Organized retail theft is a growing problem for stores nationwide, and is increasing in severity. The retail industry is fighting back and one of the most essential tools in the effort is the development of databases.

Retailers and their trade organizations are developing databases for three key reasons:

• to alert legislators, law enforcement and even retail executives to the severity of the problem;
• to establish links between retailers and law enforcement that are helping them work together to develop strategies and tactics aimed at thwarting theft gangs; and
• to act as a guide to the development and sharing of best practices that will counsel retailers in tackling the problem.

A recently released study from the Food Marketing Institute, entitled “Supermarket Security and Loss Prevention 2005,” reviewed shrink concerns facing the food retail and wholesale industries and how companies are combating losses. In releasing the report, Anne-Marie Roerink, FMI director of research, said, “Retailers lose billions of dollars each year from shoplifting, employee theft and organized retail theft. Even the slightest improvement in these areas will add significantly to the bottom line.”

Organized retail theft, or ORT, is a growing problem that the FBI estimates has reached $30 billion in annual losses, with some estimates as high as almost $35 billion.

Looked at another way, estimates report that shoplifting and organized retail theft account for 29.7% of all shrink. In ORT, theft gangs shoplift merchandise and, in most cases, resell it through a variety of channels. The threat of lost revenue is compounded by concerns about the safety of merchandise put back into distribution by theft gangs. Perishable products such as food and medicines may be dangerous because of improper handling and storage.

ORT rings typically rely on professional shoplifters, or boosters, who work in teams to steal light, valuable and easily marketable products such as razor blades, film, baby formula and clothing. The boosters often raid chosen retail establishments repeatedly over a short period of time, accumulating merchandise that is stored in warehouses until it can be sold through dishonest or credible distributors. Sometimes, the stolen merchandise is even sold back to the retail establishments who were victimized in the first place.

Today, a third or more of shoplifters are linked to professional shoplifting gangs. Just under a quarter of the companies contacted by FMI consider organized theft a severe threat.

Technology, in the form of databases, has been part of combating ORTs. In 2001, FMI and Digital Data Development introduced an antifraud technology to study the depth and breadth of organized retail theft.

The system, known as NORA (Non-Obvious Relationship Awareness), was designed to identify boosters who share common addresses, phone numbers or identification numbers as well as preferred items, geographic markets and patterns where ORT regularly occurred.

During a trial of the NORA system, FMI members submitted shoplifting and related information for analysis. In the trial phase, the NORA system identified 960 physical addresses where two or more convicted shoplifters committed their crimes across multiple stores on multiple dates. Among other things, the initial study identified a Fagin operation, which is named for the Oliver Twist crime ring leader and, in this case, used five minors under the supervision of an adult to pilfer Guess Jeans.

The test was successful enough that FMI commissioned an extensive follow-up study using additional data sources to produce more quantitative information. The goal was to help develop a toolbox of solutions to ORT problems.

While the FMI effort was built around helping retailers curb losses, the organization was also eager to raise awareness of the problem and mobilize manufacturers, retailers and law enforcement officials to help enact legislative changes that could make efforts to crack down on organized shoplifting more effective.

Developing a system of retail databases is the crucial first step in attacking organized retail theft because, said Joe LaRocca, vp of loss prevention at the National Retail Federation, few people recognize how pervasive and severe the problem is. And that itself has been a problem. With law enforcement preoccupied with the threat of terrorism and drug crimes, trying to convince law enforcement that it needs to devote resources to ORT is difficult without solid data.

In most cases, individual retailers and police departments are left to handle ORT programs on their own, with little more cooperation than can be had from a phone call across town or across a city. Databases provide a way to quickly determine what is going on in a community or over larger geographic areas. That’s critical because many theft gangs are sophisticated enough to rapidly move from community to community, or perhaps more to the point, jurisdiction to jurisdiction. “Retailers are not connected and law enforcement doesn’t have a connective network with retailers or between agencies,” LaRocca said.

Yet, getting retailers to share information isn’t easy. So, associations have taken the lead in creating forums and databases where security professionals can formulate industrywide strategies for combating ORT and communicate them to their companies.

Without that information, retailers really are working in the dark, said Rhett Asper, Retail Industry Leadership Association’s vp of retail operations and loss prevention. RILA’s database program is called InfoShare. Typically, retail loss-prevention officers would see a problem in stores or in a city and be left to wonder if it is specific to their chain or if other retailers were being similarly victimized. A phone call to a colleague might provide some insight, but it was limited and hard to analyze. With a database, a company can look at a cluster of stores or a whole town and see what is going on with a number of retailers. They can look at how different classes of trade are affected, when incidents are occurring, how much is being stolen as well as other dimensions of the problem and then develop a starting point for effectively combating it.

In the RILA system, retailers can send anonymous e-mails to colleagues working for other companies to solicit information not gathered on the system. Participants can decide how much addi-
KIOSKS
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making digital prints did so at a kiosk, but 23% said they would definitely or probably try one in the next six months.

“Online service users were more likely to be willing to try a kiosk than other types of consumers who make prints,” said Cutting. “And of the people who did print using a kiosk, 40% were influenced by the store display itself—so displays do matter a lot.” They also provide an opportunity to help dispel some preconceived notions about kiosks. One of the things consumers said kept them from printing at a kiosk was cost, mistakenly believing that it was cheaper to print at home. “There isn’t enough education and consumer awareness yet,” said Cutting. “People haven’t been given the information they need to choose a kiosk for printing, but time will take away that barrier.”

ORT
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Retailers already are taking steps to combat ORT. Some retailers are providing merchandise used by law enforcement to run sting operations against theft gangs. By bringing the problem of ORT to state and local officials and quantifying loses, which may affect tax revenue, some retailers are getting government reimbursement for the merchandise volunteered in such efforts, said Steve Perlowksi, vp for industry affairs at the National Association of Chain Drug Stores.

In addition, loss prevention professionals within companies are working with purchasing and other departments to develop better verification of product sourcing—including audits and physical inspections,” he said—so theft rings have a harder time reintroducing stolen goods into the legitimate distribution stream.

Knowing more about how and where theft gangs operate will make these efforts more effective. Yet, no retail strategy can work without the support of the law. As associations have been developing their information and communications strategies, they’ve also pushed a legislative agenda.

A goal for legislation is to make ORT a federal crime, not only for purposes of tracking, but to ensure that theft gang members are handled differently than individual shoplifters who usually only face misdemeanor charges and judges who are reluctant to hand down real penalties for non-violent crimes. With federal legislation, ORT crimes could be elevated to felonies. Penalties in a Senate bill under consideration include jail sentences between one and 10 years, depending on the value of the goods stolen.

By offering law enforcement access to their databases, retail associations will both help and encourage law enforcement to put new legislation into action. Indeed, LaRocca said that the FBI told him it would shift resources to ORT as NRF provides effective data.

A recently approved Justice Department fiscal reauthorization provides funding for the education and training of federal law enforcement agents on investigating and prosecuting ORT rings. The reauthorization calls for federal law enforcement to establish a database on ORT, and Bill Alford, president of the International Lighthouse Group and a loss prevention consultant to FMI, said he hopes the govern-
ment will draw on one of the retail databases already established, saving time and money that can be spent going after the gangs. Some controversy has arisen because the various retail associations have gone their own way in establishing databases, but Alford said that law enforcement involvement should prompt the establishment of one common information system.

For now, though, Alford said he’s happy to see multiple databases, as they are the first step toward an effective answer to ORT. As those databases are utilized, more effective security and legal measures will evolve to combat retail theft.

LATEST FIXTURES
FIRST DEFENSE AGAINST THEFT

Databases, by identifying theft patterns, can help reveal where security merchandising solutions can have maximum impact.

“If this area of the country or that region is being killed on razor blades, for example, why not take a look at security fixtures to prevent more theft,” said International Lighthouse Group president and FMI loss prevention consultant Bill Alford. “If those solutions are effective, the retailer will be able to spread them very quickly where they are needed.”

Of course, access and cost-conscious mass retailers are reluctant to put things in locked cabinets or behind counters, but fixture makers are providing solutions. Alford noted that fixtures that only permit consumers to remove one package at a time can thwart or slow down thieves, and may increase the chances of their detection.

Trion, which produces a number of security fixtures, warns potential customers that once a chain’s weaknesses are uncovered, shoplifters could employ techniques such as “sweeping,” turning a single incident into something quite expensive.

State-of-the-art antitheft fixtures now provide solutions at varying levels of security, from preventing removal of stock without assistance to only permitting access to one or two display items at a time. Fixtures that “meter” product, or allow only the front-most product free for removal, can thwart or slow down thieves, and may increase the chances of their detection.

By marrying information with low-tech, established techniques to hinder thieves, retailers can take steps to hinder organized retail theft, monitor the results of their decisions and refine their approach.

WEATHER
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SDI, using a combination of historical data, weather forecasting and mathematical models. The company’s services can be used to effectively plan for promotions and buying related to weather impacts. Planalytics also provides severe weather guidance, such as hurricane season forecasts.

Traditional weather forecasting has been around for years, but the application to retail is still quite new. Planalytics opened in 1990, while SDI launched its service three years ago. Both companies are working to expand their programs, such as offering longer-range weather forecasts or designing less-expensive programs for middle-market retailers. Despite initial skepticism regarding these services, the growing list of big-name retailers that subscribe proves this technology has become a useful, valid retail planning tool.

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