

# Retail Security and its Challenges.

By **Chandrasegaran Marappen**

## **Introduction**

In an emerging market like Malaysia, retail business is one of the best growing market segments. Retailing is a commercial transaction in which a buyer intends to consume the good or services through personal, family or household use. Retailers are business firms engaged in offering goods and services directly to consumers. In Malaysia there are number of big players in the market which are from top 10 ranking in the world. In this emerging market lies one major challenges, that is retail shrinkages or losses.

There are number of retailers have closed their businesses as shrinkages or losses as one of the major contributor. This happens in Malaysia as well. To combat this challenge, the retailers have set-up or started to engage Loss Prevention & Security people.

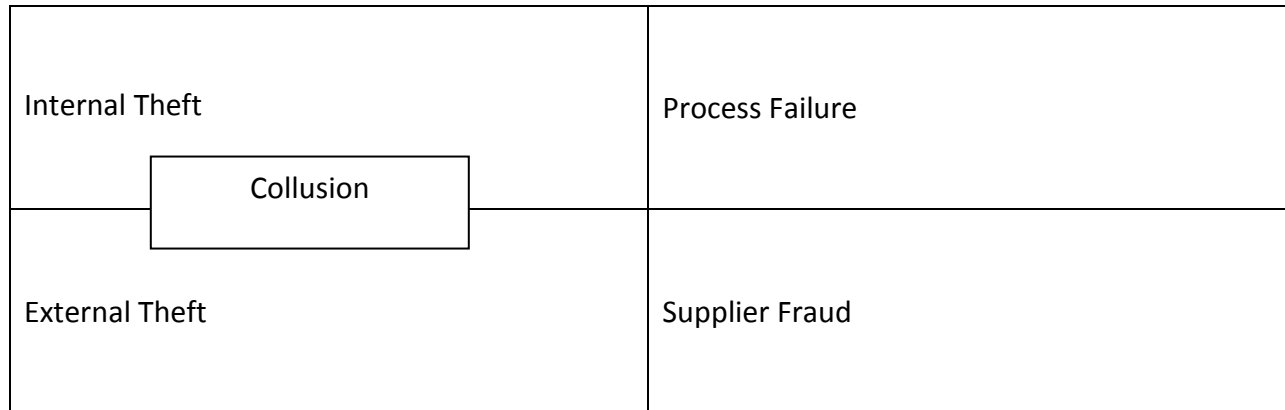
The Loss prevention & Security team were established in every retailer especially those operating in big scale, and they took over the challenges to combat the retail shrink/losses.

## **Identify the Shrinkages/Losses**

There are number of methods been used to identify the shrinkage and the common one, is through the inventory counts. Inventory counts is a system been established in the retail business to check & verify the stock balance after minus the sales. The end of every inventory counts our Loss Prevention & security team will get together to identify the trend and plan the counter measures to combat it. Most of the retailers have budgeted the shrinkages will be below 1% vs. their turnover.

## What Contributes to the Shrinkages/Loses

There are four main key element contribute to the shrinkages as indicated in Fig 1 – Shrinkage Model. They are:



**Fig 1 – Shrinkage Model**

### 1. Internal Theft

Internal theft is the main contributor in the retail shrinkages or losses. Internal theft is refers to employee theft and most of the time will be the toughest method to be dealt with. It is because as an employee they know all the movement of Loss prevention & Security team and members. Unfortunately, this is one loss prevention area that generally doesn't receive as much monitoring as customer theft because the employee had been entrusted to deliver their job.

Types of theft they are involved are:

- a. Void sales in POS system (Cashier counter)
  - i. The employee able to delete a transaction and pocket the sales money
  - ii. Most of the time it involve cashiers
- b. Refund abuse
  - i. Every retailers have their refund policy
  - ii. The risk is higher when the refund is made in cash
  - iii. The cashier would refund one product in the system for few times and pocket the money
- c. Stealing at shop floor/storage area by employee
- d. Grazing

- i. Eat or drink the sales item from shop floor or storage area

## **2. External theft**

External theft is the theft committed by non-employee and it could be divided into two, such as:

- a. Customer theft

- i. This theft committed by our customers who patronized our place.
- ii. Types of theft they commit
  - 1. Ticket switching
    - a. Change the price of a product from expensive to cheaper
  - 2. Using Reduce To Clear Label (RTC)
    - a. There are evidence of exchanging or putting the RTC sticker on normal products
  - 3. Take two clothing to fitting room and return back only one to sales floor, whereby the other one been worn inside.

- b. Organize syndicate theft

This category of thief is becoming more challenging to be dealt with as we have seen or witness personally they are well organize in term of the entry and exit plan. These people are operating in a group of 4 or more. An example during my visit to one of the retail outlet as operations manager to Seremban, we have notice a group of people trying to smuggle out milk powder and we manage to stop them and they left the store without anything. On same day at evening, I visited another store in Cheras and notice the present of the same group in that store. Again we manage to stop them. This group travel all over Malaysia only to steal from retail and there are few other groups been identified operating in similar ways.

## **3. Collusion**

Collusion happens once the internal employee and external colluded to steal. Types of theft involve in collusion are:

- a. Identical Till receipt

- i. This happens whereby the organized team colluded with cashier, whereby they will pay for the first transaction or load of items in a trolley and the next one will get the copy of the receipt. Both trolleys will have same item and quantity and the cashier will reprint the receipt.

- b. Receiving employee colluded with supplier

- i. Delivery order has 10 pallets and actual stock arrives only 8 pallets but the employee key-in receives 10 pallets.

#### **4. Process failure**

Process failure is more towards to paper loss. Example a shipment to be received is 100pcs in quantity but the employee key-in as 1,000pcs which access of 900pcs been uploaded as inventory.

#### **5. Supplier**

Supplier theft is very minimum as there are more SOP (standard operating Procedures) been in place at the retailers. Example rice delivery need to stage on a pallet with same quantity on each layer but the supplier will stack different quantity in certain layers and it contributes for the losses.

#### **How to identify the signs of someone intend to steal**

Sign of someone intend to steal is very subjective and below are some guidelines that could help.

- Random selection of high value items
- Not looking at prices of item prior to selection
- Hurried, quick hand movements
- Random and quick selection of high priced flat items such Razor blades, batteries, health & beauty products
- Looking for a quite aisle to re-arrange goods
- Looking for a checkout close to the exit
- Decisive walk on leaving the store
- Lots of eye movement, looking for staff
- Removing labels from items or clothing
- Looking around for CCTV systems.

#### **Criteria to identify before stop any shoplifter**

There are few criteria to be identified before we could stop a shoplifter. We should ensure the Loss Prevention & security team identify this 5 steps before any attempt to arrest to be made and it could avoid a false arrest.

The rules called **SCONE**

#### **SCONE**

**S = Selection of Items**

- A shoplifter will be identified on their first move as they must take a product from our shelves

**C = Concealment**

- A person / shoplifter will select their targeted item and conceal the item at any area, such as into their clothes, shopping bags, etc.

**O = Observation**

- Once we identify the shoplifter after they conceal the product, we must constantly observe them. This is very important as they might work in a group and the product might change hands which may lead us to arrest a wrong person.

**N = Not Paid**

- We must ensure they crossed our cashier counter or the entrance of the store. If the person did not pay for the product he has taken, we could go for the last action

**E = Exit**

- Once the person has exited the premises without paying for the product we could stop the person and proceed with our action as per the policy.

**Conclusion**

With all the above, we are able to come out with a better protection plan for our retail business in Malaysia. It is a very challenging task and we have to keep up to speed with innovative ideas to stay ahead of the perpetrators.

**About the writer**

The writer is Mr. Chandrasegaran Marappen with 11 years of experience in retail, warehousing and manufacturing security experience. He has worked with big retail chains in Malaysia and held highest operations job in Loss Prevention & Security and currently is serving an American based MNC Company in Malaysia.