

PRESS RELEASE

August 2010

**Over 1 Million Shoplifters Apprehended in 2009 by Just 25 Major Retailers
According to 22nd Annual Retail Theft Survey by Jack L. Hayes International**

Wesley Chapel, FL – Shoplifters and dishonest employees stole over **\$6.0 billion** in 2009 from just 25 major retailers, according to the 22nd Annual Retail Theft Survey conducted by Jack L. Hayes International, the leading loss prevention and inventory shrinkage control consulting firm. These 25 surveyed retailers apprehended over 1 million shoplifters and dishonest employees in 2009 and recovered more than \$163 million from these thieves.

“Total shoplifter and dishonest employee apprehensions increased for the 4th consecutive year, up almost 15% from the previous year”, said Mark R. Doyle, President of Jack L. Hayes International. “Surveyed retailers made over 1 million shoplifting apprehensions in 2009, up almost 17% from 2008. However, the apprehension of dishonest employees decreased 9% in 2009, after being up the previous 5 years. It appears the poor economy had a hand in both an increase in shoplifting and a decrease in employee theft. Shoplifting apprehensions appear to have increased due to the hard times many people were having and less employees on the sales floor to prevent shoplifting. Employee apprehensions decreased in 2009 due to fewer new hires, less employees overall, and some employees being afraid to lose their jobs.” Mr. Doyle added, “Retail theft continues to steal profits from retailers’ bottom-line profits, which is driving consumer prices higher and can force companies to close unprofitable stores.”

Highlights from this highly anticipated annual theft survey include:

- Participants: 25 large retail companies with 18,906 stores and over \$605 billion in retail sales (2009).
- Apprehensions: 1,085,226 shoplifters and dishonest employees were apprehended in 2009, up 14.7% from 2008.
- Recovery Dollars: Over \$163 million was recovered from apprehended shoplifters and dishonest employees in 2009, down 4.9% from 2008.
- Shoplifter Apprehensions: 1,014,817 shoplifters were apprehended in 2009, up an amazing 16.8% from 2008.
- Shoplifter Recovery Dollars: Over \$111 million was recovered from apprehended shoplifters in 2009, a slight increase of 1.0% from 2008. An additional \$29 million was recovered in 2009 from shoplifters where no apprehension was made, up 19.4% from 2008.
- Employee Apprehensions: 70,409 dishonest employees were apprehended in 2009, down 9.4% from 2008.
- Employee Recovery Dollars: Over \$51 million was recovered from employee apprehensions in 2009, down 15.7% from 2008.
- On a per company basis, one in every 28.4 employees was apprehended for theft from their employer in 2009. *(Based on over 2.9 million employees.)*
- On a per case average, dishonest employees steal 6.6 times the amount stolen by shoplifters (\$728.90 vs \$110.14).

For full survey results visit our website at: www.hayesinternational.com

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22nd ANNUAL RETAIL THEFT SURVEY

Jack L. Hayes International, Inc.
www.hayesinternational.com

Shoplifters and dishonest employees continue to steal profits from United States retailers. Highlights from this year's survey include:

- ✓ Participants: 25 large retail companies with over 18,900 stores and over \$605 billion in retail sales in 2009.
- ✓ Apprehensions: Participants apprehended 1,085,226 shoplifters and dishonest employees in 2009, up 14.7% from 2008.
- ✓ Recovery Dollars: Participants recovered over \$163 million from apprehended shoplifters and dishonest employees in 2009, down 4.9%.
- ✓ Shoplifter Apprehensions: 1,014,817 shoplifters were apprehended in 2009, up 16.8% from 2008.
- ✓ Shoplifter Recovery Dollars: Over \$111 million was recovered from apprehended shoplifters in 2009, up 1.0% for 2008. An additional \$29.3 million was recovered from shoplifters where no apprehension was made, up 19.4% from 2008.
- ✓ Employee Apprehensions: 70,409 dishonest employees were apprehended in 2009, down 9.4% from 2008.
- ✓ Employee Recovery Dollars: Over \$51.3 million was recovered from employee apprehensions in 2009, down 15.7% from 2008.
- ✓ One in every 28 employees was apprehended for theft from their employer in 2009.
(Based on over 2.9 million employees.)

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SURVEY PARTICIPANTS

- 25 large Retail Companies
- 18,906 Stores (representing an excellent cross-section of the United States)
- \$605,076,908,729 in Annual Retail Sales (2009)

TOTAL RETAIL THEFT APPREHENSIONS

	<u>2008</u>	<u>2009</u>	<u>#/\$</u>	Difference	<u>Pct.</u>
Apprehensions	946,528	1,085,226	138,698		14.65%
Recoveries	\$171,548,231	\$163,097,558	-\$8,450,673		-4.93%
Avg. Case Value	\$181.24	\$150.29	-\$30.95		-17.08%

Retail Theft Apprehensions Breakdown

SHOPLIFTING

	<u>2008</u>	<u>2009</u>	<u>#/\$</u>	Difference	<u>Pct.</u>
Apprehensions	868,858	1,014,817	145,959		16.80%
Recoveries	\$110,664,294	\$111,776,369	\$1,112,075		1.00%
Avg. Case Value	\$127.37	\$110.14	-\$17.22		-13.52%
Hours Per Apprehension*	54.8	43.78			-20.11%
(*12 companies reporting)					
Recoveries (No Apprehension Made)	\$24,522,155	\$29,266,930	\$4,744,775		19.35%

DISHONEST EMPLOYEES

	<u>2008</u>	<u>2009</u>	<u>#/\$</u>	Difference	<u>Pct.</u>
Apprehensions	77,670	70,409	-7,261		-9.35%
Recoveries	\$60,883,937	\$51,321,189	-\$9,562,748		-15.71%
Avg. Case Value	\$783.88	\$728.90	-\$54.98		-7.01%

Source: Jack L. Hayes International, 27520 Water Ash Drive - Suite 100, Wesley Chapel, FL 33544
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HIGHLIGHTS FROM JACK L. HAYES INTERNATIONAL'S 22nd ANNUAL RETAIL THEFT SURVEY

TOTAL RETAIL THEFT

- Survey participants apprehended a total of 1,085,226 dishonest individuals (shoplifters and employees) in 2009, an increase of 14.7% over the prior year. In addition, dollars recovered from those apprehensions totaled over \$163 million, which was a 4.9% decline from 2008.
- For every \$1.00 recovered by our surveyed companies, \$31.75 was lost to retail theft. Therefore, **only 3.15%** of total retail theft losses resulted in a recovery.

SHOPLIFTING

- Apprehensions: Survey participants apprehended 1,014,817 shoplifters in 2009, a substantial increase of 16.8% from the prior year.
- Recoveries: Dollars recovered from shoplifting apprehensions totaled over \$111 million in 2009, a 1.0% increase over 2008. This was the **9th straight year** in which shoplifting recoveries increased.
- For the **13th consecutive year**, dollars recovered from shoplifters where no apprehension was made (\$29,266,930) increased. In 2009, this increase was an amazing 19.4%.
- Case Value: The average shoplifting case value in 2009 was \$110.14, which was a decline of 13.5% from 2008's average case value.

EMPLOYEE THEFT

- One out of every 28.4 employees was apprehended for theft from their employer in 2009. *(Based on comparison data of over 2.9 million employees.)*
- Apprehensions: Survey participants apprehended 70,409 dishonest employees in 2009, down 9.4% from 2008.
- Recoveries: Dollars recovered from dishonest employee apprehensions totaled over \$51 million in 2009, a decrease of 15.7% from 2008.

JACK L. HAYES INTERNATIONAL, INC.

Consultants in Assets Protection

JACK L. HAYES INTERNATIONAL, INC. is recognized as the foremost loss prevention/inventory shrinkage control and safety consulting firm in the world. In addition to their loss prevention/shrinkage control and safety consulting practice, they also offer a variety of loss prevention/shrinkage control products and services which are utilized by hundreds of the finest retail, manufacturing, and industrial organizations throughout the world.

Consulting Services

- Shrinkage Control Analysis:** This in-depth study examines the client's vulnerability to the primary shrinkage factors (internal theft, external theft, and paper/systems). Analysis includes detailed review of stores, facilities, and home office functions.
- Distribution Center Loss Prevention/Security Review:** This analysis focuses on the distribution facility, and its daily operational procedures from a LP/security viewpoint. Areas of analysis include: receiving, shipping, access/egress, physical security and inventory accountability process.
- Program Design, Implementation & Field Audits:** We design DC/ Warehouse and Store Loss Prevention/Shrinkage Control and Safety programs and related audits for various clients. We also assist clients with the implementation process of their new programs and audits.
- Third-Party Store & DC/Warehouse Visits/Audits:** We regularly perform Store and DC/Warehouse audits across the US and Canada for a variety of clients. These visits/audits provide the client with a realistic picture of normal daily operations; measure compliance to the company's LP/Safety programs; and greatly assist in keeping their programs on-track and a priority within the company.
- Loss Prevention Organizational Review:** Highly technical/complex issues of loss prevention including organizational structure, manpower allocations, equipment investments, and programs are analyzed and evaluated.
- Risk Management Services:** We provide risk assessment analyses, safety programs, self-insured feasibility studies, and related analyses.
- Workplace Violence:** Services within this critical area include risk analysis to identify the client's current exposures and avoidance measures to workplace violence incidents, program development, and training seminars.

Products / Services

- Seminars and Speaking Engagements
- "The Hayes Report" on Loss Prevention Newsletter (quarterly)
- Loss Prevention/Shrinkage Control Training Workbooklet
- Employee Shrinkage Control Training and Awareness Programs
- Customized Interactive Media Training Programs
- Safety Committee Formation and Consultation
- Pre-Employment Screening & Surveys (sister-company IntegriView)

For additional information, please contact:

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22nd ANNUAL RETAIL THEFT SURVEY – 2010

Jack L. Hayes International, Inc.

Shoplifting Apprehensions:

15 of 25 retailers (60.0%) had an increase in shoplifter apprehensions

09 of 25 retailers (36.0%) had a decrease in shoplifter apprehensions

01 of 25 retailers (04.0%) had no change in shoplifter apprehensions

Shoplifting Recoveries:

09 of 25 retailers (36.0%) had an increase in shoplifter recovery dollars

15 of 25 retailers (60.0%) had a decrease in shoplifter recovery dollars

01 of 25 retailers (04.0%) had no change in shoplifter recovery dollars

Shoplifting Recoveries Without an Apprehension:

11 of 17 retailers reporting (64.7%) had an increase in shoplifting recovery dollars without an apprehension

06 of 17 retailers reporting (35.3%) had a decrease in shoplifting recovery dollars without an apprehension

dollars without an apprehension

Dishonest Employee Apprehensions:

05 of 25 retailers (20.0%) had an increase in employee theft apprehensions

20 of 25 retailers (80.0%) had a decrease in employee theft apprehensions

Dishonest Employee Recoveries:

02 of 25 retailers (08.0%) had an increase in employee theft recovery dollars

23 of 25 retailers (92.0%) had a decrease in employee theft recovery dollars

Shrink Trend:

05 of the 25 retailers (20.0%) had an increase in company shrink

15 of the 25 retailers (60.0%) had a decrease in company shrink

05 of the 25 retailers (20.0%) had no change in company shrink

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22nd ANNUAL RETAIL THEFT SURVEY – 2010

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Based upon our survey results, for every \$1.00 recovered, \$31.75 is lost to retail theft. Therefore, **only 3.15 percent** of total retail theft losses result in a recovery.

Support/Calculation for the Above Statement:

- Annual retail sales of the participating companies were \$605,076,908,729.
- According to the 2009 National Retail Security Survey, the average shrinkage is 1.44% of sales (at retail).
- Shrinkage allowance for paper/systems errors was assigned a **very conservative** 30% dollar figure. (*This figure is believed to exceed realistic “paper-related” shrinkage which we estimate to be less than 25 percent.*)

Annual Sales (Survey Participants 2009)	\$605,076,908,729
Shrinkage (retail sales x 1.44%)	\$ 8,713,107,486
Allowance for “Paper-Related” Shrinkage (shrinkage x 30%)	<u>-\$ 2,613,932,246</u>
Shrinkage/Losses Due to Theft	\$ 6,099,175,240
Recovery Dollars (Survey Participants 2009)	<u>-\$ 192,364,488 (3.15%)</u>
Unaccounted-For Theft Losses	\$ 5,906,810,752 (96.85%)

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HAYES INTERNATIONAL'S 22nd ANNUAL RETAIL THEFT SURVEY

Thoughts Behind The Numbers - Shoplifting

What was the cause(s) behind the increase in shoplifting apprehensions and recovery dollars in 2009?

Survey participants contributed the following to increased shoplifting activity:

- Struggling economy is causing more shoplifting to take place
- Fewer employees on the sales floor creating more shoplifting opportunities
- Organized Retail Crime (ORC) activity continues to increase
- LP personnel focusing on high shrink areas and merchandise
- Reduced social stigma of shoplifting

Hayes International believes the following contributed to an increase in shoplifting apprehensions and recovery dollars:

Increase in Shoplifting Apprehensions:

- Poor economic conditions; more people out of work
- Less employees on the sales floor; more opportunities to steal
- Ease of selling stolen merchandise on various on-line auction sites
- More organized retail theft activity

Increase in Shoplifting Recovery Dollars:

- Higher price points
- Improved training, awareness and education of employees and LP personnel
- Increased focus on high theft areas
- Higher level of expertise in use of equipment (EAS, CCTV, etc.)

Why does shoplifting continue to plague the retail industry?

Hayes International believes the following contributes to the shoplifting problem:

- **Stolen Merchandise Easier to Sell**

Many thieves have found that selling their stolen items through various on-line auction sites results in quicker sales and much higher prices than the traditional selling of items on the street or at a local flea market. This easy access to a much larger audience has resulted in shoplifting becoming a highly popular way to quickly get cash.

- **Reduced Sales Floor Coverage / Customer Service**

Less employees on the sales floor servicing customers, creates greater opportunities for thieves to steal.

- **Organized Retail Theft is Increasing**

Losses from Organized Retail Theft are reported to be over \$30 billion annually, triple what they were just 10 years ago. These thieves work in teams often using distraction to commit their theft of items such as over-the-counter medicines; razors; baby formula; batteries; CDs & DVDs; tools and designer clothing. It is not uncommon for retailers to tell of experiences where groups of professionals, hardcore, or international shoplifting gangs 'hit' their stores using 'booster-bags' and similar shoplifting devices. Losses routinely are reported in the hundreds, and/or thousands of dollars per incident.

- **Increase in Fraudulent Returns/Refunds**

Losses from fraudulent returns/refunds are estimated at \$16 billion a year. Thieves create fraudulent receipts with desktop publishing software and color printers, and then return stolen items to the store for their full retail value (vs. 50% or less when sold over the internet or on the street).

- **Reduced Social Stigma & "Low Risk/Non-Offensive" Crime**

While the amateur shoplifter is finding the social stigma of shoplifting to be lessening, many professional and hardcore thieves find shoplifting is both a highly profitable and low jail-risk endeavor. Shoplifters know that violent crimes can draw jail time, while the prosecution of non-violent crimes such as shoplifting is not always encouraged by law enforcement, and therefore seldom results in 'jail time'.

[Is Shoplifting a 'victimless crime'?](#)

Absolutely not! While no one knows the actual negative impact that shoplifting has on the economy and general public, all evidence indicates that this crime is much more serious than many believe! Based upon our retail industry data analyses and extensive research over the past two decades it appears that this crime has steadily grown to the point that we now estimate that 550,000-730,000 shoplifting incidents occur daily within the United States. Furthermore, we conservatively estimate the daily take for this group of thieves is between \$27 and \$37 million.

Shoplifting is a big business that is costing both the retailer and the general public plenty! Stores suffer as result of lost profits; employees lose their jobs as result of cutbacks in staff or layoffs brought about because of those lost profits; consumers are penalized by higher retail prices; and the general public pays through increased taxes incurred as result of lost sales tax revenue on merchandise that was stolen. Furthermore, shoplifting also has a violent side! Today it is not uncommon to find serious injuries or even death happening to both store personnel and customers in those instances where suspected shoplifters violently resist being apprehended.

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SHOPLIFTING

- Total retail losses are approximately \$33.3 billion annually (based on the 2009 University of Florida survey)
- Shoplifting is conservatively estimated to account for 30% - 40% of total retail shrink/losses. (Both University of Florida and Hayes International surveys)
- Average shoplifting case for all types of retail is approximately \$50.00 (Based upon data taken from various surveys)

Therefore, Hayes International estimates the following number of theft incidents and dollars lost to shoplifters:

<u>Time Frame</u>	<u>Dollars</u>	<u>Incidents</u>
Annually	\$10 - \$13 Billion (\$10.05 - \$13.4 Billion)	200 - 270 Million (201 - 268 million)
Daily (365 days)	\$27 - \$37 Million (\$27,534,247 - \$36,712,329)	550,000 – 730,000 (550,685 – 734,247)
Per Hour (24)	\$1.1 - \$1.5 Million (\$1,147,260 - \$1,529,680)	23,000 - 30,000 (22,945 – 30,594)
Per Minute (60)	\$19,000 - \$25,500 (\$19,121 - \$25,495)	375 - 510 (382.4 – 510)

Source: Jack L. Hayes International, Inc.

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HAYES INTERNATIONAL'S 22nd ANNUAL RETAIL THEFT SURVEY

Thoughts Behind The Numbers - Employee Theft

What was the cause(s) behind the decrease in employee theft apprehensions and recovery dollars in 2009?

Survey participants contributed the following to decreased employee theft:

- More employee loyalty; employees afraid to lose job in poor economy
- Better/enhanced pre-employment screening
- More focus on prevention instead of detection
- Turnover down and fewer overall employees
- Less seasonal hires

Hayes International believes the following contributed to a decrease in dishonest employee apprehensions and recovery dollars:

Decrease in Dishonest Employee Apprehensions:

- Fewer new-hires
- With cutbacks, less overall employees
- Lack of employment opportunities should an employee be fired
- Better overall loss prevention awareness and training

Decrease in Dishonest Employee Recovery Dollars:

- Quicker identification of DEs with enhanced POS Exception Reporting Systems
- Improved systems and controls
- Less dishonest employee apprehensions

Why does employee theft continue to be a problem in the retail industry?

Hayes International believes the following contributes to the employee theft problem:

- **Ineffective Pre-Employment Screening**

The first step to controlling internal theft starts at the point-of-hire; do not hire the "bad apple". Some retailers, in an effort to reduce their costs, have lowered their pre-screening requirements and are now hiring more 'questionable' employees. Anytime statistics show one out of every 28 employees is actually caught stealing by their employer, there has to be some type of breakdown in the pre-employment screening process.

- **Less Employee Supervision**

With lower management levels, there is less supervision of employee activities which results in more opportunities to commit theft.

- **Ease in Selling Stolen Merchandise**

Merchandise stolen by employees can be more quickly and easily sold, and for a much higher price using internet auction sites. This easy access to a much larger audience for stolen goods has resulted in more theft by those dishonest employees looking for quick cash.

- **Decline in Honesty**

There are more dishonest people throughout the nation today, and this decline in personal honesty is taking its toll. Almost daily we hear of business, government, law enforcement, celebrities, sports figures, and even church leaders being caught up in questionable activities. Such events make it easier for “borderline” employees to steal and to rationalize their theft acts. In addition, the part-time workforce is growing, and it is not uncommon to find that many such workers have less loyalty to their employer, and are more apt to take advantage of opportune circumstances.