May/June 2008

Retail Merchandiser

retail-merchandiser.com STRATEGIES FOR GROWTH

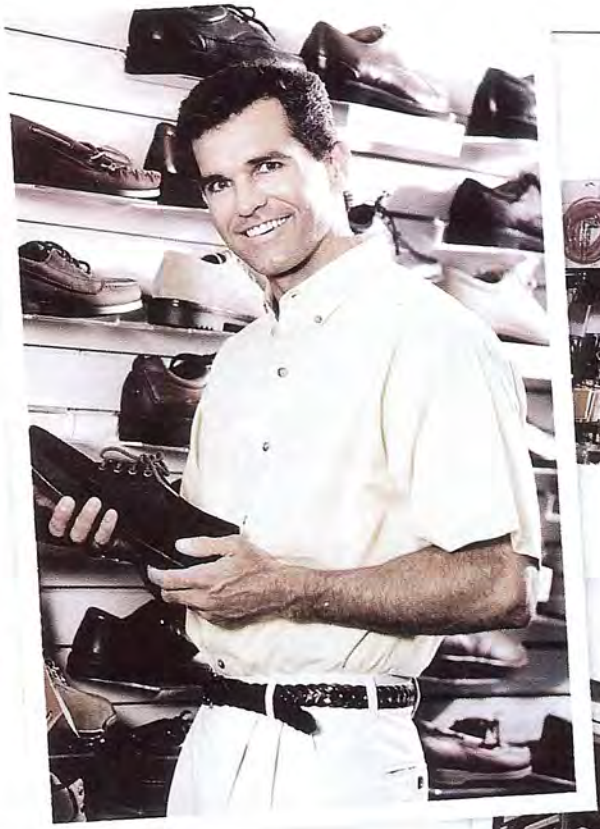
LP guru Chris McGoey tells us how retailers can make employees their biggest allies in reducing shrinkage.

LOSS PREVENTION

All Aboard

Your employees are stealing from you.

For years, studies, reports, and statistics from various sources have been pointing this out. The 2007 National Retail Security Survey, due out this month, continues to beat the same drum. More than $41.6 billion worth of merchandise is stolen from US retail stores annually, the report from the National Retail Federation and University of Florida states, and employee theft accounts for nearly half that amount.



According to Chris McGoey, head of California-based McGoey Security Consulting and host of the popular Crime Doctor Web site, retailers have traditionally responded to this information in two ways:

1 With the not-us, not-here, not-our-employees mentality, pinning the blame on shoplifting or, most recently, organized crime.

2 With the us-versus-them mentality, where retailers form a distrust of their own employees and express that distrust through messages and strict policies.

McGoey, who has more than 38 years of experience in security and crime prevention, authoritatively states that both of these responses are dead wrong. "I've attended presentations where the company threatens its employees," he said. "That's the anti-message, and it simply doesn't work. What it does is give every employee a reason to steal, look the other way if someone is stealing, or quit. And high turnover is a key indicator of higher shrinkage in a store."

So what's a retailer to do? The first step, like any good recovery program, is to admit you have a serious problem. The second step is to make loss prevention a critical element of the organization's culture and get employees interested and actively engaged in reducing shrinkage. Easier said than done, but McGoey has a few tips to help retailers move forward:

Message from the C-suite

The bottom line. It's the core message that comes down from the top of any retail organization and thus the focus of managers at the store level: increase sales, cut expenses, and feed the bottom line.

"It's easy for managers to get recognition in the short term by having some sales increases and a lower budget by cutting staff," McGoey said. "So they look like heroes in the short term. But then that inventory number comes in, and it kills them."

What managers need to realize, McGoey said, is that shrinkage has as much of an impact on the bottom line as sales and expenses. For that to happen, the message first has to come from the top. "It really does have to start at the top. That's an overused phrase, but in loss prevention, it's critical. From the top down, you have to believe that's the way to do business."

Top of mind

McGoey recommends making the importance of loss prevention clear to all new employees in the recruiting phase, again during orientation, and again when they're trained by department managers. And the message needs to be clear and repeated: you are the most important component in our loss prevention program.

"The key is making it top of mind," McGoey said. "Make it part of sales meetings, communications, etc. Make employees part of the solution. Make it part of their job description to help with loss prevention. Doing that reduces shrinkage and employee theft. Employee theft happens largely because employees believe the store doesn't care. Show them you care."

Training and tools

To make employees part of the loss prevention solution, they have to be taught what to look for and how to respond in cases of theft. That includes seasonal help, McGoey added, even if a special training program needs to be created to meet the need.

Managers in particular need the training and tools to monitor shrinkage just as they do sales and expenses. "This might sound like a foreign idea to some, but shrinkage can be monitored just as easily as sales and expenses," McGoey said. "If you don't monitor shrinkage, it's impossible to tell when your losses are happening, when they're increasing, or if there are any particular trends."

Carrots and sticks

Just as regular goals are set for sales, regular goals need to be set for loss prevention. And when a department or store achieves its goals, employees must be rewarded.

Retailers can take it a step further if they recognize and reward employees who aid in the apprehension of shoplifters or report another employee that's stealing. McGoey said a sound benchmark for rewards is a percentage of the merchandise recovered.

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Carrots can be effective, but carrots and sticks can be doubly so. That's why McGoey also recommends making loss prevention a core component of performance reviews. "Employees have to see there is benefit to be gained from being on top of shrinkage control, not just for the store, but for the individual as well. And if employees want to move up the ladder of promotion, they have to know they won't go far without solid performance in loss prevention."

The rogue manager

If there is one thing that can derail a strong loss prevention program, it's what McGoey calls rogue managers. With the constant transfers of management in retail, it's easy for an organization to let a manager with different ideas on how to run the business slip through the cracks.

Find a Sweetheart

Getting employees actively engaged in reducing shrinkage can dramatically improve any retailer's bottom line. But there are bad apples in every bunch, and companies need all the help they can get when it comes one of the most elusive forms of employee theft: "sweethearting."

Sweethearting occurs when a cashier serves a friend, relative, or fellow employee and pretends to scan merchandise while deliberately bypassing the scanner. Supermarkets, with their lower profit margins, are particularly vulnerable to sweethearting, which accounts for an estimated 35% profit loss industry wide.

"I remember one incident where the cashier lifted the turkey over his head, pretending to look for the price, and put it down on the other side of the scanner," said Malay Kundu, CEO of StopLift Vision Systems, a Bedford, Mass.-based company that created innovative video recognition software to help retailers combat sweethearting.

StopLift grew out of Kundu's Harvard Business School research study on retail loss prevention, "Project StopLift." With technological research insights Kundu developed while at MIT, Project StopLift concluded that video recognition technology could be used to automate and make possible the comprehensive examination of surveillance video. StopLift Vision Systems was born.

The software constantly monitors 100% of security video from existing cameras with computer vision technology that can immediately identify fraud at the checkout. Once a transaction is flagged as suspicious, the system quickly reports the incident, identifying the cashier and the date and time of the theft.

Supermarket chains like Safeway, Hannaford's, and Big Y have installed the system through a pilot program, and they're already reporting dramatic results.

"Having the StopLift technology in place has enabled us to discover losses that we were previously unaware of," said Tom Perkins, director of loss prevention at Scarborough, Maine-based Hannaford's. "This is one of the most significant leaps in loss prevention technology I've seen in more than a decade."

Said Kundu, "If you can't sell more in this economy, you can still lose less." Learn more at www.StopLift.com.

"If you get a manager that comes from a more hostile region or even another company, they can contaminate an entire organization," McGoey said. "When you bring in managers, you have to debrief them, send them through the same orientation that stresses loss prevention, and retrain them. Get them on your team, and make sure they're on your system. Don't allow these rogue managers to break your system."

The overall goal, McGoey concluded, is to keep everyone in the organization rowing in the same direction. "If employees see there is a high presence and awareness, that everyone in the store is actively looking to prevent shrinkage, it will go down dramatically. It has to be part of the overall system. It's as important as putting the merchandise on the rack and ringing up the sale. And if it's emphasized on a regular basis, it will have an impact."

Your employees are stealing from you. But if you make loss prevention part of your organization's culture, those same employees can become your biggest allies in reducing shrinkage.