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U.S. retailers continue struggle with employee theft

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UNITED STATES - *Employee theft far out-paces shoplifting

*Tech solutions yield some surprises

By Ian Sherr

CHICAGO, (Reuters) - Walking the pharmacy aisle of a Target Corp discount store, shoppers can't miss the many anti-shoplifting measures: locked display cases, alarm cords around boxes of expensive merchandise, display hangers with locks on the end.

Those represent only a fraction of the anti-theft advances created over the years to protect stores against shoplifters and organized retail theft gangs.

But what about the determined insider?

"It's like a big faucet that drips day in and day out," said Dr. Richard Hollinger, professor of criminology at the University of Florida and lead author of the National Retail Federation's annual security survey issued in June.

Stories of employee theft range from the occasionally pilfered apple to the dedicated thief who cunningly maps out areas security cameras can't see so they can steal anything from shoes or computers to baby formula.

One member of a cleaning crew removed the bottoms from cleaning fluid jugs so he could stuff them full of merchandise.

"If you picked it up, it had heft to it because it was full of stuff," said Best Buy's Director of Asset Protection, Tim Fisher. "They do go to extreme levels of subterfuge."

Last year, thefts by employees of U.S. retail merchandise accounted for \$15.9 billion, or 44 percent of theft losses at stores, more than shoplifting and vendor fraud combined.

Another study by consultancy Jack L. Hayes International showed as many as one out of every 28 employees were apprehended for theft in 2007.

INFORMATION OVERLOAD?

Companies have long relied on video cameras to watch both customers and employees. The video now can be linked to the Internet, allowing employers to monitor dozens of feeds at a time.

But when it comes to keeping an eye on employees, information overload can be a problem.

Many grocery stores, for example, install cameras above the check-out registers, where experts say employee theft is most likely to occur. But it is hard to analyze video of repetitive motion, day in and day out: scan, cash, bag; scan, cash, bag.

"Less than 1 percent of that video ever gets looked at by anyone," said Malay Kundu, a security expert and entrepreneur.

Kundu and a team of researchers developed computer software they call StopLift, which is able to sort and flag repetitive or suspect actions, such as when an employee bags two items but scans only one, or when a checker skips merchandise at the register all together.

"It's probably the first breakthrough technology in 10 or 12 years for our world," said Mark Gaudette, director of loss prevention for Big Y Foods Inc, a grocery store chain in the U.S. Northeast.

One surprise: during a 90-day test period with Kundu's system, Big Y found that most of its employee-related losses could actually be attributed to scanning mistakes.

Gaudette used this finding to retrain or reassign the mistake-prone employees to other tasks. Six months later, he said, employee-related losses had dropped by 86 percent.

What surprised Gaudette even more was employee acceptance of the surveillance system, which the grocer renamed "Scan-It-All" in its training to give it a positive spin.

Big Y is not alone. Many employers have begun to focus on better training for employees to help stop crime the cameras can't see.

"The goal is for our employers to be competitive in our markets and for them to be successful," said Jill Cashen of the United Food and Commercial Workers International Union. "That's the best thing for our members."

National Retail Federation spokesperson Joe LaRocca said that training and employee culture are the most effective ways to influence employees who might steal because they might feel either entitled, angry at the company or simply desperate.

Many retailers including Best Buy are expanding employee training about retail theft in all its forms as both education and deterrent.

"Do I think organized retail crime is a reality? I absolutely know it is," said the company's Director of Asset Protection, Tim Fisher. "But it is a portion of the problem."

(Reporting by Ian Sherr, Editing by Peter Bohan and Matt Daily)

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