NATIONAL CERTIFICATE IN WHOLESALE AND RETAIL OPERATIONS SUPERVISION, NQF Level 4, ID 49397

Stock Management

Aligned to unit standard: 118045

Learner Study Guide

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This Learner Study Guide articulates in the following programme and manner:

NATIONAL CERTIFICATE IN WHOLESALE AND RETAIL OPERATIONS SUPERVISION, NQF LEVEL 4, ID 49397

WHOLESALE AND RETAIL Learning Programme

Stock Management

Supervise implementation of loss control measures, US ID 118045

Introduction to this programme

Dear learner

Welcome to the learning programme – **Supervise implementation of loss control measures, US ID 118045**

The unit forms part of Stock Management for the NATIONAL CERTIFICATE in Wholesale and Retail Operations Supervision, which is registered with the WHOLESALE and RETAIL SETA.

Congratulations on choosing to upgrade your skills. We believe that this is one of many learning programmes that will develop and improve your skills.

Over the past couple of years, South Africa has made a significant shift from the old dispensation in education (where learners used to be bombarded with theory and very little practical work) to an outcomes-based education model (based on competency rather than on theory). The aim of the shift is to make the South African labour force more productive and show them how to apply the knowledge that they have gained from training programmes.

The learning programme you are about to start is outcomes-based and in line with the outcomes as stipulated in the applicable unit standard. The assessment is also in line with the assessment criteria as stipulated in the unit standard. Once you have been declared competent on the outcomes of this unit standard, you will receive **credits** towards a nationally recognised qualification.

You will be assessed formatively and summatively. The **formative** assessment will be conducted as you work through the lessons of this Study Guide and the **summative** assessment will be conducted when you have completed your training. Assessment can also be defined as the method that is used to determine whether you have mastered the skills that you will be taught during this learning programme. Assessment usually consists of two components, namely **instructional learning** (as conducted during this learning programme) and the **workplace assessment** – to determine your practical skills and your ability to implement what you have learnt.

The purpose with the Practical Guide Logbook (which will be handed to you by your assessor) will be to assess whether you can apply what you have learnt in the workplace.

Another added advantage to the new dispensation is the fact that recognition of prior learning is also considered and can count towards achieving credits towards a skills programme or qualification. Life experience, work experience and previous courses attended can be taken into consideration for recognition of prior learning purposes, should it relate to the specific learning programme or qualification you are working towards. This is merely a brief description to the new dispensation and barely covers what one can learn about this.

So, you will undergo theoretical training; receive your Practical Guide Logbook and Learner Assessment Guide & Portfolio of Evidence. At this point, you and your assessor will sign the Assessment Plan and your assessment will commence! You will be guided all the way.

We hope that this makes you as excited as it does us and it is a real privilege for us to be able to facilitate and assess you on the outcomes of the unit standard that we are about to start.

Please feel free to communicate any questions to your facilitator or to your assessor.

Remember, look out for the following icon in your Study Guide:

This icon indicates an activity that must be completed and placed in your Portfolio of Evidence (PoE).

Purpose of the learning programme

Purpose

The purpose of this learning programme is to enable learners to explain to their respective teams the effects of shrinkage and losses on the organisation, identify potential areas of loss and causes of loss within their designated area and implement loss control measures.

Critical cross-field outcomes

During the Lessons (and theoretical process), the practical component and the workplace experience you will complete during the course of this programme, there are also CCFO's

These CCFO's are as follows:

CCFO	Details
Identify and solve problems	The ability to identify and solve problems when explaining the effect of shrinkage and losses and implementing action to minimize losses in specific areas
Work effectively with others and as part of a team	The ability to work effectively with others and as part of a team when implementing action to minimize losses in specific areas
Organize and manage oneself and one's activities effectively and responsibly	The ability to organize and manage oneself and one's activities when implementing action to minimize losses in specific areas and measures to reduce shoplifting
Collect, analyse, organize and critically evaluate information	The ability to collect, analyse, organize and critically evaluate information when implementing measures to reduce shoplifting
Communicate effectively	The ability to communicate effectively during the supervision of loss control implementation measures
Demonstrate an understanding of the world as a set of related systems	The ability to demonstrate an understanding of the world as a set of related systems when explaining the effects of shrinkage and losses

Essential embedded knowledge

During the learning sessions, the practical component and the workplace experience you will complete during the course of this programme, there is also essential embedded knowledge that you are required to understand and learn. Some of this knowledge is already clearly indicated in the specific outcomes, but others are *embedded* in the outcome and its assessment criteria.

EEK#	Details
EEK1	The effect of shrinkage and losses on the organization and staff
EEK2	Causes of shrinkage and losses applicable to the learners designated area of responsibility
EEK3	Organizational loss prevention measures applicable to the area of authority

EEK#	Details
EEK4	Methods of identifying potential shoplifters
EEK5	Organizational methods for the prevention of shoplifting
EEK6	Organizational methods for keeping suspects under surveillance
EEK7	The policies and procedures for the apprehension of suspected shoplifters

Entry level requirements

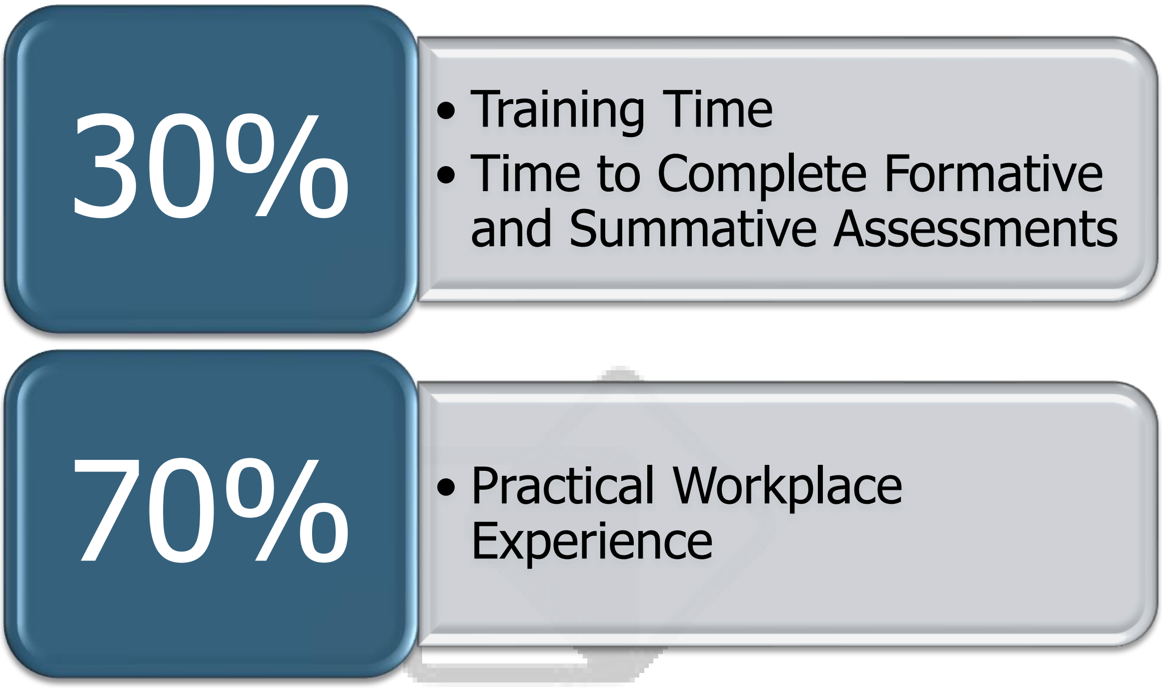
Learners being registered against this learning programme, must **already demonstrate the following competence:**

- They must have competence in Grade 12 or equivalent which includes Literacy and Numeracy
- They must have competence in organisational disciplinary procedures

Learning programme schedule

This Learning Programme carries a weight of 8 credits. These credits are converted into actual working hours which equate to a total of 80. This means it will take approximately 80 hours for you to undergo the training, assessment and all other requirements before you are found competent against this unit standard.

These 80 hours are broken up as follows:



30% of 80 = 24 Hours

8 Hours (1 Day)

This time is for the actual training session. Here, you will be attending class or tuition with the rest of the learners. Learning will be based on the requirements of the unit standard.

16 Hours (2 Days)

During the training session, the facilitator will inform you of the assessment requirements for the unit standard – both Formative and Summative. During this time you will need to complete your Formative Assessments and also ensure that all required forms and preparation sheets are signed together with your Assessor for you to undergo the Summative Assessment requirements. These may include components of Knowledge, Practical and / or Case Studies or Projects.

During this time, you may also contact the Assessor for assistance on the requirements of the Assessments. The learning group may also make use of this time to self-help on the Assessments.

70% of 80 = 56 Hours

56 Hours (8 Days)

During these 8 days, you will need to be based at a workplace – assisted by the workplace mentor, coach or assessor to ensure that you achieve the specific outcomes and assessment criteria as detailed on the Practical Workplace Logbook. These will need to be signed off by the workplace mentor, coach or assessor and submitted as part of your PoE.

Any other activity (outside of the PWL) that will assist you in demonstrating competence on any of the specific outcomes should be included as evidence in your PoE.

Unit Standard

Unit Standard: 118045

SOUTH AFRICAN QUALIFICATIONS AUTHORITY

REGISTERED UNIT STANDARD:

Supervise implementation of loss control measures

SAQA US ID	**UNIT STANDARD TITLE**			
118045	Supervise implementation of loss control measures			
ORIGINATOR				
SGB Retail and Wholesale				
PRIMARY OR DELEGATED QUALITY ASSURANCE FUNCTIONARY				
-				
FIELD			**SUBFIELD**	
Field 11 - Services			Wholesale and Retail	
ABET BAND	**UNIT STANDARD TYPE**	**PRE-2009 NQF LEVEL**	**NQF LEVEL**	**CREDITS**
Undefined	Regular	Level 4	NQF Level 04	8
REGISTRATION STATUS		**REGISTRATION START DATE**	**REGISTRATION END DATE**	**SAQA DECISION NUMBER**
Reregistered		2015-07-01	2018-06-30	SAQA 10105/14
LAST DATE FOR ENROLMENT		**LAST DATE FOR ACHIEVEMENT**		
2019-06-30		2022-06-30		

In all of the tables in this document, both the pre-2009 NQF Level and the NQF Level is shown. In the text (purpose statements, qualification rules, etc), any references to NQF Levels are to the pre-2009 levels unless specifically stated otherwise.

This unit standard does not replace any other unit standard and is not replaced by any other unit standard.

PURPOSE OF THE UNIT STANDARD

This unit standard is intended for supervisors who are responsible for the implementation of loss control measures within a designated area.
Persons credited with this unit standard will be able to explain to their team the effect of shrinkage and losses on the organisation and the team, identify potential areas of loss and causes of loss within their designated area and implement the loss control measures of the organisation.
These persons will also be able to implement organsiational policies and procedures in the event of spotting potential/actual shoplifters.

LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING

- Numeracy and literacy at ABET level 4 or equivalent
- Organisational disciplinary procedures

Specific Outcomes and Assessment Criteria:

SPECIFIC OUTCOME 1

Explain the effect of shrinkage and losses.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

Shrinkage and losses are explained in relation to the profits of the organisation and their impact on employees.

ASSESSMENT CRITERION 2

Ways in which shrinkage and losses occur are explained as applicable to the designated area of responsibility.

ASSESSMENT CRITERION 3

The effect of shrinkage and losses on the organsiation and employees is explained to members of the team simply ensuring full understanding by all concerned.

SPECIFIC OUTCOME 2

Implement action to minimise losses in identified areas.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

Shrinkage and loss prevention techniques are explained as applicable to the designated area of responsibility and the organisation.

ASSESSMENT CRITERION 2

Shrinkage and loss prevention measures are implemented according to the policies and procedures of the organisation.

ASSESSMENT CRITERION 3

Non adherence to loss prevention measures are identified and appropriate action taken as per the policies and procedures of the organisation.

SPECIFIC OUTCOME 3

Implement measure to reduce shoplifting.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

Methods for identifying potential shoplifters are explained.

ASSESSMENT CRITERION 2

Methods to prevent shoplifting are communicated to the team as per the organisations policies and procedures.

ASSESSMENT CRITERION 3

Measures to keep suspects under surveillance are implemented according to the organisation's policies and procedures.

ASSESSMENT CRITERION 4

The policy and procedures for the apprehension of suspected shoplifters is explained as it applies to the organisation.

UNIT STANDARD ACCREDITATION AND MODERATION OPTIONS

Programmes leading to the award of credits from this unit standard will be accredited by the Wholesale and Retail SETA in its ETQA role. Anyone assessing a learner

against this unit standard must be registered as an assessor with the Wholesale and Retail SETA ETQA.
Internal Moderations will be performed by the Accredited Providers whilst the Wholesale and Retail ETQA will perform external moderations of assessments across the Accredited Providers according to the moderation guidelines in the relevant qualification and the agreed ETQA procedures.

UNIT STANDARD ESSENTIAL EMBEDDED KNOWLEDGE

The demonstrated understanding of:
EEK1 - The effect of shrinkage and losses on the organisation and staff.
EEK2 - Causes of shrinkage and losses applicable to the learners designated area of responsibility.
EEK3 - Organisational loss prevention measures applicable to the area of authority.
EEK4 - Methods of identifying potential shoplifters.
EEK5 - Organisational methods for the prevention of shoplifting.
EEK6 - Organisational methods for keeping suspects under surveillance.
EEK7 - The policies and procedures for the apprehension of suspected shoplifters.

Critical Cross-field Outcomes (CCFO):

UNIT STANDARD CCFO IDENTIFYING

Specific Outcome 1: Explain the effect of shrinkage and losses
Specific Outcome 2: Implement action to minimise losses in identified areas
Assessment criteria
 Non adherence to loss prevention measures are identified and appropriate action taken as per the policies and procedures of the organisation.

UNIT STANDARD CCFO WORKING

Specific Outcome 2: Implement action to minimise losses in identified areas
Assessment criteria
 Shrinkage and loss prevention measures are implemented according to the policies and procedures of the organisation.

UNIT STANDARD CCFO ORGANISING

Specific Outcome 2: Implement action to minimise losses in identified areas
Assessment criteria
 Shrinkage and loss prevention measures are implemented according to the policies and procedures of the organisation.
Specific Outcome 3: Implement measure to reduce shoplifting
Assessment criteria
 Measures to keep suspects under surveillance are implemented according to the organisation's policies and procedures.

UNIT STANDARD CCFO COLLECTING

Specific Outcome 3: Implement measure to reduce shoplifting
Assessment criteria
 Measures to keep suspects under surveillance are implemented according to the organisation's policies and procedures.

UNIT STANDARD CCFO COMMUNICATING

Specific Outcome 1: Explain the effect of shrinkage and losses
Assessment criteria
 The effect of shrinkage and losses on the organsiation and employees is explained to members of the team simply ensuring full understanding by all concerned.
Specific Outcome 2: Implement action to minimise losses in identified areas
Assessment criteria
 Non adherence to loss prevention measures are identified and appropriate action taken as per the policies and procedures of the organisation.

Specific Outcome 3: Implement measure to reduce shoplifting
Assessment criteria
 Methods to prevent shoplifting are communicated to the team as per the organisations policies and procedures.

UNIT STANDARD CCFO DEMONSTRATING

Specific Outcome 1: Explain the effect of shrinkage and losses
Assessment criteria
 Shrinkage and losses are explained in relation to the profits of the organisation and their impact on employees.

REREGISTRATION HISTORY

As per the SAQA Board decision/s at that time, this unit standard was Reregistered in 2012; 2015.

Introduction to this Learning Programme

Even with the most sophisticated inventory-management software, it is important to physically count your on-hand inventory periodically. Some percentage of your inventory will always be unaccounted for, which in retail terms is called SHRINKAGE. Keeping tabs on your shrinkage is important, not just for accounting purposes but because it can be a sign you have problems in your store.

It is an issue

If you are focused on the BIG PICTURE details of running the business, it is easy to shrug off shrinkage as a minor annoyance, but it is more than that. The average shrink rate is about 1.44% nationally, but almost one in four retailers reports a shrink of 2% or higher. If you had sales of R1,000,000 in sales through your stores last year, 1.44 to 2% of that equals R20,000. If you lost that in a single robbery, it would certainly get your attention, but it is easy to lose sight of your losses when they have a few rands at a time.

Lesson 1

The effect of shrinkage and losses

In order for you to demonstrate competence against the specific outcome indicated above, you will need to achieve the following:

LO1 ➔ Explain how shrinkage and losses impact on the profits of the business

LO2 ➔ Explain how shrinkage and loss occurs

LO3 ➔ Explain the effect of shrinkage and losses on the organisation and employees

SECTION 1: The impact of shrinkage and loss

Inventory shrinkage is the loss of products from employee or customer theft or inventory accounting errors. Maintaining a low shrinkage rate is important to the bottom line of your retail business. While standards vary by industry, a normal shrinkage rate is around 2 to 6%. Relatively high shrinkage impacts your business and may force you to take certain combative measures.

Lost revenue

Lost inventory equals lost revenue. Anytime an item walks out the door with a customer or employee, you lose out on the chance to generate revenue and cash from it. Similarly, it impacts your profits because you have to eat the costs of acquiring the goods and making no money on your investment. Very high shrinkage can make the difference between a slight profit or a loss for some small businesses.

Reduced profits

Shrinkage takes a bite out of a business's bottom line. Shrinkage comprises about 2.3% of supermarket sales, with 57% of shrinkage resulting from employee theft alone. Supermarkets typically must operate with razor think profit margins to remain competitive so any event that cuts into profits is likely to have a significant negative effect.

Internal trust

Shrinkage problems resulting from employee theft also impacts the internal culture of the business. When extreme, retailers implement bag and coat checks when employees come and go and monitor break rooms and other common areas. This creates a significant barrier between management and employees, especially with those who have not been part of the problem. This feeling of guilt by association and a lack of trust from managers negatively effects morale.

Heightened security

To combat shrinkage, companies often need to implement tighter security measures. Depending on the nature of the business, this may involve employing plainclothes or uniformed security guards to patrol the premises and monitor the activities of employees and customers. They may need to install security cameras and other electronic devices. They business may also need to install strict internal control measures to monitor bookkeeping and inventory control. The presence of more security may exacerbate the feeling of mistrust between management and employees.

Service impact

Employees may become leery of customers and become less friendly toward them if shoplifting is contributing to your shrinkage. More importantly, you may have to implement procedures to prevent shoplifting, which negatively affects customer service. Stores that put signs up requiring customers to leave bags and coats at the door dissuade people from wanting to come in. excessive use of scanners, security cameras and hovering employees can also deter customers from visiting the store.

Price and wages

To account for their lost sales, management often resort to raising their prices. In businesses where shrinkage is problematic such as the grocery industry, this means consumer must pay more for products they need to survive. For businesses which sell highly price-sensitive goods, higher prices can place them at a competitive disadvantage. Businesses may also have to offer lower wages and hold the line on wage increases, making it more difficult to attract and retain high quality employees.

Management distraction

High shrinkage rates command attention from store managers. In fact, district and regional level managers often get involved when stores experience alarming rates of loss. The more time and energy spent investigating causes of inventory loss and strategizing how to address them, the less time company leaders have to focus on business development and employee coaching. This slows growth and business evolution.

Management focus

Businesses with high shrinkage often require that management place more focus on loss prevention. To encourage managers to be more vigilant, some retail organisations include loss prevention incentive programmes as part of a manager's compensation programme. While these programmes can help to reduce shrinkage, it may require managers to devote more attention to loss prevention at the expense of other important tasks like training, staffing, promotions and other day-to-day operations.

ACTIVITY 1

Activity 1

Please complete this activity in your Learner Assessment Guide and PoE.

This activity is aligned to SO1, AC1 and AC3

SECTION 2: How shrinkage and loss occur

Shrinkage occurs in all types of retail businesses regardless of their size or location. The total value of stock loss can be minimal or it can be devastating! Usually it is something in between. Most retailers can easily sustain their current level of shrinkage without a terminal risk to their company. Stock is lost, but it will not kill the business. A nominal shrinkage percentage is usually even budgeted for. But because of this attitude towards shrinkage, action is only taken when the problem is already menacing or there has been an unusually high peak is stock loss figures.

Members of staff abusing the trust of their employer are a major cause of stock loss. It is not an easy subject to approach. Retailers do need their staff as much as their customers. For the employer it is perhaps embarrassing to admit that their staff is actually stealing from them. For the employee who gets caught for dishonest behaviour the situation is even worse. In the long run, it is a no-win situation, and yet it happens.

Staff dishonesty has many faces and it is manifested in a rainbow of actions.

For example:

Collusion

Collusion occurs when a member of staff works together with a member of the public to commit theft from the store.

Grazing

Grazing is a term used when staff selects and consumes merchandise in the store without paying. This is usually a repeat offence with very minor costs related to individual incidents. Offenders may not even admit to doing anything wrong, since the amount is so insignificant. Grazing can become a habit especially during poorly supervised shifts where members of staff work alone for long periods of time.

Sweet hearting

This happens when a close friend or a member of family is given unjustified discounts or free items. It is also a form of collusion and can be seen as fraud in some jurisdictions.

Finding ways to reduce shrinkage in wholesale and retail comes down to understanding your risks and taking appropriate action to reduce them. When it comes to retail shrinkage, ignorance is not bliss. The less you know, the more you lose. You need to pay attention and be proactive with retail loss prevention in order to protect your bottom line.

The top causes of shrinkage include administrative errors, like record keeping, paperwork errors, inefficiencies while counting and sorting cash, internal theft of goods and cash by employees, and customer theft through theft of items, price tag swapping and other means.

By targeting these three top causes of shrink, you can effectively find ways to reduce shrinkage in retail.

Besides the causes listed above, there are four major sources of inventory shrinkage in wholesale and retail. Employee theft, shoplifting, paperwork errors and supplier fraud. And there is a fifth category of shrinkage, which encompasses all the unknown reasons for loss.

Shoplifting

According to surveys, the number one source of shrinkage for a retail business is shoplifting.

Customer theft occurs through concealment, altering or swapping price tags, or transfer from one container to another.

Shoplifting used to be the second most common reason for inventory loss source, behind employee theft, but recently moved into the number one spot.

Stealing by shoppers continues to cost retailers billions of rands every year.

Security measures such as cameras and digitised tags that set off alarms have helped reduce the losses, but this is still a tough area of theft for retailers to manage.

Employee theft

Coming in at a close second to shoplifting in the shrinkage department is internal or employee theft.

This can happen when employees steal or misappropriate funds or goods. Some of the types of employee theft include discount abuse, refund abuse and even credit card abuse.

Unfortunately, this is one loss prevention area that generally doesn’t receive as much monitoring as customer theft, even though 34.5% of shrinkage is due to employee theft.

Checking employees’ personal bags and belongings before they exit the store is one way to combat theft but searching and monitoring workers is not the best way to build morale. It is a difficult problem for retailers to deal with effectively.

Another place to check is the cash drawer. Some employees that perform closing off procedures for end-of-day take overage money from the balance and put it into their pockets. For example, if the drawer was supposed to have R200 after the day’s sales, but actually had R205, they put R5 in their pocket and mark the drawer as balanced.

Paperwork error

Administrative and paperwork errors make up approximately 16% of shrinkage. Simple pricing mistakes due to markups or markdowns can cost retailers quite a bit, so it is important to have good protections in place, and use simple, easy to understand accounting systems and programmes.

A solid practice of cycle counting your inventory can have a huge impact here as well. Many errors in POS systems can be uncovered with this practice before the inventory is sold and it becomes a shrinkage.

Supplier fraud

The smallest percentage of shrink is supplier fraud which is responsible for about 7% of shrinkage. Retailers report supplier fraud occurs most when outside suppliers come into a store to stock inventory.

For example, convenience stores inventories are checked and monitored by the supplier. Whether it is failing to provide as many units as invoiced, or stealing of other products, supplier fraud can cut into a retailer’s bottom line.

Unknown causes

The smallest and perhaps most frustrating segment of shrinkage is unknown causes. Roughly 6% of all losses are not able to be accounted for under any of the common categories. They are simply “mysteries”.

ACTIVITY 2

	**Activity 2** **Please complete this activity in your Learner Assessment Guide and PoE.** **This activity is aligned to SO1, AC2**

Competence check for Lesson 1

Now that you have completed Lesson 1, are you able to understand and demonstrate such understanding?

Make necessary comments in the appropriate column so you can check / follow up on later during the learning programme. Ensure that if you are unsure of the concept, note your comments / questions to discuss with your assessor.

Learning Outcome	Check / Comments / Questions
I can explain how shrinkage and losses impact on the profits of the business	
I can explain how shrinkage and loss occurs	
I can explain the effect of shrinkage and losses on the organization and employees	

Lesson 2

Minimising losses

In order for you to demonstrate competence against the specific outcome indicated above, you will need to achieve the following:

LO1 ➔ Describe shrinkage and loss prevention techniques

LO2 ➔ Explain how prevention techniques can be implemented

LO3 ➔ Explain how non-adherence to prevention techniques should be managed

SECTION 1: Preventing shrinkage and loss

There are several ways that a business can prevent shrinkage and losses from occurring:

- Investing in inventory management
- Running a Loss Prevention Programme
- Installing security solutions
- Reviewing register transactions daily
- Investing in cash management solutions
- Protecting the store

Investing in inventory management

Both customers and employees may steal some of the inventory. Customers may walk right out of the door with items that they didn't pay for and employees may walk out the back with some of your products, pretending to take out the garbage or waiting until they are the only one left to lock up to steal without witnesses.

Investing in an inventory management system can help you reliably track your inventory so you will know exactly what products you are losing, when and how often. You will be able to see discrepancies quickly and may be able to zero in on employees who are always working when inventory goes missing. Make it known that you will be checking your inventory levels regularly to deter theft.

Running a loss prevention programme

Running a loss prevention programme with all employees is one of the best ways to reduce shrinkage in retail. Creating a loss prevention programme can help employees recognise and identify shoplifters and give them strategies to prevent customer theft. Such a programme can also help them understand how they will be punished if they are caught stealing. Let employees know that the business is serious about loss prevention.

Installing security solutions

Installing security cameras can warn shoplifters and employees with sticky fingers that they will be caught and prosecuted. Install cameras in obvious areas so they are seen clearly – make sure to cover cash registers, the retail floor, the cash room and even the back door.

Reviewing register transactions daily

Internal theft makes up for approximately 50% of all retail shrink. You can significantly reduce shrinkage by paying attention to register transactions and making it known that it is being checked regularly during the day. Not all theft will occur from cash being directly stolen though. Make sure to look for other types of retail fraud, such as voided, cancelled and deleted sales as well as returned and discounted transactions.

Investing in cash management technology

The more opportunities employees have to handle cash, the more tempted they will be to steal. Using a hands-off approach by investing in cash management technology can be one of the best ways to reduce shrinkage in retail. Let cash counters and sorters and currency recyclers handle the cash management activities, like dispensing floats, counting, sorting and reconciling profits. Not only will cash management technology reduce your risk of employee theft, but it can also greatly increase accuracy, which will also reduce your losses due to human error.

Protecting the store

When it comes to protecting the business against administrative errors, internal theft and shoplifting, using these guidelines to reduce shrinkage in retail can help. Investing in an inventory management system, implementing a loss prevention programme, installing security cameras, reviewing cash register transactions and investing in cash management technology can help boost the bottom line by reducing risks and shrinkage.

ACTIVITY 3

	**Activity 3** **Please complete this activity in your Learner Assessment Guide and PoE.** **This activity is aligned to SO2, AC1 and AC2**

Let us analyse a case study on how some companies manage shrinkage.

The 11 Habits of Low-Inventory Shrink Retailers

How does your organisation compare when it comes to inventory shrink awareness and reduction?

April 17, 2018

In his bestselling book THE 7 HABITS OF HIGHLY EFFECTIVE PEOPLE, Stephen Covey presented a holistic, principle-based approach for solving personal and professional problems. This got the ECR team thinking: what if for HIGHLY EFFECTIVE PEOPLE, we read

LOW-INVENTORY SHRINK RETAILERS? What then would be the habits of low-shrink retailers? Would there be seven?

With this as a brief, Professor Adrian Beck, the academic support for the ECR Europe Shrink and On-Shelf Availability team, undertook research to, first of all, identify the low-shrink retailers and then, secondly, to discover common practices and themes that help them deliver their results – put another way, their HABITS OF SUCCESS.

Based on a survey of leading academics and experts in the loss prevention business, five US-based retailers were consistently identified as the leaders in low inventory shrink – Target, The Gap, Limited Brands, CVS and Best Buy. When made aware of the study premise, all five agreed to participate in the research and welcomed Beck to their head offices and stores to meet with the loss prevention team and the broader organisation to learn more about how they delivered their inventory shrink results.

After visiting all five, Beck completed a report introducing the Loss Prevention Pyramid, a framework that described the common strategic, operational and executional habits he found in common in these five low-shrink retailers.

While there is no question as to the validity of the findings presented, the ECR group believed there was an opportunity to turn this research into a practical tool for loss-prevention professionals to use in their own organisations, from the board room all the way down to a high-shrink store, to help inspire movement efforts by illustrating the greatest gaps versus best practices.

HABIT # 1: Senior Management Commitment

There is senior management commitment to prioritise shrinkage, oversee an action plan, allocate resources and monitor results.

In organisations that score nearer 3, the CEO is crystal-clear on the significance and impact that good shrinkage management in retail can deliver. They see inventory shrink improvement as a clear part of the company priorities and are able to articulate the benefits of inventory shrink reduction in terms of impact on sales growth, net profit improvement and earnings per share. In these organisations, the CEO makes shrinkage a regular item at every business review meeting, they communicate inventory shrink to the board, all associates and key external parties at important occasions and times during the year. In some organisations, the CEO also personally chairs a multi-functional shrink task force.

Habit # 2: Organisational ownership

All parts of the business recognise the value of prioritising shrinkage.

This is perhaps one of the most challenging of all the habits to align the organisation against since targets and key performance indicators per function can sometimes be in violent conflict with the goal of reducing inventory shrink. For example, the marketing function may create an over-trusting refund policy or a new store design that promotes an open feel for the customer. At the same time, that same policy or design may send a message to thieves that the retailer has become a SOFT TOUCH. While both of these marketing decisions look right against the metric of shopper satisfaction and loyalty, for the store manager it will likely increase theft and returns fraud.

However, in those organisations that score closer to a 3, all functions are aware of the impact their decisions and choices have on the inventory shrink number. Moreover, there is a broad recognition from all functions that they can be part of the solution. For example, buyers and merchants understand that by reducing range, promotions and pricing complexity, pushing less inventory into the stores; and developing more collaborative relationships with hot-product suppliers, they can prevent and reduce losses.

Habit # 3: Embedded loss prevention

All parts of the business are taking action to address the problem of shrinkage.

Beyond awareness, in those organisations closer to 3, there are clear accountabilities and action plans related to shrinkage in all parts of the organisation including human resources, buying, store design, marketing, supply chain, information technology, replenishment, store operations, store associates and of course, loss prevention. A key enabler to fuller collaboration is trusted, credible and inarguable data on inventory shrink and sales at item and store level.

For example, providing visibility on item-level shrink detail to the buying group informs them of the true profit after inventory shrink, which in turn encourages collaboration with others, such as the supplier and operations, to lose less and sell more. The organisations scoring closer to 3 all had item-level data on inventory shrink, many on a monthly basis.

Habit # 4: Operational excellence

All parts of the company recognise the link between poor process adherence and shrinkage

In low-shrink retailers, shrinkage is seen as a problem that is within the control of the organisation and one that will respond to good management and adherence to good procedures, especially related to the high-shrink products, people, stores or processes where there is a known heightened risk level. This belief is explained by the widely held view that inventory shrink is the consequence of poor compliance, audited regularly by the company, or a choice made at a functional level that has led to the emergence of an increased opportunity for non-malicious or malicious loss to occur in the stores.

In the best organisations, these choices and decisions are made with the consequences on inventory shrink highly visible and transparent in any business case. For example, if the organisation is planning to introduce self-scanning devices, then an adjustment will be planned for the shrink budget to be increased based on available test results.

Habit # 5: Data management

The company has available actionable, reliable and timely data on shrinkage.

Low-shrink retailers have been found to have available trusted, reliable and inarguable monthly item-level data on inventory shrink by store. This allows them to create, monitor regularly and share for example, a top 100 item loss list with the rest of the business. This ability to generate focus drives clarity across the business but most importantly, it fosters collaboration and starts to reveal the myriad of causes of inventory shrink beyond those typically associated with loss, such as external theft.

Beyond the item-level loss data, low-shrink retailers invest significantly in the acquisition and analysis of all types of data, especially point of sale transaction data. Further, the loss *prevention teams of low-shrink retailers are very aware of the importance of robust field experiments to inform investment choices.*

Habit # 6: Innovation and experimentation

The company is willing to innovate and experiment to deal with the problem of shrinkage

Organisations scoring closer to 3 have a strong bias to learning from other, non-competing retailers, as well as the providers of loss prevention solutions. They believe in the value of benchmarking and practice it to constantly seek innovation in their approach. Low-shrink retailers typically have a pipeline of new solutions that are about to be tested in stored.

Habit # 7: Collaboration

There is regular collaboration between loss prevention, other functions and third-party organisations such as the policy, manufacturers and solution providers.

The loss prevention team in organisations scoring closer to 3 recognise that while there is much they can do to improve inventory shrink that is within their own circle of control, the greatest opportunity often lies in persuading others outside of their immediate team to prioritise and execute solutions that can improve inventory shrink.

For example, loss prevention in low-shrink organisations typically get a SEAT AT THE TABLE on teams and cross-functional groups working on projects, such as new store designs, new supply chain strategies, or innovations like self-scan checkouts, all of which could have huge implications for managing shrinkage. Additionally, in these organisations, extensive collaboration and data sharing with the suppliers of hot products, solution providers and law enforcement is the norm and not the exception.

Habit # 8: Prioritising people

The company has developed a strong, multi-functional team to deal with shrinkage.

Beyond being made up of specialists in security and investigations, the loss prevention teams of low-shrink retailers have experts in the team with skills in data management, data analysis, work process improvement and technology. Individuals in the team are strong at working with others and skilfull in their ability to build and sustain collaborative relationships. Positioned internally as partners to the business, the loss prevention team are seen as AGENTS OF CHANGE.

In these organisations, consistent with Habits # 2 and #3, accountability for reducing losses lies with the business leaders, not the loss prevention team. Through this partnership approach, the experts in loss management work day-to-day with business leaders in buying, supply chain, HR, and stores to create and deliver function-specific loss prevention strategies. In low-shrink retailers an assignment or career in loss prevention is seen as inspirational, challenging and highly attractive to managers looking to advance their careers.

Habit # 9: Communicating shrinkage

The issue of shrinkage is clearly and regularly communicated across the organisation.

In low-shrinkage retailers, all parts of the organisation hear about shrinkage and what they can do in their function or location to minimise inventory shrink with the relevance and *benefits to them very clearly articulated. Communication starts with the board and cascades down through all functions, external third parties and finally to the stores.*

Imaginative campaign themes, often developed with assistance from the more creative associates found in marketing, are communicated and constantly refreshed via newsletters, message boards, events, videos and computer-based training. The key elements of the communications include the shrinkage data itself, the actions that each function or location can take to reduce inventory shrink and the relevant benefits. For stores, the benefits translated into the impact inventory shrink reduction can have on the annual bonus or the number of extra hours the store has for replenishment can be motivating. In these organisations, shrink thinking is included in all recruitment interviews and new-employee training. Dedicated and SHRINK SCHOOLS are embedded in the company training and store manager support programmes.

Habit # 10: Loss prevention leadership

There is clear and strong leadership in place to effectively manage shrinkage.

For those retailers scoring closer to 3, the head of loss prevention is a highly visible role within the organisation. Hierarchically, the leader is positioned close to the CEO, within at least three levels, with the skills to promote the benefits of reducing shrinkage in a relevant way to each stakeholder, from the board to the CEO to buyers to the IT group through to the stores. More than ever, the loss prevention leader needs to convey passion, high energy and possess the ability to sell others the need to prioritise a relatively unsexy problem using the language of retail rather than security.

HABIT # 11: Store management responsibility

Store managers and associates are given the necessary data, tools and training to enable them to deal with shrinkage effectively.

In low-shrink retailers, stores are aware of their inventory shrink numbers, which are usually communicated as regularly as the sales performance and the other cost-centre data, such as wages and staffing levels. The loss prevention team develops dashboards and alerts to help the store focus on the vital few priorities, and realistic targets are given to stores on the basis of robust analysis of their previous performance and risk level. All store managers and associates are highly engaged in the reduction of shrink and receive from the company and the loss prevention team the right support, training and resources to effectively deal with it in their particular operating environment.

ACTIVITY 4

	**Activity 4** **Please complete this activity in your Learner Assessment Guide and PoE.** **This activity is aligned to SO2, AC1 and AC2**

SECTION 2: Managing non-adherence

As with any policy or procedure, employees need to be made aware of the implications of not following these. In the case of shrinkage or loss and loss prevention techniques, non-adherence can have serious implications for an employee – even dismissal.

However, it is important that adherence is maintained AT ALL LEVELS of the organisation – from the top down. You cannot enforce a procedure if there are senior managers that do not show commitment or practice the policy or procedure.

1 ➔ Establish senior management commitment – to making shrinkage a priority, overseeing an action plan, allocating resources and monitoring results.

2 ➔ Ensure organisational commitment – from managers throughout the company; otherwise, any attempted solution will be short-lived. The loss prevention role is primarily to lead a cross-functional effort to manage the problem continuously.

3 ➔ Embed loss prevention at all levels – employees throughout the company must take responsibility for reducing shrinkage. The company should see loss prevention as equal to sales in importance.

There are also CULTURAL PRACTICES that impact on adherence. These are as follows:

1 ➔ Provide strong leadership and develop a team – loss prevention role-players must command authority and be passionate and energetic and they must create and lead multi-functional loss prevention teams.

2 ➔ Use evidence-based management – decisions must derive from detailed and timely data, not intuition.

3 ➔ Innovate and experiment – team members must listen and have open minds so that they can stay ahead of such new challenges as self-checkout scanning equipment.

4 ➔ Talk shrinkage – companies can help keep shrinkage on the agenda by for example, providing regular shrinkage scorecards.

5 ➔ Prioritise procedural control – all parts of the company must see the link between shrinkage and poor adherence to process. Checking the accuracy of stock deliveries should be viewed as on a part with catching thieves.

Traditionally, a store's operational staff have been the starting point for controlling shrinkage and here follows the OPERATIONAL EXCELLENCE practice:

1 ➔ Empower store workers and hold them accountable – store managers and frontline workers should be asked for their views as the shrinkage prevention plan is being developed and then given the necessary tools, training and data to implement the plan.

Competence check for Lesson 2

Now that you have completed Lesson 2, are you able to understand and demonstrate such understanding?

Make necessary comments in the appropriate column so you can check / follow up on later during the learning programme. Ensure that if you are unsure of the concept, note your comments / questions to discuss with your assessor.

Learning Outcome	Check / Comments / Questions
I can describe shrinkage and loss prevention techniques	
I can explain how prevention techniques can be implemented	
I can explain how non-adherence to prevention techniques should be managed	

Lesson 3

Shoplifting

In order for you to demonstrate competence against the specific outcome indicated above, you will need to achieve the following:

LO1 ➔ Explain how to identify shoplifters

LO2 ➔ Communicate ways to prevent shoplifting

LO3 ➔ Explain how to keep suspects under surveillance

LO4 ➔ Explain policies and procedures to apprehend suspected shoplifters

Shoplifting and shoplifting theft will cost a retailer a great deal in lost profits and everyone pays for this crime. Retailers suffer lower profits and consumers ultimately pay higher prices. Some stores charge up to 7 cents per Rand to cover retail losses, but this could pose a major problem as this action makes a business less competitive.

Many retail businesses are often unaware of the impact of retail loss on their business, in terms of profits walking out their door. Although the cost of loss will vary depending on many factors here is a simple basic formula which applies to virtually every retail outlet from the mom and pop stores to the large retail chains.

Let us break it down and examine the actual cost of shoplifting to both the retailer as well as the consumer.

Formula for calculating total annual retail losses

Estimate businesses gross annual sales, them multiply this figure by a value of 1%. Repeat this calculation again but this time take gross annual sales and multiply it by 8%. It must be noted that some retail loss levels will be slightly lower and others may be higher.

Example 1: R1 000 000 (annual gross sales) x 1% = R10 000 (retail loss)
This example represents a business with strict inventory control, ongoing staff loss prevention training and a combination of security systems and strategies.

Example 2: R1 000 000 (annual gross sales) x 8% = R80 000 (retail loss)
This example represents a company with little or no anti-loss policies.

Generally most retail businesses' annual losses are somewhere between the two example figures of 1% and 8% and although your annual gross sales will vary, the percentage figures will remain constant.

Is shoplifting a victimless crime?

Although at times there is a notion that shoplifting and internal theft is a victimless crime, this is not true.

Theft of a R2 item from a store operating on a 10% profit margin requires the sale of R20 in merchandise to make up for the less. Supermarkets and other retailers operating on low margins of 1% must sell R500 in merchandise, just to cover the cost of a R5 stolen item. It is easy to see how out-of-control shoplifting can quickly threaten the viability of a business.

The cost of shoplifting is high and is expected to increase. Retailers need to re-examine their level of security and should begin to take a more proactive role in the battle against retail theft. Most retail loss experts agree that in order to be successful there needs to be a combination of anti-theft devices combined with good training in the prevention of retail shrinkage.

SECTION 1: Identifying shoplifters

Shoplifting is the act of stealing merchandise without paying for it.

All retailers, big and small, are affected by shoplifters, and it is a frustrating reality of doing business. Things like good store design and theft prevention methods such as security cameras and alarms can help defray losses. But it is a good idea to train store employees on how to spot shoplifting before or while it is happening.

Another method to prevent shoplifting is strong store management. Retailers should also use store layout and adequate inventory controls, as well as follow common security practices to combat shoplifting.

Shoplifters can be placed in one of two categories, professional and amateur. While both groups can be quite skilled at the art of thievery, professional shoplifters steal to make a living and may use force or intimidation. The non-professional shoplifter may be easier to spot.

Shoplifter methods

Many of these thieves work in groups of two or more to distract the sales staff while they steal. Shoplifters learn to take advantage of busy stores during peak hours, or they may strike at times when employees are likely to be distracted, such as opening, closing and during shift changes.

Hiding merchandise is the most common method of shoplifting. Items are concealed in the clothing of the shoplifter, in handbags, strollers, or umbrellas or inside purchased merchandise. Bold shoplifters may grab an item and run out of the store. Other methods include price label switching and attempting to short-change the cashier. Some especially bold shoplifters may even try to return stolen merchandise to a store to try to get a bogus refund. Whatever their methods, it is difficult to determine who is or isn't likely to be a shoplifter.

Train employees carefully

The last thing a retail establishment wants is for a staff member to accuse a customer of shoplifting wrongly. Make sure anyone dealing with customers is properly trained.

Most of the time, a store employee approaching a would-be shoplifter and asking CAN I HEP YOU is enough to deter a potential theft. But employees should be instructed to ask this question in calm and polite manner. Any employee who is concerned about safety should seek a manager's assistance. Likewise, if an employee sees someone take something, it is time to get a manager involved. It is never wise for store personnel to try to chase someone out of a store suspected of theft. That is the time to bring in the police.

Spot the shoplifter

Unfortunately, shoplifters have no typical profile. Thieves come in all ages and races and from various backgrounds. However, some signs should send up a red flag for retailers. While the following characteristics don't necessarily mean guilt, retailers should keep a close eye on shoppers who behave suspiciously.

First, if a customer is spending a lot of time entering and exiting a store without purchasing anything and seems more interested in watching a cashier or a sales clerk, that is a suspicious activity.

One particular area where a lot of shoplifting occurs in a store dressing room. It is really important to monitor how many items someone takes into a dressing room and how many they leave with. Groups of three or more people, especially juveniles, who enter a dressing room together may be worth watching more closely. The plan may call for one of the groups to distract the dressing room attendant while others walk off with stolen clothing or other items.

When – not if – it happens to you

Retailers are constantly struck by outside influences out of their control. Rising costs of living, less consumer spending, and increases in operating expenses erode profits. But what the retailer can control is its methods of loss prevention. Preventing shoplifting, stopping employee theft, and reducing shrinkage can help ensure the retail store is keeping the most revenue possible.

However you handle it chances are your store will fall victim to a shoplifter at some point. But alert staff and security measures can help curb the problem.

ACTIVITY 5

	**Activity 5** **Please complete this activity in your Learner Assessment Guide and PoE.** **This activity is aligned to SO3, AC1**

SECTION 2: Preventing shoplifting

Whether you call it shoplifting or shrinkage or straight up stealing, having your merchandise stolen just plain sucks. Dealing with theft may seem like an unavoidable cost of doing business, but it doesn't have to be.

One of the best ways to prevent shoplifting is to implement procedures and ensure that all employees in the store are AWARE of the procedures and know what to do, when to do and how to do should they suspect a customer of shoplifting.

Be aware of at-risk items

Shoplifters will likely target small, valuable, easy to pocket products like jewellery, so store those close to the register, preferably in a locked case. That way no one will ever have unsupervised access to big-ticket items. Obviously you cannot lock up everything in your store, but keep track of the more sought after items and keep them in an area that you and your staff can easily monitor.

Train your staff to watch for theft

Your employees can be the best defence against shoplifting. Talk to them about what to look out for and how to avoid scams. One way they can deter would-be thieves is by greeting each person as they enter the store and by monitoring what is going on in the store. If employees regularly check in with customers and ask how they can help, it sends a message that this person is aware of everyone in the store and what is going on. If shoplifters feel like they are being watched, it is less likely that they will try to steal.

Publicise the consequences of stealing

Post your shoplifting policy somewhere prominent, like in the dressing rooms. That alone may be enough to scare off some potential shoplifters, but don't stop there. Installing mirrors and cameras is another way to intimidate thieves.

Pay attention to dressing rooms

If you don't have a huge staff, it may seem like a hassle to run back and forth unlocking dressing rooms, but it is necessary. By locking the rooms and giving customers a numbered tag for how many items they are trying on, you are creating a serious barrier to theft. While you are at it, ask customers to check their bags before trying on clothes.

Engage with customers

Always greet customers when they walk through the door. When there are customers in the store make sure that you and your employees are circulating, checking in with customers and asking how you can help them. not only are you providing better, friendlier service, you are also monitoring activity and making it harder to steal.

Schedule appropriately

Sometimes everyone gets busy out of the blue. It does happen. But on days and times when you know you are going to get slammed, like a weekend afternoon or during the holiday season, trying to get by with a bare-bones staff leaves the door open to theft. If your employees are busy at the register or assisting another customer, it is easier to steal (this is actually a shoplifting tactic – one person distracts the employee while the other pockets merchandise). Talk to employees about common shoplifting behaviour so they know what to look out for.

Install cameras and mirrors

If you really want to get serious about preventing and prosecuting shoplifters, equip your store with cameras and security mirrors. Not only will you be able to help identify shoplifters but also the mere presence of these items will act as theft deterrents.

Employees must be familiar with all procedures in place for identifying and apprehending a suspected shoplifter. This is important in loss prevention.

SECTION 3: Keeping suspects under surveillance

There is no profile for you to follow as men and women, old and young, all commit this crime equally. It is important to create policies and procedures for shoplifting in your retail store. While we hope it doesn't happen, statistics say it will. And in the event that it does, stores and employees should be prepared to handle the shoplifting situation.

Take the following questions into consideration when writing your shoplifting policies and procedures:

- Is your goal to prosecute or get the merchandise back?
- Does your store have a zero-tolerance policy for shoplifting?
- Will you prosecute shoplifters under 18 or over 65?
- Is there a minimum Rand amount before prosecuting?
- How will you confront and detain the shoplifter?
- What will you do if the shoplifter shows remorse or offers to pay?
- Who is responsible for calling the police?

Consider a shoplifting policy that is fair but firm. If your store chooses not to prosecute shoplifters, word will get around, and your store may become a target. If shoplifters know your store takes theft seriously and is not afraid to prosecute, may thieves will avoid stealing from your business.

Stopping a shoplifter

Store design, customer service techniques and technology go a long way in preventing shoplifting. Post signs saying that shoplifters will be prosecuted if that is the store's position on shoplifting. If you see someone take an item, alert another employee about the theft so they can monitor your interaction and then approach the person. Ask CAN I RING THAT UP FOR YOU? Never confront a shoplifter in an accusatory tone. For example, never say I SAW YOU STEAL THAT NECKLACE. Shoplifters are very skilled at getting around the accuser.

But, if you simply act like they put the necklace in their pocket to carry until they pay for it, one of two things will happen. They will either put it back or pay for it.

Store design has a lot to do with shoplifting. Too many stores create blind spots that employees cannot manage or watch. Cameras in a store will help deter the casual shoplifter, but not the professional one. Stand at your cash wrap and survey the store.

Are there areas you cannot see?

An example is a store who recently wanted to control their inventory shrinkage. As management stood in the store they noticed that the shelving was so high, they could not see through the store. There was plenty of floor space, so they simply lowered the shelving systems.

It created a clear view of both employees and the customers. The potential shoplifter knew they could be seen now. While this store implemented some other ideas, this one had the most significant impact on reducing the losses.

Know your rights

Learn your rights in terms of legislation. Contact the police station and they should be able to answer any questions you may have.

When approaching a suspicious person, try to remain calm and professional. It is possible that a misunderstanding has taken place and the person is not a shoplifter. Treating the suspect in a polite, discrete, yet firm and professional manner will help you and the store avoid a slander, false arrest, or discrimination lawsuit. In many instances, the shoplifter is a con artist who is trying to get you to confront them and there they can sue you and your organisation for harassment and discrimination.

ACTIVITY 6

	**Activity 6** **Please complete this activity in your Learner Assessment Guide and PoE.** **This activity is aligned to SO3, AC3**

SECTION 4: Dealing with suspected shoplifters

Shoplifting causes retail losses of billions of Rands each year. It is understandable that retail stores may wish to detain shoplifters and pursue legal action against them. however, the laws surrounding shoplifting can be tricky, and it is very important that you avoid accusing someone without valid proof or handle their detention in an unreasonable manner. Otherwise, you could face charges yourself.

In this Section 4 we discuss best practices for spotting, stopping and legally detaining a shoplifter.

Before you legally detain a shoplifter, make sure you are positive a theft happened. For you to detain a shoplifter, they need to have taken merchandise outside of the store without paying. Once you have witnesses this, walk outside and approach the shoplifter. Calmly tell them you know what they have stolen and where they placed it. Without using force, escort them back inside the store and notify the police immediately so charges can be filed.

Spotting a shoplifter

Look for signs that somebody is about to shoplift

Keep in mind that you cannot detain someone whom you THINK has shoplifted, you must virtually SEE them hide the merchandise on their self or in their belongings before you can accuse them (the person must attempt to leave without paying). You can watch shoplifters from the floor (in person) or catch them via security cameras. Spot a potential shoplifter with the following signs:

- Suspect is looking around them to see what other customers or store employees are doing, they are wearing clothing that is clearly too big or too loose or clothing that is not in tune with the season (big winter coats in summer), they are removing tags from merchandise, or carrying a large bad, etc.
- There are some benefits to using a security camera. Not only do you watch the shoplifter via an obstructed view and you watch their attempted crime (it is not a crime until they leave without paying) from beginning to end, you also have the entire incident on videotape. They are very similar to a dash cam in a police car. If you have it on tape, there is little the shoplifter can do to dispute the crime they committed.

Watch the suspect constantly

Once you start to suspect that a customer may be about to shoplift, it is important that you keep a watchful eye on them at all times, even if you have to follow them around the store.

- You must actually see the suspect select the merchandise and attempt to walk out without paying with your own two eyes. Concealing merchandise is not a crime, it is only shoplifting if the person attempts to leave with merchandise without paying. This happens frequently, especially among teenagers or the first-time shoplifter. They can get SPOOKED and dump the merchandise.
- With a security camera, you have the luxury of someone behind the camera watching and recording the crime as well if you are on the floor. More eyes on the shoplifter works in your favour every time.

Wait until the suspect exits the store

Before you can legally detain a shoplifter, you must see them conceal the merchandise, watch them the entire time to make sure they don't dump the merchandise and wait for them to exit the store with the merchandise still concealed on them or in their personal belongings.

- It is necessary to wait until the shoplifter is outside the store to disqualify the excuse that they INTENDED to pay
- If they bypass the register and the merchandise is not paid for and they exit the store this is when you can stop them.
- You must be particularly careful in stores where merchandise is displayed outside the store front, as shoplifters can use the excuse that they are still shopping and intend to return inside to pay.
- Rather than approaching the shoplifter alone, it is always best to have another employee with you, and at least one of you should be of the same sex as the suspect. There is no merchandise worth your health, safety or life.

Detaining a shoplifter

Approach the shoplifter calmly

Outside the store, approach the shoplifter calmly, from the front if possible. Once you have stopped the shoplifter, whether it be in the mall or in the parking lot, identify yourself and firmly yet calmly advise the shoplifter that you have witnesses them hide merchandise which was not paid for and that you need them to come back into the store with you.

- Here is where the visual aspect is very crucial; tell the shoplifter where they hid the merchandise and exactly what merchandise they have stolen. This will let them know you have been watching them the entire time and to argue or dispute this fact is pointless. It boisters your professionalism as well.
- Do not be surprised if they throw the merchandise at you and try to make a run for it or even return the merchandise to you in the parking lot and tell you that they FORGOT to pay for it. They are clearly attempting to downplay their crime or even EXPLAIN AWAY their crime. Do not fall for this.
- You should NEVER attempt to chase a shoplifter who runs away, at least within the store or shopping mall. Two people running through crowded areas poses a risk to the safety of shoppers and store employees. Sometimes an exception can be made if the suspect runs into a parking lot or empty area, but it should go beyond the confines of the property.

Retrieve the stolen merchandise

It is best to try to retrieve the stolen merchandise while you are still outside the property, as this will confirm the theft and validate your detention of the shoplifter. If it becomes obvious that the suspect no longer has the merchandise on them, it is best to apologise and let them go, as you have no proof of theft. This is known as a BAD STOP.

Escort the shoplifter back into the store

Tell the shoplifter that you need to take them back to the store to DISCUSS THE MATTER IN DETAIL. Escort the shoplifter with you and the other employee on either side. The majority of shoplifters will be humiliated about being caught and will quietly comply in the hopes of being released.

- Take them to the control room or loss prevention office and retrieve the stolen merchandise from them, if you have not done so already.
- Call the police. The sooner you hand the matter over to them, the better, otherwise you run the risk of detaining the shoplifter for a time that may be deemed UNREASONABLE by a court and face charges yourself
- If the shoplifter is a minor, an elderly person or a person with mental disabilities, you may wish to call relatives to come pick them up instead of calling the police, at your discretion.

Ensure that you hold the shoplifter for a REASONABLE amount of time only

It is very important that you only detain the shoplifter for a reasonable amount of time and use no more than reasonable force when handling them. otherwise, you may be exposed to civil liability for negligence.

- It is possible to use handcuffs to detain a shoplifter. If they become violent and pose a real threat to the safety of the store employees and customers. However, the person who applies the handcuffs must have the proper training and will be responsible for the detainee's health and safety from that point onwards

- Using excessive force, extreme foul language, verbal threats and racial or religious slurs are all considered illegal

Hand the situation over to the police

When the police arrive, depending on the amount of the theft or some other situation, the shoplifter will be issued a citation, which will give them a court date to appear to answer the shoplifting charge. In other instances, they may even be arrested.

Competence check for Lesson 3

Now that you have completed Lesson 3, are you able to understand and demonstrate such understanding?

Make necessary comments in the appropriate column so you can check / follow up on later during the learning programme. Ensure that if you are unsure of the concept, note your comments / questions to discuss with your assessor.

Learning Outcome	Check / Comments / Questions
I can explain how to identify shoplifters	
I can communicate ways to prevent shoplifting	
I can explain how to keep suspects under surveillance	
I can explain policies and procedures to apprehend suspected shoplifters	

Summary

Sources of shrinkage

Visible robberies are the most dramatic form of shrinkage, but most theft by outsiders comes in the stealthier form of shoplifting. Shoplifting, including well-planned operations by organised rings of criminals, accounted for over 36% of losses in a 2017 study. Internal theft, carried out by employees, accounted for another 30% of losses. The remainder was explained mostly by administrative errors at the retailer's end, or by error and fraud on the part of suppliers. To make things worse, most retailers reported flat or declining budgets for loss prevention.

Shoplifting and its prevention

Shoplifting is the biggest cause of shrinkage, so it is the logical place to start tackling your shrink problem. Electronic anti-theft systems are a useful deterrent, but they are not fool-proof. It is better to focus on the fundamentals.

Do your fixtures give your staff good lines of sight? Are portable, high-value items locked up or tied down? Most importantly, do your staff engage with customers? A polite, respectful salesperson at a potential shoplifter's elbow is as good a deterrent as anything you can buy, and you are already paying them to be there.

Preventing losses from professional theft rings is harder because they carefully select stores with limited staff and operate in groups, with some distracting the staff and others pocketing the goods. Your best bet is to educate yourself and your staff to recognise the signs that this is happening, and ideally have concealed buttons throughout your store so that staff can call for backup. If you have a good surveillance and recording system, you can sometimes catch the thieves on camera and help identify them for the police.

Employee theft and its prevention

Employee theft is more insidious. It is easy to suspect outsiders, but hard to think you may be losing money to a trusted assistant manager or your long-time model employee. Light-fingered teens earning minimum wage will always be a risk for theft, but it's the employees you trust who are in the best position to hurt you in the long term.

A good surveillance system can help there, but your staff know better where the cameras are and how they are used.

Ultimately the answer to employee theft is building an inventory handling system that makes it difficult. Simple steps such as mixing up your staff, so you don't have the same group closing together all the time, and mandating clear garbage bags, can make it harder for staff to line their pockets at your expense. Screening your employees more carefully, including criminal record checks and personality profile testing can also help.

Preventing administrative losses

Administrative losses basically boil down to human error, which makes them tricky to detect. They come in many forms, often data-entry errors such as an added zero or an invoice logged into your system twice. Those will artificially inflate your inventory, and if you don't catch them they will show as shrinkage the next time you do a physical count. The best defence against those is to have strict receiving procedures and inventory handling systems with a lot of built-in error checking.

When you do your physical inventory count for example, you may generate a TILT LIST of discrepancies between what you expected and what you counted. Often you will find a counting error, but you may also catch data entry errors.

Preventing vendor side losses

Strict receiving procedures can also help prevent vendor-side losses. Most of your suppliers are probably completely honest, but like you, they have human staff and make human mistakes. If you train your own staff to check incoming orders against the corresponding invoices and packing lists, you will catch those supplier errors before they are recorded into the inventory. The same tightly run systems will protect you from the occasional rogue suppliers who deliberately short-ship, send sub-standard products or invoice you for products you have never received.

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