Loss Prevention - Profit Protection

With theft and fraud stealing billions from retailers every year, it’s time to stem the flow of shrinkage and turn the tide on leaking profits

Are your profits disappearing?
Shrinkage isn’t shrinking. Rather, it’s growing—at an alarming rate of $1 billion a year. In 2002, U.S. retailers lost $31 billion to theft and fraud. In 2003, that number leaped to $32 billion. And there’s no end in sight.

The bottom-line result of all this loss can be devastating. In an industry where narrow profit margins are more common than not, shrinking inventories can mean the difference between being in the black and seeing red.

The surest way for retailers to stem the flow of shrinkage and turn the tide on leaking profits is to expand the corporate and store-level focus from capturing customers and controlling expense to preventing loss and protecting profit. Only by making loss prevention initiatives a retail priority will the industry begin to make serious inroads toward reducing billions of dollars in losses.

Why you should be paying attention to loss
Shrinkage is not a new problem. As long as there has been retail, there has been loss. But acceptance is not the answer; paying attention to the problem is. Retailers who practice proactive loss prevention—preventing loss before it occurs—are the most likely to experience bottom-line benefits of reduced shrinkage and enhanced profits.

Shrinkage costs billions
Chalking up shrinkage to a “cost of doing business” is not a smart way to run a retail organization. In fact, statistics say that’s a pretty hefty price to pay. According to the latest findings from the University of Florida’s 2002 National Retail Security Survey, shoplifting resulted in $10 billion in losses, an amount that, according to the FBI’s Uniform Crimes Reports, is equivalent to the cost of auto theft in the United States.

At last report, the average dollar loss per shoplifting incident was $207.18. Retail categories hardest hit: drug, department; home centers/hardware/garden; cards/gifts/novelty; men’s apparel and women’s apparel and books & magazines.

High-risk Products
Certain items are targeted by shoplifters no matter the retail venue in which they are sold. What these goods have in common is that they are either expensive, addictive, in high demand, resalable, fashionable, or enjoyable to own or consume. A short list of these items might include:

- printer cartridges
- razors and blades
- personal appliances, like electric toothbrushes and blow dryers
- fashion accessories, like sunglasses
- cosmetics
- CDs, VHS tapes and game cartridges
- batteries
- film and disposable cameras
- memory chips/devices for digital cameras and computers
- call phone accessories
- handheld electronics, like PDAs and calculators
- personal items, like contraceptives and pregnancy tests
- over-the-counter medications

Without it, shrinkage goes unchecked and profit leaks go unplugged. The first step toward creating a plan is to conduct a security audit, which involves a thorough analysis of the current state. How much shrinkage is occurring? Where is it taking place? It is essential to conduct an inventory of all loss-prevention initiatives across store and corporate levels in order to provide a clear view of the resources currently being deployed to shrink-reduction.

The second step is to develop an action plan to correct deficiencies and improve operations, understanding all the while that the goal is not to catch someone in the act of stealing, but to prevent theft from happening in the first place. By controlling shrinkage through loss-prevention practices, billions can be added to retail’s bottom line.

Eliminating theft at the point of contact
Shrinkage does not cure itself. Theft and fraud will continue to rob the nation’s retailers of billions of dollars, so long as inventory shrinkage is not actively controlled.

Other more sophisticated shoplifting methods are easily learned from guerilla-style Web sites and counter-culture “how to” shoplifting books. For instance, shoplifters can employ techniques like “sweeping” and mass theft of costly products from chain stores along a certain bus route.

Developing a loss protection plan
The nation’s top security experts all agree—every retailer, large and small, needs to develop a loss-protection plan. Without question, fixtures have proven to be a valid solution toward loss prevention, limiting pilferage while promoting—and not interfering with—sales.

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