

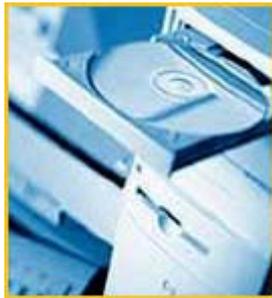
Crime and Fraud

Staff theft and.....Fighting Retail Crime >>

FIGHTING RETAIL CRIME was prepared by the CENTRE FOR RETAIL RESEARCH, based on in-depth interviews with major retailers responsible for more than 50% UK retail sales.

It argues that theft by store employees is much greater than has hitherto been supposed. In addition to direct theft by staff, it draws attention to collusion. Staff-related crime was responsible for 50.8% of total store theft.

Results of previous research



In contrast, in the USA staff theft is considered by retailers to be much more costly than customer theft. The Hollinger, 2002 study from the University of Florida reported that employees were responsible for 60% of combined US staff/customer fraud. Four-fifths of the security managers interviewed felt that the cost of staff theft to their business was increasing more sharply than customer theft. Security managers felt that a retailer's employees handle cash and goods in order to do their work, they know the weaknesses of the company's administrative systems, and they can recognise (and may well be friendly with) supervisors, managers and security staff whose role is to protect the company's assets. They argued that this showed why detecting theft amongst employees was more difficult than finding dishonest customers. It could not be used to demonstrate that staff theft was rare.

Main methods of retail employee theft

The study examines some of the main methods used by store employees to steal including wearing or carrying merchandise out of the store, bogus refunds, taking cash from the till, grazing and loyalty card fraud.

Collusion with customer thieves

This was the first study of retailers which asked companies to break down their perceived 'causes of loss' into collusion in addition to staff and customer crime. Four-fifths of the security managers interviewed felt that the impact on the business of collusion between certain staff and customers was substantial. Supermarkets, department stores, pharmacies, variety chains, clothing record shops and DIY believed they were especially susceptible to collusion. Hence the normal practice of calculating staff and customer theft as separate totals may understate the involvement of staff in crime. They were asked to estimate what proportion of customer theft was likely to involve collusion. The result, weighted to reflect those retailers who thought there was minimal or no collusion, showed that around 16% of customer theft in their businesses was thought to be linked to staff collusion.

However the vast majority of staff were thought to be honest.

Table 1
Estimated Crime Costs 1999

	Retail Costs by Cause	Theft %	Total Crime Costs
Customer Theft	£619	49.2%	
Staff-related theft			
- collusion	£121	9.6%	
- staff crime	£519	41.2%	
Theft Total	£1,259	100.0%	[77.8%]
Other Crime	£359		[22.2%]
Total	£1,618		[100.0%]

(source: derived from Retail Crime Survey 1999, London: British Retail Consortium and survey of security managers)

Table 1 shows the result of reworking the most recent BRC data to take account of collusion. The total of collusion, £121 million, is assumed to be suffered only by the major retailers surveyed. Nevertheless, on the basis of this restricted assumption, staff-related theft is seen to be £640 million or 50.8% of total retail theft, roughly equivalent to customer theft. This is only a preliminary exercise but it demonstrates the possible significance of collusion.

Main types of collusion

The main forms of collusion are discussed in the Report. They included refund fraud, false markdowns, sweethearting ('discounts' for friends and family), theft of loyalty card points from customers, and other illegitimate use of discount entitlements.

Rational expectations about collusion

The survey showed a high level of consistency across the industry about the need to recognise the importance of collusion to retail profits. Most staff were regarded as being honest. The high market share of respondent firms indicated that if their perceptions were accurate only for the companies studied then this would itself indicate there was a large-scale national rate of collusion. Lastly, there is an understanding based on a rational view of the criminal that collusion is likely to be significant because it will normally be safer than shoplifting or staff theft practised as separate autonomous activities. Compared with conventional staff theft the employee will not be found with goods or cash on his or her person. The customer thief in collusive activity will have acted like a normal shopper rather than a shoplifter and will be much less likely to attract the suspicions of supervisors, managers, or security staff. This apart, as collusion is a lower-risk activity than either staff or customer theft, the rational criminal attempting to optimise gains at low risk would be expected to desire a considerable level of involvement in it.

Types of staff thief apprehended

For 80% of the sample of security managers the 'typical' staff thief that they detected was usually someone who had been employed for less than 12 months and was frequently a part timer. Detailed interviews that most had carried out with staff thieves showed that thieves usually admitted to starting to steal in the first few weeks of their new job (sometimes being taught to steal by a co-worker) and they would steal for about six months around which time they might be caught. Someone stealing £40 per week would thus have stolen £1,000 in 25 weeks. Retail businesses have low net profit margins in comparison with other types of company. If a retailer achieved a net profit margin of 3%, the business will need to sell £33,333 more goods in order to replace the £1,000 that has been stolen. If the Company has 30 such thieves, it will need to sell £1 million extra to replace the missing money. This is the reason why few retailers view staff theft as a legitimate perk of the job.

It is possible that the reason why so many new employees were apprehended for theft is that they were not very good at it. A new member of staff may not have learned to overcome the behavioural clues often given off by thieves, he or she may not know the systems well enough to cheat effectively and may not have been accepted by the workgroup which might otherwise cover up for the thief.

More experienced employees may be continuing to steal for many years. Forty percent of the sample reported that one quarter or more of their total staff apprehensions were management grade, supervisor, senior administrator and security officer - the very people entrusted with guarding the company's assets. They usually had unsupervised access to most parts of the building at unsocial hours and were able to steal, often in conjunction with associates, over many months or years. Whilst the novice thief would steal between £1,000 and £2,000, they felt that the more experienced and senior employees would probably steal more than £10,000 over a much longer period.

Retail Loss Prevention The Report goes on to discuss the main trends in retail loss prevention.



Two comments on the Report, Fighting Retail Crime

'Somebody had got to say this, it's a major problem we face.....I have been through the whole Report to check that my company has got a policy for every one of the problems you identified.'
(Security director for major retailer)

'This Report is wholly without foundation.'
(Spokesman from Union of Shop, Distributive, and Allied Workers [USDAW]).