

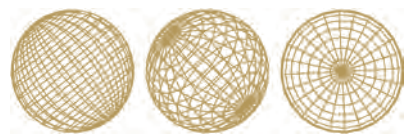
The Global Retail Theft Barometer

2010



THE WORLDWIDE
SHRINKAGE SURVEY

10TH EDITION



THE WORLDWIDE
SHRINKAGE SURVEY

4

The Global Retail Theft Barometer 2010

MONITORING THE COSTS OF SHRINKAGE AND CRIME
IN THE GLOBAL RETAIL INDUSTRY

THE WORLDWIDE SHRINKAGE SURVEY



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A Time For Innovation and Strategic Thinking

As the global economy began weakening two years ago, the inevitable financial pressure on retailers reduced capital spending across the board, including on loss prevention initiatives. As independent research has pointed out, cutting the LP budget invariably leads to higher shrink – and such was the case when last year’s Global Retail Theft Barometer highlighted record shrink levels.

Fortunately, this year’s report – published by the Centre for Retail Research under the expert guidance of Professor Joshua Bamfield – paints a more positive picture. Retailers have taken a number of important steps to reduce shrink, such as protecting a record percentage of high-theft items, improving staff training and increasing compliance audits. The results, as cited in this year’s report, are impressive: Shrink dropped 5.6 percent globally, with some regions such as North America experiencing even greater reductions.

But none of us will be lulled into a false sense of security over lower shrink numbers; industries such as apparel, hardware/DIY and pharmacy still are prime targets for theft. There also are numerous other markets where specific categories – such as high-end meats and cheeses within the food retail segment -- that experience theft rates anywhere from two to four times the global average.

Critical to the industry’s success has been the integration of shrink management into all aspects of a retailer’s operations – and not just in the store, but up and down the supply chain, even in the manufacturing and design phases. In fact, we’re seeing real innovation from consumer packaged goods manufacturers and retailers teaming up to build shrink management into hot new products even before they hit the shelves. This kind of innovation is a necessary byproduct of our industry taking a far more strategic view of how reducing shrink not only cuts costs, but drives top-line growth to help our industry grow profitably.

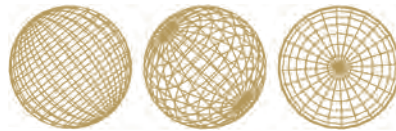
For 10 years, the Centre for Retail Research has brought our industry invaluable insight into the state of retail theft. In underwriting this research once again, Checkpoint has been honored to play a small part in helping that happen, and we encourage the entire loss prevention community to continue its healthy and honest discourse on shrink. We’re sure that the next 10 years will see an even faster pace of innovation from retailers, brand-owners and shrink management solutions providers.



*Rob van der Merwe
Chairman, President and
CEO Checkpoint Systems, Inc.*

A handwritten signature in black ink, appearing to read 'Rob van der Merwe'. The signature is stylized and cursive.

Rob van der Merwe
Chairman, President and CEO
Checkpoint Systems, Inc.



THE GLOBAL RETAIL THEFT BAROMETER
2010

EXECUTIVE SUMMARY

MONITORING THE COSTS OF SHRINKAGE AND CRIME
IN THE GLOBAL RETAIL INDUSTRY

THE WORLDWIDE SHRINKAGE SURVEY

EXECUTIVE SUMMARY

The *Global Retail Theft Barometer 2010* (GRTB 2010) reports on key trends in retail shrinkage and crime in 42 countries and regions across the world, including the U.S., China, India, Europe, Japan and Australia. Russia is included for the first time this year.

This report has been prepared from details provided in confidence by 1,103 of the largest retailers with combined sales of \$873.8 billion, representing a cross-section of countries and retail vertical markets.

The GRTB 2010 report has been prepared by the Centre for Retail Research, Nottingham, England, and is the largest survey of retail crime and loss in the world. It is funded by an independent grant from Checkpoint Systems, Inc. All figures in this report relate to the period of twelve months ending in June 2010.

■ Main Global Results

■ Total shrinkage

- Retailers surveyed in the 42 countries are all addressing the problems of the spike in retail shrinkage and crime losses seen in 2009. Total global shrink in 2010 cost retailers almost \$107.3 billion - an average of 1.36% of global retail sales. This was a fall in shrinkage of 5.6% compared to last year, when the comparable result was 1.44% (adjusted for differences in coverage). 'Shrinkage' or 'shrink' is stockloss caused by crime or administrative error. In this report it is measured as a percentage of retail sales value.
- The highest fall in the shrink rate was seen in North America, where it fell by 6.9%, which can be compared to a rise of 8.1% in 2009.
- The countries with the highest rates of shrink as a percentage of sales were India (shrinkage 2.72% of retail sales), Morocco (1.64%) and Brazil (1.64%). The lowest rates of shrinkage were found in Taiwan (0.87%), Hong Kong SAR (0.91%), and Austria (0.97%). The lowest average shrink rates were in Asia-Pacific (average shrinkage 1.16%) and the highest in Middle East/Africa (1.62%).

■ The Survey

- Information for GRTB 2010 has been provided by a confidential survey of 4,900 large retail corporations covering all business sectors in 42 countries, which was carried out by the Centre for Retail Research. The survey provided 1,103 useable responses, the response rate being 22.5%.
- Replies came from 184 corporations in North America (combined sales of \$329 billion), 571 from Europe (\$425 billion), 219 from Asia-Pacific (\$79 billion), 90 from Latin America (\$38 billion), and 39 from Middle East/Africa (\$4 billion).
- To ensure comparability and to preserve confidentiality the results are reported using national figures instead of sample data.

■ Crime and shrinkage

- Crime and shrinkage remain a problem for retailers in spite of their 2010 success in cutting shrinkage levels. The proportion of retailers that reported increased actual or attempted shoplifting in 2010 was 31.1% and 17.7% of retailers were suffering increases in actual or attempted theft by dishonest employees.
- Loss prevention spending by retailers increased to \$26.8 billion in 2010, a rise of 9.3%.
- In North America, 36.1% of retailers experienced higher actual or attempted shoplifting in 2010. This followed an increase of 50.7% in the previous year. Moreover, 46.9% of retailers in North America reported increased losses caused by organized retail crime (ORC).

■ Shrinkage by vertical market

Average shrink rates varied between different business sectors or vertical markets, but the rankings were similar worldwide. The highest shrink rates were in: auto parts/hardware/DIY/building materials (1.81%); apparel/clothing and fashion/accessories (1.72%); and cosmetics/perfume/health & beauty/pharmacy (1.70%). The lowest rates were in liquor, wine, beer/off-licence (0.72%); footwear/shoes/sports goods and sporting goods (0.76%); and electrical goods/computer centers/ electrical stores (0.87%). These shrink rates relate to *specialist/specialty businesses* and may not apply to individual categories in diversified retail stores.

■ Causes of shrinkage

- Customer theft, including shoplifting and organized retail crime, was thought to cause the greatest shrinkage loss in most countries: this was a global total of \$45.5 billion (42.4% of total shrinkage), a fall of \$4.8 billion from last year (adjusted for differences in sample).
- Disloyal or fraudulent employees were estimated to be responsible for \$37.8 billion (35.3% of shrinkage), a reduction of \$4.1 billion compared to 2009 (adjusted for differences in the sample).
- Retailers in North and Latin America regarded employee theft as their greatest shrinkage problem, causing 43.7% of shrink in North America and 43.1% in Latin America. In Asia-Pacific and Europe customer theft was regarded as the biggest problem, responsible for 52.9% and 47.8% of losses respectively.
- Other causes of shrinkage loss were: suppliers/vendor fraud (5.4% of shrinkage, \$5.8 billion), and internal error and administrative failure such as pricing, process or accounting mistakes, which cost a total of \$18.1 billion, 16.9% of total shrinkage.
- Merchandise was the largest element in shrinkage losses, amounting to \$60 billion, more than one-half of the total shrinkage losses, consisting of \$45 billion by shoplifters and \$15 billion by dishonest employees.

■ Apprehended Thieves

- Rising crime and greater activity by retailers led to the apprehension of almost 6.2 million thieves, 0.4 million more than last year. More than 0.8 million (14%) of those apprehended were employee thieves and more than 5.3 million were shoplifters. The most prolific regions were Europe (3.4 million thieves apprehended, mainly shoplifters) and North America (2.5 million thieves, 28% being dishonest employees).
- The average amount stolen by shoplifters was \$196.76 and the average stolen by dishonest employees was \$1,943.87. The average value stolen varied considerably; for example, the average stolen by shoplifters from Asia-Pacific retailers was \$74.52, in Europe \$ 139.73, and from North American retailers was \$321.46. Employee thieves in Latin America stole an average of \$291.44, in North America the average stolen by employee thieves

was \$1,994.95, and \$2,158.04 in Europe. Globally, the average amount stolen or admitted by employee thieves was ten times the average amount stolen by shoplifters, showing that preventing or detecting employee theft is at least as important as preventing or detecting shoplifters.

■ Retail Loss Prevention

- To combat crime and reduce shrinkage, global loss prevention spending rose in 2010 to \$26.8 billion, equivalent to 0.34% of retail sales. Operating/current costs were \$18.5 billion and capital costs \$8.3 billion. Loss prevention spending as a percentage of sales varied from 0.45% in North America to an average of 0.32% in Europe and 0.19% in Asia-Pacific.
- The cost of security employees represented more than one-half (56.3%) of loss prevention spending: directly-employed security officers cost \$5.6 billion (21.0% of total LP spending) and \$9.5 billion (35.3%) was committed to third-party or contract employees. Spending on security equipment such as electronic surveillance, IT equipment and software rose to \$8.4 billion (31.1% of total spending), armored car cash collection increased only slightly to \$2.2 billion (8.1% of spending), and spending on 'other' programs was \$1.2 billion (4.5%).

■ Global Costs Of Crime

- The result of the loss prevention work of retailers has been that the global costs of retail crime fell in 2010 by \$8.9 billion (on a like-for-like basis) to the still-massive total of \$115.9 billion. Like-for-like excludes Russia; on gross figures the fall was \$4.6 billion 2009-10. The costs of crime are calculated from retailers' own estimates of the total losses from shoplifting, employee theft, supplier/vendor fraud plus the money that retailers must spend on loss prevention. These costs have to be paid by everyone - retailers, employees, suppliers and shoppers - and in 2010 were equivalent to \$185.59 per family or \$61.55 per person.

■ The Most-Stolen Merchandise

- In 2010 thieves stole a very wide range of merchandise, but tended to focus on expensive popular branded items including: razor blades/shaving products; cosmetics/face creams and perfumes; smartphones and electrical gadgets; alcohol; fresh meat/expensive foodstuff; electric toothbrushes, electronic monitoring devices; infant formula and coffee; DVDs and electronic games; fashion (especially branded items, leather, handbags and accessories); sports-branded goods and sports shoes; electronic goods; branded sunglasses and watches.

■ New loss prevention policies

- Retailers made considerable progress in introducing new loss prevention policies to combat crime and reduce shrinkage. 91% of retailers had implemented fresh training for employees to spot and deter theft and 75% planned to carry out further employee training work.
- Other new initiatives included: new crime-prevention hardware and software (implemented by 32%), pre-hire screening for employees (implemented by 27%), and 24% who had hired more in-store loss prevention employees. Eighty percent of retailers had a schedule of loss prevention audits and 58% performed these audits more than three times a year.

■ Protecting the most stolen merchandise

- Because many thieves tend to concentrate on stealing a relatively small number of product lines, retailers are increasingly providing specific protection for their most vulnerable merchandise. Between 2009 and 2010 the proportion of retail 'Top Fifty' most-stolen product lines that had no specific protection fell from 28.0% to 25.5%.
- The most popular method of protection for the most vulnerable lines was electronic article surveillance (EAS), used for 42.1% of product lines (39.7% in 2009). EAS hard tags were used on 14.0% of items, soft tags on 13.7%, 10.2% were protected by EAS source tagging (where the supplier incorporates tags inside packaging during manufacture), and 4.2% by 3-alarm accessories.

- Other means of protection included keepers/safers, locked boxes and product alarms (used for 13.4% of the most-stolen items); display in locked cabinets or locked shelves (7.0%); chains, cables or loop alarms (4.5%); and dummy cartons or ticket systems (3.5%).
- Although there are commentators who view retail crime as a harmless or intriguing social phenomenon or simply as a 'cost of doing business', this ignores the impact of criminal gangs, growing levels of violence against employees and customers, and the links between much retail crime and drugs, fraud, and extortion. The consistent work of retailers and their investment in loss prevention has reduced shrinkage in 2010, but crime and losses still exist at a level which puts an extra \$185.59 on the shopping bill of every family.
- The support provided for the *Global Retail Theft Barometer* from Checkpoint Systems, Inc, is gratefully acknowledged.

■ Report Structure

The report is divided into six parts.

Part I presents an overall view of the global and regional results and crime trends.

Part II reviews trends in shrinkage and loss prevention over the past ten years and examines new evidence about loss prevention spending and shrinkage.

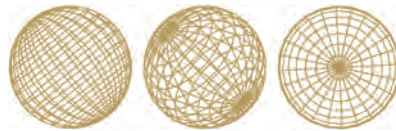
The other sections report on individual regions and countries.

Part III - North America and Latin America.

Part IV - Europe.

Part V - Middle East/Africa.

Part VI - Asia-Pacific.



THE GLOBAL RETAIL THEFT BAROMETER
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PART ONE: INTRODUCTION AND GLOBAL REPORT

MONITORING THE COSTS OF SHRINKAGE AND CRIME
IN THE GLOBAL RETAIL INDUSTRY

THE WORLDWIDE SHRINKAGE SURVEY

■ Tenth anniversary

This edition of the Global Retail Theft Barometer (GRTB) is the tenth in the series, naturally an important anniversary in these studies of the impact of crime upon the retail industry. We have taken the opportunity to reflect on some of the shrinkage and loss prevention issues arising from this ten-year study; these can be found in Part II.

It is also important to thank once again Checkpoint Systems, Inc., for their continued support of the Global Retail Theft Barometer, which makes this report possible. This support is warmly – and gratefully - acknowledged.

■ Global shrinkage rates

Last year’s survey (GRTB 2009) showed shrinkage rates (loss from crimes and administrative error) rising in virtually every country surveyed. The result was a global average shrinkage rate of 1.44%, an increase of 5.9% compared to the previous year. Moreover 41% of retailers reported that they were suffering an increase in shoplifting, whilst loss prevention budgets were under threat as a result of the recession.

■ What happened in 2010?

GRTB 2010 shows that the global average shrinkage rate has fallen in the current period to an average of 1.36% (Table 1.1). Nevertheless shrinkage in 2010 still amounted to \$107.3 billion (\$107,284 million), even though the average shrink rate had fallen by 5.6% overall. This shrink loss cost every family (or household) in the 42 countries surveyed for GRTB 2010, equivalent to the sum of \$171.69.

Although 2010 has proved more benign for retailers than 2009, attempted crime has still been rising: 31.1% of retailers reported that actual or attempted shoplifting by ‘customers’ had increased in 2010, in addition to the increased shoplifting seen in the previous year, 2009. Retailers increased their spending on loss prevention by a global average of 9.3% and many of them reported that they had introduced new training and loss prevention projects and security equipment such as EAS and CCTV.

The sharp rise in shrinkage in 2009 has evidently placed loss prevention issues high on the agenda of the majority of retail corporations with beneficial results.

Table 1.1

Global Retail Shrinkage 2010			
	Total Shrinkage U.S. \$ billion*	Shrinkage as percentage of sales	Change in Shrinkage Rate 2009-2010
North America	\$42.790	1.49%	-7.0%
Latin America	\$5.826	1.60%	-4.1%
Middle East/Africa	\$0.772	1.62%	-5.9%
Asia-Pacific	\$16.866	1.16%	-6.5%
Europe	\$41.030	1.29%	-4.4%
Global	\$107.284	1.36%	-5.6%

* ‘U.S. \$1 billion’ is equivalent to U.S. \$1,000 millions.
 Note: owing to ‘rounding’ figures may not compute exactly.

■ What is shrinkage?

Shrinkage is an accountancy term, reflecting the difference between the financial revenue the business should have received (based upon inventory and purchases) and the amount actually received. Shrink losses are caused mainly by people stealing goods or money from the company and by a range of small or large process errors, accounting lapses and pricing mistakes that produce inventory losses. In addition to the actual loss of inventory, declared shrink rates will also be affected by company policy, accounting rules and tax regulations that will influence practice and account for some differences in results.

The definition of shrinkage used in this report is inventory losses from crime and administrative error. It does not include information about wastage.

In this report, all shrinkage figures are expressed as a percentage of retail sales and where retail corporations use cost prices or a combination of cost and retail; these have all been converted to retail selling prices.

■ Shrinkage by region

Two main regions, North America and Europe, accounted for more than three-quarters (78.2%) of the total shrinkage assessed in GRTB 2010. Shrinkage in North America was almost \$42.8 billion (39.9% of total global shrinkage) and in Europe \$41.0 billion (38.3%). Asia-Pacific had shrinkage of almost \$16.9 billion (15.7%), Latin America \$5.8 billion (5.4%) and Middle East/ Africa \$0.8 billion (0.7% of total shrinkage). The actual pattern of shrinkage across the four continents is likely to be less concentrated than this, because the GRTB only surveys part of Asia-Pacific and Latin America.

Figure 1.1



■ Survey Information

GRTB 2010 is produced to aid informed discussion about retail crime and the work of the retail industry to curb the financial losses and dangers that crime produces. As with all the previous editions in this series, the report has been prepared by Professor Joshua Bamfield, Director of the Centre for Retail Research in the UK, and funded by an independent grant from Checkpoint Systems, Inc.. The continued support of Checkpoint Systems, Inc. for the GRTB is gratefully acknowledged.

The Study

GRTB 2010 presents the results of a survey by questionnaire of a structured cross-section of large retailers from 42 countries. It covers all retail sectors and vertical markets. A confidential questionnaire was sent to the Loss Prevention, Security Vice President or Chief Security Officer of a representative sample of 4,900 large retail corporations in all countries that were surveyed. The questionnaires were available in English, French, German, Italian, Japanese, Chinese, Russian and Spanish. Useable responses were received from 1,103 businesses, representing a response rate of 22.5%.

These corporations operated a combined total of 233,721 retail outlets with sales of \$873.8 billion. Further information about the respondents can be found in the Appendix at the end of this report.

Time Period

The period covered by this survey is the twelve months from 1 July 2009 to 30 June 2010 and references to '2010' mean this period.

Exchange rates

The rates of exchange of most countries have fluctuated considerably in this period, making comparisons more complex. These variations do not affect directly the shrinkage totals and loss prevention spending in each country. But when these totals are converted into another currency, US dollars in the GRTB 2010, then the dollar value of each country's shrinkage and loss prevention spending will be influenced by any significant currency shifts as well as the loss-prevention and security changes that may have affected retailers in that country. All international comparisons suffer in this way.

Hence it is important to assess ratios such as the shrinkage rate *as a percentage of sales*, rather than simply looking at the dollar totals, especially when making comparisons with previous editions of the report.

The exchange rates used are those for 30th June 2010.

U.S Dollar Exchange Rates	
US \$1	€0.81565
US \$1	£0.668
US \$1	88.47 JPY
US \$1	46.41 INR
US \$1	6.7 CNY

Language and Spelling

This report is written, as before, in mid-Atlantic English and we have attempted to use international spellings and terminology that are recognisable worldwide. This has entailed a certain degree of duplication in product categories and types of business to ensure that what is intended can be understood globally. Unfortunately a spelling that is correct in one country, for example 'computer centers,' 'jewelry' or 'armored car', may be recognisable but incorrect elsewhere and usage often differs sharply. Depending on local usage, what one person calls 'a shop' may be a liquor store, a convenience store, a department store, or indeed any retail premises. It is impossible to please everyone. We apologise in advance for what might seem to be infelicities.

Countries surveyed

The countries included in GRTB 2010 this year are shown in Table 1.2. This year the GRTB has been extended to include Russia, whose results are presented with other European countries. There are participants on every continent, although coverage varies.

References to ‘Middle East/Africa’ and ‘Latin America’ in this report relate of course only to the countries that have been surveyed. We expect to add further countries in future years.

The India survey deals with the organized retail market, as little is known about the small-scale retail sector there. The results in China relate to the main centres of organized retailing. It is hoped to include more regions in the next survey. The figures for Latvia, Lithuania, and Estonia are given as ‘the Baltic States’. Luxembourg is included with Belgium as ‘Belgium/Luxembourg’.

Method of Calculation.

All results are reported on a national basis. The data of individual retailers has been ‘grossed up’ with retailers in similar types of business (or vertical markets) to create a country estimate for each vertical market. When these are all added together, they provide an estimate of total shrinkage losses, loss prevention costs and other costs for each country or state. When calculating regional or global data the results for each country were weighted in accordance with the retail sales of each country. A small country with many respondents to this study will not therefore be overrepresented in its final results.

CRR

This GRTB survey has been carried out by the Centre for Retail Research in Nottingham, England, and the report written by its Director, Professor Joshua Bamfield. The Centre has researched retail crime and fraud in many countries for almost 20 years. Information about the samples and the methods used in the survey can be found in the Appendix.

Table 1.2

Countries Surveyed for GRTB 2010	
North America	U.S. and Canada
Latin America	Argentina, Brazil and Mexico
Middle East/ Africa	Morocco and South Africa
Asia-Pacific	Australia, China, Hong Kong SAR, India, Japan, Malaysia, Singapore, Taiwan and Thailand
Europe	Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey, the UK and Russia*

* Country surveyed for first time in 2010

■ Definitions

Shrink at Retail Value

All shrinkage figures in this report are based on average selling (retail) prices. Where retailers report their shrinkage results against cost or a combination of cost and retail selling price, these results have been converted to selling prices.

Weighted Averages

Average shrinkage rates within each country are calculated as ‘weighted’ averages rather than simple averages, with proportionally greater significance in the tables being given to larger companies and larger countries. This may mean that to make comparisons with other crime surveys based on simple arithmetic averages may require recalculation. The selection of corporations to participate in the survey was designed to provide an extensive spread of experience.

Values given as U.S. dollars

Values in the report are given in U.S. dollars, except the section relating to ‘Europe’ (Part IV), where euros are used. For the purposes of this report, \$1.00 = €0.81565.

Billions

In this report, ‘\$1 billion’ means ‘\$1,000 million’. This follows universal business, statistical and economic usage, irrespective of the original meaning of the term.

Differences caused by ‘rounding’

GRTB 2010 reports many large statistical aggregates, which are rarely numbers that are neatly divisible. We report financial data normally ‘rounded’ to the nearest million and percentages ‘rounded’ to one decimal place and in some cases (shrinkage rates for example) to two decimal places. Tables may not always sum up precisely because of the effect of rounding and calculations of percentage changes are calculated, of course, from the unrounded underlying data so they may not correlate exactly with the rounded figures.

Europe

The term ‘Europe’ is used to include those countries in and near Europe that are covered by this survey, which for GRTB 2010 includes Russia. ‘Europe’ does not mean the European Union (EU), although a majority of the countries surveyed are EU members.

The GRTB report develops year by year. No political inference is meant or should be drawn from the inclusion or non-inclusion of any country, its categorization, or in which section of the report it can be found. Inclusion or non-inclu-

sion of any country in a particular part of the report carries no implications of good or bad loss prevention practice.

■ Acknowledgements

We are grateful to all LP managers who have participated in this Global Retail Theft Barometer. Their contribution has helped to make this the largest survey of retail crime and shrinkage in the world.

The *Global Retail Theft Barometer 2010* is sponsored by Checkpoint Systems, Inc., as a contribution to debate within the retail industry. Checkpoint’s support in developing this research is warmly appreciated and acknowledged.

■ Adjustments to GRTB data

This year, because GRTB 2010 covers 42 countries, one more than last year, adjustments have been made where necessary to ensure that we are comparing *like with like*. Previous European data have been adjusted to reflect the inclusion of Russia with other European states. Russia is a large country with a higher shrinkage rate than the European average, hence including Russia increases the European shrinkage rate slightly. Without Russia, Europe’s shrinkage would have been 1.27% and not 1.29%. To keep the comparisons exact, where we quote last year’s data in the 2010 report as far as is practicable it has been amended to include Russia’s figures. This means that there will be inconsistencies between last year’s published report and the 2010 report. This is intentional in order to make the 2010 comparisons as accurate and relevant as we can.

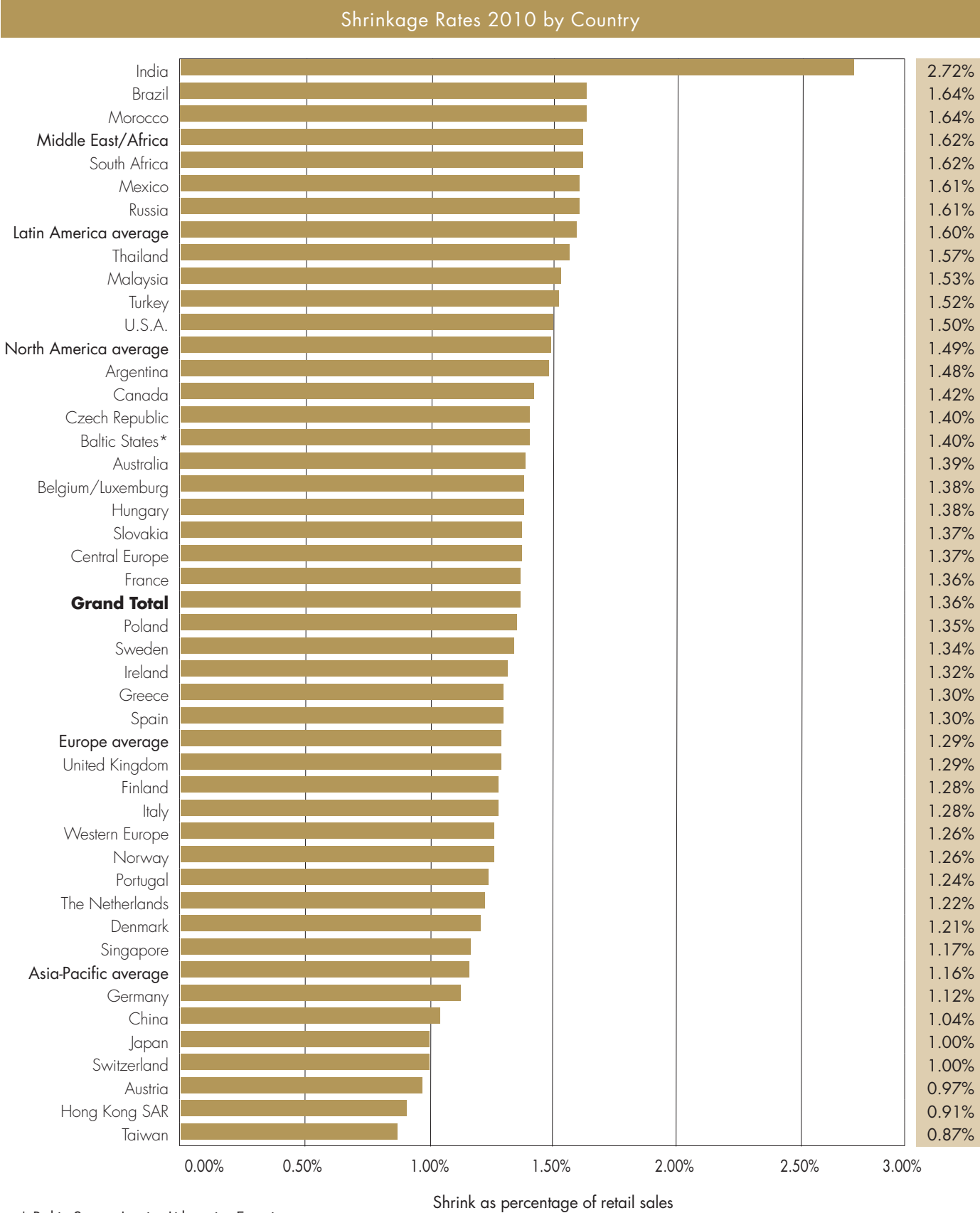
■ Shrinkage by country

The average rate of shrinkage as a percentage of sales in individual countries can vary significantly. The pattern of 2010 shrinkage rates in descending order is shown by Figure 1.2. This year the highest rates were found in India, Morocco and Brazil and the lowest in Taiwan, Hong Kong SAR and Austria. India, with the highest shrink rate, managed to achieve the greatest reduction in shrinkage, down from 3.20% to 2.72% (-15.0%).

Detailed information by country can be found in Table 1.3.

The global shrink averages are ‘weighted’ in relation to the retail sales totals of every country rather than being a simple

Figure 1.2



* Baltic States: Latvia, Lithuania, Estonia

THE GLOBAL RETAIL THEFT BAROMETER

Table 1.3

Shrinkage Rates by Country 2010				
Country	Total Shrinkage (U.S.\$ billion)	Shrinkage 2010 (as % of sales)	Shrinkage 2009 (as % of sales)	Percentage Change 2009-2010
Canada	\$3.459	1.42%	1.55%	-8.4%
U.S.A	\$39.331	1.50%	1.61%	-6.8%
North America	\$42.790	1.49%	1.60%	-6.9%
Argentina	\$0.714	1.48%	1.55%	-4.5%
Brazil	\$2.313	1.64%	1.62%	1.2%
Mexico	\$2.799	1.61%	1.75%	-8.0%
Latin America	\$5.826	1.60%	1.67%	-4.2%
Morocco	\$0.040	1.64%	1.79%	-8.4%
South Africa	\$0.732	1.62%	1.72%	-5.8%
Middle East/Africa	\$0.772	1.62%	1.72%	-5.8%
Australia	\$2.008	1.39%	1.50%	-7.3%
China	\$1.069	1.04%	1.06%	-1.9%
Hong Kong SAR	\$0.291	0.91%	0.92%	-1.1%
India	\$2.232	2.72%	3.20%	-15.0%
Japan	\$9.273	1.00%	1.04%	-3.8%
Malaysia	\$0.256	1.53%	1.59%	-3.8%
Singapore	\$0.168	1.17%	1.19%	-1.7%
Taiwan	\$0.564	0.87%	0.89%	-2.2%
Thailand	\$1.005	1.57%	1.66%	-5.4%
Asia-Pacific	\$16.866	1.16%	1.24%	-6.5%
Austria	\$0.546	0.97%	0.99%	-2.0%
Baltic States	\$0.249	1.40%	1.44%	-2.8%
Belgium/Luxemburg	\$1.032	1.38%	1.41%	-2.1%
Czech Republic	\$0.437	1.40%	1.47%	-4.8%
Denmark	\$0.454	1.21%	1.25%	-3.2%
Finland	\$0.496	1.28%	1.31%	-2.3%
France	\$5.783	1.36%	1.42%	-4.2%
Germany	\$6.114	1.12%	1.17%	-4.3%
Greece	\$0.612	1.30%	1.39%	-6.5%
Hungary	\$0.418	1.38%	1.45%	-4.8%
Ireland	\$0.533	1.32%	1.38%	-4.3%
Italy	\$3.929	1.28%	1.36%	-5.9%
The Netherlands	\$1.421	1.22%	1.26%	-3.2%
Norway	\$0.528	1.26%	1.31%	-3.8%
Poland	\$1.446	1.35%	1.42%	-4.9%
Portugal	\$0.417	1.24%	1.26%	-1.6%
Russia	\$3.321	1.61%	1.68%	-4.2%
Slovakia	\$0.168	1.37%	1.45%	-5.5%
Spain	\$3.288	1.30%	1.36%	-4.4%
Sweden	\$0.787	1.34%	1.39%	-3.6%
Switzerland	\$0.749	1.00%	1.03%	-2.9%
Turkey	\$1.690	1.52%	1.67%	-9.0%
United Kingdom	\$6.612	1.29%	1.37%	-5.8%
Europe	\$41.030	1.29%	1.35% *	-4.4%
Grand Totals	\$107.284	1.36%	1.44%	-5.6%

* Overall percentage revised to include 2009 data for Russia.

'U.S. \$1 billion' is equivalent to U.S. \$1,000 millions.

Note: owing to the effects of 'rounding' the totals, percentages and percentage change may not sum exactly.

average of all the respondents or all the countries. Thus a country that is ten times larger than another will have a weighting that is ten times greater. Otherwise countries with a smaller retail sector would have a disproportionate impact upon the global and regional averages.

These figures and all shrink data in this report are calculated as a proportion of retail selling prices, with the shrink rates of those retailers using cost prices or a combination recalculated to retail selling prices.

■ Shrinkage by business sector/ vertical market

Different retail sectors or vertical markets frequently have different average rates of shrinkage. Figure 1.3 shows how shrinkage rates vary between the different business sectors. The highest average rates of shrinkage in 2010 were found in auto parts/hardware/DIY/building materials (1.81%); apparel/clothing and fashion/ accessories (1.72%);

and cosmetics/ perfume/health & beauty/pharmacy (1.70%). The lowest rates were in liquor, wine, beer/off-licence (0.72%); footwear/shoes/sports goods & sporting goods (0.76%); and electrical goods/ computer centre/ electronics store (0.87%). Of course for most business sectors shrinkage rates have fallen compared to 2009.

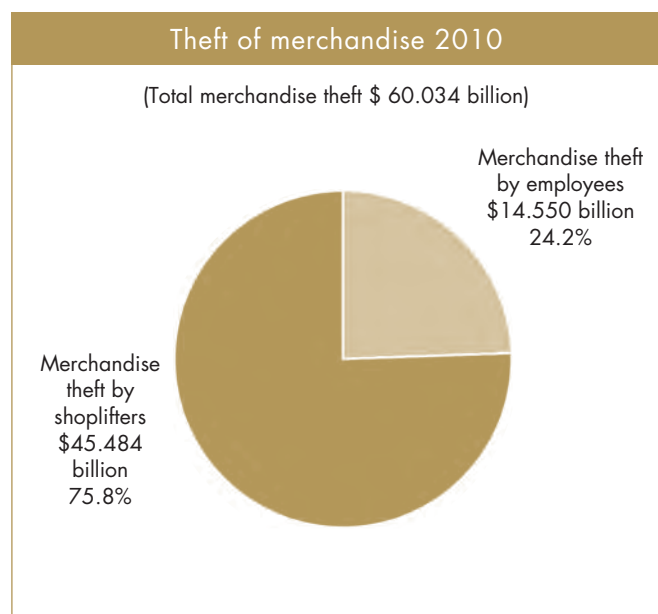
This classification has been adapted from the Hoover’s, Inc. classifications of the retail industry. Many retail corporations can classify themselves in more than one category; as always, care should be taken when making comparisons.

These are, of course, average shrinkage rates for *specialist (or specialty) retail businesses* rather than *product categories*, which might have very different shrink rates. Although Figure 1.3 shows that specialist liquor, wine beer/off-licence stores have an average shrinkage rate of 0.72%, we show later (Table 1.4) that alcoholic drinks *as a category normally* sold in supermarkets and other food stores suffered much higher shrinkage losses of an average of 2.43%.

Figure 1.3



Figure 1.4



■ Merchandise theft

Theft of merchandise from retail stores was the largest single loss suffered by retailers in 2010, amounting to slightly more than \$60 billion (Figure 1.4). The great majority of merchandise loss was the result of shoplifting, which cost almost \$45.5 billion (75.8% of merchandise loss) and merchandise theft by employees was estimated to be more than \$14.6 billion (24.2% of total merchandise theft).

■ High-risk product lines

For every vertical market there is a range of sensitive high-risk product lines that suffers rates of loss that can often be more than double the shrinkage rate of other products. The GRTB 2010 asked retailers for specific shrinkage information about the average shrinkage rate of ‘high-risk’ product lines in grocery and food, in apparel/clothing and fashion, and (for the first time this year) health and beauty.

The results are summarized in Tables 1.4 to 1.6. Many of the most-stolen product lines are expensive, major national brands and retailers reported that between 10% and 30% of the most stolen lines had been put on the market in the last two years. This was particularly true of apparel and clothing and health and beauty.

High-risk food/grocery

For food items/grocery, the highest shrinkage was reported, once again, in fresh meat (2.86%), which was more than

Table 1.4

Average shrinkage rates for grocery ‘high-risk’ product lines					
	Global	North America	Latin America	Asia-Pacific	Europe
Fresh meat	2.86%	4.10%	5.17%	1.26%	2.21%
Luxury cooked meat	2.74%	2.97%	3.56%	1.28%	3.10%
Cheese	2.62%	2.76%	3.49%	1.17%	3.06%
Alcohol/liquors/whisky	2.38%	3.13%	2.69%	1.74%	1.97%
Candy, confectionery, chocolates	2.34%	2.70%	2.68%	1.43%	2.38%
Infant formula	2.16%	2.10%	2.06%	2.07%	2.26%
High quality seafood/fish	2.06%	2.94%	2.84%	1.03%	1.64%
Spices/seasoning/vanilla	1.85%	1.64%	2.43%	1.15%	2.30%

double the global shrinkage rate of 1.22% for supermarkets/hypermarkets/large grocery stores. Other high-risk products in food and grocery included luxury cooked meat, including specialist/specialty ham, (a shrinkage rate of 2.74%). Spices/seasoning and vanilla had a comparatively low shrinkage rate of 1.85%.

There are three things to note. There are significant differences between regions; for example fresh meat suffers an average shrinkage rate of 5.17% in Latin America, 4.10% in North America and only 1.26% in Asia-Pacific. There are even greater differences between retailers: individual corporations have reported percentage losses for some of these items of more than 10%. And finally, possibly reflecting local theft trends, the rank order of shrinkage losses varies between retailers, service methods and crime prevention techniques used. However there is evidence that retailers are increasingly focusing their loss-prevention activities on high-risk areas, because the fall in shrinkage rates in these categories has normally been greater than the average reduction for the vertical market as a whole.

High-risk Apparel/Clothing

Similar general points may be made about apparel/clothing and fashion in Table 1.5. The highest shrinkage losses were seen in accessories (3.84%), children's wear (2.97%) (where losses are apparently increasing) and in fashion/tailored clothing (2.81%). Last year, these three categories were the highest risk in every region, but in 2010 this is only true for North America and Europe. There were significant losses also in outerwear (2.55%) and tops and sweaters (2.39%).

Table 1.5

Average shrinkage rates for apparel/clothing and fashion 'high-risk' product lines					
	Global	North America	Latin America	Asia-Pacific	Europe
Accessories	3.84%	4.87%	2.90%	1.67%	4.02%
Children's wear	2.97%	4.35%	1.69%	1.00%	2.76%
Fashion/tailored clothing	2.81%	3.69%	3.06%	1.88%	2.40%
Outerwear	2.55%	3.56%	2.41%	0.90%	2.41%
Tops and sweaters	2.39%	3.40%	2.34%	1.16%	2.04%
Underwear/lingerie/swimwear	1.96%	2.35%	1.67%	1.21%	1.98%
Trousers & skirts	1.83%	2.25%	1.45%	1.12%	1.82%
Footwear	0.98%	1.24%	1.25%	0.74%	0.83%

Table 1.6

Average shrinkage rates for health & beauty 'high-risk' product lines					
	Global	North America	Latin America	Asia-Pacific	Europe
Shaving products	3.57%	3.91%	3.48%	2.75%	3.66%
Perfume/fragrances	2.73%	2.87%	2.91%	2.41%	2.74%
Lipsticks, glosses, lip liners	2.60%	2.61%	2.65%	2.86%	2.46%
Hair care	1.78%	1.96%	2.13%	1.14%	1.87%
Scissors, nail clippers, tweezers	1.75%	1.80%	1.74%	1.24%	1.93%
Nail enamels, polish, strengtheners, artificial nails	1.70%	1.77%	1.83%	1.12%	1.89%
Face cream, anti-ageing, sun creams	1.70%	1.94%	2.16%	1.07%	1.72%
Mascara, eye liner, eye shadow	1.67%	1.94%	1.88%	1.02%	1.70%
Face powder, liquid foundations, concealers	1.57%	1.72%	1.69%	1.13%	1.63%

High-risk Health and Beauty

Health and beauty product lines are sold by many different types of store including specialist/specialty beauty chains, pharmacies and chemists, supermarkets, discount stores and department stores. The highest losses were found in shaving products (3.57%), perfume/fragrances (2.73%) and lipsticks, glosses, lip liners (2.60%). The rank order of the most vulnerable products was similar in all regions, although in Latin America face cream, anti-ageing, sun creams had a high shrinkage rate of 2.16%.

■ Sources of global retail shrinkage

The issue of whether retail shrinkage losses are caused mainly by shoplifters or by dishonest employees is a constant matter of debate. Figure 1.5 shows that the respondents to GRTB 2010 believed that 42.4% of their losses were caused by shoplifting compared to 35.3% by dishonest employees. There were major differences between regions: retailers in North America and Latin America both regarded employee theft as their most significant source of loss whilst the other regions saw customer theft as the greater problem.

It is impossible to determine this issue finally, partly because the reasons for retail shrinkage and crime may differ between countries and corporations, but mainly because most crime is not seen at the time it occurs. Estimates of the share of employee theft and theft by customers are usually perceptions based on long experience.

Nevertheless, the overall opinion of loss prevention managers or vice presidents is that they lost almost \$45.5 billion at the hands of customer thieves or ‘shoplifters’ (42.4% of total shrinkage) and the small proportion of employees who steal was responsible for thefts of \$37.8 billion (35.3%). Internal error (including pricing mistakes, accounting errors, and process failures) cost retailers more than \$18.1 billion (16.9% of shrinkage) and crime losses caused by suppliers/ vendor fraud amounted to \$5.8 billion (5.4% of shrinkage).

The proportion of global shrinkage losses attributed to shoplifting or customer theft was estimated to be 20% higher than internal crime, although estimates vary between retail corporations. Figures for internal theft include fraudulent employees placed in retail organizations by organized crime.

Figure 1.6 shows that there are a number of major differences between the regions of the world regarding the causes of retail crime. As already noted, North America and Latin America both regarded employee theft as being their largest source of shrinkage (43.7% and 43.1% respectively). In Asia-Pacific and Europe shoplifters (customer theft) are regarded as being the single largest problem (52.9% and 47.8% respectively).

Figure 1.5

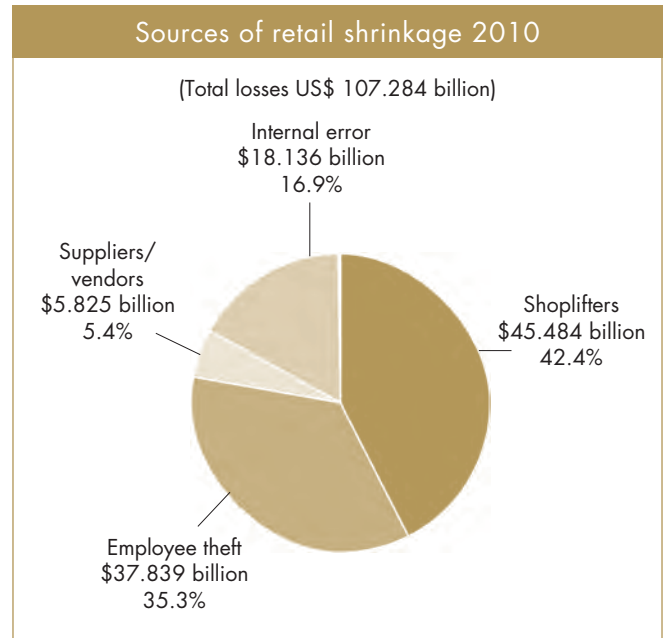
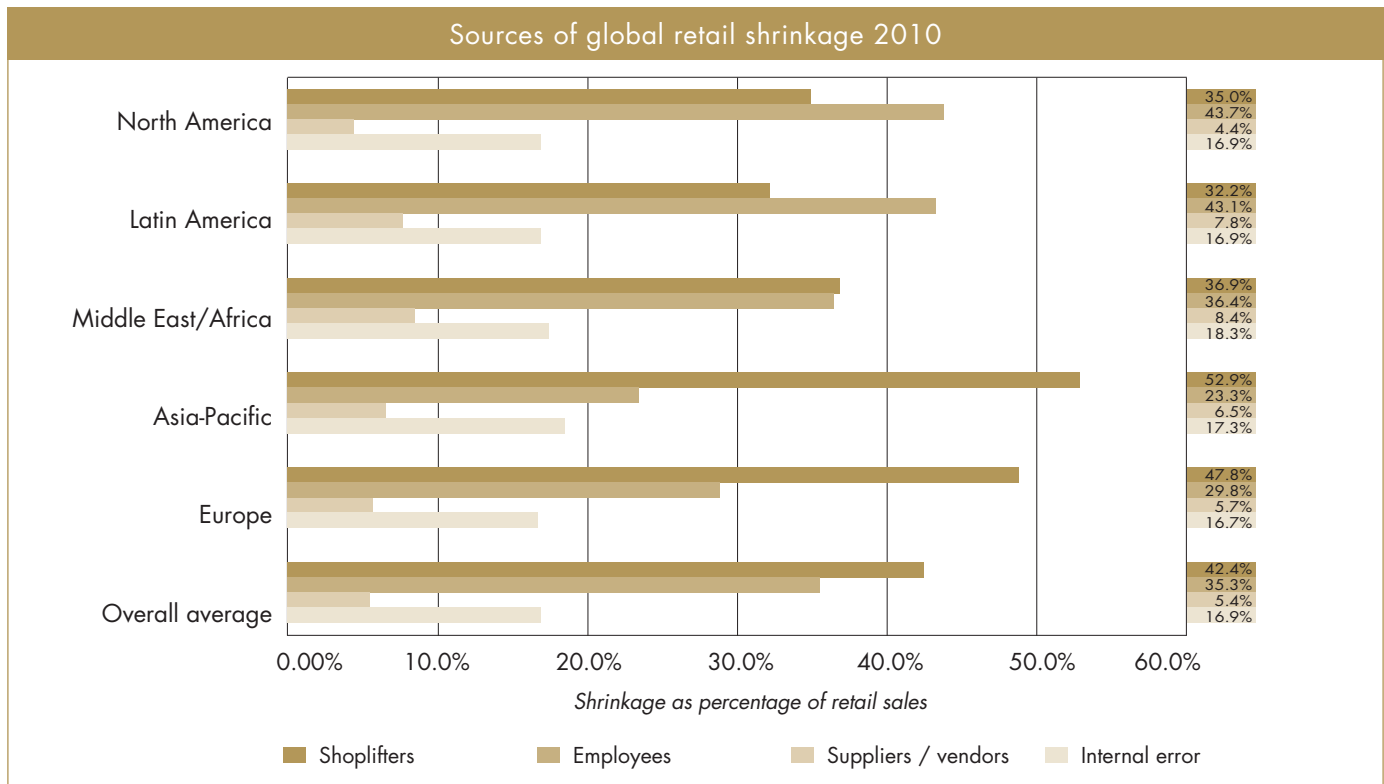


Figure 1.6



In 2009, the GRTB reported that the share of shrinkage attributed to shoplifting had risen as a result of a significant increase in customer theft and that this had affected most retailers. In 2010, as discussed in the next section, attempted shoplifting has continued to rise but retailers have improved the level of protection so that increased shoplifting attempts have not generally increased either the shrinkage rate or the proportion of losses attributed to customer theft.

■ Shoplifting and shrinkage

Last year the GRTB noted a significant increase in shoplifting and a lower, though still important, rise in employee theft. The proportion of retailers surveyed in 2009 who had experienced an increase in shoplifting attempts or actual theft was 41.2%. 19.5% of retailers also saw an increase in actual or attempted theft by employees. Many people related these increases to the recession, but this was only one of several factors.

In North America and Latin America many retailers were also badly affected by organized retail crime (ORC). This is discussed further in Part III.

The rising trend in attempted or actual shoplifting has continued in 2010 with 31.1% of retailers experiencing increased shoplifting, notably in North America (+36.1%) and Middle East/Africa (35.6%) although shoplifting has increased in most countries. Figure 1.7 also reveals a rising trend in actual or attempted employee theft, where globally 17.7% of retailers had experienced a higher rate of employee theft. Shrinkage levels are unaffected if these thefts are frustrated by increased loss prevention, the protection of high-risk items, better security methods or if the merchandise or cash are recovered before thieves are successful. But these rising trends of crime still represent a major problem for retailers in every part of the world and it is important to gauge these trends rather than to rely solely upon shrinkage rates as the only measure of criminality affecting retail corporations.

As might be expected, there have been considerable differences in the extent to which different countries have been affected by a rising tide of shoplifting. Figure 1.8 provides data by country. Note that the percentages show the proportion of retailers experiencing an increase in shoplifting, not the percentage increase in shoplifting.

Figure 1.7

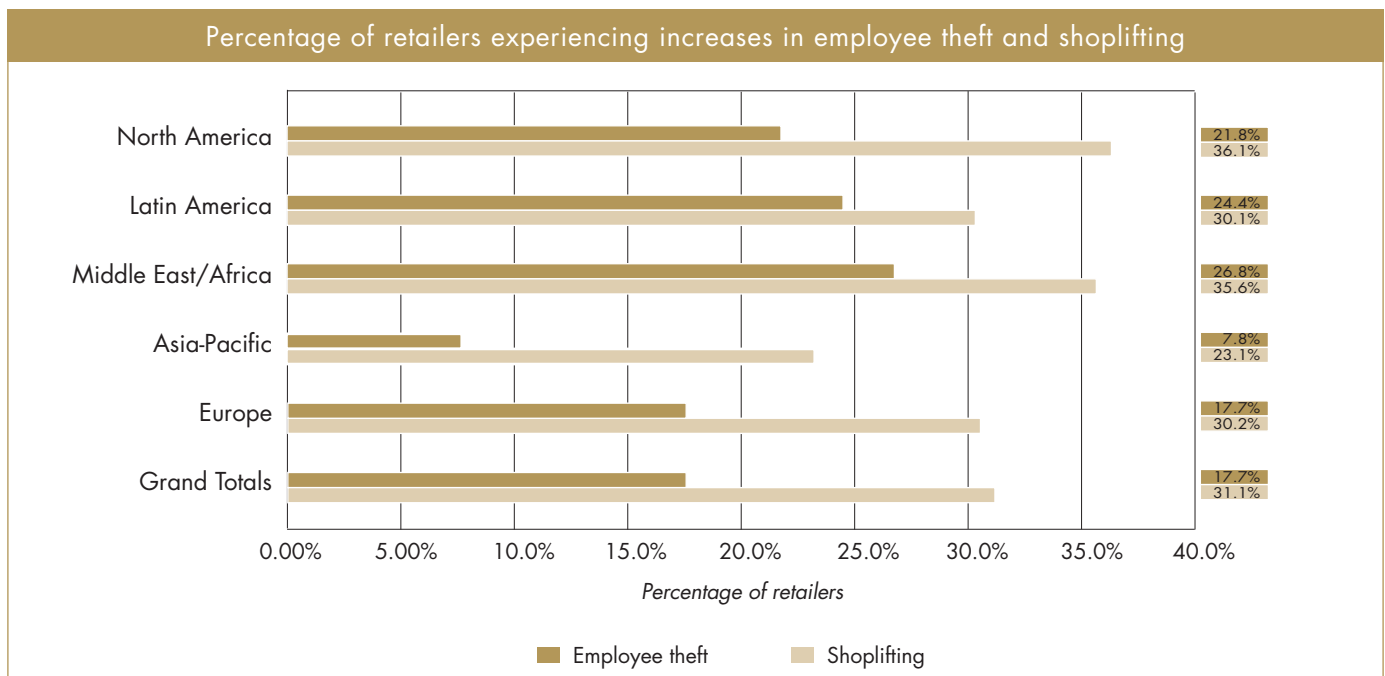
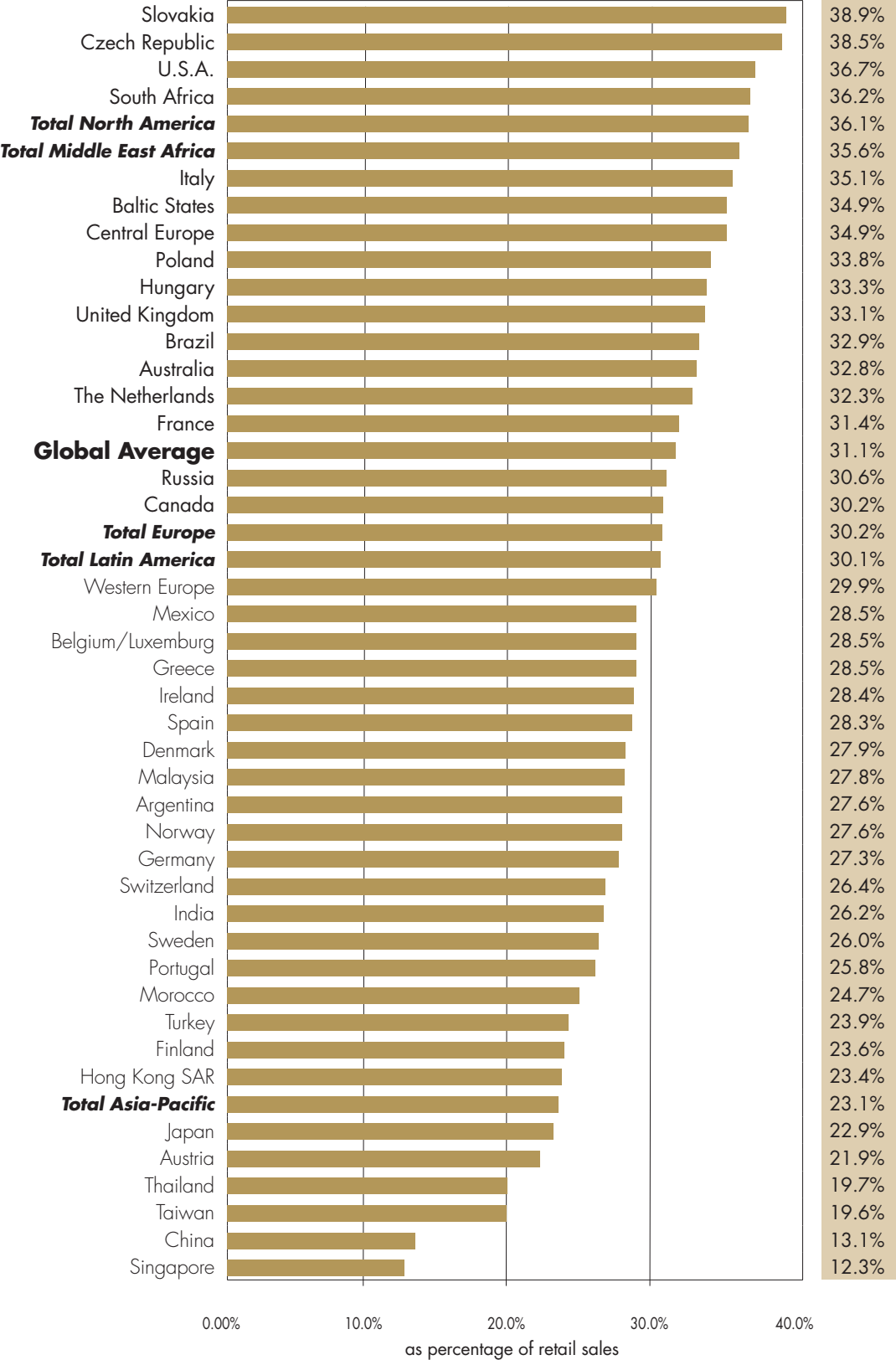


Figure 1.8

Proportion of retailers experiencing increased shoplifting



The countries with the highest proportions of retailers suffering increased shoplifting in 2010 were Slovakia (38.9%), the Czech Republic (38.5%), and the U.S. (36.7%) (where organized crime plays a significant part). Although the increases in actual or attempted shoplifting in 2010 are extremely high, the increase is much lower than in 2009, where the most seriously affected countries saw shoplifting rise by more than 50%. The countries with the lowest increases in shoplifting were Singapore (12.3%), China (13.1%) and Taiwan (19.6%).

Figure 1.9 shows that the trends in shoplifting showed a mixed picture in 2010 with both good and bad news globally. Slightly more than one-half of retailers (51.3%) saw no rise in shoplifting, 31.1% saw increases and 17.6% experienced a reduction in shoplifting.

The pattern in 2010, therefore, is that retailers have responded to the sharp spike in shrinkage in 2009 by increasing their spending and by using ‘smarter’ loss prevention to help them to reduce shrinkage rates and deal with crime that continues to rise.

■ Apprehended customer thieves and dishonest employees

The number of shoplifters and employee thieves apprehended by retailers in 2010 amounted to almost 6.2 million – the size of many countries - an increase of 389,000 compared to the previous year when it had increased by one-half million (Table 1.7). Most of these were shoplifters, who constituted 86% of the total number of offenders apprehended, 5.3 million people. In addition, 0.84 million employee thieves were also apprehended (14% of the total thieves apprehended).

The average amount stolen or admitted by shoplifters was \$196.76, but the average employee theft, at \$1,943.87, was almost ten times higher. In North America the average stolen by shoplifters was \$321.46, probably reflecting the impact of organized retail crime. In Europe, where the average amount stolen per disloyal employee (\$2,158.04) was higher than other regions, only 4% of the total thieves apprehended were employees although 28% of apprehended thieves in North America were employees.

The types of thieves apprehended will, of course, reflect a corporation’s loss prevention policy as well as the number of offenders stealing from the business. There may also be distinct national legal or cultural differences, which affect the value of theft admitted.

Figure 1.9

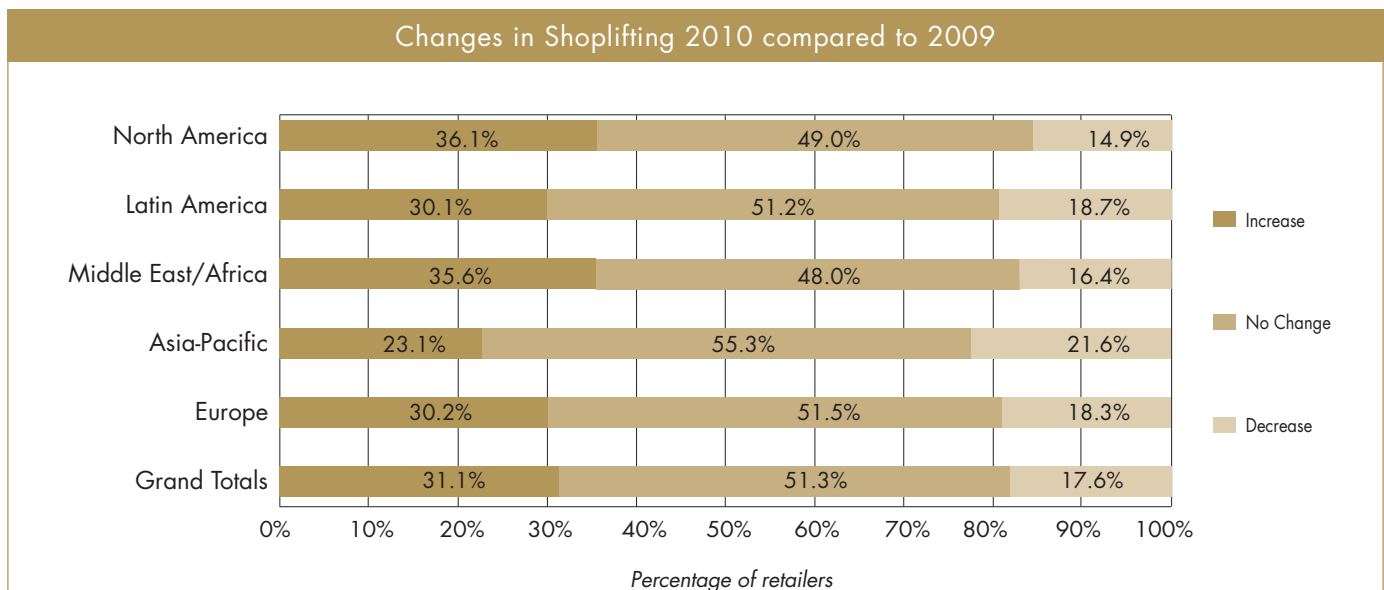


Table 1.7

Number of thieves apprehended by retailers 2010					
	Shoplifters		Employee thieves		
	Number of thieves	Average amount stolen per incident	Number of thieves	Average amount stolen per incident	Combined totals
North America	1,779,056	\$321.46	684,336	\$1,994.95	2,463,392
<i>Percentages</i>	72%		28%		100%
Latin America	156,022	\$88.65	17,263	\$291.44	173,285
<i>Percentages</i>	90%		10%		100%
Middle East/Africa	28,611	\$69.55	1,759	\$326.12	30,370
<i>Percentages</i>	94%		6%		100%
Asia-Pacific	135,692	\$74.52	18,628	\$392.56	154,320
<i>Percentages</i>	88%		12%		100%
Europe	3,247,843	\$139.73	118,183	\$2,158.04	3,366,026
<i>Percentages</i>	96%		4%		100%
Global Totals	5,347,224	\$196.76	840,169	\$1,943.87	6,187,393
Global Percentages	86%		14%		100%

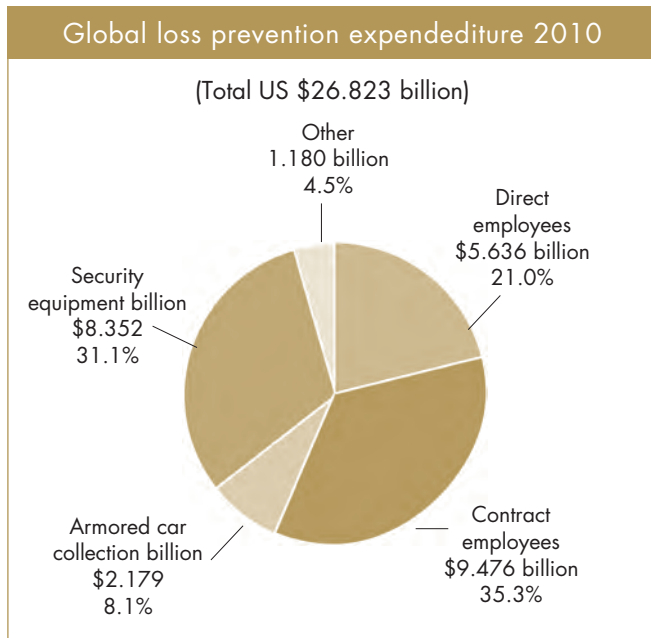
■ Retail loss prevention and security spending

As a result primarily of the 2008 recession, many retail businesses reduced spending on loss prevention budgets along with most other areas of their business. These cuts have now been restored and in some countries loss prevention spending is at a higher level than for several years. Total loss prevention budgets in 2010 rose to \$26.823 billion, equivalent to 0.34% of retail sales (Table 1.8). Compared to 2009, this was an increase of 9.3% (or 6.0% if Russia is excluded).

Table 1.8

Global loss prevention and security costs 2010 (Financial totals in U.S. \$ billion)				
	Loss prevention and security costs	Operating costs, current cost totals	Capital totals	LP costs as percentage of sales
North America	\$12.995	\$8.919	\$4.076	0.45%
Latin America	\$0.805	\$0.595	\$0.210	0.22%
Middle East/Africa	\$0.100	\$0.081	\$0.019	0.21%
Asia-Pacific	\$2.686	\$1.715	\$0.971	0.19%
Europe	\$10.237	\$7.190	\$3.047	0.32%
Global Totals	\$26.823	\$18.500	\$8.323	0.34%

Figure 1.10



Retailers spent a combined total of \$18.5 billion on the operating/current costs of loss prevention (LP) and capital spending such as security equipment, surveillance, electronic tagging, and computer systems (including depreciation) rose to more than \$8.0 billion. As in previous GRTB studies, considerable regional differences were found, with Asia-Pacific loss prevention spending equivalent to 0.19% of sales, whilst North American retailers spent an average of 0.45% of sales upon loss prevention.

How was the global loss prevention spending of \$26.8 billion allocated? Figure 1.10 summarizes the allocation. The largest single expense was security employees. Contract or third-party employees cost almost \$9.5 billion (accounting for 35.3% of total loss prevention spending and more than \$5.6 billion was spent on directly-employed loss prevention officers and other security colleagues (21.0% of loss prevention spending). Thus \$15.1 billion was spent on employees (56.3% of loss prevention spending). Spending on security equipment rose from 29.0% of last year's budgets to 31.1% this year, a total of more than \$8.3 billion. Armored car cash collection cost almost \$2.2 billion. 'Other' loss prevention spending was a little under \$1.2 billion (4.5% of total spending).

■ The global costs of retail crime

Retail crime cost retailers in the countries surveyed a combined total of \$115.971 billion in 2010.

Shrinkage is not a complete measure of retail crime, because it includes an estimate of administrative error such as pricing mistakes, accounting errors, and process failures. If we deduct administrative error from the equation and concentrate on crimes committed by shoplifters, disloyal employees and suppliers/vendors and add to this the costs of loss prevention itself, this will show what retail crime costs retailers (and ultimately the community).

The composition of the global costs of retail crime is shown in Table 1.9.

- *Shoplifting losses* – \$45.5 billion in 2010
- *Employee theft* – \$37.8 billion in 2010
- *Suppliers/vendor losses* – \$5.8 billion in 2010
- *Costs of loss prevention* – \$26.8 billion in 2010

Although it can be argued that retail spending on loss prevention is 'optional' and not therefore part of the costs of crime, the evidence of GRTB 2010 in common with other

Table 1.9

Global costs of retail crime (U.S. \$ billion)					
	Shoplifters	Employees	Suppliers/ vendors	Loss prevention	Totals
North America	\$14.997	\$18.692	\$1.875	\$12.995	\$48.559
Latin America	\$1.878	\$2.513	\$0.451	\$0.805	\$5.647
Middle East/Africa	\$0.285	\$0.281	\$0.065	\$0.100	\$0.731
Asia-Pacific	\$8.918	\$3.921	\$1.101	\$2.686	\$16.626
Europe	\$18.038	\$11.219	\$2.141	\$10.237	\$41.635
Grand Totals	\$45.484	\$37.839	\$5.825	\$26.823	\$115.971

reports in this series is that a realistic loss prevention budget is essential if retailers are to prevent crime losses rising. This is discussed further in Part II.

The global cost of retail crime, a total of \$115.971 billion, represents a tax imposed on honest people by retail criminals of \$61.55 for every person or \$185.59 per family in the 42 countries surveyed.

■ New loss prevention policies

Table 1.10 gives the results about retailers' progress in implementing one or more of seven policies designed to combat increased crime and shrinkage.

Last year, a little over 71% of respondents had implemented employee training programmes to spot and deter theft, but the other programmes in last year's version of Table 1.10 had been implemented by between only 15% and 20% of the respondents to the survey. By 2010, however, the proportion of retailers that had added new anti-theft training programmes had risen to 91% (with 75% of retailers planning further enhancement), 32% had spent more on crime-prevention hardware and software, and 27% had improved their pre-hiring employee screening. Between one-fifth and one-quarter of retailers were also recruiting more in-store loss prevention employees, spending more on LP consumables, increasing their use of EAS reusable accessories, and upgrading/installing new CCTV video surveillance.

Table 1.10

New loss prevention policies		
	Implemented	Planned
More employee training to spot and deter theft	91%	75%
Increased spending on crime prevention hardware and software	32%	18%
Pre-hiring screening for employees	27%	23%
Hiring more in-store LP employees	24%	15%
Increased spending on LP consumables	24%	22%
Increase EAS reusable accessories	22%	17%
New CCTV video surveillance	20%	20%

Table 1.11

Store audit/compliance schedules 2010			
	Audit program in place	Frequency of audits per annum	
		1 to 3 times	More than 3 times
North America	92%	18%	74%
Latin America	72%	31%	41%
Middle East/Africa	67%	32%	35%
Asia-Pacific	68%	14%	54%
Europe	75%	28%	47%
Global	80%	22%	58%

Apart from employee training, where 75% expect to enhance their programmes further, between 15% and 23% of retailers plan further development of the LP in-store teams, upgrade security hardware and software, and make more use of security equipment and accessories.

■ Store audit schedules and loss prevention compliance

Retailers all need to ensure that agreed corporate policy for loss prevention and security is carried out in practice. Globally 80% of retailers have established some form of audit, evaluating in-store and distribution centre loss prevention compliance on an annual cycle (Table 1.11). In 2007, 70% had store audits so there has been considerable progress in only a few years.

The schedules usually involved an audit of store policy and procedures one or more times every year. A majority of those retailers using audits (58% out of 80%) carried these out more

than three times a year – in fact usually more than six times per year. Only 22% carried out audits around once or twice every year. The highest proportion of retail businesses using audits was found in North America, where it was 92%.

■ Protecting the most-stolen merchandise

Thieves often tend to concentrate on attempting to steal a relatively small proportion of the total product range in a retailer’s inventory. We asked respondents what measures they took to protect the ‘Top 50’ of their most-stolen lines (Table 1.12).

Slightly more than one-quarter (25.5%) of the top 50 most-stolen lines were not specially protected, which actually represented steady progress compared to the 28% that were unprotected in 2009 and an average of 30% in 2008. Hence 74.5% of the most-stolen product lines were protected, the main methods involving electronic tagging (the protection used for 42.1% of these products) and locking and securing products in some way. EAS (electronic article

Table 1.12

Protecting the 50 most-stolen lines 2010		
	Percentages	Subtotals
Percentage of lines not protected	25.5%	25.5%
EAS hard tags	14.0%	
EAS soft or paper tags	13.7%	
EAS source tagging	10.2%	
3-alarm accessories	4.2%	42.1%
Displayed in locked cabinets or shelves	7.0%	
Dummy cartons or ticket systems	3.5%	
Chains, cables, loop alarms	4.5%	
Keepers/safers, locked boxes, product alarms	13.4%	
Other protection device	4.0%	32.4%
Totals	100.0%	100.0%

surveillance) hard tags were used on 14.0% of lines, EAS paper tags on 13.7%, source tagging for 10.2% and 3-alarm accessories for 4.2% of lines.

Keepers/safers, locked boxes and product alarms accounted for 13.4% of the most-stolen items. Other merchandise was displayed in locked cabinets or locked shelves (7.0%) that could only be accessed by an employee with a key or secured by chains, cables or loop alarms (4.5%). A proportion of high-risk items (3.5%) was not displayed in the store selling area at all, but was held in a stockroom and the customer 'bought' a dummy carton or used a ticket or card to purchase the item. Overall, 32.4% of merchandise was protected by locking and securing.

■ Most-stolen merchandise

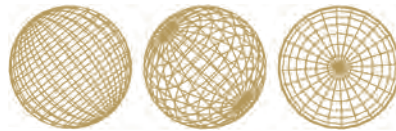
Retailers argue that almost any item can be stolen, but thieves tend to focus on small and easily concealed, expensive, branded items that have considerable popular appeal. These products are easily re-saleable.

Table 1.13 shows the most-stolen merchandise (as indicated by the responses of retailers) arranged by business category or vertical market. Because many retailers have diversified their sales or operate as more general merchandise stores several products appear more than once in the list of most-stolen merchandise. In most countries, supermarkets, hypermarkets and food stores are responsible for between 30% and 45% of total retail sales, so anything that is a supermarket/food most-stolen item or appears several times in Table 1.13 is likely to be in the shoplifters' Top Ten.

The single most-stolen articles seem to be those which are branded, 'hot' in the sense of having wide public appeal, expensive, easily stolen and having a ready market for resale. These include products like razor blades/shaving products, iPods, smartphones, cosmetics and lotions, perfume, alcohol, tobacco, fresh meat/expensive foodstuffs, sports-branded goods and trainers, infant formula, coffee, high fashion items, jeans, leather jackets, lingerie/intimate apparel and swimwear, electronic games, babyclothes, sunglasses, and watches.

Table 1.13

Most-Stolen Merchandise by Vertical Market							
Ranking	1	2	3	4	5	6	7
Books, newspapers and stationery	Electronic games, MP3 players	DVDs, boxed sets	E-readers, iPods, data sticks	Magazines and 'free' inserts	Pens, refills, and watches	Reference books, maps, tourist books	Learning/ educational books & materials
Clothing, apparel, footwear	High-end fashion, anything branded	Accessories, jeans, dresses	Sports-related clothing, sports shoes	Lingerie, intimate apparel, swimwear	Handbags, leather coats, leather articles	Boots, branded sports shoes	Branded sunglasses and jewelry
Consumer electronics	MP3 players, electronic games	iPhones, smart-phones, cellphones, digital cameras	Tablet and mobile computers, iPods, satellite navigation	Electronic medical equipment, air conditioning products	Electronic accessories, headphones, datasticks, batteries	Plasma screen TVs	Home/office consumables, printer cartridges, toner
Department stores and large general stores	Perfumes and face creams	Branded clothing	Branded or leather accessories	Watches and branded sunglasses	Smartphones, E-readers, mobile phones	Handbags	Games and DVDs
Entertainment, music, games	MP3 players, electronic games	DVDs, boxed sets, CDs	iPods	Accessories, data sticks	E-readers, other electronic items	Branded music-related fashion	Batteries
Health and beauty, Perfumes	Cosmetics, Lipsticks, Face cream, Skin lotion, Eyeliner, Suntan lotion,	Perfumes and fragrances	Razor blades, shaving products, branded sunglasses	Electrical devices: tooth brushes, toothbrush heads, electronic medical equipment	Deodorants, OTC medications, contraceptives	Vitamin tablets	Toothpaste, shampoo,
Home improvement, hardware, DIY	Power tools, power cables	Hand tools, Batteries	Door locks	Building supplies	Home automation devices	Small electronic items	Small packs of screws, washers, fixings
Jewelry	Branded watches	Rings	Earrings	Branded accessories	Gold		
Office products	Printer cartridges, laser toner	Smart-phones, cell phones	Laptops	Small electronic devices	Connection devices, adaptors, cables	Satellite navigation	Pens, writing products
Supermarkets, hypermarkets and food	Razor blades, health & beauty products	Whisky, alcohol, tobacco	Fresh meat/ expensive foodstuffs, fish	Infant formula, coffee, petfood, OTC medication	DVDs, CDs	Branded shirts, jeans and clothing, sportswear	Garden products



THE GLOBAL RETAIL THEFT BAROMETER
2010

PART TWO: TEN YEARS WITH THE THEFT BAROMETER

MONITORING THE COSTS OF SHRINKAGE AND CRIME
IN THE GLOBAL RETAIL INDUSTRY

THE WORLDWIDE SHRINKAGE SURVEY

■ The tenth edition

This is the tenth edition of the Global Retail Theft Barometer (GRTB). To be more accurate it is the tenth year of the Theft Barometer which started in 2001 as a study of retail shrinkage, crime and loss prevention in Western Europe.

Originally called the European Retail Theft Barometer (ERTB), its purpose was to measure the effect of retail crime and related losses, to indicate trends affecting countries and regions, and to analyze the methods used by retailers to combat crime and protect customers, employees and stakeholders in the businesses. The Barometer has grown from a study of 15 countries in 2001 to 24 countries by 2006; it now covers 42 countries with combined retail sales of US \$7,903,093 million (\$8 trillion).

The Barometer ‘went global’ in 2007 and covers all inhabited continents. It is the largest and most comprehensive survey of retail theft and crime in the world. The GRTB has been valuable in showing trends in crime, shrinkage and loss

prevention and drawing the attention of the commentators and the wider public to retail crime issues.

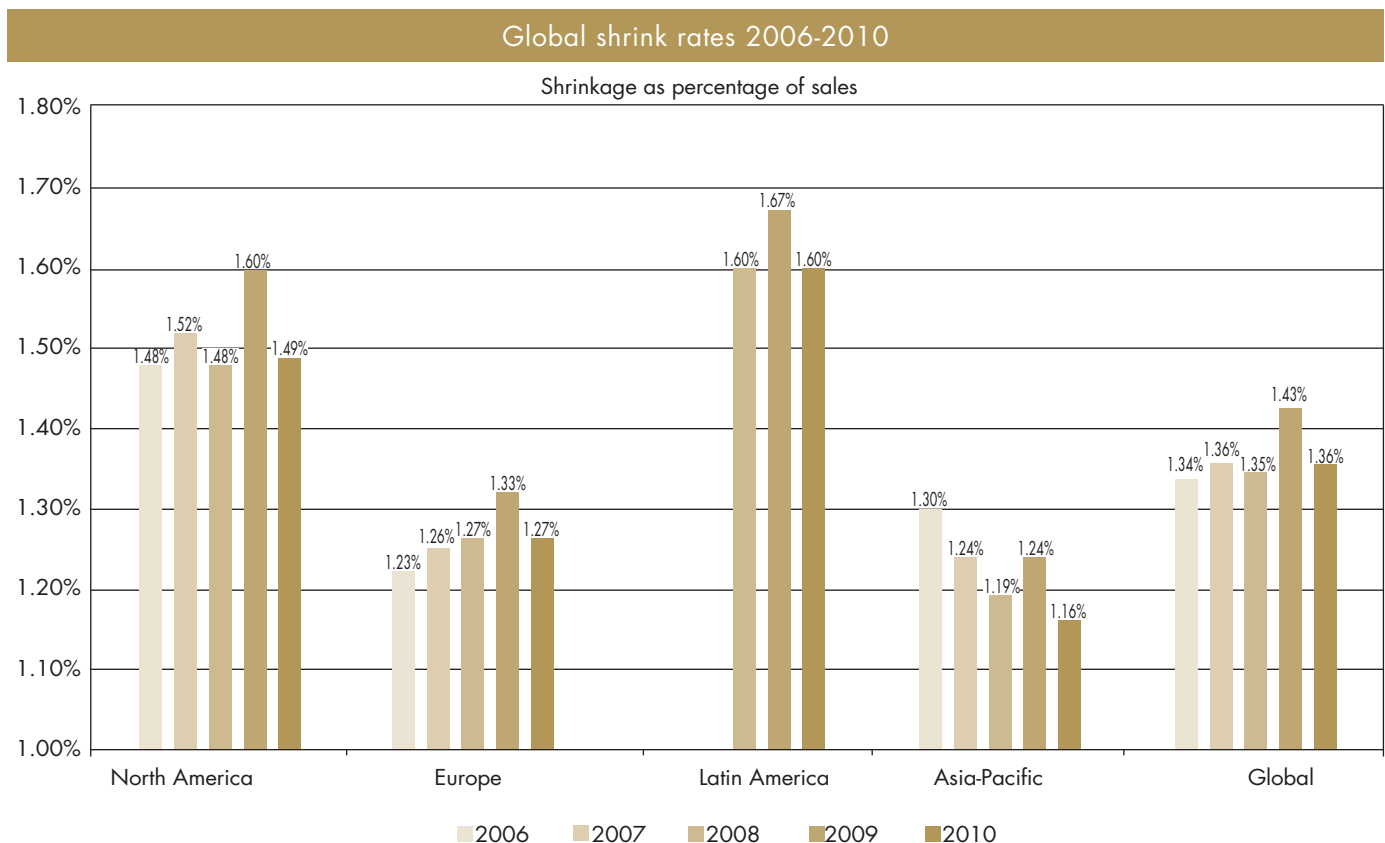
In this short Part II, it is intended to show how shrinkage rates have fluctuated since 2006, to draw some global conclusions about shrinkage based on ten years of European data, and discuss the impact of loss prevention expenditure on achieving lower rates of shrink.

■ Global shrink rates

Figure 2.1 draws on the different editions of the GRTB to show how shrinkage rates have fluctuated since 2006. Although the first GRTB was published in 2007, we asked respondents for their 2006 data as well. Latin American data is only available for 2008 and Middle East/Africa is excluded as it has been part of the study for only a couple of years.

Figure 2.1 shows that in the last five years, shrink rates in North America have had a ‘floor’ (or minimum level) of

Figure 2.1



1.48% to 1.49% of sales, but there have been upward spikes in 2007 (to 1.52%) and in 2009 (to 1.60%).

Europe, as will be discussed in the next section, shows a five-year ‘wave’ from 1.23% in 2006 to 1.33% in 2009, and a drop to 1.27% in 2010. Shrink in Asia-Pacific seems to be marked by a downward trend in the average shrinkage rate from 1.30% in 2006 to 1.16% in 2010, with a discontinuity in 2009 when shrink spiked to 1.24%. There is insufficient data to comment on Latin American experience except to note the spike in 2009 in common with retailers in every other region.

There can be many reasons for the regional and national differences in shrink rates, such as the local levels of criminality, opportunities, loss prevention investment, the effectiveness of crime prevention, good management, accountancy conventions, and a random element that some might call

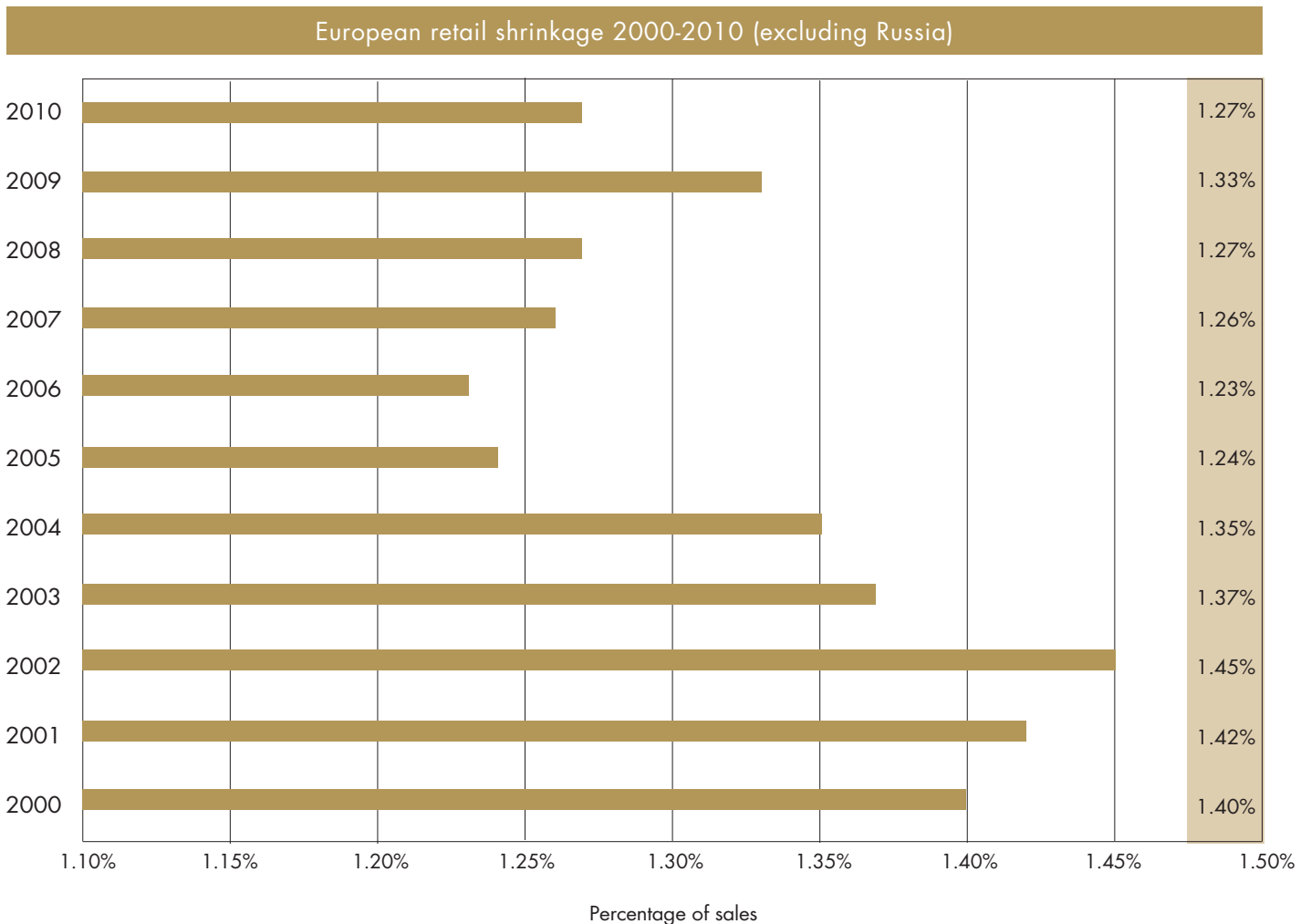
‘luck’. Shrinkage can vary from year to year, it differs between countries and regions, and the variations are even more extreme between different corporations. Thus to talk in terms of ‘a normal’ pattern or rate of shrinkage goes against the facts.

■ **European shrinkage rates: a retrospective**

We now have eleven years of data for Western Europe (including the 2000 figures collected in the 2001 survey) and it may be worthwhile to cast our eyes back at what this series of reports on crime and shrinkage tell us.

Figure 2.2 shows the average shrinkage rate in Western Europe as a percentage of sales for the period 2000 to 2010. It

Figure 2.2



would have been preferable to have included a much wider range of countries, but we only have full data for a decade in Western Europe.

In the year 2000, the average shrinkage rate for Europe was 1.40% (Figure 2.2), but by 2010 there had been a dramatic reduction in the European average to 1.27%.

It is possible to ascertain three main patterns, although there may be others.

Average shrinkage rates have fallen between 2000 and 2010 in Western Europe. In the last five years, shrinkage rates have fluctuated on either side of 1.26% to 1.27%, going in 2009 as high as 1.33% and as low as 1.23% in 2006. In contrast, in the first five years of the last decade, the shrinkage rate fluctuations were around a much higher central figure of 1.38%, rising to 1.45% in 2002 and falling to 1.35% in 2004 and subsequently to a figure as low as 1.24% in 2005. This is good news and it is produced by the efforts and imagination of retail loss prevention departments and the investment in lower crime that retail businesses have made over the years.

The second pattern we see consists of five-year cycles; a two or three year increase in average shrinkage, a peak rate which may serve to highlight the importance of loss prevention to the retail corporation, followed by a sharp decline to much lower rates. The peak years of shrink, based on the 10 years of this study, seem to be periods of lower economic activity, although as noted in GRTB 2009 this can only explain part of the growth in shrinkage.

The third pattern, which we see only in the raw data, is the variation between retail corporations. Even when percentage shrinkage rates are rising apparently universally, there are always between one-quarter and one-third of retailers that stand apart from this trend because their shrinkage falls or at least remains stable. There may be a number of reasons for this: good long-term strategy, superior management, consistent funding of loss prevention, good training and recruitment, an open approach to innovation, well-considered investment programmes, good fortune - or all of these - but the point is that for a proportion of retail corporations there seems to be nothing inevitable about the ebbs and flows of the shrinkage trade cycle.

The shrinkage rate in Europe rose as high as 1.33% of retail sales in 2009, although the upward trend started as long ago as 2006 when the shrinkage rate was 1.23%. The year 2009 was marked by an increase in many forms of property crime, not only against retailers. Because of the recession, many

loss prevention departments had to survive with lower funding. As we have seen, retailers in Europe in 2010 (as well as in the rest of the world) have responded aggressively to the problems of crime and increased shrinkage; they have used good management, higher investment and new policies to reduce European shrinkage to an average of 1.27%.

Although these patterns relate to Europe the issues are much wider.

■ Loss prevention spending and shrinkage

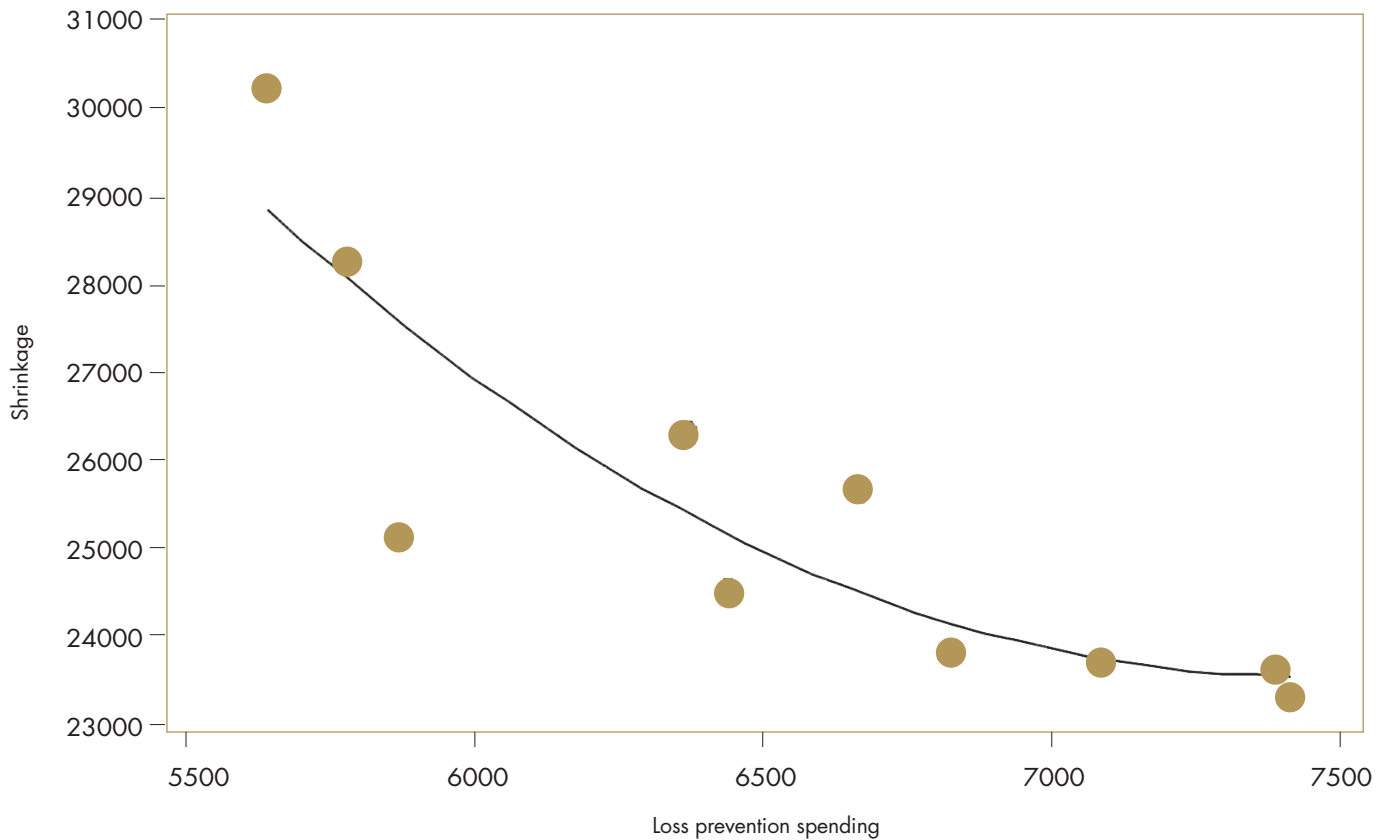
The final topic relating to the retrospective view of retail loss prevention through the 'rear view mirror' of the GRTB concerns loss prevention spending. How much should I spend on loss prevention? Retailers often spend very different amounts on loss prevention and security. At a country level loss prevention expenditure can be as low as 0.15% of retail sales (Japan), 0.29% in the UK, 0.39% in France or 0.46% in the U.S. It is possible to find countries with relatively low loss prevention spending, such as many in the Asia-Pacific region, where shrinkage is also low. So low loss prevention spending does not necessarily mean high crime and shrinkage and the opposite is also true. However the experience of many retailers in 2009, when loss prevention budgets were curbed in response to the economic crisis, was that crime and loss rose. The restoration of loss prevention budgets in 2010 has been associated with reduced shrinkage, although the improving economic picture may also have played some part.

It is very difficult to *prove* the impact of retail spending on loss prevention. There is obviously not a simple relationship between high loss prevention spend and low shrinkage. Perhaps it is like the famous quotation about advertising attributed to William Lever (Unilever) in the UK and John Wannamaker in the U.S., "Half the money I spend on advertising is wasted. The trouble is that I don't know which half." Some high-spending companies may obtain mediocre shrinkage results from their loss prevention budgets and others seem to do better with much less. The differences between these types of impact are normally put down to 'good management' but there are other reasons as well.

The ERTB and GRTB data have been used to try and consider how or whether loss prevention spending can affect a corporation's shrink. The test of loss prevention spending that we have used here involves looking at *changes* in the amount spent. We have ten years of data and we have used this in an exploratory way to assess the impact of *increases* or *reductions* in loss prevention spending upon the level

Figure 2.3

Shrinkage and loss prevention spending 2001-2009, Europe



of shrinkage. So we have not examined whether corporations that spend most on loss prevention get the very best results (after all they may face the most severe problems), but whether improved loss prevention budgets are related to shrink reductions and reduced funding associated with increases in shrinkage.

The answer is: yes, there is such an association. Figure 2.3 based on the ten-year run of data from Western Europe shows there is a relationship between increased loss prevention spending and lower shrink and between reductions in loss prevention spending and higher shrink. This does not mean of course that the total amount spent on loss prevention is association with low shrinkage.

The regression line is downward-sloping from left to right showing that *increased* loss prevention expenditure is associated with *reduced* shrinkage. Note that we are not arguing that one *causes* the other, simply that there is such a relationship and that it is consistent with the evidence that we have.

This is a crude analysis and obviously we are not arguing that the essence of successful loss prevention is simply to spend a great deal of money. Loss prevention budgets have to be allocated well, decisions made carefully, and the process needs to be managed excellently based on current useable information about the business. Loss prevention spending is part of this process.

■ Loss prevention function

Another way of examining the relationship between increased loss prevention spending and shrinkage is to use the tools of regression analysis. Basically we have tested the plausible assumption that total shrinkage is related in some way to several factors, particularly spending on loss prevention, the number of loss prevention employees and the level of security equipment. This approach is of course not ideal. There are gaps in data and we have no way of evaluating the *quality* of employees or security investment.

We do however have financial data covering loss prevention (LP) spending, LP employees and crime prevention/LP equipment and can model the manner in which increased *loss prevention inputs* relate to *shrinkage outputs*.

Using data from the ERTB and GRTB we set up a test to see whether changes in one or more of loss prevention spending, LP employees and crime prevention/LP equipment were related to changes in shrinkage. Obviously loss prevention departments do far more than reduce shrinkage; they deal with actual or potential risks of all kinds, so this was only a partial (and preliminary) measure of the work of loss prevention departments.

What we found was that there was indeed a statistical relationship between increased loss prevention provision and reduced shrinkage. Regression, based on a basic function termed a ‘Cobb-Douglas model’, showed that even this preliminary model could predict 62% of the change. In the real world (rather than the classroom) this is a fairly strong relationship. The actual equation is given at the end of this section and those who do not need to read the full details can now move on to Part III.

We also tested time-lags to discover whether increased loss prevention spending or increased security equipment reduced shrinkage the following year rather than this year. We found that there was such an effect but it was weaker than that

provided in the original equation. This suggests that, in terms of loss prevention spending, retailers emphasize the fastest possible payback or return.

This work is at a very preliminary stage, but it suggests that we need to focus as much on *changes in loss prevention spending* as on the total amount spent.

It does not *prove* that if we spend more on loss prevention that shrinkage will inevitably fall, but it does show that increments of loss prevention spending are associated with reductions in shrinkage and that decreased loss prevention spending can be associated with increased shrink. At the very least we can say that there is no evidence that loss prevention spending is immaterial to achieving low crime and reduced shrinkage levels.

The equation shows that increases in LP spending and LP equipment are associated with reduced shrinkage levels and *vice versa*. It also shows that reducing LP employees improves shrinkage, but that may be a statistical anomaly of the data set. There is likely to be some covariance between the variables (because of the nature of the data) but the explanatory power of all three variables is significantly greater than that of the first on its own.

The equation calculated from the data is as follows:

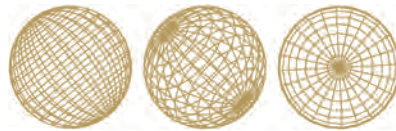
Equation 1

$$\text{Shrinkage} = 380 - 611 \cdot \text{LPspend} + 9.69 \cdot \text{LPemployees} - 6.67 \cdot \text{LP equipment}$$

(SE) (78) (126) (3.31) (2.54)

R² (predicted) = 61.9%
DW 1.1477

- LPspend – loss prevention expenditure actuals
- LPemployees – direct and indirect LP employees
- LPequipment – investment in loss prevention long-term assets



THE GLOBAL RETAIL THEFT BAROMETER
2010

PART THREE: NORTH AMERICA AND LATIN AMERICA

MONITORING THE COSTS OF SHRINKAGE AND CRIME
IN THE GLOBAL RETAIL INDUSTRY

THE WORLDWIDE SHRINKAGE SURVEY

■ Survey information

Part III of the report is based on results from 184 retailers in North America and 90 retailers in Latin America (Central and South America). Their combined sales were \$328.5 billion and \$37.5 billion respectively. Most responses came from the U.S., where there were 162 corporations that operated 58,130 stores and had total sales amounting to \$312.4 billion. Further information about responses from individual countries can be found in the Appendix.

Shrink information has been calculated against retail selling prices and data from retailers that use cost prices or a combination of cost and retail selling prices have been converted to retail selling prices. The calculations of average shrink rates within each country and for each geographical area use ‘weighted’ averages rather than simple averages, with proportionally greater significance being given to larger companies and larger countries.

■ Shrink rates in North and Latin America 2007-2010

Annual shrink rates for the period from the start of the GRTB proper in 2007 to 2010 can be found in Figure 3.1. The spike in shrink as a percentage of sales in 2009 can be seen clearly and all countries except Brazil have reduced their shrink rates in 2010. However the sample size from Brazil in 2009 was only 25 compared to 37 this year, so the Brazilian apparent shrink increase may result from a better sample; it may not relate to an actual rise in losses.

Detailed figures from 2010 covering retailers in North America and Latin America can be found in Table 3.1.

Figure 3.1

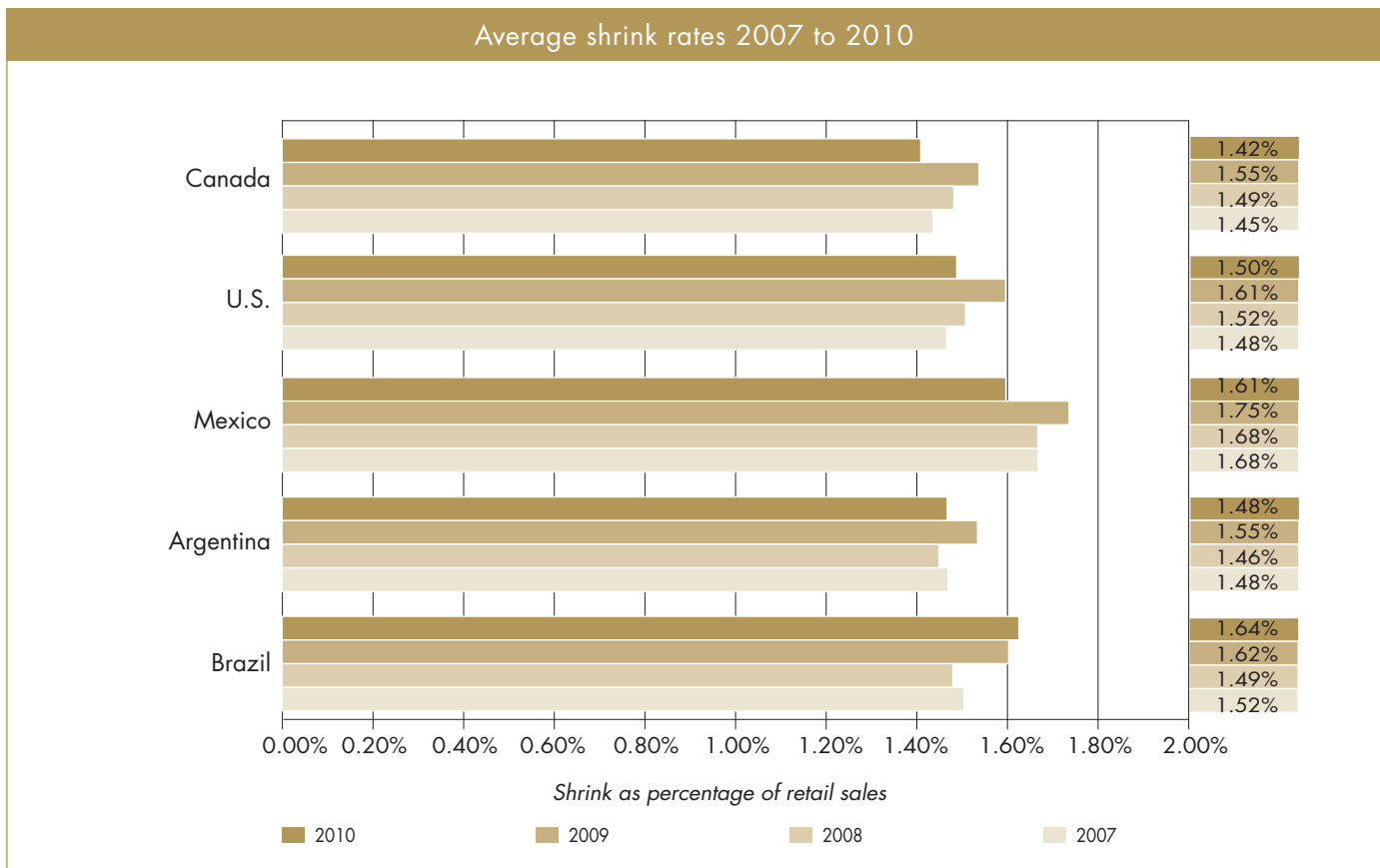


Table 3.1

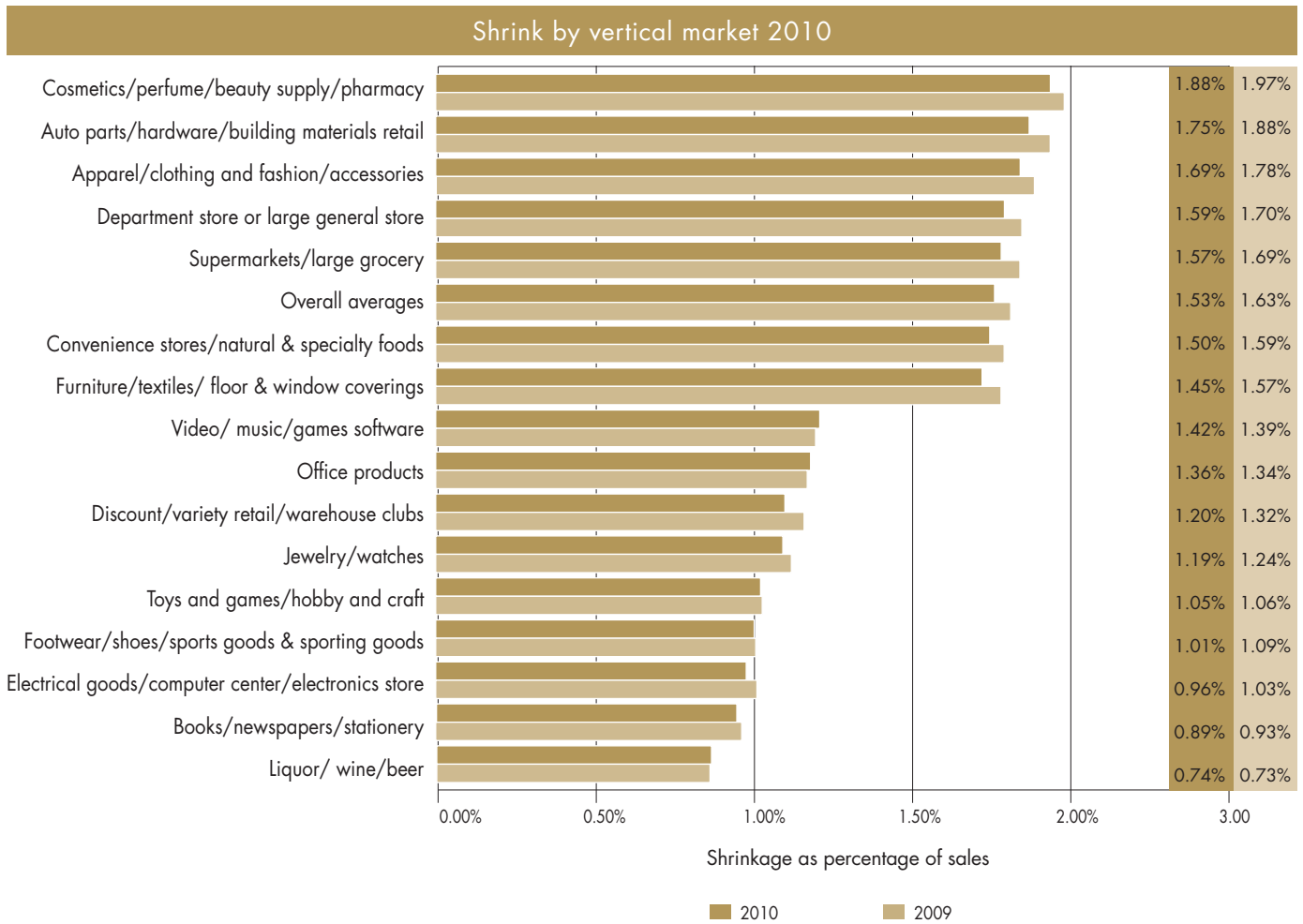
Retail Shrink in North America and Latin America 2010				
	Total Shrink 2010 U.S. \$ billion*	Shrink (as percentage of sales)		Percentage Change 2009-2010
		2010	2009	
Canada	\$3.459	1.42%	1.55%	-8.4%
United States	\$39.331	1.50%	1.61%	-6.8%
Total North America	\$42.790	1.49%	1.60%	-6.9%
Argentina	\$0.714	1.48%	1.55%	-4.5%
Brazil	\$2.313	1.64%	1.62%	1.2%
Mexico	\$2.799	1.61%	1.75%	-8.0%
Total Latin America	\$5.826	1.60%	1.67%	-4.2%
Total North and Latin America	\$48.616	1.50%	1.61%	-6.7%

Retail shrink is measured against retail selling prices. Owing to the effect of rounding, totals, percentages, and percentage change may not sum exactly.

Shrink in North America amounted to \$42.8 billion in 2010 (a rate of 1.49% as a percentage of sales) and a reduction in 6.9% in the shrinkage rate. Total shrink in the U.S. amounted to slightly more than \$39.3 billion in 2010 (1.50% of sales), a reduction of \$2.9 billion compared to last year. Canada's losses also fell to a little under \$3.5 billion (1.42% of sales), a reduction of \$0.317 billion against 2009. Shrink rates fell by 6.8% in the U.S. and 8.4% in Canada. In 2009, shrink rates in North America rose faster than most other countries and the pace of shrink reduction in 2010 has also been faster than most other countries.

The Latin American survey covered Argentina, Brazil and Mexico and found that shrink cost retailers \$5.8 billion, a fall of \$0.248 billion compared to 2009. Shrink in Mexico fell by an average of 8.0% (that corrected the increase in 2009), 4.5% in Argentina and, as already noted, rose slightly in Brazil by 1.2% to produce an average shrink rate of 1.64%.

Figure 3.2



■ Shrink by business sector/vertical market

Figure 3.2 indicates the average shrinkage rate for the key retail vertical markets using 16 categories (derived from the Hoover’s, Inc. categorization of the global retail marketplace).

The rank order of categories is similar to last year, but with a lower rate of shrinkage. The highest average rates of shrink were seen in cosmetics/perfume/beauty supply/pharmacy (1.88%), auto parts/hardware/building materials retail (1.75%) and apparel/clothing and fashion/accessories (1.69%). The lowest rates were in liquor/ wine/beer (0.74%), books/newspapers/stationery (0.89%), and electrical goods/computer center/electronics store (0.96%).

These are, of course, average shrinkage rates for *specialist/ specialty retail businesses* rather than product categories.

Hence, as noted in Part I, while liquor stores have an average shrinkage rate of 0.74% in North America, alcohol as a category in North American food stores suffered much higher shrinkage losses of 3.13% and in Latin America shrink was 2.69%. Care needs to be taken therefore when using these vertical market results.

■ Sources of retail shrink

The main source of retail shrinkage loss in North America and Latin America was dishonest employees, responsible for 43.7% of retail shrink in North America (Figure 3.3) and 43.1% in Latin America (Figure 3.4). This proportion also includes fraudulent employees placed in retail organizations by organized crime. The total losses caused by dishonest employees were \$18.692 billion in North America and \$2.513 billion in Latin America. In North America, the proportion of shrinkage attributed to employee theft fell from 44.2% in 2009 and rose slightly in Latin America.

The second largest source of retail shrink loss was thought to be shoplifting. Retailers have focused vigorously on the issues caused by organized retail crime (ORC), a major contributory factor to shoplifting, particularly in the U.S.

In North America the proportion of shrink attributed to shoplifting fell slightly from 35.8% in 2009 to 35.0% in 2010 (Figure 3.3). Both the U.S. and Canada experienced an increase in attempted and actual shoplifting, so this reduction in shoplifting-related shrink should not be taken as meaning that the problem of shoplifting is declining.

Shoplifting in Latin America as a cause of shrinkage was 32.2%, a slight reduction from 2009 (Figure 3.4).

Supplier/vendor crime was responsible for 4.4% or almost \$1.9 billion of shrink in North America, but represented 7.8% of Latin American shrink or a little under \$0.5 billion.

Lastly, internal or ‘administrative’ error, which includes accounting mistakes, pricing errors and process failures, cost retailers \$7.2 billion (16.9% of shrink losses) in North America and \$0.98 billion (16.9% of shrink losses) in Latin America.

These estimates of the contribution to shrink loss made by employees, shoplifters, vendors/suppliers and administrative error are, of course, based on the perceptions of loss prevention specialists, reflecting their current understanding of the major problems they face.

Figure 3.3

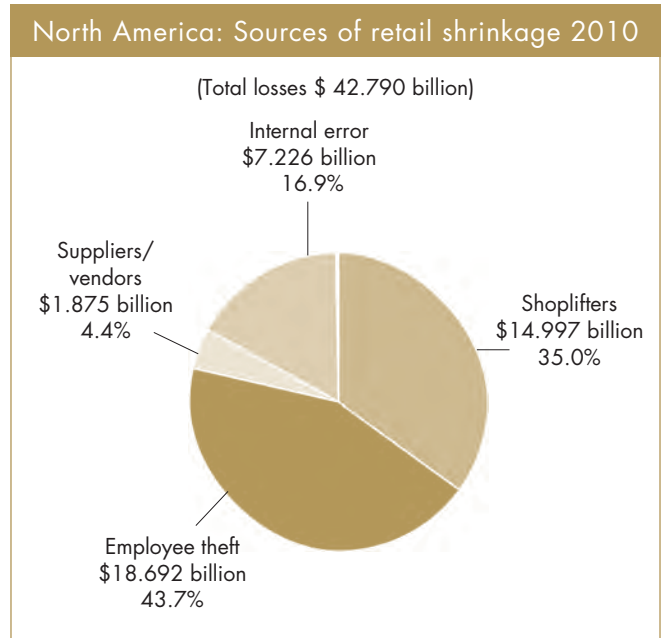


Figure 3.4

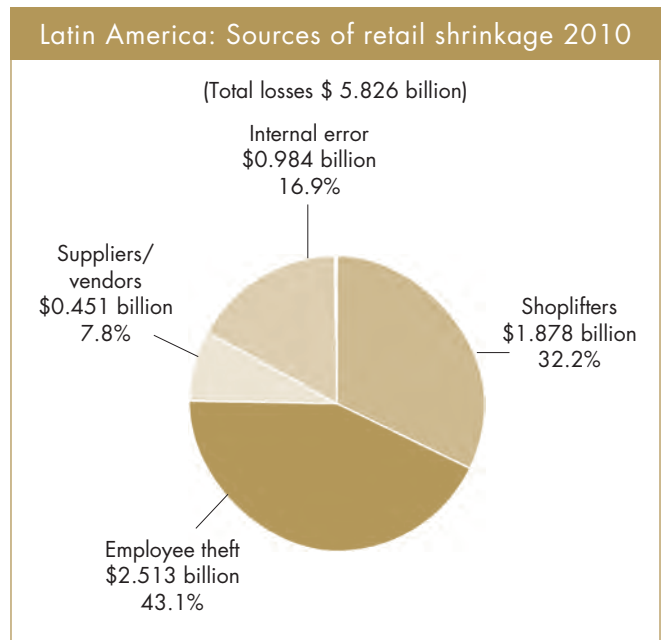


Table 3.2

Sources of shrink 2010 (US. \$ million)					
	Shoplifters	Employees	Suppliers/vendors	Internal error	Total shrink
Canada	\$1,270	\$1,504	\$145	\$540	\$3,459
<i>Percentages</i>	36.7%	43.5%	4.2%	15.6%	100.0%
U.S.	\$13,727	\$17,188	\$1,730	\$6,686	\$39,331
<i>Percentages</i>	34.9%	43.7%	4.4%	17.0%	100.0%
Total North America	\$14,997	\$18,692	\$1,875	\$7,226	\$42,790
<i>Percentages</i>	35.0%	43.7%	4.4%	16.9%	100.0%
Argentina	\$223	\$308	\$44	\$139	\$714
<i>Percentages</i>	31.2%	43.1%	6.2%	19.5%	100.0%
Brazil	\$759	\$1,004	\$175	\$375	\$2,313
<i>Percentages</i>	32.8%	43.4%	7.6%	16.2%	100.0%
Mexico	\$896	\$1,201	\$232	\$470	\$2,799
<i>Percentages</i>	32.0%	42.9%	8.3%	16.8%	100.0%
Total Latin America	\$1,878	\$2,513	\$451	\$984	\$5,826
<i>Percentages</i>	32.2%	43.1%	7.8%	16.9%	100.0%

■ Organized retail crime

Organized retail crime (ORC) consists of large or small gangs that may prey solely upon retail stores or be linked to other forms of crime and extortion including drugs, prostitution and payment card fraud. While this is a problem in other parts of the world it has not become, as far, a national problem for most countries.

Figure 3.5 shows the proportion of retailers in each country in North and Latin America experiencing increased losses from ORC.

More U.S. retailers claimed that ORC-related losses had increased (47.8%) than any other country and this may also be related to the 36.7% increase in actual or attempted shoplifting in 2010, one of the highest incidents of victimization in GRTB 2010. Other countries that were badly affected by increased ORC crime were Mexico (43.9%) and Brazil (38.7%). The average for North America was 46.9% and 39.9% in Latin America.

Figure 3.5



■ **Apprehended shoplifters and dishonest employees**

The number of customer and employee thieves apprehended by retailers in 2010 was 2.46 million in North America and 0.17 million in Latin America (Table 3.3). Compared to 2009, this was an increase in North America of 130,905 and a small increase of 2,671 in Latin America.

Dishonest employees formed 28% of apprehended retail thieves in North America, compared to the global average of 14%. In the U.S., retailers apprehended more than 0.67 million employee thieves, a slight reduction compared to 2009. This reflects the comparative scale of employee theft in the U.S., while the great majority of persons apprehended in other regions are shoplifters (globally 86% of apprehended thieves are shoplifters). In Latin America employee thieves made up 10% of store thieves apprehended, a further small increase compared to 2009.

The average value stolen or admitted by employee thieves in North America (\$1,994.95) was more than six times the average stolen by customer thieves (\$321.46), emphasizing the shrink-reduction benefits of preventing employee theft. In the U.S., the average theft amount stolen or admitted by employee thieves was \$2,011.90, an increase compared to 2009.

The average value stolen by employee thieves (\$291.44) in Latin America was more than three times greater than the average amount stolen by shoplifters (\$88.65), but the average value stolen by shoplifters had risen by 29%.

Table 3.3

Number of thieves apprehended 2010					
	Shoplifters		Employee thieves		Totals
	Number	Average amount stolen (\$) per incident	Number	Average amount stolen (\$) per incident	Number
Canada	19,952	\$289.07	9,782	\$826.58	29,734
U.S.	1,759,104	\$321.83	674,554	\$2,011.90	2,433,658
Total North America	1,779,056	\$321.46	684,336	\$1,994.95	2,463,392
<i>Percentage shoplifter/employees</i>	<i>72%</i>		<i>28%</i>		<i>100%</i>
Argentina	20,102	\$77.76	1,721	\$284.55	21,823
Brazil	52,238	\$86.37	6,765	\$278.90	59,003
Mexico	83,682	\$92.69	8,777	\$302.45	92,459
Total Latin America	156,022	\$88.65	17,263	\$291.44	173,285
<i>Percentage shoplifter/employees</i>	<i>90%</i>		<i>10%</i>		<i>100%</i>

■ Retail loss prevention and security spending

Retail corporations spent almost \$13 billion on loss prevention in North America (an average of 0.45% of retail sales) in the 12 months ending June 2010 (Table 3.4). This was an increase of more than \$1.4 billion compared with 2009, an increase in loss prevention spending (as a percentage of sales) of 11.5%.

U.S. loss prevention costs were \$12 billion (0.46% of sales) consisting of more than \$8.2 billion of operating costs/ current costs and \$3.8 billion in capital costs. This was an increase of 12.5% compared to 2009.

Table 3.4

Loss prevention costs 2010 (Value in U.S. \$billion)				
	LP costs	Operating Costs, Current Cost Totals	Capital Totals	Loss prevention costs as percentage of sales
Canada	\$0.933	\$0.696	\$0.237	0.38%
United States	\$12.062	\$8.223	\$3.839	0.46%
North America	\$12.995	\$8.919	\$4.076	0.45%
Argentina	\$0.165	\$0.129	\$0.036	0.34%
Brazil	\$0.361	\$0.244	\$0.117	0.26%
Mexico	\$0.279	\$0.222	\$0.057	0.16%
Total Latin America	\$0.805	\$0.595	\$0.210	0.22%
Global Totals	\$26.823	\$18.500	\$8.323	0.34%

Latin American retailers spent an average of 0.22% of their retail sales on loss prevention, or \$0.805 billion. Operating costs/current costs were \$0.595 billion and capital costs \$0.210 billion. Total loss prevention spending (as a percentage of sales) increased in Latin America by 24.0% from a comparatively low figure in previous years; the largest increases were seen in Mexico and Brazil.

The figures show that retail loss prevention expenditure is not only a significant dollar amount but represents 30.4% of total shrinkage losses in North America and 13.8% in Latin America.

Figures 3.6 and 3.7 show a breakdown by category of the loss prevention spending in North America and Latin America.

The largest element of loss prevention spending in both North and Latin America was loss prevention employees. North American retailers spent a little under \$2.7 billion (20.7% of LP spending) on directly-employed loss prevention personnel and almost \$4.7 billion (36.0%) on third-party contract employees – a combined total of \$7.4 billion or 56.7% of total LP expenditure. This was an increase in the share of loss prevention expenditure of 0.5%.

In Latin America, retailers spent \$0.222 billion (27.5% of LP spending) on directly-employed LP personnel and \$0.208 billion (25.8% of LP spending) on third-party employees, a combined total of \$0.429 billion or 53.3%. These figures show that retailers in Latin America were substituting contract employees for in-house security, although total spending on loss prevention employees had increased since last year.

Spending on security equipment (including electronic surveillance, CCTV, EAS, IT and depreciation) in North America rose as a percentage of retail sales by 17.0% to a total of more than \$4 billion (31.4% of loss prevention spending). The main headings of the remaining budget spending were armored vehicle cash collection, which rose to \$0.97 billion (7.5% of LP spending) and ‘other’ projects which cost \$0.57 billion (4.4%).

In Latin America spending on security equipment amounted to \$210 million (26.1% of LP spending) and armored vehicle cash collection cost \$92 million or 11.5% of LP spending. ‘Other’ projects cost 9.1% of LP spending equivalent to \$73 million.

Figure 3.6

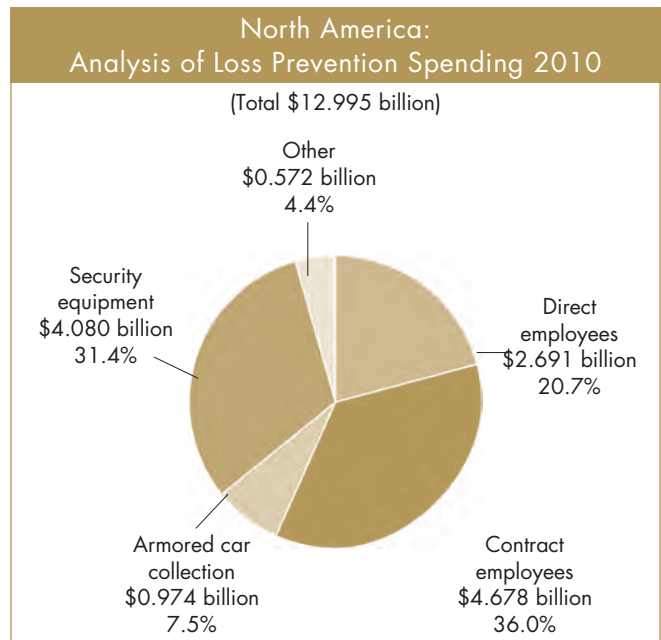
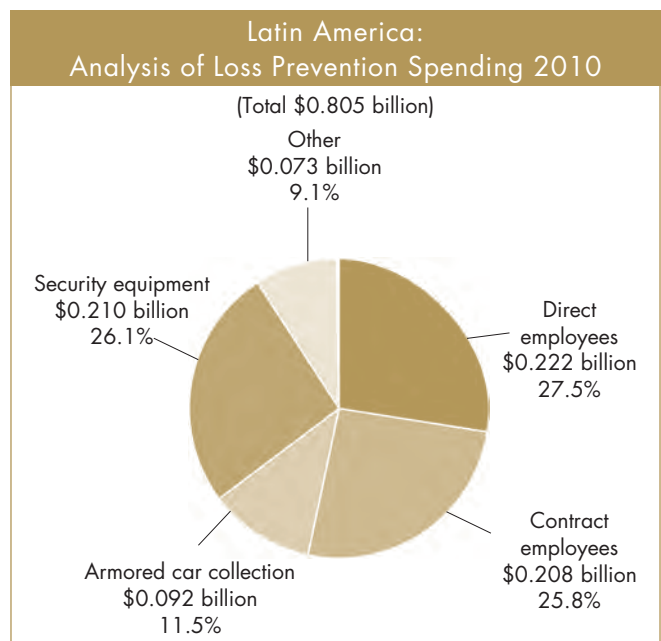


Figure 3.7



THE GLOBAL RETAIL THEFT BAROMETER

The percentage allocation of loss prevention budgets in other countries was not radically different from North America or Latin America. This is not surprising; the tasks faced by loss prevention departments are similar across the world.

■ The costs of retail crime

‘Shrink’ is a measure of retail losses, not all of which occur as a result of crime. In this section, we separate out the non-crime retail losses (for example, those losses caused by incorrect pricing or other forms of error) and concentrate solely on the losses caused by crime.

The ‘costs of crime’ (Table 3.5) shows the full impact of crime on retailers. It includes the following costs:

- Shoplifting and customer theft
- Employee theft
- Supplier/vendor theft including losses in the supply chain
- Loss prevention itself, as these costs are only required because crime occurs.

In North America the total costs of crime for the year ending June 2010 were more than \$48.5 billion, a reduction from \$50 billion in 2009. Latin American crime costs were \$5.6 billion, a small reduction compared to 2009.

Crime costs in North America and Latin America consisted of the following:

- North America: shoplifting cost almost \$15.0 billion; employee theft \$18.7 billion; supplier/vendor losses almost \$1.9 billion; and the costs of loss prevention were over \$12.9 billion.
- Latin America: shoplifting more than \$1.8 billion, employee theft \$2.5 billion, supplier/vendor theft almost \$0.5 billion and loss prevention costs of \$0.8 billion.

The total figures for both regions are of course dominated by the U.S., where the retail crime costs were \$44.7 billion, a reduction of \$1.4 billion compared to 2009. In the U.S. this cost was made up of \$13.7 billion of customer theft, almost \$17.2 billion employee theft, supplier/vendor losses of \$1.7 billion and loss prevention costs of more than \$12.0 billion.

Table 3.5

Costs of retail crime 2010 (U.S. \$ billions)						
	Shoplifters	Employees	Suppliers /vendors	Loss Prevention	2010 Totals	2009 Totals
Canada	\$1.270	\$1.504	\$0.145	\$0.933	\$3.852	\$4.039
United States	\$13.727	\$17.188	\$1.730	\$12.062	\$44.707	\$46.093
North America	\$14.997	\$18.692	\$1.875	\$12.995	\$48.559	\$50.132
Argentina	\$0.223	\$0.308	\$0.044	\$0.165	\$0.740	\$0.755
Brazil	\$0.759	\$1.004	\$0.175	\$0.361	\$2.299	\$2.193
Mexico	\$0.896	\$1.201	\$0.232	\$0.279	\$2.608	\$2.775
Latin America	\$1.878	\$2.513	\$0.451	\$0.805	\$5.647	\$5.723
Global Totals *	\$45.484	\$37.839	\$5.825	\$26.823	\$115.971	\$124.179

(2009 data adjusted for differences in coverage)

In Canada, retail crime costs were a little under \$3.9 billion, made up of \$1.27 billion of shoplifting, \$1.50 billion of employee theft, \$0.15 billion of suppliers/vendor fraud, and loss prevention costs of \$0.93 billion.

These costs of crime are equivalent to an annual tax imposed by criminals on honest shoppers in every household. In 2010 the 'crime tax' was equivalent to \$412.83 per household in North America, a significant total. In Latin America the retail crime tax was \$63.95.

■ Store audit programs and loss prevention compliance

The proportion of North American retailers with a store audit program in place was 92% (Table 3.6), a significant increase compared to the figure of 84% in 2008. In Latin America by 2010, 72% of retailers had a store audit program (the 2008 equivalent was 62.4%). Among those who conducted regular loss prevention audits, 74% of North American retailers and 41% of Latin American retailers did so three or more times every year.

Table 3.6

Store audit/compliance programs			
		Frequency of audits per annum	
	Retailers with audit program in place	1 to 3 times	More than 3 times
Canada	89%	19%	70%
United States	93%	18%	75%
North America	92%	18%	74%
Argentina	71%	29%	42%
Brazil	74%	28%	46%
Mexico	70%	33%	37%
Latin America	72%	31%	41%
Totals global percentages*	80%	22%	58 %

Table 3.7

Protecting the 50 Most-Stolen Lines 2010			
	North and Latin America averages	Sub-totals	Global averages
Percentage of lines not protected	20.6%	20.6%	25.5%
EAS hard tags	13.6%		14.0%
EAS soft or paper tags	16.9%		13.7%
EAS source tagging	14.0%		10.2%
3-alarm accessories	5.2%	49.7%	4.2%
Displayed in locked cabinets or shelves	5.8%		7.0%
Dummy cartons or ticket systems	2.5%		3.5%
Chains, cables, loop alarms	3.7%		4.5%
Keepers/safers, locked boxes, product alarms	15.1%		13.4%
Other protection device	2.6%	29.7%	4.0%
Totals	100.0%	100.0%	100.0%

■ Protecting the most-stolen merchandise

Retailers in North and Latin America were asked what specific measures they took to protect their 50-most stolen product lines (or SKUs) from being stolen. The results are shown in Table 3.7.

On average, among the respondents to the questionnaire, a little more than one-fifth (20.6%) of the 50 most-stolen product lines were not specifically protected. This was an improvement compared to the figure of 24.6% in 2008 as well as being a much better figure than other regions.

The main methods of protection used for the most vulnerable product lines involved either electronic tagging or locking and securing products in some way.

EAS (electronic article surveillance) was the most significant method of protection, used on 49.7% of all lines. EAS hard tags were used on 13.6% of items, soft or paper tags on 16.9%, and 14.0% of the most stolen

product lines were protected by EAS source tagging applied during manufacture or final processing. 5.2% of items were protected by 3-alarm accessories. A proportion of merchandise protected by keepers/safers and product alarms were also secured by electronic surveillance.

Merchandise was displayed in locked cabinets or locked shelves (5.8%) that could only be accessed by an employee with a key, or secured by chains, cables or loop alarms (3.7%). Keepers/safers, locked boxes and product alarms were used to secure 15.1% of the most-stolen items. A small proportion of merchandise (2.5%) was not displayed in the store selling area at all, but was held in a stockroom and the customer ‘bought’ a dummy carton or used a ticket or card to purchase the item. Overall, 29.7% of merchandise was protected by locking and securing methods.

On average, retailers in North America and Latin America use EAS more than their counterparts in other parts of the world, with 49.7% of the most vulnerable product lines being EAS-protected, compared to a global figure of 42.1%.

Table 3.8

New loss prevention policies						
	North America		Latin America		Global	
	Implemented	Planned	Implemented	Planned	Implemented	Planned
More employee training to spot and deter theft	89%	54%	86%	92%	91%	75%
Pre-hiring screening for employees	39%	26%	20%	23%	27%	23%
Increased spending on crime prevention hardware and software	34%	21%	29%	16%	32%	18%
Increased spending on LP consumables	31%	24%	18%	27%	24%	22%
Hiring more in-store LP employees	25%	16%	26%	24%	24%	15%
Increase EAS reusable accessories	22%	19%	17%	19%	22%	17%
New CCTV video surveillance	19%	23%	13%	24%	20%	20%

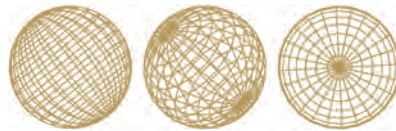
■ New loss prevention policies

Retailers have continued to introduce new loss prevention policies and upgrade existing programs to deal with the crime-related problems that they face (Table 3.8).

The most frequently cited policies involved ‘more employee training to help spot and deter theft’, now implemented by 89% of North American retailers (compared to 68.2% in 2009) and 86% of Latin American retail corporations (compared to 72.1% in 2009). Further training programs were planned by 54% of North American retailer corporations and 92% of Latin American retailers. New policies for ‘pre-hiring screening for new employees’, an important area in view of the significance of employee theft, had been introduced by 39% of North American retailers and a further 26% planned to do so. In Latin America 20% had introduced new ‘pre-hiring screening’ since 2009 and 23% planned to do this.

Thirty four per cent of North American retailers and 29% of Latin American retail businesses increased spending on ‘crime reduction hardware and software’. Other important areas of development included: ‘increased spending on LP consumables’ (by 31% of North American retailers and 18% of Latin American chains); new in-store LP employees had been hired by 25% of North American retailers and 26% of Latin American ones; and increased use of EAS reusable accessories was reported by 22% of North America retail corporations and 17% in Latin America. ‘New CCTV video surveillance’ had been implemented by 19% of North American retailers and 13% in Latin America.

Thus retailers were making use of a range of new policies, most introduced over the past two years and there are plans to develop most of these programs further in the next two years.



THE GLOBAL RETAIL THEFT BAROMETER
2010

PART FOUR: EUROPE

MONITORING THE COSTS OF SHRINKAGE AND CRIME
IN THE GLOBAL RETAIL INDUSTRY

THE WORLDWIDE SHRINKAGE SURVEY

■ Survey information

Since 2001 retail corporations in Europe have been sharing information about retail crime and shrinkage through the *European Retail Theft Barometer* (ERTB), now part of the *Global Retail Theft Barometer* (GRTB). Starting in 2001 as a study focused on Western Europe, the Barometer has grown to include virtually all European countries.

For 2010, the GRTB now covers Russia, whose figures are now included within the totals for Europe. The reason is purely geographic. There are no political reasons behind this decision and no implications are meant or should be drawn from providing this additional information that will be of interest to all retailers. This section (Part IV) now covers 26 different countries, whose retail sales constitute almost 40% of the total sales of all the countries covered by GRTB 2010.

Five hundred and thirty-seven European retailers responded to the current GRTB questionnaire and 34 corporations from Russia. The retailers in Western and Central Europe operated 62,285 stores with combined sales of €335,735 million (\$411.6 billion) and those in Russia had 6,452 stores with a combined turnover of €10,586 million (\$13.0 billion). Further information on a country basis about the respondents can be found in the Appendix. This is a confidential survey: it should be noted that where necessary to protect confidentiality, data that would allow a company's identity to be determined may have been concealed. In addition, large corporations frequently participate in the GRTB on a sub-divisional basis.

This report covers the twelve-month period ending in June 2010 and deals with trends in loss prevention spending, the extent of theft by customers and by employees, current information on what products are most stolen, estimates of the means of internal theft and fraud, and how retailers protect their most vulnerable merchandise. All shrinkage figures used here are based on retail selling prices. Data from retailers that use cost prices or a combination of cost and retail selling prices have been converted to retail selling prices.

The currency used in this section is euros. This has been done as a result of feedback from European retailers about the use of different currencies. All other parts of the GRTB 2010 report are expressed in US dollars. Fluctuations in exchange rates affect a large number of countries – not only the members of the euro – and make it difficult to compare accurately financial data over a period of time. To avoid extreme values, when converting exchange rates, the GRTB in the past adopted the position of smoothing the results by using rates of exchange that were long-term (i.e. 12 month) averages, but this is no longer possible. Hence GRTB 2010 uses the 30 June 2010 market rates of exchange. This means that comparisons with earlier years may be difficult because different exchange rates will have been used. Care should be taken therefore when making comparisons with 2009 or earlier years.

The dollar: euro rate of exchange used in GRTB 2010 is US \$1 = €0.81565. Other rates of exchange are given in Part I.

The results of a number of countries have been combined in order to ensure confidentiality.

■ Shrinkage rates in Europe

The average shrinkage rate in 2010 as a percentage of sales was 1.29% in Europe (or 1.27% if Russia is excluded). Total shrinkage, defined as losses caused by crime and internal error, was a total of €33,466 million (\$41.0 billion) or €30,757 million (\$37.7 billion), excluding Russia. In 2009, European shrinkage was €32,285 million (\$39.6 billion) and an average of 1.33% of retail sales (1.35% in 2009 if Russia were included).

The shrinkage rates by country are shown graphically in Figure 4.1 and in Table 4.1.

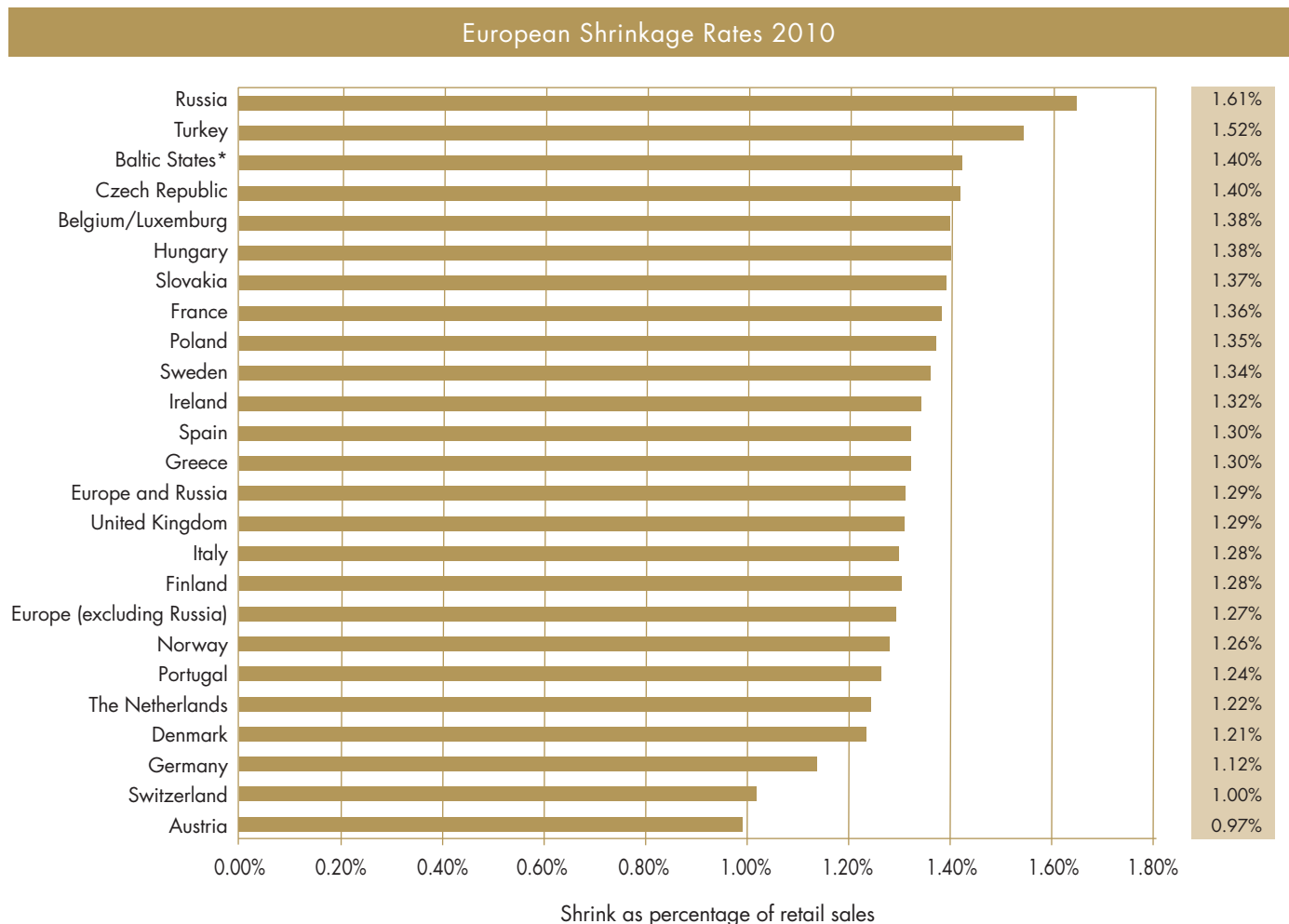
The countries with the highest shrinkage rates in 2010 were Russia (1.61%), Turkey (1.52%) and the Czech Republic (1.40%) and shrinkage has fallen in all these countries, including Turkey where it fell 9%.

The lowest shrinkage rates in Europe are found, as before, in Austria (0.97%), Switzerland (1.00%) and Germany (1.12%).

As Table 4.1 indicates, the largest falls in shrinkage rates were seen in Turkey (-9.0%), Greece (-6.5%) and Italy (-5.9%). It would be wrong however to place too much importance on a particular country's shrinkage performance in any one year, because it can be affected by so many different influences.

In Western Europe (Table 4.1) the average shrinkage rate was 1.26% in 2010 (down 5.3% since 2009), Central Europe 1.37% (down 4.9%), and Russia 1.61% (down 4.2% since 2009). Total shrinkage in Western Europe was €28,540 million (\$34.9 billion), Central Europe's shrinkage was €2,217 million (\$2.7 billion) and in Russia alone €2,709 million (\$3.3 billion).

Figure 4.1



THE GLOBAL RETAIL THEFT BAROMETER

Table 4.1

Europe: Retail Shrinkage by Country 2010				
	Total shrinkage 2010 (€ millions)	shrinkage 2010 (as % of sales)	shrinkage 2009 (as % of sales)	Percentage change 2009-2010
Austria	€445	0.97%	0.99%	-2.0%
Belgium/Luxemburg	€842	1.38%	1.41%	-2.1%
Denmark	€370	1.21%	1.25%	-3.2%
Finland	€405	1.28%	1.31%	-2.3%
France	€4,717	1.36%	1.42%	-4.2%
Germany	€4,987	1.12%	1.17%	-4.3%
Greece	€499	1.30%	1.39%	-6.5%
Ireland	€435	1.32%	1.38%	-4.3%
Italy	€3,205	1.28%	1.36%	-5.9%
The Netherlands	€1,159	1.22%	1.26%	-3.2%
Norway	€431	1.26%	1.31%	-3.8%
Portugal	€340	1.24%	1.26%	-1.6%
Spain	€2,682	1.30%	1.36%	-4.4%
Sweden	€642	1.34%	1.39%	-3.6%
Switzerland	€611	1.00%	1.03%	-2.9%
Turkey	€1,378	1.52%	1.67%	-9.0%
United Kingdom	€5,393	1.29%	1.37%	-5.8%
Western Europe	€28,540	1.26%	1.33%	-5.3%
Baltic States*	€203	1.40%	1.44%	-2.8%
Czech Republic	€356	1.40%	1.47%	-4.8%
Hungary	€341	1.38%	1.45%	-4.8%
Poland	€1,179	1.35%	1.42%	-4.9%
Slovakia	€137	1.37%	1.45%	-5.5%
Central Europe	€2,217	1.37%	1.44%	-4.9%
Russia	€2,709	1.61%	1.68%	-4.2%
Europe excluding Russia	€30,757	1.27%	1.33%	-4.5%
Total Europe	€33,466	1.29%	1.35%	-4.4%
Global	€87,506	1.36%	1.44%	-5.6%

* Baltic States: Latvia, Lithuania, Estonia

■ Shrinkage by business sector/vertical market

Different types of retailer often have different shrinkage problems and may even account for shrinkage differently. In Figure 4.2 we show how the average shrinkage rate varies between 16 different types of retail business or vertical markets. Care should be taken, when making comparisons, as similar businesses may classify themselves differently.

The lowest average rates of shrinkage in Europe were found in footwear/shoes/sports goods & sporting goods (0.64%), discount/variety retail/warehouse clubs (0.68%), and furniture/textiles/floor & window coverings (0.72%).

The highest average rates were found in apparel/clothing and fashion/accessories (1.79%), convenience stores/natural & speciality foods (1.77%), and vehicle parts/ hardware/ DIY/building materials retail (1.70%).

Inspection of Figure 4.2 shows that the main rankings changed very little compared to 2009; all sectors managed to reduce shrinkage apart from cosmetics/ perfume/health and beauty/ pharmacy where it remained unchanged at 1.58%.

There were considerable variations within as well as between each category. Individual retailers frequently have shrinkage rates that are significantly higher or lower than the industry averages shown here.

These are, of course, average shrinkage rates for specialist retail businesses rather than product categories. For example, although liquor, wine beer/off-licence stores have an average shrinkage rate in Europe of 0.80% (Figure 4.2), alcohol as a category in European food and grocery stores suffered shrinkage losses of 1.97% (Table 1.4).

Figure 4.2

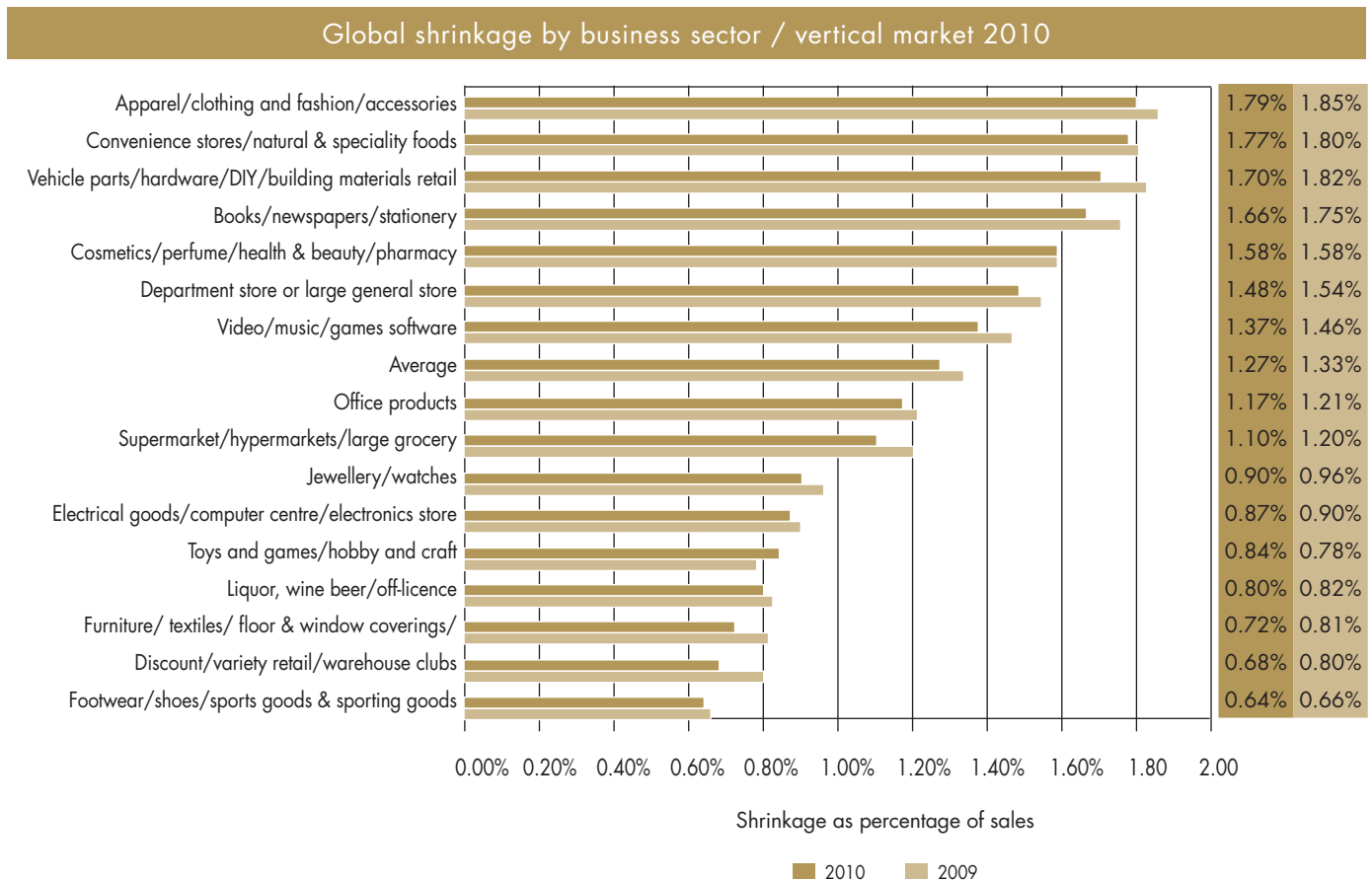
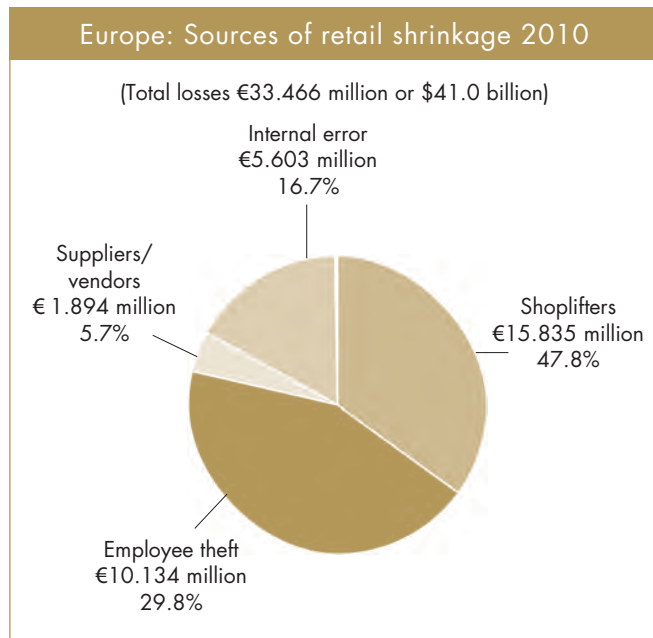


Figure 4.3



■ Sources of retail shrinkage

There is considerable debate amongst retailers about the most important cause of shrinkage losses. In Europe the results from retail companies indicate that they see shoplifters (or customer theft) as being the main problem responsible for €15,835 million of losses (\$19.4 billion) or 47.8% of total shrinkage (Figure 4.3). Employee theft, at €10,134 million (\$12.4 billion or 29.8% of shrinkage) was estimated by retailers to be one-third lower than losses from shoplifting. Most employees are honest, of course, but considerable losses can be caused by repeated, systematic theft by trusted employees over a long period of time.

Because much retail crime is not spotted at the time, but only discovered by audit, it is impossible to be entirely sure about whether shoplifting or employee theft is the bigger problem. The majority of opinion in Europe is that shoplifting is the greater problem. However there are many different views between individual retail corporations; caution should be exercised in considering these estimates.

Dishonest suppliers/vendors and delivery theft was estimated to account for 5.7% of losses or €1,894 million (\$2.3 billion). This was a further reduction achieved in this category; in 2008 it had accounted for 6.5% of losses.

Internal error, administrative mistakes, pricing errors, and process failures were believed to cause 16.7% (€5,603 million or \$6.9 billion) of shrinkage losses.

As we have seen, the total value of European shrinkage fell by €1.5 billion (\$1.9 billion) between 2009 and 2010 (-4.4%), although this figure underestimates the reduction because of changes in the rates of exchange. Compared to the 2009 data, the share of shoplifting rose slightly from 47.5% (2009) to 47.8%, employee theft dipped slightly from 30.5% of shrinkage to 29.8% and internal error rose from 15.9% to 16.7%.

Countries are listed in alphabetical order and the perceived share of shrinkage attributed to shoplifters, dishonest employees, suppliers and internal error is stated. The totals for Europe and Russia are given, and a sub-total for Europe excluding Russia, but the percentage results are the same.

There are a number of countries where shoplifting is thought to constitute more than 50% of their shrinkage problem, including Austria (56.8%), Germany (52.7%), Italy (52.5%), Turkey (52.4%) and Belgium/Luxembourg (51.4%). In contrast, there were no countries in Europe and Russia

Table 4.2

Europe: Sources of Retail Shrinkage 2010				
	Shoplifters	Employees	Suppliers/ vendors	Internal error
Austria	56.8%	22.7%	5.9%	14.6%
Baltic States*	43.8%	34.1%	8.5%	13.6%
Belgium/Luxemburg	51.4%	26.4%	5.5%	16.7%
Czech Republic	45.1%	29.3%	7.1%	18.5%
Denmark	46.7%	28.6%	6.0%	18.7%
Finland	49.6%	28.4%	6.9%	15.1%
France	43.7%	30.6%	7.0%	18.7%
Germany	52.7%	26.1%	5.4%	15.8%
Greece	50.0%	24.2%	6.9%	18.9%
Hungary	44.1%	32.2%	6.3%	17.4%
Ireland	42.3%	33.7%	7.2%	16.8%
Italy	52.5%	25.0%	7.2%	15.3%
The Netherlands	49.9%	29.6%	5.3%	15.2%
Norway	49.5%	28.2%	6.3%	16.0%
Poland	42.2%	34.1%	6.2%	17.5%
Portugal	48.7%	28.8%	6.5%	16.0%
Russia	41.2%	36.5%	5.8%	16.5%
Slovakia	40.5%	36.3%	7.2%	16.0%
Spain	49.4%	29.8%	4.9%	15.9%
Sweden	48.5%	29.2%	5.1%	17.2%
Switzerland	48.5%	30.3%	5.6%	15.6%
Turkey	52.4%	24.0%	6.4%	17.2%
United Kingdom	42.7%	36.8%	3.5%	17.0%
Total Europe	47.8%	29.8%	5.7%	16.7%
Europe, excluding Russia	47.8%	29.8%	5.7%	16.7%
Europe Average 2009	47.5%	30.5%	6.1%	15.9%

* Baltic States: Latvia, Lithuania, Estonia.

Owing to the effects of rounding, individual figures in the table may not sum exactly.

where employee theft was thought to be greater than 40% of shrinkage, although the UK (36.8%), Russia (36.5%), and Slovakia (36.3%) all had employee theft percentages of 36% or above. The percentages for individual countries change from year to year, although countries seem to be consistent about having either a high shoplifter percentage or a high

employee theft percentage. However the perceived share of employee theft in Hungary and Ireland has certainly fallen since 2009, and the Greek shoplifting share of shrinkage has fallen by 5% since last year. It is not clear, of course, whether this is the result of differences in rates of loss or in perceptions.

Countries with suppliers/vendor issues included the Baltic States of Latvia, Lithuania and Estonia (8.5%), whilst these issues (as a share of shrinkage) seem to be becoming less significant in most other countries. The percentage of internal error was high in Greece (18.9%), France (18.7%) and Denmark (18.7%) although this may well reflect an unwillingness to attribute shrinkage to other causes rather than being a sign of inefficiency.

■ Apprehended retail thieves

European retailers apprehended more than 3.3 million thieves in 2010 (Table 4.3). Only a proportion of these were reported to the police so there is likely to be discrepancies between the trends known to the police and the experience of retailers. The total thieves apprehended in Europe represented slightly more than one-half (54%) of all thieves caught by retail stores globally, as was also true in 2009. The great majority of thieves apprehended by European retailers were shoplifters; only 4% were employee thieves. This is in sharp contrast to the position in North America, where 28% of thieves apprehended were employees. This situation may reflect the different numbers of thieves at work in North America and Europe, but it is likely to show that European retailers focus much more upon customer thieves and devote fewer resources to apprehending employee thieves.

The average amount stolen or admitted by shoplifters in Europe was €113.97 (\$139.73), demonstrating that the ‘typical’ customer theft was not a tin of cat food or a loaf of bread, but branded merchandise that can be resold for a profit. This represents an increase in the average value stolen of €19.85 (\$24.34) (+21%), although a significant proportion of retailers reported that although shoplifting had increased the average amount stolen had fallen! Even more significant, the average amount stolen or admitted by employee thieves in Europe was €1,760.17 (\$2,158.04) reflecting the importance of long-term financial fraud as an element in European employee theft. The value of the average employee theft was therefore more than 15 times greater than the average case of customer theft, which suggests that there may be considerable added value in targeting cases of employee theft – the earlier that employee theft is discovered, the lower the total amount that might be stolen.

There have been significant changes in the numbers apprehended. The number of wrongdoers apprehended fell between 2007 and 2008 by 15.1% in Europe, probably as a result of targeting prolific offenders. However the surge in customer theft since then has led to a larger number of apprehensions. In 2009, the number of thieves apprehended rose by 9.2% and in 2010 by a further 6.3%.

Table 4.3

Number of thieves apprehended by retailers 2010					
	Shoplifters		Employee thieves		Totals
	Number	Average amount stolen (€) per Incident	Number	Average amount stolen (€) per Incident	
Europe	3,247,843	€113.97	118,183	€1,760.17	3,366,026
<i>Percentages</i>	96%		4%		100%
North America	1,779,056	€262.20	684,336	€1,627.18	2,463,392
<i>Percentages</i>	72%		28%		100%
Other regions*	320,325	€66.88	37,650	€279.76	357,975
<i>Percentages</i>	89%		11%		100.0%
Global totals	5,347,224	€160.49	840,169	€1,585.52	6,187,393
<i>Percentages</i>	86%		14%		100%

* Latin America, Middle East/Africa and Asia-Pacific

Table 4.4

Loss prevention and security costs 2010 (Values in € millions)				
	Security costs	Current/ Operational/ Revenue	Capital	Security Costs as % of Sales
France	€1,353	€926	€427	0.39%
Germany	€1,247	€855	€392	0.28%
Italy	€902	€657	€246	0.36%
The Netherlands	€372	€258	€114	0.39%
Russia	€656	€479	€177	0.39%
Spain	€784	€572	€212	0.38%
United Kingdom	€1,192	€799	€393	0.29%
Subtotal (above 7 countries)	€6,506	€4,546	€1,961	€0.34%
Other European Countries (19 countries)	€1,843	€1,318	€524	€0.27%
Europe Totals	€8,349	€5,864	€2,485	€0.32%
Europe excluding Russia	€7,693	€5,385	€2,308	€0.32%
Global Totals (42 countries)	€21,878	€15,090	€6,789	€0.34%

There may be legal or cultural differences, which affect the values of theft admitted. The types of thieves apprehended will, of course, reflect LP policy as well as the number of offenders stealing from the business.

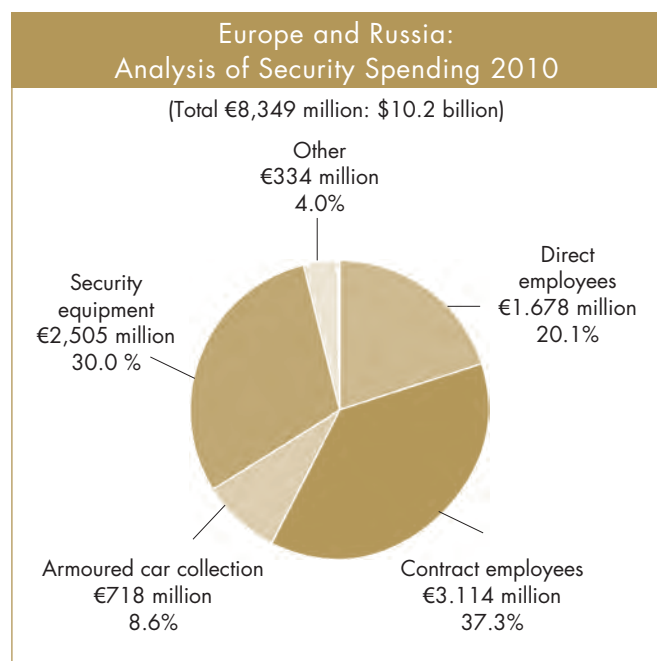
■ Retail security and loss prevention

European retailers spent €8,349 million (\$10.2 billion) on security and loss prevention, equivalent to 0.32% of retail sales in 2010. Loss prevention spending as a percentage of sales in Europe had been falling since 2007, but in 2010 retailers increased their spending on loss prevention by 7.9% or €566 million (\$0.7 billion). This increase, and its implications in terms of new loss prevention activity, is likely to be at least part of the explanation for the reduction in shrinkage seen in Europe over the previous year.

In Europe loss prevention and security costs in 2010 were:

- Current/operational security spending €5,864 million (\$7.2 billion or 0.22% of retail sales) (including payroll, armoured car cash collection, etc.)
- Capital or investment security spending €2,485 million (\$3.0 billion or 0.10% of retail sales) (including EAS, CCTV and information systems)

Figure 4.4



A breakdown by functional area for loss prevention and security spending in Europe can be seen in Figure 4.4. Spending on loss prevention employees accounted for 57.4% of loss prevention spending. Retailers spent €1,678 million (\$2.0 billion) on direct (in-house) security employees (20.1% of total loss prevention spending) and €3,114 million (\$3.8 billion) on third-party contract employees (37.3%). There has been a slight shift back towards in-house loss prevention staff, which now account for a slightly higher share of security spending (now 20.1% compared to 19.6% in 2009) but spending on both categories of employee has increased.

Cash collection by armoured car (cash-in-transit) cost €718 million (\$0.8 billion or 8.6% of security spending), costs of which are steadily rising annually.

Capital spending of €2,505 (\$3.0 billion) million on information systems (including depreciation), EAS, CCTV, and other merchandise protection increased significantly from 27.8% of loss prevention spending in 2009 to 30.0% in 2010. The growing use of leasing equipment (an operational cost) may mean that utilisation of security equipment is greater than suggested by the above figures. In 2009, the fall in loss prevention spending may have fallen more heavily upon security equipment and other capital projects because these are often more easily postponed. The additional funds available for loss prevention spending in 2010 may have benefitted this spending category more than proportionally.

Table 4.5

Europe: Total costs of retail crime 2010	
Costs of crime by customers	€15,835 million
+ Costs of crime by employees	€10,134 million
+ Costs of suppliers/vendor crime	€1,894 million
+ Costs of loss prevention/security	€8,349 million
Total cost of crime	€36,213 million

■ The costs of retail crime in Europe

‘Shrinkage’ includes internal or administrative error and is therefore affected by more factors than solely retail crime. In Table 4.5 we identify the main crime-related costs suffered by European retailers, based on their own information. ‘Internal error’ has been subtracted from the total. The loss prevention costs paid by retailers to combat crime are included in Table 4.5 as part of crime costs; without the existence of retail crime much loss prevention expenditure would be unnecessary.

The costs of retail crime in Europe in 2010 were €36,213 million (\$44.4 billion). Taking into account the data for Russia, retailers across Europe managed to reduce the costs of retail crime by €1,727 million (-4.6% or \$2.1 billion) compared to 2009.

As defined here, the costs of crime consist of several elements: shoplifting €15.8 billion; employee crime €10.1 billion; suppliers/vendors a little under €2.0 billion; and loss prevention/security costs of €8.3 billion.

Table 4.6

Costs of retail crime 2010			
	Crime-related shrinkage € millions	Loss prevention/ Security costs € millions	Costs of crime € millions
Austria	€380	€146	€526
Baltic States	€175	€27	€202
Belgium/Luxemburg	€700	€195	€895
Czech Republic	€290	€56	€346
Denmark	€301	€79	€380
Finland	€343	€110	€453
France	€3,833	€1,353	€5,186
Germany	€4,194	€1,247	€5,441
Greece	€405	€80	€485
Hungary	€281	€74	€355
Ireland	€361	€101	€462
Italy	€2,709	€902	€3,611
The Netherlands	€983	€372	€1,355
Norway	€361	€127	€488
Poland	€970	€237	€1,207
Portugal	€286	€97	€383
Russia	€2,262	€656	€2,918
Slovakia	€115	€23	€138
Spain	€2,252	€784	€3,036
Sweden	€531	€169	€700
Switzerland	€515	€173	€688
Turkey	€1,141	€149	€1,290
United Kingdom	€4,476	€1,192	€5,668
Total Europe	€27,864	€8,349	€36,213
Europe, excluding Russia	€25,602	€7,693	€33,295
Global Totals	€72,714	€21,878	€94,592

In dollar terms, these are \$19.4 billion, \$12.4 billion, \$2.3 billion and \$10.2 billion respectively.

Table 4.6 gives the costs of crime by European country. 'Crime-related shrinkage' is the term used here for dishonest crime losses originating from shoplifting, employees and suppliers/vendors.

These costs of crime are equivalent to an annual tax imposed by criminals on honest shoppers in every household. In 2010 this 'crime tax' was equivalent to €140.65 (\$172.44) per household in Europe, akin to an increase in value added tax (VAT) of more than 0.5% of sales.

Table 4.7

Loss prevention compliance and store audit schedules 2010			
Frequency of audits per annum			
Audit program in place	1 to 3 times	More than 3 times	
Europe	75%	28%	47%
Totals global percentages*	80%	22%	58 %

■ Store audit schedules and loss prevention compliance

Three-quarters of European retailers (75%) had a schedule of audits for loss prevention policies in their stores and distribution centres (Table 4.7). This was slightly less than the global average of 80% and was unchanged from last year.

In Europe 47% of retailers with an audit schedule in place conducted audits more than three times per year and 28% carried them out between one and three times each year. This was a shift towards increased frequency of audits (+5%) although the proportion of retailers taking loss prevention audits three or more times annually was still lower than the global average of 58%.

■ Protecting the most-stolen merchandise

Whilst store thieves are prepared to steal virtually anything, high losses are experienced by a relatively small number of product lines particularly those that are branded, expensive, easily-stolen and in great demand.

Retailers were asked what specific measures they took to protect their 50-most stolen lines from theft on the basis that protection measures may be most effectively targeted at those products which are most likely to be stolen (Table 4.8). Attitudes between retailers vary, but 71.7% of the 50 most vulnerable product lines in Europe’s retailers now have the benefit of some form of specific protection. The proportion of the most-stolen lines that had no specific protection was 28.3%, an improvement since last year of 3.1 percentage points.

Table 4.8

Protecting the 50 most-stolen lines 2010			
	European averages	Sub-totals	Global averages
Percentage of lines not protected	28.3%	28.3%	25.5%
EAS hard tags	13.6%		14.0%
EAS soft or paper tags	12.0%		13.7%
EAS source tagging	8.3%		10.2%
3-alarm accessories	4.0%	37.9%	4.2%
Displayed in locked cabinets or shelves	7.3%		7.0%
Dummy cartons or ticket systems	4.3%		3.5%
Chains, cables, loop alarms	5.1%		4.5%
Safers, locked boxes, product alarms	12.1%		13.4%
Other protection device	5.0%	33.8%	4.0%
Totals	100.0%	100.0%	100.0%

The protection methods used consisted of EAS and a range of other devices to lock or chain products. The most commonly-used method was EAS, electronic article surveillance, which protected 37.9% of all items. EAS hard tags were used on 13.6% of the most-stolen items, soft or paper tags protected 12.0%, and 8.3% of the most stolen items were protected by EAS source tagging, applied at the time of manufacture or final processing. The proportion of most-stolen merchandise protected by 3-alarm accessories was 4.0%.

The percentage of highly-stolen goods displayed in locked cabinets or shelves was 7.3% whilst dummy cartons or ticket systems were used on 4.3% of the most-stolen lines. Chains, cables and loop alarms were used on 5.1% of the most-stolen products, keepers/safers, locked boxes and product alarms on 12.1% of them, and 5.0% of items were given 'other' methods of protection not separately classified here.

On average, European retailers used protection devices on a smaller proportion of their most stolen lines than retailers elsewhere (28.3% were unprotected compared to 25.5% globally) although the different trends are converging. The share of EAS is growing (last year's proportion was 37.6% compared to 37.9% in 2010) and growth has also been seen in the use of keepers/safers, locked boxes and product alarms whose share has risen from 10.2% to 12.1%.

■ New loss prevention policies

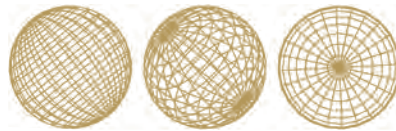
The surge in crime, the 2009 increase in retail shrinkage and the economic recession have all led retailers to consider or adopt new loss prevention policies.

Retailers were asked about seven different loss-prevention policies and whether they have implemented them or planned to do so. There are of course many other loss prevention programmes that retailers may have considered or have already put in place so that Table 4.9 cannot claim to be the sole measure of the adoption of new loss prevention policies.

The most likely new loss prevention policy to be adopted was 'employee training to spot and deter theft', which had been implemented by 92% and 87% of retailers were expecting to implement further training programmes. The next most common policy was to increase spending on crime prevention hardware and software (32%) with 14% planning to increase their spending further. The remaining policies including increased use of EAS reusables (25% had implemented), hiring more in-store LP employees (23% implemented), and new CCTV video surveillance (22%) had all been implemented by between 21% and 25% of respondents. This was more consistent than the global figures, although rather more retailers planned to implement these programmes in the future in other regions than in Europe.

Table 4.9

New loss prevention policies				
	Europe		Global	
	Implemented	Planned	Implemented	Planned
More Employee training to spot and deter theft	92%	87%	91%	75%
Increased spending on crime prevention hardware and software	32%	14%	32%	18%
Increase EAS reusable accessories	25%	13%	22%	17%
Hiring more in-store LP employees	23%	15%	24%	15%
New CCTV video surveillance	22%	18%	20%	20%
Pre-hiring screening for employees	22%	23%	27%	23%
Increased spending on LP consumables	21%	21%	24%	22%



THE GLOBAL RETAIL THEFT BAROMETER
2010

PART FIVE: MIDDLE EAST/AFRICA

MONITORING THE COSTS OF SHRINKAGE AND CRIME
IN THE GLOBAL RETAIL INDUSTRY

THE WORLDWIDE SHRINKAGE SURVEY

■ Survey information

Part Five of GRTB 2010 deals with the retail sectors and vertical markets in two countries, Morocco and South Africa, surveyed for the Middle East/Africa region. References in this section to Middle East/Africa refer only to those countries studied.

We received useable information from 39 retailers in the Middle East/Africa region with a total of 4,733 stores and combined sales of \$4.5 billion. The need to protect confidentiality has meant that not all comparisons that are found in other parts of this report can be made in this section.

All shrinkage figures used here are based on retail selling prices; data from retailers using cost or a combination have been converted to retail selling prices. The calculations of average shrinkage rates within each country and for each geographical area use ‘weighted’ averages rather than simple averages, with proportionally greater significance being given to larger companies and larger countries.

■ Crime and shrinkage

The average shrinkage rate (defined as stockloss from crime or internal error expressed as a percentage of retail sales) in Middle East/Africa was 1.62% for the two countries, a fall of 5.8% compared to 2009, when it rose by 7.5% (Table 5.1).

Table 5.1

Retail Shrink in Middle East / Africa 2010				
	Total shrinkage 2010 U.S. \$ millions	shrinkage (as % of sales) 2010	shrinkage (as % of sales) 2009	Percentage change 2009-2010
Morocco	\$40	1.64%	1.79%	-8.4%
South Africa	\$732	1.62%	1.72%	-5.8%
Middle East/Africa	\$772	1.62%	1.72%	-5.8%
Global Figures	\$107,284	1.36%	1.44%	-5.6%

Retail shrinkage is measured against retail selling prices.

■ Sources of retail shrinkage

Total shrinkage (or retail crime and internal error) in the Middle East/Africa amounted to \$772 million in 2010.

Figure 5.1 shows that both employee theft and shoplifting were perceived to be of similar importance (36.4% and 36.9% respectively) although there were very different results in South Africa compared to Morocco. Employee theft cost \$281 million and shoplifting \$285 million. Employee theft was \$12 million lower than 2009 and shoplifting losses \$24 million lower.

Supplier/vendor crime including losses in the distribution chain and theft by delivery employees cost \$65 million (8.4% of shrinkage).

Internal error or administrative error, which included accounting mistakes, pricing errors, and process failures, was thought to have caused 18.3% of shrinkage losses (\$141 million). In South Africa (Table 5.2), there was no significant difference between the proportions of shrinkage attributed to employee theft and to shoplifting (37.0% and 36.2% respectively). Moroccan retailers estimated that 50.0% of their shrinkage was caused by shoplifting.

Figure 5.1

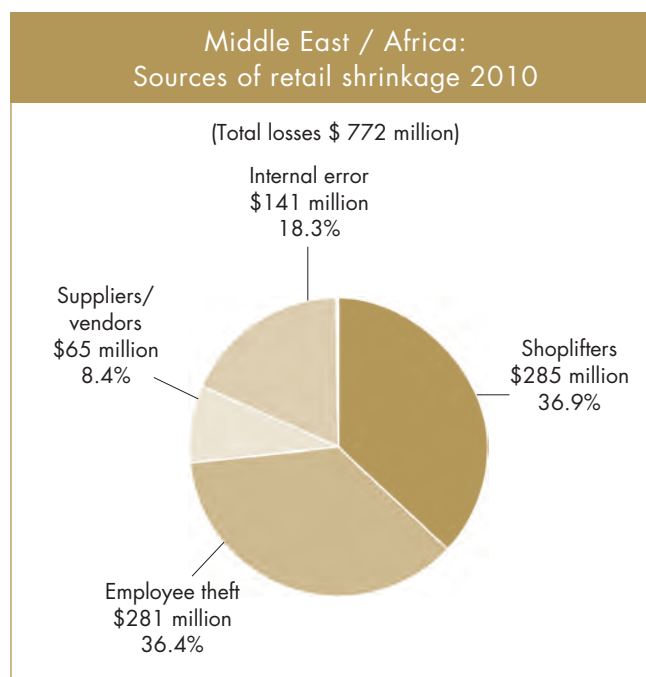


Table 5.2

Sources of retail shrinkage Middle East / Africa 2010				
	Shoplifters	Employees	Suppliers/vendors	Internal error
Morocco	50.0%	25.0%	7.5%	17.5%
South Africa	36.2%	37.0%	8.5%	18.3%
Middle East/Africa	36.9%	36.4%	8.4%	18.3%
Global	47.3%	30.3%	5.7%	16.7%

Table 5.3

Number of thieves apprehended by Middle East / Africa retailers 2010					
	Shoplifters		Employee thieves		Totals
	Number	Average amount stolen (\$ per Incident)	Number	Average amount stolen (\$ per Incident)	
Middle East/Africa	28,611	\$69.55	1,759	\$326.12	30,370
Percentages	94%		6%		100%
Global Totals	5,347,224	\$196.76	840,169	\$1,943.87	6,187,393
Percentages	86%		14%		100%

■ Apprehended shoplifters and dishonest employees

Middle East/African retailers apprehended 30,370 thieves in the 12 months to June 2010 (Table 5.3). The great majority were shoplifters – 94% or 28,611. The number of employee thieves apprehended was 1,759.

The average incident value of customer thieves was \$69.55 and the average admitted or stolen by employee thieves was \$326.12 (the global average was \$1,943.87). The average value stolen by shoplifters increased by more than 60%, whilst the average value stolen, or admitted by employee thieves, fell by more than one-half. These trends may be correct, but they probably reflect more accurate information being collected by retail corporations.

The data in Table 5.3 have been provided by retailers and are irrespective of whether those apprehended have been dealt with by the criminal justice system.

■ Retail loss prevention and security spending

Retail companies in Middle East/Africa spent \$100 million in the twelve months ending in June 2010 on loss prevention to prevent crime and apprehend offenders (Table 5.4), an average of 0.21% of sales amongst the retailers concerned.

In common with the global results for retailers, more than one-half of loss prevention budgets (\$64 million or 63.6% of the total) was spent on loss prevention employees (Figure 5.2). Directly-employed loss prevention employees cost \$31 million (a reduction of \$2 million compared to 2009) and third-party or contract employees cost \$33 million (an increase of \$5 million over 2009).

Spending on security equipment, including depreciation, was \$19 million (19.0%). A further \$12 million (12.4% of security spending) was allocated to armoured vehicle cash collection. Spending on other categories \$5 million was equivalent to 5.0% of the security budget.

Table 5.4

Loss prevention and security costs 2010 (Values in U.S.\$ millions)				
	Loss prevention security costs	Operations current costs	Capital	Loss prevention costs as % of sales
Morocco	\$7	\$5	\$2	0.29%
South Africa	\$93	\$76	\$17	0.21%
Middle East/Africa	\$100	\$81	\$19	0.21%
Global Totals	\$26,823	\$18,500	\$8,323	0.34%

■ The costs of retail crime in Middle East/Africa

‘Shrinkage’ includes internal or administrative error and is therefore affected by more factors than retail crime alone. In Table 5.5 we identify the main crime-related costs suffered by Middle East/Africa retailers, based on their own information. ‘Internal error’ has been subtracted from the total. The loss prevention costs paid by retailers to combat crime are included in Table 5.5 as part of crime costs; without the existence of retail crime much loss prevention expenditure would be unnecessary.

The cost of retail crime for Middle East/Africa retailers was \$731 million in 2010, a reduction of \$37 million compared to 2009. The two main costs were of course shoplifters (\$285 million) and employee theft (\$281 million). Suppliers/vendors and distribution chain losses were thought to be \$65 million and loss prevention expenditure was a further \$100 million.

These costs of crime are equivalent to an annual tax imposed by criminals on honest shoppers in every household. In 2010 the ‘crime tax’ in the two countries surveyed as part of GRTB 2010 in Middle East/Africa was equivalent to \$38.67 per Middle East/Africa household.

Figure 5.2

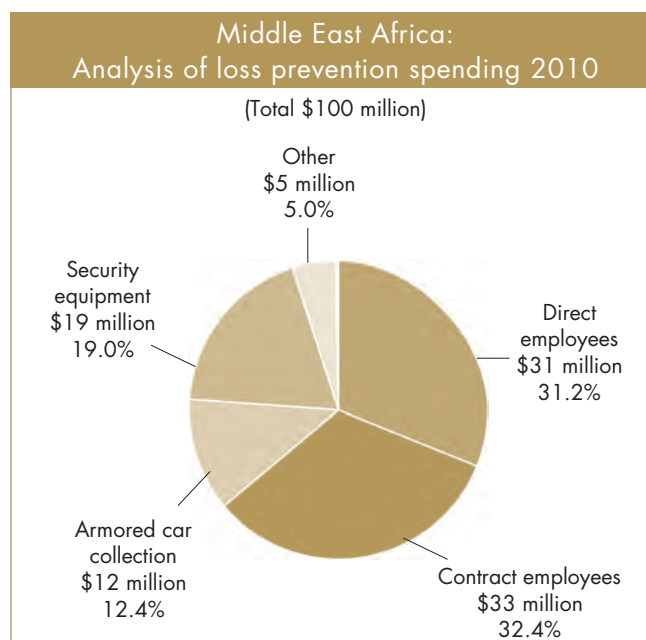


Table 5.5

Costs of retail crime in Middle East / Africa 2010 (U.S. \$ millions)					
	Shoplifters	Employees	Suppliers/ vendors	Loss prevention	Totals
Morocco	\$20	\$10	\$3	\$7	\$40
South Africa	\$265	\$271	\$62	\$93	\$691
Middle East/Africa	\$285	\$281	\$65	\$100	\$731
Global Totals	\$45,484	\$37,839	\$5,825	\$26,823	\$115,971

Table 5.6

Loss prevention compliance and store audit schedules 2010			
Audit program in place	Frequency of audits per annum		
	1 to 3 times	More than 3 times	
Middle East/Africa	68%	14%	54%
Totals global percentages	80%	22%	58 %

■ Store audit schedules and LP compliance

The proportion of Middle East/African retailers with audit programmes to assess the extent to which their stores and distribution centres actually apply corporate loss prevention policies was 68%, a significant increase compared to last year’s figure of 59.0% (Table 5.6). Of these, 54% of the retailers that used audits conducted these more than three times per annum.

The content of store audits may vary and it is not suggested that a policy of ‘more audits’ is superior to a schedule of one or two audits every year.

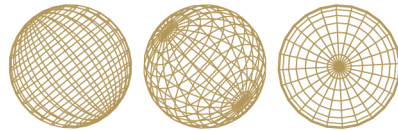
■ New loss prevention policies

Middle East/Africa retailers were asked to say whether they have implemented or planned to introduce one or more of seven distinct policies in response to last year’s increase in shrinkage and issues relating to the economic recession.

‘More employee training’ had now been implemented by 92% of retailers and 71% planned to provide additional training programmes. Almost one third (32%) had increased spending on crime prevention hardware and software (with 19% planning to do more), 22% had increased spending on LP consumables, 21% had hired more in-store LP employees, and 19% had increased the use of EAS reusable accessories. 16% had upgraded CCTV video surveillance or introduced new systems. More than one-quarter of retailers planned to make greater use of programmes such as CCTV, pre-hire screening and EAS reusable accessories.

Table 5.7

Middle East / Africa: new loss prevention policies				
	Middle East & Africa		Global	
	Implemented	Planned	Implemented	Planned
More Employee training to spot and deter theft	92%	71%	91%	75%
Increased spending on crime prevention hardware and software	32%	19%	32%	18%
Increased spending on LP consumables	22%	14%	24%	22%
Hiring more in-store LP employees	21%	25%	24%	15%
Increase EAS reusable accessories	19%	27%	22%	17%
Pre-hiring screening for employees	16%	26%	27%	23%
New CCTV video surveillance	16%	25%	20%	20%



THE GLOBAL RETAIL THEFT BAROMETER
2010

PART SIX: ASIA-PACIFIC

MONITORING THE COSTS OF SHRINKAGE AND CRIME
IN THE GLOBAL RETAIL INDUSTRY

THE WORLDWIDE SHRINKAGE SURVEY

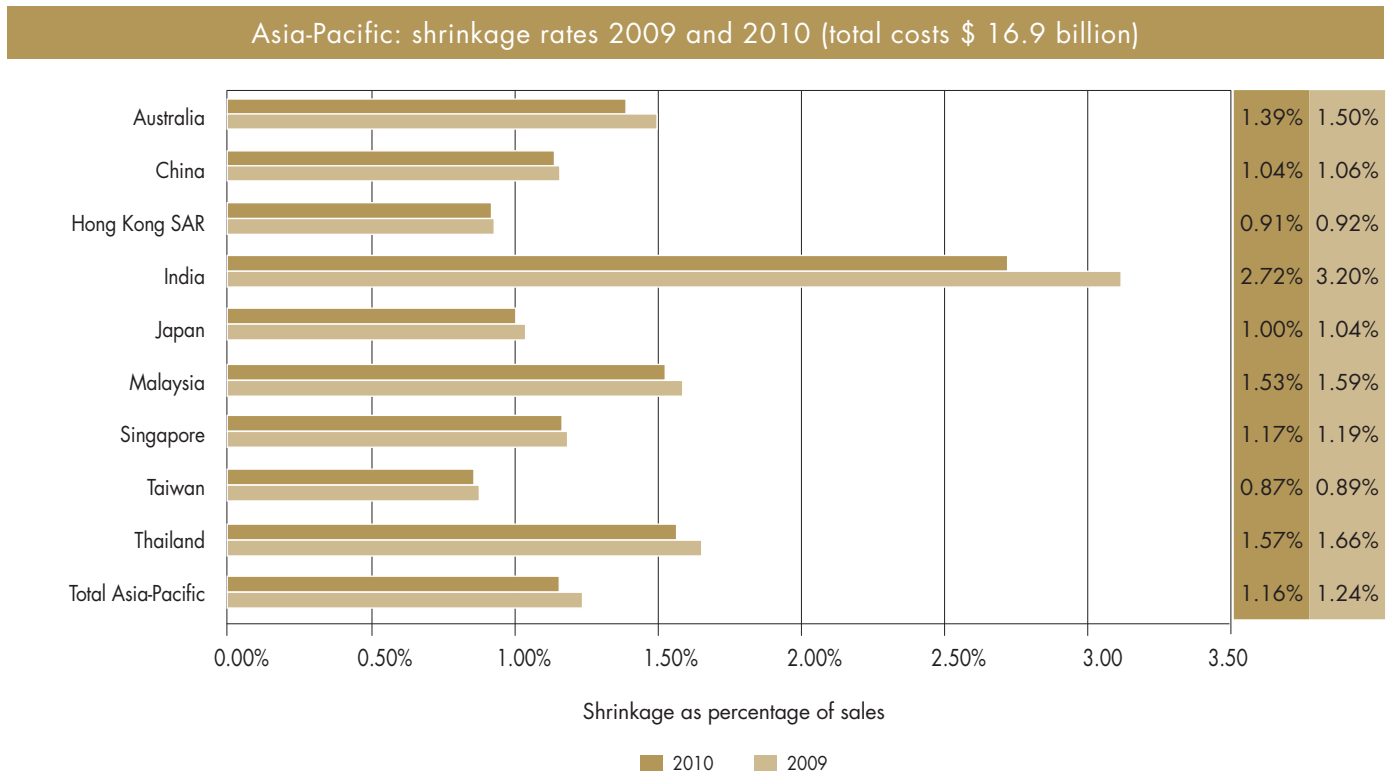
■ Survey information

Part Six of GRTB 2010 deals with the retail sectors and vertical markets of the countries surveyed in the Asia-Pacific region. These were: Australia, China, Hong Kong SAR, India, Japan, Malaysia, Singapore, Taiwan and Thailand. References in this section to ‘Asia-Pacific’ relate solely to the countries surveyed. It is important to note that this year for logistical reasons we have again studied only part of the retail sector in India and China. For India, we surveyed the ‘organized retail sector’ (i.e. modern stores and multiple retailers), as there is little accurate information available about retail shrinkage trends in the rest of its economy. In China itself we surveyed three key areas: Shanghai, Beijing, and Guangzhou, which have well-established market-oriented retail sectors. In future years we hope to include more regions of China and continue to add further Asia-Pacific countries to the survey.

The results discussed in this section of the report are based on data provided by 219 Asia-Pacific major retailers with sales of \$78 billion and 37,110 retail stores. Further information about participation is given in the Appendix.

In line with the rest of the report, all shrinkage figures used here are based on retail selling prices; data from retailers using cost only or a combination of cost and retail price have been converted to retail selling prices. The calculations of average shrinkage rates within each country and for each geographical area use ‘weighted’ averages rather than simple averages, with proportionally greater significance being given to larger companies and larger countries. For consistency, all figures have been converted into U.S. dollars and retail shrinkage data given here is expressed in that currency. This report deals exclusively with the work of loss prevention departments and retail shrinkage; no political, social or cultural implications are meant or should be drawn from any result reported here or from the inclusion or non-inclusion of any country or territory in this study.

Figure 6.1



■ Crime and shrinkage

The average Asia-Pacific shrinkage rate is normally lower than other regions of the world and this is also true for 2010. Shrinkage (defined here as stockloss from crime and internal error expressed as a percentage of retail sales) was 1.16% for all nine countries, a reduction of 6.5% from the 2009 figure of 1.24%.

Total Asia-Pacific shrinkage for 2010 was estimated to be a little under \$16.9 billion, a reduction of \$1,026 million compared with 2009. Figure 6.1 shows a bar chart of the 2009 and 2010 shrinkage rates by country. Countries with the highest shrinkage as a percentage of sales in 2010 were India (2.72%), Thailand (1.57%) and Malaysia (1.53%), although retailers in all these countries had secured shrinkage reduction, particularly in India where the shrinkage rate had been cut by 15%.

The lowest shrinkage rates were reported in Taiwan (0.87%), Hong Kong SAR (0.91%) and Japan (1.00%). As might be expected it is more difficult to reduce average shrinkage rates that are already low than those that are higher; shrinkage rates in countries in the Asia-Pacific which already have low shrinkage rates tend to fluctuate usually within fairly narrow bands.

Almost one-quarter of Asia-Pacific retailers (23.1%) estimated that actual or attempted shoplifting in 2010 had increased, although the proportion of Australian retailers that had suffered increased shoplifting was 32.8%. The global figure was 31.1%. Although shrinkage figures in Asia-Pacific are comparatively lower than those of many other countries, shrinkage still constitutes a major cost of \$16.9 billion annually. Asia-Pacific retailers have increased their spending on loss prevention to a little under \$2.7 billion in order to reduce the impact of crime.

Table 6.1

Retail shrinkage in Asia-Pacific 2010				
	Total shrinkage 2010 (U.S. \$millions)	Shrinkage as percentage of sales		Percentage change 2009-2010
		2010	2009	
Australia	\$2,008	1.39%	1.50%	-7.3%
China	\$1,069	1.04%	1.06%	-1.9%
Hong Kong SAR	\$291	0.91%	0.92%	-1.1%
India	\$2,232	2.72%	3.20%	-15.0%
Japan	\$9,273	1.00%	1.04%	-3.8%
Malaysia	\$256	1.53%	1.59%	-3.8%
Singapore	\$168	1.17%	1.19%	-1.7%
Taiwan	\$564	0.87%	0.89%	-2.2%
Thailand	\$1,005	1.57%	1.66%	-5.4%
Asia-Pacific	\$16,866	1.16%	1.24%	-6.5%
Global	\$107,284	1.36%	1.44%	-5.6%

Retail shrinkage is measured against retail selling prices
Owing to the effects of rounding, individual figures in the table may not sum exactly.

■ Shrinkage by business sector/vertical markets

Shrinkage varies by business sector/vertical market between 1.72% in apparel/clothing and fashion/accessories and 0.63% in footwear/shoes/sports goods & sporting goods (Figure 6.2). These are of course averages across retailers that operate in one or more of nine Asia-Pacific countries.

The highest average rates of shrinkage were (Figure 6.2): apparel/clothing and fashion/accessories (1.72%); cosmetics/perfume/health & beauty/pharmacy (1.71%); and vehicle/auto parts/hardware/DIY/building materials retail (1.64%). The lowest rates were in footwear/shoes/sports goods & sporting goods (0.63%), jewellery/ watches (0.81%) and discount/variety retail/warehouse clubs (0.85%).

There were considerable variations within as well as between each category. Individual retailers may have shrink-

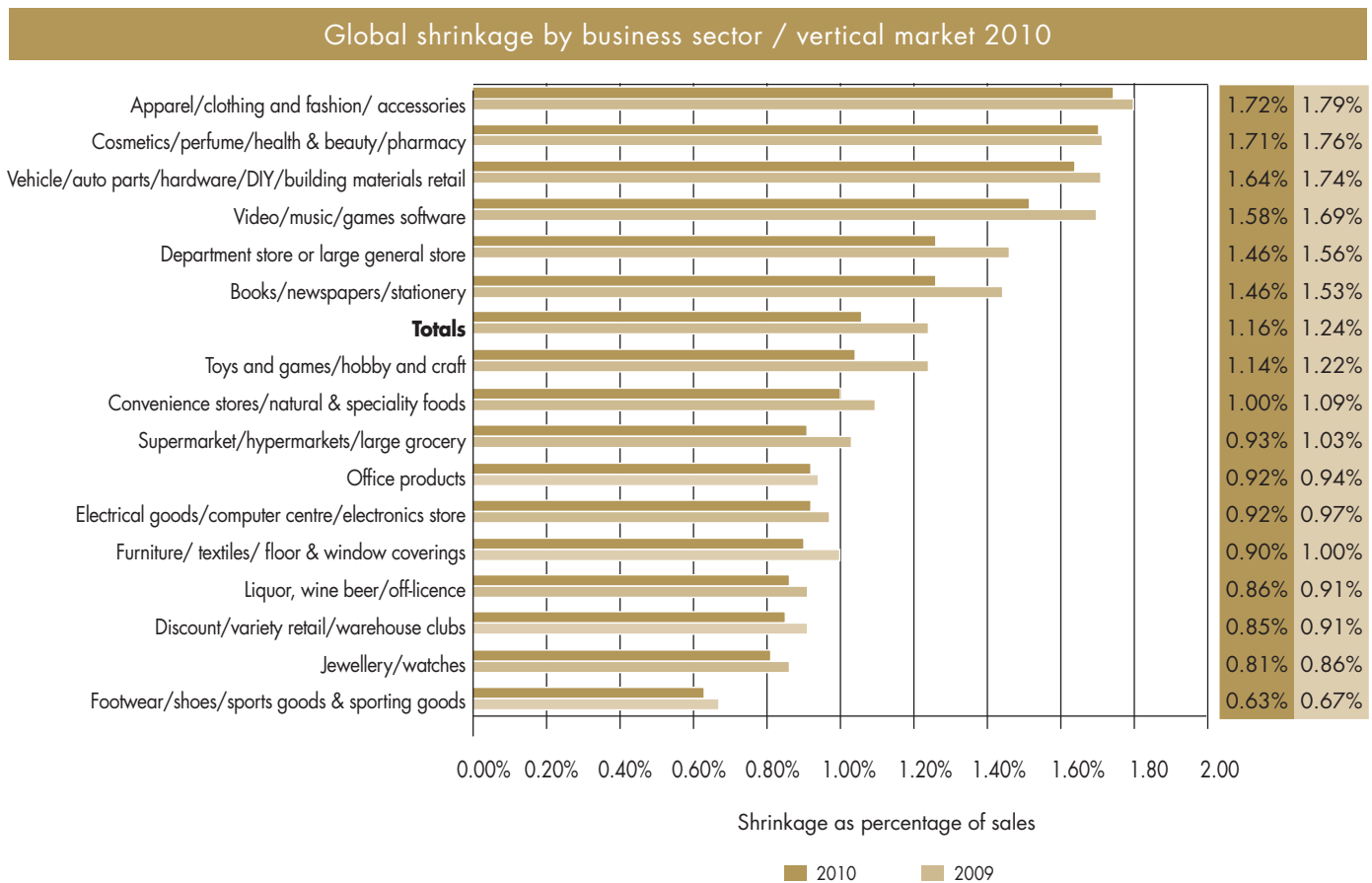
age rates, which are significantly higher or lower than the industry average.

It should be noted that the results given are, of course, average shrinkage rates for *specialist retail businesses* rather than product categories. For example, although liquor stores have an average shrinkage rate of 0.86%, alcohol sold through food stores in the region suffered higher shrinkage losses on alcohol as a category of 1.74% (Table 1.4 in Part I).

■ Sources of retail shrinkage

The main cause of the total losses caused by retail crime and internal error (shrinkage) in Asia-Pacific of \$16.9 billion was thought to be shoplifting or customer theft of \$8.9 billion (Figure 6.3). This was equivalent to 52.9% of total shrinkage losses. Although the proportion of shrinkage attributed to shoplifting increased slightly compared to 2009, shoplifting losses fell by \$282 million overall.

Figure 6.2



Employee theft was seen to account for 23.3% of shrinkage or \$3.9 billion in total. This can be compared with the global average which was 35.3%.

Supplier/vendor fraud including losses in the distribution chain was estimated to cost Asia-Pacific retailers \$1.1 billion in shrinkage, a reduction compared to last year of \$299 million, equivalent to 6.5% of total shrinkage (last year's proportion was 7.6%).

Lastly, retailers reported that internal error or administrative error, which included accounting mistakes, pricing errors, and process failures, had fallen this year to 17.3% of shrinkage losses (\$2.9 billion), a reduction of \$374 million compared to 2009.

There were significant differences between Asia-Pacific countries about the perceived causes of shrinkage (Table 6.2). Employee theft in Australia, for example, was regarded as being responsible for 40.6% of shrinkage losses - rather greater than customer theft, seen as comprising 36.8% of shrinkage. In contrast employee theft was thought to be responsible for only 18.9% of shrinkage in Japan and 19.5% in China.

These estimates of the different sources of retail shrinkage are credible, but it must be emphasised that they are based on the opinions of retail security specialists.

Figure 6.3

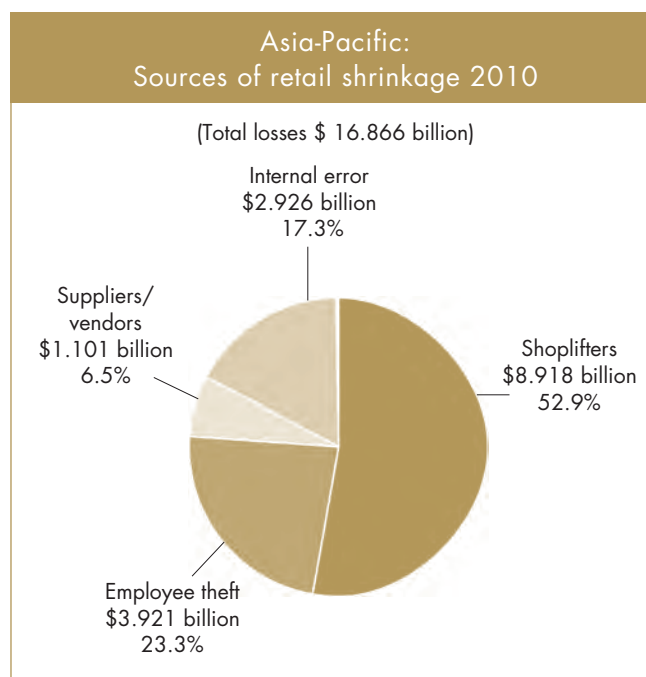


Table 6.2

Asia-Pacific: Percentage sources of retail shrinkage by country 2010					
	Shoplifters	Employees	Suppliers/ vendors	Internal error	Total (U.S. \$ millions)
Australia	36.8%	40.6%	5.3%	17.3%	\$2,008
China	49.4%	19.5%	8.7%	22.4%	\$1,069
Hong Kong SAR	50.9%	26.1%	6.2%	16.8%	\$291
India	47.3%	26.4%	7.6%	18.7%	\$2,232
Japan	58.5%	18.9%	6.4%	16.2%	\$9,273
Malaysia	51.6%	22.3%	5.9%	20.2%	\$256
Singapore	53.6%	24.4%	7.1%	14.9%	\$168
Taiwan	54.6%	25.7%	5.9%	13.8%	\$564
Thailand	48.9%	23.4%	6.2%	21.5%	\$1,005
Asia-Pacific	52.9%	23.3%	6.5%	17.3%	\$16,866
Global Totals	42.4%	35.3%	5.4%	16.9%	\$107,284

■ **Apprehended shoplifters and dishonest employees**

Once again Asia-Pacific retailers have apprehended proportionately fewer thieves than have retailers in other parts of the world. In the 12 months to June 2010 retailers apprehended 135,692 shoplifters and 18,628 employee thieves, a total of 154,320. The average amount stolen by shoplifters was \$74.52 and by dishonest employees \$392.56. These average values were less than 40% of the global average amount shoplifted and 20% of the average amount stolen globally by dishonest employees.

The great majority of offenders (88%) apprehended by retailers were shoplifters, a proportion that was little different from the global average of 86%.

The data summarized in Table 6.3 have been provided by retailers irrespective of whether those apprehended have been dealt with by the criminal justice system.

■ **Retail loss prevention and security spending**

Loss prevention spending by Asia Pacific retailers was a total of \$2,686 million in 2010, an increase of \$169 million compared with 2009 (Table 6.4). This level of spending was equivalent to 0.19% of retail sales, lower than the global average of 0.34%, but greater than the 2009 percentage of 0.17%.

Security spending in Australia as a percentage of sales (0.37%) was higher than elsewhere in Asia-Pacific and increased compared to a reduction in 2009. Indian loss prevention spending had increased from 0.19% to 0.23%, which may partly explain the shrinkage reductions achieved. Singapore and Hong Kong SAR also had proportionally higher loss prevention spending (respectively 0.24% and 0.23%).

Table 6.3

Number of thieves apprehended by Asia-Pacific retailers 2010					
	Shoplifters		Employee thieves		Totals
	Number	Average amount stolen (\$ per Incident)	Number	Average amount stolen (\$ per Incident)	
Asia-Pacific	135,692	\$74.52	18,628	\$392.56	154,320
Percentages	88%		12%		100%
Global Totals	5,347,224	\$196.76	840,169	\$1,943.87	6,187,393
Percentages	86%		14%		100%

Retailers spent 63.8% of their loss prevention spending (\$1,715 million) on operational or revenue costs (payroll and services) and \$971 million was spent on capital costs (security equipment, IT and other long-term assets).

Across the whole region and in common with other parts of the world the most important budget heading was security personnel, costing \$1,373 million or 51.1% of total loss prevention spending (Figure 6.4). In line with retailers in other regions, Asia-Pacific retailers made greater use of third-party contract security suppliers; \$739 million on third-party employees (27.5%) and \$634 million on directly-employed personnel (23.6% of loss prevention spending).

Spending on security equipment including depreciation rose to \$971 million or 36.2% of loss prevention spending. Retailers also committed \$220 million (8.2%) to armoured vehicle cash collection, and spending on 'other' projects amounted to \$122 million (4.5% of the security budget).

Figure 6.4

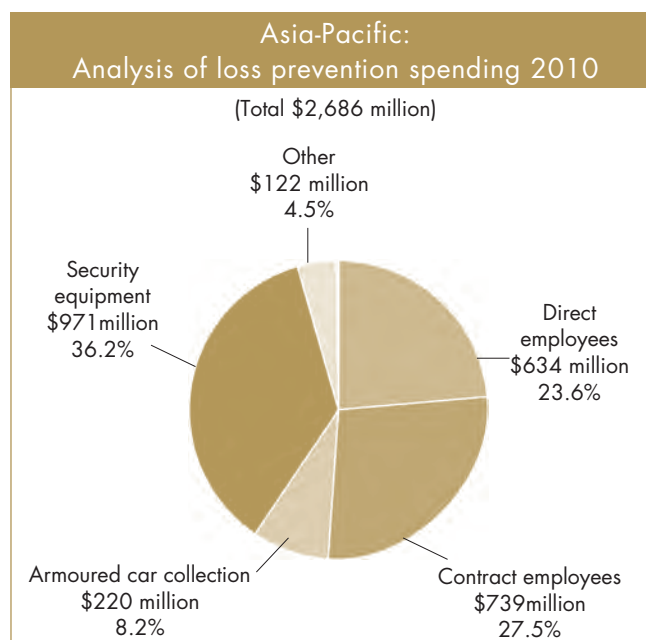


Table 6.4

Loss prevention and security costs 2010 (Values in U.S.\$ millions)				
	Loss prevention security costs	Operations current costs	Capital	Loss prevention costs as % of sales
Australia	\$535	\$364	\$171	0.37%
China	\$196	\$166	\$30	0.19%
Hong Kong SAR	\$73	\$58	\$15	0.23%
India	\$188	\$144	\$44	0.23%
Japan	\$1,419	\$783	\$636	0.15%
Malaysia	\$33	\$27	\$6	0.20%
Singapore	\$35	\$21	\$14	0.24%
Taiwan	\$121	\$94	\$27	0.19%
Thailand	\$86	\$58	\$28	0.13%
Asia-Pacific	\$2,686	\$1,715	\$971	0.19%
Global Totals	\$26,823	\$18,500	\$8,323	0.34%

■ The costs of retail crime in Asia-Pacific

‘Shrinkage’ includes internal or administrative error and is therefore affected by more factors than solely retail crime. In Table 6.5 we identify the main crime-related costs suffered by Asia-Pacific retailers, based on their own information. ‘Internal error’ has been subtracted from the total. The loss prevention costs paid by retailers to combat crime are included in Table 6.5 as part of crime costs; without the existence of retail crime much loss prevention expenditure would be unnecessary.

Retail crime cost Asia-Pacific retailers a total of \$16,626 million in 2010, a reduction of almost \$0.5 billion compared to 2009. This has occurred as a result of improved loss prevention policies and LP spending.

Shoplifting cost retailers \$8.9 billion, employee theft and fraud \$3.9 billion, suppliers/vendor frauds almost \$1.1 billion and the costs of loss prevention were almost \$2.7 billion.

These costs of crime are equivalent to an annual tax imposed by criminals on honest shoppers in every household. In 2010 the ‘crime tax’ was equivalent to \$116.62 per Asia-Pacific household in the countries surveyed.

■ Store audit schedules and loss prevention compliance

In Asia-Pacific, 68.0% of retailers had a schedule of loss prevention store audits in place, a percentage that was similar to 2009 (Table 6.6). Amongst those retailers that carried out regular security audits, 54% did so more than three times per year (in practice six times or more) compared to 14% that conducted audits three times or less every year.

Although a lower proportion of Asia-Pacific retailers carried out audits than retailers in other regions, the regional percentage carrying out audits more than three times annually was similar to the global average.

The content of store audits may vary and it is not suggested that a policy of ‘more audits’ is superior to a schedule of one or two every year.

Table 6.5

Costs of retail crime in Asia-Pacific 2010 (U.S. \$ millions)					
	Shoplifters	Employees	Suppliers/ vendors	Loss prevention	Totals
Australia	\$739	\$816	\$106	\$535	\$2,196
China	\$528	\$208	\$93	\$196	\$1,025
Hong Kong SAR	\$148	\$76	\$18	\$73	\$315
India	\$1,056	\$590	\$169	\$188	\$2,003
Japan	\$5,425	\$1,753	\$593	\$1,419	\$9,190
Malaysia	\$132	\$57	\$15	\$33	\$237
Singapore	\$90	\$41	\$12	\$35	\$178
Taiwan	\$308	\$145	\$33	\$121	\$607
Thailand	\$492	\$235	\$62	\$86	\$875
Asia-Pacific	\$8,918	\$3,921	\$1,101	\$2,686	\$16,626
Global Totals	\$45,484	\$37,839	\$5,825	\$26,823	\$115,971

Table 6.6

Loss prevention compliance and store audit schedules 2010			
Audit program in place	Frequency of audits per annum		
	1 to 3 times	More than 3 times	
Asia-Pacific	68%	14%	54%
Totals global percentages	80%	22%	58%

■ Protecting the most-stolen merchandise

Table 6.7 shows the main methods used by Asia-Pacific retailers to protect their 50-most stolen product lines (SKUs) from theft. On average almost one-third (32.8%) of their most-stolen lines were not specifically protected compared with one-quarter globally, although this was a small improvement compared to 2009.

The protection methods used for the 67.2% of goods that were specifically protected mainly consisted of EAS and various different physical security systems. EAS, electronic article surveillance, was the most widely-used method, being used to protect 30.8% of all items. EAS hard tags were used on 16.4% of the most-stolen items,

soft or paper tags on 8.4%, and 4.0% of the most stolen items were protected by EAS source tagging, applied at the time of manufacture or final processing. 3-alarm accessories as specialist protection were used on 2.0% of all highly-stolen items.

Display in locked cabinets or shelves was used for 10.0% of the most-stolen merchandise, a higher proportion than elsewhere (the global average is 7.0%). Dummy cartons or ticket systems were used on 4.2% of the most-stolen product lines and chains, cables and loop alarms were used on 5.2%. Other significant methods included safers, locked boxes and product alarms, which increased in 2010 to protect 11.4% of the most-stolen items. 'Other' methods of protection were used with 5.6% of items.

Table 6.7

Protecting the 50 most-stolen lines 2010			
	European averages	Sub-totals	Global averages
Percentage of lines not protected	32.8%	32.8%	25.5%
EAS hard tags	16.4%		14.0%
EAS soft or paper tags	8.4%		13.7%
EAS source tagging	4.0%		10.2%
3-alarm accessories	2.0%	30.8%	4.2%
Displayed in locked cabinets or shelves	10.0%		7.0%
Dummy cartons or ticket systems	4.2%		3.5%
Chains, cables, loop alarms	5.2%		4.5%
Safers, locked boxes, product alarms	11.4%		13.4%
Other protection device	5.6%	36.4%	4.0%
Totals	100.0%	100.0%	100.0%

Table 6.8

Middle East / Africa: new loss prevention policies				
	Middle East & Africa		Global	
	Implemented	Planned	Implemented	Planned
More employee training to spot and deter theft	96%	87%	91%	75%
Hiring more in-store LP employees	23%	11%	24%	15%
Pre-hiring screening for employees	19%	15%	27%	23%
New CCTV video surveillance	19%	20%	20%	20%
Increase EAS reusable accessories	18%	19%	22%	17%
Increased spending on crime prevention hardware and software	17%	19%	32%	18%
Increased spending on LP consumables	17%	19%	24%	22%

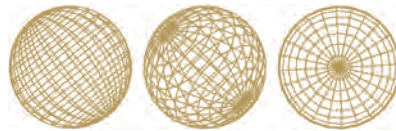
■ New loss prevention policies

Increases in crime in 2009 and the deepening economic recession in 2008-09 have led retailers to consider or adopt new loss prevention policies. Asia-Pacific retailers were asked to say whether they have implemented or plan to introduce one or more of seven distinct policies, acknowledging the fact that there are other strategies which retailers may also be putting into place.

In common with other regions, ‘employee training to spot and deter theft’ was the most common policy (Table 6.8) that was in place, with 96% of Asia-Pacific retailers already having implemented this policy and 87% expecting to imple-

ment further training programmes. ‘Hiring more in-store LP employees’ had been implemented by 23% of respondents and 11% more planned to do so. Between 17% and 19% had implemented new CCTV video surveillance, increased the use of EAS reusables, spent more on crime prevention hardware and software and spent more on LP consumables. Between 15% and 20% of retailers planned to use these policies in the future.

Apart from employee crime prevention training and hiring more in-store LP employees, somewhat fewer Asia-Pacific retailers had made use of these policies than retailers elsewhere. Of course, their shrinkage rates are lower than average and there may be other policies they have introduced that are currently unknown.



THE GLOBAL RETAIL THEFT BAROMETER
2010

APPENDIX

MONITORING THE COSTS OF SHRINKAGE AND CRIME
IN THE GLOBAL RETAIL INDUSTRY

THE WORLDWIDE SHRINKAGE SURVEY

■ SURVEY METHODS

Objectives

The objectives of the Global Retail Theft Barometer are to capture the extent of crime-related losses and shrinkage suffered by retailers in 42 countries in Middle East/Africa, Asia-Pacific, Europe, North America, and Latin America and to note trends both in the scale of losses and in the security policies adopted by companies. This study has been funded by an independent grant from Checkpoint Systems, Inc., as a contribution to discussion within the sector.

The questionnaires

The loss prevention managers or finance directors of 4,900 of the major retailers in the countries being surveyed were sent a questionnaire for completion. The questionnaire consisted of 29 questions. Anonymity was guaranteed. The questionnaire was in Cantonese, English, French, German, Italian, Japanese, Mandarin, Russian and Spanish and was available on-line.

Contact details

The names and addresses of the companies were drawn from a combination of commercial lists and the Centre's own list of retailers.

Cross section by country and by type

The final composite list covered the major retailers in the 42 countries, drawn from all types of retail business. The number of questionnaires sent out to retailers in each country was proportional to the size of the retail industry in that country. The growth of cross-border and international retailing meant that a number of respondents would naturally have been providing information about more than one country. The results for Luxembourg were included with Belgium in order to protect commercial confidentiality and the results for Latvia, Lithuania and Estonia were combined (as before) as 'Baltic states'. No political implications should be drawn from the process of grouping certain states or from the inclusion or non-inclusion of any country.

The terms 'Europe', 'Asia-Pacific', 'North America' and 'Latin America' are all used here as geographical expressions; no political implications are intended through the use of this terminology. No political conclusions should be drawn from the groupings used, or from the inclusion or non-inclusion of any country in this study.

The response

1,103 useable returns were provided by retailers. The retailers who completed the questionnaires were collectively responsible for combined sales of \$873.8 billion and operated 233,721 retail outlets.

Collating the data

Retailers were allocated to one of 16 types of business. A distinction was made between a 'nil response' (no reply was entered to a question) and '0'. The '0' was counted but not the nil response. The data provided was consistent (no responses needed to be abandoned because of material error), but it should be noted that there were significant differences between retailers in the same country.

Calculating the results

In a survey of this type there is a danger that a small and unrepresentative number of respondents can influence the average – either exaggerating a 'trend' or minimizing a problem. To avoid this, we have not used simple arithmetic averages, but have weighted each reply in accordance with the sales of the company involved. Thus the shrinkage result for Germany is not a simple addition of the average shrinkages of the companies which reported, but each result has been weighted so that the shrinkage of a \$500 million retailer is calculated at five times more than a \$100 million corporation.

Country weightings

The results of retailers in each country have been weighted in proportion to the total retail sales of that country to prevent differences in the response rates between countries affecting the overall result.

Shrinkage

'Shrinkage' or 'shrink' is an accountancy figure, reflecting the difference between the financial revenue the business should have received (based upon inventory and purchases) and the amount actually received. Shrinkage losses are caused mainly by people stealing goods or money from the company but also by a range of small or large process errors, accounting lapses, and pricing mistakes that produce apparent inventory losses. In addition to the actual loss of inventory, declared 'shrinkage' rates will also be affected by company policy, accounting rules, and tax regulations that will influence practice and account for some differences in results. Shrinkage does not include wastage.

Although 'shrinkage' is often used as a proxy for retail crime it is not identical to crime against shops because it includes error as well as crime.

Corporations Responding to Global Retail Theft Barometer 2010 by Country

Country	Number of respondents	Total store numbers	Sales of respondents \$ millions
Canada	22	4,150	\$16,097
U.S.A	162	58,130	\$312,424
North America	184	62,280	\$328,521
Argentina	18	9,293	\$5,739
Brazil	37	29,132	\$13,821
Mexico	35	22,436	\$17,973
Latin America	90	60,861	\$37,533
Morocco	15	1,974	\$178
South Africa	24	2,759	\$4,308
Middle East/Africa	39	4,733	\$4,486
Australia	31	4,259	\$36,257
China	49	9,510	\$3,921
Hong Kong SAR	11	1,576	\$1,873
India	30	5,932	\$6,790
Japan	24	4,792	\$15,783
Malaysia	19	1,585	\$1,974
Singapore	14	576	\$986
Taiwan	24	5,970	\$6,285
Thailand	17	2,910	\$4,821
Asia-Pacific	219	37,110	\$78,690
Austria	14	1,286	\$7,104
Baltic States	13	792	\$1,107
Belgium/Luxemburg	22	2,186	\$14,446
Czech Republic	23	1,736	\$4,962
Denmark	24	1,469	\$5,433
Finland	19	1,106	\$6,135
France	41	5,326	\$37,350
Germany	40	5,395	\$76,204
Greece	18	1,462	\$6,933
Hungary	24	2,983	\$6,803
Ireland	19	688	\$3,922
Italy	32	4,718	\$37,810
The Netherlands	21	2,388	\$16,720
Norway	24	811	\$9,320
Poland	35	2,817	\$14,855
Portugal	17	3,277	\$5,972
Russia	34	6,452	\$12,979
Slovakia	12	823	\$1,450
Spain	33	5,960	\$30,966
Sweden	21	1,832	\$9,423
Switzerland	23	1,998	\$9,457
Turkey	20	3,655	\$7,910
United Kingdom	42	9,577	\$97,335
Europe	571	68,737	\$424,596
Grand Totals	1,103	233,721	\$873,826

THE CENTRE FOR RETAIL RESEARCH

The Centre for Retail Research is an independent organization providing research and consultancy for the retail sector. It has carried out a range of studies dealing with the costs of crime and the application of electronic and computerized systems to combat shop theft and fraud in many parts of the world.

The *Global Retail Theft Barometer* has been written by Professor Joshua Bamfield, Director of the Centre. He has researched retail crime issues since the mid-1980s and has written extensively on this topic.

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