

High Street Robbery and its Remedies

'Retail Crime' and 'retail theft' are terms that cover the kind of offence we might generally know as 'shoplifting'. For any retail organisation, this type of stock 'shrinkage' is a major cost and therefore a major problem. In this article, Alan Bryan, Managing Director of BITT Limited, explores the problem of shoplifting and considers some of the solutions available to retailers.

The problem of 'shrinkage'

As consumers we are all too well aware of the increased use of electronic tags on the more valuable or vulnerable items on the high street shelf. From DVD's to razor blades, or the better brands of spirit, electronic tagging is used to minimise or deter theft.

The magnitude of the problem as an economic cost to the retail market (and ultimately to us the consumer) is drawing the attention of academics and heavyweight retailers alike. Just to put the problem into perspective, stock lost in Europe's consumer goods and grocery industries is a phenomenal 18 billion Euros per year.

It would be highly misleading to suggest that all stock loss or shrinkage was attributable to theft. In reality, extensive studies from four major retail chains suggest that shrinkage is due to a combination of malicious and non-malicious factors. The non-malicious factors include poor management and a lack of adherence to procedures. These are also known as 'process factors' that is, problems in the supply chain, where goods fail to arrive or there is a shortage in the inventory. The malicious factors include external theft; that is theft by people unconnected with the business, (the so called shoplifters); internal theft, a significant problem in that a sizable proportion of stock and cash is taken by members of staff, and finally, inter-company or supplier fraud. While shrinkage might superficially and primarily be seen as an external theft problem, in reality it is an amalgam of the above and collectively accounts for a sizable impact on profit.

To put shrinkage into perspective, it is estimated that by its elimination (whatever the source) retailers' margins would increase 58%, adding about 1.7% to the bottom line. While for the larger retailers this would simply mean more profit, for many smaller retailers it makes the difference between profit and loss. Some high street retailers have to achieve £150 worth of sales to cover just £1 of stolen merchandise. The bad news is that Britain has the highest shrinkage rate in Western Europe, however the good news is that this year the figure is down by 13% on last year and the trend is favourable.

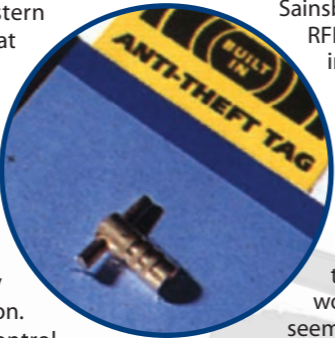
This reduction in shrinkage is seen as a combination of better enforcement of process and control (i.e. better management) combined with a significant increase in security spending. The cost of retail security across Europe in 2003 was £7633 million. In addition to external theft control measure, retailers are increasingly taking action to cut employee theft through the use of CCTV systems, reinforcing the anti-theft message during training and induction, the use of access control measures on stockrooms and better back door control, combined with closer control of finance and auditing.

Systems - the basics

The purchasing public interact with tagging systems most days in most high street shops. Anti-theft detection systems span a range of activities from browse and collection, to payment and exit verification following a 'successful' transaction between store and customer. These systems are sometimes apparent to the customer, quite often as upright gates or pedestals positioned at the stores entrance and exits. Other systems are totally hidden from sight and perform their function covertly until triggered.

Tagging systems come in many forms and degrees of sophistication and it would be impossible to detail them here. However, there are two primary categories of device that is worth distinguishing as one or the other will be found in some form in most retail premises: Acusto-Magnetic (AM) devices and Radio-Frequency (RF) devices.

AM systems, such as Sensormatic, Gateway or WG, operate at very low frequency, while RF devices, such as Lucaton, Checkpoint, Crosspoint and Nedap, operate at high frequency. The RF systems perform the same job as their AM counterparts, offering similar levels of performance, but widening the range of tags for a given performance, protection and price.



These systems are referred to as Electronic Article Surveillance (EAS) systems and they are generally deployed to tackle the loss of goods through the 'front door', other technologies, such as RFID, are emerging to address supply chain or 'back door' losses.

Radio Frequency Identification (RFID) tags are similar in technology to EAS system tags, except that they can track an asset throughout its entire journey, from manufacturer to distributor to the store and even beyond. Retailers like Tesco, Marks and Spencer, Sainsbury and Asda have trialled RFID and are at various stages in the process of rolling out RFID tagged products in their supply chain. While this technology is progressing rapidly, the missing link is a combined RFID/EAS or 'dual technology tag'. While there was a fear that RFID would replace EAS systems, it seems that the combined tag will become the natural choice for retailers to enable asset tracking to the store and anti-theft protection from the store.

The Role of Technology

Given the magnitude of this problem for retailers, it is not surprising that they are desperate to find solutions. It is perhaps reassuring for suppliers of tagging technology that 98% of retailers focus their efforts on remedying the shoplifting problem and that they see the primary solution as being technology. However, there is a danger that the desire to achieve loss prevention could result in technology providers leading clients to believe that the total solution to shrinkage can be address with security technology alone. Reputable suppliers of these systems know that retailers must address the wider issues and that, while technology is a fundamental tool in the retailer's arsenal, technology alone will not solve their problems. Internal or supply chain problems are as a big a contributor to shrinkage as front door losses.

Importance of Standards

Within any industry sector, regulatory bodies serve a purpose in setting and imposing standards of performance and governance for those they oversee, and the security industry is no exception. However, despite being an integral and valuable part of the security sector, tagging systems do not form part of its remit.

Despite retail theft costing the



British economy a staggering 70 Euros per head of population, it is seen as the retailer's problem and it remains a largely unregulated area. While controls are increasingly being strengthened over other security and safety systems providers, such as intruder alarms and fire alarms, tagging systems are somehow excluded from the gaze of standards and regulatory bodies. If we agree that security systems of this type provide a valuable contribution to the economy, then the installation, maintenance and servicing of them should also come under the control of a certification or regulatory body. This would help control the quality of products provided and the quality of service provision.

Like all technology, tagging technology has moved on in leaps and bounds in recent years, yet it still falls under the auspices of a 16 year old British Standard, BS 7230: 1989 Article Theft Detection Systems, which in no way reflects the current or emerging technologies. We feel that it is time that this was reviewed.

Tagging Beyond Retail

Anti-theft detection systems are not limited to retail application. Crèche and patient tagging is finding purchase in the child protection and healthcare sector. Commercial tagging systems are used in libraries, museums, art galleries and exhibition halls. The incorporation of tracking and tagging devices in a wide range of industrial and commercial applications is a rapidly expanding sector of the business. The controversial tracking of personnel and the less controversial tracking of assets is becoming an increasing part of the tagging sector. In reality the range of applications is vast and the technology is seemingly boundless.

BITT's Approach

We understand the importance of good management to our business, which is why we have implemented the quality management systems standard ISO 9001: 2000 incorporating BS 7230:1989 with the SSAIB, a leading Certification Body specific to the security industry. The process of preparing for our ISO 9001:2000 audit made us look again at the business; its processes and our approach to it and our clients. As a consequence we feel that we have a more robust business framework and a more developed and proactive approach to employee training, customer satisfaction and monitoring systems performance.

BITT became a limited company in August 2000. From humble beginnings, we have developed the company into a thriving and growing concern, employing 14 staff and with a turnover of £500,000. Our skilled and

experienced engineers are trained to install systems from a wide range of manufacturers and we are the UK's premier multi-brand tagging specialist. In addition to a large warehousing facility, we have possibly the largest tagging training centre in the UK.

Our client base is drawn from all corners of the country and from a wide range of sectors: retail, local authority and independents. We take pride in meeting all relevant standards and regulations to ensure that our business meets quality, health and safety and environmental standards. Currently in our focus is Investors in People and ISO 14001 Environmental Management Systems.

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Stephanie Radford, Amanda Reece and Alan Bryan of BITT receiving their ISO 9001:2000 Certificate