Some of Your Retail Employees May Be Ripping You Off

written by Rory Lodge | August 27, 2015

Some employees might steal a few minutes of time here and there but most don't pocket your products. Unfortunately, according to a 2015 National Retailers Federation (NRF) survey (based on 2014 data) within the retail industry employee theft is a costly reality.

The overall survey on 'inventory shrinkage' found that billions of dollars are lost to theft, fraud and errors and less than half is a result of shoplifting from customers. In total 44.8% of losses were a result of external factors (shoplifting and vendor fraud) and 51% a result of internal factors.

The causes of Inventory Shrinkage

- 38% Shoplifting
- 5% employee/internal theft
- 5% administrative and paperwork errors
- 8% vendor fraud
- 1% unknown

The survey of the 25 top retailers representing 23,250 stores reported apprehending 80,366 employees for theft, an increase of 17% from the previous year. Statistically, 1 out of every 38 employees was apprehended for theft. According to analysis the survey showed that while there were more instances of shoplifting and more items were stolen by shoplifters an a per case average employees stole 6 times the dollar amount.

When asked why they thought employee theft had increased in 2014 the respondents considered four factors as the keys; the poor economy, a 'general decline in honesty', lax supervision and their poor pre-employment screening. To save money, according to President of Jack. L. Hayes International, a loss prevention and consulting firm, less screening, fewer employees and less supervision have created more opportunities for employee theft. He also mentioned that more part-time employees may result in less loyalty.

How Can You Reduce Retail Employee Theft?

- ***Better Pre-Hire Screening:*** It can be costly to conduct extensive interview selection, pre-interview screening and reference checking but perhaps more costly not to. Turnover in the retail environment is not uncommon and hiring can happen quickly. In a recent survey reported by PeopleMatter 70% of services industry employers surveyed indicated a 49% turnover rate and cited finding, hiring and retaining employees one of their biggest challenges. It can be tempting to hire quickly and without excessive screening when it is difficult to find and retain employees. However, better screening including reference checks might weed out some employees who might have a history of unwanted deeds.
- ***Increased Presence of Supervisors:*** The more supervisors have a presence on the floor, in the warehouse and at the office the more difficult it is for employees to find opportunities to steal. Apart from an extra set of eyes an increased presence of supervisors and managers in general can communicate to employees more interest in the day-to-day pulse of the workplace and even build better relationships.You may recall a recent story about US Grocery Retailer Market Basket and the revolt from employees and customers when their CEO, Arhtor T. Demoulas was ousted by his cousin. These employees demonstrated loyalty to a person who it was reported 'walked through the store' and 'knew everyone's name'.
- ***Loss Prevention Training and An Anonymous Reporting tool:*** Training employees on ethics as well as how to spot and report theft including co-worker theft can be an effective loss prevention tool. Whether there is a general decline in honesty as The President of Jack. L. Hayes International suggested it may be that many employees to not think they are doing much harm by taking a few items when they know the organization can 'afford insurance to cover losses. Many people simply do not understand the real cost of theft.According to a 2014 'Report to the Nations on Occupational Fraud and Abuse', compiled by the Association of Certified Fraud Examiners having a 'tip line' is a highly effective way of catching employee fraud, organizations with tip lines detected frauds 42% more quickly and had 41% less losses.
- ***Track the Data***: Knowing who is stealing, what is being stolen, when, where and how may require time and effort but it could be effort well spent. According to the 'Report to the Nations on Occupational Fraud and Abuse' the majority of Frauds, 77% were committed by individuals working in one of seven departments: accounting, operations, sales, executive/upper management, customer service, purchasing and finance. Managers fraud caused had the most financial impact and employees and in most cases fraud was committed by older, established, senior level employees.

In the battle against loss resulting from employee theft you may not be able to impact the economy but by paying employees a good wage, hiring the right people and training them to spot theft and building relationships with your employees you might positively reduce loss from employee fraud and theft in the future.