

The State of Retail Loss Prevention

Industry Survey Report



Contents

1. Understanding the Impact of the New Environment	3
2. New Responsibilities and Challenges for Loss Prevention Professionals	4
3. How LP Professionals Are Dealing with the New Environment	6
4. Keeping Focused on the Core Priorities	10
5. The Role of Technology Solutions in Addressing the New Risks and Challenges	14
6. Best Practices for Addressing the New Challenges	16
7. Survey	16
8. Demographics	16



1. Understanding the Impact of the New Environment

The pandemic has obviously significantly affected businesses of all types and how we go about our work lives as well as how we behave as consumers and shoppers. While the retail industry has been one of the most impacted some sectors such as grocery and big box have fared better than apparel, health, beauty and specialty retail. But regardless of the retail sectors, the job of retail loss prevention professionals has changed significantly in the last few months and some of the changes and new challenges are likely here to stay for the foreseeable future.

To help the profession get a better understanding of the new environment and share insights and best practices as to how retail organizations are responding, Nedap Retail conducted a survey of 100 retail loss professionals in the USA in August and September 2020. We are pleased to share the results in this Industry Report and looking forward to continuing the discussion on how we can jointly address the new challenges.

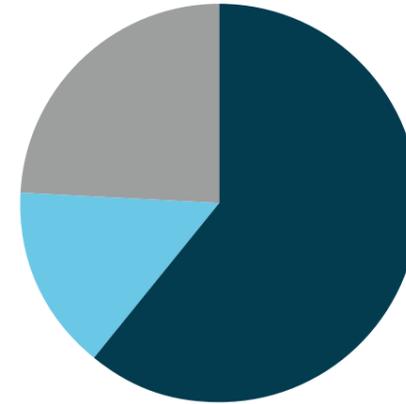
2. New Responsibilities and Challenges for Loss Prevention Professionals

As a result of the pandemic, Loss Prevention (LP) professionals are facing a number of new challenges and have been charged with new responsibilities. The job has changed significantly for many and the great majority is struggling to manage all the responsibilities, especially in an environment where resources and headcount have been cut.

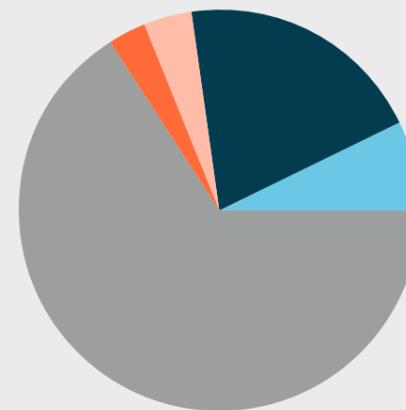
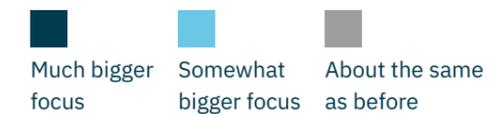
The most significant change has been the increased focus on Health & Safety – for both customers as well as store associates. Over 76% of the respondents confirm that health and safety have been added to their job responsibilities and for many they have become the main focus. Not surprisingly, 50% of respondents also report assuming additional non-LP responsibilities. The new areas of focus reported by our respondents were around performing work duties and managing staff remotely (46% of respondents), managing workloads while staffing and resource have been cut (25%), and increased use of technology in the current environment (25%). Many are reporting additional duties to assist store associates with stocking shelves and monitoring inventory availability as discussed below.

When it comes to the core loss prevention activities, many have experienced a higher emphasis on prevention, deterrence, and lower apprehensions (27%) and measuring and reporting on key metrics of the virus in order to inform operational decisions. Still others are reporting new responsibilities with crowd control and managing occupancy requirements. In many ways, the job of loss prevention professionals has changed significantly and there's way more to be done.

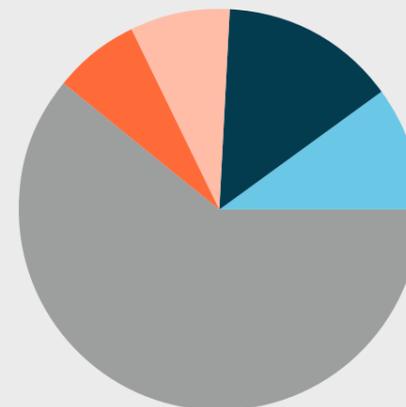
The data from our survey also suggests significant differences between more essential retail operations such as grocery and big box retailers, and apparel, health & beauty and other specialty retailers. Not surprisingly the former group report a much higher emphasis on health and safety management (85%), whereas the latter has experienced more pronounced cuts in staffing and resource (37% of those respondents). Additionally, big box and health & beauty are reporting a higher level of additional responsibilities overall (71% vs 50% for all). When it comes to remote work pretty much all sectors have been affected equally.



LP Professionals Responsibilities Around Health & Safety Compliance



Greater Focus on Prevention and Deterrence



Managing Work Responsibilities with Lower Resources



3. How LP Professionals Are Dealing With the New Environment



Health and safety monitoring and enforcement:

The greatest majority of the LP professionals have been tasked with and are still challenged to respond to these new responsibilities. From the general responsibility for the health of safety of customers and associates to enforcing mask wearing and store occupancy regulations to tracing infections. Several respondents shared concrete example of being tasked with tracking and tracing potential infections among employees and adjusting work schedules accordingly. For others, tracing confirmed COVID cases has been taken even further – such cases have to be reviewed on CCTV to establish who else may have been in contact with the confirmed patient. One respondent remarked: “My team has shifted from inventory control and security roles to more of a life safety role. We have enforced mask wearing, social distancing and have spearheaded projects for taking employee temperatures and metering store occupancy.” For others, the primary focus has changed completely: “Primary focus shifted from in-person emphasis on shrink reduction to remote emphasis on health and safety measures.”

Taking on store associates responsibilities and other new duties:

Many respondents have been assuming store-associate duties, including shelf stocking, customer service responsibilities, or are much more focused on physical security at the door. Several respondents are reporting additional HR-related duties. For some, verification of mask usage has been added to weekly LP audits. Most respondents are managing these new duties as best they can but not everyone is happy about it - as one respondent put it: “LP department has become more of a store associate, downgraded from Detective to customer service representative.”





Remote work challenges:

The requirement to perform job duties remotely has created a number of unique challenges and has necessitated the increased use of technology to monitor stores, store customers and inventory. The span of technologies used include video surveillance, inventory tracking and Electronic Article Surveillance (EAS) reporting systems and remote collaboration technologies. Several respondents are reporting that any travel has been restricted to larger investigations only and that most work activities are carried remotely. A number of respondents are reporting a focus on monitoring stores remotely and using remote collaboration technology to “visit” stores remotely. Even when visiting stores length of visit time has been shortened and the focus has switched to remote interviewing over the phone or using video streaming platforms.



Lower focus on detection and apprehension:

Many of our respondents also report on the unique challenges of customers wearing masks concealing faces and how this may have emboldened some store visitors and created additional shrink prevention risks. Retail loss prevention professionals are trying to deal with the additional problems of identifying perpetrators even when using video technologies. As one loss prevention professional put it: “Everyone wears masks, no one can be identified. Cops don’t respond for theft.”

In summary, loss preventions professionals’ responsibilities have changed pretty significantly and remote work has made it even more challenging to execute duties effectively. Many are looking for new ways of doing things and considering investments in technology solutions to remain productive and efficient with less resources. One of our respondents summed it up pretty well:



“Yes, (the pandemic) has changed how we conduct LP business altogether - inside of stores, training, how we conduct internal interviews, and operational assessments. We have also stopped creating shrink action plans and have limited time in stores, offices, and in-person interactions.”

4. Keeping Focused on the Core Priorities

Shrink Has Gone Up

The key metric for loss prevention success has gone up significantly. Of those who have taken inventories, a full 50% of respondents report higher shrink, for 24% it has stayed the same and the remaining 26% reported a decrease. It is also remarkable that fully a third of all respondents had not taken inventories to verify and report shrink.

When we look at the subsectors, big box and apparel retailers are reporting even higher numbers – 70% and 60% have experienced higher shrink, respectively.

We also compared the reported increased shrink against the types of new challenges that loss prevention professionals are facing. We found the biggest correlation among those who have experienced cuts in staffing and resources – 67% of them reported higher shrink compared to the 50% on average. The second most significant factor was an increased emphasis on deterrence – those who reported such changes in policies had a 34% higher instance of increased shrink (59% vs 44% for the rest of the group). And thirdly, those who reported a much bigger emphasis on non-LP activities had a 25%

higher chance of having higher shrink (55% vs 44% for the rest of the group), which begs the question as to whether the new responsibilities have resulted in LP professionals taking their eyes off the ball, or as one respondent put it: “instead of checking receipts we are sanitizing carts”.

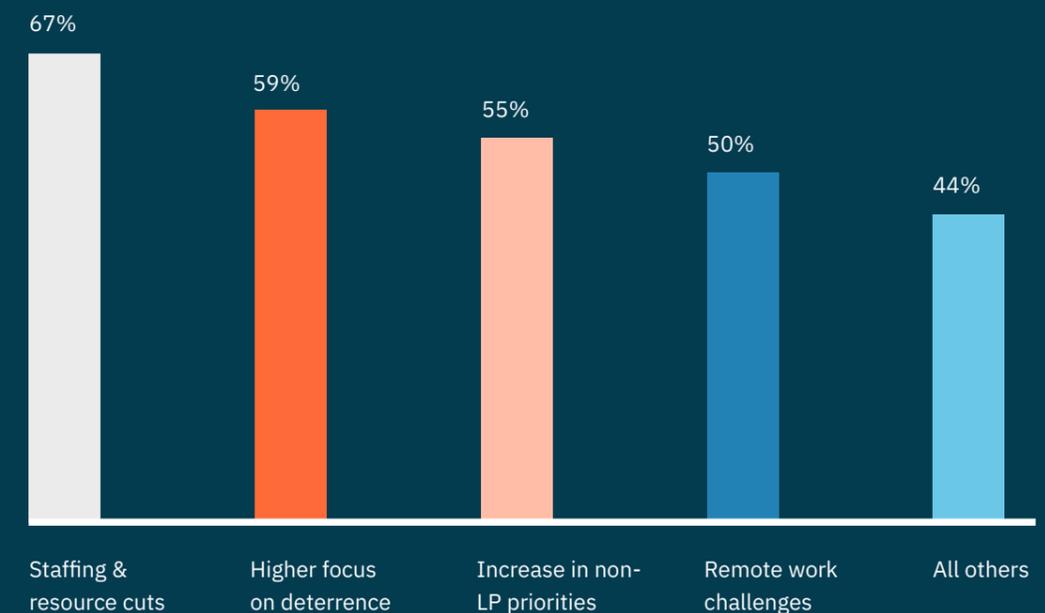
Other factors such as remote work challenges or new practices around occupancy enforcement did not have a significant effect, even though 74% of respondents are enforcing the new rules around occupancy and social distancing restrictions.

Some of the other challenges that LP professionals describe in executing their day to day work activities relate to the difficulties of identifying perpetrators when they are wearing a mask – over 40% of respondent report that to be a challenge. And video surveillance technologies may be falling short in that respect. Some have also raised frustrations with the inability to read facial cues when conducting interviews. Many are also further reporting what one respondent called “an alarming increase in internal theft”.

Another 23% of respondents are facing issues with apprehension and resolving conflict in the stores. Many are communicating instances of conflict, escalated customer interactions and threats of violence. When it comes to prevention a lot of respondents are concerned about the inability to conduct community outreach and awareness events.

Last but not least, as we are all coping with the new environment, a great majority are finding it challenging to conduct interviews or communicate with customers and associates while wearing a mask.

Increases in Shrink Correlated to Reported New Challenges



Increased Focus on Inventory Control Practices

When it comes to inventory control practices, loss prevention professionals are pulling all stops. A significant number are reporting an increased focus on cycle counts, completing inventories as well as securing high-risk merchandise. Some are looking to improve door security and increase the checking of receipts and also increase store visits. Quite a few are refocusing on improving inventory turns while some are discontinuing the use of outside parties to conduct inventories. Adding training and hiring more resources are also high on the list.

Considering the new types of risks, several respondents are reporting an increased emphasis on online commerce fraud as well as addressing ORC (organized retail crime). Due to the disruptions in supply chains and overall demand factors many are also taking a look at the risk of losses in expired and damaged inventories.

However, many of these controls and procedures are dependent on manual processes and increased staffing. And it is unclear whether in-person controls can be implemented to the same extent or whether additional staffing resources will be made available. Therefore, the more forward-looking retailers are also planning to implement additional RFID and EAS (electronic asset surveillance) technologies as well as improve their in-store wifi networks. Automating inventory tracking, reporting and protection using these technologies not only provides deterrence, identification and apprehension capabilities in real-time but current information around inventory levels, which can be utilized for remote monitoring and analyses.



5. The Role of Technology Solutions in Addressing The New Risks and Challenges

As a consequence of the many new challenges, a significant portion of loss prevention professionals are experiencing high levels of work-related stress, inability to balance work and life commitments and an overall sense of having to do so much more with less resources — 48% report inability to keep up with LP duties due to reduced staffing and new priorities.

With new pressures, new responsibilities, increased difficulties to execute primary duties around shrink and loss reduction, and shrinking staffing the forward-looking and more senior loss prevention professionals are turning to technology for answers. About a third of all respondents are confirming plans to invest in new technologies in the next 6 months while others are considering long-term investments and another 22% are still unsure about or have no visibility in investment decisions. The more senior loss prevention professionals have an increased focus on technology investment likely due to higher visibility into the challenges and the

higher responsibility in terms of spending — 45% of VP level professionals and 36% of district and regional directors and managers are reporting planned investment in the next 6 months. As one respondent confirmed:



“Our teams are focusing on identifying the ways technology can help us automate processes and collect data for insights — that’s the only way we’ll get our jobs done”

The main areas of planned technology deployment are centered around video technologies, remote monitoring, EAS and RFID inventory tracking technologies, as well as alert and alarm technologies. A good portion of respondent are also looking at online audit tools. Still others are planning analytics technologies, including customer count and in-store analytics solutions.

Somewhat curiously, the largest portion are contemplating video surveillance — 60% of all are planning or considering, even though respondents shared multiple challenges with using video to identify mask-wearing store visitors or employees. Video surveillance may be common sense but may fall short in addressing some of the new types of risks. Furthermore, many video technologies rely on human monitoring and are lacking automated alerting or alarm capabilities. Since many retail businesses are reporting increased internal theft as well as an increased focus on prevention, rather than detection after the fact, and especially in an environment of conflict minimization and reluctant confrontation and apprehension, retailers should consider the use of inventory tracking solutions to address those needs.

A large portion of the perpetrator identification and apprehension challenges as well as inventory counting and analytics can be addressed with inventory tracking solutions such as RFID and EAS systems. About a third of our respondents confirmed their interest in acquiring or enhancing such technologies in the next 6 months. Those respondents were mostly senior

professionals with 65% of them at the VP or District/ Regional Director or Manager level.

50%

of survey respondents confirmed their interest in remote monitoring

Overall, another 50% of the survey respondents confirmed their interest in remote monitoring solutions without specifying whether they referred to people-tracking video or inventory-tracking solutions. Forward looking retail companies should also consider the best of both worlds by implementing inventory tracking and loss prevention solutions that integrate and work together with existing or new video monitoring.

It is also worth noting that to further address the new challenges around health and safety compliance and other new responsibilities, 17% of our participants are looking into heat tracking and temperature measurement solutions and 30% are planning for other technology solutions.

6. Best Practices for Addressing the New Challenges

Our survey has confirmed what we've known all along - loss prevention professionals are hungry to find out more about best practices and solutions to address the new challenges facing the profession. Almost 100% of the respondents, 97% to be precise, indicate they are interested in hearing about new ways of managing LP activities – 61% are very interested, and 36% somewhat interested. Additionally, 93% reported an interest in general best practices as well as shrink reduction solutions. And 86% are eager to learn about inventory monitoring and control solutions. We are thankful to all our respondents for helping us collect the data and report on the state of loss prevention as well as the benchmarks and new best practices and solutions that are emerging.

97% are interested in hearing about new ways of managing LP activities

There is still a lot of uncertainty and apprehension related to the new environment. Some are returning to normal with 58% reporting they are already back in the office, whereas about a third are planning to return in 2021 or don't know when exactly. A little over 50% expect in-person activities, including trade shows, to return to normal in 2021 whereas the others are looking further into the future or unsure.

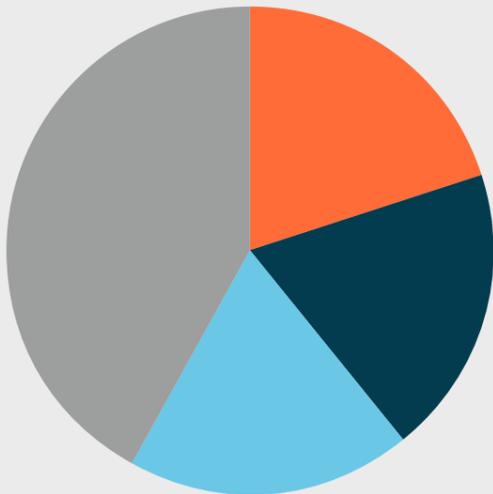
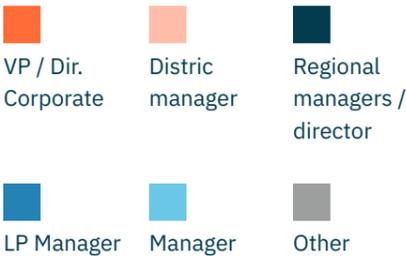
However, one thing is certain – the job of the retail loss prevention professional has changed and has become more challenging. To fully respond to the new challenges LP professionals need to look beyond current practices and established solutions and explore the use of technologies that can automate, streamline and scale loss prevention processes and curb the trend in increased shrink thereby assuring a return on investment and the safeguarding of company assets.

Demographics

Nedap Retail Solutions conducted the survey among 100 retail loss professionals in the USA in late August and early September 2020 with the goal to assist the profession in identifying and sharing data on new challenges, trends and solutions and the corresponding best practices. Our survey represents a good cross-section of the profession and subsectors within the industry and we hope it serves to provide benchmarks for all.



Seniority Levels of Respondents



Retail Sectors



Questions?

We have the answers

Every industry has its own unique challenges and opportunities. Nedap Retail creates unique solutions, geared to your industry, to help you take full advantage of social, mobile, cloud, and analytics as you transform your business.

Contact Nedap nedap-retail.com/contact