



by Robert L. DiLonardo

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## P&G Tests Disposable EAS Labels for Quality Assurance

**P**rocter & Gamble (P&G) conducted a controlled series of quality assurance tests on disposable electronic article surveillance (EAS) labels manufactured by All-Tag Security S.A. (All-Tag) and Checkpoint Systems, Inc. (Checkpoint). The test is one of a handful that has been conducted in order to compare the quality of competing brands. The results demonstrated that RF labels from both brands perform properly when used within the guidelines established for minimizing static electricity in the application process.

With one of the world's strongest portfolios of trusted, quality consumer products, P&G proudly proclaims on its website that "three billion times a day, P&G brands touch the lives of people around the world." Several of the P&G brands offer products that are frequent targets of amateur and professional shoplifters, as well as organized retail crime groups. The list includes stock keeping units (SKUs) from Mach3®, Crest®, Duracell®, Olay®, Gillette®, Braun®, and Lacoste®. Thanks to the trend toward the source tagging of disposable EAS labels, about 13 percent of P&G items sold daily are protected.

### Why the Tests?

The five largest drugstore chains in the U.S. encourage and support source tagging in the frequency range used by Checkpoint EAS systems. The top five mass merchandisers source tag, as do a number of supermarket chains. Some, like Target Corporation, use Checkpoint detection systems. Others, including Wal-Mart and Kroger, use systems manufactured by Sensormatic/ADT.

All of these chains sell high-risk consumer products manufactured by P&G and its subsidiaries. So it is vital that the at-risk item arrives in the retail store protected by an EAS

label that works. In this case, the word "works" means that the EAS label has been successfully applied in the proper position inside the packaging, and that the electronic circuit is "live." If a shoplifter tries to steal the item, the circuit inside the package will set off the alarm at the store's exit.

In testing recently delivered Crest White Strip products, one of P&G's large retail customers noticed that a significant quantity of labels arrived "dead." P&G source tags in twelve of its factories. Another eighteen different packaging subcontractors apply labels at various points within the manufacturing process.

P&G management decided to test RF labels from both All-Tag and Checkpoint to try to determine whether the problem was brand-oriented, location-oriented, or application procedure-oriented.

EAS labels are electronic circuits manufactured to "break" (rendered electronically "dead") during the deactivation process at the point of sale. Since they are flexible, and mounted on paper, they are inherently susceptible to failure by mis-handling *or* by the static electricity provided in an automated manufacturing or packaging environment.

### Testing Procedure and Results

P&G management selected a neutral test site — a packaging subcontractor experienced with both All-Tag and Checkpoint products. The packager source tagged two different Olay products using both brands of EAS labels. The first run was conducted using tags that were not modified to withstand static in the environment. Each item was tested using a portable circuit-testing device.

Without static control, the tag failure (dead tag) rate for both vendors exceeded 7 percent. Affixing dead labels to one out of

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### Resource Guide Correction

In the 2007 Loss Prevention Resource Guide published in the January/February issue, we inadvertently made a mistake. The listings for Protiviti in the Consulting, Exception Reporting, and Investigations sections were shown with the wrong logo. Protiviti and Creative Options are separate, sister companies, with Protiviti focused on consulting and internal

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audit practices while Creative Options is focused on training and employee awareness programs. We apologize for any confusion.

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every fourteen items is an unacceptable *and very costly* error rate.

The second test included labels that had been manufactured with a special control strip that dissipates static. In this case, the tag failure rate for both vendors was under 2 percent, within the range of acceptability for both P&G and its retail customer.

In total, about 3,230 EAS tags from each vendor were tested. The chart below shows the results.

		All-Tag	Checkpoint
Item #1	Tested	1,330	1,330
	Passed	1,317 (99.02%)	1,313 (98.72%)
	Failed	13 (0.98%)	17 (1.28%)
Item #2	Tested	1,900	1,900
	Passed	1,863 (98.05%)	1,882 (99.05%)
	Failed	37 (1.95%)	18 (0.95%)
Total	Tested	3,230	3,230
	Passed	3,180 (98.45%)	3,195 (98.92%)
	Failed	50 (1.55%)	35 (1.08%)

P&G concluded that the problem was related to uncontrolled static in the tagging process, and certified both All-Tag and Checkpoint as approved vendors for its source-tagging program. P&G and its Gillette division use about 140 million disposable EAS labels of all types per year.

### Similar Results for DVD Inserts

Earlier in 2006, Tahoe Southeast, a manufacturer of printed inserts used in DVDs, conducted a similar test using equipment that affixed the EAS labels at a rate of 550 per minute. The test's objective was to determine whether properly static-controlled high-speed application negatively impacts the detection quality of the labels. They tested about 24,000 labels each from Checkpoint and All-Tag. Both brands passed with a rate of over 99 percent live labels. Tahoe source tags over 40 million EAS labels per year.

## Steep Increase in Gift Card Buying Changes January Merchandising Practices and Fuels Fraud Fears

In recent years the holiday season kicked off the day after Thanksgiving, but *ended* on December 31 after a few days of manic gift returning activity. Typically, after New Year's Day stores were empty of stock and customers, and retailers could prepare for their year-end inventory.

This past holiday season, things were decidedly different. Thanks to the massive increase in holiday gift card sales, the month of January accounted for nearly 25 percent of total sales for the November through January quarter. The National Retail Federation estimated that gift card sales would reach \$24.8 billion this holiday season, \$10 billion *more* than it projected

in 2005. The average consumer spent \$117, compared to just \$88 last year. So instead of days when the value of returns outnumbers sales, retail stores were full of fresh merchandise and shoppers with pockets full of "plastic" money. Research from Bain & Co., a global business consulting firm, predicted that 40 percent of those gift cards would be redeemed in January.

### Different Merchandising Philosophy

Merchandisers are already aware that inventory stocking philosophies must change to accommodate the shift in timing of sales. Here are some of the new observations and ideas:

- Younger shoppers tend to redeem gift cards more quickly, especially in supermarkets, gas stations, and restaurants.
- In general, gift card recipients are less price sensitive.
- Trendy merchandise should be available after Christmas and should not be marked down until the bulk of gift card purchasers have done their shopping (early February).

### Expanded Set of Loss Prevention Issues

Retailers are not upset that January and February sales are better than ever. The new trend, however, puts added burdens on loss prevention. Here are a few things to keep in mind:

- High-risk merchandise will be available for a longer period.
- Sales will be postponed, so merchandise will remain at full retail price for a longer period of time.
- Whether gift card fraud is a legitimate issue or not, loss prevention must spend more time mitigating those issues, such as protecting the integrity of the cards on the selling floor and dealing with customer-oriented issues during card redemption.
- The annual physical inventory and reconciliation will occur at the same time, but selling floors and stockrooms will contain more merchandise. More to count means the possibility of more errors.
- Gift card recipients tend to be younger than the population at large; so is the demographic for amateur shoplifters.

## Regional Summit Addresses Rise in Robbery

The first Carolina Regional Robbery Summit was held on January 30 at the Family Dollar headquarters in Matthews, North Carolina. The event brought together local law enforcement with retail loss prevention directors for a professional development seminar to discuss trends and the impact robbery has on employees, customers, operations, and public perception.

Cosponsored by iVerify and Corporate Safe Specialists, the summit was developed in an effort to create an organized communication channel between private- and public-sector professionals for sharing information and best practices. The goal was to form an integrated alliance in order to be proactive in preventing and reducing robbery. More than fifty individuals attended the event; approximately 80 percent were management-level LP professionals and the remainder law enforcement.

Several noted speakers presented to the group, including

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## Industry Conferences & Events

March 5 – 8, 2007

### International Air Transport Association

IATA World Cargo Symposium 2007  
Centro Banamex, Mexico City  
[www.iata.org/events/cargosymposium/index.htm](http://www.iata.org/events/cargosymposium/index.htm)

March 7 – 9, 2007

### Jewelers' Security Alliance

29th Annual Security Seminar and Expo for  
Retail Jewelry Chains  
Bahia Mar Beach Resort, Fort Lauderdale, FL

March 11 – 14, 2007

### Food Marketing Institute

Loss Prevention Conference  
Westin Riverwalk, San Antonio, TX  
[www.fmi.org](http://www.fmi.org)

March 12 – 15, 2007

### Merchant Risk Council

5th Annual Card-Not-Present Fraud  
Prevention Conference  
Wynn Las Vegas, NV  
[www.merchantriskcouncil.org](http://www.merchantriskcouncil.org)

March 25, 2007

### International Council of Shopping Centers

Shopping Center Security Conference  
Baltimore (MD) Marriott Waterfront  
[www.icsc.org](http://www.icsc.org)

April 16 – 19, 2007

### Retail Industry Leaders Association

Loss Prevention, Auditing & Safety  
Conference  
Hilton Anatole, Dallas, TX  
[www.retail-leaders.org](http://www.retail-leaders.org)

April 24 – 26, 2007

### Latin American Security Association

Expo Seguridad Mexico 2007  
Centro Banamex, Mexico City  
[www.exposeguridadmexico.com](http://www.exposeguridadmexico.com)

April 25 – 26, 2007

### EyeforRetail

Retail Loss Prevention, Security & Safety  
Europe 2007  
Berlin, Germany  
[www.eyeforretail.com/lpeurope](http://www.eyeforretail.com/lpeurope)

May 7 – 9, 2007

### National Restaurant Association

Loss Prevention Executive Study Group  
Miami, FL  
[www.restaurant.org/studygroups/lp](http://www.restaurant.org/studygroups/lp)

June 11 – 13, 2007

### National Retail Federation

Loss Prevention Conference & Exhibition  
San Diego (CA) Convention Center  
[www.nrf.com](http://www.nrf.com)

June 21 – 27, 2007

### International Cargo Security Council

Annual Conference and Exhibition  
Sheraton Hotel & Marina, San Diego, CA  
[www.cargosecurity.com](http://www.cargosecurity.com)

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■ Rosemary Erickson, Ph.D., president of Athena Research Corporation and a nationally recognized expert on robbery, discussed robbery causes, impact, and trends, and

■ Jack Green, dean of the College of Criminal Justice at Northeastern University, discussed the societal implications of armed robbery.

“We’re thrilled that we were able to pull together some of the most knowledgeable people available to begin meaningful dialogue about the growing problem of robbery,” said Mike May, president of Charlotte-based iVerify. “Law enforcement, retail loss prevention staff, and specialized services professionals can pool our intelligence to avoid duplication of efforts and counterproductive activity to make an impact. Together we can work smarter and really become a formidable force.”

Quarterly meetings are currently in the planning stages. For more information about future meetings or to request a handout from this past event, contact May at 704-525-2701 or via email at [mmay@iverify.us](mailto:mmay@iverify.us).

## Dollar Declines as the World's Instrument of Foreign Exchange

January 2007 marked the fifth anniversary of the launch of euro notes and coins (symbol =€) as the eventual replacement for the currencies of the European Union (EU) member nations. There are now more euros in worldwide circulation than U.S. dollars. Outside of our borders, use of the euro is encouraged, especially in developing countries with trading ties to the European Union member nations.

An obvious reason for the shift is that the euro has simply displaced lira, francs, marks, the pound sterling, and the other local European currencies. This fact alone would account for a large portion of the euro's increase. The most important issue, however, is a measurable shift from dollars to euros in reserve currency holdings by foreign central banks. Currently, about

65 percent of the world's reserves are held in dollars, and about 25 percent in euros.

Much of this additional euro investment is a byproduct of the turmoil in the Middle East. At the start of the oil boom, the dollar was the only currency capable of accommodating the size and scope of crude oil transactions. All of the world's oil producing nations...add Mexico and Venezuela to those located in the Middle East...took dollars in payment for oil. Both Iran and Venezuela have indicated a desire to conduct oil transactions in euros, and there is increasing pressure on nations to buy and sell oil in euros. Recently, the United Arab Emirates and Russia have shifted some of their currency reserves away from the dollar. Non-oil producers, such as Switzerland, Japan, China, and other Asian nations, have slowly begun to diversify their currency reserves away from “greenbacks.”

## Do You Take Euros?

There are no federal or state laws preventing U.S. citizens or businesses from exchanging foreign currency in commerce. Aside from a few retailers who accept pesos and Canadian dollars in border towns, the U.S. dollar is used exclusively in commerce. But things are beginning to change. A Dallas-based, 65-store pizza restaurant chain called Pizza Patron is now accepting pesos in direct payment in all locations, including Dallas and Denver. A top restaurant official cited that the move was designed to reach out to the chain's core customer and provide a higher level of convenience. Cashiers are using a set exchange rate of 12 pesos to the dollar, and change is given in U.S. currency. Franchisees have the option of establishing a foreign currency account with their bank or to send the pesos into corporate headquarters for a bulk conversion.

If the euro's popularity and intrinsic value continue to rise, European visitors may try to use them in the U.S. in retail commerce, and our retailers may decide that it is advantageous to accept them over the counter.

## Impact on Loss Prevention

In its wisdom, the EU authorized the production and circulation of a €500 note. The U.S. \$100 bill is the largest denomination currently in circulation. Criminals and money launderers have anointed the €500 as their note of choice because more cash can be concealed in a smaller space. More importantly, there is no longer a need to launder the former local currencies, so the origins of the crimes are completely obfuscated to the authorities.

The acceptance of one or more foreign currencies adds a few significant risks and requires some modifications in procedures. First and foremost is the risk associated with charging sales associates with the added burden of the arithmetic of currency conversion. Second, new currencies mean the possibility of accepting counterfeits. Luckily, there is at least one product, Sure 'N Fast, made by C.J. Venne, LLC, that can detect counterfeit dollars, Canadian dollars, pesos, and euros. Third, cash handling procedures must be modified.

## Tokyo Testing RFID in the Ginza Shopping District

The Japanese government has joined with several high-tech communications companies to test radio frequency identification (RFID) tags, Wi-Fi, and Bluetooth technologies to provide shoppers with information as they stroll through the Ginza District. The Ginza is Tokyo's most famous upscale shopping, dining, and entertainment district, featuring the world's best department stores, boutiques, art galleries, restaurants, nightclubs, and cafes.

Called the Tokyo Ubiquitous Network Project, the idea is to use RFID to pinpoint a shopper's location in order to assist him or her with directions; to transmit specific promotional information, such as a sale, a restaurant menu, or a drink special; or even to assist blind or partially blind people navigate through the district.

The technology partners have installed infrared and 429 MHz wireless

for connecting to the RFID tags, and a wireless local area network (LAN) and a Bluetooth link for connecting to the Internet. Over 10,000 RFID tags will be affixed in various locations, such as on street lamps. They will provide location-related information to shoppers carrying specially designed hand-held readers equipped to interface with all of the communications platforms. When a shopper armed with the transmitter nears a tag location, the Fendi shop, for example, the stored data on the tag communicates to the host server via the LAN connection, and requests the data relevant to the location, say information on the latest Fendi purses available at the store.

The test runs from mid-January until March.

## House Passes Air Cargo Inspection Mandate

In early January, the U.S. House of Representatives passed a bill (H.R. 1)

that would implement some of the unfulfilled recommendations of the 9/11 Commission. The bill has 205 cosponsors. Included in the legislation are two provisions that directly impact retail commerce and asset protection.

The first requires the scanning of *all* containers bound for U.S. ports of entry. Large ports would be given three years, and smaller ports five years, to comply.

The second directs the Department of Homeland Security to develop a three-year implementation of a system for inspecting all cargo carried on passenger aircraft.

Shortly after the bill's passage, the International Cargo Security Council (ICSC) issued a press release taking the position that the bill "will impose additional cost burdens on the U.S. economy" and that the bill's inspection protocols "rely on unproven technologies." The ICSC is a non-profit organization comprised of companies, individuals, and government agencies involved in the safe and secure transport of cargo.

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## A Key Management System That Lets You Kick Back!

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The ISCS stated that they strongly oppose the provisions requiring the inspection of 100 percent of ocean containers and air cargo. Instead, the organization continues to support the expansion of the Customs-Trade Partnership Against Terrorism (C-PTAT) model that emphasizes a targeted, risk-based approach to cargo security.

At press time, the Senate was debating the cost of the programs, as well as the impact that the additional screening might have on global commerce. (See also "The Impact

of November 7th on Supply-Chain Security" in the January/February issue.)

Concurrently, Homeland Security announced that it would disburse about \$201 million to secure ports and rail systems. Eight port cities qualify as highest risk status. They include New York/New Jersey, New Orleans, Houston/Galveston, Los Angeles/Long Beach, Seattle/Tacoma, Delaware Bay, San Francisco, and Port Arthur/Beaumont, Texas.

## PEOPLE ON THE MOVE

**Stan Welch** has been named vice president of loss prevention for JCPenney.

**Patti Felz** was promoted to vice president of LP and internal audit at Polo Ralph Lauren.

**Dave Ferguson** has accepted the position of vice president of operational compliance with Wal-Mart Stores.

**Fred Mullins** was promoted to vice president of loss prevention at HomeGoods.

**Jim Carr** was promoted to assistant vice president of LP at Pep Boys.

**Chris McDonald** was promoted to director of loss prevention and **George Hines** to regional LP director for the Eastern U.S. for Babies "R" Us.

**Jim Passarella** has been named director of loss prevention for Urban Outfitters.

**Alan Kirschner** has been named director of corporate LP operations for Bed Bath & Beyond.

**Steve Mills** has been named director of safety for field operations and **Rudy Mazak** was promoted to director of LP operations and **Steve Sturgill** to director of LP logistics for Sears Holdings.

**Gary Nieslawski** has joined Talbots as the regional LP manager for Chicago.

**Doug Rose** is the new regional LP manager in Los Angeles and **Jennifer Walker** is the new regional LP manager for Denver-Minneapolis for Charming Shoppes.

**Shannon Ledford** has joined TJ Maxx as the district LP manager for San Jose.

**Greg Hord** is the new director of LP operations and **Nathan Prusi** is the new regional LP auditor for New England for Abercrombie & Fitch.

**Tom Starr** has joined Dot's as the regional LP manager for Miami.

**Steve Orozco** was promoted to divisional LP director based in Baltimore and **Kirk Copper** is the new distribution center LP manager for San Bernardino for Pep Boys.

**Tim Spong** is the new LP director for Chipotle Mexican Grill restaurants.

**Brian Hayes** has joined Sterling as the regional LP manager for Atlanta.

**Christine Olsz** has joined Club Monaco as the district LP manager for the New York/New Jersey market.

**Gene Smith** has joined The Loss Prevention Foundation as a vice president.

**Angelica Rodriguez** is the new director of loss prevention for the National Retail Federation.

**Tim Robinson** joined Diebold as the national accounts manager for the West Coast.

Bass Security Services announced the appointment of **Joe Mignone** as director of national accounts.

HID Global announced that **David Sullivan** has been named president of Fargo Electronics.

**Nick Lopez** has joined Asset Protection Associates as the regional manager for Texas.

**Eric Hutchison** has been promoted to VP of sales for assessment and hiring solutions at Pearson Performance Solutions.

Wincor Nixdorf named **Tad Shepperd** as vice president of the U.S. Retail Group.

**Joe Davis** was named director of retail and security strategy for Wren.

CAP Index announced that **Jenna Lawrence** has joined the company as director of strategic relations.

**Brian Cescolini**, president and CEO of Universal Protection Service, has been elected as the regional director of the California Association of Licensed Security Agencies, and **Rick Ward** has rejoined Universal Protection Service as general manager for the Los Angeles area.

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