



## SUMMARY

Theft, especially employee theft, is more serious than some small marketers might think. Dishonest employees may account for two-thirds of the losses of some stores. Shoplifting is very high in others.

Positive steps can be taken to curb theft. Some are outlined in this *Aid*. They include safeguards against employee dishonesty and ways to control shoplifting. In addition, key theft hazards are spelled out, and preventive measures are detailed. The advantages of undercover investigation are also described.

Retail theft loss estimates vary by the type of operation and the efficiency of management. They range, for example, from about 0.7 percent of sales for the well-managed department store to about 4.5 percent for the loosely controlled operation. Dishonest employees account for about two-thirds of the retail theft, according to one estimate. You can blame another one-third on shoplifting.

The encouraging thing is that even though you cannot eliminate stealing entirely, you can take positive steps to keep it to a minimum. The key lies in the proper mix of the right controls.

## THIEVING PERSONNEL

The best profit safeguard you can have in a store is the employee whose integrity is beyond question. The trouble is too many retailers take integrity for granted. "Innocent until proven guilty" is a meaningful and deep-rooted American principle. But it doesn't preclude the need to install effective theft deterrents and to take measures to track down dishonesty.

Case after case points up this need. All too often, the biggest crook turns out to be the most trusted employee, the hard worker who has been with the company "umpteens" years, the one about whom you are most likely to exclaim, "Not Charley! Anyone but Charley!"

The problem is that Charley, with his long experience, knows store procedures backwards. Because he is so knowledgeable and well trusted, he is in a better position to steal than anyone else. And all it takes to get him started is one weak moment, one time of need, one dishonest friend, or one temptation that is too hard to resist. And once he's started—it's like being on dope.

An example is a trusted store manager, who was on the payroll for years and had often been a guest in the owner's home. Undercover investigation to determine the reason for inventory shortages revealed the following: The store manager had altered reports to indicate that the store received more goods than was actually delivered. He was in collusion with a vendor who split the extra payments with him. Also he stole merchandise and carried it away from the store in his automobile on Sundays.

### • Steps To Take

One fact is obvious. The store with the greatest proportion of honest employees suffers the least from theft loss. The trick is to take every precaution to ensure that the people you hire are honest to begin with. Then, take pains to maintain the kind of store climate that will encourage them to stay honest.

## IMPROVING THE LEVEL OF PERSONNEL

Upgrading the level of retail personnel is largely a matter of careful personnel screening and selection, including careful reference checks, credit checks, psychological tests, polygraph lie-detector tests, and personal character examinations. Doing these things and sticking to the basic tenets of employee motivation can help you to generate a store atmosphere which discourages employee theft.

### • Screening Applicants

Just like a book, a job applicant can't be judged by his outward appearance alone. Don't let the "front" he puts on dull your caution. His appearance, experience, and personality may all be striking points in his favor. And he may still be a thief. Or he may be an alcoholic, drug addict, or other high security risk. Remember that the man you easily pick may just be looking for easy pickings.

One hiring mistake could prove to be a devastating profit drain for months or years to come. No matter how urgently you may need additional personnel, it does not pay to loosen your screening and hiring procedures. When you compromise your standards of character and integrity, you also compromise your profit position.

Don't take chances. Run a conscientious reference check on every new employee. No security measure is more important than this.

Lack of knowledge about the store's routine usually restricts a new employee's stealing to what he can slip from the cash register or conceal on his person. You can detect either by close watch of daily receipts and a personal scrutiny of the new employee until you are satisfied that you can trust him.

### • Set the Tone

Checking out new employees is only the beginning of upgrading your personnel. Another important step is setting a tone or atmosphere which will encourage honesty in your store.

In doing it, *shoot for excellence of conduct and performance*. Because people respect high standards, you should not settle for less. They also tend to copy the individuals who set such standards and require that they be met.

It is important to adopt a "Zero Shortage" attitude. If you feel that a "reasonable write-off" due to pilferage is all right, keep it a secret and hammer away at shortage control, even when losses diminish.

The owner-manager should also *avoid setting a double standard of moral and ethical conduct*. If an employee sees a supervisor in even a minor dishonest act, he is encouraged in the same direction. Return overpayments, or overpayments, promptly. When you set rules, have them apply to everyone. The owner-manager cannot expect his people to set standards that are any higher than those he sets for himself.

*Preserving the dignity of employees* is essential if you expect your people to respect you and the store. Employees should be treated with courtesy and consideration. Show an interest in them as individuals. Then back that interest—to mention an example or two—by keeping restrooms and other areas clean and attractive and by providing fresh uniforms, if your business uses them. Respecting employees may not reform the hard-core thief. But it will help keep many others from straying.

Finally, the owner-manager should not expect his people to achieve the impossible. Giving an employee an unrealistic goal is an invitation to cheat. When you do, you give no alternative. It is either cheat or admit failure and risk losing his job.

- **Provide the Incentives**

A third step in upgrading personnel is to enable employees to live up to your expectations. The following practices can be helpful.

*Make certain each person is matched to his job.* An employee should not be put in a position where he is forced to lie or cheat about his performance because he is unable to do his work. Lying and cheating, even on a small scale, is just a step away from theft.

*Set reasonable rules, and enforce them rigidly.* Loosely administered rules are more harmful than no rules at all. The quickest way to undermine employee respect for you and for the store's assets is to show softness and permissiveness.

*Set clear lines of authority and responsibility.* Each employee needs a yardstick by which to measure his progress and improve his performance. To fulfill this basic human need, his duties should be spelled out—preferably in writing. When he does not know who does what, there will be error, waste, and the kind of indifferent performance that breeds dishonesty.

*Employees should be given the resources they need to achieve success.* Whether he is a buyer, a salesperson, or stockboy, nothing is more frustrating to any employee than to see his goal blocked by circumstances beyond his control. To perform well, an employee needs the proper tools, the right information, and guidance when it is required. Denying such support and expecting him to produce is a sure way to weaken morale.

*Be fair in rewarding outstanding performance.* The top producing salesperson who receives the same treatment as the mediocre employee is apt to become resentful. Individuals who make a worthwhile profit contribution are entitled to, and expect, a fair share of ego and financial satisfaction. Honest recognition of merit by the owner-manager triggers more honest effort on the part of the employee.

*Finally, you should remove the temptation to steal.* One organization of counter service restaurants is noted for its good employee relations. It treats people fairly. It displays faith in their integrity and ability. But it also provides uniforms *without pockets*.

Remove the opportunity to steal and half the battle is won. There is no substitute for rigid, well-implemented preventive measures and controls.

In addition, the owner-manager should use a continuing program of investigation and training. He should train employees on ways to eliminate stock shortage and shrinkage. One small retailer, for example, trains his employees to record items, such as floor cleaner, which they take out of stock for use in the store. "Otherwise, it's an inventory loss," he says, "even though it's a legitimate store expense." Above all, never stop letting your people know that you are always aware and that you always care.

## RETAIL THEFT HAZARDS

In preventing theft, you should be aware of certain hazards. Some of them, along with antitheft pointers, are discussed in this section.

- **Pricing**

Loosely controlled pricing procedures constitute a major cause of inventory "shrinkage."

*Case in Point:* Items in a thrift store were ticketed in pencil. Moreover, some tickets were unmarked. Since the store was inadequately staffed, many customers marked down prices, switched tickets, or wrote in their own prices.



### Antitheft Pointers

Price items by machine or rubber stamp, not by handwriting. Permit only authorized employees to set prices and mark merchandise.

Make *unannounced* spot checks to be sure that actual prices agree with authorized prices and price-charge records.

- **Refunds**

Refunds provide the dishonest employee an easy means to ply his trade. There are more ways to lose money on returns or refunds than the average retailer dreams possible.

*Case in Point:* In one store, many returned items were marked down to a fraction of cost because of damage. It was easy for clerks to get authorization to buy "as is" merchandise. When they were armed with an okay, they substituted first-grade items for "as is" stock.



### Antitheft Pointers

Insist on a merchandise inspection by someone other than the person who made the sale.

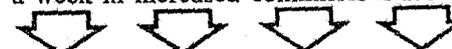
Match items to the return vouchers and then return the merchandise back into stock as quickly as possible.

Keep a tight control on all credit documents. Spot check customers by mail or telephone to make sure they got their refunds.

- **Popular Salespeople**

The popular salesperson is a great asset—*providing* he is popular for the right reasons. However, many salespeople win "fans" because of the deals they swing and the favors they grant.

*Case in Point:* Customers stood in line to wait for one veteran saleswoman. They refused to be served by anyone else. And no wonder! She switched tickets for many "special" customers, giving them substantial markdowns. Store losses amounted to about \$300 a week—not including \$25 a week in increased commissions for the crook.



### Antitheft Pointers

The popular salesperson may be your biggest asset. But don't take it for granted. Find out for yourself *why* he is so well liked.

Pay special attention to the salesperson who is visited by too many personal friends. To discourage such socializing, some retailers hire people who live outside the immediate store vicinity.

- **Cash Handling**

The cashier's post is particularly vulnerable to theft. The experienced cash handler with larceny on her mind can rob a store blind in a hundred and one ways.

*Case in Point:* A store owner's sales were high, but his profits were dragging. The cause was traced to a cashier who rang up only some of the items bought by his "customers." In most cases, he didn't ring "put-downs" at all. (A "put-down" is the right amount of cash which a customer leaves on the counter when he rushes out without waiting for his tape.)



#### Antitheft Pointers

Keep a sharp eye open for signals—nods, winks, and so on—between cashiers and customers.

Pay special attention to cashiers when they are surrounded by clusters of people.

Be alert to the use of over-ring slips to cover up shortages.

Watch for items bypassed when ringing up sales.

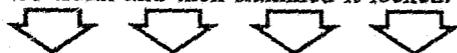
Check personal checks to make sure they are not being used to cover up shortages.

Use a professional shopper to check for violations of cash register and related procedures.

#### • Backdoor Thefts

Large scale theft is carried on more often through the back than the front door. Hundreds, even thousands, of dollars worth of merchandise can be stolen within a few seconds.

*Case in Point:* A stockboy parked his car at the receiving dock. He kept his trunk closed but unlocked. At 12:30 p.m., when the shipping-receiving manager was at lunch, the stockboy threw full cartons of shoes into his trunk and then slammed it locked. Elapsed time: 18 seconds.



#### Antitheft Pointers

Have a secondary check by a worker or salesperson on all incoming shipments.

Insist on flattening all trash cartons and make spot checks of trash after hours.

Prohibit employees from parking near receiving door or dock.

Keep receiving door *locked* when not in use. Make sure locked door cannot be raised a few inches. A receiving door should be opened only by a supervisor who remains in area until it is re-locked.

Alarm on door should ring until turned off with key held by store manager.

Distribute door keys carefully and change lock cylinders periodically.

### SHOPLIFTING

Shoplifting is greatest in the self-service store located in a metropolitan area. But regardless of location, no retailer can afford to leave himself unprotected against shoplifters. The following actions can help to cut down on shoplifting losses.

Keep tight checks and controls on washrooms and fitting rooms.

Keep unused checkout aisles closed.

Schedule working hours to assure adequate personnel coverage during peak periods.

Keep doors that are used infrequently locked.

Post antishoplifting signs.

Display small inexpensive items behind the checkout counter.

Keep small expensive items in locked display cabinets.

Use plainclothes patrols in larger stores.

Make sure employees know what to do when they spot a shoplifter.

Turn over apprehended shoplifters to the police.

During busy periods, station a uniformed guard at your exit.

### INVESTIGATION AND DETECTION

Most people are basically honest. Remove the temptation to steal, and there is every chance that they will remain honest. But unfortunately, the retailer must also protect himself against the minority who are basically dishonest—the hard-core thieves.

The only way to stop an employee who is a chronic thief is to uncover his method of operation and put an end to both it and his employment before your loss is great. Undercover investigation is the most effective way to do it because the chronic thief is adept at working around anti-theft procedures such as package examinations at employee exits.

Such investigation can be done by (1) developing your own informants or (2) hiring professional investigators.

Although home-grown informants might appear to be less expensive, working with a qualified, reputable investigative firm has advantages. For one thing, the well-trained professional does the job in an objective, impersonal way. He knows what to look for, where to look, and what steps to take to trip up the hard-core thief.

The investigator's function is clear cut—to investigate and to uncover employee and customer theft as quickly as he can. He reports his findings to the owner-manager with documented evidence.

You can also get advice, assistance, and information from a merchants' protective association, a retail credit bureau, a better business bureau, the police department, and the district attorney's office.

### FOR FURTHER INFORMATION

Readers interested in exploring further the subject of preventing retail theft may wish to consult the references indicated below. This list is necessarily brief and selective. However, no slight is intended toward authors whose works are not mentioned.

*Modern Retail Security* by S. J. Curtis. 1960. \$25. Charles C. Thomas, 301 East Lawrence Ave., Springfield, Ill. 62703.

*Shop Lifting and Shrinkage Protection for Stores* by Loren E. Edwards. 1970. \$9.50. Charles C. Thomas, 301 East Lawrence Ave., Springfield, Ill. 62703.

"The Inventory Shortage Enigma of the Discount Industry," by Saul D. Astor. Summer 1964. *Journal of Retailing*. New York University, 432 Commerce Bldg., New York, N.Y. 10003.

*Stock Shortages—Their Causes and Prevention*. \$1 members; \$1.50 nonmembers. National Retail Merchants Association, 100 West 31st St., New York, N. Y. 10001.

*Pilferage, Profits, Protection, and Peter Piper* by Saul D. Astor. 1964. \$5. Bureau of Business Research, Boston College, Chestnut Hill, Mass. 02167.

*Security World Magazine.* \$10 per year. Security World Publishing Co., Inc., 2639 South La Cienega Blvd., Los Angeles, Calif. 90034.

*Application of Security Systems and Hardware* by Richard B. Cole. 1970. \$10. Charles C. Thomas, 301 East Lawrence Ave., Springfield, Ill. 62703.

*Early Warning Signals of Internal Dishonesty.* 20 copies \$12.50. Loss Prevention Institute, Inc., 347 Fifth Ave., New York, N.Y. 10016.

*Mission: Loss Prevention.* A supervisory training film for retailers. \$275 members; \$325 nonmembers; rental \$60 per week. National Retail Merchants Association, 100 West 31st St., New York, N.Y. 10001.

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