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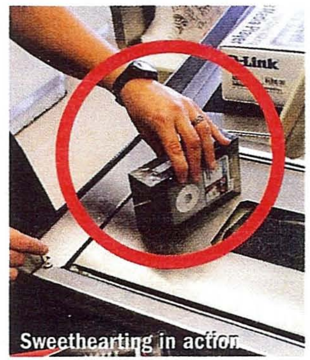
A hi-tech answer to 'sweethearting' in time for the holidays

NEW YORK — While consumers associate Christmas with holiday cheer, it's a different story at retail. In addition to juggling the chores of keeping stores tidy, scheduling hourlies and managing crowds, the dirty little secret behind every retail operation is that the holidays, more than any other time, invite the highest rate of theft.

Retail theft is the fastest growing crime in America, according to the FBI, and employee theft is the largest form of larceny. Retail store employees steal $20.3 billion worth of merchandise a year, and $13 billion of it due to "sweethearting" at checkout. Nearly half (47%) of retail theft is committed by employees, compared to 32% by shoplifting, which means that employee theft at retail is nearly 50% more prevalent than shoplifting.

While retailers can't increase their revenues in this economy, they can reduce their shrink. Supermarket chains like Safeway, Hannaford's and Big Y have installed software for monitoring existing security cameras mounted on ceilings over checkout registers. (Security cameras are, at best, sporadically monitored.) Major retail chains with 1,000-plus units also are beginning to use this technology.

To maximize the effect, retailers are turning to new forms of sophisticated video recognition software to catch what the industry calls "sweethearting," a practice that occurs when cashiers pretend to scan merchandise, but deliberately bypass the scanner, thus not charging the customer for the merchandise. The customer often is a friend, family member or fellow employee.


Sweethearting in action

"If you can't sell more in this economy, you can still lose less," said Malay Kundu, ceo of Cambridge, Mass.-based StopLift, which develops a software system called Checkout Vision Systems, currently in use by regional and national retailers. (To watch sweethearting incidents tracked by StopLift, visit www.StopLift.com.)

When implemented correctly, anti-sweethearting software flags the transaction as suspicious, subsequently reporting the incident and identifying the cashier and the date and time of theft.

At the heart of the system is video monitoring hardware that visually determines what occurs during each transaction in an effort to identify fraud immediately at checkout. Dishonest associates are identified on the basis of video evidence the first time they conduct a fraudulent transaction, rather than months or years later. The technology eliminates costly, time-consuming human review of video, drastically reduces and deters fraud at checkout and can improve profitability.

"This type of theft has been costing the retail industry $13 billion a year and until now, there's been no way to detect it," said Mark Gaudette, director of Loss Prevention at Big Y. "We are excited to be able to control more of our shrink and loss through the use of this emerging technology."

Retailers have tried to track theft through data mining, but, as Kundu notes, "How do you do data mining when there's no data?"

Supermarkets, with their lower profit margins, are particularly vulnerable to sweethearting, which has accounted for an almost 35% profit loss industrywide.

Tom Perkins, director of Loss Prevention at Hannaford Supermarkets, based in Scarborough, Maine, has implemented a pilot program using anti-sweethearting software. "Having [this] technology in place has enabled us to discover losses that we were previously unaware of," he said. "This is one of the most significant leaps in loss prevention technology I've seen in more than a decade." ■