

# New Report Identifies US Retailers Lose \$60 Billion a Year, Employee Theft Top Concern

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A recent report from [Retail Knowledge](#), producers of the largest risk and loss prevention conference series in the world, recently identified that United States retailers are losing \$60 Billion a year to shrinkage, up from \$57 Billion in 2014. Additionally, this report - the [US Retail Fraud Survey](#) - identified employee theft as the single biggest cause of loss to retailers.

American retailers generally put losses owing to staff ahead of losses owing to external shrink. This is the opposite of the situation in the UK, commented Paul Bessant of Retail Knowledge. As economic conditions continue to be tough for retailers and consumers alike, it is perhaps not surprising that employee theft is such a big problem, Bessant further states.

The study represents 91 retailers with annual sales totaling \$844.6 billion. While not all merchants are represented here, this snapshot gives a strong portrait of what retailers are up against. James Harris of Volumatic, the US Retail Fraud Survey sponsor, underlined the value of the Survey, stating that he is confident that the outputs of this Survey will help the loss prevention community benchmark themselves against their contemporaries and identify opportunities to engage with their businesses, as well as each other, to win back some of the multi-billion dollar hole in profits that is being created through shrinkage.

## Preventing Theft

As revealed in this report, employee theft remains a top contributor to overall shrinkage. Customers, or thieves, depending on who you look at it, also contribute to this billion dollar issue, however. Bessant suggests that the big problem for retailers is that good salesmanship and modern store layout is the equivalent of having a house sale. It is like opening your garage and front door to total strangers and then sitting in your back yard and facing your neighbor's fence.



In this March 24, 2009 photo, Brooke Zupnick of Gahanna, Ohio, unloads her grocery cart near the LaneHawk loss prevention device at a Kroger store in Gahanna, Ohio. Stores are employing new measures, both seen and unseen, to fight back against rising theft problems

during the recession. While retailers won't give away all their security secrets, industry officials say stores are adding plainclothes patrols on their floors and that increasingly sophisticated video surveillance systems, some that allow a security expert to monitor stores across the country, are becoming common. (AP Photo/Paul Vernon)

Certainly not all sales associates are looking away when customers enter a store, however the reality is that many consumers are left unattended, rarely greeted by a store associate and often tend to themselves during their entire store visit. Keeping this in mind, Bessant offers some tips to help merchants avoid theft and limit their shrinkage.

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1. Have an employee be responsible to greet every person who enters the store, as well as make sure they make eye contact
2. Position the cash-wrap . also known as the check out area . in the front of the store, allowing visibility to the entrance and exit
3. Identify high shrink items and place them sensibly within your store, ideally demanding employee / customer engagement
4. Use loss prevention technology appropriate for your [business](#)
5. Check employees in and out of your store everyday, checking their personal bags to help control potential loss

Additionally, Bessant recommends managing refunds, loyalty cards and coupons like cash . noting that fraudsters often steal these, as well. Expanding on this, the President and CEO of [Sterling Payment Technologies](#) Paul Hunter suggests the following tips on what businesses can do to help reduce credit card and debit card fraud:

Be sure to check that the customer's signature on the receipt matches the signature on the back of their card. This will verify that the cardholder is, in fact, the card owner. If there is no signature on their card, ask for ID. Additionally, ask for a customer's ID if the amount of the transaction is larger than your average transaction size. This policy has already been implemented at many of our nation's largest retailers. You should also implement payment solutions that include point-to-point encryption in addition to EMV. Point-to-point encryption further reduces the possibility that card numbers can be determined if a transaction request is intercepted. Finally, when a customer's card is processed through the card reader, make sure that last four digits of the card number that print on the receipt match the last four digits embossed on the front of the card. Some POS systems will prompt the cashier to re-enter those digits from the card to make sure they agree with the value obtained from the card reader, +shares Hunter.

### **Helping to Prevent Employee Fraud**

According to the [27th Annual Retail Theft Survey](#) conducted by Jack L. Hayes [International](#), a loss prevention and inventory shrinkage control consulting firm, over 1.2 million shoplifters and dishonest employees were apprehended in 2014 by just 25 large retailers who recovered over \$225 million from these thieves. This was up 7.1% from 2013, with dishonest employees showing an increase of 1.7% from 2013. Another interesting point that was revealed in this study was that on a per case average, dishonest employees steal over six times the amount stolen by shoplifters.

While checking employees in and out of retail environments may help limit fraud, this alone won't fix the problem. Often, employees work together to steal from their employers and likewise, employees may have customers visit stores and give them items they did not purchase as part of a theft plan. To help minimize employee theft, consider the following tips:

1. **Complete a background check prior to making any employee hires.** While someone may seem ideal to hire, perceptions aren't always the reality. Using suggestions recommended from the [U.S Small Business Administration](#), possible background checks may include credit reports, criminal record reports, school records and workers' compensation records.
2. **Follow through with at least three candidate references.** You have to assume if a potential employee gives you a reference, they are doing so under the impression they will get a good referral. With this in mind, it's important you have at least three references to connect with and gain insight on your potential employee.
3. **Create a strong management environment.** When retail environments are led by strong managers, they are less likely to experience theft. A strong manager will deliver trusted leadership that employees respect while also setting professional boundaries and work expectations. Holding one on one employee reviews at least quarterly also helps to create a stronger retail environment, and regularly communicating to the entire team of employees is essential in letting employees understand you are well engaged and informed with what is going on in the business.
4. **Control cash intake.** While the majority of consumer purchases are made with debit or credit cards, cash is still used in many environments and can put businesses at a higher risk for theft. To help control your cash intake, have more than one person managing this at the end of the day to ensure it matches the register receipts. Ideally a manager will always be in charge of this, however even a manager should have a second employee confirming the totals match and are accounted for.
5. **Be aware of new inventory received and accounted for.** Often, theft happens before items even hit the sales floor. Make sure that inventory is properly checked in, accounted for and managed to ensure theft is prevented and whenever possible, have more than one person oversee this.

There are countless ways to help prevent fraud among employees, although no one way to guarantee it won't take place. If you're a business owner looking to control theft, consider controlling your employees first.

Nicole Leinbach Reyhle is the Author of [Retail 101: The Guide to Managing and Marketing Your Retail Business](#), as well as the Founder of [Retail Minded](#) and the [Independent Retailer Conference](#).