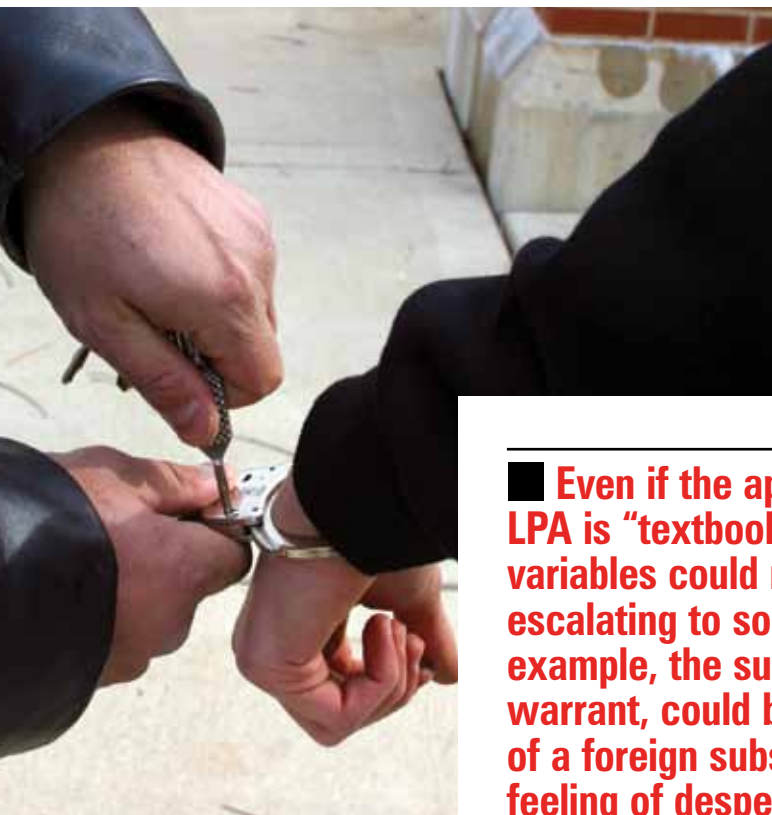
The safety of the LP agent, customers, and the shoplifter, as well as thousands or even millions of dollars in potential litigation, are all at risk and dependent upon the answers to these questions during an apprehension scenario. If any portion of this scenario is handled incorrectly, even just slightly, the results could be inconvenient, expensive, or even tragic.

Even if everything was handled correctly, is it worth the risks?

Worth the Risk?

Anyone who has worked in the LP industry for more than ten years has probably seen some significant changes in processes and technology. We have seen evolutions from analog "still" cameras to digital PTZs, from dusty VCRs to DVRs with remote access, and from padlocks to RFID. In addition, some exception-based reporting programs have evolved into enterprise-wide data-mining systems that are helping to diagnose shrink issues throughout the store.

Even if the approach and confrontation by the LPA is "textbook" and professional, any of these variables could result in a "simple" apprehension escalating to something much more serious. For example, the subject could have an active arrest warrant, could be in possession or under the influence of a foreign substance, or could be experiencing a feeling of desperation with nothing to lose.



But there has been one aspect of the industry that has not evolved over the years. One process that remains essentially unchanged over the years is the shoplifting apprehension.

Regardless of the new technology or technique used to get to the point of detention, once LP agents get outside the store and are face to face with the suspect, the process is just about the same as it has always been. They are unarmed, unequipped, and often alone. Their job then requires them to confront an unknown suspect about a crime that has just been committed. These facts have remained the same since the first shoplifter was detained many decades ago.

For years we have hired entry-level LP professionals and, in most cases, provided them with rigorous training dedicated to the apprehension of external-theft candidates. We have embedded in their heads the necessity to ensure that they observe some form of the following steps prior to making an apprehension:

1. Approach
2. Selection
3. Concealment
4. Constant surveillance
5. Passing all points of sale
6. Exiting (in most companies)

We have gone to great lengths to warn the trainee about the danger of the non-productive detainment (bad stop) and the potential for dangers that can occur when engaging physically with a suspect.

But there is a push for results. A constant pressure upon LP agents every time they speak with their supervisor, send in weekly productivity reports, talk with their competitive peers, or even when talking with the associates that work in the store—“Say, when are you going to catch that guy that keeps stealing all of our Xbox games?”

So emphasized is the need for productivity that many companies base LPA reviews and performance metrics, if not entirely, at least in part, on apprehension statistics. Raises, promotions, and even continued employment are often contingent upon agents’ ability to produce stops.

The typical metric of performance assessment involves “quota” demands, though that term is often avoided strongly. Instead, a more politically correct description is used—hours per apprehension (HPA), that is, hours worked divided by number of apprehensions made during the week, month, or year. Many companies go so far as to mention specific “goal” numbers, which are usually around 17 or 18, meaning one apprehension for every 17 or 18 hours worked.

So, rather than using the actual LP program report card—the shrink number—most store-level LP teams, as well as many LP field managers, are judged by their “body count.”

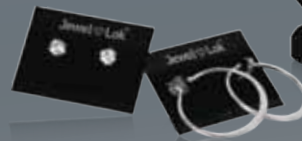
Could this constant feeling of pressure lead to mistakes or poor decision making? Could this pressure also lead to the LPA displaying increased anxiety, excitement, or adrenaline-fueled behavior during the apprehension process?

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“Yes,” says Jason Scheel, LPQ, director at Compass Loss Prevention. “I have seen the unfortunate side effects of some LP agents feeling too much pressure to make apprehensions, resulting in non-apprehension approaches [bad stops] or fights. I still see too many of them, or at least more than I’d like to see.”

Apprehensions Turning Violent

Aside from mistakes by the LPA that lead to a conflict with a shoplifting suspect, there may also be many unknown variables pertaining to the suspect in play. Even if the approach and confrontation by the LPA is “textbook” and professional, any of these variables could result in a “simple” apprehension escalating to something much more serious. For example, the subject could have an active arrest warrant, could be in possession or under the influence of a foreign substance, or could be experiencing a feeling of desperation with nothing to lose.

A significant number of the LP professionals interviewed for this article believe that violence in apprehensions for whatever reason is increasing, leading to more injuries and even deaths of, not only, LP personnel, but customers and shoplifters as well.

“I believe that shoplifting suspects have become more violent over the last five years or so,” remarks Staci Ferguson, LP supervisor with Kohl’s Department Store. “I think that the economy probably has a lot to do with it. People are desperate, they will do desperate things.”

Point in fact, the National Retail Federation recently released results of a survey of their members that included the statistic that shoplifting incidents turn violent 13 percent of the time.

Here are a few examples of apprehension related violence from the last few months.

- **March 8, 2012, Woodbridge, NJ**—A shoplifting suspect confronted by police leaving a Sears store pulls a knife and takes a hostage inside a Hollister store. The police shoot and kill the suspect.
- **January 21, 2012, Salem, MA**—CVS/pharmacy store manager is injured after being kned “repeatedly” in the groin area while attempting to apprehend a shoplifting suspect. The stolen merchandise was valued at around \$200.

- **December 23, 2011, New Hartford, NY**—Macy’s LP officer is injured by a fleeing vehicle while attempting to apprehend four adult female shoplifting suspects. The dollar amount of stolen merchandise was not released.
- **December 12, 2011, Longview, WA**—LP agent from Fred Meyer has his ear partially severed while attempting to apprehend a shoplifting suspect. The suspect allegedly attacked the agent with a hatchet that he had carried into the store with him. The exact dollar amount of the case has not been released, but multiple news organizations identified the items taken as a “Marilyn Manson CD, a bike inner-tube, bike lock, and a quart of oil.”
- **November 16, 2011, Knoxville, TN**—Police officers responding to a shoplifting incident are forced to gun down the suspect after he threatened them with a handgun. The suspect was initially approached by store LP agents over the suspected theft of several light bulbs.

A Google search using the key words “shoplifter” and “box cutter” yielded results on at least twelve separate incidents in the last six months. In all examples a box cutter was either brandished, or actually used, to inflict harm upon individuals attempting to apprehend shoplifting suspects.

Changing Times

Senior loss prevention professionals have lived through changing times. “If you stay in this career long enough, you are going to have a violent encounter,” says Brian Harless, a LP supervisor with a major discount retailer, “but the difference between when I first started and now? Take the weapons, for example. When I first worked in LP in the 1990s, there was maybe a handful of knives that we would take off shoplifters. Now, however, I have a small shoe box full.”

Many LP departments have been forced to drastically cut payroll with the economic downturn in the past several years. This may be a contributing factor to apprehension-related violence. In many retailers, departmental cuts have led to only

one LP agent working at a time. It has also reduced options for the LPA in acquiring help from the store teams.

One former LP manager for a big-box retailer explains it this way: "I remember when I first started in LP, I had about 448 hours of coverage per week for each of our superstores. The team was making apprehensions with three people outside and one in the camera room. It was rare that someone would run, and even rarer for them to fight. Now it's a different story. The teams are running at 80 to 100 hours per week, and people are making stops on their own. We started the whole 'no-contact' thing a few years back, and it seems to be helping a bit. But it's still a scary thing to be out there by yourself."

Being alone, the "scary" feelings, the rush of adrenaline... all of those factors contribute to poor decision making and potentially disregarding no-contact or non-apprehension policies. Consider the scenario presented at the beginning of this article. The LP agent actually watches a crime unfold, and then approaches the suspect alone immediately after the fact, when the suspect's emotions and adrenaline are probably running at their highest. Anyone with any foresight would probably agree that this is creating a situation fraught with potential disaster.

Even police officers do not typically have the opportunity to see a crime through from occurrence to detainment, at least not with the same frequency that LP agents do. Police officers typically arrive after the crime has taken place and are well-quipped with batons, handcuffs, pepper-spray, actual arrest powers, side arms, and plenty of backup. The

LPA intervenes during the crime and often has nothing more than a walkie-talkie or mobile phone for backup.

Value of Apprehensions

Now look at some of the real incidents mentioned above from the last few months. Consider the merchandise that is listed. Was any of the merchandise worth the results that occurred? Is there any amount that is worth similar consequences?

My answer is an emphatic "No!"

Traditionally, loss prevention programs were built on the foundation of shoplifter apprehension. This function was leveraged as one of shrink reduction, not one of crime prevention or punishment. It is the very job function that led to our industry's creation. In an earlier time when we didn't have strong operational knowledge, data analysis, or predictive modeling capabilities, spending our time and resources on this function may have made sense. But does it make sense now? Does stopping shoplifters have the kind of impact on shrink that we once thought?

Again, the answer is "No."

The impact of shoplifting and the apprehension of offenders on shrink is still an open question and often a topic of heated discussion. Ask twenty different members of the LP industry what percentage of their shrink issues can be attributed to shoplifting, and you will likely get twenty very different answers.

In a recent poll more than 70 percent of participants placed shoplifting at less than a quarter of their yearly shrink. Most

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of these professionals agree that shoplifting concerns vary with different retail models, but that regardless, the actual impact is a small fraction of yearly shrink when compared to other causes. Add to this that we are probably only actually apprehending a small fraction of that small fraction, and questions can be raised about the necessity to focus on shoplifting at all.

“I would actually like for one of the LP industry leadership groups to release a report on the actual impact that shoplifter catching does not have on shrink,” says Brian Frasier, CFE, CFI, field LP manager at Office Depot. “I think the results would surprise a lot of people.”

According to the Jack L. Hayes 2011 Annual Retail Theft Survey, participating retailers show a figure of approximately \$10 billion in shrink for 2010, with an external theft apprehension recovery figure of just over \$104 million. This comes out to just over 1 percent of total shrink.

One percent! If this survey is accurate, this is a staggering statistic. Even when a substantial margin of error is factored in, this data does not support the philosophy of any loss prevention program that spends the bulk of their time and capital investing in the apprehension of shoplifters. And when the high control risks for injury, death, and litigation are thrown into the equation, it makes even less sense.

In analyzing the chart below developed by Merchant Analytic Solutions, if we credit shoplifting (external) as roughly 24 percent of yearly shrink, consider all of the control risk that is associated. Now look at the 76 percent of other losses. These represent the bulk of our concerns, and have the lowest risks associated with mitigation.

Now look at the last box. As an industry, we allocate 70 to 80 percent of our budgetary distribution toward the high control risk, low-impact factor of external theft. How does this make sense?

| Industry Composite | % of Total Cost |
|----------------------------|-----------------|
| Internal—Low Control Risk | 57% |
| Extrenal—High Control Risk | 24% |
| Vendor—Low Control Risk | 13% |
| Admin—Low Control Risk | 6% |

| Ability to Limit Loss with Risk | |
|---------------------------------|------|
| Total Shrink Loss | 100% |
| Control with Low Risk | 76% |
| Control with High Risk | 24% |

| Budget Spend Distribution | |
|---------------------------|--------|
| Budget Spend Less Payroll | |
| Low-Risk Controlable | 20–30% |
| High-Risk Controlable | 70–80% |

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Why Continue with this Approach?

“Shoplifting is an easy scapegoat for the shrink woes of some stores, districts, or retailers as a whole,” says one former vice president of LP at a major specialty retailer. “Shoplifting is that one consistent, universal, uncontrollable evil that exists in all of retail, and is often used as an easily accessible and very believable excuse.”

There is some truth in that quote. Shoplifting is an easy-to-identify, easy-to-blame occurrence that happens in every retailer. The gut feeling for many in retail, especially operators, is that shoplifting is the primary cause of shrink. Even though we have multiple data with colorful pie charts that say otherwise, shoplifting still somehow gets top billing. Perhaps then, just showing them the pie chart isn’t enough.

Think about your last visit with the store manager in one of your high-shrink locations. Assuming that you discussed shrink strategy, what was the first thing the manager blamed? Typically, its shoplifting. How often have you heard something to the effect, “There’s one guy that comes in every other day and wipes out my batteries and deodorant. When are you guys going to catch him for me?”

More often than not, something along this line is the default answer, and often through no fault of the store manager. They may know that internal theft (“My employees won’t steal from me.”), administrative errors, and vendor issues contribute, but not to what extent. Perhaps they also have not been trained on how to actually diagnose and fix the other 76 percent of their losses. So what they are left with is what is happening right in front of them—shoplifting.

How Do We Evolve?

Wouldn’t it be nice if the next time you ask that store manager about shrink, they answered in the following way?

“We had to rush through our seasonal change over after Christmas, and, as a result, our price-change processes and overall pricing integrity has gone by the wayside a bit. This has led to a tremendous influx of SRAs at the front registers, manifesting themselves as line voids, price modifications, and generic SKU entries. This could have led to hundreds, if not thousands of dollars in deteriorated margin and

continued on page 24

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continued from page 22

shrink across multiple SKUs in a number of categories and departments. But my LPA caught it, and now we are working together to ensure that the issue is corrected."

This would be a welcome change, no?

A companywide shift in LP culture and focus can help get you to that point. Moving the focus away from external theft and more onto the controllable elements of shrink can help:

- Reduce shrink.
- Improve gross margin.
- Increase net profit.
- Increase stock value.
- Decrease the pressures associated with the "need" to apprehend shoplifters; if shrink is being controlled through other measures, shoplifting isn't as much of a priority.
- These decreased pressures result in a decreased risk of injury, death, and/or litigation in shoplifter apprehensions.

Some retailers are at the forefront of this evolution in LP culture. Consider the results of a *Fortune* 25 specialty retail chain that began undergoing a shift in culture in 2002 with excellent results. The company focus...not just LP... was shifted from an apprehension-driven external-theft mindset to one of operational knowledge and holistic vision. The program was centered on the mitigation of SRA (sales reducing activities) and their operational causes.

This retailer did not disallow external apprehensions completely, giving the option to the store management team, but only if they felt they had no other alternative. The company adopted and strictly enforced a no-touch, no-contact policy, as well as a stringent product-protection, theft-prevention program. They reviewed their LP team based upon a combination of overall shrink numbers, SRA mitigation, and company performance.

As a result of these changes, over the next five years, this retailer saw a 94 percent improvement in shrink (over \$800 million), 11 percent improvement in gross margin, and an impressive 85 percent "bump" in net profit.

The shift in LP focus had a tremendous effect on this retailer. Similar culture changes are being tested in other forward-thinking retailers worldwide. Access to data across the entire business enterprise, as well as our ever-improving abilities to analyze and interpret it is giving us a much more holistic view of loss prevention's ability to control shrink. Maybe this is leading us toward having more influence on the 76 percent of shrink that is controllable, rather than

having to place quite as much risk, emphasis, effort, and expense in trying to manage the uncontrollable 24 percent.

To Stop Or Not to Stop

Shoplifting is a retail problem that has been around since retail began. It is not going to disappear any time soon. Your department and company need to consider how much impact it is actually having on profits, and then react accordingly. There are other aspects of shrink occurring in your buildings that are contributing to the bulk of your shrink woes. These aspects are much more controllable, and much safer to address.

However, if your company has decided that shoplifting apprehensions are a necessary part of your shrink strategy, consider implementing or revisiting the following measures:

- Utilize shoplifter apprehension as a technique of last resort. This should not be your first line of defense; it should be your last.
- Institute and enforce a zero-tolerance no-chase, no-touch policy for all employees.
- Anytime labor reductions necessitate a cut in LP payroll, revisit and revise safety practices with the remaining team members.
- Encourage a "buddy system"—could be manager, floor associate, uniformed security—to avoid LP agents making apprehensions alone.
- Hire LPAs with good business acumen and the ability to learn company operations as well as theft mitigation.
- Ensure that new hires are aware of the differences between working in law enforcement and working in loss prevention.
- Ensure that they are capable of always making decisions that are in the best interest of safety, shrink mitigation, and the overall company brand.
- Expose LPAs to category, department, and/or SKU-related shrink results, and ensure that their focus is prioritized appropriately.
- Encourage the practice and recognize the success of prevention technique recoveries as a part of the LPA job description.
- Train and require continued training on all facets of the business operation, including perpetual inventory process, price changes, markdowns, seasonal changeovers, DSD and receiving processes, POS system operation, SRA analysis and mitigation, and others.
- Use shrink results as the LP report card. Review and promote LPAs on their ability to impact shrink through productivity and a combination of these measures. Their success and the shrink success of their stores or spans of control should go hand in hand.

On this subject, the bottom line does not refer to company profits. Be safe. And remember that nothing in your store is worth your life or anyone else's. ■



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