

## Loss prevention programs: essential for every business

As the retail and supermarket sectors become increasingly competitive, with operating results becoming ever more important, it is essential for retailers to battle stock shrinkage. And employers in other fields need to be aware of the risk of shrinkage - of everything from office stationary to bigger items, and the misuse of items such as company vehicles.

One of the key tools in this process is a Loss Prevention Road Map, which, when executed properly, can yield amazing results in helping companies to minimize expenses and loss. Introducing a Loss Prevention Road Map process to employees, and teaching them to work together, using the latest technology and in-store best practices, helps to achieve common goals and objectives and promotes good management and teamwork.

“It's the age old adage - we must stop trying to only detect loss – preventing it is even better,” says ADT Retail Specialist Bud Anderson, who has over 30 years' experience working with some of South Africa's largest corporate retailers.

ADT Security is part of a global organisation with over 130 years experience. It creates tailor made solutions based on a wealth of experience and access to industry expertise. Anderson is able to tap into global resources such as advanced data mining technologies and ongoing research and development.

According to Anderson, the most important step in the Loss Prevention Road Map is to identify the key problems through a mapping process. “To understand which products and services best suit your business it's important to first identify the most significant risks you face,” says Anderson. Analysis then needs to be conducted to prioritise the vulnerable areas, and this should be followed up by working on viable solutions and implementing them. Throughout this process, it is vitally important that ongoing evaluation is carried out to measure success.

In a recent example that Anderson was involved in, the results were spectacular. The company was able to reduce their losses by 62% on specific high risk products while at the same time increasing sales by 30% over a 12-month period.

“Unfortunately there are no silver bullets when tackling the problems of inventory shortages. There isn't a 'one size fits all' solution,” cautions Anderson.

Stock loss is not only a result of external factors such as shoplifting, there are a number of internal factors that can range from poor processes and procedures to outsourced cleaning services or a malfunctioning alarm system.

“It is imperative to ensure that your alarm system is operating correctly. People tend to forget that an alarm system, like a car, has parts that age and wear out and therefore should be serviced at least once a year,” says Anderson.

Internal theft is also a major problem and it is important to be completely aware of how, why and when, your employees steal from you. Answers to this can include register manipulation, under-ringing, collusion, “sweet-hearting” (where a cashier does not ring up merchandise for friends or family), fraudulent refunds, and

various combinations of the above.

Finally, stores should also work with their suppliers, as shrinkage should be addressed at all points of the supply chain and not simply in the retail store. This is achieved through utilising an approach that is holistic systematic and based upon genuine collaboration between all partners in the supply chain.

Other key areas include:

### **Data integrity**

Relevant and accurate accounting systems are essential for identifying risks and shortfalls in your loss prevention program and it is important that your consultant has a good working knowledge of retail and an understanding of financial data. This is particularly important because if this information is analysed correctly it can clearly demonstrate the successes of the program and the resulting financial impact on the company.

### **Awareness programs**

“Inventory losses can sometimes be predominately a management and company culture issue,” says Anderson. “In this case, top management needs to come forward and make a real commitment to developing a loss prevention program and culture. There may be a need to change the attitude and behaviour of employees.

“If your company does not proactively implement Loss Prevention Awareness Programs, your employees may get the wrong message and it can be harder to deter other forms of loss.”

### **Technology**

A variety of technologies is available for deployment throughout the retail estate to help improve loss prevention capability. These include electronic article surveillance (EAS) anti-theft systems for product protection and closed circuit television (CCTV) for monitoring activity in and around the store environment. Through its market-leading Sensormatic® brand, ADT is one of the world's leading providers of retail security solutions and serves 9 of the top 10 global retailers.

Shrinkage is a problem that transcends departmental and company boundaries - it is something that requires genuine partnership and co-operation if it is to be managed efficiently.

“If you are able to map and measure your areas of vulnerability, then you will be able to develop an effective proactive strategy, which will help you to prevent or minimize your problems going forward. The better you can secure your inventory, the better you can secure your profits,” concludes Anderson.