

The **New** Barometer

2014-2015

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THE GLOBAL RETAIL THEFT BAROMETER

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WELCOME TO THE NEW GLOBAL RETAIL THEFT BAROMETER

This is Checkpoint's fourteenth year of providing insightful research into the state of retail shrink as part of our commitment to help the industry understand the challenges of merchandise availability, and having the right product, at the right place at the right time.

Even after 14 years, The Global Retail Theft Barometer remains the industry's only statistical research on global theft. We have continued our partnership with The Smart Cube, a global leader in high-value, custom research and analytics, along with the practitioner experience of Ernie Deyle, to provide an even more comprehensive view of global shrink trends. This year, we are providing additional aggregated regional and global information, including 11 country-level trends and have incorporated year-to-year same-respondent analysis for added insights. Findings are based upon a combination of online surveys completed by key retail decision-makers in those countries, as well as personal, in-depth interviews with retail executives.

According to the report, shrink cost stood at \$123.39 billion for retailers globally. Based on responses from common respondents who participated in last year's and this year's surveys, global shrink increased from 0.94 percent during 2013-2014 to 1.42 percent during 2014-2015.

During interviews, some of the key reasons for the increase emerged, including stressed economic conditions, high unemployment, and low consumer confidence, along with increased internal theft and/or process errors, and the ever increasing tactics from external theft drivers.

Retail executives said they were focusing more attention on shrink management and employee training, because while they acknowledge that loss prevention comes at a cost, they see its strong ROI. Similar to last year, many retailer executives spoke about further enhancing joint programs with technology solution providers and merchandise suppliers to reduce shrink and costs.

With omni-channel retailing, the devil is in the data. As such, retailers are also looking for optimized ways of measuring and controlling shrink, out-of-stocks and waste in real time in order to tackle losses from a "total loss" perspective. In that respect, they know they must implement new technology approaches to adapt to these challenging market needs.

We are committed to ongoing support for this important industry research and look forward to working with retailers around the world on new ways to improve merchandise availability.



George Babich
Chief Executive Officer
Checkpoint Systems

A handwritten signature in black ink, appearing to read 'G Babich', written in a cursive style.

George Babich

The **New** Barometer

2014-2015

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Introduction

by Ernie Deyle



THE GLOBAL RETAIL THEFT BAROMETER

Introduction

by Ernie Deyle

18*
Vertical
Markets

7
An increase
in shrink

3
A decrease
in shrink

1
No change

This year's study is the first year of our behind the scenes "Optimization Process" that will improve the study's overall value proposition for the Loss Prevention Professionals Worldwide and more importantly to the Loss Prevention Senior/Executive Leadership Teams who need access to actionable information, in a timely manner, so that they can make informed decisions to drive performance and maintain the improved performance once the results are achieved.

As the leading industry study on Loss, we must evolve, adapt, and stay ahead of the ever changing events that impact our industry both Globally and Locally, be that a country, a territory or region, a district, or on the front lines at store level in our ever expanding work space—be it in the traditional brick and mortar venue or on-line via the Web.

Retail, as an industry, has been historically one of the most data rich business verticals. Unfortunately, this data "richness" has been generally slow on the ability to access information, historically unable to properly utilize information, and the most critical of all is the inability to isolate and quantify information into actions and tactics that will drive performance directly to the measurables of the Profit and Loss Statement.

Now, more than ever, we as an industry need to leverage actionable relevant information, to properly assess performance, identify risk trends, and better leverage our costs, tools, solutions, and our team members as financial resources (cost controls) tighten.

As we are all well aware, when the global economic conditions become unstable, stressed, and/or are on the downturn—as has been the case during the last seven years—retailers are the first to feel the impact. As such, this year's results highlight these

* There are 18 retail verticals in the study, but only 11 had comparable data.



impacts on profitability, as the industry is reporting a decrease on performance specific to shrink. The 2014–2015 results reported a 1.42% rate vs. 2013–2014 results at 0.94%.

The GRTB had a record 18 retail verticals report data to this year’s study —out of which comparable data for 11 verticals was available. Out of these 11 comparable verticals, 7 increased on performance, while 3 decreased (one of the verticals witnessed no change).

The retail industry continues to categorize loss into four primary buckets —internal, external, vendor, and administrative. Historically, as a global threat, external theft was always the leading cause of loss as reported by the study’s participants. This year is the first year that the retail participants reported internal theft as the leading cause of loss at a global level of impact. Internal theft increased to 39% from 28% last year (LY), external theft decreased to 38% from 39% LY, vendor fraud decreased to 7% from 13% LY, and administrative loss decreased to 16% from 21% LY.

In the coming months, we will be working with our key participant partners and the retail industry to further define our Optimization Strategy, so that we can deliver a valued knowledge resource to the industry that can be leveraged throughout the year to make decisions to improve the industry’s ability to drive performance and mitigate risk.



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2014-2015

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About the report



THE GLOBAL RETAIL THEFT BAROMETER

About the report

The GRTB —*Global Retail Theft Barometer*— is a study on the cost of shrinkage for the global retail industry. Apart from providing shrinkage trends at the global and regional levels, this year’s report also provides country level trends for 11 select countries, out of the 24 countries covered in the research.

24
Countries
Researched

Region	Country
Asia Pacific (APAC)	Australia, China, Hong Kong and Japan
Europe	Austria, Belgium, Finland, France, Germany, Italy, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey and UK
Latin America	Argentina, Brazil and Mexico
North America	US

■ THE STUDY

The objective of this report is to understand shrinkage rates in four key regions, covering 24 countries, as well as the reasons for shrinkage and steps taken to prevent such loss.

Key data points provided are as follows:

- Average rate of shrinkage (in percentage terms) for the retail industry
- Reasons for shrinkage: % internal theft, external theft, vendor theft, and administrative factors
- Popular loss prevention solutions

Qualitative insights into reasons for shrinkage, adoption of loss prevention solutions and approach towards loss prevention have also been provided. Prepared by The Smart Cube (TSC), presented with Ernie Deyle, and funded by an independent grant from Checkpoint Systems, Inc., the report is the world’s most comprehensive survey of retail crime and loss. All figures in the report relate to the twelve months, ending December 2014.

Reasons of Shrinkage



Dishonest Employee Theft



Shoplifting



Vendor/Supplier Fraud



Administrative and Non-crime losses

METHODOLOGY

TSC conducted an online survey with loss prevention managers of retailers in 24 countries, covering a detailed questionnaire to gain insights into shrinkage levels and related information. In-depth interviews with these managers and retail industry experts were also conducted to gain qualitative information regarding the challenges faced by retailers, the level of focus on shrinkage management, and the reasons for commissioning/not commissioning loss prevention solutions.

The respondent base comprised a mix of retailers representing stores of various sizes and types. 203 companies from four geographies provided responses for this study. These companies accounted for \$996.2 billion of retail value sales in the 24 countries combined.

To calculate shrinkage and other key figures, data from individual retailers was normalized at vertical, country, and regional level to offset any skews occurring due to a few large respondents. This change was implemented to last year's data as well, to ensure a fair comparison.

TSC's research team—comprising data analysts, researchers, and industry experts—generated insights based on the quantitative and qualitative information gathered. Ernie Deyle, a leading loss prevention expert, also provided his insights through his expertise in challenges faced by retailers.

DATA

Apart from covering the global and regional data, the report also provides country-level data for 11 select countries across the four regions. Shrinkage figures in the report are based on retail selling prices. Some qualitative and quantitative data, such as country population, number of households, and retail sales, have been sourced and calculated from various secondary sources, including IMF, national statistics websites of the respective countries, and "World Retail Data and Statistics" published by Euromonitor International, industry associations, and news articles of renowned and credible publications. The reporting currency for all values in the report is USD (US\$). Currency conversion rates are provided in the following pages. These were used wherever the responses received were in currencies other than USD.

RETAIL VERTICALS

To ensure a fair representation, and eliminate skew in the responses and reported figures, a mix of retailers were included in the survey. Please see the side table.

THE QUESTIONNAIRES

The questionnaires were sent to loss prevention managers in 24 countries and in 13 different languages. Retailers were guaranteed the confidentiality of their responses. There were two questionnaires—online (covering quantitative information) and telephonic (comprising qualitative insights)



RETAIL VERTICAL

- Apparel Specialist Retailers
- Beauty Specialist Retailers
- Convenience Stores
- Department Stores
- Discounters
- Electronics/ Appliance/Media Products Specialist Retailers
- Gas Stations
- Home Improvement and Gardening Stores
- Hypermarkets/Mass Merchandisers
- Jewelry and Watch Specialist Retailers
- Other Non-grocery Retailers
- Pet Shops
- Pharmacies/ Drugstores
- Sports Goods Stores
- Supermarkets/ Grocery Retailers
- Superstores
- Traditional Toys and Games Stores
- Warehouse Clubs



■ CURRENCY CONVERSIONS

For retailers reporting their revenues in currencies other than USD, the following currency conversions were used. These were average exchange rates for the year 2014.

Country	Currency Conversion (per USD)
Argentina (ARS)	8.09627
Australia (AUD)	1.10941
Austria (EUR)	0.75354
Belgium (EUR)	0.75354
Brazil (BRL)	2.34749
China (CNY)	6.14316
Finland (EUR)	0.75354
France (EUR)	0.75354
Germany (EUR)	0.75354
Hong Kong (HKD)	7.75438
Italy (EUR)	0.75354
Japan (JPY)	105.83462
Mexico (MXN)	13.29847
Netherlands (EUR)	0.75354
Norway (NOK)	6.29978
Poland (PLN)	3.15081
Portugal (EUR)	0.75354
Russia (RUB)	38.49090
Spain (EUR)	0.75354
Sweden (SEK)	6.85865
Switzerland (CHF)	0.91496
Turkey (TRY)	2.18641
UK (GBP)	0.60720
US (USD)	1.00000

■ GLOSSARY OF KEY TERMS

<p>Shrinkage</p>	<p>“Shrinkage” or “Shrink” is an important measure, widely used in accounting, reflecting the difference between the book/financial values (unit and cost of good) minus the physical count value—the delta is Inventory Shrink. Inventory Shrink is largely due to theft from stores; a variety of process errors, accounting lapses, pricing mistakes, and improper inventory management also contribute to such losses.</p> <ul style="list-style-type: none"> • Accounting rules and reporting methodologies (Cost/Retail/Average Weighted Cost (AWC)/Average Weighted Price (AWP) or a Hybrid variant mixing these aforementioned accounting methodologies), along with company policies on reporting, tax structures, and other internal practices can dramatically impact “declared shrinkage” • Shrinkage has been provided as a percentage of sales in this report
<p>Loss Prevention Spend</p>	<p>“Loss prevention spend” means the amount that retailers spend on purchase and implementation of loss prevention solutions to reduce shrinkage</p> <ul style="list-style-type: none"> • Loss prevention spend data has been provided as a percentage of sales in this report • Loss prevention solutions are typically of two types: <ul style="list-style-type: none"> – <i>At Product Level</i> – Those which are used to protect individual products; for example, spider wraps, secure cable devices, and tags – <i>At Store Level</i> – Those which at used to prevent theft at overall store level; for example, CCTV, alarm monitoring systems, and security guards
<p>Cost of Retail Theft/Crime</p>	<ul style="list-style-type: none"> • “Cost of retail theft/crime” implies the cost incurred by retailers due to shrinkage from shoplifting, dishonest employee theft, and vendor fraud plus spend on loss prevention solutions • This does not include cost of shrinkage due to administrative and non-crime losses • Cost of retail theft/crime data has been provided as a percentage of sales in this report
<p>Common Respondents</p>	<p>“Common respondents” implies those respondents who have participated in the surveys of both the years, i.e. 2013–2014 and 2014–2015</p> <ul style="list-style-type: none"> • For providing an year-on-year comparison of various variables in the report, data from only these common respondents have been considered
<p>Like-for-Like Analysis</p>	<p>“Like-for-like analysis” implies comparison of data from common respondents who participated in both 2013–2014 and 2014–2015 surveys</p>
<p>pps</p>	<ul style="list-style-type: none"> • “pps” refers to percentage points—the unit for the arithmetic difference between two percentages

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Global Report

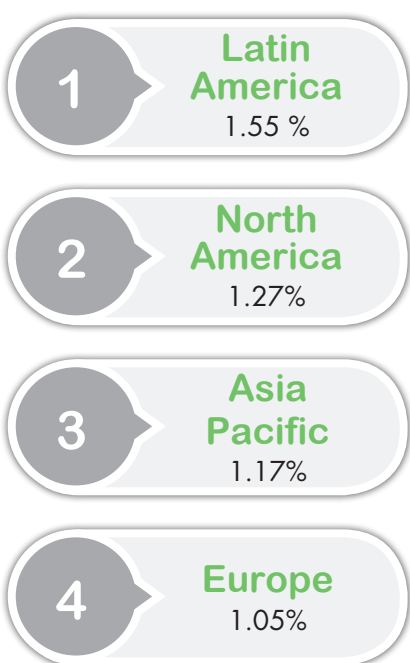


THE GLOBAL RETAIL THEFT BAROMETER

Global Report

203 respondents reported a shrinkage **rate of 1.23%** across **18 retail verticals** in the survey conducted during 2014–2015. The shrinkage **cost** stood at a whopping **\$123.39 billion** for retailers, globally.

Based on responses from common respondents¹, who participated in both surveys during 2013–2014 and 2014–2015, the global **shrinkage increased from 0.94%** during 2013-2014 **to 1.42%** during 2014-2015.



■ GLOBAL AND REGIONAL SHRINKAGE

During 2014–2015 (all respondents), Latin America registered the highest shrinkage of 1.55%, followed by North America (1.27%), Asia Pacific (1.17%), and Europe (1.05%).

Based on responses from common respondents, shrinkage in retail stores increased² during 2014–2015 (as compared with the previous year) across all regions, except Europe. Latin America witnessed the highest increase in shrinkage (1.07 pps³), followed by North America (0.69 pps) and Asia Pacific (0.20 pps). Europe witnessed a marginal decrease⁴ of 0.06 pps.

¹ “Common responses” implies responses from those respondents who participated in both 2013–2014 and 2014–2015 surveys.

² “Increased in shrinkage” means that the shrinkage rate has increased in current year (2014–2015) as compared with the previous year (2013–2014)

³ pps refers to percentage points—the unit for the arithmetic difference between two percentages

⁴ “Decrease in shrinkage” means that the shrinkage rate has decreased in current year (2014–2015) as compared with the previous year (2013–2014).

Figure 1.1

Global Retail Shrinkage – by Region, 2014–2015 (all respondents)

Region	2014–2015	Shrinkage Value ⁶ (\$ billion)
Asia Pacific	1.17 %	39.04
Europe	1.05 %	40.88
Latin America	1.55 %	10.80
North America	1.27 %	36.79
Global	1.23 %	123.39

Figure 1.2

Global Retail Shrinkage – by Region, 2013–2014 and 2014–2015 (common respondents)

Region	2014–2015 (current year)	2013–2014 (previous year)	Increased or Decreased
Asia Pacific	1.11%	0.91%	Increased ▲
Europe	0.96%	1.02%	Decreased ▼
Latin America	1.82%	0.75%	Increased ▲
North America	1.97%	1.28%	Increased ▲
Global	1.42%	0.94%	3 Increased and 1 Decreased

While the retail strategists focus on advertising, sales, and marketing, these numbers—which is \$123.39 billion⁵ of loss in shrinkage—give them a strong reason to reassess their focus.

There are various reasons that can be attributed to the increase in shrinkage. Some of the key reasons include stressed economic conditions, high unemployment, and low consumer confidence, along with increased internal theft and/or process errors, and the ever increasing tactics from external theft drivers.

Internal theft and external theft drivers, such as organized retail crime (ORC), have been cited as primary reasons for increasing shrinkage across most countries. Sophisticated criminals use innovative methods to circumvent security checks, which include switching UPC bar codes on merchandise to show lower prices during checkout, tampering with retail equipment (such as PIN pads), and producing fictitious receipts to return stolen products to retail stores. ORC is committed by groups that consist



⁵ and ⁶ Based on the total retail market size of 24 countries covered in this report.

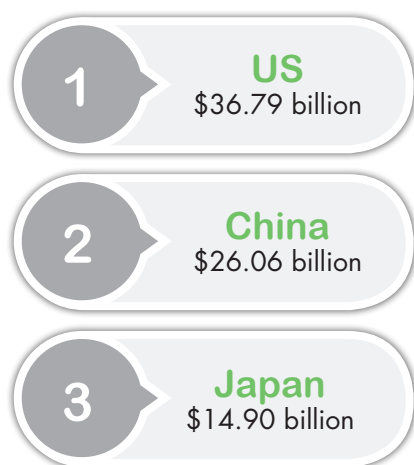
of people with designated roles, such as driver, lookout, picker, packer, and supervisor. They use hand signals, cell phones, GPS devices, and online information to develop and transmit merchandise target lists.

Temporary nature of employment and lower compensation (compared to full-time positions) are the major reasons for employees to indulge in retail theft. Furthermore, employees who are looking for extra cash or are dissatisfied with their employers generally indulge in such thefts.

The report identifies four main sources of shrinkage—dishonest employee theft, shoplifting, vendor/supplier fraud, and administrative and non-crime loss. It was found that 87% of the retailers kept a track of shrinkage caused by dishonest employee theft and shoplifting, while only 75% of the retailers tracked administrative and non-crime losses, and even a lesser number of retailers—70%—tracked vendor/supplier fraud. It was observed across all regions that vendor/supplier fraud was least tracked by the retailers.

Three out of four regions witnessed an increase in shrinkage during 2014-2015 as compared with 2013-2014, while **only one region (Europe) decreased.**

The highest loss by country



■ GLOBAL SHRINKAGE – BY COUNTRY

Among the top 10 countries with least shrinkage rates, eight are located in Europe; these include countries such as Norway, Switzerland, France, Poland, and the UK. Countries with the highest shrinkage rates include Mexico, the Netherlands, Finland, Japan, and China.

Retailers lost \$36.79 billion due to shrinkage in the US—the highest among all countries— followed by China (\$26.06 billion), and Japan (\$14.90 billion).

Out of all the countries where a like-for-like analysis⁷ was possible, 7 witnessed an decrease in shrinkage during 2014–2015, as compared with 2013–2014, while 10 witnessed an increase. 6 out of these 7 countries that witnessed an decrease are located in Europe, except Australia.

In 2014–2015 US witnessed the highest erosion (0.69 pps).

⁷ “Like-for-like analysis” implies comparison of data from common respondents who participated in both 2013–2014 and 2014–2015 surveys

Figure 1.3

Global Retail Shrinkage – by Country,
2014–2015
(all respondents)

Country	2014–2015	Shrinkage by Value (\$ billion)	Rank, based on Shrinkage Percentage (1 = Lowest 24 = Highest)
Argentina	1.00%	1.14	7
Australia	1.02%	2.44	9
Austria	1.03%	0.77	10
Belgium	1.19%	1.23	16
Brazil	1.10%	3.89	13
China	1.35%	26.06	20
Finland	1.38%	0.69	22
France	0.81%	4.61	3
Germany	1.08%	6.62	12
Hong Kong	1.05%	0.66	11
Italy	1.01%	3.91	8
Japan	1.35%	14.90	21
Mexico	1.68%	3.86	24
Netherlands	1.48%	1.88	23
Norway	0.75%	0.50	1
Poland	0.88%	0.97	4
Portugal	0.90%	0.49	6
Russia	1.18%	6.17	15
Spain	1.33%	3.31	19
Sweden	1.20%	1.07	17
Switzerland	0.76%	0.86	2
Turkey	1.17%	2.14	14
UK	0.89%	5.15	5
US	1.27%	36.79	18

Figure 1.4

Global Retail Shrinkage – by Country,
2013–2014 and 2014–2015
(common respondents)⁸

Region	2014–2015	2013–2014	Increased or Decreased
Australia	0.96%	1.00%	Decreased ▼
Belgium	0.90%	0.68%	Increased ▲
Brazil	0.84%	0.50%	Increased ▲
China	1.35%	0.87%	Increased ▲
Finland	1.50%	1.80%	Decreased ▼
Italy	0.64%	0.95%	Decreased ▼
Japan	1.00%	0.50%	Increased ▲
Netherlands	1.13%	0.87%	Increased ▲
Norway	0.75%	0.50%	Increased ▲
Poland	1.08%	1.10%	Decreased ▼
Portugal	0.87%	0.77%	Increased ▲
Spain	1.22%	0.97%	Increased ▲
Sweden	1.38%	0.85%	Increased ▲
Turkey	0.90%	1.25%	Decreased ▼
UK	0.80%	1.00%	Decreased ▼
US	1.97%	1.28%	Increased ▲
Global	1.42%	0.94%	10 Increased and 6 Decreased

⁸ Data for Argentina, Austria, France, Germany, Hong Kong, Russia, and Switzerland was not available, as there were no common respondents in these countries during 2013–2014 and 2014–2015; for France and Mexico, the data was not statistically valid

A **record 18 retail verticals reported shrinkage** during 2014–2015 vs. 17 retail verticals during 2013–2014. **Top 10 verticals** out of 18 constituted **87% of all respondents**.

7 out of 11 **verticals** (where like-for-like analysis was possible) **increased during 2014–2015** as compared with the last year.



■ GLOBAL SHRINKAGE – BY VERTICAL

The highest loss by vertical

1 **Pharmacies Drugstores**
1.99%

2 **Apparel Specialist**
1.80%

3 **Jewelry and Watch**
1.73%

Pharmacies/drugstores, apparel specialist retailers, and jewelry and watch specialist retailers witnessed the highest shrinkage across all regions during 2014–2015. One of the key reasons for such high pilferage in these stores is that these retailers deal in merchandise which can be easily concealed and resold at good prices, without any significant legal implications. Warehouse clubs and pet shops witnessed the lowest shrinkage rates.

Pharmacies/drugstores witnessed the highest increase in shrinkage rate (1.62 pps) during 2014–2015 (over the previous year). Other store types witnessing high increase in shrinkage included apparel specialist retailers (1.31 pps) and other non-grocery retailers (0.70 pps). Department stores witnessed an decrease of 0.87 pps, the highest among all store types.

ORC, which is impacting the entire retail industry, is one of the major reasons for high shrinkage in pharmacies/drugstores. These criminals typically steal items such as medicine, baby formula, and health and beauty supplies. Some of these criminal groups have complex warehouse operations with bogus business accounts. This allows them to peddle stolen goods to wholesalers that sell them back to retailers from where the goods were originally stolen. The increasing sophistication and skills of shoplifters pose serious challenges to retailers.

Figure 1.5

Global Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015	Rank (1 = Lowest 18 = Highest)
Apparel Specialist Retailers	1.80%	17
Beauty Specialist Retailers	0.80%	3
Convenience Stores	0.94%	5
Department Stores	1.66%	15
Discounters	1.28%	12
Electronics/Appliance/Media Products Specialist Retailers	0.83%	4
Gas Stations	1.37%	14
Home Improvement and Gardening Stores	0.95%	6
Hypermarkets/Mass Merchandisers	1.11%	9
Jewelry and Watch Specialist Retailers	1.73%	16
Other Non-grocery Retailers	1.03%	8
Pet Shops	0.48%	1
Pharmacies/Drugstores	1.99%	18
Sports Goods Stores	1.11%	9
Supermarkets/Grocery Retailers	1.11%	9
Superstores	1.02%	7
Traditional Toys and Games Stores	1.29%	13
Warehouse Clubs	0.77%	2

Figure 1.6

Global Retail Shrinkage – by Vertical, 2013–2014 and 2014–2015 (common respondents)⁹

Vertical	2014–2015	2013–2014	Increased or Decreased
Apparel Specialist Retailers	2.04%	0.73%	Increased ▲
Department Stores	1.30%	2.18%	Decreased ▼
Electronics/Appliance/Media Products Specialist Retailers	0.64%	0.50%	Increased ▲
Home Improvement and Gardening Stores	1.39%	1.05%	Increased ▲
Hypermarkets/Mass Merchandisers	1.15%	0.67%	Increased ▲
Jewelry and Watch Specialist Retailers	1.25%	1.20%	Increased ▲
Other Non-grocery Retailers	1.81%	1.11%	Increased ▲
Pharmacies/Drugstores	2.22%	0.59%	Increased ▲
Sports Goods Stores	0.84%	0.88%	Decreased ▼
Supermarkets/Grocery Retailers	1.13%	1.16%	Decreased ▼
Traditional Toys and Games Stores	1.00%	1.00%	No change
Global	1.42%	0.94%	7 Increased and 4 Decreased

⁹ Data for beauty specialist retailers, convenience stores, discounters, gas stations, pet shops, superstores, and warehouse clubs was not available, as there were no common respondents for these verticals during 2013–2014 and 2014–2015

■ GLOBAL SHRINKAGE – BY SEASON

During 2014–2015, a majority of shrinkage occurred during winters, globally. This was seen across all regions, except Asia Pacific, where the maximum shrinkage was recorded during summers.

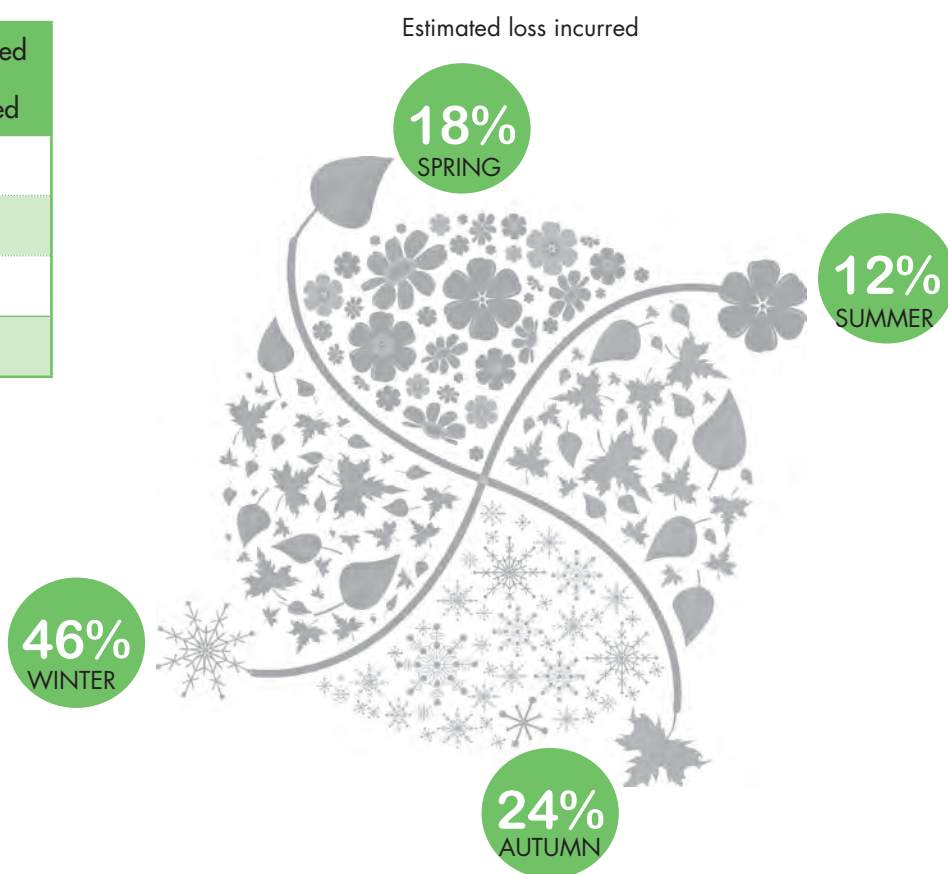
The winter season has the highest risk of loss on all fronts —internal theft through POS¹⁰ transaction manipulation and free bagging¹¹, and external theft through the ability of thieves to conceal stolen items under heavy clothing. In addition, products sold in some specific types of stores (such as apparel special retailers that sell jackets during winters) are of higher value during winters, as compared with other seasons.

During winters, the maximum shrinkage risk was observed during holidays/ festivities as customer traffic/footfall in stores is high and products are available within easy reach of potential thieves. However, shrinkage risk during the autumn and spring seasons is the maximum during sales period.

Figure 1.7

Global Retail Shrinkage – by Season, 2014–2015 (all respondents)

Rank	2014–2015	Estimated Loss Incurred
1st	Winter	46%
2nd	Autumn	24%
3rd	Spring	18%
4th	Summer	12%



¹⁰ Point of Sale

¹¹ “Free bagging” is a practice wherein the store staff (typically cashiers) help thieves in putting additional items in their bags without paying

■ GLOBAL SHRINKAGE – BY SOURCE

During 2014–2015, dishonest employee theft and shoplifting, together accounted for 77% of the total shrinkage, as compared with 67% during 2013–2014; this stood at \$95.01 billion in losses for the retailers.

Vendor/supplier fraud accounted for the least share at 7% during 2014–2015, down from 13% during 2013–2014.

As compared with 2013–2014, share of dishonest employee theft—as a source of shrinkage—increased during 2014–2015 by 11 pps, but shares of vendor/supplier fraud, and administrative and non-crime losses decreased by 6 pps and 5 pps, respectively.

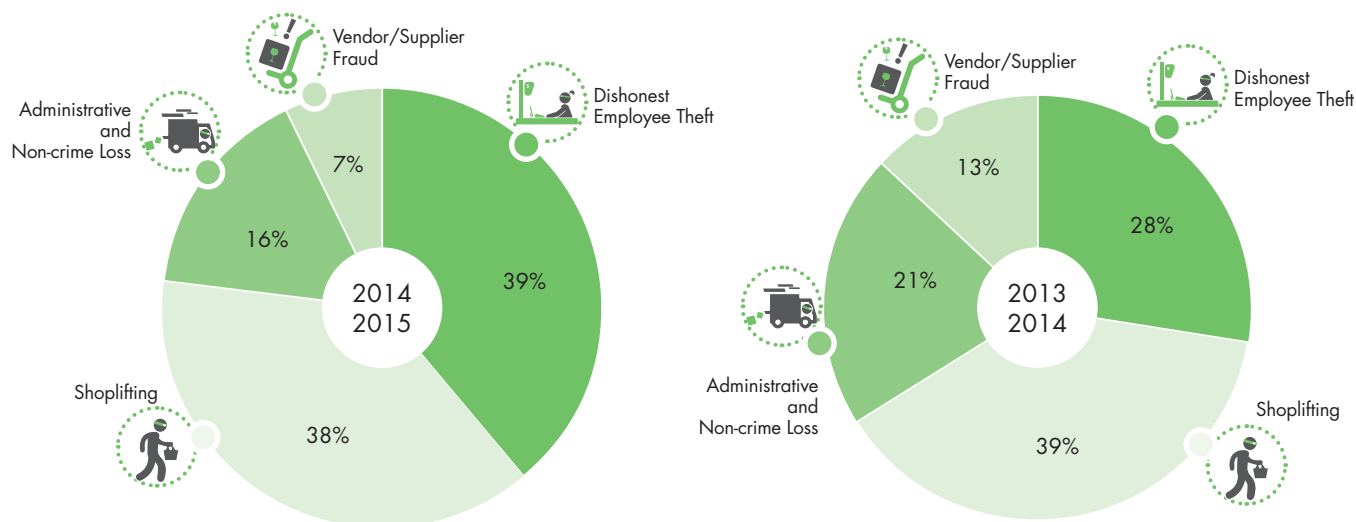
Over 2013/14–2014/15, shoplifting was the key cause for shrinkage in Europe, Asia Pacific, and Latin America. However, in North America, dishonest employee theft was the major reason in both the years.

According to the retailers in the US, most incidents of employee theft occur at point of sale (POS) and the remaining are cases of stolen inventory at locations such as warehouses. Retailers are using many procedures, such as pre-employment background checks of potential employees and POS exception reporting techniques, to combat dishonest employee theft in North America.

Figure 1.8

Global Retail Shrinkage – by Source, 2013–2014 and 2014–2015 (all respondents)

Source	% Share (2014–2015)	% Share ¹² (2013–2014)	Shrinkage by Value (\$ billion, 2014–2015)
Dishonest Employee Theft	39%	28%	48.12
Shoplifting	38%	39%	46.89
Vendor/Supplier Fraud	7%	13%	8.64
Administrative and Non-crime Loss	16%	21%	19.74



¹² The total may not add to 100% due to rounding-off.

Out of all the surveyed countries, during 2014–2015, administrative and non-crime loss was the primary cause of shrinkage only in the UK and Brazil.

Shoplifting and dishonest employee theft remained key causes of concern across verticals.

■ MOST STOLEN ITEMS

Products such as batteries, mobile accessories, and makeup products—that are easy to conceal, have a wide public appeal, and a ready market for resale—are major attractions for thieves. Other frequently stolen products include wines and spirits, footwear, tobacco, fresh meat, and perfumes.

In the electronics category, mobile phones and accessories were the most stolen items across all the regions except Latin America, where iPhone/smartphones topped the list.

Figure 1.9

Rank	Apparel and Fashion Accessories	DIY/Home Improvement	Electronics	Food and Beverages	Health and Beauty
1st	Footwear	Batteries	Mobile Device Accessories	Wines and Spirits	Razor Blades
2nd	Fashion Accessories	Power Tools	iPad/Tablets	Tobacco	Makeup Products
3rd	Sports-related Clothing	Door Locks	Video Games	Fresh Meat	Perfumes and Fragrances
4th	Sunglasses	Screws and Washers	Connection Devices	Razor Blades	Facial Creams
5th	Handbags	Cables	Home Office Consumables	Cheese	Deodorants

Figure 1.10

Global Loss Prevention Spend, as a % of Total Sales – by Region, 2014–2015 (all respondents)

Region	2014–2015
APAC	0.97%
Europe	1.07%
Latin America	1.20%
North America	1.55%
Global	1.19%

In apparel and fashion accessories category, fashion accessories were the most stolen items during 2013–2014; however, during 2014–2015, footwear became the most stolen item in this vertical.

In the food and beverages category, wines and spirits remained the most stolen items across all regions except Asia Pacific, where infant formula was the most stolen item. Infant formula was the second-most stolen item during 2013–2014 at the global level. However, it did not feature in the top five most-stolen items during 2014–2015.

■ GLOBAL LOSS PREVENTION SPEND

Three of the four regions witnessed a decrease in spend specific to loss prevention solutions (as a percentage of the total sales) during 2014–2015 over the previous period. The maximum decline was witnessed in Europe—due to weak economic conditions—followed by APAC.

Latin America was the only region that witnessed an increase in loss prevention spend. The region has been witnessing one of the highest shrink rates—forcing retailers to beef-up their prevention systems.

During 2014–2015, most of the verticals witnessed a decline in spend on loss prevention solutions. The highest decline was witnessed by department stores, and traditional toys and games stores. Verticals that witnessed the highest increase in this spend included hypermarkets/mass merchandisers, and home improvement and gardening stores.



Figure 1.11

Global Loss Prevention Spend, as a % of Total Sales – by Region, 2013–2014 and 2014–2015 (common respondents)

Region	2014–2015	2013–2014	Increased or Decreased
Asia Pacific	0.79%	0.97%	Decreased ▼
Europe	0.74%	0.98%	Decreased ▼
Latin America	0.48%	0.41%	Increased ▲
North America	0.50%	0.56%	Decreased ▼
Global	0.65%	0.89%	3 Decreased and 1 Increased

Figure 1.12

Global Loss Prevention Spend, as a % of Total Sales – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015	Rank (1 = Maximum Spend 18 = Minimum Spend)
Apparel Specialist Retailers	0.45%	17
Beauty Specialist Retailers	1.02%	7
Convenience Stores	1.87%	2
Department Stores	0.49%	16
Discounters	0.63%	12
Electronics/Appliance/Media Products Specialist Retailers	2.16%	1
Gas Stations	1.32%	5
Home Improvement and Gardening Stores	0.56%	15
Hypermarkets/Mass Merchandisers	1.32%	6
Jewelry and Watch Specialist Retailers	1.47%	4
Other Non-grocery Retailers	0.66%	11
Pet Shops	1.00%	8
Pharmacies/Drugstores	0.60%	13
Sports Goods Stores	0.98%	9
Supermarkets/Grocery Retailers	1.73%	3
Superstores	0.57%	14
Traditional Toys and Games Stores	0.30%	18
Warehouse Clubs	0.83%	10

Figure 1.13

Global Loss Prevention Spend, as a % of Total Sales –
by Vertical, 2013–2014 and 2014–2015 (common respondents)¹³

Region	2014–2015	2013–2014	Increased or Decreased
Apparel Specialist Retailers	0.34%	0.46%	Decreased ▼
Department Stores	0.42%	3.23%	Decreased ▼
Electronics/Appliance/Media Products Specialist Retailers	0.49%	0.72%	Decreased ▼
Home Improvement and Gardening Stores	1.31%	0.56%	Increased ▲
Hypermarkets/Mass Merchandisers	1.20%	0.26%	Increased ▲
Jewelry and Watch Specialist Retailers	1.00%	0.50%	Increased ▲
Other Non-grocery Retailers	0.73%	0.56%	Increased ▲
Pharmacies/Drugstores	0.50%	0.45%	Increased ▲
Sports Goods Stores	0.58%	1.17%	Decreased ▼
Supermarkets/Grocery Retailers	0.67%	0.95%	Decreased ▼
Traditional Toys and Games Stores	0.46%	1.60%	Decreased ▼
Global	0.65%	0.89%	5 Increased and 6 Decreased

During 2014–2015, electronics/appliance/media products specialist retailers spent the maximum amount on loss prevention solutions. This was primarily due to the high value and mass appeal of these products that make them lucrative targets for thieves. Furthermore, the loss prevention equipment used to protect these products is expensive.

Other verticals with high spend include convenience stores and supermarkets/grocery retailers. Traditional toys and games stores had the least spend on loss prevention solutions

Apparel specialist retailers, which had one of the highest shrinkage rates across all verticals during 2014–2015, had the second-lowest loss prevention spend.

During 2014–2015, most of the verticals witnessed a decline in spend on loss prevention solutions. The highest decline was witnessed by department stores, and traditional toys and games stores. Verticals that witnessed the highest increase in this spend included hypermarkets/mass merchandisers, and home improvement and gardening stores.



■ LOSS PREVENTION SOLUTIONS

During 2014–2015, some of the most frequently used loss prevention techniques at the store level included CCTV/DVR (76%), security guards (61%), and alarm monitoring (60%). 80% of the retailers (who used security guards) used unarmed guards, while the remaining used both—armed and unarmed.

¹³ Data for beauty specialist retailers, convenience stores, discounters, gas stations, pet shops, superstores, and warehouse clubs was not available, as there were no common respondents for these verticals during 2013–2014 and 2014–2015

Out of the 76% retailers using CCTV/DVR, 57% preferred to have CCTV/DVR installed in the store, while only 23% relied on centrally hosted CCTV/DVR.

In 61% of the stores (that used alarm monitoring), the service was provided by third-party providers. However, it was internally managed by 26% of the respondents and the remaining did both.

EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas) (73%), and spider wraps and security keepers (44%) were the most widely used tools to protect products.

47% of the respondents conducted at least one inventory cycle count per month, while 23% respondents did it on a quarterly basis. The remaining respondents conducted inventory cycle count once a year.

Figure 1.14

Global Loss Prevention Solutions – at Store Level, 2014–2015 (% of respondents)

Solution	% of Respondents Using
CCTV/DVR	76%
Security Guards	61%
Alarm Monitoring	60%
Logistics-related Solutions (GPS, truck seal program, etc.)	44%
Foot Traffic Counters	43%
Door Seals/MAG	43%
POS EBR (exception-based reporting)	40%
Advanced Data Analytics	35%
Parking Lot Protection	31%
Advanced Access Control (key card, biometric technology, etc.)	29%
Motion Detection Alerts	21%
Other Protection Methods	9%
Facial/Customer Recognition Technology	3%

Figure 1.15

Global Loss Prevention Solutions – at Product Level, 2014–2015 (% of respondents)

Solution	% of Respondents Using
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	73%
Spider Wraps and Security Keepers	44%
Advanced Inventory Control Tactics (secure cable devices, etc.)	27%
RFID-based EAS	15%
Shelving Solutions and Delayed Fixtures	27%
EAS Pedestal Analytic Data Tools	11%

Figure 1.16

Global Cost of Retail Theft/Crime, as a % of Total Sales –
by Region, 2014–2015 (all respondents)

Region	2014–2015	Cost of Retail Theft/Crime by Value (\$ billion)
APAC	1.84%	61.40
Europe	1.82%	70.85
Latin America	2.08%	14.50
North America	2.60%	75.32
Global	1.98%	214.30

Figure 1.17

Global Cost of Retail Theft/Crime, as a % of Total Sales –
by Country, 2014–2015 (all respondents)

Country	2014–2015	Cost of Retail Theft/Crime by Value (\$ billion)	Number of Households ('000)	Cost of Retail Theft/Crime per Household (\$)
Argentina	2.10%	2.39	11,930	200.42
Australia	1.42%	3.40	8,875	382.96
Austria	2.18%	1.64	3,704	442.20
Belgium	1.59%	1.64	4,645	353.14
Brazil	1.43%	5.05	59,690	84.65
China	2.26%	43.63	418,440	104.26
Finland	4.48%	2.23	2,571	868.40
France	1.94%	11.03	27,923	395.15
Germany	1.96%	12.01	40,343	297.70
Hong Kong	2.67%	1.69	2,433	694.97
Italy	1.84%	7.13	25,746	276.80
Japan	1.93%	21.30	53,000	401.97
Mexico	2.80%	6.43	31,559	203.89
Netherlands	2.30%	2.93	7,550	387.79
Norway	1.93%	1.30	2,259	573.91
Poland	1.39%	1.53	13,660	112.19
Portugal	1.63%	0.89	4,005	223.05
Russia	1.73%	9.04	54,610	165.51
Spain	2.21%	5.50	17,419	316.00
Sweden	0.89%	0.79	4,632	171.33
Switzerland	1.23%	1.40	3,362	416.00
Turkey	0.84%	1.54	20,705	74.24
UK	1.25%	7.24	27,232	265.76
US	2.60%	75.32	122,459	615.07

Supermarkets and warehouse clubs had the highest number of categories counted per cycle at 7 and 11, respectively. Pet shops counted 5 categories, while apparel specialists and beauty specialists count 4 categories.

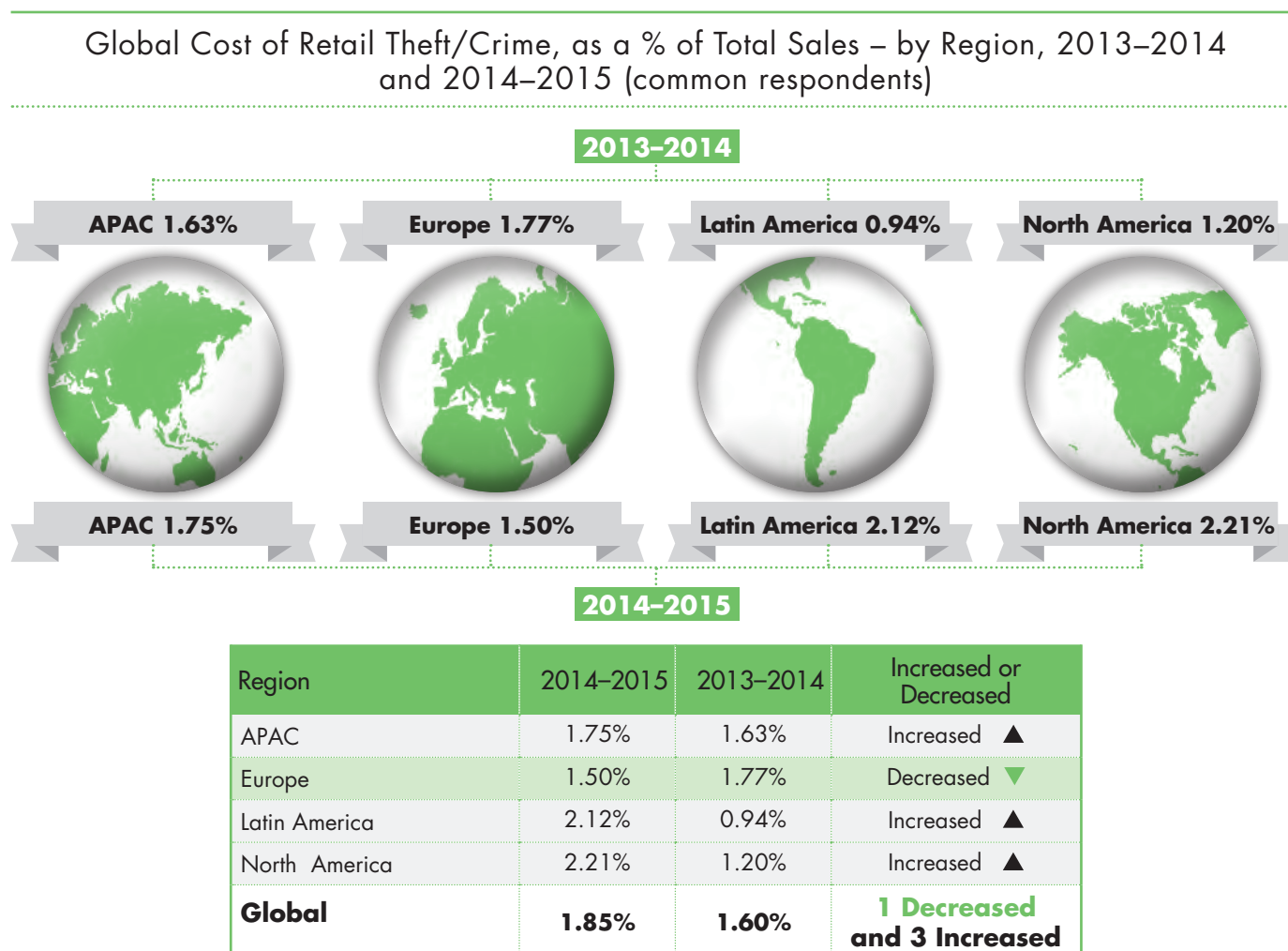
■ GLOBAL COST OF RETAIL THEFT/CRIME

Unlike retail shrinkage—which also accounts for administrative errors, such as accounting and pricing mistakes—the cost of retail theft/crime only considers intentional crimes committed by dishonest employees, shoplifters, and fraudulent suppliers, along with the cost of loss prevention. The cost of retail crime for the global retailers was valued at \$214.30 billion during 2014–2015.

Based on the data from common respondents, the cost of retail theft/crime increased from 1.60% of the total sales during 2013–2014 to 1.85% during 2014–2015, globally. This was primarily driven by the rise in retail crime, partially offset by decline in the global loss prevention spend.

Europe was the only region that witnessed a fall in cost of retail theft/crime, which was driven by fall in shrinkage and spend on loss prevention solutions.

Figure 1.18



The **New** Barometer

2014-2015

www.GlobalRetailTheftBarometer.com

Regional Report **Europe**



THE GLOBAL RETAIL THEFT BAROMETER

Regional Report Europe

Shrinkage in Europe stood at **1.05%** of revenue in 2014-2015. The region had **the lowest shrinkage, globally.**

Figure 2.1.1

Europe Retail Shrinkage, 2014–2015
(all respondents)

Region	2014–2015
Europe	1.05%
Global	1.23%

■ EUROPE SHRINKAGE

During 2014–2015, shrinkage across retail stores in Europe stood at 1.05% of revenue (all respondents). The region had the lowest shrinkage as a percentage of sales among the regions studied, which include APAC, Europe, Latin America, and North America.

Moreover, the lowest shrinkage within Europe was witnessed in Norway at 0.75%—also the lowest in the world. The highest shrinkage was recorded in the Netherlands at 1.48%, which had the second highest shrinkage in the world, after Mexico.



Figure 2.1.2

Europe Retail Shrinkage, 2013–2014 and 2014–2015 (common respondents)

Region	2014–2015 (current year)	2013–2014 (previous year)	Increased or Decreased
Europe	0.96%	1.02%	Decreased ▼
Global	1.42%	0.94%	Increased ▲

Figure 2.1.3

Europe Retail Shrinkage – by Country 2014–2015 (all respondents)

Country	2014–2015	Europe Rank (1 = lowest) 16 = Highest)	Shrinkage by Value (\$ billion)
Austria	1.03%	8	0.77
Belgium	1.19%	12	1.23
Finland	1.38%	15	0.69
France	0.81%	3	4.61
Germany	1.08%	9	6.62
Italy	1.01%	7	3.91
Netherlands	1.48%	16	1.88
Norway	0.75%	1	0.50
Poland	0.88%	4	0.97
Portugal	0.90%	6	0.49
Russia	1.18%	11	6.17
Spain	1.33%	14	3.31
Sweden	1.20%	13	1.07
Switzerland	0.76%	2	0.86
Turkey	1.17%	10	2.14
UK	0.89%	5	5.15

German retailers lost \$6.6 billion during 2014–2015 due to shrinkage—the highest in any country in the region— followed by the Russia (\$6.2 billion). Among the respondents in Europe, during 2014–2015, the apprehension count of external cases of theft/ fraud (shoplifting and vendor/supplier fraud) stood at 175,426.

Based on the analysis of common respondents, shrinkage decreased from 1.02% during 2013–2014 to 0.96% during 2014–2015. 6 out of the 11 countries (where year-on-year data was available) witnessed increase in shrinkage. These countries were Belgium, Norway, Portugal, Spain, Sweden, and the Netherlands, with Sweden witnessing the highest increase (0.53 pps).

It was found that 81% of the retailers kept a track of shrinkage caused by dishonest employee theft and 88% by shoplifting. Only 78% of the retailers tracked administrative and non-crime losses and an even lesser number of retailers (69%) tracked vendor/supplier fraud.

Figure 2.1.4

Europe Retail Shrinkage – by Country, 2013–2014 and 2014–2015 (common respondents)¹⁴

Country	2014–2015 (current year)	2013–2014 (previous year)	Increased or Decreased
Belgium	0.90%	0.68%	Increased ▲
Finland	1.50%	1.80%	Decreased ▼
Italy	0.64%	0.95%	Decreased ▼
Netherlands	1.13%	0.87%	Increased ▲
Norway	0.75%	0.50%	Increased ▲
Poland	1.08%	1.10%	Decreased ▼
Portugal	0.87%	0.77%	Increased ▲
Spain	1.22%	0.97%	Increased ▲
Sweden	1.38%	0.85%	Increased ▲
Turkey	0.90%	1.25%	Decreased ▼
UK	0.80%	1.00%	Decreased ▼
Europe	0.96%	1.02%	6 Increased and 5 Decreased

■ EUROPE SHRINKAGE – BY VERTICAL

During 2014–2015, pharmacies (2.25%), jewelry and watch retailers (1.66%), and department stores (1.47%) had the highest shrinkage rates. On the other hand, the lowest shrinkage rates were registered by convenience stores (0.20%), other non-grocery retailers (0.62%), and electronics stores (0.79%).

Based on the responses from common respondents, four out of nine verticals experienced an increase in shrinkage during 2014–2015, as compared with the previous year. Home improvement stores (0.34 pps), hypermarkets (0.31 pps), and jewelry and watch specialist retailers (0.25 pps) saw the highest increase in shrinkage. This increase in home improvement stores in Europe was driven by an increase in shrinkage in Norway, Spain, and the Netherlands.

However, department stores (1.27 pps), other non-grocery stores (0.2 pps), and sports goods stores (0.19 pps) saw the largest decrease in shrinkage. Decrease in shrinkage in department stores across Europe was driven by decrease in shrinkage in stores across Sweden and Finland.

¹⁴ Data for Austria, Germany, Russia, and Switzerland was not available, as there were no common respondents for these countries during 2013–2014 and 2014–2015; France was not included as the data was not statistically valid

Figure 2.1.5

Europe Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015	Rank (1 = Lowest 17 = Highest)
Apparel Specialist Retailers	1.35%	12
Beauty Specialist Retailers	0.80%	4
Convenience Stores	0.20%	1
Department Stores	1.47%	15
Discounters	0.84%	5
Electronics/Appliance/Media Products Specialist Retailers	0.79%	3
Gas Stations	1.37%	13
Home Improvement and Gardening Stores	1.14%	11
Hypermarkets/Mass Merchandisers	1.09%	10
Jewelry and Watch Specialist Retailers	1.66%	16
Other Non-grocery Retailers	0.62%	2
Pharmacies/Drugstores	2.25%	17
Sports Goods Stores	1.02%	7
Supermarkets/Grocery Retailers	1.06%	9
Superstores	1.02%	8
Traditional Toys and Games Stores	1.44%	14
Warehouse Clubs	0.84%	6

Figure 2.1.6

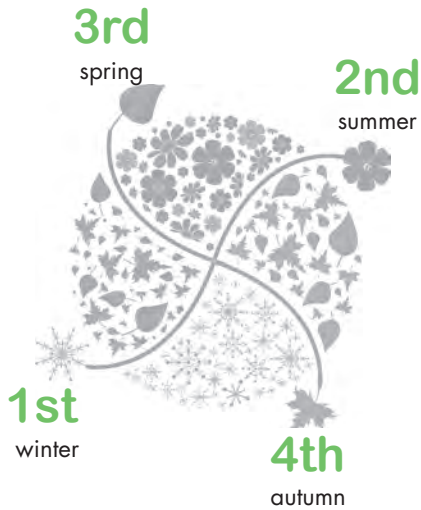
Europe Retail Shrinkage – by Vertical, 2013–2014 and 2014–2015
(common respondents)¹⁵

Vertical	2014–2015	2013–2014	Increased or Decreased
Apparel Specialist Retailers	0.92%	0.97%	Decreased ▼
Department Stores	1.29%	2.56%	Decreased ▼
Electronics/Appliance/Media Products Specialist Retailers	0.64%	0.50%	Increased ▲
Home Improvement and Gardening Stores	1.39%	1.05%	Increased ▲
Hypermarkets/Mass Merchandisers	0.96%	0.67%	Increased ▲
Jewelry and Watch Specialist Retailers	1.25%	1.20%	Increased ▲
Other Non-grocery Retailers	0.79%	0.99%	Decreased ▼
Sports Goods Stores	0.68%	0.87%	Decreased ▼
Supermarkets/Grocery Retailers	1.13%	1.16%	Decreased ▼
Europe	0.96%	1.02%	4 Increased and 5 Decreased

¹⁵ Data for beauty specialist retailers, convenience stores, discounters, gas stations, pharmacies/ drugstores, superstores, traditional toys and games stores and warehouse clubs was not available, as there were no common respondents for these verticals during 2013–2014 and 2014–2015.

Figure 2.1.7

Europe Retail Shrinkage – by Season, 2014–2015 (all respondents)



■ EUROPE SHRINKAGE – BY SEASON

During 2014–2015, Europe experienced the maximum shrinkage during winters due to high customer traffic/footfall, overstocked stores, and temporary staffing. However, during autumn, the lowest shrinkage was observed during the sales period.

According to the retailers, shrinkage is higher during winters due to factors such as easy concealment of stolen items under heavy clothing and high value of some products (such as jackets). Furthermore, it has been observed that the number of robberies also increase during this season, as it gets dark earlier in the evening—making it easier for the robbers to flee.

■ EUROPE SHRINKAGE – BY SOURCE

Shoplifting remains the primary reason for shrinkage in Europe, accounting during 2014–2015 for 42% of losses—an increase of 4 pps from 2013–2014. It was the primary reason for shrinkage in 14 out of the 16 countries studied, with the highest share in Austria (70%) and Germany (65%). Share of shoplifting in the total shrinkage increased in 11 out of the 16 countries during 2014–2015 over the previous period. Shoplifting reduced only in France, Belgium, and Italy during 2013/14–2014/15.

Figure 2.1.8

Europe Retail Shrinkage – by Source, 2013–2014 and 2014–2015

Source	% Share (2014–2015)	% Share (2013–2014)	Shrinkage by Value (\$ billion, 2014–2015)
Dishonest Employee Theft	25%	22%	10.22
Shoplifting	42%	38%	17.17
Vendor/Supplier Fraud	9%	15%	3.68
Administrative and Non-crime Loss	24%	25%	9.81

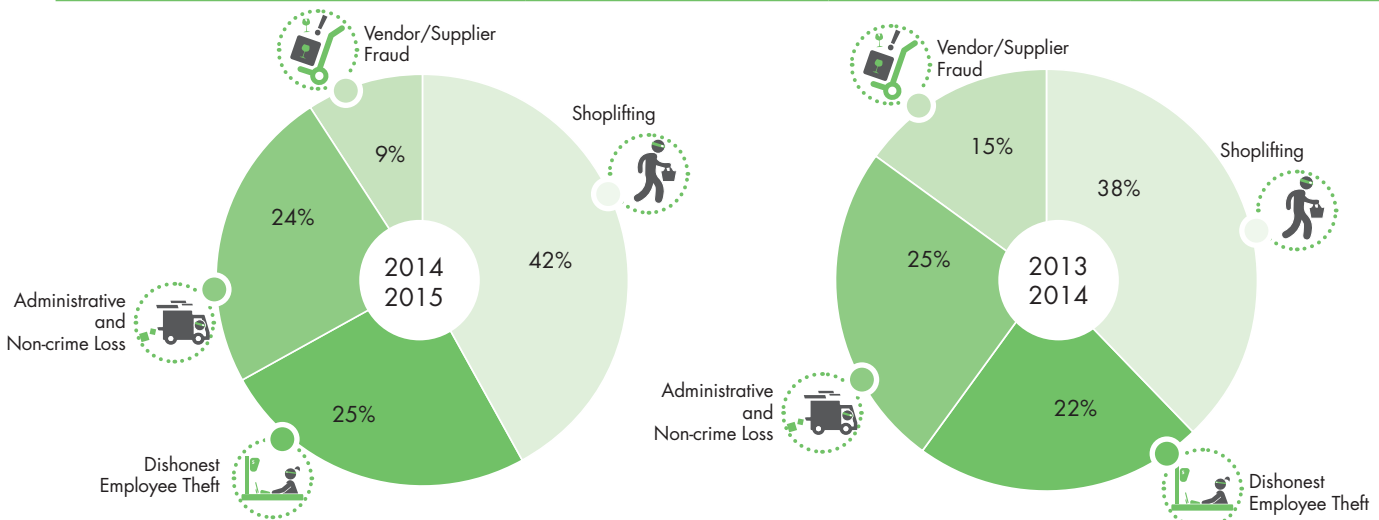
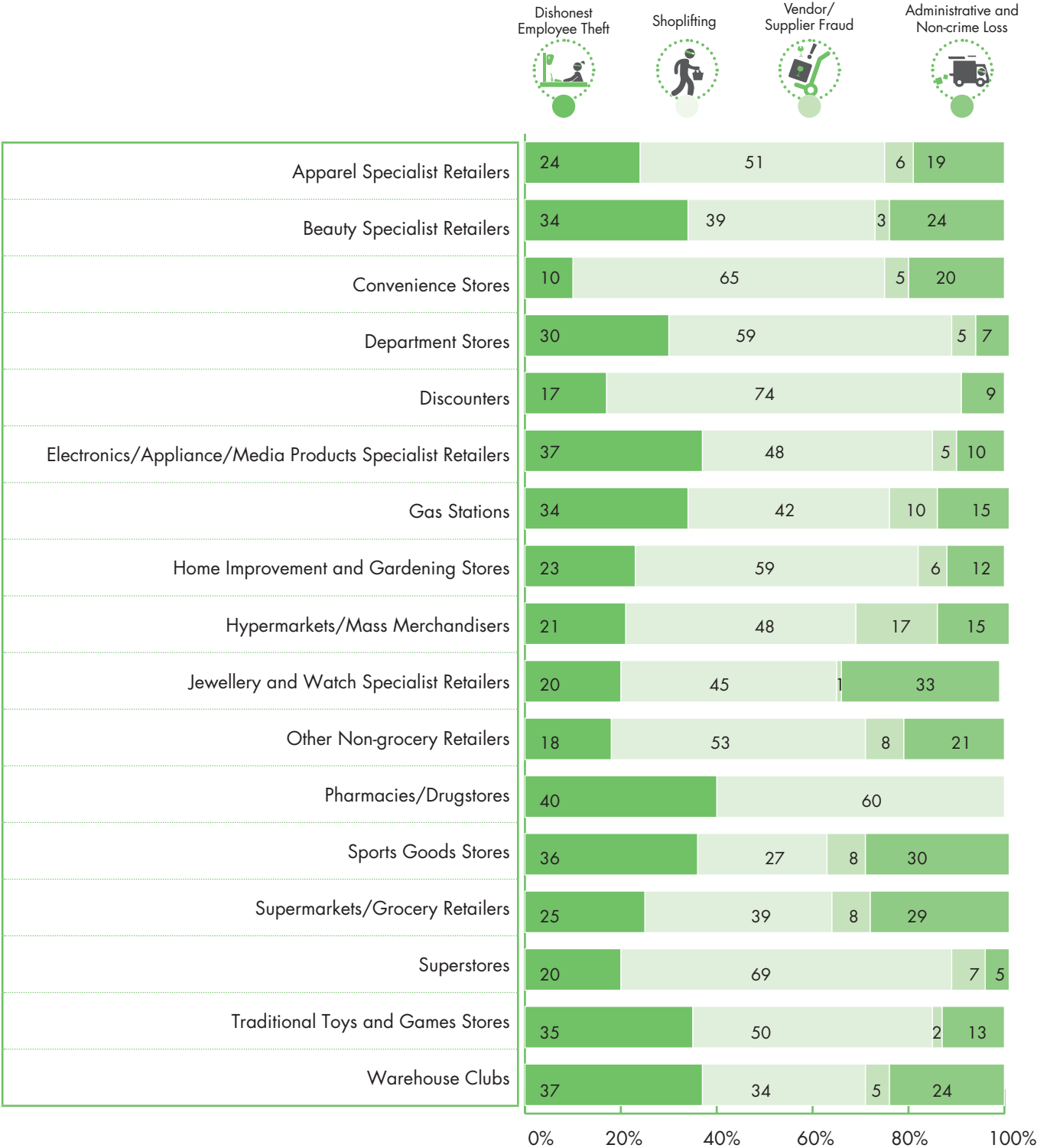


Figure 2.1.9

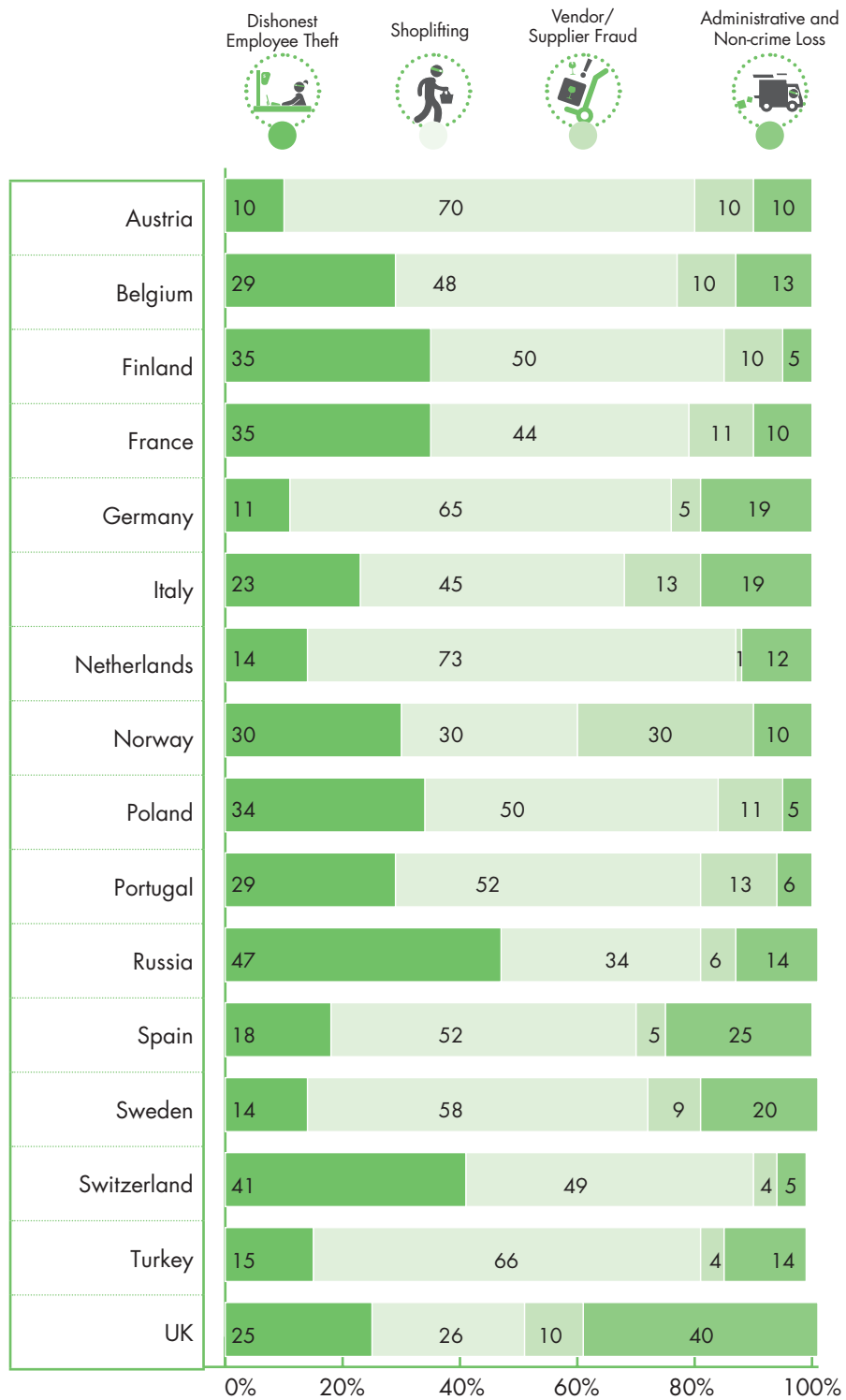
Europe Retail Shrinkage – by Source and Vertical (%), 2014–2015 (all respondents)¹⁶



¹⁶ The total may not add to 100% due to rounding-off.

Figure 2.1.10

Europe Retail Shrinkage – by Source and Country (%), 2014–2015 (all respondents)¹⁷



¹⁷ The total for some countries may not add to 100% due to rounding-off.

Only in Russia and the UK, shoplifting was not the primary reason for retail shrinkage; dishonest employee theft accounted for the highest share in Russia, whereas administrative and non-crime losses accounted for the highest losses in the UK.

Shoplifting was the biggest reason for shrinkage in 15 out of the 17 verticals studied in Europe. It accounted for more than 50% of retail shrinkage in discounters (73.7%), superstores (68.5%), convenience stores (65%), pharmacies/ drugstores (60%), department stores (58.7%), home improvement and gardening stores (58.7%), other non-grocery retailers (53.1%), and apparel specialist retailers (51.3%). Sports goods stores (27.1%) and warehouse clubs (33.7%) were the only stores where shoplifting was not the primary concern.

Administrative losses saw a minor reduction from 25% during 2013–2014 to 24% during 2014–2015. It accounted for the highest share in the total retail shrinkage in the UK. 6 out of the 17 verticals in Europe—beauty specialist retailers (23.7%), convenience stores (20%), jewelry and watch retailers (33.4%), sports goods stores (29.7%), supermarkets (28.7%), and warehouse clubs (23.9%)—experienced administrative losses of more than or equal to 20%.

Share of dishonest employee theft increased from 22% during 2013–2014 to 25% during 2014–2015. It accounted for the highest share in retail theft in Russia (47%). In Finland, France, Poland, and Russia, it accounted for more than 30% of the theft. However, the share of dishonest employee theft was the lowest in Austria (10%) and Germany (11%).

Among the 17 verticals studied in Europe, seven verticals—beauty specialist retailers (34.3%), electronics stores (37.1%), gas stations (33.8%), pharmacies/ drugstores (40%), sports goods stores (35.6%), traditional toy stores (35%), and warehouse clubs (37.3%)—experienced more than 30% losses due to dishonest employee theft.

Vendor/supplier fraud accounted for the smallest share during 2014–2015, which reduced from 15% during 2013–2014 to 9% during 2014–2015. It decreased due to an increase in partnerships between vendors and retailers.

■ MOST STOLEN ITEMS

Shoplifters and dishonest employees targeted products that are easy to conceal, have a wide public appeal, and a ready market for resale. Most stolen products included power tools, mobile accessories, fashion accessories, batteries and power tools, wines and spirits, and razor blades.

Globally, footwear was the most stolen product in the apparel and fashion accessories vertical. However, fashion accessories were the most stolen item in this vertical in Europe. Wines and spirits were among the most frequently stolen items in the food and beverage category; sometimes, people consumed bottles of wines and spirits inside the stores itself. Other frequently stolen products included footwear, makeup products, smartphones, batteries, and cheese.

Figure 2.1.11

Europe Most Stolen Items – by Vertical, 2014–2015 (all respondents)					
Rank	Apparel and Fashion Accessories	DIY/Home Improvement	Electronics	Food and Beverages	Health and Beauty
1st	Fashion Accessories	Power Tools	Mobile Device Accessories	Wines and Spirits	Razor Blades
2nd	Footwear	Batteries	iPhone/Smartphones	Cheese	Makeup Products
3rd	Lingerie/Intimate Appeal	Door Locks	iPads/Tablets	Fresh Meat	Perfume and Fragrances
4th	Sunglasses	Screws and Washers	Connection Devices	Fish	Sun Protection Products
5th	Handbags	Cables	Video Games, Movies, Music (DVD format)	Gourmet Food/Deli	Mouth Care Products

Figure 2.1.12

Europe Loss Prevention Spend, as a % of Total Sales – by Country, 2014–2015 (all respondents)

Country	2014–2015
Austria	1.25%
Belgium	0.50%
Finland ¹⁸	Insufficient Data
France	1.36%
Germany	1.31%
Italy	1.07%
Netherlands	1.10%
Norway	1.25%
Poland	0.58%
Portugal	0.96%
Russia	0.65%
Spain	1.37%
Sweden	0.40%
Switzerland	0.56%
Turkey	0.30%
UK	0.58%
Europe	1.07%
Global	1.19%

■ EUROPE LOSS PREVENTION SPEND

During 2014–2015, loss prevention spend was the highest in Spain (1.37%). It was the lowest in Turkey (0.30%), Sweden (0.40%), and Belgium (0.50%).

On like-for-like comparison of loss prevention spend, three countries reported an increase in spend during 2014–2015 over the last year—Belgium (0.21 pps), Spain (0.51 pps), and the Netherlands (0.37 pps). However, Portugal (0.84 pps), Sweden (0.35 pps), and Italy (0.16 pps) saw the highest decline in loss prevention spend.

In Portugal, the decline in loss prevention spend led to increase in shrinkage.

European loss prevention spend stood at 1.07% during 2014–2015 (all respondents). Electronics stores (1.99%) and hypermarkets/mass merchandisers (1.40%) had the highest loss prevention spend. Whereas, warehouse clubs (0.23%), department stores (0.40%), and superstores (0.45%) had the least loss prevention spend.

On like-for-like analysis of common respondents, loss prevention spend reduced from 0.98% during 2013–2014 to 0.74% during 2014–2015. Loss prevention spend increased in five of the eight verticals—apparel specialist retailers, home improvement and gardening stores, hypermarkets, jewelry and watch specialist retailers, and other non-grocery retailers. Hypermarkets saw the largest increase in loss prevention spend (1.02 pps)—increasing from 0.26% during 2013–2014 to 1.28% during 2014–2015. On the contrary, sports goods stores saw the largest decrease in loss prevention spend.

¹⁸ There was not enough statistically valid data to calculate loss prevention spend for this country

Figure 2.1.13

Europe Loss Prevention Spend, as a % of Total Sales – by Country, 2013–2014
and 2014–2015 (common respondents)¹⁹

Country	2014–2015	2013–2014	Increased or Decreased
Belgium	0.89%	0.68%	Increased ▲
Finland ²⁰	Insufficient Data		—
France ²¹	Insufficient Data		—
Italy	0.68%	0.84%	Decreased ▼
Netherlands	0.57%	0.20%	Increased ▲
Norway	1.25%	1.30%	Decreased ▼
Poland	0.15%	0.20%	Decreased ▼
Portugal	0.82%	1.66%	Decreased ▼
Spain	1.39%	0.88%	Increased ▲
Sweden	0.55%	0.80%	Decreased ▼
Turkey	0.16%	0.18%	Decreased ▼
UK	1.00%	1.00%	No Change
Europe	0.74%	0.98%	6 Decreased and 3 Increased

Figure 2.1.14

Europe Loss Prevention Spend, as a % of Total Sales – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015	Rank (1 = Maximum spend 15 = Minimum spend)
Apparel Specialist Retailers	0.77%	9
Beauty Specialist Retailers	1.02%	8
Convenience Stores ²²	Insufficient Data	
Department Stores	0.40%	14
Discounters	1.12%	6
Electronics/Appliance/Media Products Specialist Retailers	1.99%	1
Gas Stations	1.32%	3
Home Improvement and Gardening Stores	1.17%	5
Hypermarkets/Mass Merchandisers	1.40%	2
Jewelry and Watch Specialist Retailers	1.06%	7
Other Non-grocery Retailers	0.54%	12
Pharmacies/Drugstores ²³	Insufficient Data	
Sports Goods Stores	0.75%	10
Supermarkets/Grocery Retailers	0.66%	11
Superstores	0.45%	13
Traditional Toys and Games Stores	1.19%	4
Warehouse Clubs	0.23%	15

¹⁹ Data for Austria, Germany, Russia, and Switzerland was not available as there were no common respondents for these countries during 2013–2014 and 2014–2015

²⁰ Finland was not included as the data was not statistically valid

²¹ France was not included as the data was not statistically valid

^{22, 23} There was not enough statistically valid data to calculate loss prevention spend for this vertical

Figure 2.1.15

Europe Loss Prevention Spend, as a % of Total Sales – by Vertical, 2013–2014 and 2014–2015 (common respondents)²⁴

Vertical	2014–2015	2013–2014	Increased or Decreased
Apparel Specialist Retailers	0.74%	0.57%	Increased ▲
Department Stores ²⁵	Insufficient Data		—
Electronics/Appliance/Media Products Specialist Retailers	0.48%	0.78%	Decreased ▼
Home Improvement and Gardening Stores	1.31%	0.56%	Increased ▲
Hypermarkets/Mass Merchandisers	1.28%	0.26%	Increased ▲
Jewelry and Watch Specialist Retailers	1.00%	0.50%	Increased ▲
Other Non-grocery Retailers	0.47%	0.46%	Increased ▲
Sports Goods Stores	0.30%	1.16%	Decreased ▼
Supermarkets/Grocery Retailers	0.67%	0.95%	Decreased ▼
Europe	0.74%	0.98%	5 Increased and 3 Decreased

■ LOSS PREVENTION SOLUTIONS

During 2014–2015, some of the most frequently used loss prevention techniques at the store level included CCTV/DVR (72%), security guards (59%), and alarm monitoring (52%). Out of the 59% stores that used security guards, 92% had unarmed guards.



In Europe, EAS is generally used to protect the most stolen items in stores. In Spain, many stores spent more than 0.5% of their revenue on EAS. 50% of the respondents reported that they protected more than 50% of their high-risk SKUs with EAS, while 30% respondents protected 10–50% of their high-risk SKUs; only 20% respondents protected less than 10% of their high-risk SKUs with EAS.

60% of CCTV/DVR was centrally hosted, while 22% of these services were in-store. In 61% stores (that had alarm monitoring), alarm monitoring was provided by third parties, while 26% of the respondents managed it internally.

Spider wraps and security keepers (46%) were also widely used to protect products.

Retailers are also investing in business intelligence and data analytics to get more information about products that are being stolen. In many countries, retailers have started using RFID-based technology, which helps them keep track of the movement and position of the merchandise.

²⁴ Data for Beauty Specialist Retailers, Convenience Stores, Discounters, Gas Stations, Pharmacies/ Drugstores, Superstores, Traditional Toys and Games Stores, and Warehouse Clubs was not available as there were no common respondents for these verticals during 2013–2014 and 2014–2015

²⁵ There was not enough statistically valid data to calculate loss prevention spend for this vertical

Figure 2.1.16

Loss Prevention Solutions – at Store Level, 2014–2015 (% of respondents)

Solution	% of Respondents Using
CCTV/DVR	72%
Security Guards	59%
Alarm Monitoring	52%
Logistics-related Solutions (GPS, truck seal program, etc.)	42%
Foot Traffic Counters	45%
Door Seals/MAG	44%
POS EBR (exception-based reporting)	31%
Advanced Data Analytics	36%
Parking Lot Protection	27%
Advanced Access Control (key card, biometric technology, etc.)	28%
Motion Detection Alerts	22%
Other Protection Methods	9%
Facial/Customer Recognition Technology	2%

Figure 2.1.17

Loss Prevention Solutions – at Product Level, 2014–2015 (% of respondents)

Solution	% of Respondents Using
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	78%
Spider Wraps and Security Keepers	46%
Advanced Inventory Control Tactics (secure cable devices, etc.)	28%
RFID-based EAS	18%
Shelving Solutions and Delayed Fixtures	24%
EAS Pedestal Analytic Data Tools	11%

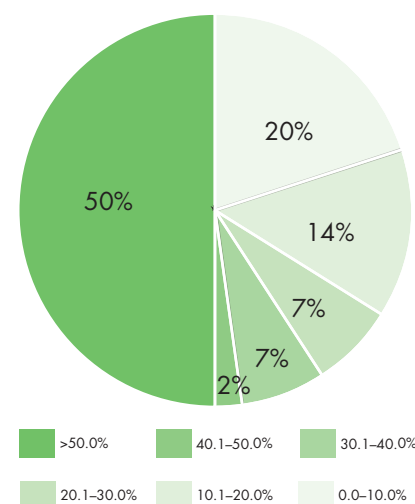
47% respondents conducted at least one inventory count per month, while 23% did it on a quarterly basis. The remaining respondents conducted inventory count once a year.

Electronics/appliance/media products specialist retailers on an average counted 157 items per cycle—the highest number for any vertical.

Figure 2.1.18

Percentage of High-risk SKUs Protected with EAS – Europe, 2014–2015 (% of respondents)

% of High-Risk SKUs Protected	% of Respondents
0.0–10.0%	20%
10.1–20.0%	14%
20.1–30.0%	7%
30.1–40.0%	7%
40.1–50.0%	2%
>50.0%	50%





Europe 1.82

2014–2015

(all respondents)

■ EUROPE COST OF RETAIL THEFT/CRIME

In Europe, cost of retail theft/crime stood at 1.82% of revenue (all respondents) during 2014–2015, the lowest among all regions, globally.

At the global level, cost of retail theft/crime increased from 1.60% of the total retail sales during 2013–2014 to 1.85% during 2014–2015, while it decreased in Europe from 1.77% to 1.50% (for common respondents) during the same period.

Figure 2.1.19

Europe Cost of Retail Theft/Crime, as a % of Total Sales – by Country, 2014–2015 (all respondents)

Country	2014–2015	Cost of Retail Theft/ Crime by Value
Austria	2.18%	1.64
Belgium	1.59%	1.64
Finland ²⁶	Insufficient Data	
France	1.94%	11.03
Germany	1.96%	12.01
Italy	1.84%	7.13
Norway	1.93%	1.30
Poland	1.39%	1.53
Portugal	1.63%	0.89
Russia	1.73%	9.04
Spain	2.21%	5.50
Sweden	0.89%	0.79
Switzerland	1.23%	1.40
Netherlands	2.30%	2.93
Turkey	0.84%	1.54
UK	1.25%	7.24
Europe	1.82%	70.85

Out of the 10 countries, where year-on-year comparison was possible, 5 experienced a reduction in cost of retail theft/crime while the rest experienced an increase. Spain witnessed the highest increase (0.59 pps) during 2014–2015 over the previous year; this was followed by Netherlands (0.55 pps) and Belgium (0.47 pps). Countries that witnessed the maximum decline included Portugal (0.88 pps), Sweden (0.63 pps), and Italy (0.44 pps).

²⁶ There was not enough statistically valid data to calculate cost of retail theft/crime for this country

Figure 2.1.20

Europe Cost of Retail Theft/Crime, as a % of Total Sales – by Region, 2013–2014 and 2014–2015 (common respondents)²⁷

Country	2014–2015	2013–2014	Increased or Decreased
Belgium	1.67%	1.20%	Increased ▲
Finland ²⁸	Insufficient Data		—
France ²⁹	Insufficient Data		—
Italy	1.17%	1.61%	Decreased ▼
Netherlands	1.46%	0.91%	Increased ▲
Norway	1.93%	1.65%	Increased ▲
Poland	1.18%	0.92%	Increased ▲
Portugal	1.31%	2.19%	Decreased ▼
Spain	2.21%	1.62%	Increased ▲
Sweden	0.95%	1.58%	Decreased ▼
Turkey	0.86%	1.03%	Decreased ▼
UK	1.56%	1.90%	Decreased ▼
Europe	1.50%	1.77%	6 Decreased and 5 Increased

²⁷ Data for Austria, Germany, Russia, and Switzerland was not available as there were no common respondents for these countries during 2013–2014 and 2014–2015

²⁸ Finland was not included as the data was not statistically valid

²⁹ France was not included as the data was not statistically valid

The **New** Barometer

2014-2015

www.GlobalRetailTheftBarometer.com

Regional Report **North America**



THE GLOBAL RETAIL THEFT BAROMETER

Regional Report North America

Respondents **in North America** reported **shrinkage of 1.27%** across 13 retail verticals during 2014–2015.

Shrinkage increased from 1.28% during 2013–2014 to **1.97%** during 2014–2015 (based on responses from common respondents who participated in surveys of both the years)

Figure 2.2.1

North America Retail Shrinkage, 2014–2015 (all respondents)

Region	2014-2015	Shrinkage by Value (\$ billion)
North America	1.27%	36.79
Global	1.23%	123.39

■ NORTH AMERICA SHRINKAGE

The total shrinkage in North America stood at \$36.79 billion during 2014–2015 (shrinkage rate second only to Latin America). Based on the responses from common respondents, the region witnessed the second-highest increase in shrinkage (0.69 pps), globally.

Internal theft and increasing cases of ORC in the region have emerged as major factors driving retail shrinkage, leading to \$30 billion³⁰ losses per year. However, as per a report by the National Retail Federation, 88% of the retailers claimed that their stores witnessed ORC in 2014, as compared with 93% in 2013. The decrease can be attributed to the rising awareness among retailers, creation of special task forces to tackle ORC, and laws aimed at reducing ORC in some states.

Figure 2.2.2

North America Retail Shrinkage – 2013–2014 and 2014–2015 (common respondents)

Region	2014–2015 (current year)	2013–2014 (previous year)	Increased or Decreased
North America	1.97%	1.28%	Increased ▲
Global	1.42%	0.94%	Increased ▲

³⁰ According to National Retail Federation’s Organized Retail Theft Survey, 2014.

As of May 2014, 25 states³¹ had enacted ORC-related legislations and saw good results—with 52% of the retailers claiming that these laws had positively impacted their ability to prosecute retail crime gangs, and 33% reporting reduction in ORC activities. Cities most affected by ORC include Los Angeles, Miami, Chicago, New York, and Houston.

It was found that all retailers kept track of shrinkage caused by dishonest employee theft and 83% by shoplifting; only 66% of the retailers tracked administrative and non-crime losses, and 74% tracked vendor/supplier fraud.

During 2014–2015, 220,283 cases of apprehensions were registered by the retailers who participated in the survey.

■ NORTH AMERICA SHRINKAGE – BY VERTICAL

During 2014–2015, pharmacies/drugstores (2.25%), apparel specialists (1.98%), and electronics/appliances/media product retailers (1.90%) had the highest shrinkage rates, with shoplifting and dishonest employee theft being the primary causes. Shrinkage for apparel retailers could have also aggravated due to decreasing loss prevention spend during 2014–2015, as compared with 2013–2014. On the contrary, hypermarkets/mass merchandisers (0.28%) and pet shops (0.48%) registered the lowest shrinkage.

Figure 2.2.3

North America Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015	Rank (1 = Lowest 13 = Highest)
Apparel Specialist Retailers	1.98%	12
Convenience Stores	0.90%	4
Department Stores	1.80%	10
Discounters	1.28%	7
Electronics/Appliance/Media Products Specialist Retailers	1.90%	11
Home Improvement and Gardening Stores	0.73%	3
Hypermarkets/Mass Merchandisers	0.28%	1
Other Non-grocery Retailers	1.04%	5
Pet Shops	0.48%	2
Pharmacies/Drugstores	2.25%	13
Sports Goods Stores	1.21%	6
Supermarkets/Grocery Retailers	1.35%	9
Traditional Toys and Games Stores	1.31%	8

³¹ States included Washington, Nevada, Utah, Colorado, Arizona, Nebraska, Texas, Minnesota, Louisiana, Wisconsin, Illinois, Kentucky, Tennessee, Georgia, Florida, Michigan, Ohio, New Hampshire, Pennsylvania, Rhode Island, Connecticut, New Jersey, Delaware, Maryland, and Virginia

Figure 2.2.4

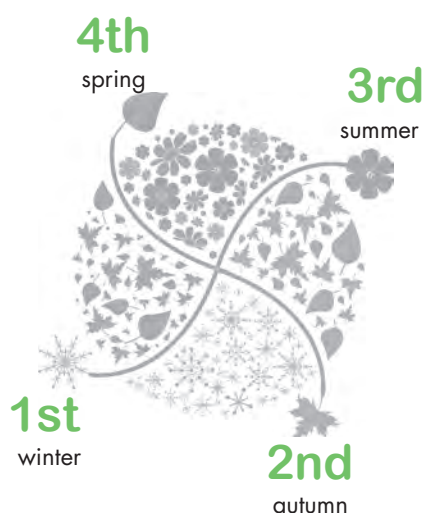
North America Retail Shrinkage – by Vertical, 2013–2014 and 2014–2015 (common respondents)³²

Vertical	2014–2015	2013–2014	Increased or Decreased
Apparel Specialist Retailers	2.28%	0.60%	Increased ▲
Department Stores	1.45%	1.80%	Decreased ▼
Other Non-grocery Retailers	1.90%	1.70%	Increased ▲
Pharmacies/Drugstores	2.25%	1.00%	Increased ▲
North America	1.97%	1.28%	3 Increased and 1 Decreased

Some categories (based on data from common respondents) that registered a year-on-year an increase in shrinkage rate during 2014–2015 were apparel specialist retailers (1.68 pps), pharmacies/drugstores (1.25 pps), and other non-grocery retailers (0.2 pps). Department stores was the only vertical witnessing an decrease (0.35 pps) in shrinkage.

Figure 2.2.5

North America Retail Shrinkage – by Season, 2014–2015 (all respondents)



■ NORTH AMERICA SHRINKAGE – BY SEASON

A majority of shrinkage occurs during winters due to high customer traffic/footfall (due to festive season), which makes it difficult to track and prevent theft. Moreover, heavy clothing worn during the season helps conceal stolen merchandise.

Except winters, which registered 81% of the shrinkage during holidays/festivities, all other seasons witnessed the maximum shrinkage during sales period. Rise in theft during holidays/festivals is driven by shoppers' pressures to buy, seasonal hiring, crowded and chaotic stores, and increased perceptions about easy opportunities to get away with theft.

■ NORTH AMERICA SHRINKAGE – BY SOURCE

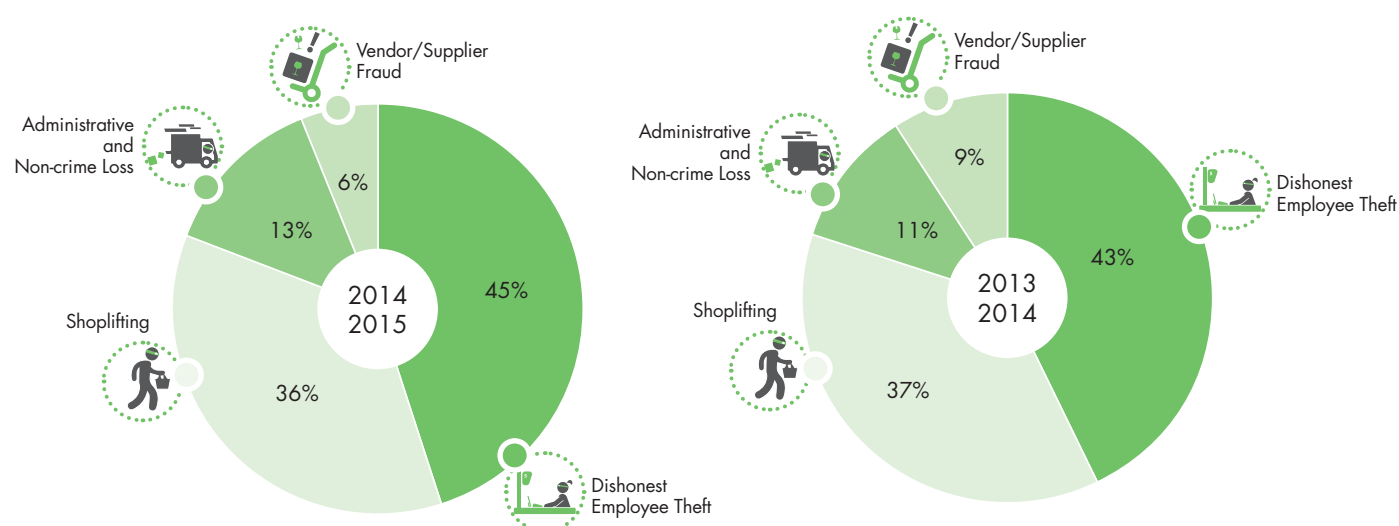
During 2014–2015, share of dishonest employee theft—out of the total retail theft—was the maximum. This increased to 45% (\$16.56 billion) from 43% during 2013–2014. The primary reasons for employee theft were weak pre-employment screening procedures, reduced associate supervision, increasing part-time workforce (especially during peak winters), and easy sale of stolen merchandise. Verticals witnessing the maximum loss due to dishonest employees included other non-grocery retailers (81% of the total shrinkage), department stores (59% of the total shrinkage), and supermarkets/grocery retailers (50% of the total shrinkage). According to a report by Jack L. Hayes

³² Data for convenience stores, discounters, electronics/appliance/media products specialist retailers, home improvement and gardening stores, hypermarkets/mass merchandisers, sports goods stores, supermarkets/grocery retailers, and traditional toys and games stores was not available as there were no common respondents for these verticals during 2013–2014 and 2014–2015

Figure 2.2.6

North America Retail Shrinkage –
by Source, 2013–2014 and 2014–2015 (all respondents)

Source	% Share (2014–2015)	% Share (2013–2014)	Shrinkage by Value (\$ billion, 2014–2015)
Dishonest Employee Theft	45%	43%	16.56
Shoplifting	36%	37%	13.24
Vendor/Supplier Fraud	6%	9%	2.21
Administrative and Non-crime Loss	13%	11%	4.78



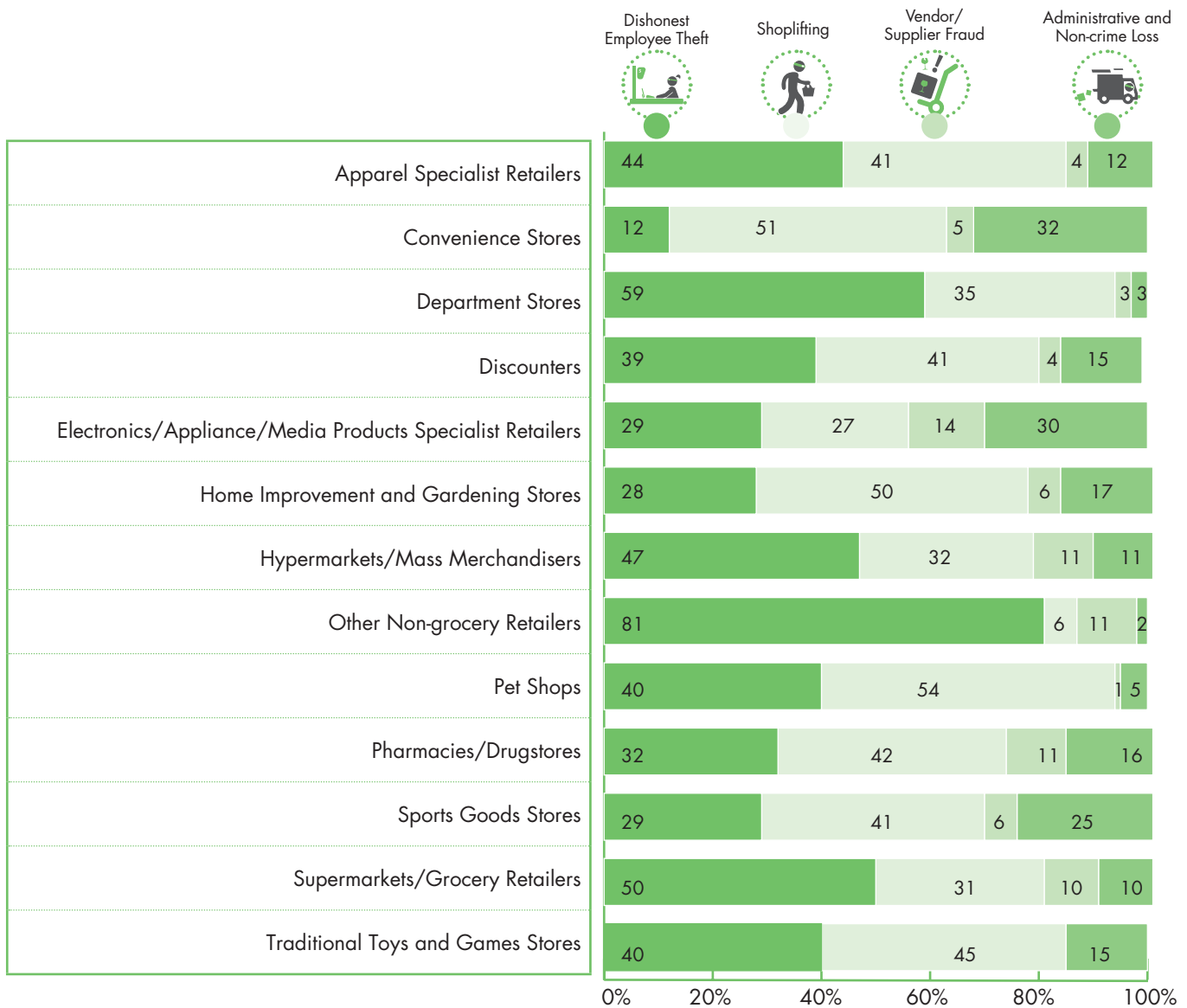
International³³, one out of every 38 employees was apprehended for theft from their employer in 2014. Survey participants apprehended 80,366 dishonest employees in 2014 (up 1.7% from 2013) and recovered \$66 million—an increase of 18.1% from 2013. On a per case basis, dishonest employees steal over 5% more in dollar amounts than typical shoplifters do.

The second-most prominent cause was shoplifting, which accounted for 36% of the total share—equivalent to \$13.24 billion worth of losses for retailers. Shoplifting continues to plague the retail industry due to escalating problem of ORC, easy sale of stolen merchandise through online sites, reduced sales floor coverage, and the general perception of shoplifting as a "low-risk/non-offensive" crime. Verticals witnessing the maximum loss due to shoplifting included pet stores (54%), convenience stores (51%), and home improvement and gardening stores (50%). According to Jack L. Hayes International, the number of shoplifter apprehensions increased 7.4% in 2014, as compared with 2013, and the dollars recovered were \$159 million—a 7.5% increase from 2013. The average shoplifting case value in 2014 was \$133.8.

³³ 27th Annual Retail Theft Survey

Figure 2.2.7

North America Retail Shrinkage – by Source and Vertical (%), 2014–2015 (all respondents)³⁴



³⁴ The total for some of the verticals may not add to 100% due to rounding-off

■ MOST STOLEN ITEMS

Products that are easy to steal, as well as easy to sell, are most prone to theft—resulting in high pilferage for items such as accessories, perfumes, and wines and spirits. Furthermore, these products are easy to conceal. During 2014–2015, within respective categories, items such as footwear, mobile device accessories, wines and spirits, and fragrances were some of the most stolen items.

In the health and beauty segment, razor blades were among the most stolen items since they have high demand. Furthermore, cosmetic products, such as mascara and lipstick, often top the list as they are small in size (making them easier to hide) and expensive. Some thieves also go for expensive makeup or hair care brands to either use or sell.

While the theft of over-the-counter medicines dropped somewhat, these drugs were still among the most stolen items. Medicines for headache and heartburns, and Preparation were some of the most popular drugs because they can be sold easily in the gray market. Other items, such as pregnancy tests and weight loss pills were often stolen because of people’s embarrassment to purchase them.

Figure 2.2.8

Rank	Apparel and Fashion Accessories	DIY/Home Improvement	Electronics	Food and Beverages	Health and Beauty
1st	Footwear	Power Tools	Mobile Device Accessories	Wines and Spirits	Perfumes and Fragrances
2nd	Sports-related Clothing	Batteries	IPad/Tablets	Infant Formula	Makeup Products
3rd	Fashion Accessories	Outdoor Plants	Movies, Music (DVD format)	Fresh Meat	OTC Drugs
4th	Sunglasses	Screw and Washers	Video Games	Cheese	Razor Blades
5th	Jewelry	Building Suppliers and Timber/Cables	Laptops	Coffee	Electric Tooth Brushes

Figure 2.2.9

North America Loss Prevention Spend, as a % of Total Sales 2014–2015 (all respondents)

Country	2014–2015
North America	1.55%
Global	1.19%

■ NORTH AMERICA LOSS PREVENTION SPEND

During 2014–2015, 1.55% of retail sales —equivalent to \$44.90 billion— were spent on loss prevention. Based on the responses from common respondents, the region’s loss prevention spend was largely stable at 0.50% during 2014–2015, as compared with 0.56% during 2013–2014.

Figure 2.2.10

North America Loss Prevention Spend, as a % of Total Sales
2013–2014 and 2014–2015 (common respondents)

Country	2014–2015	2013–2014	Increased or Decreased
North America	0.50%	0.56%	Decreased ▼
Global	0.65%	0.89%	Decreased ▼

During 2014–2015, sports goods stores (1.41%) had the maximum loss prevention spend, followed by convenience stores (1.25%). These two verticals were also among the top five verticals by loss prevention spend, globally.

Figure 2.2.11

North America Loss Prevention Spend, as a % of Total Sales –
by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015	Rank (1 = Maximum spend 11 = Minimum spend)
Apparel Specialist Retailers	0.30%	8
Convenience Stores	1.25%	2
Department Stores	0.46%	7
Discounters	0.63%	5
Electronics/Appliance/Media Products Specialist Retailers ³⁵	Insufficient Data	-
Home Improvement and Gardening Stores	0.01%	11
Hypermarkets/Mass Merchandisers	0.04%	10
Other Non-grocery Retailers	0.66%	4
Pet Shops	1.00%	3
Pharmacies/Drugstores	0.50%	6
Sports Goods Stores	1.41%	1
Supermarkets/Grocery Retailers ³⁶	Insufficient Data	-
Traditional Toys and Game Stores	0.21	9

³⁵ and ³⁶ There was not enough statistically valid data to calculate loss prevention spend for this vertical

Figure 2.2.12

North America Loss Prevention Spend, as a % of Total Sales – by Vertical, 2013–2014 and 2014–2015 (common respondents)³⁷

Vertical	2014–2015	2013–2014	Increased or Decreased
Apparel Specialist Retailers	0.24%	0.39%	Decreased ▼
Department Stores	0.50%	0.70%	Decreased ▼
Other Non-grocery Retailers	0.75%	1.00%	Decreased ▼
Pharmacies/Drugstores	0.50%	0.14%	Increased ▲
North America	0.50%	0.56%	1 Increased and 3 Decreased

Verticals that had the least loss prevention spend include home improvement and gardening stores, and hypermarkets/mass merchandisers. This could be due to a low level of shrinkage in these verticals.

Three out of four verticals (where year-on-year comparison was possible) witnessed a decline in loss prevention spend, with other non-grocery retailers witnessing the highest decline (0.25 pps). Apparel specialist retailers (wherein loss prevention spend declined by 0.15 pps year-on-year in 2014–2015), witnessed a 1.68 pps increase in year-on-year shrinkage rates.

■ LOSS PREVENTION SOLUTIONS

Key product-specific solutions deployed by US retailers to prevent retail theft included EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas) (68%), spider wraps/security keepers (41%), and advanced inventory control tactics (27%). According to the retailers, the major issue while using these solutions is the need to ensure that the product remains within the reach of customers so that they can touch or try them, while also ensuring that the entire setup looks attractive.

Among loss prevention solutions used at the store level, CCTV/DVR (83%), alarm monitoring (78%), POS exception-based reporting (68%), and security guards (63%) were the most commonly used during 2014–2015.

Moreover, 58% stores (that used security guards) deployed unarmed guards, while 53% had in-store CCTV surveillance (among those using CCTV/DVR). Out of 59% of the respondents that used logistics-related solutions, 30% used GPS-enabled trucks.



³⁷ Data for convenience stores, discounters, electronics/appliance/media products specialist retailers, home improvement and gardening stores, hypermarkets/mass merchandisers, sports goods stores, supermarkets/grocery retailers, and traditional toys and games stores was not available, as there were no common respondents for these verticals during 2013–2014 and 2014–2015

Figure 2.2.13

Loss Prevention Solutions – at Store Level, 2014–2015 (% of respondents)

Solution	% of Respondents Using
CCTV/DVR	83%
Security Guards	63%
Alarm Monitoring	78%
Logistics-related Solutions (GPS, truck seal program, etc.)	59%
Foot Traffic Counters	46%
Door Seals/MAG	46%
POS EBR (exception-based reporting)	68%
Advanced Data Analytics	37%
Parking Lot Protection Present	44%
Advanced Access Control (key card, biometric technologies, etc.)	29%
Motion Detection Alerts	27%
Other Protection Methods	7%
Facial/Customer Recognition Technology	5%

Figure 2.2.14

Loss Prevention Solutions – at Product Level, 2014–2015 (% of respondents)

Solution	% of Respondents Using
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	68%
Spider Wraps and Security Keepers	41%
Advanced Inventory Control Tactics (secure cable devices, etc.)	27%
RFID-based EAS	12%
Shelving Solutions and Delayed Fixtures	29%
EAS Pedestal Analytic Data Tools	15%

48% of the respondents protected more than 50% of their high-risk SKUs with EAS, while 38% of the respondents protected 10–50% of their high-risk SKUs; only 14% of the respondents protected less than 10% of their high-risk SKUs with EAS. Apart from these, retailers are also investing in pre-employment screening of their potential employees, as well as providing training to help employees identify and report potential shoplifters, and dishonest fellow employees. Moreover, retailers also leverage loss prevention field personnel—with discounters, department stores, and other non-grocery stores being the primary users of such resources.

Retailers claim that return on investment (ROI) is the most important factor considered to assess the viability of any loss prevention technique.

Retailers believe that Big Data can be helpful in improving shrinkage. According to a report by PwC, a US-based retailer reduced its shrinkage cost from about \$1 billion to \$250 million by enhancing its data-driven loss prevention program. Key data for this analysis comes from areas such as point of sales, finance, human resources, store operations, and supply chain departments. The key data includes transactional and financial data related to inventory movement, and data related to product, location, employees, and loss prevention. Additionally, organizations can add external data sources (such as crime rates, financial and economic indicators, and industry benchmarks) to enrich and gain valuable insights from the data. Such data enables retailers to predict retail theft and proactively take corrective measures.

39% of the respondents conducted at least one inventory cycle count per month, while 21% respondents conducted it on a quarterly basis. The remaining respondents conducted inventory count once a year.

■ NORTH AMERICA COST OF RETAIL THEFT/CRIME

During 2014–2015, the cost of retail theft/crime in North America stood at 2.60% (all respondents), equivalent to \$75.32 billion.

Based on like-for-like analysis, the cost of retail theft/crime increased to 2.21% during 2014–2015, which was primarily due to the increase in retail crime activity and average case value of stolen goods; this was partially offset by marginal decline in loss prevention spend (0.56% of retail sales during 2013–2014 vs. 0.50% during 2014–2015).

Figure 2.2.16

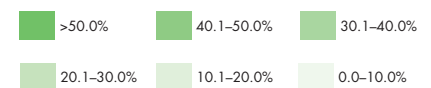
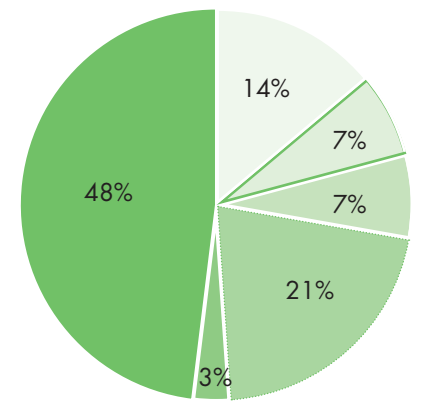
North America Cost of Retail Theft/Crime, as a % of Total Sales – 2014–2015 (all respondents)

Region	2014–2015	Cost of Retail Theft/Crime by Value (\$ billion)
North America	2.60%	75.32
Global	1.98%	214.31

Figure 2.2.15

Percentage of High-risk SKUs Protected with EAS – North America, 2014–2015 (% of respondents)

% of High-Risk SKUs Protected	% of Respondents
0.0–10.0%	14%
10.1–20.0%	7%
20.1–30.0%	7%
30.1–40.0%	21%
40.1–50.0%	3%
>50.0%	48%





North America 2.60%

2014-2015

(all respondents)

Dishonest employees and shoplifter apprehensions in the US increased 7%³⁸ year-on-year during 2014–2015. Average case value increased to \$825.4 during 2014–2015 (a year-on-year increase of 3.1%), whereas for cases of shoplifting, average case value increased to \$133.8 (a year-on-year increase of 0.03%).

Figure 2.2.17

North America Cost of Retail Theft/Crime, as a % of Total Sales – 2013–2014 and 2014–2015 (common respondents)

Region	2014–2015 (current year)	2013–2014 (previous year)	Increased or Decreased
North America	2.21%	1.20%	Increased ▲
Global	1.85%	1.60%	Increased ▲

³⁸ According to the 27th Annual Retail Theft Survey conducted by Jack L. Hayes International

The **New** Barometer

2014-2015

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Regional Report **Asia Pacific**



THE GLOBAL RETAIL THEFT BAROMETER

Regional Report

Asia Pacific

During 2014–2015, **Asia Pacific (APAC) registered a shrinkage of 1.17%** and retailers **lost \$39.04 billion**.

■ ASIA PACIFIC SHRINKAGE

During 2014–2015, Asia Pacific (APAC) registered a shrinkage rate of 1.17%, which was lower than the global (1.23%), Latin American (1.55%), and North American (1.27%) shrinkage rates, but higher than the European shrinkage rate (1.05%). Retailers lost \$39.04 billion due to shrinkage in APAC during this period.

Based on the responses from common respondents, shrinkage in retail stores increased by 0.20 pps year-on-year during 2014–2015. However, this was lower than the increase in the global (0.48 pps year-on-year), Latin American (1.07 pps year-on-year), and North American (0.69 pps year-on-year) shrinkage rates during the same period. However, the European shrinkage rate decreased by 0.06 pps year-on-year.

In 2014, the crime rate in Hong Kong reduced 7.1% year-on-year to a 41-year low. However, thefts from retail stores did not follow a similar trend—it increased. Cross-border shopliftings have also been reported in Asia. In March 2015, five Vietnamese individuals were arrested by the Thai police for using foil-lined bags (during shoplifting) that are undetectable to some EAS systems. The arrested individuals confessed of stealing items from Thai stores and selling them in Vietnam at reduced prices.

It was found that 90% of the retailers kept track of shrinkage caused by dishonest employee theft and 86% by shoplifting.

Figure 2.3.1

APAC Retail Shrinkage, 2014–2015 (all respondents)

Region	2014–2015	Shrinkage by Value (\$ billion)
APAC	1.17%	39.04
Global	1.23%	123.39

Figure 2.3.2

APAC Retail Shrinkage 2013–2014 and 2014–2015 (common respondents)

Region	2014–2015 (current year)	2013–2014 (previous year)	Increased or Decreased
APAC	1.11%	0.91%	Increased ▲
Global	1.42%	0.94%	Increased ▲

Only 76% of the retailers tracked administrative and non-crime losses, and 67% tracked vendor/supplier fraud.

During 2014–2015, 90,881 cases of apprehensions were registered by the retailers that participated in the survey.

■ APAC SHRINKAGE – BY COUNTRY

Among the four APAC countries that were surveyed, Australia registered the lowest shrinkage rate (1.02%) during 2014–2015, whereas Japan and China registered the highest shrinkage rates (1.35% each). It has been noticed in Japan that senior citizens are increasingly getting involved in shoplifting due to reasons such as receiving meagre benefits from the country's social security system and to escape loneliness.

Figure 2.3.3

APAC Retail Shrinkage – by Country 2014–2015 (all respondents)

Country	2014–2015	APAC Rank (1 = lowest) 3 = Highest)	Shrinkage by Value (\$ billion)
Australia	1.02%	1	2.44
China	1.35%	3	26.06
Hong Kong	1.05%	2	0.66
Japan	1.35%	3	14.90

Among the APAC countries, where a like-for-like analysis was possible, only one country witnessed a fall in shrinkage during 2014–2015 over the last year, while two countries witnessed a rise. Australia witnessed a decline of 0.04 pps, while China and Japan witnessed an increase of 0.48 and 0.50 pps, respectively.

Figure 2.3.4

APAC Retail Shrinkage – by Country 2014–2015 (common respondents)³⁹

Country	2014–2015	2013–2014	Increased or Decreased
Australia	0.96%	1.00%	Decreased ▼
China	1.35%	0.87%	Increased ▲
Japan	1.00%	0.50%	Increased ▲
APAC	1.11%	0.91%	2 Increased and 1 Decreased

³⁹ Data for Hong Kong was not available, as there were no common respondents for this country during 2013–2014 and 2014–2015.

■ APAC SHRINKAGE – BY VERTICAL

Based on the responses from all respondents, apparel specialist retailers and hypermarkets/mass merchandisers witnessed the highest shrinkage rates of 1.74% and 1.51%, respectively, in APAC during 2014–2015. On the other hand, electronics stores and warehouse clubs witnessed the lowest shrinkage rates (less than 0.80% each).

Among common respondents in APAC during 2013/14–2014/15, pharmacies/drugstores witnessed the highest increase in shrinkage (0.34 pps year-on-year) during 2014–2015. Other verticals that witnessed high increase in shrinkage included sports goods stores (0.28 pps) and department stores (0.25 pps).

Figure 2.3.5

APAC Retail Shrinkage – by Vertical, 2014–2015 (all respondents)		
Vertical	2014–2015	Rank (1 = Lowest 17 = Highest)
Electronics/Appliance/Media Products Specialist Retailers	0.61%	1
Warehouse Clubs	0.75%	2
Traditional Toys and Games Stores	0.85%	3
Pharmacies/Drugstores	0.87%	4
Home Improvement and Gardening Stores	1.00%	5
Superstores	1.02%	6
Supermarkets/Grocery Retailers	1.05%	7
Sports Goods Stores	1.28%	8
Department Stores	1.40%	9
Hypermarkets/Mass Merchandisers	1.51%	10
Apparel Specialist Retailers	1.74%	11

Figure 2.3.6

APAC Retail Shrinkage – by Vertical, 2013–2014 and 2014–2015 (common respondents) ⁴⁰			
Vertical	2014–2015	2013–2014	Increased or Decreased
Electronics/Appliance/Media Products Specialist Retailers	0.61%	0.50%	Increased ▲
Pharmacies/Drugstores	0.95%	0.61%	Increased ▲
Traditional Toys and Games Stores	1.00%	1.00%	No Change
Apparel Specialist Retailers	1.24%	1.49%	Decreased ▼
Department Stores	1.25%	1.00%	Increased ▲
Sports Goods Stores	1.28%	1.00%	Increased ▲
Hypermarkets/Mass Merchandisers	1.51%	0.50%	Increased ▲
APAC	1.11%	0.91%	5 Increased and 1 Decreased and 1 no change

⁴⁰ Data for warehouse clubs, home improvement and gardening stores, superstores, and supermarkets/grocery retailers was not available, as there were no common respondents for these verticals during 2013–2014 and 2014–2015

Shrinkage in traditional toys and games stores remained constant during both the periods (1.00%). However, apparel specialist retailers witnessed an decrease in shrinkage (0.25 pps year-on-year) during 2014–2015.

■ APAC SHRINKAGE – BY SEASON

Unlike other regions (wherein winters witnessed the highest shrink), Asia Pacific witnessed the highest shrinkage during summers, followed by spring, autumn, and winters.

Shrinkage risk during all four seasons is the maximum during sales period when customer traffic/footfall in stores is high, making it difficult to implement loss prevention solutions.

■ APAC SHRINKAGE – BY SOURCE

During 2014–2015, dishonest employee theft and shoplifting together accounted for 73% of the total shrinkage in APAC, as compared with 60% during 2013–2014. Vendor/supplier fraud accounted for the least share (9%) during 2014–2015, up from 8% during 2013–2014.

Figure 2.3.7

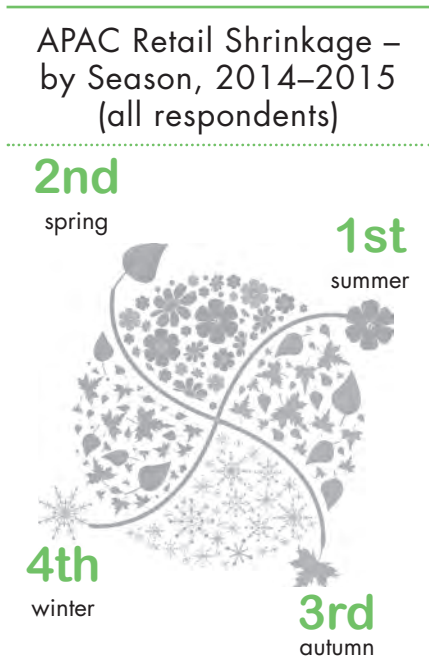
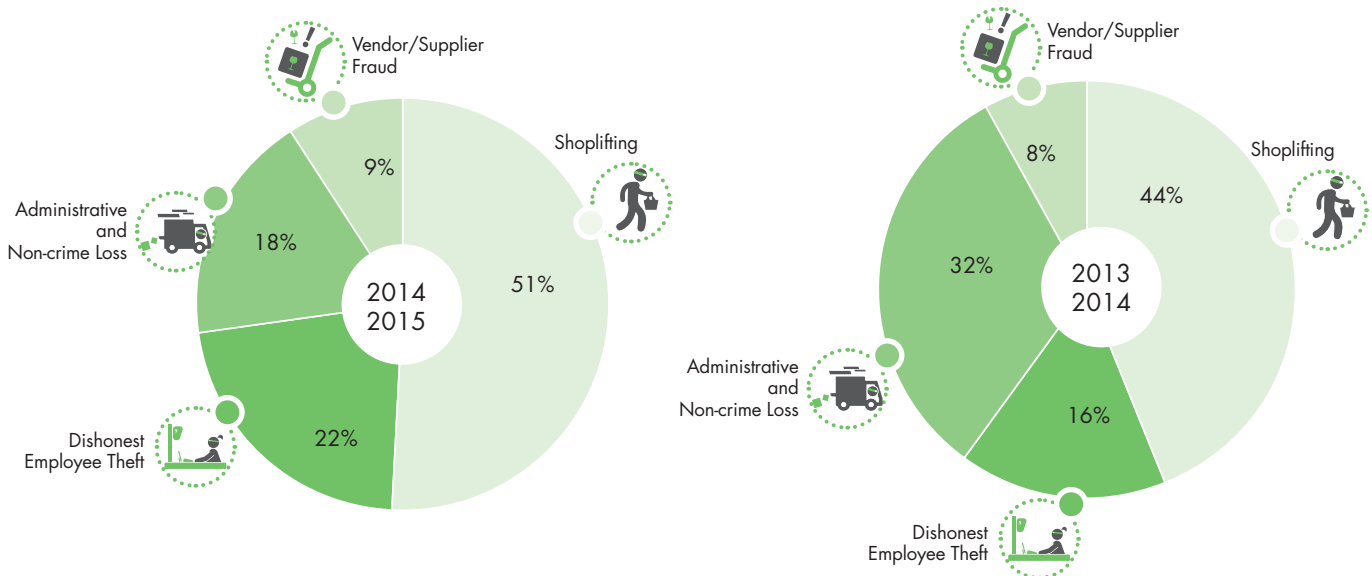


Figure 2.3.8

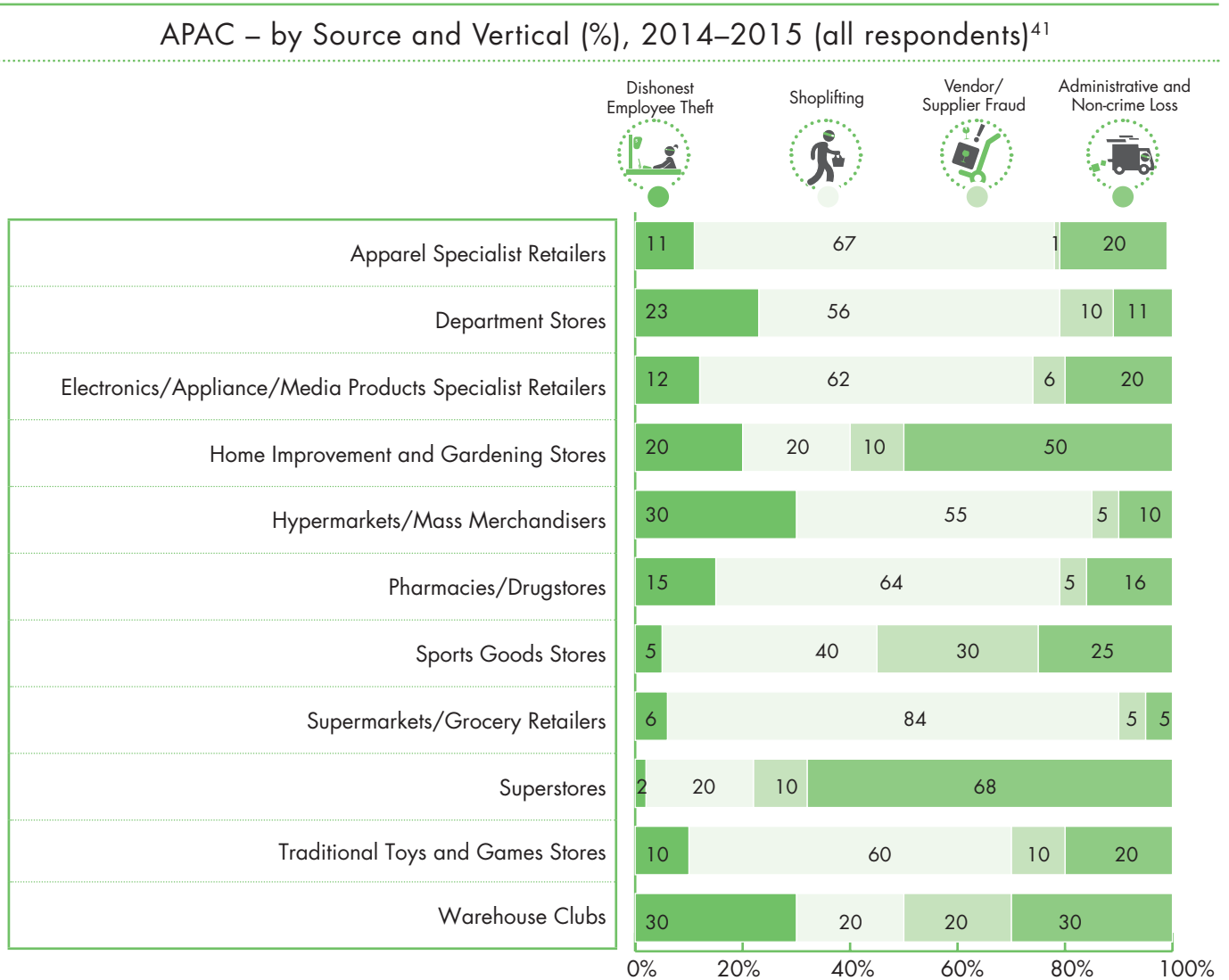
APAC Retail Shrinkage – by Source, 2013–2014 and 2014–2015 (all respondents)

Source	% Share (2014–2015)	% Share (2013–2014)	Shrinkage by Value (\$ billion, 2014–2015)
Dishonest Employee Theft	22%	16%	8.59
Shoplifting	51%	44%	19.91
Vendor/Supplier Fraud	9%	8%	3.51
Administrative and Non-crime Loss	18%	32%	7.03



As compared with 2013–2014, share of shoplifting and dishonest employee theft increased 7 pps and 6 pps, respectively, during 2014–2015. However, the share of administrative and non-crime losses decreased 14 pps.

Figure 2.3.9



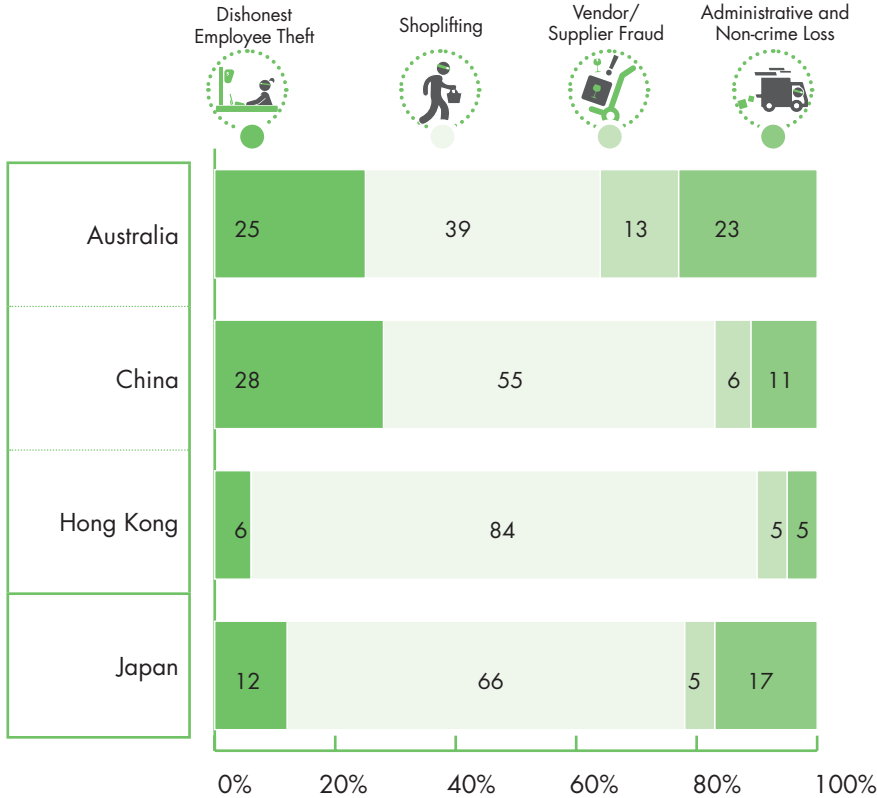
Among the countries surveyed in APAC during 2014–2015, shoplifting was the major cause of shrinkage across Australia (39%), China (55%), Hong Kong (84%), and Japan (66%). It was the primary cause of shrinkage in the region across apparel specialist retailers (67%), department stores (56%), electronics stores (62%), hypermarkets/mass merchandisers (55%), pharmacies/drugstores (64%), sports goods stores (40%), supermarkets/grocery retailers (84%), and traditional toys and games stores (60%).

During 2014–2015, administrative and non-crime losses was the primary reason for shrinkage in home improvement and gardening stores (50%) and superstores (68%).

⁴¹ The total may not add to 100% due to rounding-off

Figure 2.3.10

APAC – by Source and Vertical (%), 2014–2015 (all respondents)⁴²



In warehouse clubs, both dishonest employee theft, and administrative and non-crime losses accounted for the majority (30% each) share of shrinkage.

■ MOST STOLEN ITEMS

Shoplifters and dishonest employees targeted products that are easy to conceal and have a ready market for resale with good resale value. A majority of the stolen products included denims, batteries, mobile device accessories, infant formula, and makeup products.

In APAC, denims were the most frequently stolen items in apparel and fashion accessories vertical —attributable to high worth of these products. In DIY/home improvement vertical, batteries were the most stolen products due to their small size, which makes it easy for thieves to conceal them. Infant formula was also stolen frequently owing to its requirement in large quantities that leads parents to steal or buy them from sources that sell products stolen from retail stores at discounted rates. Moreover, the usage of infant formula to cut cocaine and heroine’s strength leads to their theft by drug addicts/smugglers.

⁴² The total may not add to 100% due to rounding-off

Figure 2.3.11

Rank	Apparel and Fashion Accessories	DIY/ Home Improvement	Electronics	Food and Beverages	Health and Beauty
1st	Denim	Batteries	Mobile Device Accessories	Infant Formula	Makeup Products
2nd	Handbags	Power Tools	iPhones/Smartphones	Wines and Spirits	Perfumes and Fragrances
3rd	Fashion Accessories	Screws and Washers	Laptops	Gourmet Food	Over-the-Counter Drugs
4th	Lingerie/Intimate Apparel	-	iPads/Tablets	Coffee	Vitamins
5th	Footwear	-	Home Office Consumables	Tobacco	Facial Creams

Figure 2.3.12

APAC Loss Prevention Spend, as a % of Total Sales 2014–2015 (all respondents)

Country	2014–2015
Australia	0.76%
China	1.11%
Hong Kong	1.68%
Japan	0.97%
APAC	0.97%
Global	1.19%

■ APAC LOSS PREVENTION SPEND

Loss prevention spend was the highest in Hong Kong (1.68%) and the lowest in Australia (0.76%), among the countries surveyed in APAC during 2014–2015. The APAC average (0.97%) was lower than the global average (1.19%).

On comparing common respondents in APAC during 2013/14–2014/15, two countries—China (0.50 pps) and Japan (0.72 pps)—reported an increase in loss prevention spend during 2014–2015 over the last year. However, Australia saw a decrease (0.72 pps) during the same period.

Figure 2.3.13

APAC Loss Prevention Spend, as a % of Total Sales – by Country, 2013–2014 and 2014–2015 (common respondents)⁴³

Vertical	2014–2015	2013–2014	Increased or Decreased
Australia	0.53%	1.25%	Decreased ▼
China	1.11%	0.61%	Increased ▲
Japan	Insufficient data		—
APAC	0.79%	0.97%	1 Decreased and 1 Increased

⁴³ Data for Hong Kong was not available, as there were no common respondents for this country during 2013–2014 and 2014–2015. For Japan the data was not statistically valid

Figure 2.3.14

APAC Loss Prevention Spend, as a % of Total Sales –
by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015	Rank (1 = Maximum spend 11 = Minimum spend)
Apparel Specialist Retailers	0.90%	6
Department Stores	0.65%	11
Electronics/Appliance/Media Products Specialist Retailers	0.80%	8
Home Improvement and Gardening Stores	0.73%	10
Hypermarkets/Mass Merchandisers	1.06%	3
Pharmacies/Drugstores	1.01%	4
Sports Goods Stores	1.32%	2
Supermarkets/Grocery Retailers	1.68%	1
Superstores	0.75%	9
Traditional Toys and Games Stores	0.86%	7
Warehouse Clubs	1.00%	5

Figure 2.3.15

APAC Loss Prevention Spend, as a % of Total Sales –
by Vertical, 2013–2014 and 2014–2015 (common respondents)⁴⁴

Vertical	2014–2015	2013–2014	Increased or Decreased
Apparel Specialist Retailers	0.84%	1.97%	Decreased ▼
Department Stores	0.36%	0.38%	Decreased ▼
Electronics/Appliance/Media Products Specialist Retailers	0.80%	0.45%	Increased ▲
Hypermarkets/Mass Merchandisers	1.06%	0.23%	Increased ▲
Pharmacies/Drugstores	0.69%	0.41%	Increased ▲
Sports Goods Stores	1.32%	1.30%	Increased ▲
Traditional Toys and Games Stores	0.46%	1.60%	Decreased ▼
APAC	0.79%	0.97%	4 Increased and 3 Decreased

⁴⁴ Data for warehouse clubs, home improvement and gardening stores, superstores, and supermarkets/grocery retailers was not available, as there were no common respondents for these verticals during 2013–2014 and 2014–2015



Loss prevention spend in APAC by vertical was the highest in supermarkets/ grocery retailers (1.68%) and sports goods stores (1.32%) during 2014–2015. However, it was the lowest in department stores (0.65%), home improvement and gardening stores (0.73%), and superstores (0.75%).

On a like-for-like analysis of common respondents in the region, loss prevention spend declined from 0.97% during 2013–2014 to 0.79% during 2014–2015. It increased in four out of seven verticals—hypermarkets/mass merchandisers, sports goods stores, electronics stores, and pharmacies/drugstores. Hypermarkets/mass merchandisers saw the highest increase (0.83 pps), followed by electronics stores (0.35 pps), and pharmacies/drugstores (0.28 pps). However, the largest decline was witnessed in traditional toys and games stores (1.14 pps), followed by apparel specialist retailers (1.13 pps).

■ APAC LOSS PREVENTION SOLUTIONS

During 2014–2015, CCTV/DVR was the most commonly used loss prevention solution at the store level in APAC, used by almost all the retailers. This was followed by the use of security guards (71%) and alarm monitoring (67%). Out of the retailers using security guards, 80% used unarmed security guards. Additionally, 72% alarm monitoring solutions (among those who deployed this solution) were managed by third parties.

37% of the respondents protected more than 50% of their high-risk SKUs with EAS, 32% protected 10–30% of their high-risk SKUs, while 26% of the respondents protected less than 10 of their high-risk SKUs with EAS.

Figure 2.3.16

APAC Loss Prevention Solutions – at Store Level, 2014–2015 (% of respondents)

Solution	% of Respondents Using
CCTV/DVR	100%
Security Guards	71%
Motion Detection Alerts	5%
Alarm Monitoring	67%
POS EBR (exception-based reporting)	48%
Foot Traffic Counters	43%
Door Seals/MAG	43%
Advanced Data Analytics	33%
Advanced Access Control (key card, biometric technology, etc.)	33%
Logistics-related Solutions (GPS, truck seal program, etc.)	29%
Parking Lot Protection	14%
Other Protection Methods	14%

Figure 2.3.17

APAC Loss Prevention Solutions – at Product Level, 2014–2015 (% of respondents)

Solution	% of Respondents Using
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	90%
Shelving Solutions and Delayed Fixtures	29%
Spider Wraps and Security Keepers	62%
Advanced Inventory Control Tactics Secure Cable Devices	29%
RFID-based EAS	10%
EAS Pedestal Analytic Data Tools	10%

Some of the commonly used solutions at product-level included EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas), spider wraps and security keepers, advanced inventory control tactics such as secure cable devices, and shelving solutions and delayed fixtures. 52% of the respondents conducted at least one inventory count per month, while 24% of the respondents conducted it on a quarterly basis. The remaining respondents conducted inventory count once a year.

■ APAC COST OF RETAIL THEFT/CRIME

The cost of retail theft/crime stood at 1.84% of retail sales in APAC during 2014–2015. Out of the four surveyed regions, the cost of retail theft/crime was the second-lowest in APAC, after Europe (1.82%).

Figure 2.3.19

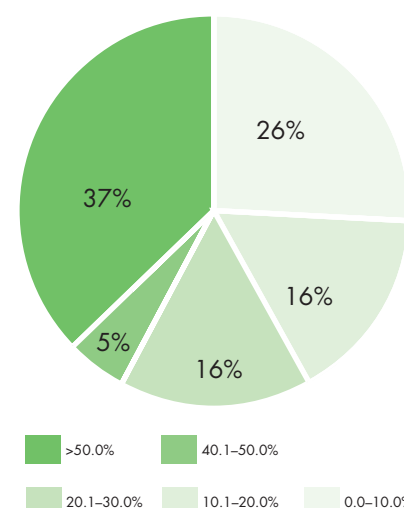
APAC Cost of Retail Theft/Crime, as a % of Total Sales – by Country, 2014–2015 (all respondents)

Region	2014–2015	Cost of Retail Theft/Crime by Value (\$ billion)
Australia	1.42%	3.40
China	2.26%	43.63
Hong Kong	2.67%	1.69
Japan	1.93%	21.30
APAC	1.84%	61.40

Figure 2.3.18

Percentage of High-risk SKUs Protected with EAS – APAC, 2014–2015 (% of respondents)

% of High-Risk SKUs Protected	% of Respondents
0.0–10.0%	26%
10.1–20.0%	16%
20.1–30.0%	16%
40.1–50.0%	5%
>50.0%	37%





APAC 1.84%
2014-2015
 (all respondents)

Out of the three APAC countries, where year-on-year comparison was possible, two experienced an increase in cost of retail theft/crime. Australia was the only country that saw a reduction from 1.95% during 2013–2014 to 1.36% during 2014–2015.

Figure 2.3.20

APAC Cost of Retail Theft/Crime, as a % of Total Sales – by Region, 2013–2014 and 2014–2015 (common respondents)⁴⁵

Region	2014–2015 (current year)	2013–2014 (previous year)	Increased or Decreased
Japan	1.63%	0.46%	Increased ▲
Australia	1.36%	1.95%	Decreased ▼
China	2.26%	1.26%	Increased ▲
APAC	1.75%	1.63%	1 Decreased and 2 Increased

⁴⁵ Data for Hong Kong was not available, as there were no common respondents for this country between 2013–2014 and 2014–2015

The **New** Barometer

2014-2015

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Regional Report **Latin America**



THE GLOBAL RETAIL THEFT BAROMETER

Regional Report

Latin America

During 2014–2015, **shrinkage in Latin America** stood at **1.55%** of the revenue, **higher than all the other regions** studied.

■ LATIN AMERICA SHRINKAGE

During 2014–2015, shrinkage across retail stores in Latin America stood at 1.55% of the revenue, higher than all the other regions studied—Europe, North America, and APAC. On like-for-like analysis of the common respondents, shrinkage increased from 0.75% during 2013–2014 to 1.82% during 2014–2015.

It was found that 90% of the retailers kept track of shrinkage caused by dishonest employee theft and 89% by shoplifting. Only 70% of the retailers tracked administrative and non-crime losses, and vendor/supplier fraud each.

During 2014–2015, 530 cases of apprehensions were registered by the respondents that participated in the survey.

Figure 2.4.1

Latin America Retail Shrinkage, 2014–2015 (all respondents)

Region	2014-2015	Shrinkage by Value (\$ billion)
Latin America	1.55%	10.80
Global	1.23%	123.39

Figure 2.4.2

Latin America Retail Shrinkage, 2013–2014 and 2014–2015 (common respondents)

Region	2014–2015 (current year)	2013–2014 (previous year)	Increased or Decreased
Latin America	1.82%	0.75%	Increased ▲
Global	1.42%	0.94%	Increased ▲

■ LATIN AMERICA SHRINKAGE – BY COUNTRY

Among the countries studied in Latin America, the highest shrinkage was observed in Mexico (1.68%). Moreover, Mexico had the highest shrinkage among all the nations studied globally.

The lowest shrinkage in Latin America was observed in Argentina (1%).

On the basis of data received from common respondents during 2013–2014 and 2014–2015, shrinkage increased in Brazil by 0.34 pps.

Figure 2.4.3

Latin America Retail Shrinkage – by Country, 2014–2015 (all respondents)				
Country	2014–2015	Global Rank (1 = Lowest 24 = Highest)	Latin America Rank (1 = Lowest – 3 = Highest)	Shrinkage by Value (\$ billion)
Argentina	1.00%	7	1	1.14
Brazil	1.10%	13	2	3.89
Mexico	1.68%	24	3	3.86

Figure 2.4.4

Latin America Retail Shrinkage – by Country, 2013–2014 and 2014–2015 (common respondents) ⁴⁶			
Region	2014–2015	2013–2014	Increased or Decreased
Brazil	0.84%	0.50%	Increased ▲

■ LATIN AMERICA SHRINKAGE – BY VERTICAL

During 2014–2015, apparel specialist retailers (2.25%), and jewelry and watch retailers (2.15%) had the highest shrinkage in Latin America. However, pharmacies/drugstores (0.84%) and convenience stores (1.00%) had the lowest shrinkage in the region.

Figure 2.4.5

Latin America Retail Shrinkage – by Vertical, 2014–2015 (all respondents)		
Vertical	2014–2015	Rank (1 = Lowest – 7 = Highest)
Apparel Specialist Retailers	2.25%	7
Convenience Stores	1.00%	2
Home Improvement and Gardening Stores	1.46%	4
Jewelry and Watch Specialist Retailers	2.15%	6
Pharmacies/Drugstores	0.84%	1
Sports Goods Stores	1.70%	5
Supermarkets/Grocery Retailers	1.27%	3

⁴⁶ Data for Argentina was not available, as there were no common respondents between 2013–2014 and 2014–2015; Mexico was not included as the data was not statistically valid

On like-for-like analysis of common respondents, during 2013–2014 and 2014–2015, apparel specialist retailers and pharmacies/drugstores experienced an increase in shrinkage. Shrinkage among apparel specialist retailers increased from 1.00% to 2.80%. However, shrinkage in pharmacies/drugstores increased from 0.50% to 0.84%.

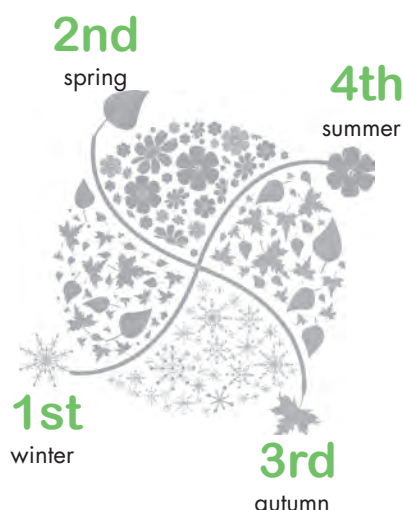
Figure 2.4.6

Latin America Retail Shrinkage – by Vertical, 2013–2014 and 2014–2015 (common respondents)⁴⁷

Vertical	2014–2015	2013–2014	Increased or Decreased
Apparel Specialist Retailers	2.80%	1.00%	Increased ▲
Pharmacies/Drugstores	0.84%	0.50%	Increased ▲
Latin America	1.82%	0.75%	2 Increased ▲

Figure 2.4.7

Latin America Retail Shrinkage – by Season, 2014–2015 (all respondents)



■ LATIN AMERICA SHRINKAGE – BY SEASON

During 2014–2015, Latin America experienced the maximum shrinkage during the winter season. During autumn, winter, and spring, a majority of the shrinkage took place during the sales period. However, during summer, most of the shrinkage took place during the holidays.

■ LATIN AMERICA SHRINKAGE – BY SOURCE

Shoplifting remained the key cause of shrinkage in Latin America, accounting for 37% of the losses during 2014–2015. Shoplifting was the major threat in Mexico (52%), administrative and non-crime losses was the key concern in Brazil (29%), whereas dishonest employee theft was the primary source of shrinkage in Argentina, as claimed by the retailers.

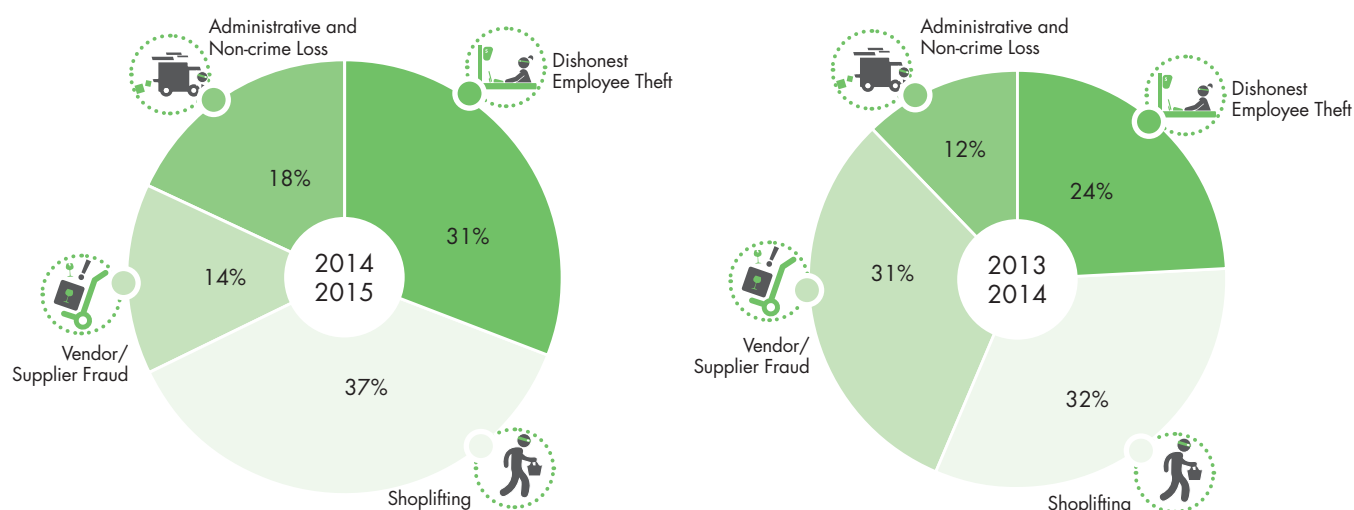
Share of dishonest employee theft, shoplifting, as well as administrative and non-crime losses increased, whereas vendor/supplier fraud decreased from 31% during 2013–2014 to 14% during 2014–2015.

⁴⁷ Data for sports goods stores, jewelry and watch specialist retailers, home improvement and gardening stores, convenience stores, and supermarkets/grocery retailers was not available, as there were no common respondents in this verticals during 2013–2014 and 2014–2015

Figure 2.4.8

Latin America Retail Shrinkage – by Source, 2013–2014 and 2014–2015 (all respondents)

Source	% Share (2014–2015)	% Share ⁴⁸ (2013–2014)	Shrinkage by Value (\$ billion, 2014–2015)
Dishonest Employee Theft	31%	24%	3.35
Shoplifting	37%	32%	4.00
Vendor/Supplier Fraud	14%	31%	1.51
Administrative and Non-crime Loss	18%	12%	1.94



Shoplifting was the major issue for supermarkets/grocery stores (69.4%), apparel specialist retailers (50%), and pharmacies/drug stores (33.5%). Jewelry and watch specialist retailers (74.8%), and home improvement/gardening stores (30%) reported dishonest employee theft as a key concern.

Retailers in the region perceived that dishonest employee theft, shoplifting, as well as organized retail crime in the region increased, as compared with the previous year.

⁴⁸ The total may not add to 100% due to rounding-off

Figure 2.4.9

Latin America Retail Shrinkage – by Source and Vertical (%), 2014–2015 (all respondents)⁴⁹

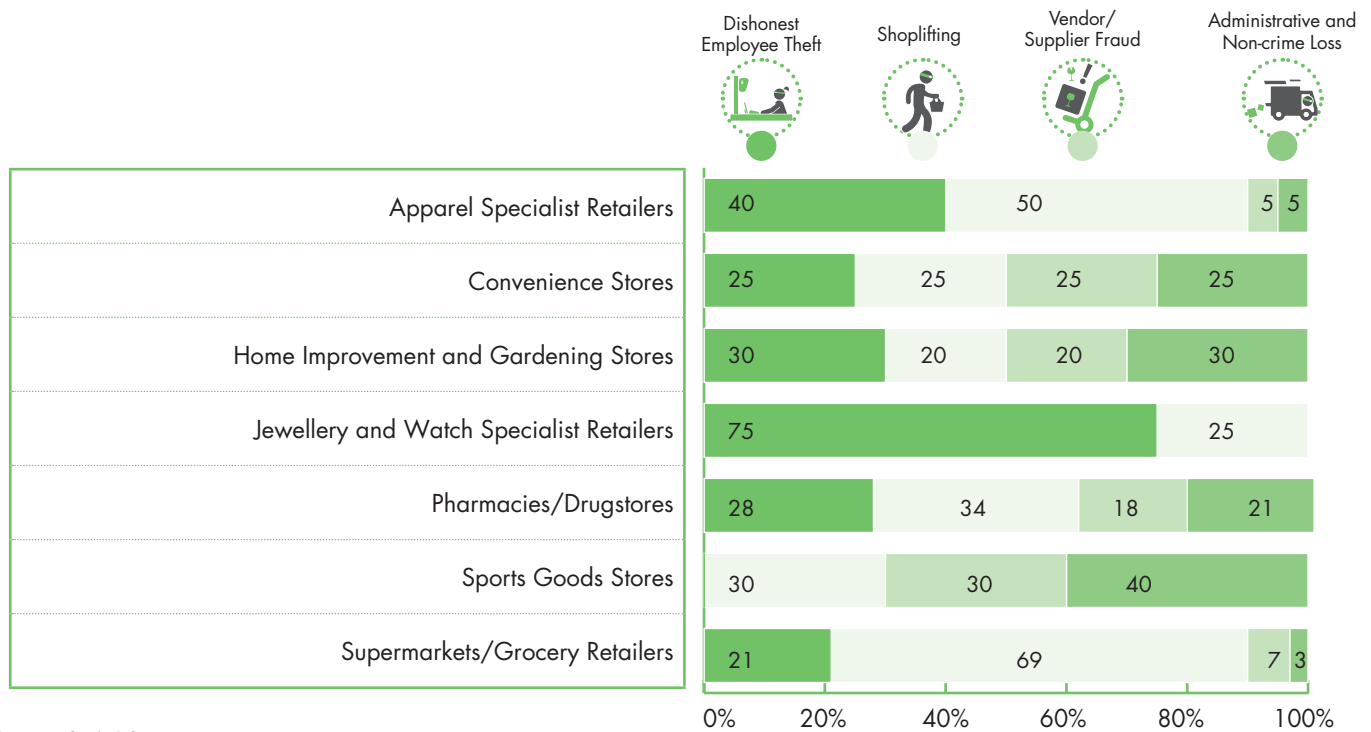
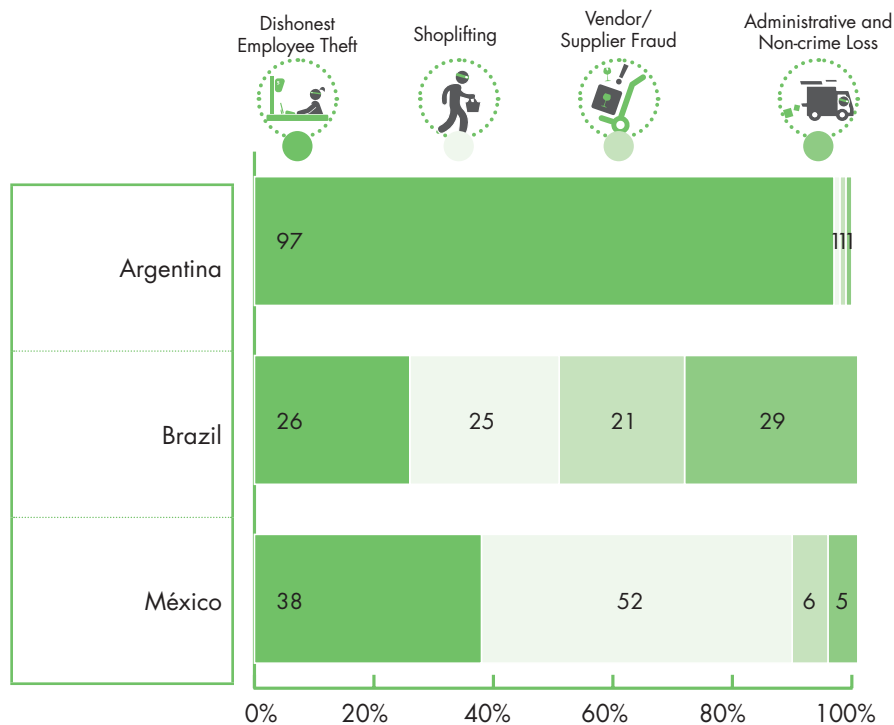


Figure 2.4.10

Latin America Retail Shrinkage – by Source and Country (%), 2014–2015 (all respondents)⁵⁰



⁴⁹ The total may not add to 100% due to rounding-off

⁵⁰ The total for some of the countries may not add to 100% due to rounding-off

■ MOST STOLEN ITEMS

Most stolen products in Latin America included handbags, cables, smartphones/ iPhones, mobile accessories, wines and spirits, and razor blades in their respective verticals.

Shoplifters and dishonest employees targeted products that are easy to conceal, and have a wide public appeal and ready market for resale.

At the global scale, footwear was the most stolen product in the apparel and fashion accessories vertical. However, handbags were the most stolen items for this vertical in Latin America.

Other frequently stolen products included sports-related clothing, power tools, iPads/tablets, tobacco, and deodorants.

Figure 2.4.11

Latin America Most Stolen Items – by Vertical, 2014–2015 (all respondents)

Rank	Apparel and Fashion Accessories	DIY/ Home Improvement	Electronics	Food and Beverages	Health and Beauty
1st	Handbags	Cables	iPhones/Smartphones	Wines and Spirits	Deodorants
2nd	Sports-related Clothing	Power Tools	iPads/Tablets	Tobacco	Makeup Products
3rd	Fashion Accessories	Door Locks	Video Games	Gourmet Food	Facial Creams
4th	Lingerie/Intimate Apparel	Batteries	Music and Videos (DVD format)	Infant Formula	Shampoos and Conditioners
5th	Jewelry	-	Connection Devices	Fish	Perfumes and Fragrances

Figure 2.4.12

Latin America Loss Prevention Spend, as a % of Total Sales – by Country, 2014–2015 (all respondents)

Country	2014–2015
Argentina	1.12%
Brazil	0.89%
Mexico	1.60%
Latin America	1.20%
Global	1.19%

■ LATIN AMERICA LOSS PREVENTION SPEND

Loss prevention spend stood at 1.20% during 2014–2015, the second-lowest among all regions. Jewelry and watch specialist retailers (3.89%), convenience stores (2.00%), and home improvement/gardening stores (1.25%) had the highest loss prevention spend. Whereas, pharmacies/drugstores (0.33%), sports goods stores (0.57%), and apparel specialist retailers (0.59%) witnessed the lowest loss prevention spend.

Based on common respondents, loss prevention spend increased from 0.41% during 2013–2014 to 0.48% during 2014–2015. Loss prevention spend for apparel specialist retailers increased to 0.45% (a year-on-year increase of 0.20 pps).

Mexico had the highest loss prevention spend in the region (1.60%), followed by Argentina (1.12%) and Brazil (0.89%).

Figure 2.4.13

Latin America Loss Prevention Spend, as a % of Total Sales – by Country, 2013–2014 and 2014–2015 (common respondents)⁵¹

Vertical	2014–2015	2013–2014	Increased or Decreased
Brazil	0.50%	0.56%	Decreased ▼

Figure 2.4.14

Latin America Loss Prevention Spend, as a % of Total Sales – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015	Rank (1 = Maximum spend 7 = Minimum spend)
Apparel Specialist Retailers	0.59%	5
Convenience Stores	2.00%	2
Home Improvement and Gardening Stores	1.25%	3
Jewelry and Watch Specialist Retailers	3.89%	1
Pharmacies/Drugstores	0.33%	7
Sports Goods Stores	0.57%	6
Supermarkets/Grocery Retailers	0.91%	4

⁵¹ Data for Argentina was not available, as there were no common respondents between 2013–2014 and 2014–2015; Mexico was not included as the data was not statistically valid

Figure 2.4.15

Latin America Loss Prevention Spend, as a % of Total Sales –
by Vertical, 2013–2014 and 2014–2015 (common respondents)⁵²

Vertical	2014–2015	2013–2014	Increased or Decreased
Apparel Specialist Retailers	0.45%	0.25%	Increased ▲
Pharmacies/Drugstores	0.50%	0.56%	Decreased ▼
Latin America	0.48%	0.41%	1 Increased and 1 Decreased

In Brazil, an increase in shrinkage was observed with a decrease in loss prevention spend.

■ LOSS PREVENTION SOLUTIONS

The commonly used retail theft prevention solutions, such as CCTV/DVRs, alarm monitoring, security guards, and EAS were not frequently used by the retailers in Latin America. 77% of the retailers employed security guards, had alarm monitoring systems, and used security cameras. Moreover, 38% of the retailers used EAS. Therefore, shrinkage in Latin America was higher than all other regions that were surveyed. Globally, Mexico had the highest shrinkage (1.68%) during 2014–2015.



Figure 2.4.16

Latin America Loss Prevention Solutions – at Store Level, 2014–2015 (% of respondents)

Solution	% of Respondents Using
CCTV/DVR	77%
Security Guards	77%
Alarm Monitoring	77%
Logistics-related Solutions (GPS, truck seal program, etc.)	62%
Parking Lot Protection	54%
Door Seals/MAG	38%
POS EBR (exception-based reporting)	31%
Advanced Data Analytics	31%
Advanced Access Control (key card, biometric technology, etc.)	31%
Foot Traffic Counters	23%
Motion Detection Alerts	23%
Facial/Customer Recognition Technology	15%
Other Protection Methods	8%

⁵² Data for sports goods stores, jewelry and watch specialist retailers, home improvement and gardening stores, convenience stores, and supermarkets/grocery retailers was not available, as there were no common respondents for these verticals during 2013–2014 and 2014–2015

Figure 2.4.17

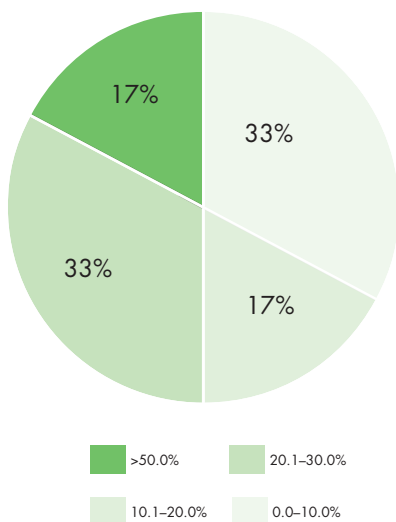
Latin America Loss Prevention Solutions – at Product Level, 2014–2015 (% of respondents)

Solution	% of Respondents Using
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	38%
Shelving Solutions and Delayed Fixtures	46%
RFID-based EAS	8%
EAS Pedestal Analytic Data Tools	8%
Spider Wraps and Security Keepers	23%
Advanced Inventory Control Tactics (secure cable devices, etc.)	23%

Figure 2.4.18

Percentage of High-risk SKUs Protected with EAS – Latin America, 2014–2015 (% of respondents)

% of High-Risk SKUs Protected	% of Respondents
0.0–10.0%	33%
10.1–20.0%	17%
20.1–30.0%	33%
>50.0%	17%



One-third of the respondents protected less than 10% of their high-risk SKUs; only 17% of the respondents protected more than 50% of their high-risk SKUs.

Most of the stores used shelving solutions and delayed fixtures (46%), spider wraps and security keepers (23%), and advances security control tactics such as secure cable devices (23%).

60% of the respondents conducted at least one inventory count per month, while 20% of the respondents conducted it on a quarterly basis. The remaining respondents conducted inventory count once a year.

■ LATIN AMERICA COST OF RETAIL THEFT/CRIME

In Latin America, cost of retail theft/crime stood at 2.08% of revenue, second only to North America (2.60%). Based on like-for-like analysis of common respondents, cost of retail theft/crime increased from 0.94% during 2013–2014 to 2.12% during 2014–2015. Increase in retail theft was the primary reason behind the rise in cost of theft/crime.

Mexico (2.80%) witnessed the highest cost of retail theft/crime in the region, followed by Argentina (2.10%) and Brazil (1.43%). Based on the common respondents, Brazil witnessed 1.13% cost of retail theft/crime during 2014–2015 (increase of 0.19 pps from 2013–2014).

In Latin America, cost of retail theft/crime stood at 2.08% of revenue, second only to North America (2.60%). Based on like-for-like analysis of common respondents, cost of retail theft/crime increased from 0.94% during 2013–2014 to 2.12% during 2014–2015. Increase in retail theft was the primary reason behind the rise in cost of theft/crime.

Figure 2.4.19

Latin America Cost of Retail Theft/Crime, as a % of Total Sales – by Country, 2014–2015 (all respondents)

Country	2014–2015	Cost of Retail Theft/ Crime by Value (\$ billion)
Argentina	2.10%	2.40
Brazil	1.43%	5.05
Mexico	2.80%	6.43
Latin America	2.08%	14.50



Latin America 2.08%

2014–2015

(all respondents)

Figure 2.4.20

Latin America Cost of Retail Theft/Crime, as a % of Total Sales – by Region, 2013–2014 and 2014–2015 (common respondents)⁵³

Region	2014–2015	2013–2014	Increased or Decreased
Brazil	1.13%	0.94%	Increased ▲

Mexico (2.80%) witnessed the highest cost of retail theft/crime in the region, followed by Argentina (2.10%) and Brazil (1.43%). Based on the common respondents, Brazil witnessed 1.13% cost of retail theft/crime during 2014–2015 (increase of 0.19 pps from 2013–2014).

⁵³ Data for Argentina was not available, as there were no common respondents between 2013–2014 and 2014–2015; Mexico was not included as the data was not statistically valid

The **New** Barometer

2014-2015

www.GlobalRetailTheftBarometer.com

Country Report



THE GLOBAL RETAIL THEFT BAROMETER

Country Report

Australia

During 2014–2015, retail stores **in Australia** reported a **shrinkage** rate of **1.02%** worth **\$2.44 billion**.

■ AUSTRALIA SHRINKAGE

During 2014–2015, retail stores in Australia reported a shrinkage rate of 1.02% (all respondents) worth \$2.44 billion. Shrinkage in the country was 0.21 pps lower than the overall global rate (1.23%) and 0.15 pps lower than the APAC average rate (1.17%).

On a like-for-like basis, shrinkage across retail stores decreased by 0.04 pps year-on-year, from 1.00% to 0.96%, during 2014–2015.

Among the retailers in the country who participated in the survey, apparel specialists reported the highest level of shrinkage (1.54%) during 2014–2015. However, this was lower than the global and the APAC shrinkage rates of 1.80% and 1.74%, respectively, for this vertical.

Figure 3.1.1

Australia Retail Shrinkage, 2013–2014 and 2014–2015
(common respondents)

Country	2014–2015	2013–2014	Increased or Decreased
Australia	0.96%	1.00%	Decreased ▼
APAC	1.11%	0.91%	Increased ▲

On the other hand, the lowest shrinkage was reported by electronics stores (0.61%), which was similar to the APAC shrinkage rate (0.61%). However, it was lower than the global shrinkage rate (0.83%) for this vertical.

Frequently stolen items in the country included high-end clothing, fragrances, and foods. Furthermore, popular consumer electronics products—such as mobile phones, tablets, iPads, laptops, and digital cameras—are soft targets for shoplifters due to their high value. Products that are of high value and are popular are at the maximum risk of being stolen. Thieves also target small, everyday items—such as razor blades, baby foods, cosmetics, and toys.

Figure 3.1.2

Australia Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	1.54%
Department Stores	1.40%
Superstores	1.02%
Pharmacies/Drugstores	0.98%
Traditional Toys and Games Stores	0.85%
Warehouse Clubs/Supermarkets	0.75%
Electronics/Appliance/Media Products Specialist Retailers	0.61%

The Australian Retailers Association (ARA) has suggested retailers to add 3% to the cost of goods (to consumers) to help them recoup the losses caused by retail theft.

The Australian police have been augmenting its efforts to control retail theft. In June 2015, it arrested 77 offenders and recovered stolen goods worth \$6,000 (during an offensive against retail theft) across major shopping areas in Sydney.

During 2014–2015, 7,969 apprehensions for external cases of theft/fraud were registered by retailers who participated in the survey in Australia.

■ AUSTRALIA SHRINKAGE – BY SOURCE

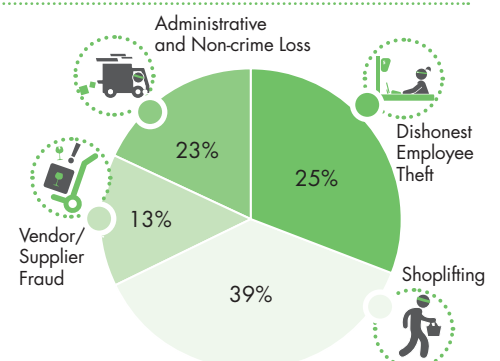
During 2014–2015, shoplifting accounted for the largest share (39%) among all sources of retail shrinkage. This was followed by dishonest employee theft (25%), administrative and non-crime losses (23%), and vendor/supplier fraud (13%).

Shoplifting was the primary cause of shrinkage across apparel specialist retailers (55%), department stores (56%), electronics stores (62%), and traditional toys and games stores (60%) in Australia during 2014–2015. However, administrative and non-crime losses accounted for the largest share, as a source of shrinkage, across pharmacies/drugstores (34%) and superstores (68%).

Figure 3.1.3

Australia Retail Shrinkage – by Source, 2013–2014 and 2014–2015 (all respondents)

Source	% Share (2014–2015)	Shrinkage by Value (2014–2015, \$ billion)
Dishonest Employee Theft	25%	0.61
Shoplifting	39%	0.95
Vendor/Supplier Fraud	13%	0.31
Administrative and Non-crime Loss	23%	0.56



Furthermore, in warehouse clubs/supermarkets, both dishonest employee theft, and administrative and non-crime losses accounted for the largest shares (30% each).

According to iHR Australia—an Australian provider of human resources, workplace relations and learning development services—as of March 2014, 80% employees in Australia have been involved or would consider stealing from their employers. However, employers have been reluctant to report incidents of employee theft to the police due to reasons such as cost of pursuing the incident outweighing the benefits derived and emotional attachment to their employees.

Apart from these sources of shrinkage, retailers are also facing card not present (CNP) transaction fraud, which is estimated at \$64 million⁵⁴ to retailers in Australia during 2013–2014. The loss is estimated to be \$190 million, considering all Australian cards are being used for fraud (in and outside Australia).

Figure 3.1.4

Australia Loss Prevention Spend – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Warehouse Clubs/Supermarkets	1.00%
Traditional Toys and Games Stores	0.86%
Electronics/Appliance/Media Products Specialist Retailers	0.80%
Pharmacies/Drugstores	0.75%
Superstores	0.75%
Department Stores	0.65%
Apparel Specialist Retailers	0.50%



■ AUSTRALIA LOSS PREVENTION SPEND

During 2014–2015, retailers in Australia reported a loss prevention spend (as a percentage of retail sales) of 0.76%. This was lower than the APAC average (0.97%), as well as the global average (1.19%).

In the same period, the highest loss prevention spend in the country was reported by warehouse clubs/supermarkets (1.00%), which was higher than the global average (0.83%) for this vertical.

The lowest loss prevention spend was reported by apparel specialist retailers (0.50%), which was higher than the global average (0.45%), but lower than the APAC average (0.90%) for this vertical.

■ LOSS PREVENTION SOLUTIONS

CCTV/DVR solution was used by all stores in Australia, with 100% respondents agreeing to use it in their stores during 2014–2015. This was followed by the use of alarm monitoring solutions (79%), security guards (71%), and door seals/MAG (57%). 42% respondents protected more than 50% of their high-risk SKUs with EAS protection devices, while 33% respondents protected 20–50% of their high-risk SKUs.

A majority (80%) of the respondents in the country, who employed guards in their stores, used the services of unarmed guards during 2014–2015, while the rest reported using the services of both armed and unarmed guards. Moreover, most (68%) of the respondents who used CCTV/DVR solution, managed it in-store, rather than using centrally hosted solutions. However, 16% respondents reported using both in-store and centrally hosted CCTV/DVR solutions, and 16% reported the exclusive usage of centrally hosted solutions. Most (85%) of the retailers, who used alarm monitoring solutions during 2014–2015, outsourced the service to third-party providers.

Among product-specific loss prevention solutions, EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas) (86%), and spider wraps and security keepers (71%) were the most widely used by retailers during 2014–2015.

⁵⁴ As per Australian Retailers Association

Figure 3.1.5

Australia Loss Prevention Solution – at Store Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014-2015)
CCTV/DVR	100%
Alarm Monitoring	79%
Security Guards	71%
Door Seals/MAG	57%
POS EBR (exception-based reporting)	50%
Foot Traffic Counters	43%
Logistics-related Solutions (GPS, truck seal program, etc.)	36%
Advanced Data Analytics	36%
Advanced Access Control (key card, biometric technology, etc.)	36%
Parking Lot Protection	14%
Motion Detection Alerts	7%
Other Protection Methods	7%

Figure 3.1.6

Australia Loss Prevention Solution – at Product Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014–2015)
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	86%
Spider Wraps and Security Keepers	71%
Advanced Inventory Control Tactics (secure cable devices, etc.)	36%
Shelving Solutions and Delayed Fixtures	21%
EAS Pedestal Analytic Data Tools	7%

Figure 3.1.7

Percentage of High-risk SKUs Protected with EAS – Australia, 2014–2015 (% of respondents)

% of High-Risk SKUs Protected	% of Respondents
0.0–10.0%	8%
10.1–20.0%	17%
20.1–30.0%	25%
40.1–50.0%	8%
>50.0%	42%

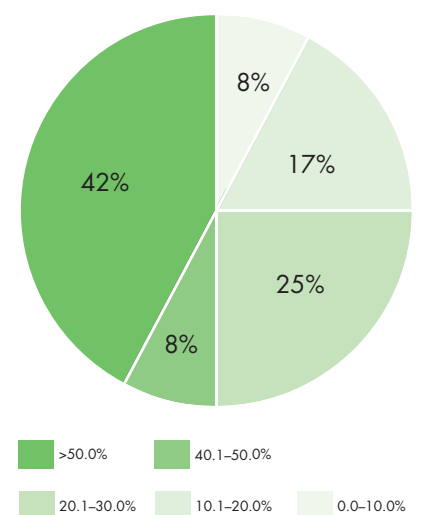
Inventory Management

46% of the respondents conducted at least one cycle count of their inventories per month, while 31% of the respondents conducted it on a quarterly basis. The remaining respondents conducted cycle counts of their inventories once a year.

AUSTRALIA COST OF RETAIL THEFT/CRIME

During 2014–2015, the cost of retail theft/crime (loss due to shoplifting, dishonest employee theft, vendor/supplier fraud, and loss prevention spend) in Australia stood at 1.42% (as a percentage of retail sales)—worth \$3.40 billion. This was lower than the APAC average of 1.84% and the global average of 1.98%.

On a like-for-like basis, the cost of retail theft/crime decreased 0.59 pps year-on-year to 1.36% during 2014–2015, as compared with its increase in APAC by 0.12 pps.



Country Report

Brazil

During 2014–2015, **shrinkage** across retail stores in **Brazil** stood at **1.10%** worth **\$3.9 billion in losses**.

■ BRAZIL SHRINKAGE

During 2014–2015, shrinkage across retail stores in Brazil stood at 1.10% (all respondents), worth \$3.9 billion in losses. Brazil’s shrinkage was lower than Latin America’s regional average (1.55%).

High shrinkage rates in the country were attributed to lack of employee training and low adoption of loss prevention measures, especially during transit of products. Furthermore, weak economic conditions reduced the maintenance budget for retailers that made many loss prevention equipment to go out of order, and hence ineffective.

According to industry experts, in the case of supermarkets, losses also occur because products are consumed in-store (without paying) by employees and customers. Furthermore, weak laws encourage shoplifting. Retailers in Brazil claim that if someone is caught stealing food, the shopkeeper has to address the issue carefully, keeping in mind the human right laws.

Based on the responses of common respondents in Brazil, shrinkage increased from 0.50% in 2013–2014 to 0.84% in 2014–2015—an increase of 0.34 pps; this increase was lower than Latin America, where shrinkage increased by 1.07 pps.

Figure 3.2.1

Brazil Retail Shrinkage – 2013–2014 and 2014–2015
(common respondents)

Country	2014–2015	2013–2014	Increased or Decreased
Brazil	0.84%	0.50%	Increased ▲
Latin America	1.82%	0.75%	Increased ▲

Among the respondents from Brazil, sports goods stores experienced the highest shrinkage (1.70%). However, apparel specialist retailers—with the second highest shrinkage globally—experienced the lowest shrinkage (0.10%) among all verticals.

Figure 3.2.2

Brazil Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	0.10%
Home Improvement and Gardening Stores	1.46%
Pharmacies/Drugstores	0.84%
Sports Goods Stores	1.70%
Supermarkets/Grocery Retailers	1.41%

Laptops are the most frequently targeted products by thieves. Other commonly stolen items include fragrances, stationeries, optical products, and fashion accessories.

Besides high shrinkage, problems of Brazilian retailers were aggravated by slow growth in the retail industry. According to a survey conducted by Serasa Experian—a Brazilian company providing certification, and marketing and sales support services—in 2014, retail growth in Brazil (3.7%, year-on-year) was the lowest in 11 years due to reasons such as inflation and decline in consumer confidence. Verticals demonstrating the highest growth were supermarkets/grocery retailers (3.9%) and apparel specialist retailers (3.4%).

During 2014–2015, 250 apprehensions for external cases of theft/fraud were registered by retailers who participated in the survey in Brazil.

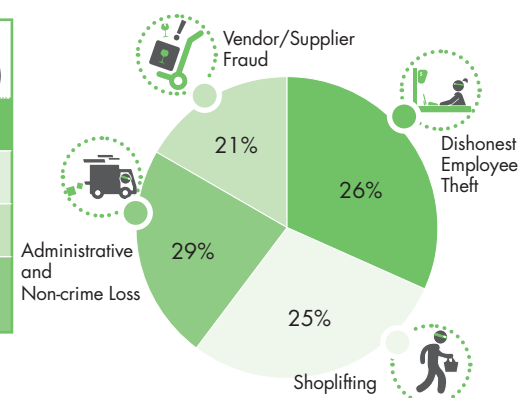
■ BRAZIL SHRINKAGE – BY SOURCE

In Brazil, foreign nationals operate shoplifting gangs. In July 2015, the Brazilian police arrested a gang of suspected Colombian and Peruvian shoplifters who stole luxury goods across the country including the states of Rio de Janeiro and Sao Paulo. Furthermore, one-fourth of shrinkage was due to internal theft. This was driven by economic crises that led to layoffs, outsourcing of manual labor, and replacement of trained and loyal employees with new low-cost employees.

Figure 3.2.3

Brazil Retail Shrinkage – by Source, 2013–2014 and 2014–2015 (all respondents)

Source	% Share (2014–2015)	Shrinkage by Value (2014–2015, \$ billion)
Dishonest Employee Theft	26%	1.01
Shoplifting	25%	0.97
Vendor/Supplier Fraud	21%	0.81
Administrative and Non-crime Losses	29%	1.12



Administrative and non-crime losses stood at 29% during 2014–2015. Moreover, these losses were the major reasons for shrinkage in Brazil—unlike any other country.

Administrative losses accounted for 40% of the losses in sports goods stores. In home improvement stores, dishonest employee theft (30%) and administrative losses (30%) were the key reasons for shrinkage. In pharmacies/drugstores, shoplifting was a major concern accounting for 34% of losses.

■ BRAZIL LOSS PREVENTION SPEND

Loss prevention spend in Brazil stood at 0.89% during 2014–2015. Home improvement and gardening stores (1.25%), supermarkets/grocery retailers (1.15%), and apparel specialist retailers (1.15%) had the highest loss prevention spend. However, pharmacies/drugstores had the lowest spend. On like-for-like analysis of common respondents, loss prevention spend in pharmacies/drugstores reduced from 0.56% during 2013–2014 to 0.50% during 2014–2015.

Figure 3.2.4

Brazil Loss Prevention Spend, as a % of Sales – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	1.15%
Home Improvement and Gardening Stores	1.25%
Pharmacies/Drugstores	0.33%
Sports Goods Stores	0.57%
Supermarkets/Grocery Retailers	1.15%

■ LOSS PREVENTION SOLUTIONS

Loss prevention solutions that are most popular in Brazil are security guards (50%), CCTVs/DVRs (50%), alarm monitoring (50%), and parking lot protection (50%).

Among the respondents who reported the use of security guards, 67% used unarmed guards, while the remaining used both armed and unarmed guards. 67% of the respondents who reported the use of alarm monitoring systems outsourced the service to third parties. Moreover, 60% of the respondents who used CCTV/DVR had in-store CCTV/DVR and 20% had centrally hosted CCTV/ DVR. 33% of the respondents protected 20–30% of high theft in stores using EAS. However, 67% of the respondents protected 0–10% of high theft products “at-source” using EAS.

EAS (Electronic Article Surveillance – Labels and Hard Tags/ EAS Antennas) and spider wraps were among the most popular product theft prevention solutions used in Brazil.



Figure 3.2.5

Brazil Loss Prevention Solution – at Store Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014-2015)
CCTV/DVR	50%
Security Guards	50%
Alarm Monitoring	50%
Logistics-related Solutions (GPS, truck-seal program, etc.)	33%
Door Seals/MAG	17%
Foot Traffic Counters	17%
Advanced Data Analytics	17%
Parking Lot Protection	50%
Advanced Access Control (key card, biometric technology, etc.)	17%

Figure 3.2.6

Brazil Loss Prevention Solution – at Product Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014-2015)
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	50%
Spider Wraps and Security Keepers	33%
Advanced Inventory Control Tactics (secure cable devices, etc.)	17%
RFID-based EAS	17%

Several retailers are focusing on internal marketing to raise awareness among employees regarding retail theft. Furthermore, they are also linking bonus payout of store managers with shrinkage.

Inventory Management

67% of the respondents conducted cycle counts of their inventories on a yearly basis, while the rest conducted them on a quarterly basis.

BRAZIL COST OF RETAIL THEFT/CRIME

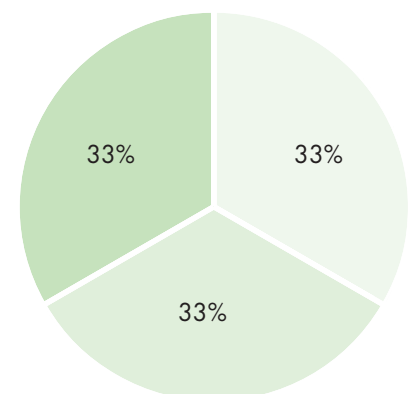
The cost of retail crime in Brazil stood at 1.43% of revenue during 2014–2015, amounting to \$5.05 billion in losses. On comparing the common respondents, it was observed that the cost of retail theft/crime increased from 0.94% during 2013–2014 to 1.13% during 2014–2015.

⁵⁵ The total may not add to 100% due to rounding-off

Figure 3.2.7

Percentage of High-risk SKUs Protected with EAS – Brazil, 2014–2015 (% of respondents)⁵⁵

% of High-Risk SKUs Protected	% of Respondents
0.0–10.0%	33%
10.1–20.0%	33%
20.1–30.0%	33%



Legend: 20.1–30.0% (darkest green), 10.1–20.0% (medium green), 0.0–10.0% (lightest green)

Country Report

France

During 2013/14–2014/15, **shrinkage fell in France**, while loss prevention spend rose

■ FRANCE SHRINKAGE

During 2014–2015, shrinkage across retail stores in France decreased from 1.09% during 2013–2014 to 0.81% during 2014–2015. This decrease was accompanied by an increase in loss prevention spend by the retailers.

Figure 3.3.1

France Retail Shrinkage – 2013–2014 and 2014–2015

Country	2014–2015	2013–2014	Increased or Decreased
France	0.81%	1.09%	Decreased ▼

Retailers have also witnessed an increase in internal theft. They are building special teams in their organizations to focus on this aspect and manage shrinkage. Furthermore, they are adopting data analytics solutions. Companies are also focusing on providing specialized training programs to their employees to improve in-store surveillance.

Despite the decrease, shrinkage remains a primary concern among retailers. Like many other countries, retailers in France are impacted by the rising prevalence of organized retail crime (ORC). Many vendors, involved in these activities, steal products and sell them in parallel networks.

Total loss is a priority for retailers. While external theft is slightly more under control, internal theft has increased. To fight theft, retailers are implementing source tagging programs, including visible tagging solutions.

In order to improve the visibility of the source of their losses, including supplier fraud, some retailers are using RFID.

For retailers in France, the maximum shrinkage is recorded during autumn. Some of the most stolen items are small and expensive products/brands (such as razor blades, perfumes, creams, GPS, and video games).

Figure 3.3.2

France Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Department Stores	1.20%
Electronics/Appliance/Media Products Specialist Retailers	0.74%
Hypermarkets/Mass Merchandisers	1.12%
Other Non-grocery Retailers	0.20%
Superstores	0.79%

During 2014–2015, department stores (1.20%) and hypermarkets (1.12%) experienced the highest shrinkage in France, which is much higher than France's average.

During 2014–2015, 17,430 apprehensions for external cases of theft/frauds were registered by retailers who participated in the survey in France.

■ FRANCE SHRINKAGE – BY SOURCE

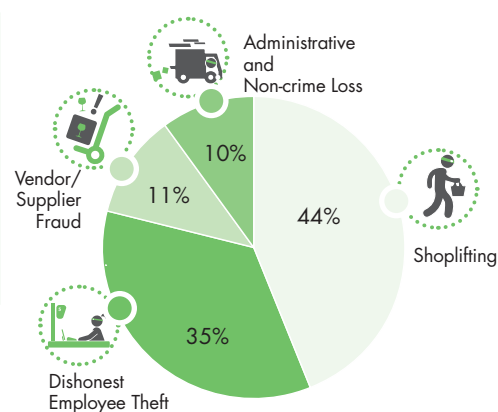
Shoplifting is a major concern in France, which accounted for 44% of shrinkage during 2014–2015. To reduce shoplifting, retailers are adopting various loss prevention solutions. Furthermore, shoplifting (accounting for 75% of the total shrinkage) remained a key concern across superstores.

Dishonest employee theft accounted for 35% of shrinkage during 2014–2015. It was a primary concern in electronic and department stores (accounting for more than 40% of the total shrinkage).

Figure 3.3.3

France Retail Shrinkage – by Source, 2014–2015

Source	% Share (2014–2015)	Shrinkage by Value (2014–2015, \$ billion)
Dishonest Employee Theft	35%	1.60
Shoplifting	44%	2.02
Vendor/Supplier Fraud	11%	0.50
Administrative and Non-crime Loss	10%	0.46



Vendor/supplier fraud was a key concern for hypermarkets (accounting for 25.7% of the total shrinkage). Each of the other causes (shoplifting, dishonest employee theft, and administrative and non-crime losses) accounted for almost one-fourth of the total share.

■ FRANCE LOSS PREVENTION SPEND

In France, spend on loss prevention was 1.36% of the total sales during 2014–2015, which was more than the global average (1.19%) and the European average (1.07%). Loss prevention spend of common respondents increased from 2.51% during 2013–2014 to 2.90% during 2014–2015. A main focus was made on EAS solutions.

Figure 3.3.4

France Loss Prevention Spend –
by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Department Stores	0.08%
Electronics/Appliance/Media Products Specialist Retailers ⁵⁶	Insufficient Data
Hypermarkets/Mass Merchandisers	1.65%
Other Non-grocery Retailers	0.50%
Superstores	0.50%

During 2014–2015, the highest loss prevention spend was witnessed in the hypermarkets/mass merchandisers vertical—1.65%—while the lowest was observed in the department stores vertical—0.08%.

■ LOSS PREVENTION SOLUTIONS

Security guards, door seals, foot traffic counters, and CCTVs/DVRs were some of the most popular solutions at the store level. Retailers prefer to employ unarmed guards. 57% of the respondents who reported the use of CCTV/DVR used in-store CCTVs/DVRs, as opposed to using centrally hosted systems. Retailers also used solutions at the logistics level, such as GPS-enabled trucks and sealing of the trucks during transit.

To protect textile and leather products—which are highly prone to theft—many retailers used cables.



⁵⁶ There was not enough statistically valid data to calculate loss prevention spend for this vertical

Figure 3.3.5

France Loss Prevention Solutions – at Store Level, 2014–2015

Loss Prevention Solution	% of Respondents Using (2014-2015)
CCTV/DVR	63%
Security Guards	75%
Alarm Monitoring	50%
Logistics-related Solutions (GPS, truck seal program, etc.)	75%
Door Seals/MAG	88%
Foot Traffic Counters	88%
POS EBR (exception-based reporting)	50%
Advanced Data Analytics	63%
Parking Lot Protection	25%
Advanced Access Control (key card, biometric technology, etc.)	50%
Motion Detection Alerts	25%

Figure 3.3.6

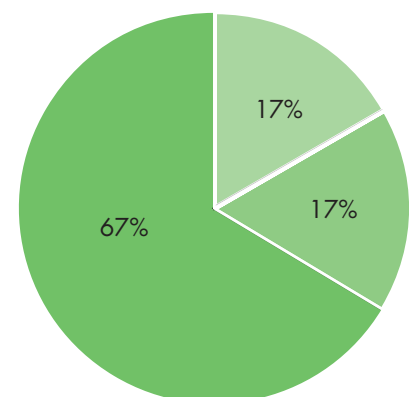
France Loss Prevention Solutions – at Product Level, 2014–2015

Loss Prevention Solution	% of Respondents Using (2014-2015)
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	88%
Spider Wraps and Security Keepers	63%
Advanced Inventory Control Tactics (secure cable devices, etc.)	63%
Shelving Solutions and Delayed Fixtures	50%
EAS Pedestal Analytic Data Tools	25%
RFID-based EAS	13%

Figure 3.3.7

Percentage of High-risk SKUs Protected with EAS – France, 2014–2015 (% of respondents)⁵⁷

% of High-Risk SKUs Protected	% of Respondents
30.1–40.0%	17%
40.1–50.0%	17%
>50.0%	67%



>50.0% 40.1–50.0% 30.1–40.0%

■ FRANCE COST OF RETAIL THEFT/CRIME

The cost of retail theft/crime in France stood at 1.94% of revenues in 2014–2015, amounting to \$11.03 billion in losses.

⁵⁷ The total may not add to 100% due to rounding-off

Country Report

Germany

During 2014–2015, **Germany** reported a **shrinkage** rate of **1.08%**—worth \$6.62 billion.

Figure 3.4.1

Germany Retail Shrinkage – 2014–2015 (all respondents)⁵⁸

Country	2014–2015
Germany	0.81%
Europe	0.96%

■ GERMANY SHRINKAGE

During 2014–2015, retail stores in Germany reported a shrinkage rate of 1.08%—worth \$6.62 billion. Shrinkage was 0.15 pps lower than the global average, but 0.03 pps higher than the European average.

According to a report by EHI Retail Institute (Germany), only 2% of store thefts are prosecuted in the country—providing enough motivation to thieves to indulge in such crimes. There were 365,373⁵⁹ registered cases of theft in the retail sector in 2014, a 2.6% year-on-year rise. However, it is estimated that more than 26 million acts of theft went unnoticed.

In Germany, organized retail crime—in the form of robbery, burglary, and planned heists—remains the biggest concern for retailers.

Thieves typically steal products such as cosmetics, perfumes, spirits, and tobacco, along with some high-worth goods—such as data storage devices, video game consoles, and smartphones. In the apparels category, the most stolen items are jeans, t-shirts, underwear, and lingerie, as well as accessories (towels, glasses, jewelry, etc.).

Traditional toys and games stores reported the highest level of shrinkage (1.44%) during 2014–2015, which was higher than the global average (1.29%) for this vertical.

On the other hand, the lowest level of shrinkage was reported by other non-grocery retailers (0.73%). This was lower than the global shrinkage rate (1.03%), but higher than the European shrinkage rate (0.62%) for this vertical.

⁵⁸ Year-on-year data for Germany could not be provided, as there were no common respondents for this country for 2013–2014 and 2014–2015 surveys

⁵⁹ 'Inventur-differenzen 2015', EHI Retail Institute

Figure 3.4.2

Germany Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	0.92%
Electronics/Appliance/Media Products Specialist Retailers	1.23%
Other Non-grocery Retailers	0.73%
Traditional Toys and Games Stores	1.44%

During 2014–2015, 3,131 apprehensions for external cases of theft/fraud were registered by retailers who participated in the survey in Germany.

■ GERMANY SHRINKAGE – BY SOURCE

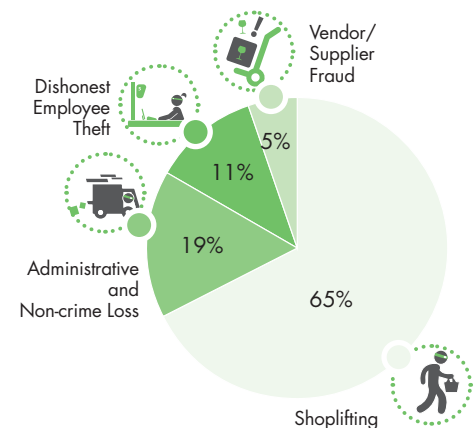
During 2014–2015, shoplifting accounted for the largest share among all sources of retail shrinkage in the country. It was followed by administrative and non-crime losses (19%), dishonest employee theft (11%), and vendor/supplier fraud (5%).

Shoplifting was the major cause of shrinkage in the country during 2014–2015 across apparel specialist retailers (67.8%), other non-grocery retailers (50%), and traditional toys and games stores (50%).

Figure 3.4.3

Germany Retail Shrinkage – by Source, 2014–2015 (all respondents)

Source	% Share (2014–2015)	Shrinkage by Value (2014–2015, \$ billion)
Dishonest Employee Theft	11%	0.72
Shoplifting	65%	4.30
Vendor/Supplier Fraud	5%	0.33
Administrative and Non-crime Loss	19%	1.25



■ GERMANY LOSS PREVENTION SPEND

During 2014–2015, retailers in Germany reported a loss prevention spend (as a percentage of retail sales) of 1.31%, which was higher than the European average (1.07%) and the global average (1.19%).

During the same period, the highest loss prevention spend in the country was reported by other non-grocery retailers (1.75%) and the lowest was reported by electronics stores (0.99%)—unlike other countries, where the vertical had the highest loss prevention spend as a percentage of sales.

Figure 3.4.4

Germany Loss Prevention Spend – by Vertical, 2014–2015
(all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	1.31%
Electronics/Appliance/Media Products Specialist Retailers	0.99%
Other Non-grocery Retailers	1.75%
Traditional Toys and Games Stores	1.19%

■ LOSS PREVENTION SOLUTIONS



CCTV/DVR, alarm monitoring solutions, and door seals/MAG were used by a majority of retailers in Germany, with 67% of the respondents in the country agreeing to use each of the solutions during 2014–2015. Furthermore, 50% of the respondents reported usage of foot traffic counters and POS exception-based reporting solutions.

Figure 3.4.5

Germany Loss Prevention Solution – at Store Level,
2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014–2015)
CCTV/DVR	67%
Security Guards	17%
Alarm Monitoring	67%
Logistics-related Solutions (GPS, truck seal program, etc.)	17%
Door Seals/MAG	67%
Foot Traffic Counters	50%
POS EBR (exception-based reporting)	50%
Advanced Data Analytics	17%
Advanced Access Control (key card, biometric technology, etc.)	17%
Motion Detection Alerts	17%
Other Protection Methods	17%

All respondents in the country, who reported the use of security guards in their stores, used unarmed guards, and all of those who reported the use of CCTV/DVR solution used in-store solutions (rather than using centrally hosted solutions). Furthermore, 67% of the respondents—among those using alarm monitoring solutions in the country—outsourced these services to third parties, 17% respondents managed these internally, and another 17% of the respondents reported using both.

Constant training and awareness of the staff are also considered as important preventive measures. Retailers also use mystery shopping technique to detect theft.

Retailers are increasing the use of data analytics to prevent theft. According to a report by EHI Retail Institute, four out of five companies undertake data analysis using ERP systems.

Figure 3.4.6

Germany Loss Prevention Solutions – at Product Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014–2015)
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	67%
Spider Wraps and Security Keepers	17%
Advanced Inventory Control Tactics (secure cable devices, etc.)	17%
RFID-based EAS	17%

Inventory Management

60% of the respondents conducted cycle counts of their inventories yearly, while the rest conducted them monthly.

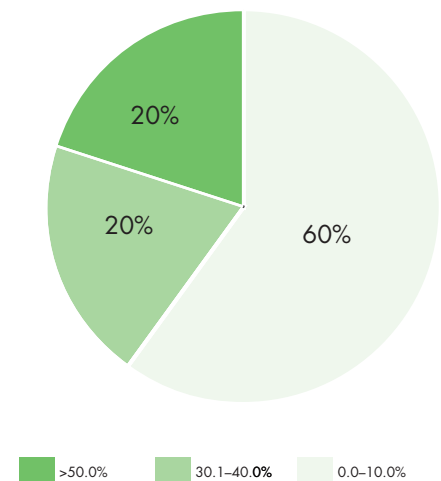
GERMANY COST OF RETAIL THEFT/CRIME

During 2014–2015, the cost of retail theft/crime (loss due to shoplifting, dishonest employee theft, vendor/supplier fraud, and loss prevention spend) in Germany stood at 1.96% (as a percentage of retail sales)—amounting to \$12.0 billion—which was higher than the European average of 1.82%, but lower than the global average of 1.98%.

Figure 3.4.7

Percentage of High-risk SKUs Protected with EAS – Germany, 2014–2015 (% of respondents)

% of High-Risk SKUs Protected	% of Respondents
0.0–10.0%	60%
30.1–40.0%	20%
>50.0%	20%



Country Report

Italy

During 2014–2015, **shrinkage** across retail stores in Italy stood at **1.01% of the revenue**, amounting to **\$3.91 billion**.

■ ITALY SHRINKAGE

During 2014–2015, shrinkage across retail stores in Italy stood at 1.01% of the revenue, amounting to \$3.91 billion.

On a like-for-like analysis of the common respondents, shrinkage decreased from 0.95% during 2013–2014 to 0.64% during 2014–2015 (0.32 pps lower than the European average). To manage shrinkage, retailers focus on complementing technological tools, with robust employee training and aim to keep employees motivated to reduce theft.

Figure 3.5.1

Italy Retail Shrinkage – 2013–2014 and 2014–2015 (common respondents)			
Country	2014–2015	2013–2014	Increased or Decreased
Italy	0.64%	0.95%	Decreased ▼
Europe	0.96%	1.02%	Decreased ▼

Perfumes, electronic items, and liquors are the most stolen items, and hence require the maximum protection. Sometimes, people consume wine inside stores. To deter such behavior, nozzles of wine bottles are protected, so that they cannot be opened by customers before billing.

During 2014–2015, apparel specialist retailers recorded the highest shrinkage (2.62%) among the 10 verticals in Italy, while convenience stores (0.20%) and electronic stores (0.26%) experienced the lowest shrinkage. In line with the overall trend in the country, all verticals witnessed an decrease in shrinkage during 2014–2015, as compared with the previous year.

During 2014–2015, 71,242 apprehensions for external cases of theft/fraud were registered by retailers who participated in the survey in Italy.

Figure 3.5.2

Italy Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	2.62%
Convenience Stores	0.20%
Electronics/Appliance/Media Products Specialist Retailers	0.26%
Gas Stations	1.40%
Home Improvement and Gardening Stores	0.90%
Hypermarkets/Mass Merchandisers	0.95%
Other Non-grocery Retailers	1.18%
Sports Goods Stores	0.68%
Supermarkets/Grocery Retailers	0.97%
Warehouse Clubs	0.97%

■ ITALY SHRINKAGE – BY SOURCE

Shoplifting remains the primary cause of shrinkage in Italy, accounting for 45% of the losses during 2014–2015. It was the key reason for shrinkage in hypermarkets, convenience stores, sports goods stores, and other non-grocery retailers—accounting for more than 50% of the total shrinkage.

Organized retail crime (ORC) remains the key challenge for retailers. Retailers feel that it is difficult to go against ORC because the laws are not strict enough. There was an increase in such crimes during 2014–2015.

Dishonest employee theft stood at 23% during 2014–2015. Apparel specialist retailers, electronic stores, home improvement and gardening stores, gas stations, and warehouse clubs were the most impacted verticals, accounting for 30–35% of the total shrinkage from this source.

Many retailers entered into partnerships with vendors—to protect merchandise at the point of manufacture—to reduce shrinkage caused by shoplifting.

Figure 3.5.3

Italy Retail Shrinkage – by Source, 2014–2015 (all respondents)

Source	% Share (2014–2015)	Shrinkage by Value (2014–2015, \$ billion)
Dishonest Employee Theft	23%	0.90
Shoplifting	45%	1.76
Vendor/Supplier Fraud	13%	0.50
Administrative and Non-crime Loss	19%	0.74

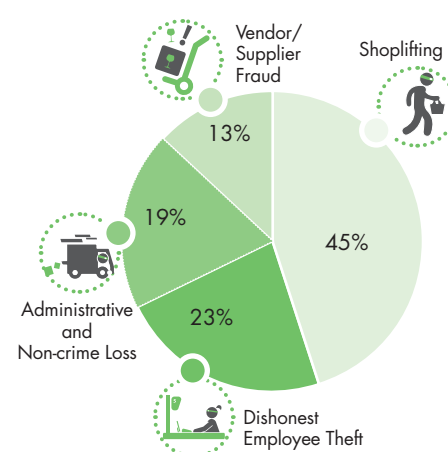


Figure 3.5.4

Italy Loss Prevention Spend – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	1.05%
Convenience Stores ⁶⁰	Insufficient Data
Electronics/Appliance/Media Products Specialist Retailers	0.37%
Gas Stations	1.06%
Home Improvement and Gardening Stores	1.50%
Hypermarkets/Mass Merchandisers	0.82%
Other Non-grocery Retailers	0.29%
Sports Goods Stores	0.25%
Supermarkets/Grocery Retailers	0.65%
Warehouse Clubs	0.12%

ITALY LOSS PREVENTION SPEND

Loss prevention spend in Italy stood at 1.07% (all respondents) during 2014–2015. For common respondents, it reduced from 0.84% during 2013–2014 to 0.68% during 2014–2015.

Loss prevention spend was the least in warehouses (0.12%), sports goods stores (0.25%), and other non-grocery retailers (0.29%).

It decreased in three out of the four verticals (wherein year-on-year data was available). Apparel specialist retailers, which witnessed the maximum increase in loss prevention spend (during 2014–2015 over the last year), also witnessed the highest decrease in shrinkage.

LOSS PREVENTION SOLUTIONS

From a retailer’s perspective, return on investment (ROI) is one of the most important aspects when looking for loss prevention solutions.

Most of the retailers prefer to have unarmed guards—72% of the respondents who used security guards, reported the use of unarmed guards, with only 6% using armed guards. The remaining retailers reported using both armed and unarmed guards. Alarm monitoring systems in 50% of the stores (using alarm monitoring systems – 17%) were managed internally, whereas in 33% of the stores they were provided by third parties. Only 15% of the respondents, among those who used CCTV/DVR solution (67%), used centrally hosted solutions whereas 75% used in-store solutions.



Figure 3.5.5

Italy Loss Prevention Solution – at Store Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using
CCTV/DVR	67%
Security Guards	75%
Alarm Monitoring	17%
Logistics-related Solutions (GPS, truck seal program, etc.)	50%
Door Seals/MAG	33%
Foot Traffic Counters	21%
POS EBR (exception-based reporting)	21%
Advanced Data Analytics	25%
Parking Lot Protection	33%
Advanced Access Control (key card, biometric technology, etc.)	17%
Motion Detection Alerts	4%
Other Protection Methods	13%

⁶⁰There was not enough statistically valid data to calculate loss prevention spend for this vertical

Figure 3.5.6

Italy Loss Prevention Solutions – at Product Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014–2015)
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	83%
Spider Wraps and Security Keepers	67%
Advanced Inventory Control Tactics (secure cable devices, etc.)	38%
EAS Pedestal Analytic Data Tools	8%
RFID-based EAS	29%
Shelving Solutions and Delayed Fixtures	4%

EAS remains the most widely used method, allowing retailers to reduce theft by 10–20%. A majority of retailers plan to continue using this solution, as it is customer friendly and easy to implement.

In verticals such as apparel specialist retailers, which experienced a high shrinkage, retailers are interested in investing in technologies such as RFID. They are increasingly investing in business intelligence to acquire more information about products that are being stolen. Other verticals like grocery aim at gaining further visibility of their merchandise, especially when it comes to expiry dates and fresh food wastage.

Many retailers have started investing in source tagging, wherein the labels are placed on products during production. To reduce theft, retailers use visible loss prevention solutions to dissuade thieves from attempting to steal.

Inventory Management

37% of the respondents conducted cycle counts of their inventories on a quarterly basis, 32% conducted them on a monthly basis, while the rest conducted them on a yearly basis.

■ ITALY COST OF RETAIL THEFT/CRIME

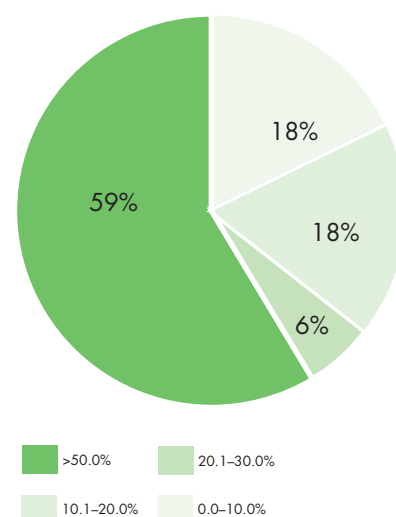
The cost of retail theft/crime in Italy stood at 1.84% of revenue during 2014–2015, amounting to \$7.13 billion. Based on the data from common respondents, it was found that the cost of retail theft/crime reduced from 1.61% during 2013–2014 to 1.17% during 2014–2015.

The cost of retail crime in Italy reduced as a result of reduction in retail theft and loss prevention spend.

Figure 3.5.7

Percentage of High-risk SKUs Protected with EAS – Italy, 2014–2015 (% of respondents)⁶¹

% of High-Risk SKUs Protected	% of Respondents
0.0–10.0%	18%
10.1–20.0%	18%
20.1–30.0%	6%
>50.0%	59%



⁶¹ The total may not add to 100% due to rounding-off

Country Report

Japan

During 2014–2015, retail stores in **Japan** reported a **shrinkage** rate of **1.35%** —worth **\$14.9 billion**.

■ JAPAN SHRINKAGE

During 2014–2015, retail stores in Japan reported a shrinkage rate of 1.35% (all respondents)—worth \$14.9 billion. Shrinkage in the country was 0.12 pps and 0.18 pps higher than the global and APAC averages, respectively.

On a like-for-like basis, shrinkage across retail stores in the country increased 0.50 pps year-on-year, from 0.50% to 1.00%, during 2014–2015.

Among all retailers that participated in the survey, apparel specialists reported the highest level of shrinkage (2.20%) during 2014–2015. Furthermore, it was higher than the global and APAC shrinkage rates of 1.80% and 1.74%, respectively, for this vertical.

Figure 3.6.1

Japan Retail Shrinkage – 2013–2014 and 2014–2015 (common respondents)

Country	2014–2015	2013–2014	Increased or Decreased
Japan	1.00%	0.50%	Increased ▲
APAC	1.11%	0.91%	Increased ▲

On the other hand, the lowest level of shrinkage was reported by pharmacies/drugstores (0.85%), which was lower than the global and APAC shrinkage rates of 1.99% and 0.87%, respectively, for this vertical.

During 2014–2015, 1,112 apprehensions for external cases of theft/fraud were registered by retailers who participated in the survey in Japan.

Figure 3.6.2

Japan Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	2.20%
Home Improvement and Gardening Stores	1.00%
Pharmacies/Drugstores	0.85%

■ JAPAN SHRINKAGE – BY SOURCE

During 2014–2015, in Japan, shoplifting accounted for the largest share among all sources of retail shrinkage (66%). This was followed by administrative and non-crime losses (17%), dishonest employee theft (12%), and vendor/supplier fraud (5%).

Shoplifting was the primary cause for shrinkage across apparel specialist retailers (70%) and pharmacies/drugstores (71.9%) in Japan during 2014–2015. However, administrative and non-crime losses accounted for the largest share (50%), as a source of shrinkage, across home improvement and gardening stores.

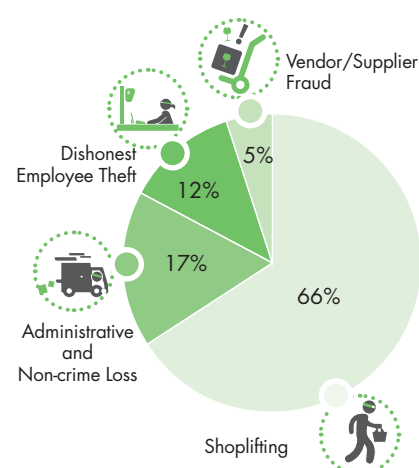
Shoplifting is a major concern for retailers in Japan. It has been noticed that sometimes customers take shopping carts to their cars, without paying for the merchandise and in the pretext of forgetting their wallets in their cars. Later, they drive away with the merchandise, without paying for it.

Some retailers have taken matters into their own hands to control shoplifting. This was seen in a fish market in Osaka, wherein retailers started posting pictures of shoplifters on their storefronts. Furthermore, in April 2014, 115 Japanese supermarkets and convenience stores—operated by 50 operators—started sharing images of shoppers' faces (captured through security cameras) to control retail theft by creating a shared blacklist of known offenders.

Figure 3.6.3

Japan Retail Shrinkage – by Source, 2014–2015 (all respondents)

Source	% Share (2014–2015)	Shrinkage by Value (2014–2015, \$ billion)
Dishonest Employee Theft	12%	1.73
Shoplifting	66%	9.83
Vendor/Supplier Fraud	5%	0.76
Administrative and Non-crime Loss	17%	2.56



According to the data published by the Japanese government, crime was higher among the country's elderly than the teenage youth. During January–June 2015, 23,656 citizens aged more than 65 years were subject to police action, as compared with 19,670 aged 14–19 years. In 2012–2013, 70% of the elderly crimes—driven by bad economic conditions, along with welfare cuts—were acts of shoplifting by impoverished pensioners.

■ JAPAN LOSS PREVENTION SPEND

During 2014–2015, retailers in Japan reported loss prevention spend (as a percentage of retail sales) of 0.97%, at par with the APAC average of 0.97%, but lower than the global average of 1.19%.

During the same period, the highest loss prevention spend was reported by apparel specialist retailers (1.10%) and the lowest was reported by home improvement and gardening stores (0.73%) in the country.

Figure 3.6.4

Vertical	2014–2015
Apparel Specialist Retailers	1.10%
Home Improvement and Gardening Stores	0.73%
Pharmacies/Drugstores	1.07%



The loss prevention spend (1.10%) of apparel specialist retailers in Japan during 2014–2015 was higher than the global average (0.45%) and the APAC average (0.90%).

■ LOSS PREVENTION SOLUTIONS

Among Japanese stores that reported the use of CCTV/DVR solution, 67% of the respondents agreed to the use of in-store solutions during 2014–2015. However, 17% of the respondents reported using both in-store and centrally hosted CCTV/DVR solutions. Moreover, 67% of the respondents in Japan reported usage of EAS. Although EAS is implemented widely in the country, 75% of the respondents protected only less than 10% of their high-risk SKUs.

All respondents who reported the use of security guards used unarmed guards.

Among product specific loss prevention solutions, EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas) was the most widely used by retailers in the country during 2014–2015, with 67% reporting their usage. RFID-based EAS solutions, and spider wraps and security keepers were used by 17% respondents each.

Figure 3.6.5

Japan Loss Prevention Solutions – at Store Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014–2015)
CCTV/DVR	100%
Security Guards	17%
Foot Traffic Counters	17%
POS EBR (exception-based reporting)	17%
Advanced Data Analytics	17%
Other Protection Methods	17%

Figure 3.6.6

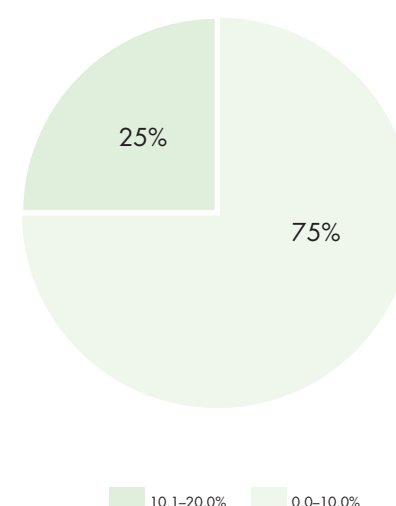
Japan Loss Prevention Solution – at Product Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014–2015)
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	67%
Shelving Solutions and Delayed Fixtures	33%
Spider Wraps and Security Keepers	17%
RFID-based EAS	17%

Figure 3.6.7

Percentage of High-risk SKUs Protected with EAS – Japan, 2014–2015 (% of respondents)

% of High-Risk SKUs Protected	% of Respondents
0.0–10.0%	75%
10.1–20.0%	25%



Inventory Management

50% of the respondents conducted cycle counts of their inventories on a monthly basis, while 25% conducted them on a quarterly, and the remaining on a yearly basis.

■ JAPAN COST OF RETAIL THEFT/CRIME

During 2014–2015, the cost of retail theft/crime (due to shoplifting, dishonest employee theft, vendor/supplier fraud, and loss prevention spend) in Japan stood at 1.93% (as a percentage of retail sales), which was higher than the APAC average (1.84%), but lower than the global average (1.98%). The cost of retail crime in the country was valued at \$21.3 billion.

Based on data from the common respondents, the cost of retail theft/crime in Japan increased 1.17 pps, from 0.46% in 2013–2014 to 1.63% in 2014–2015.

Country Report

Mexico

During 2014–2015, **shrinkage** across retail stores in Mexico was valued at **\$3.9 billion** in shrink losses.

■ MEXICO SHRINKAGE

During 2014–2015, shrinkage across retail stores in Mexico was valued at \$3.9 billion in shrink losses. This stood at 1.68% (all respondents) —the highest among all countries in this survey.

Apparel specialist retailers experienced the highest shrinkage (2.80%) that was 1 pps higher than the global average for this vertical. However, supermarkets/grocery retailers saw the lowest shrinkage (0.79%) that was 0.32 pps lower than the global average for this vertical.

The country has one of the highest crime rates in the world, which is fueled by weak legal structure and low rate of criminal convictions.

In general merchandise stores, perfumes, cosmetics, oral and hygiene care, and pharmaceuticals were the most stolen products. In supermarkets, fruits, meat, fish, queers, and ready-to-eat food were stolen frequently. Types of products stolen depend on the period during which they are stolen. For example, before Father’s Day, the most stolen items include racquetball balls, ties, and men’s wallets, which are not stolen generally. According to a report by Alto Group (Mexico), the theft rate for men’s shirts/t-shirts increased 266% during Father’s Day, as compared with the rest of the year. Similarly, theft of tools and razors increased 239% and 133%, respectively.

During 2014–2015, 201 apprehensions for external cases of theft/fraud were registered by retailers who participated in the survey in Mexico.

Figure 3.7.1

Mexico Retail Shrinkage – 2014–2015 (all respondents)

Country	2014–2015
Mexico	1.68%
Latin America	1.55%

Figure 3.7.2

Mexico Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	2.80%
Convenience Stores	1.00%
Jewelry and Watch Specialist Retailers	2.15%
Supermarkets/Grocery Retailers	0.79%

■ MEXICO SHRINKAGE – BY SOURCE

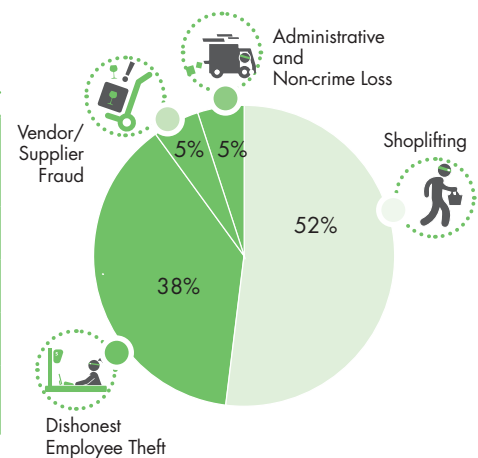
Shoplifting was the major source of shrinkage for retailers in the country, accounting for 52% of the total theft during 2014–2015. This was followed by dishonest employee theft (38%), vendor/supplier fraud (5%), and administrative and non-crime losses (5%).

Shoplifting was the major issue for apparel specialist retailers (50%) and supermarkets/grocery retailers (70%), while jewelry and watch specialist retailers reported dishonest employee theft as the key cause (75%).

Figure 3.7.3

Mexico Retail Shrinkage – by Source, 2014–2015 (all respondents)

Source	% Share (2014–2015)	Shrinkage by Value (2014–2015, \$ billion)
Dishonest Employee Theft	38%	1.45
Shoplifting	52%	2.00
Vendor/Supplier Fraud	5%	0.21
Administrative and Non-crime Loss	5%	0.19



■ MEXICO LOSS PREVENTION SPEND

Loss prevention spend in Mexico stood at 1.60% during 2014–2015. Jewelry and watch specialist retailers had the highest loss prevention spend (3.89%) in the country, followed by convenience stores (2.00%), whereas supermarkets/grocery stores (0.08%) had the lowest loss prevention spend.

On a like-for-like comparison of common respondents, the loss prevention spend in the country increased from 0.25% during 2013–2014 to 0.45% during 2014–2015. However, shrinkage continued to erode during this period, implying that the retailers need to increase their loss prevention spend further.

Figure 3.7.4

Mexico Loss Prevention Spend, as a % of Sales – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	0.45%
Convenience Stores	2.00%
Jewelry and Watch Specialist Retailers	3.89%
Supermarkets/Grocery Retailers	0.08%

■ LOSS PREVENTION SOLUTIONS



CCTV/DVR, security guards, and alarm monitoring systems are the most commonly used loss prevention solutions in the country, with all respondents reporting their usage. Other commonly used solutions included door seals, POS exception reporting, and parking lot protection. The implementation of EAS solutions—which is one of the most widely used tools, globally—has remained subdued in the country. 50% of the respondents protected 20–30% of their high-risk SKUs, while the remaining 50% reported tagging more than 50% high-risk SKUs.

50% of the respondents, who reported the use of security guards, stated using unarmed guards in their stores, while the remaining 50% reported using both—armed and unarmed—guards.

Figure 3.7.5

Mexico Loss Prevention Solutions – at Store Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014–2015)
CCTV/DVR	100%
Security Guards	100%
Alarm Monitoring	100%
Logistics-related Solutions (GPS, truck seal program, etc.)	83%
Door Seals/MAG	50%
Foot Traffic Counters	17%
POS EBR (exception-based reporting)	50%
Advanced Data Analytics	33%
Parking Lot Protection	50%
Advanced Access Control (key card, biometric technology, etc.)	33%
Motion Detection Alerts	33%
Other Protection Methods	17%
Facial/Customer Recognition Technology	17%

Figure 3.7.6

Mexico Loss Prevention Solutions – at Product Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014–2015)
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	33%
Spider Wraps and Security Keepers	17%
Advanced Inventory Control Tactics (secure cable devices, etc.)	33%
Shelving Solutions and Delayed Fixtures	100%
EAS Pedestal Analytic Data Tools	17%

50% of the respondents using alarm monitoring systems managed the solution internally, while 30% used the services of third-party providers; the remaining 20% used both. Among the retailers who used loss prevention solutions at the logistics level (i.e., during transportation), 38% used truck seal programs, 31% used GPS-enabled transportation, while the remaining reported use of both.

Mexico is one of the top countries with high risk of cargo theft. According to FreightWatch, cargo theft in the country increased 14% year-on-year during 2013–2014. According to the Executive Secretariat of Public Security System, cargo theft without violence increased 533% year-on-year and with violence increased 90% year-on-year—in the first two months of 2015. The most stolen goods in such thefts were pharmaceuticals, electronics, building materials, wines, groceries, perishable food, shoes, designer clothes, and toys. It was found that thieves concentrated on the central states of Jalisco, Guanajuato, San Luis Potosi, Hidalgo, Veracruz, Puebla, Morelos, Tlaxcala, the State of Mexico, and the Federal District.

Shelving solutions and delayed fixtures (100%), EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas) (33%), and advanced inventory control tactics secure cable devices (33%) are the most commonly used product prevention solutions.

Inventory Management

83% of the respondents conducted cycle counts of their inventories on a monthly basis, while the rest conducted them on a quarterly basis.

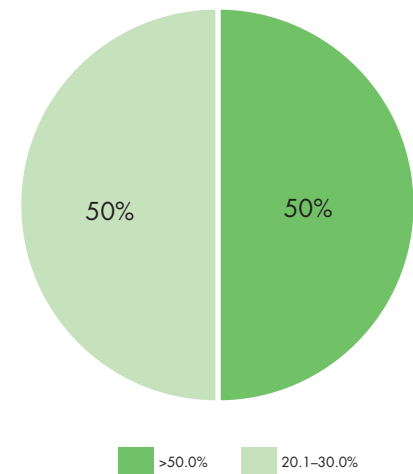
■ MEXICO COST OF RETAIL THEFT/CRIME

The cost of retail theft/crime in Mexico stood at 2.80% of revenue during 2014–2015—valued at \$6.43 billion.

Figure 3.7.7

Percentage of High-risk SKUs Protected with EAS – Mexico, 2014–2015 (% of respondents)

% of High-Risk SKUs Protected	% of Respondents
20.1–30.0%	50%
>50.0%	50%



Country Report

Netherlands

During 2014–2015, **Netherlands** reported a **shrinkage** rate of **1.48%**, amounting to \$1.80 billion in losses.

■ NETHERLANDS SHRINKAGE

During 2014–2015, retail stores in the Netherlands reported a shrinkage rate of 1.48% (all respondents), amounting to \$1.80 billion in losses. Shrinkage in the country was 0.25 pps higher than the global average of 1.23% and 0.43 pps higher than the European average of 1.05%.

On a like-for-like basis, shrinkage across retail stores in the country increased during 2014–2015 by 0.26 pps year-on-year from 0.87% to 1.13%.

Like many other countries, organized retail crime (ORC) is one of the key reasons for the rising shrinkage in the Netherlands. ORC has been increasing due to deteriorating general economic conditions, increasing unemployment, and increase in ORC activities by Eastern European gangs that take advantage of the country's open borders. These gangs use special equipment, such as magnets, to bypass theft prevention systems, such as EAS.

Theft occurs mostly during winters (September–March). There is also an increase in robberies during this season, as it gets dark early in the evening—making it easy for thieves to rob and flee.

Electronics stores reported the highest shrinkage (2.75%) during 2014–2015, which was higher than the global and the European shrinkage rates of 0.83% and 0.79%, respectively, for this vertical.

Figure 3.8.1

Country	2014–2015	2013–2014	Increased or Decreased
Netherlands	1.13%	0.87%	Increased ▲
Europe	0.96%	1.02%	Decreased ▼

However, the lowest shrinkage was reported by other non-grocery retailers (0.36%), which was lower than the global and the European shrinkage rates of 1.03% and 0.62%, respectively, for this vertical.

During 2014–2015, 5,383 apprehensions for external cases of theft/fraud were registered by retailers who participated in the survey in the Netherlands.

■ NETHERLANDS SHRINKAGE – BY SOURCE

During 2014–2015, shoplifting accounted for the largest share among the sources of retail shrinkage at 73%. This was followed by dishonest employee theft at 14%, administrative and non-crime losses at 12%, and vendor/supplier fraud at 1%.

Shoplifting was the major cause of shrinkage in the country during 2014–2015 across department stores (68%), home improvement and gardening stores (65%), pharmacies/drugstores (60%), and supermarkets/grocery retailers (77%). However, administrative and non-crime losses was the key reason of shrinkage across hypermarkets/mass merchandisers (53%) and other non-grocery retailers (41%). Furthermore, dishonest employee theft was the major cause of shrinkage across warehouse clubs (60%).

Figure 3.8.3

Netherlands Retail Shrinkage – by Source, 2014–2015 (all respondents)

Source	% Share (2014–2015)	Shrinkage by Value (2014–2015, \$ billion)
Dishonest Employee Theft	14%	0.26
Shoplifting	73%	1.37
Vendor/Supplier Fraud	1%	0.01
Administrative and Non-crime Loss	12%	0.22

■ NETHERLANDS LOSS PREVENTION SPEND

During 2014–2015, retailers in the Netherlands reported a loss prevention spend (as a percentage of retail sales) of 1.10%, which was higher than the European average of 1.07%, but lower than the global average of 1.19%.

During the same period, the highest loss prevention spend in the country was reported by electronics stores at 3% and the lowest was reported by supermarkets/grocery retailers at 0.32%.

Figure 3.8.2

Netherlands Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Department Stores	1.77%
Electronics/ Appliance/Media Products Specialist Retailers	2.75%
Home Improvement and Gardening Stores	1.63%
Hypermarkets/Mass Merchandisers	1.30%
Other Non-grocery Retailers	0.36%
Pharmacies/ Drugstores	2.25%
Supermarkets/Grocery Retailers	1.24%
Warehouse Clubs	0.50%

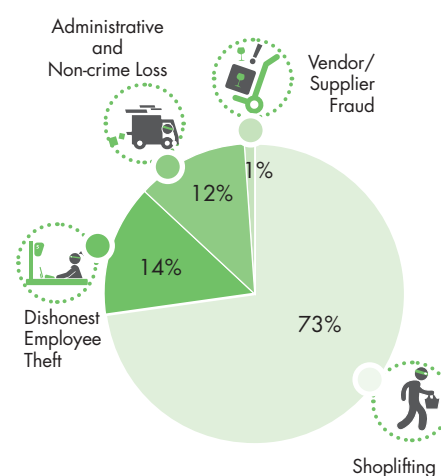


Figure 3.8.4

Netherlands Loss Prevention Spend –
by Vertical, 2014-2015 (all respondents)

Vertical	2014–2015
Department Stores	0.35%
Electronics/Appliance/Media Products Specialist Retailers	3.00%
Home Improvement and Gardening Stores	0.66%
Hypermarkets/Mass Merchandisers	0.50%
Other Non-grocery Retailers	0.44%
Pharmacies/Drugstores	Insufficient Data ⁶²
Supermarkets/Grocery Retailers	0.32%
Warehouse Clubs	0.50%

Based on the responses from common respondents, loss prevention spend of retailers in the Netherlands increased 0.37 pps year-on-year to 0.57% of the total sales during 2014–2015. Furthermore, the spend increased 0.15 pps year-on-year across home improvement and gardening stores, by 0.90 pps year-on-year across supermarkets/grocery retailers, and by 0.04 pps year-on-year across other non-grocery retailers.

■ LOSS PREVENTION SOLUTIONS

CCTV/DVR was the most commonly used tool for store protection, with 88% of the respondents reporting their use during 2014–2015. Furthermore, 76% of the respondents reported the usage of alarm monitoring solutions, 59% reported the usage of foot traffic counters, and 53% reported the usage of security guards and advanced access control solutions (such as key cards) each.



All respondents in the country, those who used security guards, used unarmed guards. A majority (56%) of the respondents using CCTV/DVR solution used in-store solutions, 22% used centrally hosted solutions, while 22% used both. Furthermore, 53% of the respondents, among those using alarm monitoring solutions in the country, outsourced the service to third parties, 32% of the respondents managed the solution internally, and 16% of the respondents reported doing both.

Among product-specific loss prevention solutions used by retailers, EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas) (76%) was the most widely used during 2014–2015. This was followed by spider wraps and security keepers (41%) and shelving solutions and delayed fixtures (41%).

Inventory Management

53% of the respondents conducted cycle counts of their inventories on a monthly basis, 27% conducted them on a yearly basis, while the rest conducted them on a quarterly basis.

⁶²There was not enough statistically valid data to calculate loss prevention spend for this vertical

Figure 3.8.5

Netherlands Loss Prevention Solutions – at Store Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014-2015)
CCTV/DVR	88%
Security Guards	53%
Alarm Monitoring	76%
Logistics-related Solutions (GPS, truck seal program, etc.)	29%
Door Seals/MAG	47%
Foot Traffic Counters	59%
POS EBR (exception-based reporting)	18%
Advanced Data Analytics	29%
Parking Lot Protection	29%
Advanced Access Control (key card, biometric technology, etc.)	53%
Motion Detection Alerts	24%
Other Protection Methods	12%
Facial/Customer Recognition Technology	6%

Figure 3.8.6

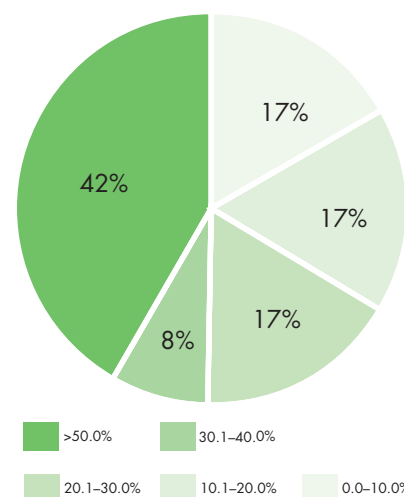
Netherlands Loss Prevention Solution – at Product Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014-2015)
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	76%
Spider Wraps and Security Keepers	41%
Advanced Inventory Control Tactics (secure cable devices, etc.)	12%
Shelving Solutions and Delayed Fixtures	41%
EAS Pedestal Analytic Data Tools	6%
RFID-based EAS	29%

Figure 3.8.7

Percentage of High-risk SKUs Protected with EAS – Netherlands, 2014–2015 (% of respondents)

% of High-Risk SKUs Protected	% of Respondents
0.0–10.0%	17%
10.1–20.0%	17%
20.1–30.0%	17%
30.1–40.0%	8%
>50.0%	42%



■ NETHERLANDS COST OF RETAIL THEFT/CRIME

During 2014–2015, the cost of retail theft/crime (loss due to shoplifting, dishonest employee theft, vendor/supplier fraud, and loss prevention spend) in the Netherlands stood at 2.30% (as a percentage of retail sales)—amounting to \$2.93 billion—which was higher than the European average of 1.82% and the global average of 1.98%.

Based on the responses from common respondents, cost of retail theft/crime increased in the country from 0.91% during 2013–2014 to 1.46% during 2014–2015.

Country Report Portugal

During 2014–2015, **shrinkage** across retail stores **in Portugal** stood at **0.90%** —costing \$0.4 billion in losses.

■ PORTUGAL SHRINKAGE

During 2014–2015, shrinkage across retail stores in Portugal stood at 0.90% (all respondents) —costing \$0.4 billion in losses— which was lower than the European average of 1.05%. Shrinkage of common respondents increased from 0.77% during 2013–2014 to 0.87% during 2014–2015.

Portugal had the sixth-lowest shrinkage rate among all countries. According to an estimate by Portuguese Association of Shopping Centers, on an average, only 16 thefts occur per one million inhabitants in the country. A majority of the thieves are teenagers and steal products such as clothes and perfumes.

Figure 3.9.1

Portugal Retail Shrinkage – 2013–2014 and 2014–2015
(common respondents)

Country	2014–2015	2013–2014	Increased or Decreased
Portugal	0.87%	0.77%	Increased ▲
Europe	0.96%	1.02%	Decreased ▼

Hypermarkets (1.20%), apparel specialist retailers (1.08%), and electronic stores (1.00%) witnessed the highest shrinkage among seven verticals in Portugal. Other non-grocery stores (0.50%) and sports goods stores (0.71%) experienced the lowest shrinkage.

Among common respondents, during 2013/14–2014/15, shrinkage decreased for apparel specialist retailers from 0.50% to 0.40%, and for electronic stores from 1.30% to 1.00%. However, it increased for hypermarkets from 0.50% to 1.20%.

During 2014–2015, 19,045 apprehensions for external cases of theft/fraud were registered by retailers who participated in the survey in Portugal.

Figure 3.9.2

Portugal Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	1.08%
Discounters	0.90%
Electronics/Appliance/Media Products Specialist Retailers	1.00%
Hypermarkets/Mass Merchandisers	1.20%
Other Non-grocery Retailers	0.50%
Sports Goods Stores	0.71%
Supermarkets/Grocery Retailers	0.90%

■ PORTUGAL SHRINKAGE – BY SOURCE

During 2014–2015, shoplifting remained the key reason for shrinkage, accounting for 52% of the total shrinkage during 2014–2015.

Discounters and other non-grocery retailers recorded 60% shrinkage due to shoplifting, which is the highest among all verticals.

Vendor fraud stood at 13% during 2014–2015, while administrative and non-crime loss accounted for 6% of the total loss.

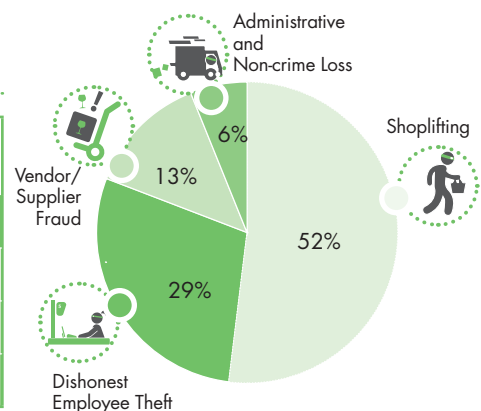
Dishonest employee theft increased to 29% during 2014–2015. This source was a key concern in supermarkets and hypermarkets during 2014–2015, accounting for 35% and 30%, respectively, of the total theft.

Administrative loss stood at 6% during 2014–2015. Its highest share was in discounters (20%) and supermarkets (15%). However, for sports goods stores and hypermarkets, the share of administrative loss was only 5%.

Figure 3.9.3

Portugal Retail Shrinkage – by Source, 2014–2015 (all respondents)

Source	% Share (2014–2015)	Shrinkage by Value (2014–2015, \$ billion)
Dishonest Employee Theft	29%	0.14
Shoplifting	52%	2.25
Vendor/Supplier Fraud	13%	0.06
Administrative and Non-crime Loss	6%	0.03



■ PORTUGAL LOSS PREVENTION SPEND

On comparison of common respondents, during 2013/14–2014/15, loss prevention spend decreased from 1.66% to 0.82%. Loss prevention spend in hypermarkets remained similar to 2013–2014 (0.47% of the total revenue). Discounters (2.70%) and apparel specialist retailers (1.70%) had the highest loss prevention spend, while supermarkets (0.27%) and hypermarkets (0.47%) had the lowest.

Loss prevention spend in the country reduced from 1.66% during 2013–2014 to 0.82% during 2014–2015. However, it was observed that shrinkage increased from 0.77% during 2013–2014 to 0.87% during 2014–2015.

Hypermarkets, which had the highest shrinkage among all verticals, had one of the lowest loss prevention spend.

Figure 3.9.4

Portugal Loss Prevention Spend –
by Vertical, 2014-2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	1.70%
Discounters	2.70%
Electronics/Appliance/Media Products Specialist Retailers	0.50%
Hypermarkets/Mass Merchandisers	0.47%
Other Non-grocery Retailers	0.50%
Sports Goods Stores	0.56%
Supermarkets/Grocery Retailers	0.27%

■ LOSS PREVENTION SOLUTIONS

Loss prevention solutions, such as security guards (73%), CCTV/ DVR (73%), and alarm monitoring (64%) were the most popular solutions in Portugal at the store level. 88% of the stores reporting the use of security guards used unarmed guards. For 67% of the respondents using alarm monitoring systems, services were provided by third parties and 80% of the respondents using CCTV/DVR solution used in-store solutions.

According to 70% of the respondents, more than 50% of “high-risk” products in stores are protected with EAS. However, most of the respondents reported that only 0–10% of products were protected “at-source” using EAS.

EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas) and spider wraps were the most popular merchandise theft prevention solutions used in Portugal. Spider wraps are primarily used for electronic devices such as iPhones and tablets.



Figure 3.9.5

Portugal Loss Prevention Solutions – at Store Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014-2015)
CCTV/DVR	73%
Security Guards	73%
Alarm Monitoring	64%
Logistics-related Solutions (GPS, truck seal program, etc.)	55%
Door Seals/MAG	45%
Foot Traffic Counters	45%
POS EBR (exception-based reporting)	45%
Advanced Data Analytics	55%
Parking Lot Protection	36%
Advanced Access Control (key card, biometric technology, etc.)	9%
Motion Detection Alerts	45%
Other Protection Methods	9%
Facial/Customer Recognition Technology	9%

Figure 3.9.6

Portugal Loss Prevention Solutions – at Product Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014-2015)
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	100%
Spider Wraps and Security Keepers	64%
Advanced Inventory Control Tactics (secure cable devices, etc.)	9%
EAS Pedestal Analytic Data Tools	18%
RFID-based EAS	9%
Shelving Solutions and Delayed Fixtures	9%

Inventory Management

45% of the respondents conducted cycle counts of their inventories on a quarterly basis, 36% conducted them on a yearly basis, while the rest conducted them on a monthly basis.

■ PORTUGAL COST OF RETAIL THEFT/CRIME

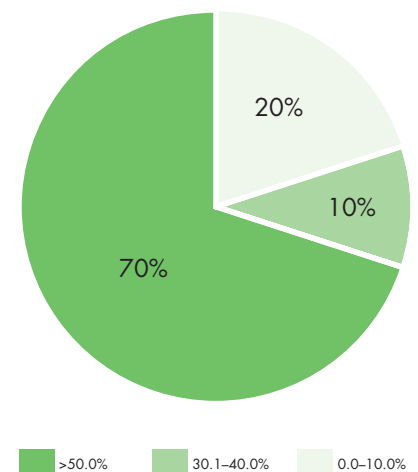
During 2014–2015, cost of retail theft/crime (loss due to shoplifting, dishonest employee theft, vendor/supplier fraud, and loss prevention spends) stood at 1.63% (as a percentage of retail sales)—amounting to \$0.89 billion—which was lower than the European (1.82%) and the global average (1.98%).

On a like-for-like basis, cost of retail theft/crime in Portugal decreased from 2.19% during 2013–2014 to 1.31% during 2014–2015.

Figure 3.9.7

Percentage of High-risk SKUs Protected with EAS – Portugal, 2014–2015 (% of respondents)

% of High-Risk SKUs Protected	% of Respondents
0.0–10.0%	20%
30.1–40.0%	10%
>50.0%	70%



Country Report

Spain

During 2014–2015, **Spain reported a shrinkage rate of 1.33%**— costing **\$3.3 billion in losses**.

■ SPAIN SHRINKAGE

During 2014–2015, retail stores in Spain reported a shrinkage rate of 1.33% (all respondents)— costing \$3.3 billion in losses. This was 0.10 pps and 0.28 pps higher than the global and European averages, respectively.

On a like-for-like basis, shrinkage across retail stores in the country increased during 2014–2015 by 0.25 pps year-on-year from 0.97% to 1.22%.

Figure 3.10.1

Country	2014–2015	2013–2014	Increased or Decreased
Spain	1.22%	0.97%	Increased ▲
Europe	0.96%	1.02%	Decreased ▼

Apparel specialist retailers reported the highest level of shrinkage during 2014–2015 at 1.86%. This was higher than the global and European shrinkage rates of 1.80% and 1.35%, respectively, for this vertical.

On the other hand, the lowest shrinkage was reported by beauty specialist retailers at 0.95%. However, this was higher than the global and European shrinkage rates (0.80% each) for this vertical.

The maximum shrinkage is witnessed during winters (November–December) due to high customer traffic/footfall.

A modification to the Spain Penal Code was recently announced, making retail thefts of items worth less than €400 (~US\$460) a “minor criminal offence”. If the amount of the stolen item exceeds €400, the penalty can be imprisonment from six to eighteen months.

According to the modified law, members of organized retail crime (ORC) dedicated to reselling products can now also be sentenced to prison for 1–3 years. The current Penal Code now imposes a higher than the basic sentence to retail theft when someone steals an object from a store by neutralizing or breaking an alarm or other security device. This helps retailers to protect their EAS and other security investments.

During 2014–2015, 828 apprehensions for external cases of theft/fraud were registered by retailers who participated in the survey in Spain.

■ SPAIN SHRINKAGE – BY SOURCE

At 52%, shoplifting accounted for the largest share among the sources of retail shrinkage in 2014–2015. This was followed by administrative and non-crime losses (25%), dishonest employee theft (18%), and vendor/supplier fraud (5%).

Shoplifting was the major cause of shrinkage in the country during 2014–2015 across apparel specialist retailers (50%), beauty specialist retailers (40%), electronics retailers (53%), home improvement and gardening stores (60%), jewelry and watch specialist retailers (45%), and supermarkets/grocery retailers (68%). However, administrative and non-crime losses was the major cause of shrinkage across hypermarkets/mass merchandisers (50%) and sports goods stores (74%).

According to AECOC—an association of Spanish manufacturers and distributors—80% of retail losses in Spain occur in stores, while 10% occur in distribution centers, and the remaining occur during transport. Also, 20% of losses occur before the arrival of products at the point of sale. Individuals are motivated to indulge in retail theft, primarily due to benefits derived from selling the stolen goods in illicit markets. However, some of them are also motivated by the ease at which they can steal goods from stores.

Figure 3.10.2

Spain Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	1.86%
Beauty Specialist Retailers	0.95%
Electronics/Appliance/Media Products Specialist Retailers	1.13%
Home Improvement and Gardening Stores	1.44%
Hypermarkets/Mass Merchandisers	1.17%
Jewelry and Watch Specialist Retailers	1.66%
Sports Goods Stores	1.09%
Supermarkets/Grocery Retailers	1.32%

Figure 3.10.3

Spain Retail Shrinkage – by Source, 2014–2015 (all respondents)

Source	% Share (2014–2015)	Shrinkage by Value (2014–2015, \$ billion)
Dishonest Employee Theft	18%	0.59
Shoplifting	52%	1.72
Vendor/Supplier Fraud	5%	0.16
Administrative and Non-crime Loss	25%	0.82



Figure 3.10.4

Spain Loss Prevention Spend – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	1.28%
Beauty Specialist Retailers	1.48%
Electronics/Appliance/Media Products Specialist Retailers	1.47%
Home Improvement and Gardening Stores	1.50%
Hypermarkets/Mass Merchandisers	1.50%
Jewelry and Watch Specialist Retailers	1.06%
Sports Goods Stores	1.20%
Supermarkets/Grocery Retailers	1.44%

■ **SPAIN LOSS PREVENTION SPEND**

During 2014–2015, retailers in Spain reported a loss prevention spend (as a percentage of retail sales) of 1.37% (all respondents). This was higher than the European average of 1.07% and the global average of 1.19%.

During the same period, the highest loss prevention spend in the country was reported by home improvement and gardening stores, and hypermarkets/mass merchandisers (1.50% each), while the lowest was reported by jewelry and watch specialist retailers (1.06%).

Based on the responses from common respondents, loss prevention spend of retailers in Spain during 2014–2015 increased year-on-year across all verticals. Moreover, the highest increase was reported across electronics stores (1.05 pps).

■ **LOSS PREVENTION SOLUTIONS**

CCTV/DVR was used by a majority (67%) of retailers in Spain during 2014–2015. Furthermore, 50–56% of respondents reported the usage of security guards, alarm monitoring, and logistics-related solutions.

All respondents in the country using security guards employed unarmed guards. A majority (42%) of the respondents using CCTV/DVR solution used in-store solutions rather than using centrally hosted solutions, while 25% of the respondents reported using both. Additionally, 50% of the respondents using alarm monitoring solutions in the country outsourced the service to third parties, 31% of the respondents managed it internally, and 19% of the respondents reported doing both.

Figure 3.10.5

Spain Loss Prevention Solutions – at Store Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014-2015)
CCTV/DVR	67%
Security Guards	50%
Alarm Monitoring	56%
Logistics-related Solutions (GPS, truck seal program, etc.)	50%
Door Seals/MAG	17%
Foot Traffic Counters	44%
POS EBR (exception-based reporting)	33%
Advanced Data Analytics	28%
Parking Lot Protection	28%
Advanced Access Control (key card, biometric technology, etc.)	17%
Motion Detection Alerts	22%
Other Protection Methods	11%

Figure 3.10.6

Spain Loss Prevention Solutions –
at Product Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014-2015)
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	78%
Spider Wraps and Security Keepers	28%
Advanced Inventory Control Tactics (secure cable devices, etc.)	22%
Shelving Solutions and Delayed Fixtures	6%
EAS Pedestal Analytic Data Tools	22%
RFID-based EAS	11%

Among product-specific loss prevention solutions, EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas) (78%), spider wraps and security keepers (28%), advanced inventory control tactics such as secure cable devices (22%), and EAS pedestal analytic data tools (22%) were the most widely used solutions by retailers.

Retailers in Spain are increasingly displaying interest in the analysis of data related to stolen merchandise to be able to focus on areas that require more loss prevention spending. In addition, retailers are looking towards gaining better visibility of product-related information, such as expiry dates for fresh foods to decrease wastage. Apart from leveraging technological tools, retailers are also investing in staff training to combat shrinkage.

Retailers prefer to use loss prevention solutions that do not compromise the beauty of products, especially those kept at store entrances. They give more weightage to visual appeal—and hence to solutions such as source tagging—over security for some products, such as perfumes.

Inventory Management

76% of the respondents conducted cycle counts of their inventories on a monthly basis, 12% conducted them on a quarterly, and the remaining on a yearly basis.

■ SPAIN COST OF RETAIL THEFT/CRIME

During 2014–2015, the cost of retail theft/crime (loss due to shoplifting, dishonest employee theft, vendor/supplier fraud, and loss prevention spend) in Spain stood at 2.21% (as a percentage of retail sales)—amounting to \$5.50 billion—which was higher than the European average of 1.82% and the global average of 1.98%.

On a like-for-like basis, the cost of retail theft/crime increased in the country by 0.59 pps year-on-year to 2.21% during 2014–2015.

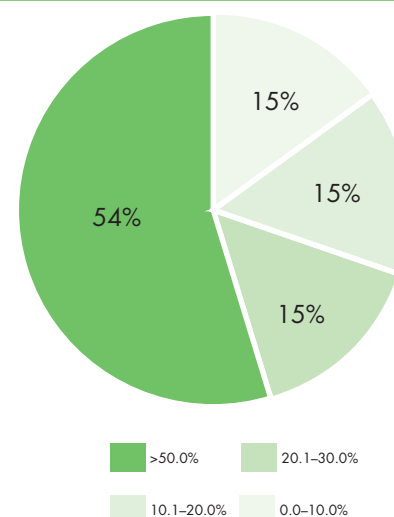
⁶³ Total may not add to 100% due to rounding-off



Figure 3.10.7

Percentage of High-risk SKUs Protected with EAS –
Spain, 2014–2015
(% of respondents)⁶³

% of High-Risk SKUs Protected	% of Respondents
0.0–10.0%	15%
10.1–20.0%	15%
20.1–30.0%	15%
>50.0%	54%



Country Report

UK

During 2014–2015, **UK** reported a **shrinkage** rate of **0.89%**, amounting to **\$5.1 billion**.

■ UK SHRINKAGE

During 2014–2015, retail stores in the UK reported a shrinkage rate of 0.89% (all respondents), amounting to \$5.1 billion. The shrinkage rate in the country was 0.34 pps lower than the overall global rate (1.23%) and 0.16 pps lower than the overall European rate (1.05%).

On a like-for-like basis, shrinkage across retail stores in the UK decreased 0.20 pps year-on-year, from 1.00% during 2013–2014 to 0.80% during 2014–2015.

Figure 3.11.1

UK Retail Shrinkage – 2013–2014 and 2014–2015
(common respondents)

Country	2014–2015	2013–2014	Increased or Decreased
UK	0.80%	1.00%	Decreased ▼
Europe	0.96%	1.02%	Decreased ▼

Among retailers who participated in the survey, apparel specialists reported the highest level of shrinkage at 1.08% during 2014–2015. However, this was lower than the global and European shrinkage rates of 1.80% and 1.35%, respectively, for this vertical.

On the other hand, the lowest level of shrinkage was reported by beauty specialists at 0.56%. This was even lower than the global and European shrinkage rates of 0.80% each for this vertical.

Shoplifters are targeting high-value goods, such as designer clothing, gadgets, and alcohols. According to a report by the British Retail Consortium⁶⁴, the most stolen items from retail stores in the UK include electrical goods, designer clothes, power tools, alcohol, and cosmetics. According to the same report, the number of crime incidents fell by 4% during 2013–2014, over the previous year; however, the average value of in-store theft increased 36% during the same period.

⁶⁴Retail Crime Survey, 2014

Figure 3.11.2

UK Retail Shrinkage – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	1.08%
Beauty Specialist Retailers	0.56%
Home Improvement and Gardening Stores	1.00%
Other Non-grocery Retailers	0.80%
Supermarket/Grocery Retailers	1.01%

Furthermore, thieves are using specialist equipment, such as de-taggers and foil-lined bags to avoid detection.

During 2014–2015, 2,052 apprehensions for external cases of theft/fraud were registered by retailers who participated in the survey in the UK.

■ UK SHRINKAGE – BY SOURCE

During 2014–2015, administrative and non-crime loss accounted for the largest share (40%) in the UK among sources of retail shrinkage. This was followed by shoplifting at 26%, dishonest employee theft at 25%, and vendor/supplier fraud at 10%.

Over the same period, administrative and non-crime losses for supermarkets/grocery retailers accounted for the largest share (41%). For beauty specialist retail stores, dishonest employee theft was the key factor (40%), and for home improvement and gardening stores, shoplifting was the key cause (70%) of shrinkage. However, for apparel specialist retail stores, both shoplifting (40%) and dishonest employee theft (40%) were key causes.

Figure 3.11.3

UK Retail Shrinkage – by Source, 2014–2015 (all respondents)⁶⁴

Source	% Share ⁶⁵ (2014–2015)	Shrinkage by Value (2014–2015, \$ billion)
Dishonest Employee Theft	25%	1.27
Shoplifting	26%	1.32
Vendor/Supplier Fraud	10%	0.50
Administrative and Non-crime Loss	40%	2.05



⁶⁵ The total may not add to 100% due to rounding-off

Figure 3.11.4

UK Loss Prevention Spend – by Vertical, 2014–2015 (all respondents)

Vertical	2014–2015
Apparel Specialist Retailers	0.06%
Beauty Specialist Retailers	0.31%
Home Improvement and Gardening Stores	0.75%
Other Non-grocery Retailers	1.00%
Supermarket/ Grocery Retailers	0.76%



It has been noticed that teenagers from Eastern Europe are being forced by human traffickers into forming organized retail crime (ORC) crews in Scotland for shoplifting. It is believed that Lithuanian gangsters are driving such operations across Scotland with focus on popular shopping areas, such as Glasgow, Edinburgh, and Aberdeen.

■ UK LOSS PREVENTION SPEND

During 2014–2015, retailers in the UK reported a loss prevention spend (as a percentage of retail sales) of 0.58%. This was lower than the European average of 1.07% and the global average of 1.19%.

In the same year, the highest loss prevention spend in the country was reported by other non-grocery retailers (1.00%) and the lowest was reported by apparel specialist retailers (0.06%).

Based on the responses from common respondents, the average loss prevention spend remained stable at 1.00% during 2014–2015 over the previous year.

Retailers focus on the return on investment (ROI) that they would receive from their spending on loss prevention solutions to justify the expense. In addition, retailers are looking for ways to better understand the relationship between spends on security guards and their effectiveness, as it is difficult to quantify the effectiveness of guard deployment in retail stores.

■ LOSS PREVENTION SOLUTIONS

CCTV/DVR, security guards, and alarm monitoring solutions are used by a majority of stores in the UK, with 75% of the respondents reporting usage of each of the solutions during 2014–2015. All respondents using security guards used unarmed guards and 83% of the CCTV/DVR users used in-store solutions, rather than using centrally hosted solutions. Furthermore, respondents who used alarm monitoring solutions outsourced the service to third-party providers. During 2014–2015, EAS-based solutions were used by 63% of the respondents.

Moreover, advanced data analytics and business intelligence tools were reportedly used by 63% of the respondents in the country. Advanced access control solutions, such as key cards, was used by only 25% respondents during 2014–2015.

Among product-specific loss prevention solutions, EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas) (63%), spider wraps and security keepers (38%), and shelving solutions and delayed fixtures to control product access (25%) were the most widely used by retailers. RFID-based EAS solutions are yet to be adopted by most retailers in the country, with only 13% of them reporting usage during this period. RFID tags are costlier than the retail price of some low-value products that they protect, leading to their low level of adoption.

Loss prevention solutions, such as face recognition CCTVs and number plate recognition cameras in car parks, are being widely adopted in the UK.

Figure 3.11.5

UK Loss Prevention Solutions – at Store Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014-2015)
CCTV/DVR	75%
Security Guards	75%
Alarm Monitoring	75%
Logistics-related Solutions (GPS, truck seal program, etc.)	38%
Door Seals/MAG	50%
Foot Traffic Counters	50%
POS EBR (exception-based reporting)	38%
Advanced Data Analytics	63%
Parking Lot Protection	38%
Advanced Access Control (key card, biometric technology, etc.)	25%

Figure 3.11.6

UK Loss Prevention Solutions – at Product Level, 2014–2015 (all respondents)

Loss Prevention Solution	% of Respondents Using (2014-2015)
EAS (Electronic Article Surveillance – Labels and Hard Tags/EAS Antennas)	63%
Spider Wraps and Security Keepers	38%
Advanced Inventory Control Tactics (secure cable devices, etc.)	13%
Shelving Solutions and Delayed Fixtures	38%
RFID-based EAS	13%

To control dishonest employee theft, most retailers in the country maintain lists of known offenders that they refer to before hiring employees.

Inventory Management

67% of the respondents conducted cycle counts of their inventories on a yearly basis, while the rest conducted them on a monthly basis.

■ UK COST OF RETAIL THEFT/CRIME

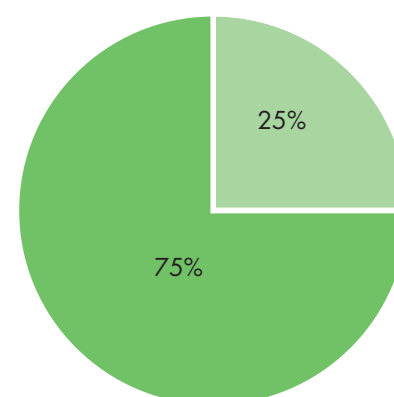
During 2014–2015, the cost of retail theft/crime (loss due to shoplifting, dishonest employee theft, vendor/supplier fraud, and loss prevention spend) in the UK stood at 1.25% (as a percentage of retail sales)—amounting to \$7.24 billion—which was lower than the European average of 1.82% and the global average of 1.98%.

On a like-for-like basis, the cost of retail theft/crime decreased in the UK by 0.34 pps year-on-year to 1.56% during 2014–2015.

Figure 3.11.7

Percentage of High-risk SKUs Protected with EAS – UK, 2014–2015 (% of respondents)

% of High-Risk SKUs Protected	% of Respondents
30.1–40.0%	25%
>50.0%	75%



■ >50.0% ■ 30.1–40.0%

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