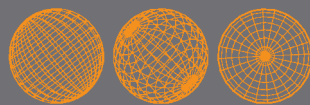


# The **New** Barometer

A study of the cost of merchandise  
theft and merchandise availability  
for the global retail industry

2013-2014

[www.GlobalRetailTheftBarometer.com](http://www.GlobalRetailTheftBarometer.com)



GLOBAL THE RETAIL THEFT BAROMETER



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This report is available in:  
English, Spanish, French, German,  
Italian, Portuguese, Polish, Russian,  
Turkish, Chinese, and Japanese.

To participate to the 2014-2015 study,  
please register on:  
**[www.GlobalRetailTheftBarometer.com](http://www.GlobalRetailTheftBarometer.com)**

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## WELCOME TO AN EXPANDED GLOBAL RETAIL THEFT BAROMETER

This is Checkpoint's 13th year of providing insightful research into the state of shrink and theft as part of our commitment to help retailers understand the challenges of merchandise availability, and having the right product, at the right place at the right time.

I'm proud to say that The Global Retail Theft Barometer remains the first and only statistical research on global theft. For this year's report, we've teamed with The Smart Cube, a global leader in high-value, custom research and analytics, to provide an even more comprehensive view of global shrink trends. As a result, the key statistical insights has increased from 16 to 24 major geographic markets and have increased the representation of leading global retailers that provide information about shrink in their own organizations from 157 to 222. Also, the report brings additional aggregated regional and global information for an enhanced level of richness. As with last year, the 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.

The report's findings reveal that shrink remains a significant operational challenge for retailers around the world, with loss rates ranging from 0.97 percent of sales in Japan and the UK to 1.7 percent in Mexico. In the world's largest retail market, the United States, shrink dipped slightly from 1.5 percent to 1.48 percent of sales. Overall shrink has decreased from 1.36% to 1.29%.

Retailers reported that a primary reason for their reduced shrink has been an increase in loss prevention spend. They said they are paying more attention to shrink management and employee training, because while they acknowledge that loss prevention comes at a cost, they see its strong ROI. In another encouraging sign, many spoke about the increased collaboration between suppliers and retailers in creating joint programs to reduce shrink and costs. And they said that much of their success in managing shrink comes from their enhanced ability to access and analyze data that enables them to better protect their most vulnerable merchandise.

We are pleased to continue our support for this 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**





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## Introduction

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by Ernie Deyle



THE GLOBAL RETAIL THEFT BAROMETER

## Introduction

by Ernie Deyle

The performance results captured in this year's report are interesting in many ways, constituting elements of improvement and of concern.

Globally, the business model governing retailers is in a transition phase on many fronts. As business evolves, retailers are asked to do more with less and be creative in how they deliver better value to consumers, along with driving performance for shareholders, while creating a culture where their associates can thrive.

Transitions perceived as positive include technological advancements specific to customer throughput, mobile checkout, remote mobile purchases via kiosks, same-day delivery services, improved tactics in customer experience specific to purchase trends for targeted selection options, individualised promotional and enterprise-wide loyalty programs that have helped stabilise and/or improve financial performance in several P&L areas.

Transition aspects of the business that have been seen as challenges include ever-changing market segments, stressed economic conditions varying geographically, increasing living costs attacking consumer "wallets", product availability-specific instability (either real or manufactured shortages) in certain markets, staffing model changes in benefits available and wage rates, eroding trust of retailers pertaining to consumer privacy breaches, cost containment measures, contingency planning, store closings, budget cuts and growing concerns related to risk mitigation, physical security, product protection and safety, emergency planning procedures specific to customers, associates and their businesses assets.

As loss prevention executives, the aforementioned items —especially the challenges— are more indicative of normal everyday environment. In short, the day's "fire" must be managed, while focussing on long-term strategies. The reported data for this year's report indicates that, with these variables in flux, the industry performance improved in the area of shrinkage/inventory loss.

The retail industry continues to categorise loss into four primary buckets —internal, external, vendor and administrative. While these categories are universal in their use of these groups as a reporting vehicle, the information assigned to these varies significantly by country.

Internal – North America reported a high of 43%

External – Asia Pacific reported a high of 44%

Vendor Related – Latin America reported a high of 31%

Administrative – Asia Pacific reported a high of 32%

Countries ranked based on SPEND  
highest spend ranked 1 - lowest spend ranked 24

| Country                                                                   | Rank | Shrinkage    | Spend        |
|---------------------------------------------------------------------------|------|--------------|--------------|
| Hong-Kong                                                                 | 1    | 1.09%        | 1.51%        |
| Spain                                                                     | 2    | 1.36%        | 1.38%        |
| Finland                                                                   | 3    | 1.39%        | 1.37%        |
| Russia                                                                    | 4    | 1.35%        | 1.30%        |
| Norway                                                                    | 5    | 0.83%        | 1.30%        |
| Mexico                                                                    | 6    | 1.70%        | 1.22%        |
| UK                                                                        | 7    | 0.97%        | 1.18%        |
| Austria                                                                   | 8    | 1.05%        | 1.15%        |
| Argentina                                                                 | 9    | 1.16%        | 1.08%        |
| Brazil                                                                    | 10   | 1.30%        | 1.08%        |
| <b>Summary Group 1 through 10</b>                                         |      | <b>1.22%</b> | <b>1.26%</b> |
| Portugal                                                                  | 11   | 1.18%        | 1.03%        |
| Denmark                                                                   | 12   | 1.14%        | 1.03%        |
| China                                                                     | 13   | 1.53%        | 1.02%        |
| Italy                                                                     | 14   | 1.09%        | 1.01%        |
| Sweden                                                                    | 15   | 1.00%        | 0.97%        |
| Japan                                                                     | 16   | 0.97%        | 0.88%        |
| Germany                                                                   | 17   | 1.10%        | 0.82%        |
| Netherlands                                                               | 18   | 1.23%        | 0.81%        |
| Australia                                                                 | 19   | 1.06%        | 0.78%        |
| Belgium                                                                   | 20   | 1.16%        | 0.71%        |
| <b>Summary Group 11 through 20</b>                                        |      | <b>1.15%</b> | <b>0.91%</b> |
| France                                                                    | 21   | 1.09%        | 0.49%        |
| North America                                                             | 22   | 1.48%        | 0.42%        |
| Poland                                                                    | 23   | 1.09%        | 0.23%        |
| Turkey                                                                    | 24   | 0.99%        | 0.12%        |
| <b>Summary Group 21 through 24</b>                                        |      | <b>1.16%</b> | <b>0.32%</b> |
| <b>GLOBAL</b>                                                             |      | <b>1.29%</b> | <b>0.80%</b> |
| Summary 1–10                                                              |      | 1.22%        | 1.26%        |
| Summary 11–20                                                             |      | 1.15%        | 0.91%        |
| Improvement in shrinkage by 6%<br>Savings in loss prevention spend of 28% |      | -6.07%       | -27.92%      |

Countries ranked 11–20 constitute the optimal group, as the return vs. spend is aligned properly. It should be noted that group 21–24 eroded in shrinkage due to spending cuts.

Compositely, external theft continues to plague the industry—in terms of traditional shoplifting-related activities and advanced ORC/shoplifting tactics. Now, more than ever, retailers must continually enhance product protection tactics to reduce exposure to this ever-growing cause of loss.

Moreover, field-level resources/store detectives who are on the front lines of this high-risk loss area must not only cope with their role as primary deterrents, but are also faced with more aggressive tactics in the form of flash mobs that leverage social media to plan attacks, and organise physical attacks and diversionary tactics on other customers and associates, while their accomplices are engaged in removing product from the store.

Furthermore, retailers are encountering new external theft risks specific to hacking and privacy concerns, as more global and local retailers are being targeted to obtain consumer credit-card data by breaching Electronic Funds Transfer security protocols.

This year's reported data yielded an interesting correlation with respect to the rate of loss/shrinkage as a percentage of sales vs. the departmental spend as a percentage of sales.

The Global Retail Theft Barometer ranked countries between 1 and 24, based on the rate of loss prevention spend, with the highest spending countries ranked from 1 through 10 and the lowest spending countries ranked from 21 to 24. The median spend countries are ranked 11 through 20.

What the reported data reveals is an interesting alignment, as the ratio of shrinkage or loss to spend and resource allocation or its lack directly impacts the retailer's ability to drive performance improvement effectively and, more importantly, maintain the results achieved once they have been booked to the P&L statement.

- The top 10 countries spent more than 3% extra to manage shrinkage/loss
- Countries ranked 11 through 20 spent 20% less than what was reported as shrinkage
- Moreover, countries ranked 11 through 20 performed 6% better in shrinkage vs. the 1–10 group, while spending 28% less
- Summary Group 11–20 is the optimal benchmark, as it showcases a balance between shrinkage performance, and the costs necessary to manage and contain it.

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## About the report

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THE GLOBAL RETAIL THEFT BAROMETER

## About the report

The GRTB —*Global Retail Theft Barometer*— is a study of losses incurred due to merchandise theft and unavailability in the global retail industry. This year’s study focusses on shrinkage trends at regional and global level, covering 24 countries.

### ■ DEFINITION OF SHRINKAGE

“Shrinkage” or “Shrink” is an important measure, widely used in accounting, reflecting the difference between the revenue the business should have received (basis inventory and purchases), and the amount actually received. Shrinkage 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.

Accounting rules and reporting methodologies, company policies, tax structures and other internal practices impact “declared shrinkage”.

### ■ THE STUDY

The report’s objective 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: percentage share of shoplifting, dishonest employee theft, vendor or supplier fraud, and administrative and non-crime losses in each country
- 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, presented together with Ernie Deyle, and funded by an independent grant from Checkpoint Systems, Inc., the report is the world’s largest survey of retail crime and loss. All figures in the report relate to the twelve months ending December 2013.

## Countries Researched

| Region               | Country                                                                                                                              |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| <b>Asia/Pacific</b>  | Australia, China, Hong Kong, Japan                                                                                                   |
| <b>Europe</b>        | Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Turkey, UK |
| <b>Latin America</b> | Argentina, Brazil, Mexico                                                                                                            |
| <b>North America</b> | US                                                                                                                                   |

### ■ METHODOLOGY

The Smart Cube conducted an online survey with loss prevention managers of retailers in the 24 countries, covering a detailed questionnaire to gain insights into shrinkage levels and related information. In-depth interviews with such 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. 222 retailers in four geographical regions provided responses for this study. These companies accounted for \$743.8 billion of retail value sales in the 24 countries combined. To calculate regional and global figures, responses have been weighted corresponding to each country’s retail sales to ensure a fair representation.

The Smart Cube’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.

## Retail Channels

|                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Supermarkets/Grocery Retailers</li> <li>• Hypermarkets/Mass Merchandisers</li> <li>• Convenience Stores</li> <li>• Discounters</li> <li>• Superstores</li> <li>• Warehouse Clubs</li> <li>• Department Stores</li> </ul> | <ul style="list-style-type: none"> <li>• Apparel Specialist Retailers</li> <li>• Jewellery and Watch Specialist Retailers</li> <li>• Sports Goods Stores</li> <li>• Electronics/Appliance/Media Products Specialist Retailers</li> <li>• Traditional Toys and Games Stores</li> <li>• Beauty Specialist Retailers</li> </ul> | <ul style="list-style-type: none"> <li>• Pharmacies/Drugstores</li> <li>• Home Improvement and Gardening Stores</li> <li>• Pet Shops</li> <li>• Stationers/Office Supply Stores</li> <li>• Gas Stations</li> <li>• Other Non-grocery Retailers</li> </ul> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### ■ DATA

To ensure confidentiality, results are reported at a regional level, with some key figures also reported at a country level. Shrinkage figures in the report are based on retail selling prices. Some qualitative and quantitative data, such as country population 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. Currency conversion rates are provided in the table below. These were used wherever the responses received were in currencies other than USD.

### ■ RETAIL CHANNELS

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 top table.

### ■ THE QUESTIONNAIRES

The questionnaires were sent to loss-prevention managers in 24 countries, in 14 different languages. Retailers were guaranteed the confidentiality of their responses. There were two different questionnaires —online, covering quantitative information, and telephonic, comprising qualitative insights.

### ■ 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 2013.

| Country     | Currency Conversion (per USD) | Code | Symbol |
|-------------|-------------------------------|------|--------|
| Argentina   | 5.444                         | ARS  | \$     |
| Australia   | 1.033                         | AUD  | \$     |
| Austria     | 0.753                         | EUR  | €      |
| Belgium     | 0.753                         | EUR  | €      |
| Brazil      | 2.222                         | BRL  | R\$    |
| China       | 6.152                         | CNY  | ¥      |
| Denmark     | 5.615                         | DKK  | kr     |
| Finland     | 0.753                         | EUR  | €      |
| France      | 0.753                         | EUR  | €      |
| Germany     | 0.753                         | EUR  | €      |
| Hong Kong   | 7.757                         | HKD  | \$     |
| Italy       | 0.753                         | EUR  | €      |
| Japan       | 97.428                        | JPY  | ¥      |
| Mexico      | 12.753                        | MXN  | \$     |
| Netherlands | 0.753                         | EUR  | €      |
| Norway      | 5.873                         | NOK  | kr     |
| Poland      | 3.158                         | PLN  | zł     |
| Portugal    | 0.753                         | EUR  | €      |
| Russia      | 31.822                        | RUB  | pyб    |
| Spain       | 0.753                         | EUR  | €      |
| Sweden      | 6.514                         | SEK  | kr     |
| Turkey      | 1.900                         | TRL  | £      |
| UK          | 0.639                         | GBP  | £      |
| US          | 1.000                         | USD  | \$     |





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PART I

## Global Report



THE GLOBAL RETAIL THEFT BAROMETER

## Global Report

### ■ GLOBAL SHRINKAGE RATES

The average global shrinkage rate was 1.29% (Figure 1.1) of retail sales, amounting to a shrinkage value of \$128.51 billion. The reporting period was January–December 2013. This is a 4.8% decline over last year when the average shrinkage rate was 1.36%.

It is important to note that the survey covered 24 countries this year, compared with 16 in the previous report, and represents a much larger number of retailers.

### ■ REGIONAL SHRINKAGE RATES

Shrinkage rates stood between 1.13% in Europe (being the lowest globally) and 1.48% in North America. The shrinkage value was \$37–42 billion for all regions, except Latin America, where it stood at \$8.8 billion.

Globally, shrinkage rates declined across regions, except Asia Pacific, which witnessed a 1.68% growth owing to a significantly high shrinkage rate in China. North America, Europe and Asia Pacific accounted for 32.7%, 31.2% and 29.3% of the total shrinkage, respectively.

Figure 1.1

### Global Retail Shrinkage – by Region. 2013–2014

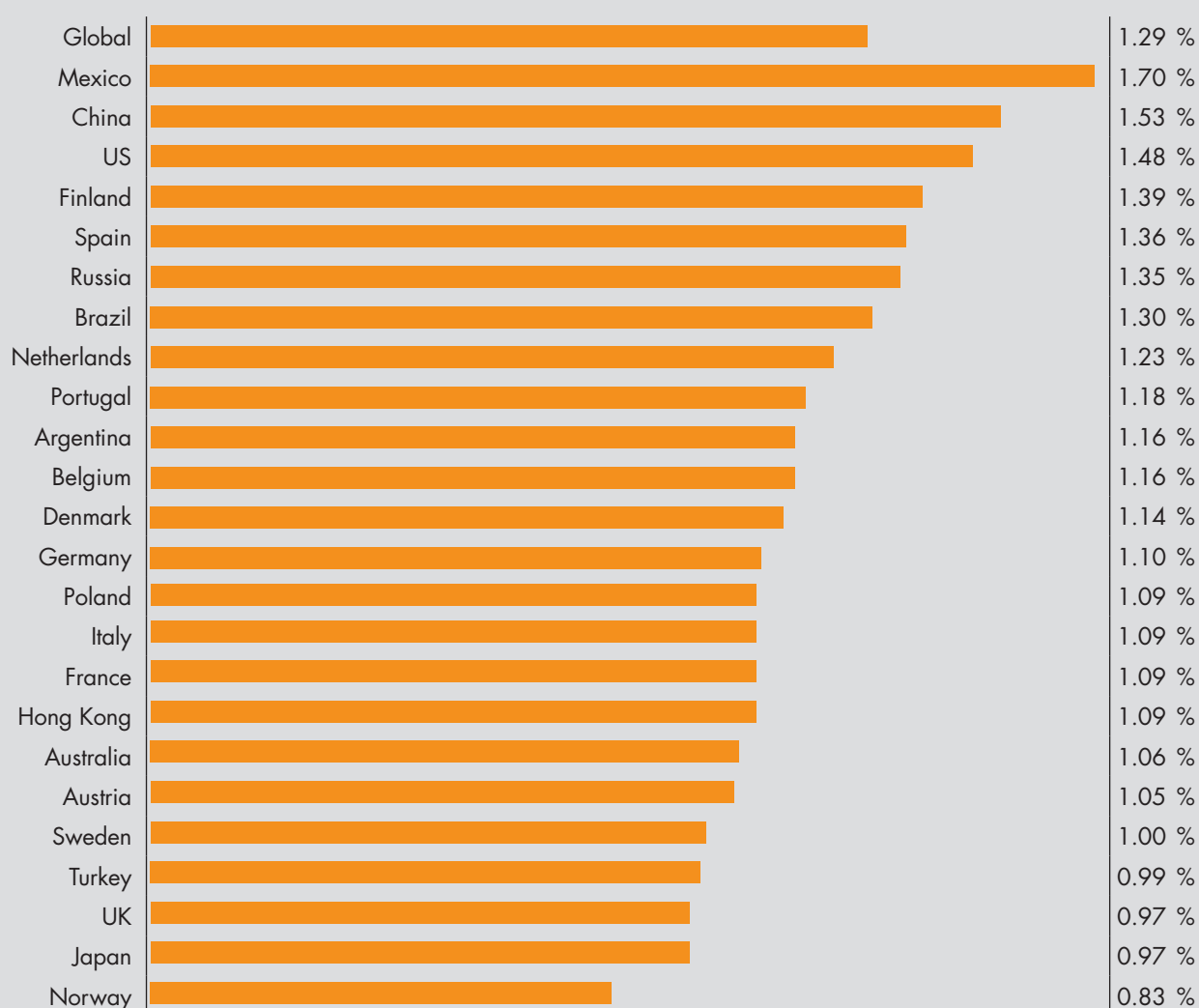
|               | Shrinkage across Regions |           | Shrinkage Value (billion) |
|---------------|--------------------------|-----------|---------------------------|
|               | 2013–2014                | 2012–2013 | 2013–2014                 |
| Asia Pacific  | 1.28%                    | 1.26%     | \$37.62                   |
| Europe        | 1.13%                    | 1.27%     | \$40.09                   |
| North America | 1.48%                    | 1.50%     | \$41.97                   |
| Latin America | 1.41%                    | 1.58%     | \$8.81                    |
| Global        | 1.29%                    | 1.36%     | \$128.51                  |

## ■ SHRINKAGE – BY COUNTRY

The average shrinkage rate varied significantly across countries (Figure 1.2). While Mexico (1.70%), China (1.53%) and the US (1.48%) witnessed the highest shrinkage rates, Norway (0.83%), Japan (0.97%), the UK (0.97%), Turkey (0.99%) registered the lowest rates. There is a perception that incidents of organised retail crime increased or remained the same last year in most of the surveyed countries, except in Japan and Argentina where the perception is that ORC decreased.

Figure 1.2

### Global Retail Shrinkage – by Country. 2013–2014



■ SHRINKAGE RATES ACROSS TYPES OF RETAIL STORES

Figure 1.3 indicates that discounters (2.65%), pharmacies/drugstores (2.17%) and stationers/office supply stores (1.60%) witnessed the highest rate of shrinkage across regions. One of the reasons why shrinkage is high in these types of stores is that they have a lot of small, easily concealed items that are often on open display, have a high re-sale value and can also be for personal use. Electronics/Appliances/Media products specialist retailers (0.50%) and games stores (0.65%) witnessed the lowest shrinkage rate.

■ SOURCES OF SHRINKAGE

Dishonest employee theft and shoplifting are the most pressing problems faced by retailers globally —accounting for 67% (Figure 1.4) of global retail shrinkage. Together, these account for more than 55% shrinkage in each region, contributing as high as 80% to the shrinkage in North America. For Latin America, vendor or supplier fraud (31%) is also a major area of concern.

Globally, retailers lost almost \$49.51 billion due to shoplifters, and dishonest or fraudulent employees were responsible for \$36.54 billion worth of shrinkage. Administrative and non-crime losses (including pricing mistakes, accounting errors and process failures) cost retailers \$26.35 billion, and supplier fraud amounted to \$16.11 billion.

Figure 1.3

Global Retail Shrinkage – by Store Type. 2013–2014

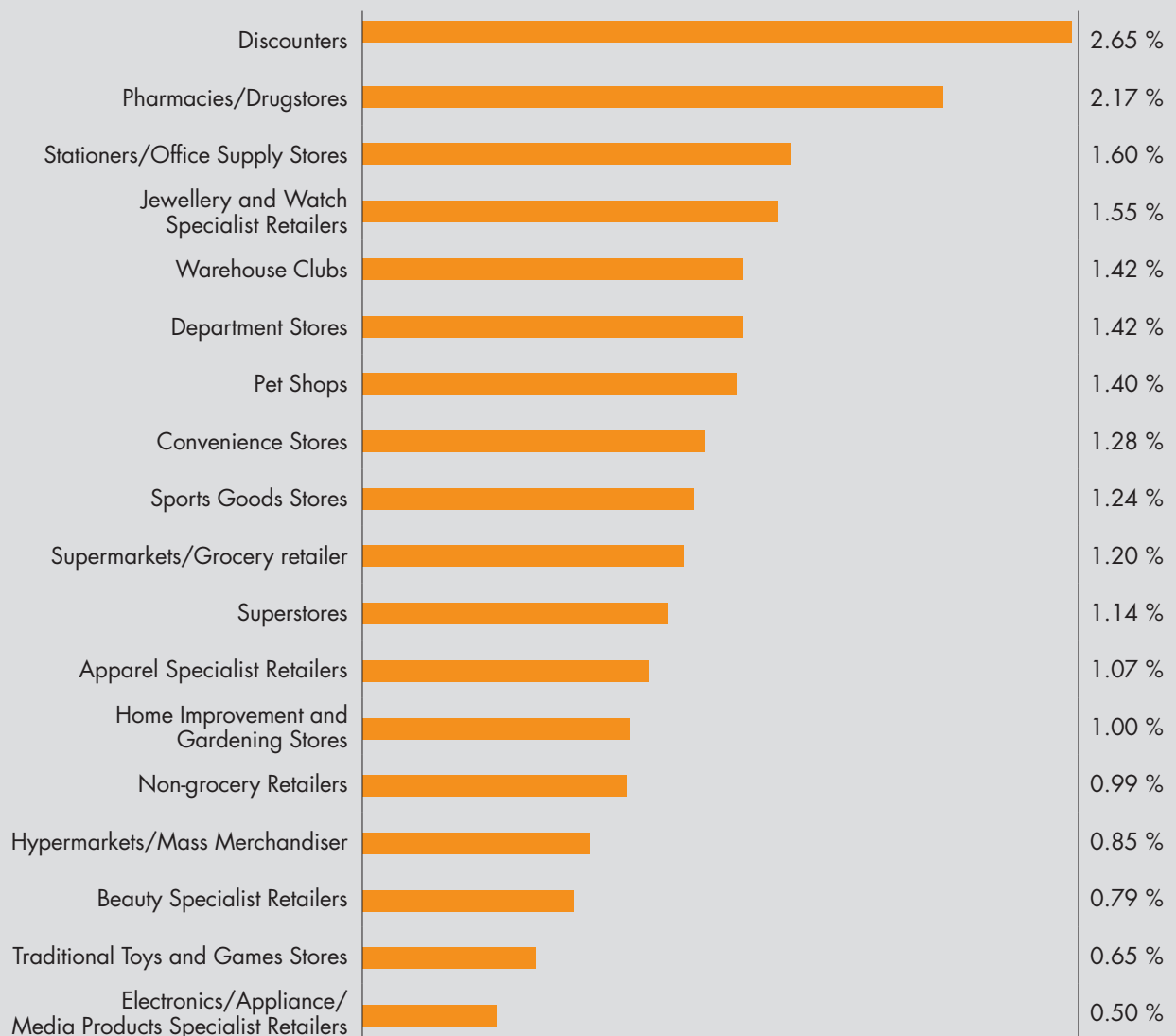


Figure 1.4



## ■ GLOBAL COST OF RETAIL CRIME

Unlike retail shrinkage—which also accounts for administrative errors, such as accounting and pricing mistakes—the cost of retail crime only considers intentional crimes committed by dishonest employees, shoplifters and fraudulent suppliers, and also includes the cost of loss prevention.

In 2013, the global cost of retail crime stood at \$180.38 billion, accounting for 1.81% (Figure 1.5) of

global retail sales. This translates into a \$63.56 per person tax, imposed on honest people by retail criminals. Latin America has the highest cost of retail crime (2.35%) owing to the prevalence of dishonest employee theft and shoplifting, and also witnesses a significantly higher loss prevention spend (Latin America’s 1.13% loss prevention spend is the highest among the regions surveyed). North America has the lowest cost of retail crime, as the region spends merely 0.42% revenue on loss-prevention solutions.

Figure 1.5



Figure 1.6

| Most-stolen Merchandise. 2013–2014 |                                 |                      |                                               |                             |                                 |
|------------------------------------|---------------------------------|----------------------|-----------------------------------------------|-----------------------------|---------------------------------|
|                                    | Apparel and Fashion Accessories | DIY/Home Improvement | Electronics                                   | Food and Beverages          | Health and Beauty               |
| 1st                                | Fashion accessories             | Power tools          | Mobile accessories                            | Wines and Spirits           | Make-up products                |
| 2nd                                | Jewellery, footwear             | Batteries            | iPhone/smartphones                            | Infant formula              | Razor blades, skincare products |
| 3rd                                | Lingerie/intimate apparel       | Screws and washers   | Electronic games and satellite navigation/GPS | Fresh meat and gourmet food | Perfumes and fragrances         |

■ MOST-STOLEN MERCHANDISE

Figure 1.6 shows the most-stolen merchandise, arranged by business category or vertical market. Globally, thieves tend to focus on products that are easy to conceal, and have a wide public appeal and ready market for resale. This results in higher pilferage of fashion and mobile accessories, rather than fashion clothing and mobile handsets.

Other products frequently purloined include power tools, wines, jewellery, footwear, smartphones, screws and washers, intimate apparel, razor blades, skincare and make-up products, and gourmet food.

■ AVERAGE TIME SPENT PER EMPLOYEE COUNTING INVENTORY PER DAY IN ONE STORE

Average time spent by the store staff counting inventory does not impact shrinkage as indicated by Latin America’s high retail shrinkage rate of 1.41%, despite having the highest average time —55.2 minutes (Figure 1.7)— counting inventory.

Excluding Europe, retail store staff in the other three regions —North America (38.2 minutes), Latin America (55.2 minutes) and Asia Pacific (42.9 minutes)— exceeded the global average time (37.8 minutes) counting inventory.

Figure 1.7

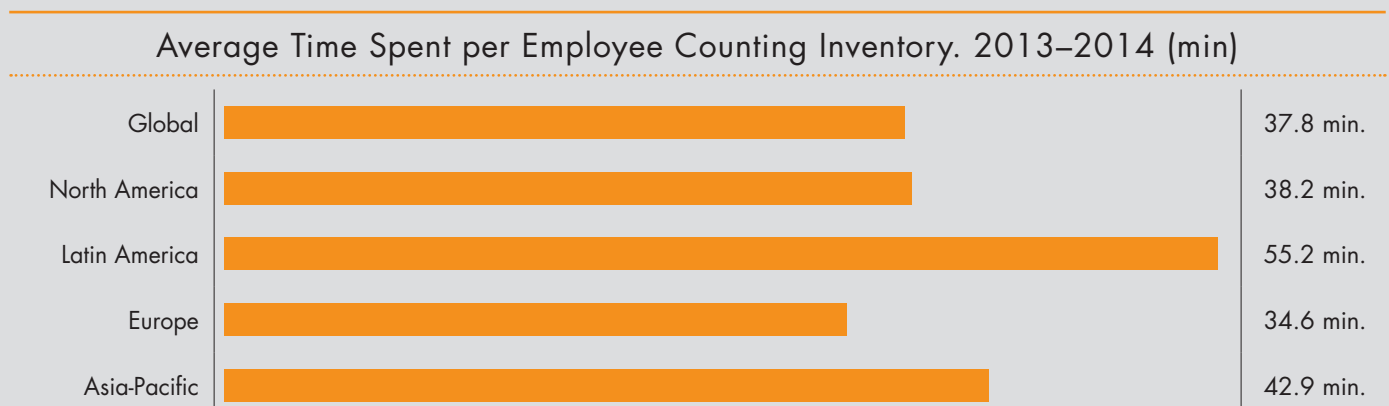


Figure 1.8

## Application of Loss-prevention Solutions across Regions. 2013–2014

|                                          | Asia Pacific | Europe | Latin America | North America | Global |
|------------------------------------------|--------------|--------|---------------|---------------|--------|
| Displayed in locked cabinets or shelves  | 21%          | 12%    | –             | 18%           | 13%    |
| Dummy Cartons or Ticket Systems          | 14%          | 4%     | 10%           | 4%            | 6%     |
| Non-alarmed Chains and Cables            | –            | 2%     | 5%            | 6%            | 2%     |
| Keeper, Safer, Locked Boxes, Wrap Alarms | 9%           | 19%    | 10%           | 16%           | 16%    |
| EAS Antennas, Labels, and Hard Tags      | 41%          | 49%    | 76%           | 44%           | 49%    |
| Metal Detector                           | –            | 5%     | –             | –             | 3%     |
| Three-alarm Accessories                  | 12%          | 4%     | –             | 12%           | 7%     |
| Line Alarms/Loop Alarms Protection       | 3%           | 5%     | –             | –             | 4%     |

## ■ LOSS-PREVENTION SOLUTIONS

Retailers across regions were asked about the loss-prevention solutions deployed by them to safeguard most-stolen merchandise (Figure 1.8). Electronic article surveillance (EAS) antennas, labels and hard tags were the most effective methods used to protect 49% of the highly vulnerable products, and keepers/safers, locked boxes and wrap alarms (16%).

Another 13% products were displayed in locked cabinets or shelves, while three-alarm accessories, dummy cartons and line alarms were used to protect respectively 7%, 6% and 4% of the most-stolen products, globally.





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PART II

**North America**



THE GLOBAL RETAIL THEFT BAROMETER

## North America

According to IMF forecasts (July 2014), the US economy is expected to grow 1.7% (real GDP) in 2014. IMF has lowered its earlier growth estimates —2.0% in mid-June and 2.8% in April— for 2014, as weakness in Q1 2014 offset the expected revival in H2 2014. During Q1 2014, US GDP witnessed the worst contraction in five years, owing to a weak housing market, slower restocking by businesses and lower exports.

### ■ SHRINKAGE IN NORTH AMERICA

In 2013–2014, North America’s shrinkage rate decreased by 2 basis points —1.48% of the region’s sales. The total shrinkage stood at \$42 billion. In 2013–2014, North America recorded the highest shrinkage rate in the world, as it has the highest concentration of retail stores and significantly lower retail loss prevention spend (than other regions under consideration)

Figure 2.1

### North America (US) – Retail Shrinkage. 2013–2014

|    | Total Shrinkage (\$ million) | Shrinkage 2013–2014 (as a % of sales) |
|----|------------------------------|---------------------------------------|
| US | 41,974                       | 1.48%                                 |

### ■ SHRINKAGE ACROSS STORE TYPES

US discounters (2.78%), pharmacies/drugstores (2.16%) and supermarkets/grocery retailers (1.38%) witnessed the highest shrinkage rates (Figure 2.3) owing to shoplifting, dishonest employee theft and organised retail crime together with a low level of loss prevention spend. Almost all types of retail stores in the US were affected by dishonest employee theft and shoplifting. The lowest shrinkage rates were in department stores (1.11%), home improvement and gardening stores (1.10%), and apparel specialist retailers (0.84%).

Figure 2.2

### Retail Shrinkage – by Regions. 2013–2014

#### Shrinkage Rate Comparison Across Regions. 2013–2014

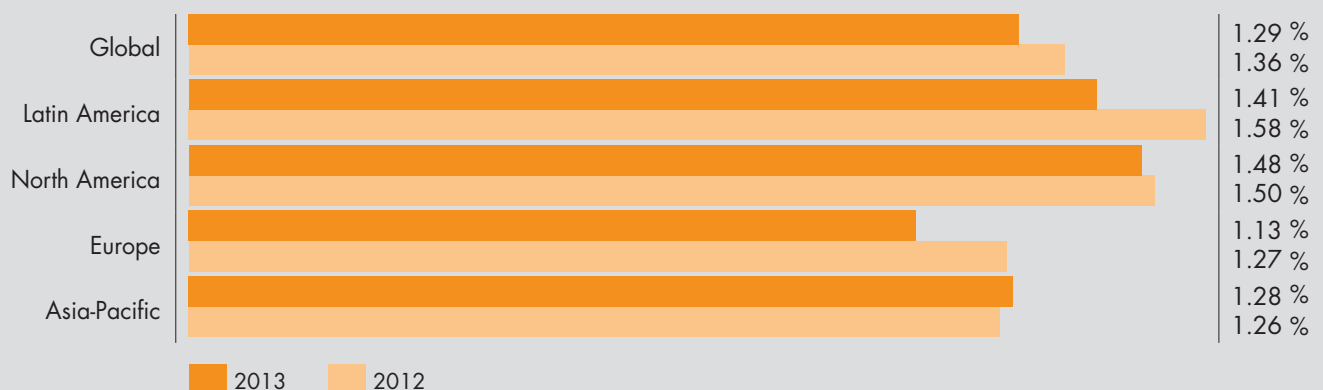
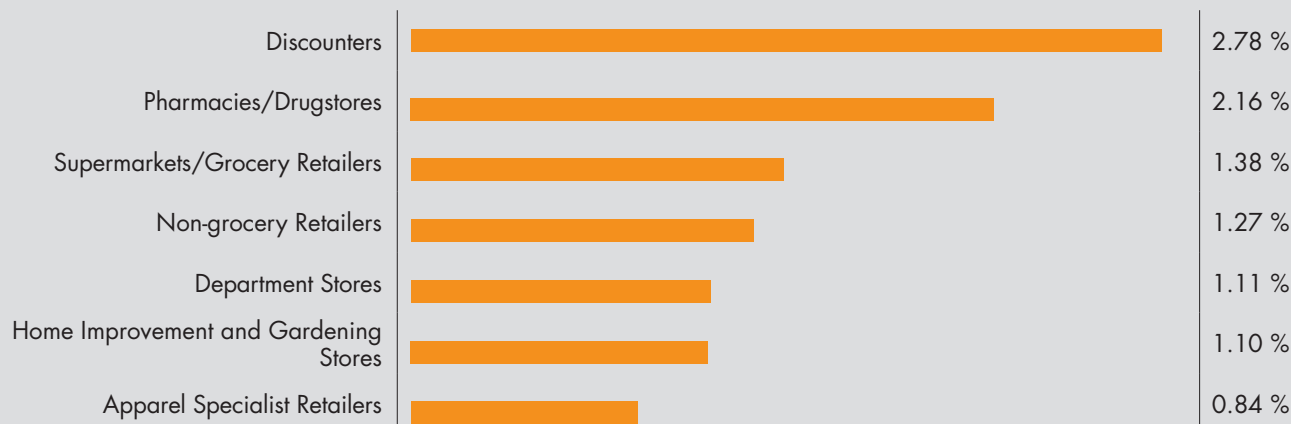


Figure 2.3

North America – Shrinkage Rate across Types of Stores. 2013–2014



■ SOURCES OF RETAIL SHRINKAGE

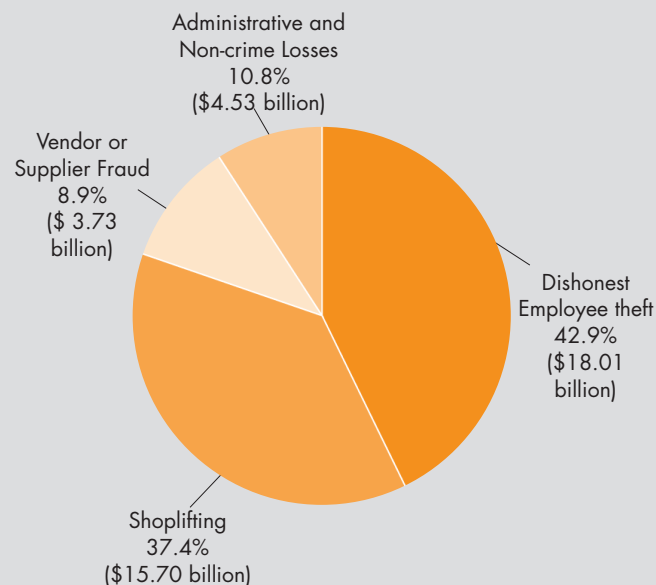
In 2013–2014, dishonest employee theft was the major reason for shrinkage in the US. The proportion of shrinkage attributed to dishonest employee theft increased to 42.9% (Figure 2.4). Dishonest and fraudulent employees were responsible for \$18.01 billion (by value) of shrinkage. Key reasons of dishonest employee theft include ineffective pre-employment screening, less employee supervision, and easy sale of stolen merchandise.

Shoplifting is the second-largest source of retail shrinkage in the US. In 2013–2014, it accounted for 37.4% (\$15.70 billion) of shrinkage, up from 34% in the previous year. Ease in selling stolen merchandise, deployment of lesser employees on the sales floor for servicing customers and reduction in social stigma are the major reasons contributing to the growth of shoplifting in the US.

Finally, administrative and non-crime losses, including accounting mistakes, pricing errors and process failures, accounted for 10.8% (\$4.53 billion) of shrinkage, down from 26% in 2012.

Figure 2.4

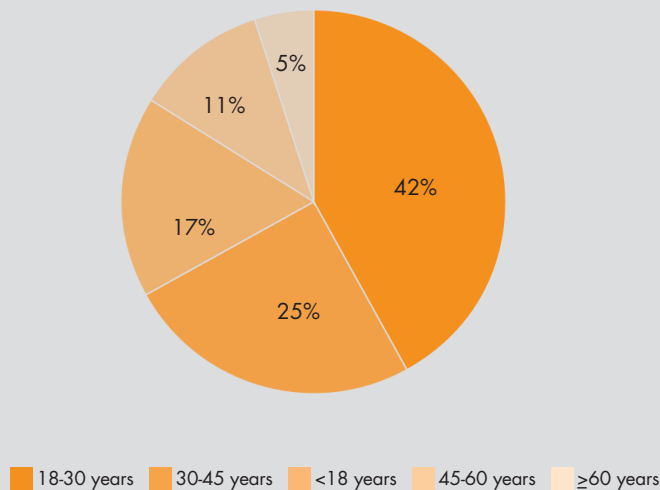
North America – Sources of Retail Shrinkage in the US. 2013–2014



Total Losses: \$41.97 billion

Figure 2.5

North America – Age Profile of Shoplifters. 2013–2014



■ DEMOGRAPHIC PROFILE OF SHOPLIFTERS

Adults in the 18–30 years age group constitute 42% (Figure 2.5) shoplifters in the US, followed by people falling under the 30–45 years bracket (25%). High involvement of the younger generation in shoplifting incidents is quite prevalent across the regions covered.

Furthermore, 32% survey respondents (retailers) in the country claimed that 25–50% shoplifters were male. An equal proportion (32%) of respondents expressed an inability to identify a shoplifters’ demography, indicating the lack of a proper system to monitor and prevent in-store theft.

Dishonest employee theft and shoplifting —accounting for more than 75%— were the key reasons for shrinkage across retailers (Figure 2.6), except home improvement and gardening stores, where administrative losses accounted for most (45%) of the shrinkage. Supplier fraud accounted for the least shrinkage across retailers, moderately impacting non-grocery retailers (12%), and home improvement and gardening stores (15%).

Figure 2.6

North America – Causes of Shrinkage – by Retailer Type. 2013–2014

|                                       | Dishonest Employee theft | Shoplifting | Vendor or supplier fraud | Administrative and non-crime losses |
|---------------------------------------|--------------------------|-------------|--------------------------|-------------------------------------|
| Supermarkets/Grocery Retailers        | 42%                      | 37%         | 10%                      | 11%                                 |
| Discounters                           | 56%                      | 32%         | 8%                       | 5%                                  |
| Department Stores                     | 21%                      | 59%         | 10%                      | 10%                                 |
| Apparel Specialist Retailers          | 42%                      | 37%         | 3%                       | 18%                                 |
| Pharmacies/Drugstores                 | 41%                      | 38%         | 6%                       | 15%                                 |
| Home Improvement and Gardening Stores | 20%                      | 20%         | 15%                      | 45%                                 |
| Non-grocery Retailers                 | 23%                      | 55%         | 12%                      | 10%                                 |

Figure 2.7

### North America – Relationship between Shrinkage Rate, Employee's Inventory Visibility and Store Staff's Time Spent Counting Inventory in the US, 2013–2014

| Region | Shrinkage Rate | Average Time Spent Counting Inventory per Employee in Minutes (all employees have 8-hour shifts) | Inventory Visibility Status (unable to locate a product that you believed you had in stock) |
|--------|----------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| US     | 1.48%          | 38.2                                                                                             | Occasionally                                                                                |
| Global | 1.29%          | 37.8                                                                                             | Occasionally                                                                                |
| Rarely | Occasionally   | Often                                                                                            | Very Often                                                                                  |

Increasing Cases of Occurrence →

Figure 2.8

### North America – Cost of Retail Crime in the US, 2013–2014

| Country | Shrinkage % | Cost of Retail Crime (as a % of Revenue) | Cost of Retail Crime (\$ billion) | Country Wise: Cost of Retail Crime per Person (\$) |
|---------|-------------|------------------------------------------|-----------------------------------|----------------------------------------------------|
| US      | 1.48%       | 1.74%                                    | 49.35                             | 155.96                                             |

#### ■ INVENTORY VISIBILITY

In 2013–2014, retail employees in the US spent 38.2 minutes daily (Figure 2.7), of their eight-hour shifts, counting inventory. Although the US average inventory counting time is higher than the global average of 37.8 minutes, survey respondents claim that retail staff members in the country still occasionally fail to locate products they believed were in stock. This resulted in low inventory visibility for retailers in the US—which affected North America's shrinkage rate.

#### ■ COST OF RETAIL CRIME AND RETAIL LOSS PREVENTION SPEND

The cost of retail crime separates non-crime retail losses (e.g., losses caused by incorrect pricing and accounting mistakes) and accounts only for losses incurred due to crime (dishonest employees, shoplifting and supplier fraud) and spend on loss prevention.

In 2013–2014, the cost of retail crimes in the US stood at \$49.35 billion (Figure 2.8), accounting for 1.74%

(up from 1.37% in 2012) of the total retail revenue. The increase in the cost of crime is primarily attributed to a surge in shoplifting and dishonest employee theft incidences in the country, along with lower loss prevention spending by US retailers.

In 2013–2014, US retailers spent an average of 0.42% (Figure 2.9) of retail sales, or \$12.02 billion, on loss prevention. Although the country increased loss prevention spend over the previous year, it still lags behind most countries considered, as well as the global average of 0.80%.

Figure 2.9

### North America – Spend on Retail Loss Prevention in the US, 2013–2014

| Country | Spend on Retail Loss Prevention (as a % of Revenue), 2013 | Spend on Retail Loss Prevention' (\$ billion, 2013–2014) |
|---------|-----------------------------------------------------------|----------------------------------------------------------|
| US      | 0.42%                                                     | 12.02                                                    |

The lower loss prevention spend helps explain why the country has one of the world's highest retail shrinkage rate.

### LOSS-PREVENTION SOLUTIONS

Key solutions deployed by US retailers, to prevent loss (Figure 2.10) of the most vulnerable product lines, include Electronic Article Surveillance (EAS) antennas, labels and hard tags (44%), and locking and securing products in cabinets or shelves (18%). Keepers/safers, locked boxes and product alarms were used to secure 16% most-stolen items. Retailers feel that keeping products in locked cabinets affected sales, as customers do not get to touch and feel the products.

Other popular loss-prevention solutions include three-alarm accessories (12%), and non-alarmed chains and cables (6%). 4% merchandise was not displayed in the store's selling area, but held in a stockroom, and the customer bought a dummy carton or used a ticket system to purchase the item.

Apart from the aforementioned technological interventions, the respondents felt that imparting product knowledge and spreading awareness among the store staff to keep them motivated is highly beneficial. Regular training imparted to enhance customer service and staff interaction with customers can lead to lower shrinkage as well.

Figure 2.11

### North America – Percentage of SKUs Source-tagged in the US. 2013–2014

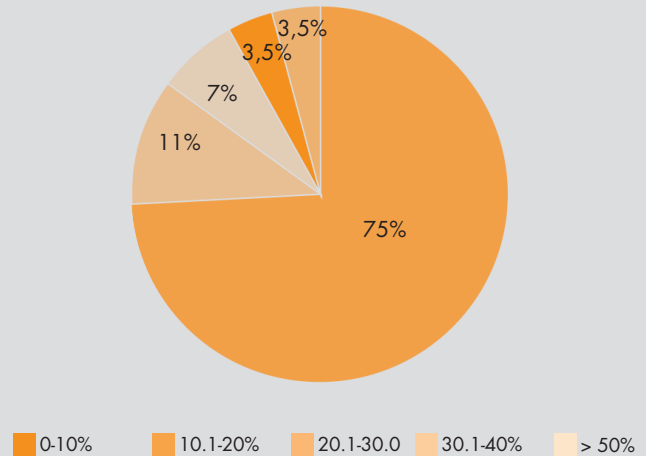


Figure 2.10

### North America – Popular Loss Prevention Practices in the US. 2013–2014

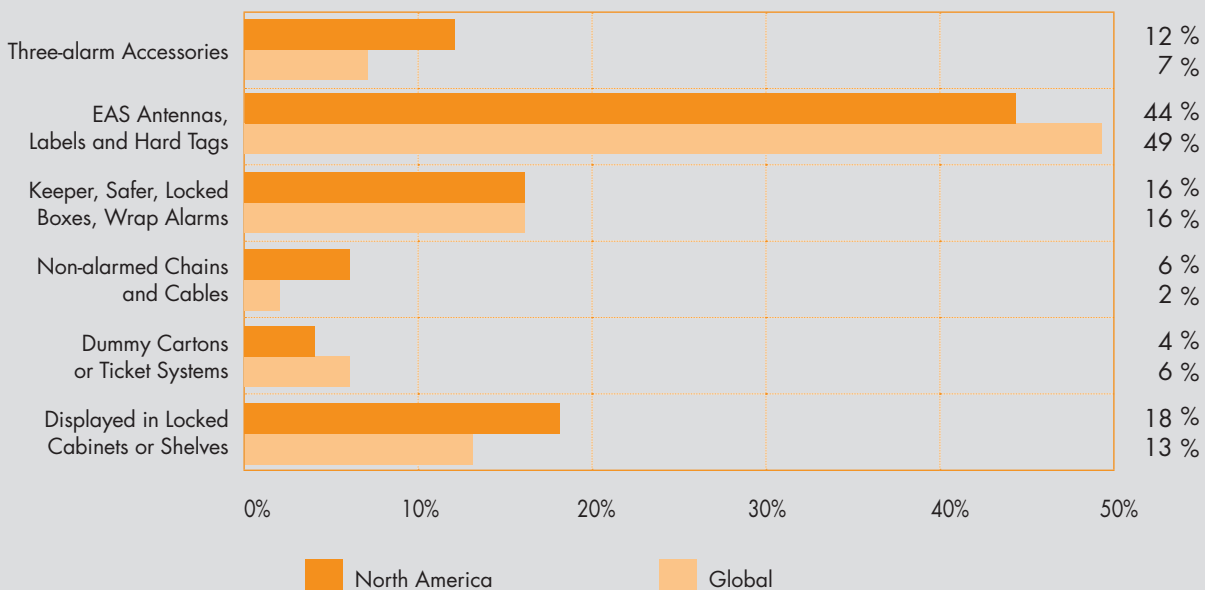
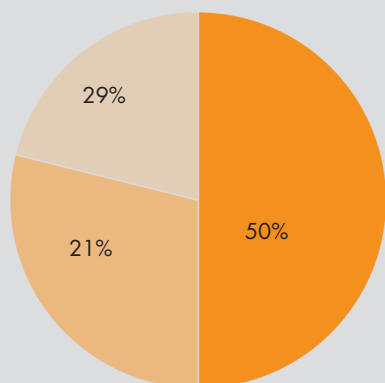


Figure 2.12

North America – Source-tagging Implementation Plan. 2013–2014



- I do not plan to implement ST
- I plan to increase the number of source-tagged SKUs
- I plan to maintain the number of source-tagged SKUs

In the US, 50% of retailers are source tagging or planning to increase the number of source tagged SKU's. Retailers prioritise high risk merchandise and source tag them either at the point of manufacture or at their distribution center.

■ MOST-STOLEN ITEMS

Shoplifters and dishonest employees in the US primarily targeted products that were easy to conceal and resell in the market, resulting in increased pilferage of accessories. In 2013, shoplifters preferred to steal fashion and mobile accessories (Figure 2.11) over fashion clothing and mobile handsets, respectively. Other frequently pilfered products include power tools, wines and make-up products.

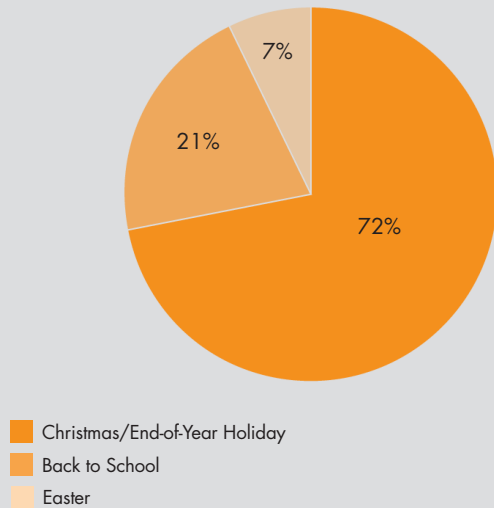
Figure 2.13

North America – Top 3 Most-stolen Items in the US. 2013–2014

|            | Apparel and Fashion Accessories                              | DIY/Home Improvement | Electronics                                                       | Food and Beverages                        | Health and Beauty                                    |
|------------|--------------------------------------------------------------|----------------------|-------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------|
| <b>1st</b> | Fashion accessories                                          | Power tools          | Mobile accessories and home/office consumables                    | Wines and Spirits                         | Make-up products                                     |
| <b>2nd</b> | Dresses, lingerie/ intimate apparel, swimwear and sunglasses | Batteries            | CD/DVD and video games                                            | Infant formula                            | Razor blades and facial creams                       |
| <b>3rd</b> | Jeans and handbags                                           | Screws and washers   | Mobile accessories electronic games, and satellite navigation/GPS | Fresh meat and gourmet food/ delicatessen | Facial creams, perfumes and fragrances, and vitamins |

Figure 2.14

North America – Seasons witnessing most shrinkage in the US, 2013–2014



■ SEASONS WITNESSING MOST SHRINKAGE

Another shrinkage trend (Figure 2.14) evident in the US retail market is the season (out of the three key seasons) when retailers witness the highest shrinkage. A vast majority of survey respondents (72%) claimed that they witnessed maximum shrinkage during Christmas/end-of-year holidays vs Easter, Back-to-School, as the average footfall increases during this period, increasing the difficulty of efficiently deploying loss-prevention solutions. The second-most susceptible time for retailers is the back-to-school period, impacting another 21% retailers in 2013.

Retailers believe more granular and in-depth analysis with respect to shrinkage contributors increases the probability of success in mitigating shrinkage. Retailers planning to deploy loss-prevention solutions believe that it is important to assess the ROI of each solution and the value they bring to the organisation.

There is an overall perception that shrinkage is not well managed in the country and there is scope for improvement. Retailers believe that to eradicate it from the system, suppliers and retailers need to work collaboratively.



# The **New** Barometer

A study of the **cost of merchandise theft** and **merchandise availability**  
for the global retail industry

2013-2014

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PART III

.....  
**Latin America**  
.....



THE GLOBAL RETAIL THEFT BAROMETER

## Latin America

The 2013–2014 GRTB report covers three countries in Latin America. Figure 3.1 indicates the countries classified as Latin America.

According to IMF forecasts, the economic scenario of Latin America is expected to improve in 2014. Mexico’s real GDP is projected to expand 3.0%, mainly due to a stronger US economy. Brazil’s real GDP is likely to rise moderately by 1.8%, while Argentina’s economy is expected to inch up 0.5%.

### ■ SHRINKAGE IN LATIN AMERICA

In 2013–2014, Latin America’s average shrinkage rate was 1.41%. The total shrinkage amounted to \$8.8 billion. Mexico registered the highest shrinkage (1.70%) among Latin American countries. Brazil showcased the highest shrinkage value at ~\$4 billion.

### ■ SHRINKAGE ACROSS STORE TYPES

Beauty specialist retailers (5.0%) and non-grocery retailers (2.7%) were the leading types of stores in terms of shrinkage. The lowest shrinkage was incurred by home improvement (0.5%) and department stores (0.6%).

Figure 3.1

Latin America Retail Shrinkage – by Country (2013–2014)

|           | Total Shrinkage (\$ million) | Shrinkage 2013–2014 (as a % of sales) |
|-----------|------------------------------|---------------------------------------|
| Argentina | 1,268                        | 1.16%                                 |
| Brazil    | 3,958                        | 1.30%                                 |
| Mexico    | 3,588                        | 1.70%                                 |

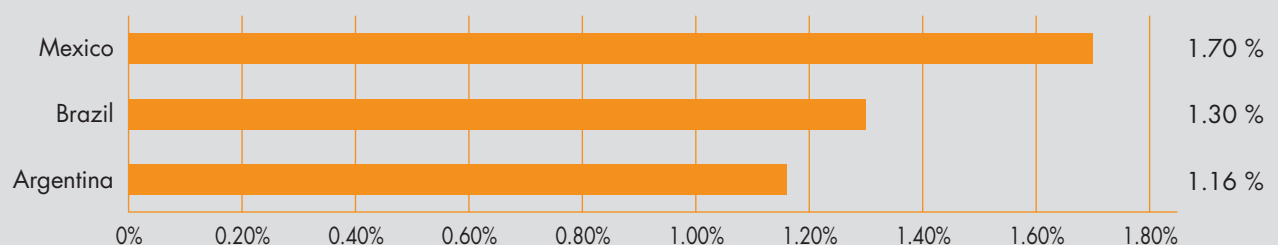
### ■ SOURCES OF RETAIL SHRINKAGE

In 2013–2014, the largest sources of shrinkage were shoplifting and vendor or supplier fraud. Argentina’s shoplifting contribution to retail shrinkage decreased, while dishonest employee theft increased compared with the previous year. Shipping without invoicing and product consumption without payment were the main contributors to dishonest employee theft.

Brazil witnessed a very high instance of supplier fraud (39%) and accounted for the highest share of shrinkage, while administrative losses were under control, accounting for less than 10%.

Figure 3.2

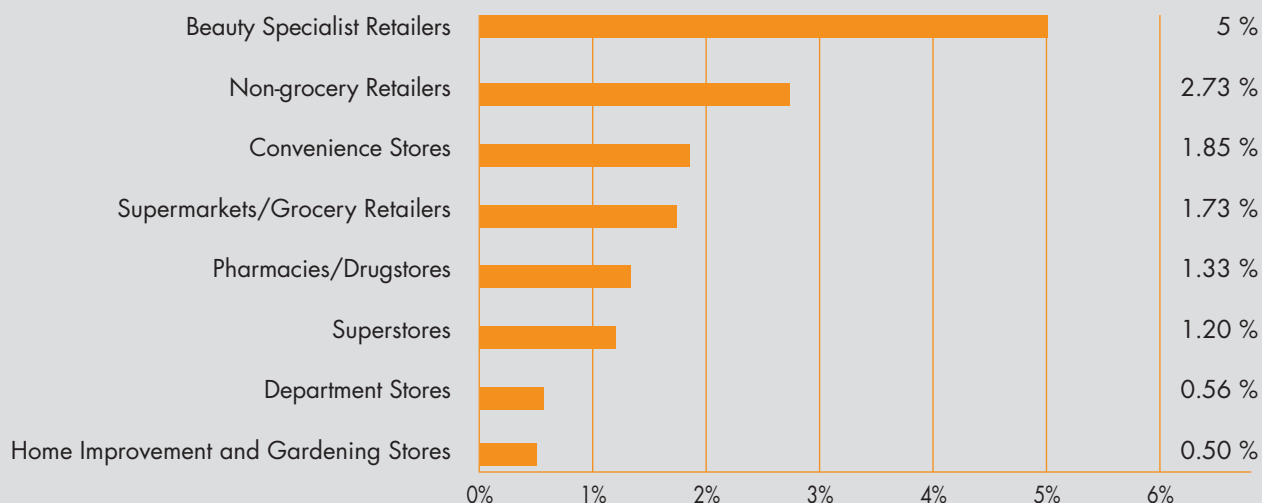
Latin America Retail Shrinkage – by Country (2013–2014)



Shrinkage Rate across countries. 2013–2014

Figure 3.3

Latin America – Shrinkage Rate across Types of Stores (2013–2014)



For Mexico, shrinkage due to administrative losses accounted for 22% share in 2013–2014, increasing over the preceding year. The main factors contributing to administrative losses are inventory and pricing slips. Inventory slips include physical stock item miscounts and cost miscalculations, while SKUs with mislabelled price tags count as price slips.

Shoplifting accounted for the largest share of shrinkage in Latin America (32.8%)

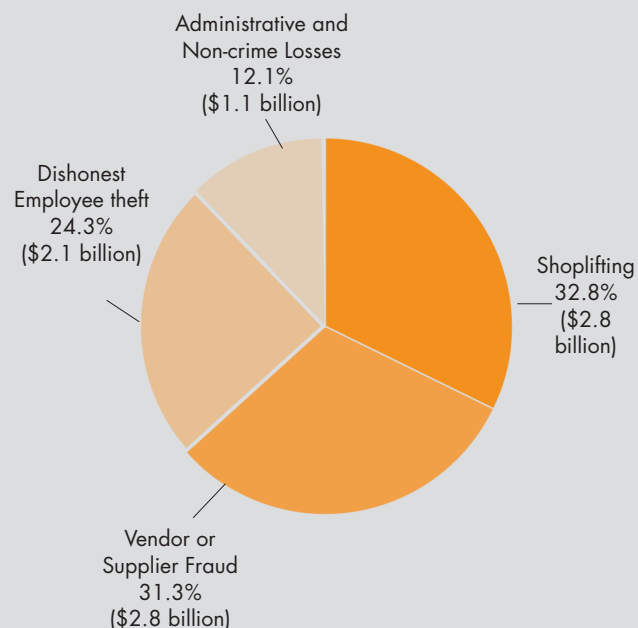
Argentina recorded a very high rate of dishonest employee theft, accounting for over 90% shrinkage. Macroeconomic factors, such as high inflation—expected to reach 40%—and currency devaluation led to erosion in real wages and are contributing to such a trend.

Over 65% shoplifters were aged 18–45 in 2013–2014. Low real wages and high inflation in Brazil and Argentina are considered the major reasons for the working population to indulge in shoplifting to maintain lifestyle.

About 45% shoplifters in Argentina were above 60 years of age, one of the highest globally.

Figure 3.4

Latin America – Sources of Retail Shrinkage (2013–2014)



Total Losses: \$8.8 billion

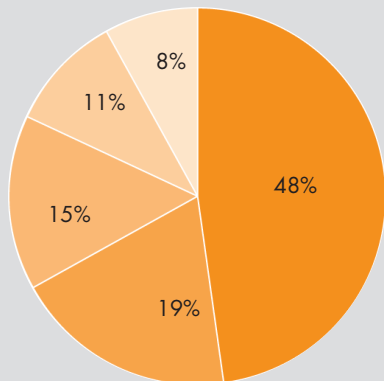
Figure 3.5

Latin America Sources of Retail Shrinkage – by Country (2013–2014)

|           | Dishonest Employee Theft (% share) | Shoplifting (% share) | Vendor or Supplier Fraud (% share) | Administrative and Non-crime Losses (% share) |
|-----------|------------------------------------|-----------------------|------------------------------------|-----------------------------------------------|
| Argentina | 92.7                               | 4.2                   | 1.4                                | 1.7                                           |
| Brazil    | 22.8                               | 29.1                  | 39.1                               | 9.0                                           |
| Mexico    | 28.9                               | 42.1                  | 7.3                                | 21.7                                          |

Figure 3.6

Latin America – Age Profile of Shoplifters (2013–2014)



18-30 years 30-45 years <18 years 45-60 years ≥60 years

■ CAUSES OF SHRINKAGE BY RETAILER TYPE

Dishonest employees were the major concern for beauty specialist retailers and department stores, accounting for more than 60% shrinkage. Supermarkets, non-grocery retailers and home improvement stores were mostly impacted by shoplifting. While supplier fraud significantly contributed to shrinkage in drugstores, home improvement stores and superstores, administrative losses mostly impacted supermarkets, convenience stores and non-grocery retailers.

Drugstores struggle to identify expired products, and it is becoming a key cause of concern for them. Due to the lack of sophisticated communication channels between stores, inventory visibility and accounting are low. That is, if there's a product in one store that is moved to another store, it doesn't always appear in the books of accounts.

Figure 3.7:

## Latin America Causes of Shrinkage – by Retailer Type (2013–2014)

|                                       | Dishonest Employee theft | Shoplifting | Vendor or supplier fraud | Administrative and non-crime losses |
|---------------------------------------|--------------------------|-------------|--------------------------|-------------------------------------|
| Supermarkets/Grocery Retailers        | 28%                      | 43%         | 8%                       | 22%                                 |
| Convenience Stores                    | 34%                      | 36%         | 19%                      | 12%                                 |
| Superstores                           | 30%                      | 25%         | 40%                      | 5%                                  |
| Department Stores                     | 62%                      | 28%         | 1%                       | 9%                                  |
| Beauty Specialist Retailers           | 64%                      | 24%         | 0%                       | 12%                                 |
| Pharmacies/Drugstores                 | 20%                      | 30%         | 39%                      | 10%                                 |
| Home Improvement and Gardening Stores | 10%                      | 50%         | 40%                      | 0%                                  |
| Non-grocery Retailers                 | 40%                      | 45%         | 2%                       | 13%                                 |

### ■ INVENTORY VISIBILITY

Retail employees in Latin America spend significantly more time —55.2 minutes— counting inventory than the global average of 37.8 minutes.

Mexican employees spent about 14.2% of their time counting inventory, while for employees in Argentina

and Brazil, the figure stood at 5.0% and 8.3%, respectively. Nevertheless, Mexico's visibility status was superior compared with the other two countries.

The lower inventory visibility contributed to Latin America's high shrinkage rate.

Figure 3.8

## Latin America – Relationship between Shrinkage Rate, Employee's Inventory Visibility and Store Staff's Time Spent Counting Inventory across Countries (2013–2014)

|           | Shrinkage Rate | Average Time Spent Counting Inventory per Employee in Minutes (all employees have 8-hour shifts) | Inventory Visibility Status (unable to locate a product that you believed you had in stock) |
|-----------|----------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Argentina | 1.16%          | 24.0                                                                                             | Often                                                                                       |
| Brazil    | 1.30%          | 40.0                                                                                             | Often                                                                                       |
| Mexico    | 1.70%          | 68.0                                                                                             | Occasionally                                                                                |

Rarely                      Occasionally                      Often                      Very Often

Increasing Cases of Occurrence →

Figure 3.9

Latin America Cost of Retail Crime – by Country (2013–14)

|                      | Shrinkage Rate<br>(%. 2013–2014) | Cost of Retail Crime<br>(% of Revenue,<br>2013–2014) | Cost of Retail Crime<br>(\$ billion,<br>2013–2014) | Country Wise: Cost<br>of Retail Crime<br>per Person (\$. 2013–2014) |
|----------------------|----------------------------------|------------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------|
| Argentina            | 1.16                             | 2.20                                                 | 2.4                                                | 56                                                                  |
| Brazil               | 1.30                             | 2.27                                                 | 6.9                                                | 34                                                                  |
| Mexico               | 1.70                             | 2.53                                                 | 5.3                                                | 45                                                                  |
| <b>Latin America</b> | <b>1.41</b>                      | <b>2.35</b>                                          | <b>14.7</b>                                        | <b>40</b>                                                           |

■ COST OF RETAIL CRIME

In 2013–2014, Latin America’s cost of retail crime was the highest among the other regions covered —surpassing the global average. Mexico incurred the highest cost of retail crime (2.53% revenue). Latin America accounted for 8.1% (\$14.7 billion) of the global cost associated with retail crime. Brazil represented about 3.8% (\$6.9 billion), Mexico contributed 3% (\$5.3 billion), and Argentina had a 1.3% share in the global cost of retail crime.

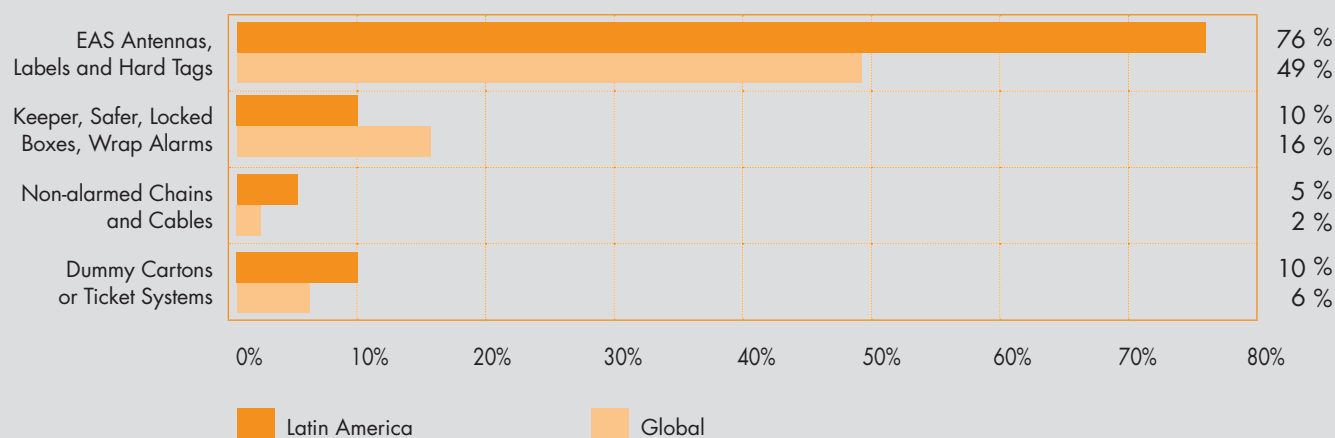
Latin America’s loss prevention spend (1.13%), as a share of revenue, is higher than the global average of 0.8%.

During 2013–2014, Mexico’s spend on retail loss prevention reached 1.22% revenue, and it had the highest rate of spend on retail loss prevention among Latin American countries. Nonetheless, the country’s shrinkage rate increased over 2013–2014, mainly due to the lag time required to ensure efficient prevention solutions.

The types of stores with the highest loss-prevention spends included supermarkets/grocery retailers, hypermarkets/mass merchandisers and department stores.

Figure 3.11

Latin America – Popular Loss Prevention Practices (2013–2014)



LOSS-PREVENTION SOLUTIONS

EAS labels and tags, and EAS antennas—which are considered to be the most effective loss-prevention solutions—are widely adopted in Latin America. About 76% retailers use EAS antennas, labels and tags. Other popular solutions include locked boxes and wrap alarms (9.5%), and ticket systems (9.5%).

Some retailers believe that armed guards patrolling the aisle are more efficient than technological prevention solutions. Retailers also expressed that the checking of employees at the end of shifts helped reduce dishonest employee theft.

Labour force in Latin America is cheap, and many retailers prefer more staff instead of spending on technology.

Figure 3.10

Latin America Spend on Retail Loss Prevention – by Country (2013–2014)

| Country   | Spend on Retail Loss Prevention (% of Revenue, 2013–2014) | Spend on Retail Loss Prevention (\$ billion, 2013–2014) |
|-----------|-----------------------------------------------------------|---------------------------------------------------------|
| Argentina | 1.08                                                      | 1.2                                                     |
| Brazil    | 1.08                                                      | 3.3                                                     |
| Mexico    | 1.22                                                      | 2.6                                                     |

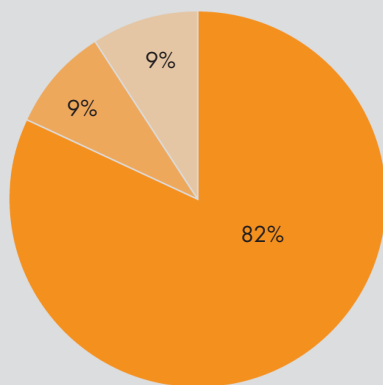
Figure 3.12

Latin America – Top 3 Most-stolen Items (2013–2014)

|            | Apparel and Fashion Accessories         | DIY/Home Improvement | Electronics                                                            | Food and Beverages                   | Health and Beauty                               |
|------------|-----------------------------------------|----------------------|------------------------------------------------------------------------|--------------------------------------|-------------------------------------------------|
| <b>1st</b> | Fashion accessories                     | Power tools          | Smartphones and accessories, printers and accessories, and video games | Coffee                               | Make-up products, and shampoos and conditioners |
| <b>2nd</b> | Footwear and dresses                    | Cables               | iPads/tablets                                                          | Fish, infant formula and frozen food | Facial creams, toothpaste and skincare products |
| <b>3rd</b> | Lingerie/ intimate apparel and handbags | Screws and washers   | Laptops                                                                | NA                                   | NA                                              |

Figure 3.13

Latin America – Seasons witnessing most shrinkage (2013–2014)



- Christmas/End-of-Year Holiday
- Back to School
- Easter

■ MOST-STOLEN ITEMS

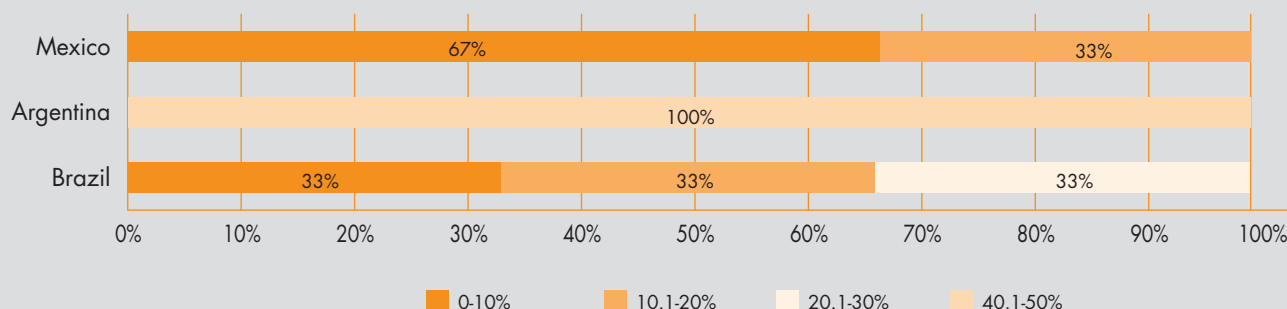
In 2013–2014, fashion accessories, power tools, smartphones, coffee and make-up products were the most-stolen products in Latin America because they are easy to conceal and have a good resale value.

A majority of retailers (82%) believe that most shrinkage happened during the Christmas period (out of the three key seasons). Easter and “back to school” were the other shrinkage-prone periods.



Figure 3.14

Latin America – Percentage of Sourced-tagged SKUs (2013–2014)



■ LOSS-PREVENTION SOLUTIONS

The type of stores that planned to implement source-tagged SKUs included home improvement, electronics, and health and beauty stores.

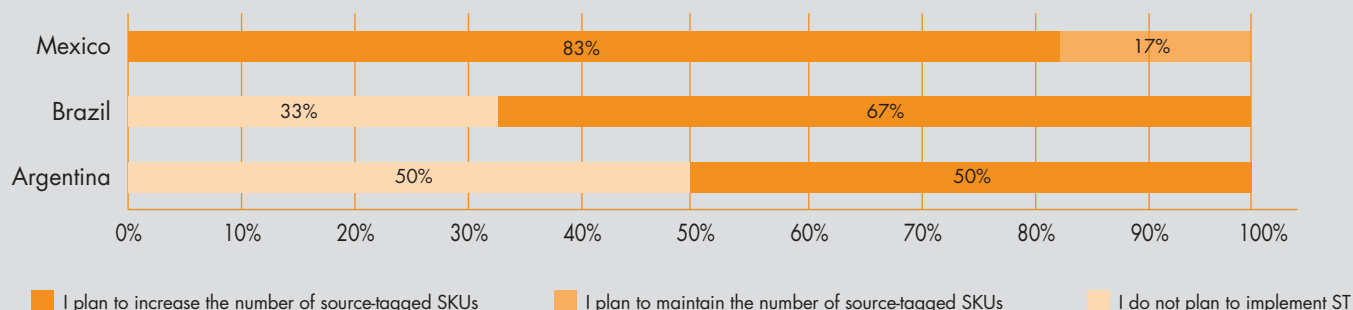
Over 80% retailers plan to increase source-tagged SKUs in Mexico, while 17% plan to maintain the number. Respondents (67%) from Brazil expressed their intent to

increase source-tagged SKUs. While 50% Argentine retailers planned to have source-tagged SKU's, with the remaining indicating no plans for such implementation despite the ROI experienced by many retailers in the region.

Some retailers, especially beauty retailers, have progressed to piloting/testing RFID for its incremental benefits and improvement in shrinkage management.

Figure 3.15

Latin America – Source-tagging Implementation Plan (2013–2014)





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PART IV

.....  
**Europe**  
.....



THE GLOBAL RETAIL THEFT BAROMETER

## Europe

The 2013–2014 GRTB report covers 16 countries in Europe. Figure 4.1 provides a list of countries classified as Europe.

According to European Commission forecasts, in 2014, EU-28's real GDP is expected to grow 1.5%, with growing domestic demand, and improving consumer and investor confidence. Emerging countries are expected to be the leading nations in terms of real GDP growth in 2014, while the real GDPs of established economies, such as Germany and France, are also likely to increase marginally.

### ■ SHRINKAGE IN EUROPE

Over 2013–2014, Europe witnessed an average shrinkage of 1.13% —an improvement over the previous year. The total shrinkage in value terms added up to \$40.0 billion. Countries with the highest shrinkage were Finland (1.39%), Spain (1.36%) and Russia (1.35%); while Norway (0.83%), the UK (0.97%) and Turkey (0.99%) showcased the lowest rates.

In Germany, retailers increased focus on shrinkage management even for low-end products, consequently improving visibility of losses and enhancing the ability to effectively spot the sources of shrinkage.

The monitoring and management of retail shrinkage in countries such as Poland and Turkey has recently begun; hence, the visibility of retail losses began increasing over 2013–2014.

Due to weak economic situation witnessed over the last few years, retailers are focussing on loss prevention to improve revenue and margins. Most countries in Europe increased their loss prevention spends.

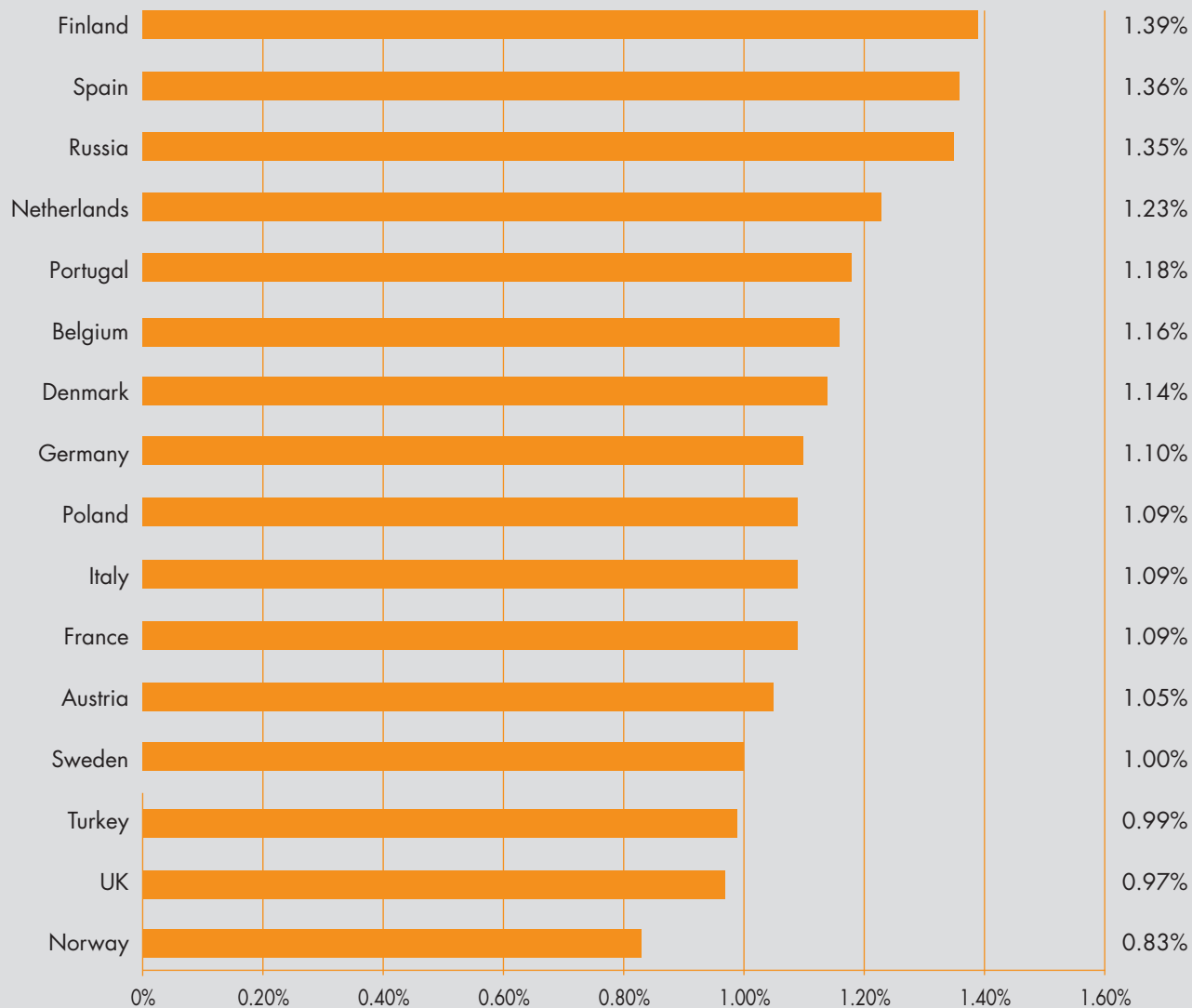
Figure 4.1

### Europe Retail Shrinkage – by Country (2013–2014)

| Country     | Shrinkage Value (\$ million) | Shrinkage (as a % of sales) |
|-------------|------------------------------|-----------------------------|
| Austria     | 819                          | 1.05%                       |
| Belgium     | 1,168                        | 1.16%                       |
| Denmark     | 564                          | 1.14%                       |
| Finland     | 658                          | 1.39%                       |
| France      | 5,849                        | 1.09%                       |
| Germany     | 6,190                        | 1.10%                       |
| Italy       | 4,207                        | 1.09%                       |
| Netherlands | 1,459                        | 1.23%                       |
| Norway      | 563                          | 0.83%                       |
| Poland      | 1,089                        | 1.09%                       |
| Portugal    | 614                          | 1.18%                       |
| Russia      | 6,648                        | 1.35%                       |
| Spain       | 3,419                        | 1.36%                       |
| Sweden      | 904                          | 1.00%                       |
| Turkey      | 1,626                        | 0.99%                       |
| UK          | 4,319                        | 0.97%                       |

Figure 4.2

## Europe Retail Shrinkage – by Country (2013–2014)



■ SHRINKAGE ACROSS STORE TYPES

Department stores (1.98%), jewellery and watch stores (1.55%), and warehouse clubs (1.42%) witnessed the highest shrink, owing to shoplifting, dishonest employee theft and organised retail crime together with a low level of loss prevention spend. Stores with the lowest shrinkage included beauty specialist retailers (0.78%) and electronics retailers (0.5%). Grocery retailers in countries such as Germany and France also recorded a low shrinkage rate.

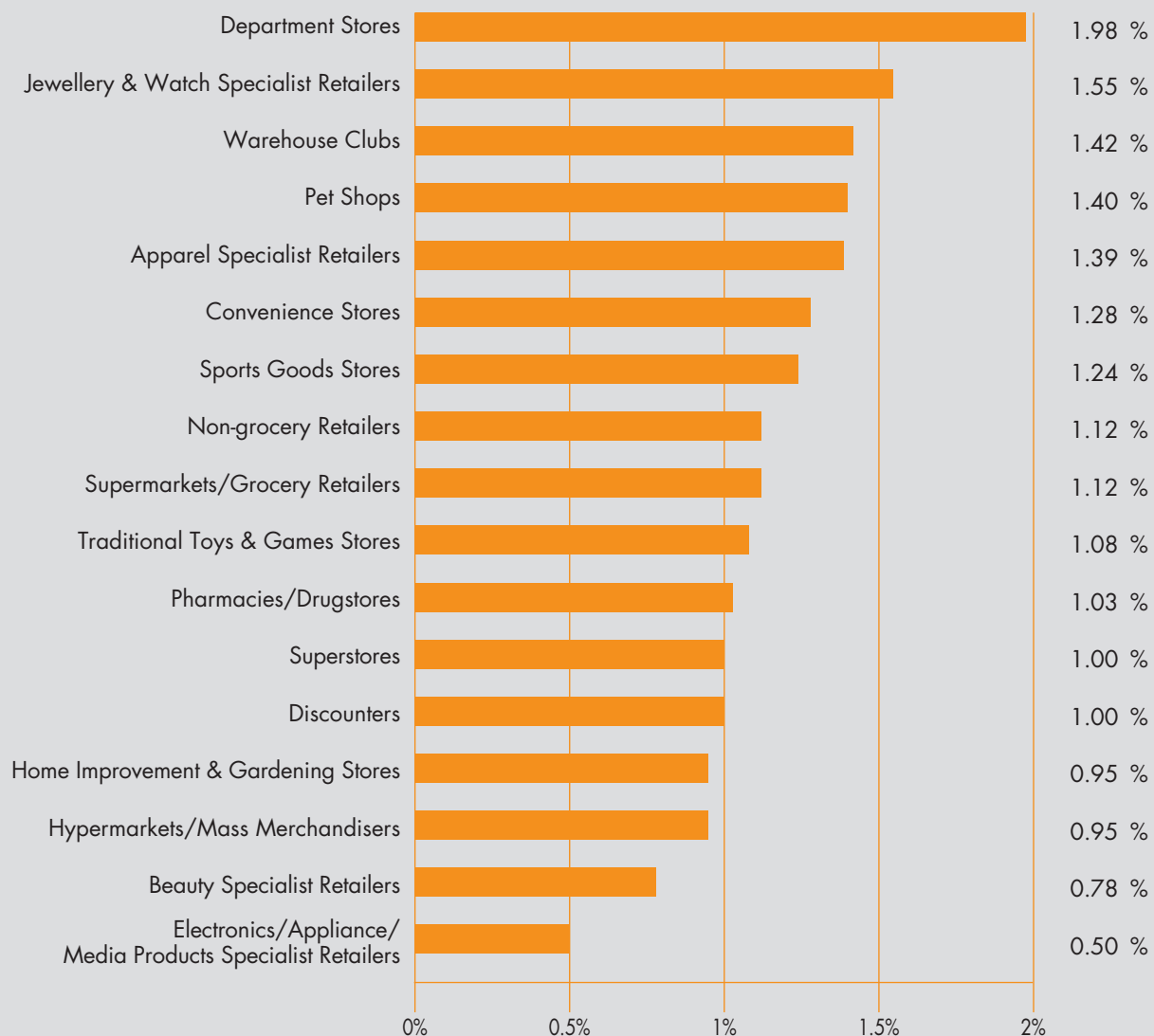
■ SOURCES OF RETAIL SHRINKAGE

Shoplifting is the main cause of shrinkage in Europe, accounting for 38% (\$15.5 billion) of the total losses. Many retailers also face dishonest employee theft, while losses to European retailers due to dishonest employees stood at \$8.8 billion in 2013–2014.

In Germany, dishonest employee theft and administrative retail losses increased, while shoplifting and supplier fraud fell. In Spain, occurrences of shoplifting decreased, while supplier fraud and administrative losses grew. The UK witnessed a decline in dishonest employee theft and shoplifting, while supplier fraud and administrative losses increased.

Figure 4.3

Europe – Shrinkage Rate across Types of Stores (2013–2014)



Shoplifting was the main cause of shrinkage across most countries, apart from the UK and Norway, where administrative and non-crime losses were the primary reasons for shrinkage. Most instances of shoplifting were recorded in France. Russia recorded the highest incidence of dishonest employee theft, while supplier fraud was the key contributor to shrinkage in Sweden.

Figure 4.4

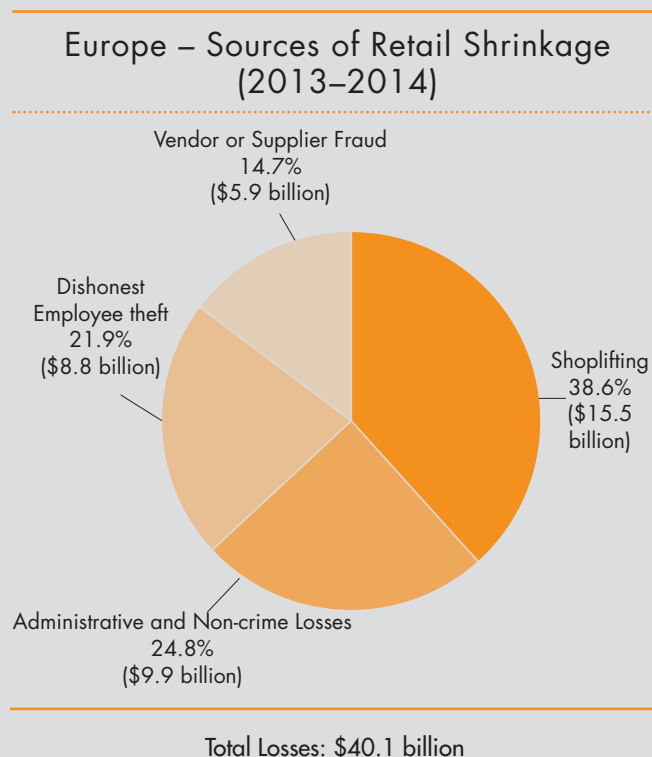


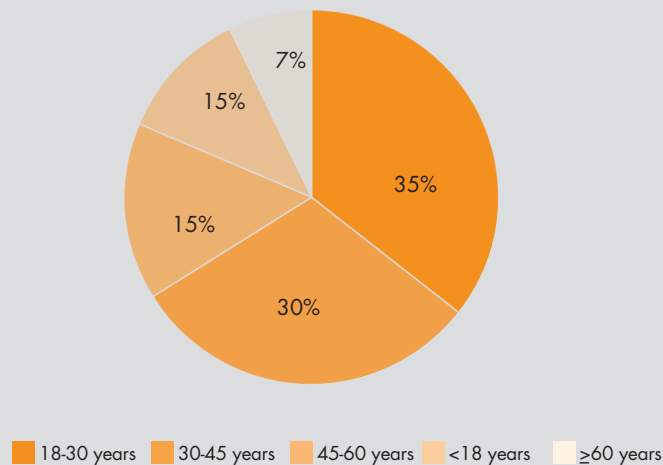
Figure 4.5

### Europe Sources of Retail Shrinkage – by Country (2013–2014)

| Country     | Dishonest Employee Theft | Shoplifting | Vendor or Supplier Fraud | Administrative and Non-crime Losses |
|-------------|--------------------------|-------------|--------------------------|-------------------------------------|
| Austria     | 17.6%                    | 49.5%       | 12.9%                    | 20.0%                               |
| Belgium     | 29.7%                    | 50.9%       | 8.8%                     | 10.5%                               |
| Denmark     | 34.9%                    | 38.2%       | 15.4%                    | 11.5%                               |
| Finland     | 29.3%                    | 40.6%       | 10.2%                    | 19.9%                               |
| France      | 16.7%                    | 58.5%       | 8.0%                     | 16.8%                               |
| Germany     | 35.4%                    | 37.6%       | 4.9%                     | 22.1%                               |
| Italy       | 22.0%                    | 53.4%       | 8.3%                     | 16.3%                               |
| Netherlands | 25.7%                    | 47.8%       | 7.3%                     | 19.2%                               |
| Norway      | 27.6%                    | 30.2%       | 2.6%                     | 39.5%                               |
| Poland      | 33.9%                    | 46.5%       | 14.4%                    | 5.2%                                |
| Portugal    | 17.0%                    | 50.0%       | 4.3%                     | 28.7%                               |
| Russia      | 33.3%                    | 32.9%       | 7.6%                     | 26.1%                               |
| Spain       | 23.5%                    | 30.9%       | 20.6%                    | 25.0%                               |
| Sweden      | 16.7%                    | 27.5%       | 44.9%                    | 10.8%                               |
| Turkey      | 33.7%                    | 42.6%       | 5.0%                     | 18.6%                               |
| UK          | 15.9%                    | 25.3%       | 22.3%                    | 36.5%                               |

Figure 4.6

Europe – Age Profile of Shoplifters (2013–2014)



Almost 65% shoplifters are aged 18–45. Low income, with aspirations of a high lifestyle, is considered to be a key reason for shoplifting. The senior group (over 60 years) plays a minor role, accounting for about 7% shoplifting losses.

Shoplifters below 18 years account for a significant share of shoplifting losses in Finland (30%) and Russia (23%). Shoplifters aged above 60 represent a large share (50%) of shrinkage in Austria. A majority of shoplifters in Italy (34%) and the Netherlands (31%) are from the 30–45years age group.

Approximately 39% interviewees responded that most shoplifters were males.

■ CAUSES OF SHRINKAGE BY RETAILER TYPE

Shoplifting was the key reason for shrinkage in superstores and beauty specialist retailers, accounting for more than 70% shrinkage. Electronics and sports goods retailers incurred most of the shrinkage due to dishonest employees.

Figure 4.7

Europe Sources of Shrinkage – by Retailer Type (2013–2014)

| Type of store                                             | Dishonest Employee theft | Shoplifting | Vendor or supplier fraud | Administrative and non-crime losses |
|-----------------------------------------------------------|--------------------------|-------------|--------------------------|-------------------------------------|
| Supermarkets/Grocery Retailers                            | 20%                      | 31%         | 19%                      | 29%                                 |
| Hypermarkets/Mass Merchandisers                           | 24%                      | 49%         | 8%                       | 18%                                 |
| Convenience Stores                                        | 27%                      | 49%         | 9%                       | 14%                                 |
| Discounters                                               | 30%                      | 60%         | 5%                       | 5%                                  |
| Superstores                                               | 10%                      | 70%         | 5%                       | 15%                                 |
| Warehouse Clubs                                           | 29%                      | 43%         | 0%                       | 28%                                 |
| Department Stores                                         | 25%                      | 50%         | 5%                       | 20%                                 |
| Apparel Specialist Retailers                              | 24%                      | 50%         | 6%                       | 19%                                 |
| Jewellery and Watch Specialist Retailers                  | 6%                       | 21%         | 63%                      | 10%                                 |
| Sports Goods Stores                                       | 35%                      | 33%         | 5%                       | 27%                                 |
| Electronics/Appliance/Media Products Specialist Retailers | 37%                      | 41%         | 5%                       | 17%                                 |
| Traditional Toys and Games Stores                         | 26%                      | 37%         | 5%                       | 32%                                 |
| Beauty Specialist Retailers                               | 16%                      | 82%         | 1%                       | 1%                                  |
| Pharmacies/Drugstores                                     | 31%                      | 50%         | 1%                       | 18%                                 |
| Home Improvement and Gardening Stores                     | 6%                       | 43%         | 3%                       | 48%                                 |
| Pet Shops                                                 | 25%                      | 25%         | 25%                      | 25%                                 |
| Non-grocery Retailers                                     | 24%                      | 44%         | 13%                      | 19%                                 |

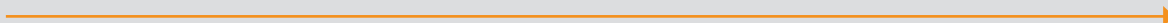


Figure 4.8

### Europe – Relationship between Shrinkage Rate, Employee's Inventory Visibility and Store Staff's Time Spent Counting Inventory across Countries (2013–2014)

| Country     | Shrinkage Rate | Average time spent counting inventory per employee in minutes (all employees have 8-hour shifts) | Inventory visibility status (unable to locate a product that you believed you had in stock) |
|-------------|----------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Austria     | 1.05%          | 144.0                                                                                            | Rarely                                                                                      |
| Belgium     | 1.16%          | 30.0                                                                                             | Occasionally                                                                                |
| Denmark     | 1.14%          | 24.0                                                                                             | Often                                                                                       |
| Finland     | 1.39%          | 48.0                                                                                             | Occasionally                                                                                |
| France      | 1.09%          | 24.0                                                                                             | Rarely                                                                                      |
| Germany     | 1.10%          | 24.0                                                                                             | Rarely                                                                                      |
| Italy       | 1.09%          | 38.6                                                                                             | Occasionally                                                                                |
| Netherlands | 1.23%          | 26.7                                                                                             | Rarely                                                                                      |
| Norway      | 0.83%          | 48.0                                                                                             | Occasionally                                                                                |
| Poland      | 1.09%          | 24.0                                                                                             | Occasionally                                                                                |
| Portugal    | 1.18%          | 39.0                                                                                             | Occasionally                                                                                |
| Russia      | 1.35%          | 24.0                                                                                             | Often                                                                                       |
| Spain       | 1.36%          | 37.7                                                                                             | Rarely                                                                                      |
| Sweden      | 1.00%          | 24.0                                                                                             | Occasionally                                                                                |
| Turkey      | 0.99%          | 44.6                                                                                             | Often                                                                                       |
| UK          | 0.97%          | 28.8                                                                                             | Occasionally                                                                                |

Rarely
Occasionally
Often
Very Often


  
Increasing Cases of Occurrence

Vendor/supplier fraud was the key contributor to shrinkage among jewellery and watch retailers, contributing a 63% share to such losses. Stores with the largest share of administrative losses included home improvement stores (48%), traditional toys and games retailers (32%), and supermarkets (29%).

#### ■ INVENTORY VISIBILITY

The average time spent on counting inventory in Europe (34.6 minutes) is lower than the global average of 37.8 minutes.

Countries such as France and Germany registered the least amount of time (24 minutes) spent on inventory counting, and employees rarely had issues locating items in the inventory. However, though retail staff in Russia and Denmark also spent 24 minutes per shift counting inventory, they encountered frequent occurrences of misplaced or missing articles.

Inventory counting in Austria accounted for the largest share (30%) of the shift time, which also resulted in high inventory visibility.

## ■ COST OF RETAIL CRIME

The cost of retail crime (as a percentage of revenue) increased in most of Europe. However, the average cost of retail crime (as a percentage of revenue) in the region was slightly below the global average of 1.81%. Countries that faced a major challenge in terms of retail crime costs (as a percentage of revenue) include Finland (2.47%), Spain (2.39%) and Russia (2.29%). Russia (\$11.3 billion), Germany (\$9.4 billion) and the UK (\$8 billion) posted the highest cost of retail crime by value.

Over 2013–2014, Russia and the UK, at \$6.4 billion and \$5.3 billion, respectively, spent the most on loss prevention. Among the countries surveyed in Europe, Turkey spent the least amount —\$0.2 billion.

The largest spend on loss prevention (as a share of revenue) was seen in Spain (1.38%), Finland (1.37%), Norway (1.30%) and Russia (1.30%). In Italy, spend in loss prevention has increased a lot versus previous year.

## ■ LOSS-PREVENTION SOLUTIONS

The key factors impacting loss-prevention adoption in Europe include costs and store size. Retailers need to see an ROI to implement Loss prevention solutions. EAS antennas, labels and tags (49%) were the most popular loss-prevention solutions in Europe, as was the global trend. Locked boxes and wrap alarms, as well as locked cabinets, were most popular in countries such as Austria, France, Sweden and the UK.

Figure 4.9

### Cost of Retail Crime – by Country (2013–2014)

| Country       | Shrinkage   | Cost of Retail Crime (as a % of Revenue) | Cost of Retail Crime (\$ billion) | Country Wise: Cost of Retail Crime per Person (\$) |
|---------------|-------------|------------------------------------------|-----------------------------------|----------------------------------------------------|
| Austria       | 1.05        | 1.99                                     | 1.6                               | 189                                                |
| Belgium       | 1.16        | 1.75                                     | 1.8                               | 169                                                |
| Denmark       | 1.14        | 2.04                                     | 1.0                               | 182                                                |
| Finland       | 1.39        | 2.47                                     | 1.2                               | 223                                                |
| France        | 1.09        | 1.40                                     | 7.5                               | 114                                                |
| Germany       | 1.10        | 1.68                                     | 9.4                               | 116                                                |
| Italy         | 1.09        | 1.90                                     | 7.3                               | 119                                                |
| Netherlands   | 1.23        | 1.80                                     | 2.1                               | 127                                                |
| Norway        | 0.83        | 1.80                                     | 1.2                               | 240                                                |
| Poland        | 1.09        | 1.26                                     | 1.3                               | 33                                                 |
| Portugal      | 1.18        | 1.84                                     | 1.0                               | 89                                                 |
| Russia        | 1.35        | 2.29                                     | 11.3                              | 79                                                 |
| Spain         | 1.36        | 2.39                                     | 6.0                               | 127                                                |
| Sweden        | 1.00        | 1.85                                     | 1.7                               | 174                                                |
| Turkey        | 0.99        | 0.92                                     | 1.5                               | 19                                                 |
| UK            | 0.97        | 1.79                                     | 8.0                               | 126                                                |
| <b>Europe</b> | <b>1.07</b> | <b>1.80</b>                              | <b>63.8</b>                       | <b>98</b>                                          |

Items displayed in locked cabinets or shelves were mostly found in Belgium and Denmark. Three-alarm accessories are largely employed in Poland.

Keepers, safers, locked boxes and wrap alarms, line alarms, and metal detectors have higher adoption in Europe, than the rest of the world.

Even though the adoption of CCTV security cameras increased, retailers expressed unease with this method, as it only provides information after the fraud has been committed. The key performance indicator of RFID implementation is ROI, as it can reduce instances of out-of-stock.

Over 20% retailers in countries such as Belgium, Germany and Portugal have more than half of their SKUs source tagged.

Figure 4.10

Europe- Spend on Retail Loss Prevention – by Country (2013–2014)

| Country     | Spend on Retail Loss Prevention (as a % of Revenue 2013) | Spend on Retail Loss Prevention 2013–2014 (\$ billion) |
|-------------|----------------------------------------------------------|--------------------------------------------------------|
| Austria     | 1.15                                                     | 0.90                                                   |
| Belgium     | 0.71                                                     | 0.72                                                   |
| Denmark     | 1.03                                                     | 0.51                                                   |
| Finland     | 1.37                                                     | 0.65                                                   |
| France      | 0.49                                                     | 2.62                                                   |
| Germany     | 0.82                                                     | 4.60                                                   |
| Italy       | 1.01                                                     | 3.90                                                   |
| Netherlands | 0.81                                                     | 0.97                                                   |
| Norway      | 1.30                                                     | 0.88                                                   |
| Poland      | 0.23                                                     | 0.22                                                   |
| Portugal    | 1.03                                                     | 0.53                                                   |
| Russia      | 1.30                                                     | 6.39                                                   |
| Spain       | 1.38                                                     | 3.45                                                   |
| Sweden      | 0.97                                                     | 0.87                                                   |
| Turkey      | 0.12                                                     | 0.20                                                   |
| UK          | 1.18                                                     | 5.29                                                   |

Figure 4.11

Europe – Popular Loss Prevention Practices (2013–2014)

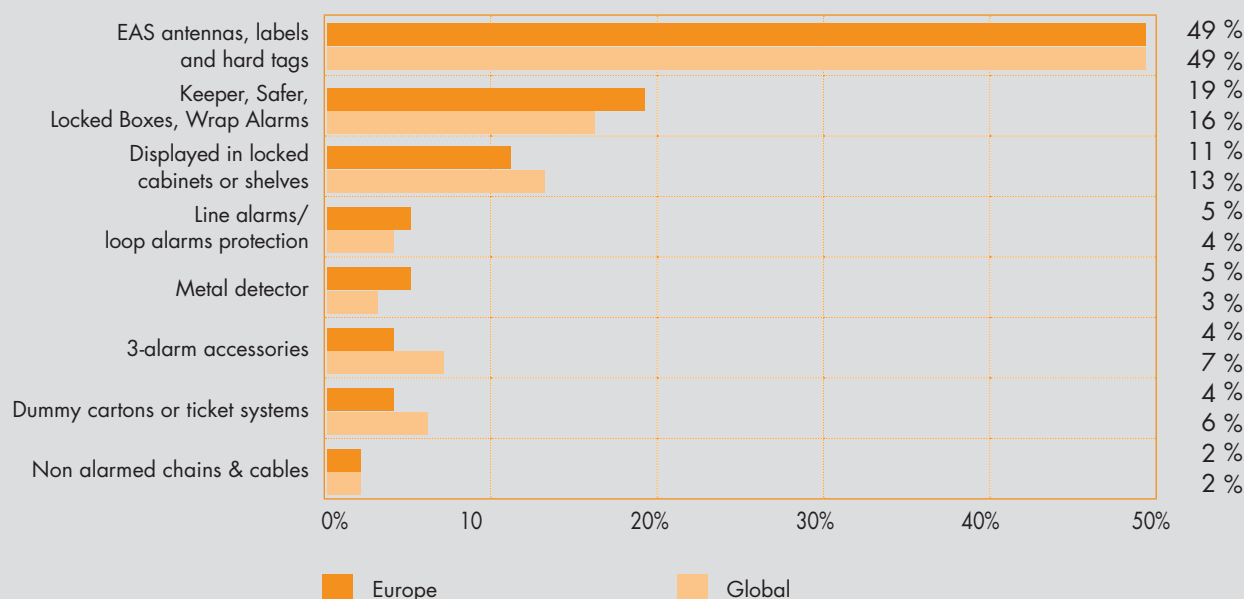


Figure 4.12

Europe – Percentage of sourced tagged SKUs (2013–2014)

| Country     | 0.0-10.0% of source tagged SKUs | 10.1-20.0% of source tagged SKUs | 20.1-30.0% of source tagged SKUs | 30.1-40.0% of source tagged SKUs | 40.1–50.0% of source tagged SKUs | >50% of source tagged SKUs |
|-------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------|
| Austria     | 100%                            | -                                | -                                | -                                | -                                | -                          |
| Belgium     | 50%                             | 25%                              | -                                | -                                | -                                | 25%                        |
| Denmark     | 100%                            | -                                | -                                | -                                | -                                | -                          |
| Finland     | 100%                            | -                                | -                                | -                                | -                                | -                          |
| France      | 80%                             | -                                | -                                | 20%                              | -                                | -                          |
| Germany     | 62%                             | -                                | -                                | -                                | 13%                              | 25%                        |
| Italy       | 83%                             | 8%                               | -                                | -                                | -                                | 9%                         |
| Netherlands | 56%                             | 11%                              | 11%                              | -                                | 11%                              | 11%                        |
| Norway      | -                               | -                                | 100%                             | -                                | -                                | -                          |
| Poland      | 75%                             | -                                | -                                | -                                | 25%                              | -                          |
| Portugal    | 67%                             | 11%                              | -                                | -                                | -                                | 22%                        |
| Russia      | 100%                            | -                                | -                                | -                                | -                                | -                          |
| Spain       | 72%                             | 14%                              | -                                | -                                | 14%                              | -                          |
| Sweden      | 100%                            | -                                | -                                | -                                | -                                | -                          |
| Turkey      | 71%                             | -                                | -                                | -                                | 14%                              | 14%                        |
| UK          | 80%                             | -                                | 20%                              | -                                | -                                | -                          |

During 2013–2014, retailers in France increased source-tagged SKUs for electronics, beauty and apparel, food and beverages, etc.

In Europe, 50% retailers planned to increase the number of source-tagged SKUs.

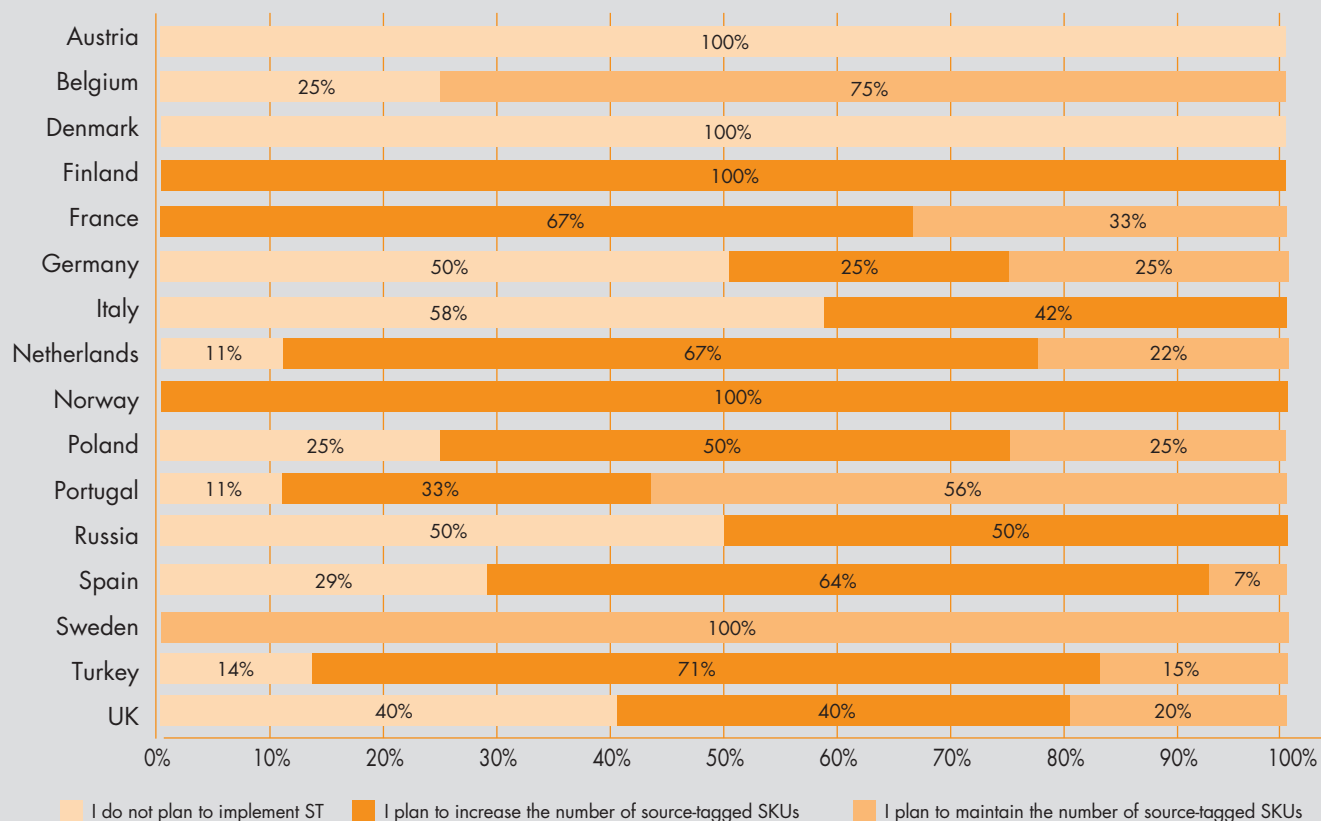
Retailers are increasingly focussing on gathering more data on shrinkage in their stores to analyse the trends, understand where shrinkage comes from and how it is dealt with, and spot the main issues for which customised solutions are then being planned. This is a huge change from a couple of years ago when loss prevention solutions were implemented across the whole store, regardless of the product type, resulting in higher spend and a

low ROI. Today, in countries like Spain, retailers do not only know they have a shrinkage issue, they know exactly which merchandise have the higher shrinkage. This is when they work on customised solutions for a specific product.

In Europe, loss prevention is considered a key business issue, and in some countries, such as Spain, universities have introduced special courses to provide education on the subject. Retailers are also aware of the need for store employee training and are starting to invest in on-line training for employees at point of sales in supermarkets for instance. In France, retailers spend more time on controlling processes and training store employees as well.

Figure 4.13

## Europe – Source-tagging Implementation Plan (2013–2014)



In some store types, such as food retailers, the use of source-tagging has increased, as it leads to savings (vs. staffing more employees to apply labels in store). This is particularly true in Italy where source tagging has increased significantly in the food industry. In some countries, there is an increasing trend of having wider entrances for the stores, which makes the control of the entrance more complex and technically challenging at times. In such cases, more employees are used for manual screening, adding to the cost of retail crime.

Some suppliers are working in partnership with retailers to improve the understanding of loss prevention and have entered into joint training programmes to manage it effectively.

All kinds of loss-prevention solutions, such as EAS, CCTV, employee training and source tagging, are increasingly being adopted. However, as retailers are further concentrating on ROI, they are keen to develop loss-prevention strategies and strike a balance among the various solutions at hand.

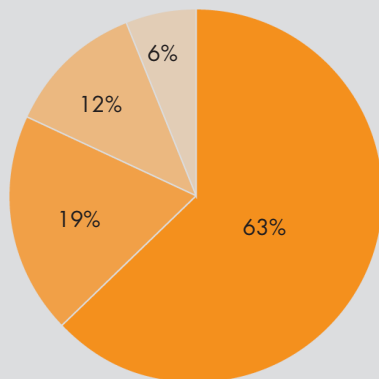
Figure 4.14

Europe – Top 3 Most-stolen Items (2013–2014)

|            | Apparel and Fashion Accessories | DIY/Home Improvement | Electronics         | Food and Beverages                  | Health and Beauty |
|------------|---------------------------------|----------------------|---------------------|-------------------------------------|-------------------|
| <b>1st</b> | Fashion accessories             | Power tools          | Mobile accessories  | Wines and Spirits                   | Make-up products  |
| <b>2nd</b> | Jewellery                       | Batteries            | iPhones/smartphones | Fresh meat                          | Facial creams     |
| <b>3rd</b> | Footwear                        | Door locks           | iPads/tablets       | Cheese and gourmet food/ delicacies | Razor blades      |

Figure 4.15

Europe – Seasons witnessing most Shrinkage (2013–2014)



- Christmas/End-of-Year Holiday
- Sale Period
- Back to School
- Easter

■ MOST-STOLEN ITEMS

The most-stolen items are objects that are easy to conceal and with a good resale market. Fashion accessories, power tools, mobile accessories, wines and spirits, and make-up products are the most-stolen items across Europe.

Countries such as France are facing more professional theft, and thus make-up, fashion, accessories and spirits are highly vulnerable items.

In Germany, as in many other countries, the most vulnerable items are newly launched products, while in Turkey, shoplifters aim for jewellery and fashion accessories due to their high resale value. Retail theft in Italy is largely seen in leather coats, footwear, dresses, alcoholic beverages, etc.

■ SEASONS WITNESSING MOST SHRINKAGE

More than 60% retailers expressed that Christmas/end-of-year holiday season was the period with a higher shrinkage in Europe (out of the 3 key seasons). High footfall, shoppers who need to buy gifts, over-stocked stores, temporary staffing are the key reasons for this phenomenon. On the other end, only 6% respondents mentioned Easter as a period of high shrinkage.

# The **New** Barometer

A study of the **cost of merchandise theft** and **merchandise availability**  
for the global retail industry

2013-2014

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PART V

.....  
**Asia Pacific**  
.....



THE GLOBAL RETAIL THEFT BAROMETER

## Asia Pacific

The 2013–2014 GRTB report covers four countries in Asia Pacific. These are indicated in Figure 5.1.

### ■ SHRINKAGE IN ASIA PACIFIC

Asia Pacific witnessed an increase in the shrinkage rate by 2 basis points over the last year, predominantly due to China. During 2013–2014, shrinkage totalled \$37.6 billion, accounting for 1.28% of the region’s total retail sales. Out of the four countries surveyed in the region, China had the highest shrinkage (1.53%). A 1.97% increase in China’s shrinkage rate pushed the average shrinkage rate in the region higher, despite improvement in the other three countries.

According to retailers, in 2013–2014, shrinkage in Australia decreased primarily due to improved customer services and more internal staff training.

Within a year, spending on loss prevention by the region’s retailers significantly increased (as a percentage of revenue) and surpassed the 2013–2014 global average.

The unusual increase in shrinkage, despite a rise in loss-prevention spend, is attributed to a similar trend in China, which has a significant share in the region’s overall retail industry. China’s shrinkage rate increased, amid the rise in loss-prevention spending and a perceived increase of organised retail crime incidents. Nevertheless, loss-prevention solutions adopted during the year will likely show a positive impact from next year. Before 2013, loss-prevention spend by retailers were negligible, making them vulnerable to revenue loss due to shoplifting and dishonest employee theft.

Figure 5.2

### Asia Pacific Retail Shrinkage – by Country 2013–2014

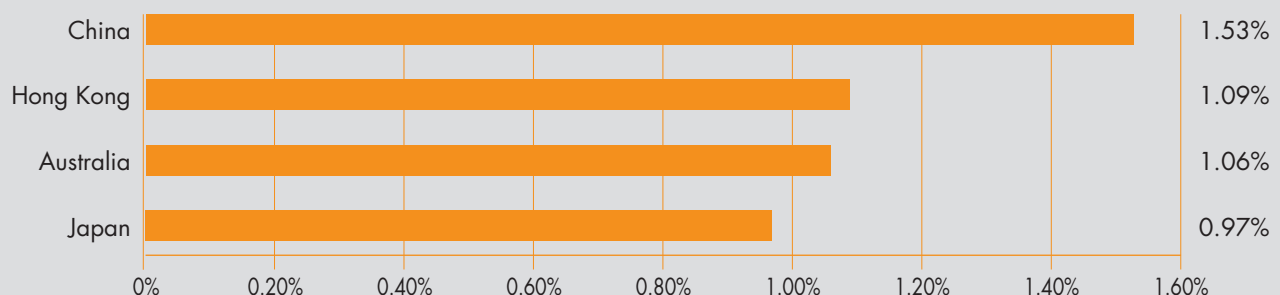


Figure 5.1

### Asia Pacific Retail Shrinkage – by Country (2013–2014)

| Country   | Total Shrinkage (\$ million) | Shrinkage (as a % of sales) |
|-----------|------------------------------|-----------------------------|
| Japan     | 10,248                       | 0.97                        |
| Australia | 2,440                        | 1.06                        |
| Hong Kong | 547                          | 1.09                        |
| China     | 24,387                       | 1.53                        |

### ■ CAUSES OF SHRINKAGE BY RETAILER TYPE

Similar to North America, discounters in Asia Pacific were the most impacted by shrinkage. Electronics retailers suffered the least shrinkage (0.5%) mainly due to enhanced loss-prevention systems and adequate inventory management.

Apparel specialist retailers in China and Hong Kong have superior loss prevention solutions installed as a result of the high shrinkage in their stores.

Grocery retailers can generally negotiate better contracts, asking suppliers for shrinkage compensation, thus impacting declared shrinkage.



Figure 5.3

## Asia Pacific – Shrinkage Rate across Different Types of Stores in Asia Pacific. 2013–14

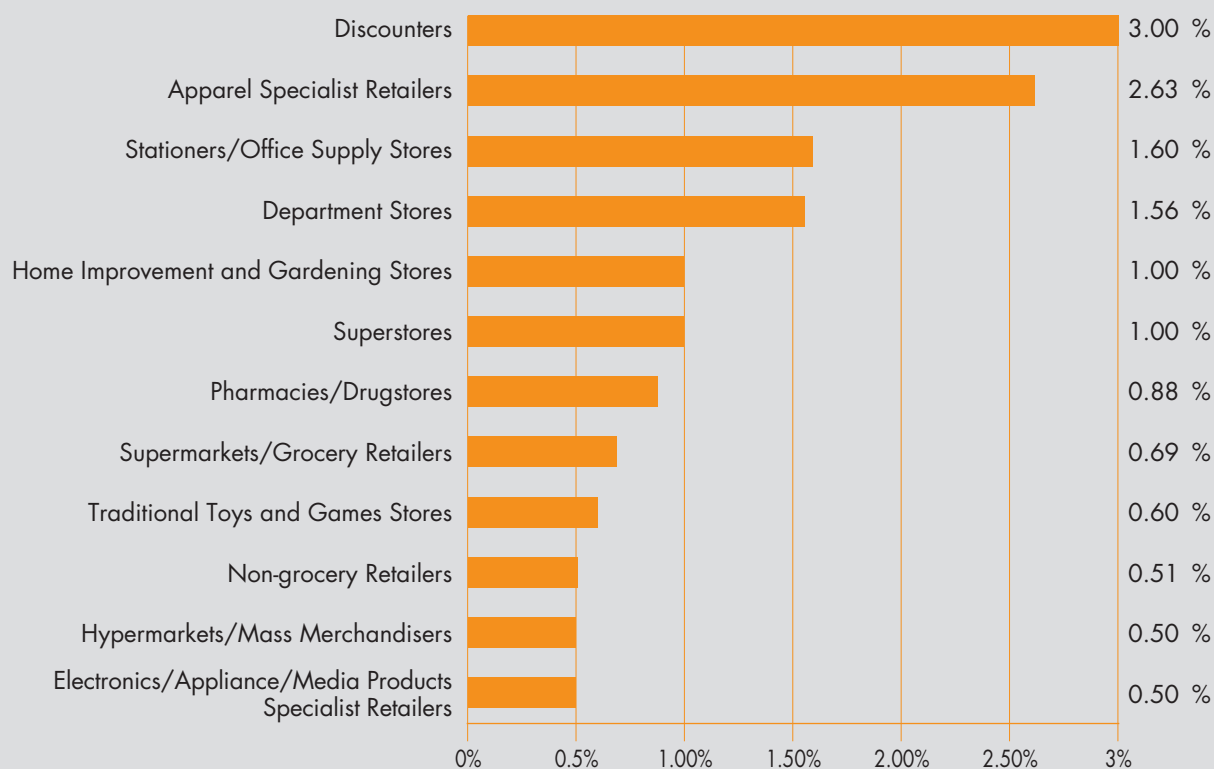
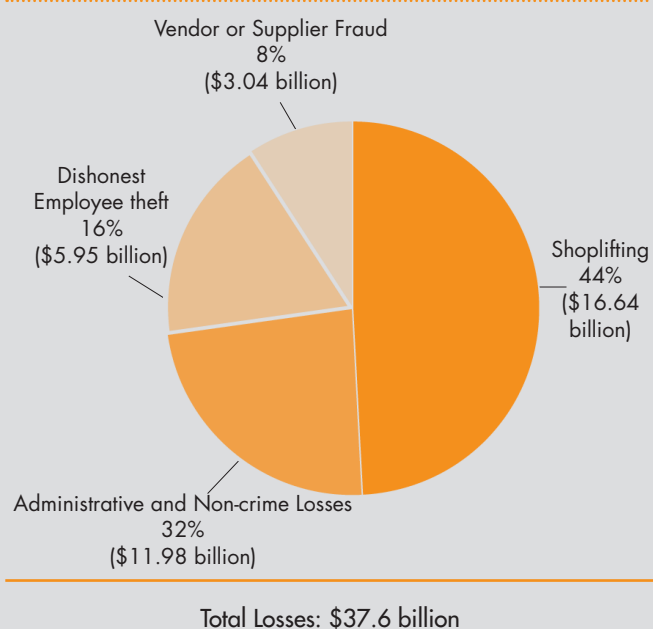


Figure 5.4

## Asia Pacific – Sources of Retail Shrinkage 2013–2014



## ■ SOURCES OF SHRINKAGE

Shoplifting is the largest source of retail shrinkage in Asia Pacific, except Australia, where internal theft by dishonest employees accounts for most of the losses. The main issue in the case of shoplifting in Australia is the lack of legal penalties. Over 2013–2014, retailers in Hong Kong reported the highest loss in revenue due to shoplifting, a trend witnessed in the previous year as well. International brands had more sales in China and Hong Kong due to increased tourism, leading to increased thefts due to the high resale value of such products. Japan was an aberration, as more than one-third of its shrinkage was due to administrative and non-crime losses.

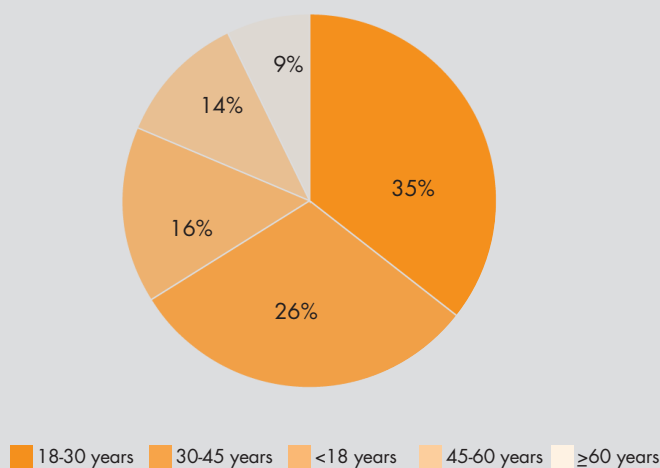
Figure 5.5

Asia Pacific Sources of Shrinkage – by Country 2013–2014

|           | Dishonest Employee Theft | Shoplifting | Vendor or Supplier Fraud | Administrative and Non-crime Losses |
|-----------|--------------------------|-------------|--------------------------|-------------------------------------|
| Australia | 42.5%                    | 30.0%       | 8.4%                     | 19.1%                               |
| China     | 27.5%                    | 50.4%       | 6.9%                     | 15.2%                               |
| Hong Kong | 20.0%                    | 55.3%       | 12.3%                    | 12.4%                               |
| Japan     | 9.2%                     | 47.6%       | 8.0%                     | 35.2%                               |

Figure 5.6

Asia Pacific – Age Profile of Shoplifters



Adults in the 18–45 years age group constitute a majority of the shoplifters in Asia Pacific. Japan is an exception, as shoplifters are distributed almost evenly across age groups. In Japan, teenagers (below 18 years) constitute the largest group —23%— of shoplifters. The 18–30 years group is the largest group of shoplifters in Australia (42%), China (46%) and Hong Kong (39%).

The survey respondents were almost unanimous in identifying a majority of the shoplifters as male. For example, 40% Chinese retailers claimed that more than 75% shoplifters were men, while another 20% identified 25–50% as men. In Japan, the results are more balanced, as 56% retailers believe that 25–50% shoplifters were men, with only 11% retailers giving a higher number. 40% retailers in Hong Kong and 33% in Japan expressed their inability to identify demography of the shoplifters, suggesting the lack of a proper tracking system to monitor and prevent in-store theft.

Shoplifting was the key reason for shrinkage across retailers, except discounters, hypermarkets and non-grocery retailers, for whom administrative loss was the highest contributor. Retailers agreed that they needed stricter laws and punishment for shoplifting, to act as a deterrent. Even though staffing levels have increased over the years, the trend of keeping more products on display attracts shoplifters.

Instead of locking products in cabinets, which results in lower sales, retailers are focusing on additional manpower in certain areas of the store.

■ INVENTORY VISIBILITY

The results in countries in Asia Pacific follow a pattern, wherein countries with higher shrinkage spent much more time counting inventory to make up for the lack of efficient inventory tracking solutions.

Figure 5.7

## Asia Pacific Reasons for shrinkage – by Retailer Type

| Type of store                                             | Dishonest Employee theft | Shoplifting | Vendor or supplier fraud | Administrative and non-crime losses |
|-----------------------------------------------------------|--------------------------|-------------|--------------------------|-------------------------------------|
| Supermarkets/Grocery Retailers                            | 29%                      | 52%         | 10%                      | 9%                                  |
| Hypermarkets/Mass Merchandisers                           | 13%                      | 34%         | 0%                       | 53%                                 |
| Discounters                                               | 10%                      | 20%         | 30%                      | 40%                                 |
| Superstores                                               | 18%                      | 61%         | 11%                      | 11%                                 |
| Department Stores                                         | 56%                      | 25%         | 10%                      | 8%                                  |
| Apparel Specialist Retailers                              | 23%                      | 54%         | 7%                       | 17%                                 |
| Electronics/Appliance/Media Products Specialist Retailers | 24%                      | 46%         | 4%                       | 26%                                 |
| Traditional Toys and Games Stores                         | 14%                      | 68%         | 3%                       | 15%                                 |
| Pharmacies/Drugstores                                     | 28%                      | 48%         | 5%                       | 20%                                 |
| Home Improvement and Gardening Stores                     | 27%                      | 44%         | 10%                      | 18%                                 |
| Stationers/Office Supply Stores                           | 5%                       | 50%         | 10%                      | 35%                                 |
| Non-grocery Retailers                                     | 8%                       | 15%         | 0%                       | 77%                                 |

Figure 5.8

## Asia Pacific – Relationship between Shrinkage Rate, Employee's Inventory Visibility and Store Staff's Time Spent Counting Inventory across Countries (2013–2014)

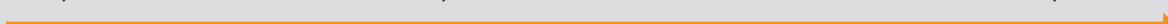
|                                                                                                                        | Shrinkage Rate | Average time spent counting inventory per employee in minutes (all employees have 8-hour shifts) | Inventory visibility status (unable to locate a product that you believed you had in stock) |            |
|------------------------------------------------------------------------------------------------------------------------|----------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|------------|
| Australia                                                                                                              | 1.06%          | 32.0                                                                                             | Rarely                                                                                      |            |
| China                                                                                                                  | 1.53%          | 76.8                                                                                             | Often                                                                                       |            |
| Hong Kong                                                                                                              | 1.09%          | 48.0                                                                                             | Often                                                                                       |            |
| Japan                                                                                                                  | 0.97%          | 32.0                                                                                             | Occasionally                                                                                |            |
|                                                                                                                        | Rarely         | Occasionally                                                                                     | Often                                                                                       | Very Often |
| <br>Increasing Cases of Occurrence |                |                                                                                                  |                                                                                             |            |

Figure 5.9

Asia Pacific Cost of Retail Crime – by Country 2013–2014

|                     | Shrinkage   | Cost of Retail Crime (as a % of Revenue) | Cost of Retail Crime (\$ billion) | Country Wise: Cost of Retail Crime per Person (\$) |
|---------------------|-------------|------------------------------------------|-----------------------------------|----------------------------------------------------|
| Australia           | 1.06        | 1.64                                     | 3.8                               | 169.3                                              |
| China               | 1.53        | 2.01                                     | 32.0                              | 23.7                                               |
| Hong Kong           | 1.09        | 2.46                                     | 1.2                               | 174.7                                              |
| Japan               | 0.97        | 1.47                                     | 15.6                              | 122.7                                              |
| <b>Asia Pacific</b> | <b>1.28</b> | <b>1.79</b>                              | <b>52.6</b>                       | <b>34.9</b>                                        |

■ COST OF RETAIL CRIME

Higher retail crime in the region fuelled spending on loss prevention (as a percentage of revenue). Australian retailers (0.78%) lagged behind retailers in Japan (0.88%), China (1.02%) and Hong Kong (1.51%).

In 2013–2014, Asia Pacific accounted for 35% (\$28.1 billion) of the global spending on retail loss prevention. Chinese retailers contributed 20% (\$16.2 billion) to the global spend, while Japanese counterparts accounted for 12% (\$9.4 billion). Out of the 24 countries surveyed globally, retailers in Hong Kong reported the highest average retail loss prevention spend as a percentage of revenue.

Figure 5.10

Asia Pacific Spend on Retail Loss Prevention – by Country 2013–2014

|                     | Spend on Retail Loss Prevention (as a % of Revenue) 2013-2014 | Spend on Retail Loss Prevention' (\$ billion) 2013–2014) |
|---------------------|---------------------------------------------------------------|----------------------------------------------------------|
| Australia           | 0.78                                                          | 1.8                                                      |
| China               | 1.02                                                          | 16.2                                                     |
| Hong Kong           | 1.51                                                          | 0.8                                                      |
| Japan               | 0.88                                                          | 9.4                                                      |
| <b>Asia Pacific</b> | <b>0.96</b>                                                   | <b>28.1</b>                                              |

Increase in loss-prevention spending by Australian and Japanese retailers has resulted in a subsequent decrease in their shrinkage rates over 2013–2014. China, however, has not been able to control shrinkage due to a perceived increase in organised crime. Retailers in Hong Kong make a significantly higher proportion of their revenue as investment in loss prevention technology than their mainland counterpart. With a relatively similar level of shoplifting in Hong Kong and China, there is a requirement to further increase spending by Chinese retailers. In some cases, suppliers provide support to retailers to help in loss prevention.

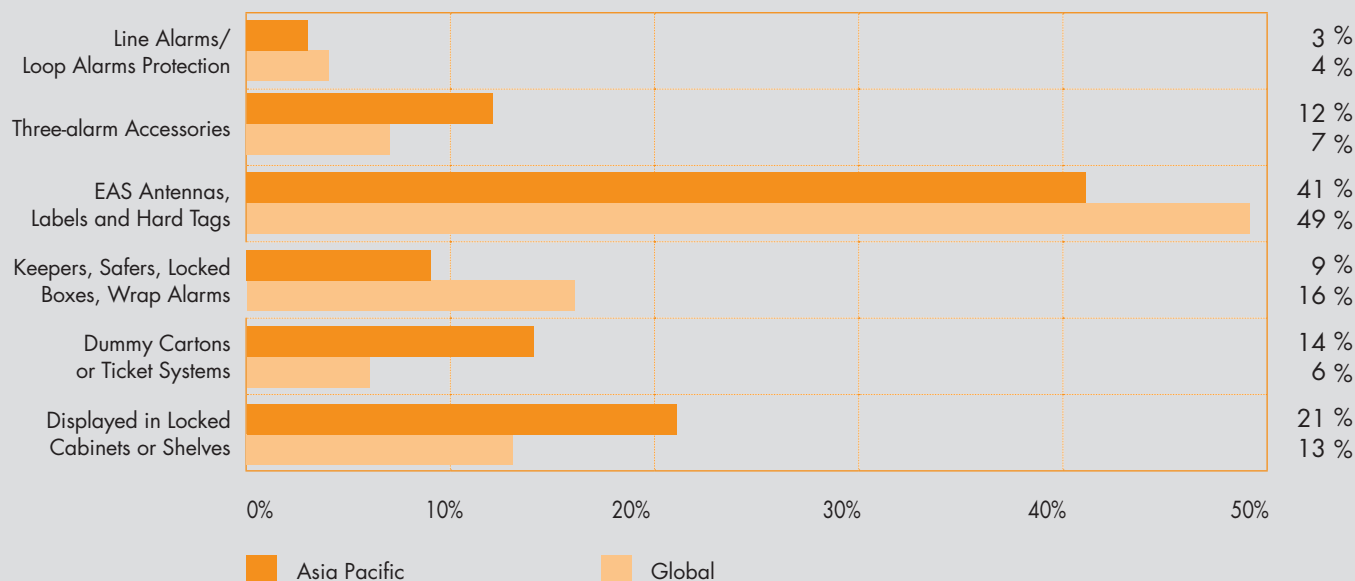
■ LOSS PREVENTION SOLUTIONS

EAS antennas, labels and tags, are the most popular loss-prevention solutions among retailers in the region. However, country-specific preferences vary. For example, three-alarm accessories are the most preferred (40%) solution in Hong Kong, while dummy cartons and ticket systems are preferred (39%) by Japanese retailers.

According to respondents, loss-prevention solutions in China are shifting from staffing more personnel to investing in technology. Also, the implementation of CCTV cameras in Australia aided shrinkage reduction in 2013–2014. The main factors influencing the implementation of loss-prevention solutions in Australia include a store’s location (in more sensitive areas with regards to theft) and the ROI of such solutions. Stores in high theft-prone areas are likely to implement a wider range of loss-prevention solutions.

Figure 5.11

Asia Pacific – Popular Loss-prevention Solutions 2013–2014



Retailers also shared that additional staff training will play a pivotal role in loss prevention by creating awareness and averting such issues.

Source tagging was more prevalent in Hong Kong, with 40% retailers source tagging 10–20% of their SKUs.

14% retailers planned to maintain the number of source-tagged SKUs at the same level, while 41% plan to increase the number of source-tagged SKUs.

45% retailers surveyed in the region still did not have plans to implement source tagging.

78% retailers surveyed in Japan did not plan to implement source tagging, compared with only 20% in Hong Kong, 33% in China and 33% in Australia. On the other hand, 56% retailers in Australia, 50% in China, 40% in Hong Kong and 22% in Japan plan to increase source-tagged SKUs.

Figure 5.12

Asia Pacific – Percentage of SKUs Sourced Tagged

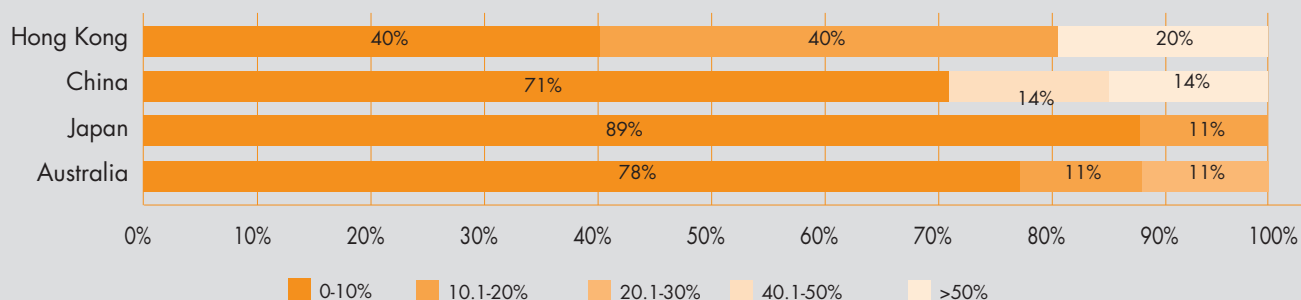
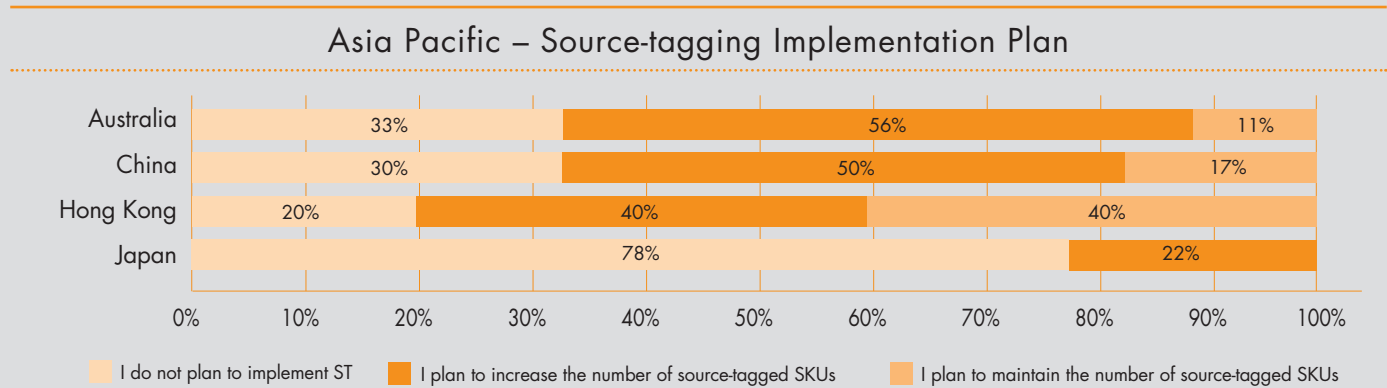


Figure 5.13



## ■ SHRINKAGE TRENDS

Retailers unanimously linked the trend of displaying increasing number of items, over the past few years, with higher cases of retail theft, that is, when their products are displayed without an anti-theft device applied at source or in store. There is also a consensus around the period (out of the four key seasons) when these retailers witness the highest shrinkage. During the Christmas/end-of-year holiday season, when retailers witness increased footfall, shrinkage rises. Almost 58% retailers reported maximum

shrinkage during this season, versus Easter and back to school and the sales. The second-most susceptible period is when a retailer offers products on sale.

In general, goods that can be resold easily are among the most-stolen items. For example, accessories are the most targeted items by shoplifters and dishonest employees. Mobile accessories are preferred over mobile handsets, while fashion accessories are preferred over fashion clothing. A factor behind targeting accessories is their smaller size, enabling easy concealment.

Figure 5.14

### Asia Pacific – Top 3 Most-stolen Items

|            | Apparel and Fashion Accessories | DIY/Home Improvement | Electronics            | Food and Beverages                      | Health and Beauty              |
|------------|---------------------------------|----------------------|------------------------|-----------------------------------------|--------------------------------|
| <b>1st</b> | Fashion accessories             | Batteries            | Mobile accessories     | Wines and Spirits                       | Perfumes & fragrances          |
| <b>2nd</b> | Jewellery                       | –                    | iPhones/smartphones    | Fresh meat<br>Gourmet food/delicatessen | Make-up products               |
| <b>3rd</b> | Lingerie/intimate apparel       | –                    | CD/DVD and video games | Tobacco and Cheese                      | Razor blades and Facial creams |

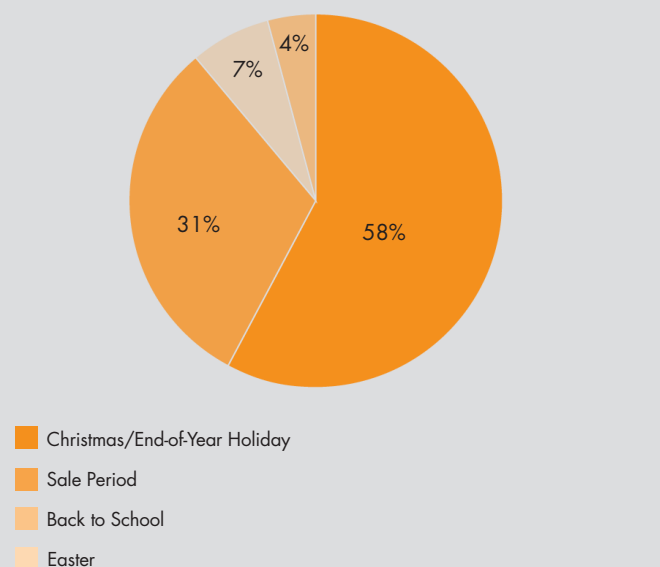
The increasing trend to have wide entrances in stores makes it difficult to control the full area with shrinkage levels that tend to rise. Large retailers have identified shrinkage as a key business challenge and are actively looking to deploy high-end solutions, especially in Australia.

The implementation of source-tagged SKUs is difficult in China and Hong Kong, mainly due to the fragmented market and high number of retailers. RFID is also an option, which —though expensive for some— brings commensurate benefits.

Some of these areas witness high tourist activity, resulting in higher shoplifting.

Figure 5.15

Asia Pacific – Seasons witnessing most shrinkage







# The **New** Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

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