

# KANTAR

## Organized retail crime

Mapping the size and shape of the  
problem

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REGION: GLOBAL



# OUTLINE



1 Defining the problem

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2 The size and shape of the problem

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3 The politics of retail crime

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4 Outlook and implications

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# 1 Defining the problem





*“ The first recorded event of someone stealing in a retail store occurred in London during the 16th century. Stealing in retail was probably happening even before this date. ”*

# A long-term challenge for retail

ORC has a very wide spectrum of size and sophistication

## ORC Overview

Organized retail crime (ORC) presents significant financial challenges to retailers globally. It involves criminal networks systematically stealing merchandise from retailers and reselling it through various channels. It is low cost, high reward for transnational criminal alliances. This makes it appealing for them to conduct ORC activities to further fund other criminal activities like drug trafficking and human smuggling.

## Getting the definition right

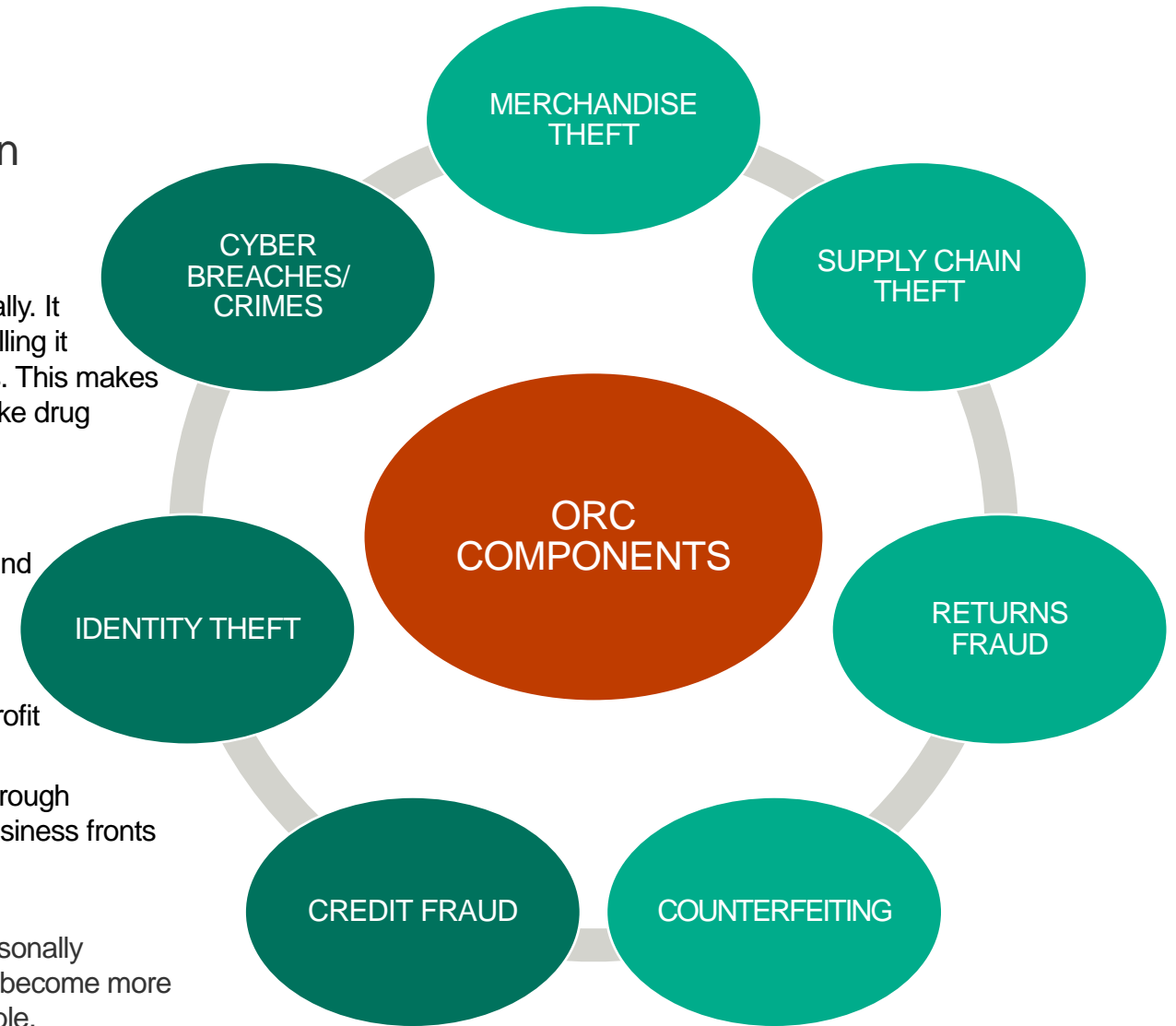
This billion-dollar criminal activity is often written off as “just shoplifting” and wrongfully regarded as a problem for retailers to solve themselves. ORC surpasses the “smash and grab” thefts that are sensationalized in the news, as these are often the work of local gangs or even opportunists taking advantage for a quick gain.

ORC is an organized crime that involves professional organized theft groups (OTGs). These are transnational criminal networks of individuals working together to steal for profit that finances ongoing operations and other criminal activity.

ORC syndicates plan attacks on highly sought-after goods and then sell them either through backdoor and online marketplaces or, in many cases, through apparently legitimate business fronts operating in plain sight.

## Understanding the full scope

Crimes also extend beyond physical products to confidential customer data and/or personally identifiable information for the sole purpose of using it for illicit financial gain. ORC has become more organized, and the thefts and frauds involved have become more complex and profitable.





# International-driven ORC started with the 2008 baby formula scandal in China

Fifteen years later it is still a driver for organized theft from retailers and warehouses worldwide

**The 2008 Chinese milk scandal** was an extraordinary event for the country as it drove a very emotional issue (tainted formula killing babies) with changes in social media and expectations around government responsibility.

The largest manufacturer of milk products, Sanlu Group's milk and infant formula division, started adulterating formula with the chemical melamine. The addition raised the protein test scores for diluted milk, but also introduced serious health risks.

300,000 children were officially identified as being affected with 54,000 hospitalized, and at least six deaths. What exacerbated the disaster was a major media suppression from the government in the lead-up to the 2008 Olympics, along with almost all companies involved denying there was a concern, much less admitting responsibility. Consumers became frantic for any baby formula not made or sourced in China, and the fallout of the incident still drives mistrust to the current day.

One major outcome of this event was the establishment of large numbers of organized groups stealing formula across the world for the purposes of selling at highly inflated prices on the Chinese market. The peak of activity for these ORC groups was in 2015, but it still continues to this day in the US and Australia.



**West Coast US** -- Infant formula has become such a hot commodity among sophisticated theft rings that it's been called "liquid gold". The scale of baby formula shoplifting is so vast it has become an interstate problem and forced chain stores to install elaborate anti-theft devices. The 'Hernandez Group' reportedly operated an organized retail theft ring for four years in California and Oregon, stealing USD2.5 million in infant formula from Safeway stores until police busted the ring in December 2010, according to court documents. - *ABC News - 13 April 2011*

**Sydney, Australia** – A baby formula ring mastermind admitted to buying hundreds of thousands of dollars worth of milk powder stolen from supermarkets and shipping it to China. Lie Ke bought tins of formula stolen from supermarkets and chemists. She bought the tins for AUD16 to AUD25 and sold them to Chinese customers at higher prices. One thief made around AUD4,000 per week for selling 50-100 stolen powder tins. Illegal transactions were made in public car parks in crowded shopping centres - *Daily Mail Australia, 17 May 2020*

**The Hague, Netherlands** — Thieves recently struck Edwin Legebeke's supermarket, but it wasn't run-of-the-mill shoplifting. The criminals absconded with an unlikely, yet highly prized bounty: a dozen tubs of milk powder. - *USA TODAY 31 August 2015*

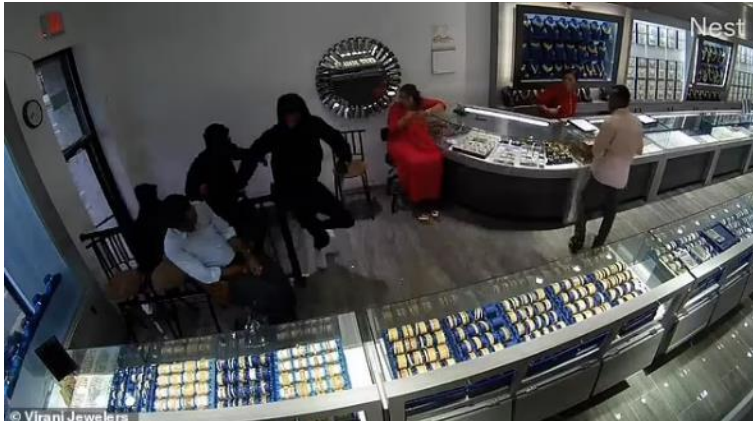
# International gangs continue to be an issue though the countries of origin change

Ranging from 'smash-and-grab' upward to nationwide organizations

**Foreign nationals entering the US and Europe for a limited criminal stay is often referred to 'tourist burglars'.** Generally, they are executing smash-and-grabs or home break-ins with the intent of stealing high-value luxury goods such as fashion accessories, jewelry, and limited edition items such as quality watches. Originally, they were from Eastern Europe and often ex-military, but they are now far more diverse. In the US, the most recent examples involve criminals originating from Chile, Venezuela and Colombia.

Normally, they are in the country for a limited time working with other foreign nationals and locals organized via text messaging (Telegram is the most-often used platform). Once the robberies are accomplished, they fence the product and transfer the funds out of country, and then return to their home nation.

These types of organized groups are notable not only for the value of the items stolen but also for violent methods that damage stores and threaten employees. Often the overall value of the damage done is greater than the product stolen.



**Mobile organized crime groups (MOCGs)** are active in many crime areas, and move quickly around within and across multiple jurisdictions. This makes it hard to tackle them. Europol works with law enforcement agencies within and outside the EU to identify and dismantle the networks behind MOCGs. Primarily involved in property crime or fraud, MOCGs focus on such activities as:

- Robberies, including armed robberies, and burglaries
- Organized shoplifting and pickpocketing
- Cash machine and cash-in-transit attacks
- Theft of a variety of high-value items

*Interpol 2023*

**Europe "The Pink Panthers"** - After hundreds of heists valued close to USD1 billion, this group continues to terrorize the global jewellery industry. The gang has mounted well-planned and elaborate "tourist robberies" worldwide. There's no official information as to the exact number of members but Interpol believes the criminal network is made up of around 800 core participants with an undetermined number comprising their extended international network. - *Jeweler Magazine January 2020*

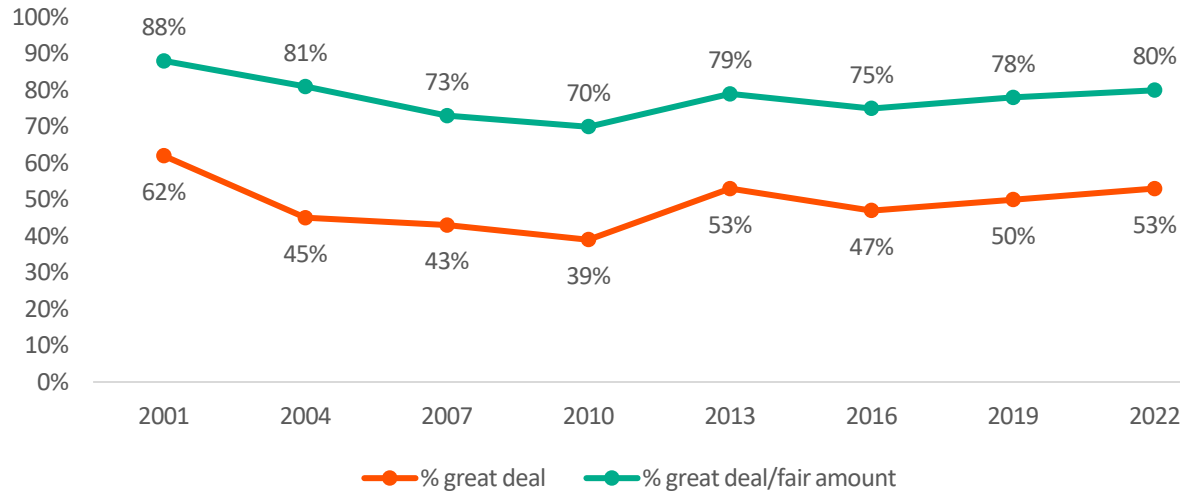
**Palo Alto - Two crews of retail thieves**, one saying they are Romanian and the other carrying Chilean IDs, were arrested after stealing from the Stanford Shopping Center and other Bay Area malls. Both groups were on tourist visas. - *Daily Post June 2022*

# The rise of violence in the public place creates new tools for ORC

By all national measures, Americans continue to be more concerned about violence

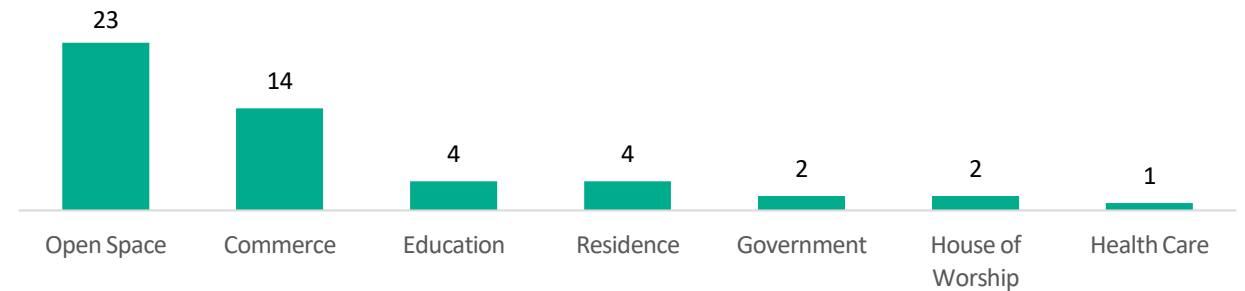
US: Americans that Worry about Crime and Violence (%)

I'm going to read a list of problems facing the country. For each one, please tell me if you personally worry about this problem a great deal, a fair amount, only a



- Concern for being a victim of violence is at a 20 years high in the US.
- Part of this is being driven by very large and public active shooter incidents
- Which often occur in retail (commerce) environments.
- ORC using the threat of violence is a major variable for the lack of employee or shopper interdiction. It also complicates law enforcement response.

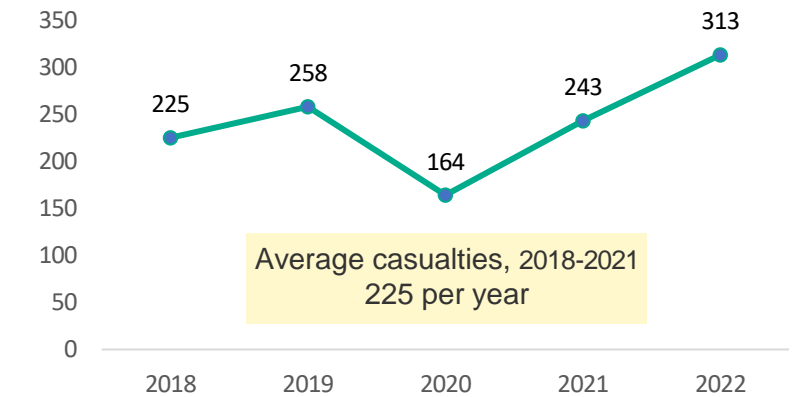
US: Number and location of Active Shooter Events in 2022



“You can see [the] pressure in our financials and more importantly, frankly, you can see that pressure on our associates, This is traumatizing for our associates, and it is unacceptable. We are doing everything we can to try to create as safe as possible environments.”

**Corrie Barry - Best Buy CEO**  
Q1 2023 report to investors

US: Wounded or dead from Active Shooter Events 2010-2022



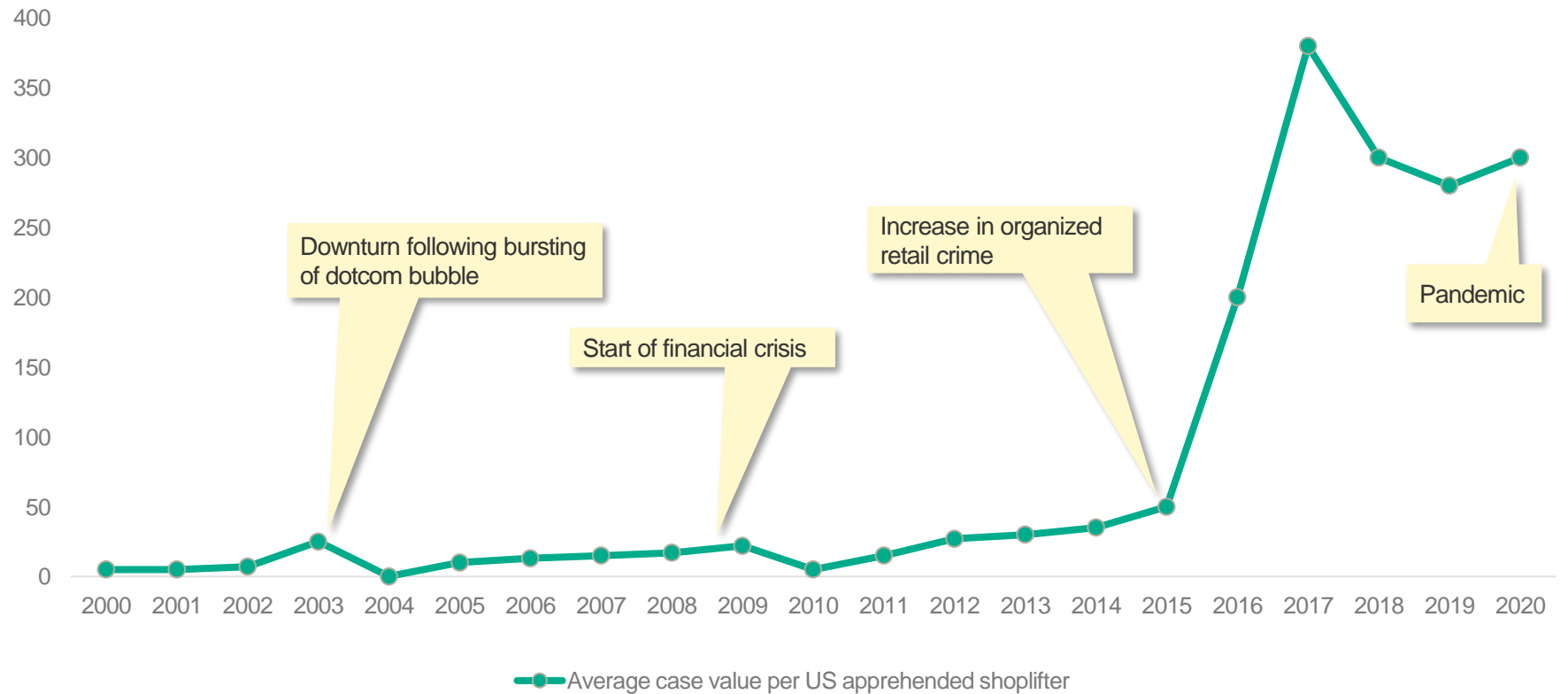


# ORC noise is being amplified by consecutive years of retail pressures

The cost-of-living crisis acts as an accelerant on retail crime, but other factors are also at play

- While higher cost of living has led to a surge in retail crimes, ORC groups are taking advantage of the low prosecution rates for retail crimes.
- They are also leveraging technology for greater yield from their crimes without having to invest in many people to physically steal from retailers.
- Sustained pressure on household incomes could also act as a driver for gangs to recruit disenfranchised people to participate in criminal activities in retail.
- The low prosecution rate for retail crimes as well as the relatively penalties for individuals is not a strong enough deterrent

USA: Relationship between economic stress and organized retail crime, 2000-2020 (USD)



# The magnitude of ORC is reflected in the range of tactics used globally

Retailers are facing dynamic pressures across their entire value chains


**GROCERY DIVE** Deep Dive Opinion Library Events Press Releases

Center store E-commerce Alternative formats Finances & Deals Fresh food Technology

DIVE BRIEF

## Target expects \$500M profit hit due to theft

Published May 18, 2023

 Peyton Bisara  
Associate Editor

in f t p e

## French police on trail of international gang of Lego looters

Three suspects reportedly said they were part of team specialising in stealing collectible sets



Menu TAGESSPIEGEL Anmelden ABO



### Milliardenverluste durch entwendete Waren

Diebesbanden werden zum Problem für den Einzelhandel

## The stolen goods making their way into your supermarket basket due to the UK's £700m a year cargo crime boom

**EXCLUSIVE**

An investigation has established how organised crime gangs across Britain are running a sophisticated operation stealing from HGVs and selling the goods back into the legitimate supply chain, with 'amazing' profit margins

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## Manchester fake goods warehouse raid is biggest yet, police say

3 May



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2 Sep 2022 | Intelligence

## €171M of cargo thefts in 18 months

Cargo criminals were active in 78 countries across the Europe, Middle East & Africa (EMEA) region in the 18 months to 30 June 2022, with thefts or attempted thefts of products from supply chains valued at more than €171 million.

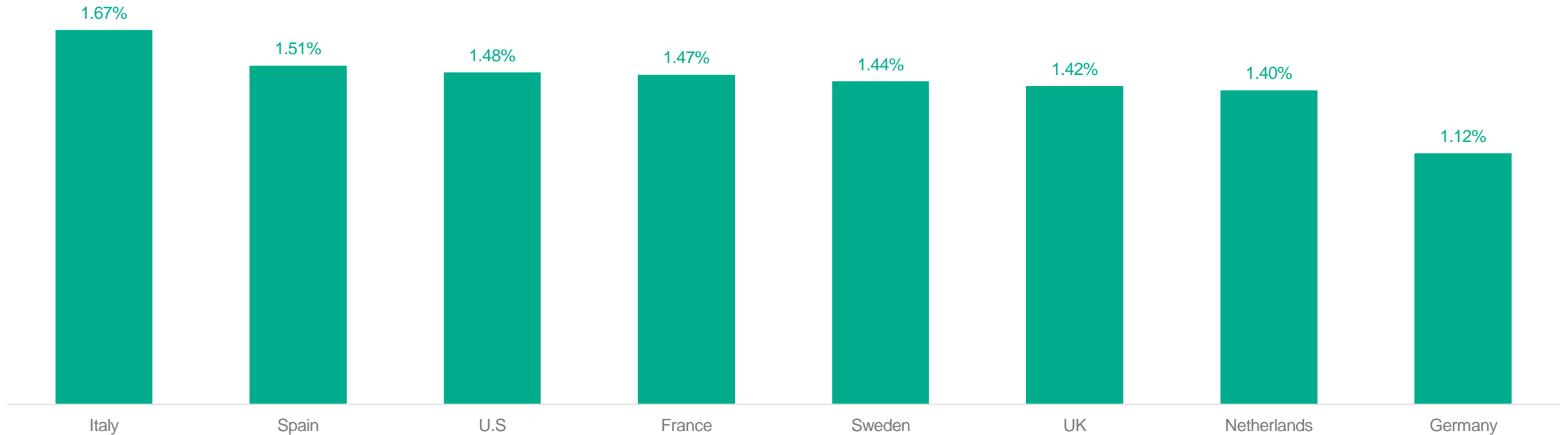
## 2 The size and shape of the problem



# Total retail shrinkage is typically over 1% of sales across markets

Equating to ~USD1 billion for retailers like Kroger, Tesco and Edeka, if industry average is applied

Selected markets: Pre-pandemic retail shrinkage as a % of sales, 2019

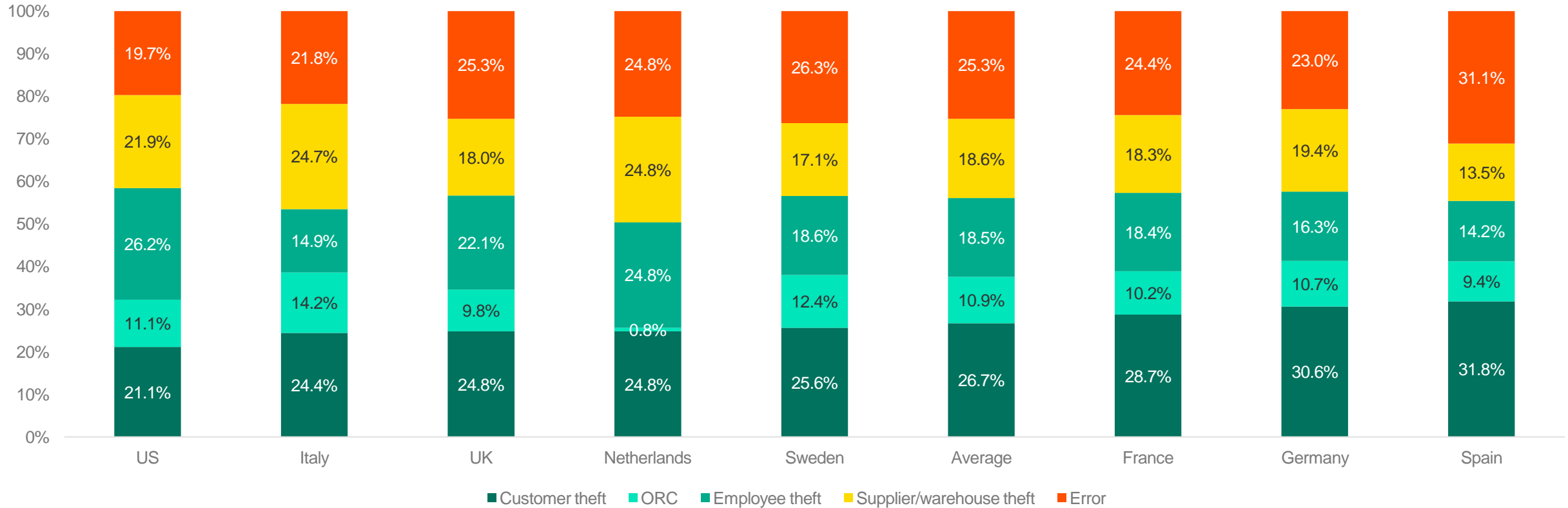


*N=328 retailers surveyed in eight countries with a combined total of 48,000 stores, covering crime events during 2018-19*

# With increase in use of tactics bolstered by tech, ORC contribution will grow

Organized cybercrime will drive a greater value share of retail losses in the future

Selected markets: Pre-pandemic sources of retail crime (% contribution to shrinkage), 2019

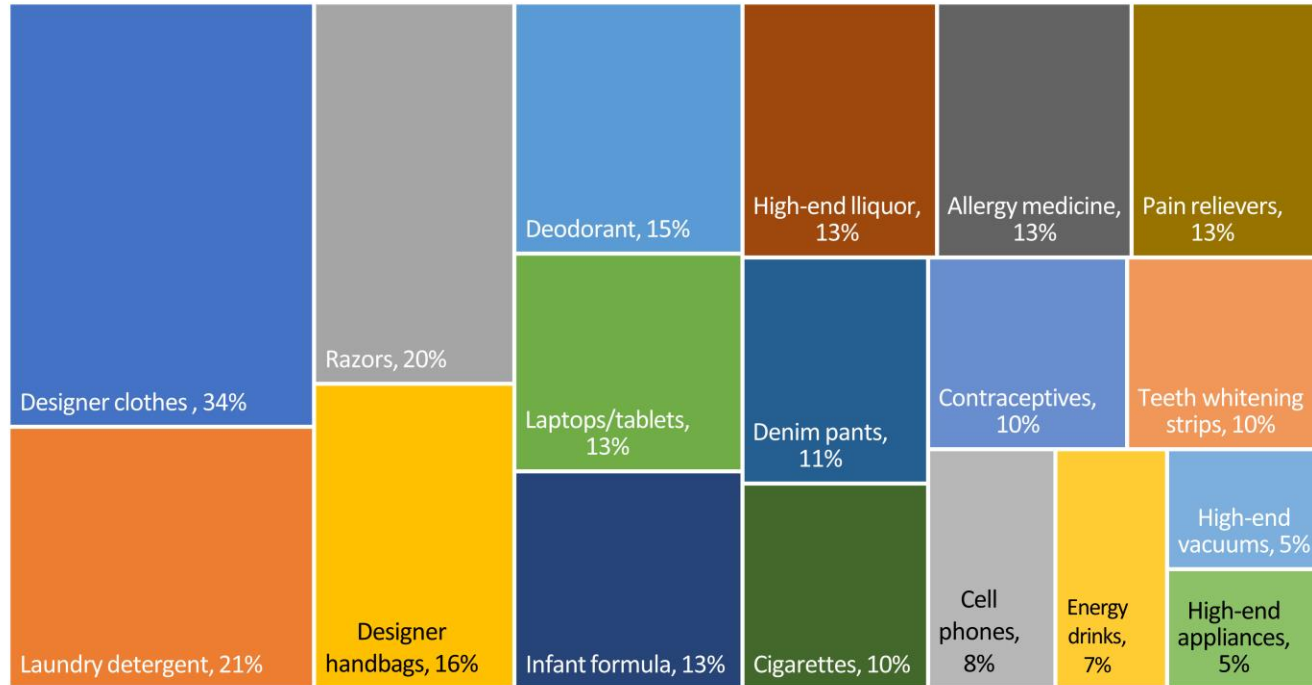




# The scope of target categories is broadening

This requires a constant updating or revamping of prevention measures

US: Top items stolen by ORC gangs, 2020 (%)



Categories with anti-theft appendages are increasing



Placing product behind counters, in acrylic locked cubes, or intentionally frustrating shelving has an assumed impact of up to 25% reduction in sales. And some retailers are now negotiating for additional funds during the procurement process to cover the expected loss or invoice deductions after the fact much like they would damages.

# Quantifying costs

Assigning a value can be complex, given consideration of global ecommerce and cross-border cyber crimes

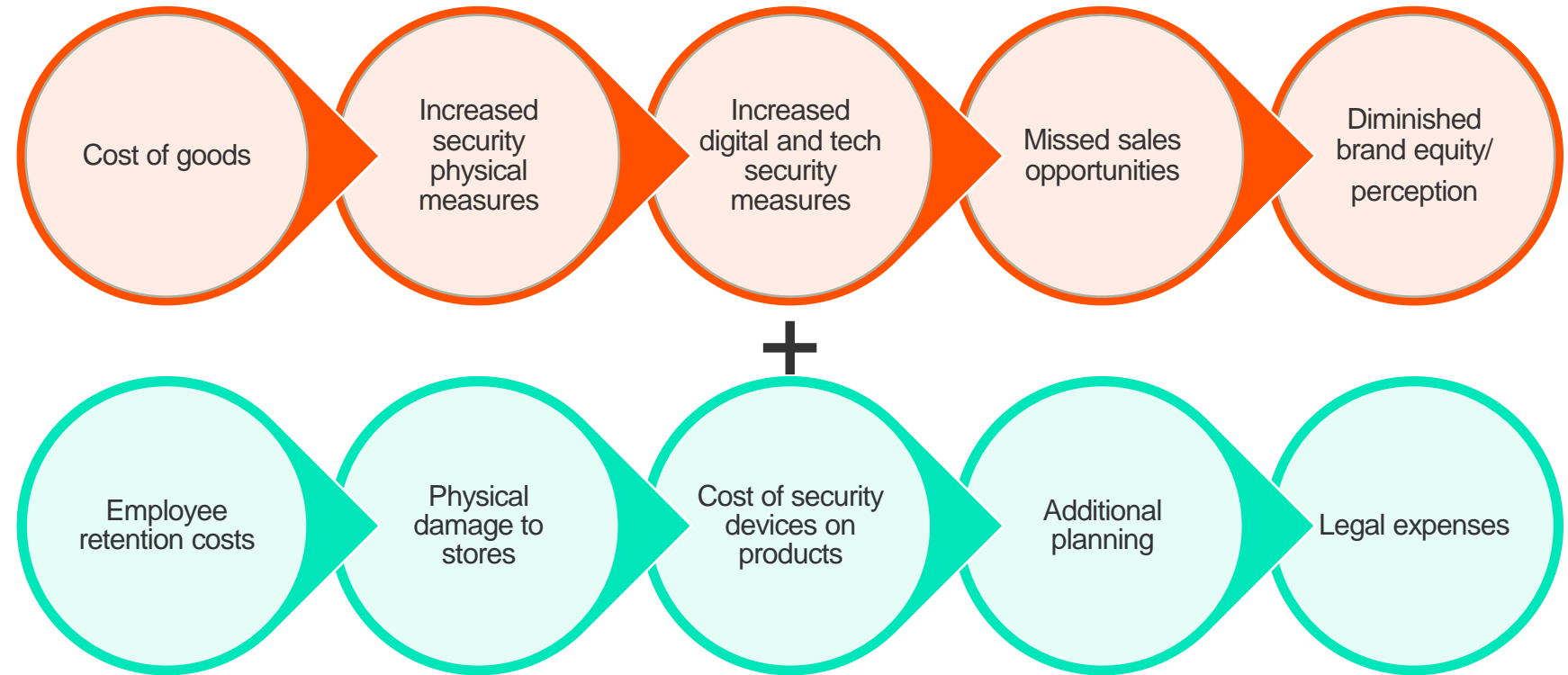
## ORC – a special mention on P&L reporting

Crime is being called out in more retailers' quarterly update as the cause of disappointing results. As a result, retailers have been more open to discussing the impact than in prior years. Some are closing stores in certain markets, citing concerns safety concerns for their physical facilities or employees. The cost spectrum is also broadening with the growing airtime being given to ORC in mainstream media.

The obvious cost implication leads to inventory shrinkage, reduced profitability, and diminished customer satisfaction due to out-of-stocks and how brand collateral is impacted by security appendages.

In addition, the retail brand's image will be negatively impacted if stores become infamous as crime hotspots or high-risk zones. The brand is also at risk when fraud is conducted using customers' credit cards or stolen identities.

## ORC cost components



# Cybercrime is digital ORC and continues to be a threat

One mistake and the average cost is close a quarter of net margin for a retailer

## Cybercrime ORC has had huge impact to financials

Sobeys in Canada was hit by ransomware called BlackBasta that took control of data and processes related to employees, scheduling and pharmacy operations in late 2022. Overall, it took the company over a month to overcome issues and to reinstall and test new systems.

The crime was committed in part by FIN7, also known as 'Carbanak'. FIN7 is a Russian-speaking, financially motivated hacking group that has been active since at least 2015, deploying POS malware and launching targeted spear-phishing attacks against hundreds of firms.

A 2022 Mandiant report explained that FIN7 was working with various ransomware gangs, including Maze, Ryuk, Darkside and BlackCat/ALPHV, which apparently executed the initial compromise.

In its Q4 2023 financials, Sobeys was quite open and detailed to the impact to their business and shareholder value. It is clear that the event was a negative to multiple P&L and Balance Sheet areas.

**The overall estimate to date from lost sales and damaged system recovery is CAD54 million.**

Sobeys: Impact of cyber-crime on Q4 2023 balance sheet

## Operating Income

CAD in mn	52 Weeks to May 6, 2023	52 Weeks to May 6, 2022	\$ Change
Food Retailing	1,401.1	1,277.0	(136.9)
Investment and other operations			
Crombie REIT	77.3	61.0	16.3
Genstar	16.5	32.4	(15.9)
Other operations, net of corporate expenses	(1.5)	(6.7)	5.2
	92.3	86.7	5.6
<b>Operating Income</b>			
<b>Adjustments</b>			
Cybersecurity Event <sup>(1)</sup>	45.8		45.8
Grocery Gateway Integration <sup>(1)</sup>	13.3		13.3
Adjusted operating income <sup>(1)</sup>	1,291.5	1363.7	(72.2)

(1) See "Non-GAAP financial measures & Financial Metrics" section of the MD&A for a description of the types of costs included. Additionally, certain estimated financial impacts associated with the Cybersecurity Event are not reflected in the adjusted metric above as it relates to sales declines with management considers are attributable to the Event, as well as operational effectiveness which temporarily declined during the Event. Management estimates that the impact of this non-adjusted item on operating income to be at least (\$20.0) million



# ORC: A broad-based issue with local market nuances

The international reach of criminal gangs makes this a global concern for the industry

The extent of ORC by region or market varies based on economic conditions, retail landscapes, and law enforcement efforts. Outcomes of ORC prevention efforts fluctuate due to changing criminal tactics, law enforcement measures, and advancements in retail security technology.

However, the profit gained from some retail crimes, particularly shoplifting, whether done individually or as part of ORC, often outweighs the risks across markets

Regardless of regional, geographic, legislative, or cultural differences, retailers worldwide face similar challenges and concerns in loss prevention. Organized retail crime poses universal economic and safety issues for retail companies globally.

# UK: Low penalties for retail crimes inspire new tactics

Retail ExCos are collectively advocating for law enforcement changes

## Low penalties for retail crime inspire new tactics

Retail crimes are on the increase in the UK and cost the UK economy significantly. The cost to retail is twice that for retail security (which is passed on in the price of goods).

The form of retail crimes continues to evolve particularly for ORC. Organised gangs are behind the phenomenon of push-out crime when thieves posing as shoppers pack trolleys with high-value goods often in bulk of the same category (alcohol, meat, cosmetics, perfume, toiletries, power tools, clothing, etc.) and brazenly push them out the exit without paying,

The HM Chief Inspector of Constabulary stated that in a critical period of a cost-of-living crisis, “I certainly fully support police officers using their discretion – and they need to use discretion more often”. He does insist he was not “giving carte blanche for people to go out shoplifting”. This sparked backlash accusing the Chief inspector of condoning a “lawless Britain”. To put this in context, **the amendments to the Theft Act 1968 has led to shoplifting under GBP200 to be decriminalised.**

The disturbing scale of violence and abuse faced by retail workers prompted 100 retail CEOs to write to 41 Police and Crime Commissioners in England and Wales, calling on them to commit to making retail crime a priority in local policing strategies.





# Germany: The shape of retail crimes is rapidly transforming

ORC with high value per incident is the biggest concern for retailers

## The shape of retail crimes in Germany is rapidly transforming

According to EHI, the retail research institute in Germany, retail losses due to thieves totalled around EUR3.7 billion in 2022, an increase of 15% vs. 2021.

The number of shoplifting cases reported nationwide in 2022 increased by 34%. Most of these cases were registered in North Rhine-Westphalia. The cases of aggravated theft, in which the stolen goods are specially secured and not of little value, more than tripled

In addition to shoplifting, scams and robberies have also been impacting retail significantly. The number of fraud offenses increased by 22.5% in 2022 especially in the area of prepaid fraud and fraud with voucher cards.

While the lion's share of thefts are committed by individual customers, **professional gangs of thieves, who typically steal goods worth EUR1,000 to EUR2,000 or more per crime, are still the biggest concern for retailers**. In addition the number of unreported cases in this area is considerable.



# France: Anti-establishment elements are contributing to retail crime growth

Some low-level perpetrators could be lured into much larger retail crimes

## From moral offense to political gesture

In France, shoplifting goes beyond the scope of the offense to become part of a much broader political identity and a project to fight against inequalities. Contrary to the stereotypes of teenage theft or kleptomania, the majority of inexperienced thieves today are, in fact, mature adults who are financially self-sufficient.

This includes retired individuals who have never engaged in such behaviour before. The director of a Leclerc supermarket, described the typical profile of these thieves as elderly or retired individuals who steal basic products that have seen a slight price increase.

Simultaneously, there is a shift in the societal perception of theft. While organized crime has captivated the imagination for many years, shoplifting has long been linked to a disgraceful and morally condemnable act.

This is shifting and at the root of this guilt reduction, is the observation that it is easy to steal. Some associate theft with protest against capitalism, driving the inclination to steal products like sanitary pads.

In addition, organized crime is also an issue in France and the choice of products stolen has become very interesting. In 2021, French police were building a case against an international gang of toy thieves specializing in stealing LEGO. They warned specialist shops and even parents to be aware of these criminals.



# US: Organized Retail Crime awareness is retail, political and media-driven

The solutions are more complex than simply tougher sentencing laws

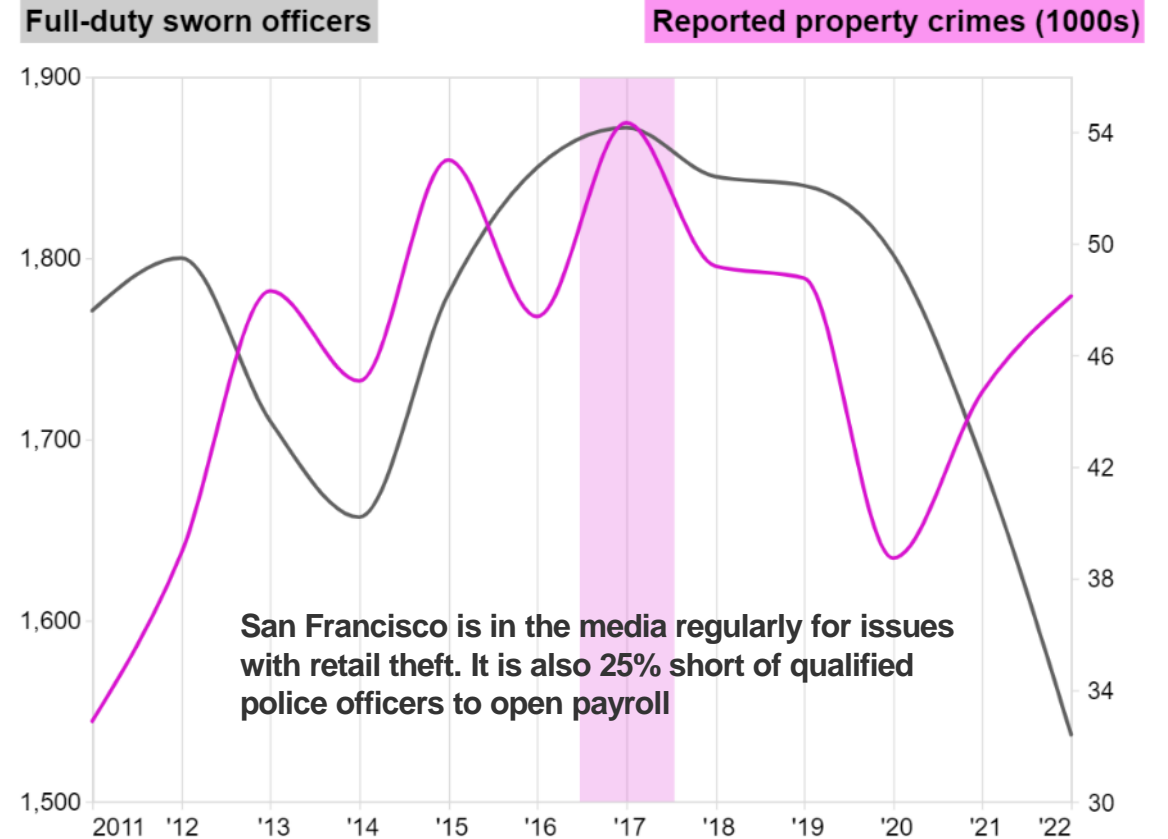
## The US multi-state reality makes solutions more complicated

Overall retail shrink rate in the US has held steady at 1.44% of the last 3 years according to NRF, but this equates to USD100 billion losses as overall retail continues to grow. The dollar figure is easier to report by the media and is often quoted. The hidden losses are employee turnover, damages to stores, greater investments into anti-theft technology, private security services, and insurance premium increases to cover incidences of violence.

The drop in the number of full-duty police and continued inability to fill open positions is another issue. As with other professions there was large number retirements of experience public safety officers. With the rise of violent events and shoplifting the lack of police officers is a real issue. Each state has very different definitions of what is a felony property crime ranging from USD750 in California upwards to USD2,500 in Texas but enforcement is spotty at best. Of late restraining orders are emerging as a more effective means of identifying repeat offenders for arrest.

Organized crime at an interstate level along with the foreign leadership for some gangs should be handled by the Federal government, but to date “S.140 - Combating Organized Retail Crime Act of 2023” that would clarify law enforcement and prosecution has yet to pass in Congress.

Meanwhile, retailers utilize a range of intrusive tactics including placing high risk items behind counters or in locked cubes. They also continue to close stores stating violence and theft as an issue to the public and investors.



# The 2023 LPM Violence in Retail Survey highlighted the impact of violence

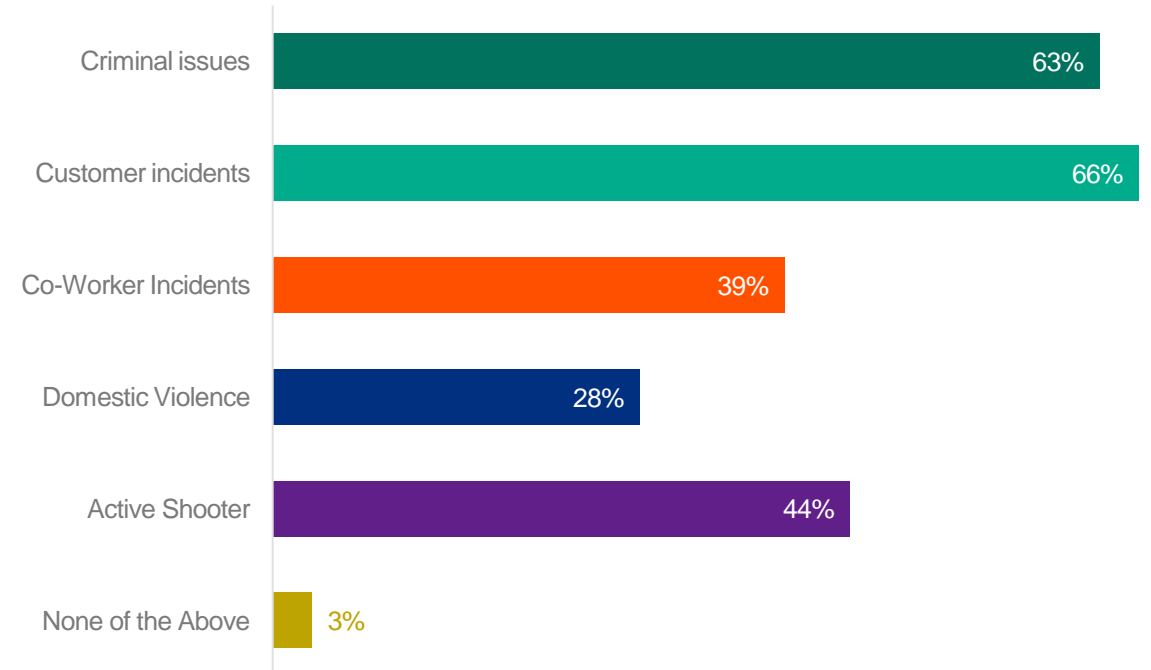
The turnover in retail labour also means far less experience in key de-escalation tactics

The recent [2023 LPM Violence in Retail Survey](#) is a recent in-depth look at this issue and provides some insight into the impact of this issue. Some comments from those surveyed which the highest concerns for the type of violence encountered:

- *These are among the most uncontrollable aspects of our business. We can get to know and monitor our team members, but we don't know who is coming in and what state of mind they are in.*
- *My organization has been impacted by 36 active shooter lockdowns in 2022. This is our focus and priority when it comes to training and situational awareness.*
- *Shoplifting incidents are rising and the emotional connection between employees has escalated the potential for customer incidents.*
- *The number one source of the issues is criminal activity across all lines of business. We have seen an overall increase in violence involving weapons of 30%.*
- *Customers incidents are becoming more frequent, but you never know what could drive an associate to turn to violence. Could be termination or some type of disciplinary action or personal conflict with another associate.*

## US: Type of workplace violence considered pose the greatest risk (%)

To the best of your knowledge and experience, which of the following types of workplace violence currently poses the greatest /most serious risk to employees and customers in your area of responsibility (Check all that apply).





# This is not a victimless crime

Violence is increasing and shoplifting can be a flashpoint for violence against shopworkers

## Frontline retail staff are facing greater risks to their safety

ORC can be violent, and sales associates are regularly been threatened with weapons. Many ORC syndicates fund other criminal activities, such as people, arms and drug trafficking with their ill-gotten gains in addition to defrauding retailers, threatening employees, reducing choice and increasing consumer costs.

## Decriminalization and higher returns fuel the violence

Common retailers targeted by organized theft syndicates include pharmacies, big box retailers, home improvement stores, grocery stores and softlines merchants. The top cities in the US by reported cases include New York, Los Angeles, Philadelphia, Chicago, Washington DC and Baltimore.

In addition to the increased ease of selling, the US has begun raising felony thresholds for theft, essentially decriminalizing the act as jails are becoming overpopulated. Industry statistics on violent crimes and retail fatalities continue to increase. This increased violence has a negative impact by way of employee sentiment and increased workers' compensation claims.

In the UK, violence and abuse against people working in retail has almost doubled on pre-pandemic levels, according to the latest figures from the British Retail Consortium's (BRC) Crime Survey. The research reveals that incidents, including racial and sexual abuse, physical assault, and threats with weapons, rose from the pre-Covid high of over 450 per day in 2019/20, to over 850 per day in 2021/22.



*"While a confrontation may be over in minutes, for many victims, their families and colleagues, the physical and emotional impact can last a lifetime"*  
**Helen Dickinson, CEO British Retail Consortium**



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# The politics of retail crime



# Retail crime: a hot topic with far-reaching political connotations

Concerns about ORC growth are driving a range of strategies which extend to legislation

## A push for reforms around low-risk high-reward crimes

Retailers attribute the rise in incidents related to organized retail crime (ORC) to recent changes in laws and penalties for shoplifting. Criminal justice reforms have inadvertently encouraged the perception of "low-risk, high-reward" crimes.

Consequently, certain organized criminal groups, gangs, mafias, and syndicates that previously relied on violent or drug-related activities for income have now shifted their focus to targeting retail due to the perceived lower risks and greater rewards involved.

In the UK, following an extensive campaign, the BRC was successful in securing an amendment to the Police, Crime, Sentencing and Courts Act in 2022 with the aim to better protect people working in retail. However, the Home Office currently does not track the use of this amendment, making it impossible to understand if the changes are having an impact.



# In US ORC is a hot topic that has become political

It plays well for politics but ignores the nationwide issues along with failure to pass effective federal legislation

## US retailers wait for legislation to pass

Retailers are urging government and police to take stronger action against organized retail crime. The Inform Consumers Act, supported by the industry, passed Congress to hinder the online sale of stolen goods. "S.140 - Combating Organized Retail Crime Act of 2023" is under review by House and Senate committees for the third year to bolster law enforcement capabilities. It has yet to come to a floor vote.

Further action is awaited to effectively address the issue in most major urban areas. Commitment to full police staffing, timely intervention at the retail site and prosecuting resources are required.

In most cases this also means state and federal information sharing in real-time to head off gang activity. Along with better tracking of international crime figures that enter the US for quick organization of groups for theft.





# A new law is in now in place to combat retail theft on digital platforms

A two-pronged approach – legislation and retailer initiatives will help control digital theft

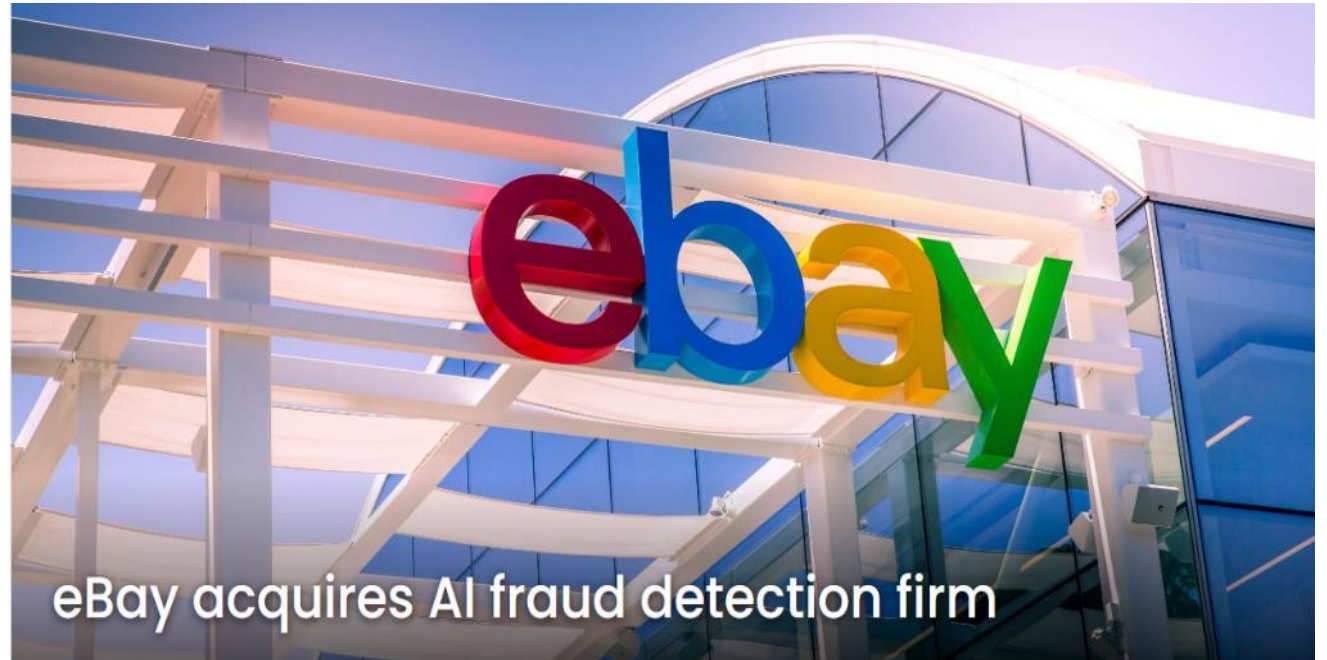
## Combating the prevalence of sellers outside the United States offering discounted counterfeit and stolen items

A new legislation has been enacted to address the rising issue of organized retail theft and the trade of counterfeit and hazardous goods on digital platforms. The bipartisan INFORM Act, officially known as the Integrity, Notification, and Fairness in Online Retail Marketplaces for Consumers Act, came into effect on 27 June 2023. The act focuses on enhancing consumer safety in online marketplaces by increasing transparency and seller verification standards.

Under the law, high-volume third-party sellers, such as those on eBay and Amazon, making 200 or more sales totaling over USD5,000 in a year, are required to provide identification and contact information to major marketplace platforms. Failure to comply within 10 days will result in the suspension of their seller accounts.

While the INFORM Act primarily targets fraudulent sellers, efforts have been made to minimize the burden on small businesses by avoiding excessive disclosure requirements. The law aims to strike a balance between consumer protection and supporting small enterprises.

In light of the new regulations, brands and retailers selling on third party platforms, particularly Amazon, are urged to operate transparently and with integrity to foster consumer trust and ensure sustainable and successful online businesses.



Online marketplace eBay has acquired 3PM Shield, a company that provides AI-based marketplace compliance solutions which will enable it to better spot suspicious or malicious sellers on its platform. According to a 2020 survey from Red Points, 50% of shoppers would request a refund if they purchased fake items and nearly half said they would also write warning reviews about the fraudulent sellers. eBay is investing in solutions that will help it maintain and build trust among its merchants and customers.

# 4 Outlook & implications







“ The ORC industry will grow **more dangerous, complex and profitable**, and its illicit proceeds will fuel more organized criminal networks and operations in the United States, globally and virtually, if more concerted action is not taken to disrupt these trends ”

*Juana Zarate; K2 Integrity*

“ Digital transformation is one of the biggest threats facing retailers and their customers in the years to come, so the best thing retailers can do is to **combat AI with AI.** ”

“ Thieves are rarely creative; they use proven tactics to minimize risk. Spotting those patterns is the role of statistical software tools (AI) used by experienced professionals sharing information across companies and borders ”

# The four Ps is a good starting framework to handle a complex issue

Companies and the public institutions have to share information and coordinate action

## The Four Ps of:

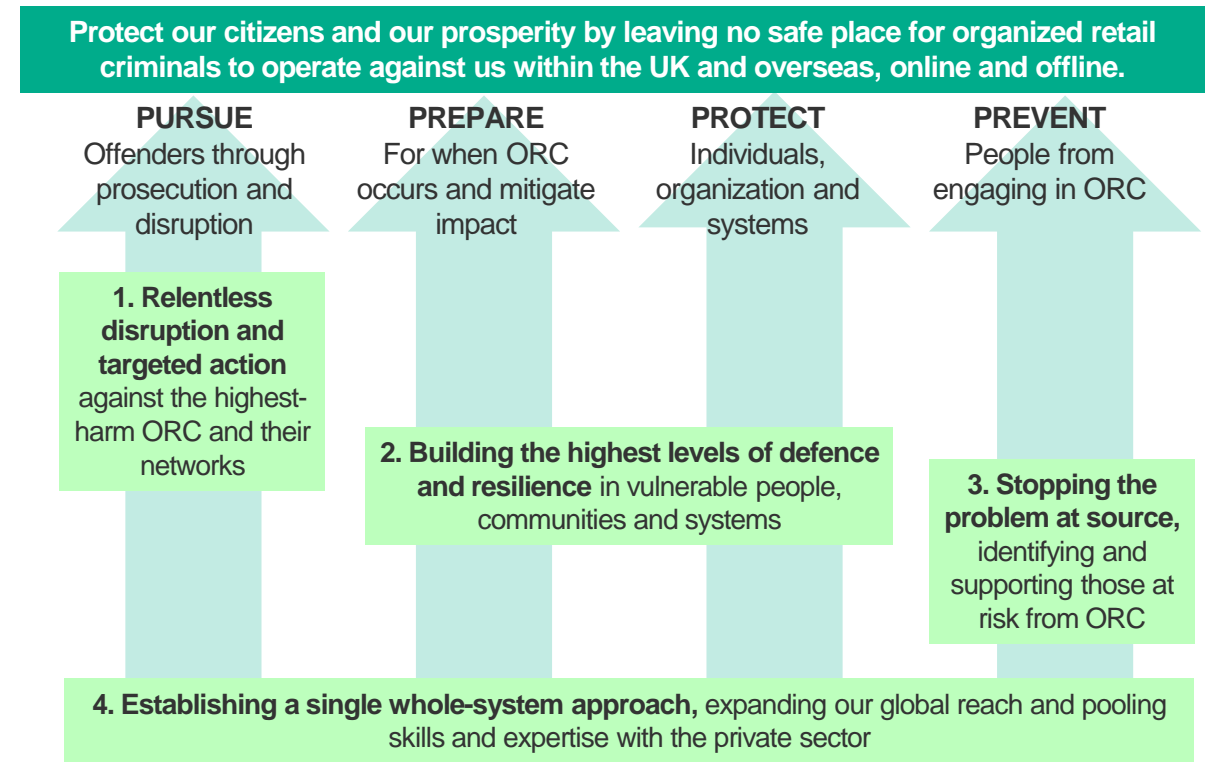
- **Pursue** to disrupt planning and execution of group actions
- **Prepare** to understand the environment at threat
- **Protect** the public and employees
- **Prevent** through improved information and actions before the event

These are all led for public safety at the local, state and national level with the engagement of the retail companies and their employees. It implies that there is full cooperation between law enforcement and retail along with broad sharing of information. In addition, a depth of training is required for all involved to the complexity of preventing a crime while ensuring public safety. Loss prevention departments are critical to this model, but they cannot implement on their own, even with cross-retail cooperation.

**Organized retail crime is crime**, not simply shoplifting. It increasingly combined with violence either as a tactic or reaction to an employee or shopper trying to stop the act. Untrained people get hurt and too often killed.

Labor continues to be the challenge for every group tasked with reducing ORC. Retention and training is key to bringing to together the 4 Ps.

## UK: Key points of anti-ORC strategy



# Another model is to conceptualize the key zones for ORC prevention

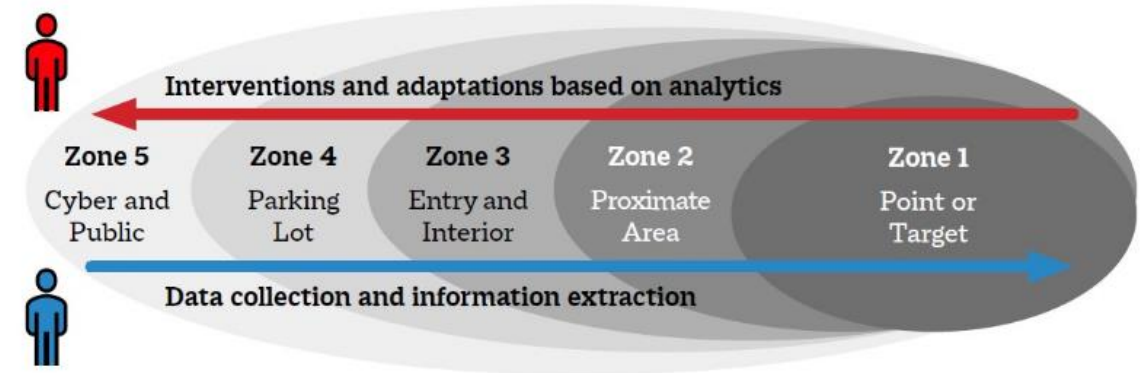
Each zone represents a place to identify and de-escalate risk of loss

From the LPM article: “Zones of Influence” is somewhat self-explanatory - retailers have influence over what happens in each of these zones. That is, retailers have an opportunity to prevent crime and losses:

- In the broader community and cyber domain (**Zone 5**),
- In the parking lot or store curtilage (**Zone 4**),
- At the store entry and in the overall store interior (**Zone 3**),
- In the proximate area where the crime occurs (**Zone 2**), and
- At the specific location of the crime within a store (**Zone 1**).

Offenders can victimize retail employees, guests, and companies in any of the five zones of influence, however, each of the zones are nested within other zones. This is important because it means that, for example, for a crime to occur in or at Zone, 1 an offender must pass through Zones 5 through 2. Furthermore, it also implies that, if an offender successfully commits a crime in Zone 1, then it suggests that retailers likely missed opportunities to control crime in Zones 2 through 5.

As mentioned previously, crimes can occur in any of the five zones. However, the nature of each of the zones shapes both the nature of crime that is likely to occur within that zone as well as the opportunities to control crime in each of the zones of influence. Although some strategies can be used across the different zones, there are also many important differences. For example, strategies to deter crime at a specific location within a store (Zone 1) are different from strategies that help retailers establish an impression of control in the parking lot (Zone 4).



Zones of Influence in situational crime prevention in which interventions can be done to deter bad actors (red color) and encourage safe behaviors by good actors (blue color), leveraging collected information and built environment adaptations.

The Zones of Influence typology is designed to help retailers think about preventing crime, reducing losses and protecting assets throughout time and space. More specifically, it helps retailers identify opportunities to intervene in the processes that lead to crime. The LPRC refers to these processes as the 'journey to crime'. Because individuals move through time and space, there are things retailers can do before retail crimes (proactive strategies), during crime (disruptive and de-escalation strategies), and after crime (reactive strategies). Since crime often recurs at various times and places, it is important for violence prevention programs to incorporate all of these elements.

# Effective countering to ORC means cybersecurity tools integration

Most retailers have invested into tech solutions to add extra capability to existing loss prevention teams

Loss prevention departments have expanded from former law enforcement to electronic monitoring of product and stores, cybersecurity and social media experts, along with tracking of stolen goods online as fencing goods through eBay, Facebook and Craigslist is a major ORC tool. A general knowledge of insurance liability has been deepened into professional expertise. External factors such as logistics and procurement are now part of large assessments but are generally not an area of actionable responsibility unless it directly engages the company, such as fraudulent purchase orders or receiving errors.

Stores and warehouses have become dense with an assortment of technology and monitoring software. The use of CCTV cameras, RFID chips, motion detectors and spectrum of light analysis are just a few areas that incur additional expertise. Point of sale has seen multiple evolutions, not least self-checkouts, which require insight into complex analytics of shopper motion that may indicate intentional theft

A major area of loss prevention has always been pattern analysis, which can be defined as identification of repeated activity that is not part of the greater routine. Human observation has given way to digital tools that use machine learning forms of artificial intelligence to establish probability of theft or product loss.

The major challenge is over-reliance on systems that invariably generate false positives, which not only reduce a loss department's credibility but also opens up the retailer to potential lawsuits. An example is facial recognition, which is being used in some EU retailers, but insurance liabilities from false positives (dark skin tones are a challenge), limits its use in the US.





US: Auto Zone Loss Prevention



The areas of responsibility are fluid, ranging from simple in-store security to full company responsibility for unexpected losses in all departments. Any company with a long-term relationship with retailer should document these unique variables for future need especially if they have employees working within the store. At the very least be aware of the overall loss prevention organization and how it interacts with their own company.

# Evolving ORC tactics require a response from retailers and lawmakers to adapt

Note: This is more general to loss prevention, less to ORC

	FROM	TO
 <b>Loss prevention workforce</b>	Staffed by former law enforcement and a few cybersecurity experts	High weighting of cybersecurity and social media experts, actuaries and insurance liability professionals
 <b>Technology</b>	Stores and warehouses that are dense with an assortment of technology and monitoring software	<p>More sophisticated pattern analysis tool and monitoring systems</p> <p>Reducing over-reliance on systems that invariably generate false positives and reduce credibility</p> <p>Greater use of remote-controlled anti theft mechanisms e.g., remotely locking the wheels of trolleys to prevent them being pushed out of stores.</p>
 <b>Cost profile</b>	Retailers passing on costs softly to suppliers as their loss prevention budgets have grown	Using loss prevention as one the key pillars of negotiating a win win in joint value creation discussion with suppliers
 <b>Legislation &amp; enforcement</b>	Small incremental changes to retail crime legislations and penalties	Unforeseen but could take a key critical event to mobilise greater change



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