

# Reducing the Shrink

By Diane Ritchey, Editor

As if the retail industry hasn't suffered enough in recent years, growing in severity, number and type, retailers are reporting that organized retail crime (ORC) has become more troublesome than ever before. Of the 125 retail companies surveyed for the National Retail Federation's eighth annual



**Charles Andrews, CPP - ASIS Regional Vice President for the State of Texas recently introduced legislation in Texas to protect businesses from fraud by allowing them to scan and store electronically readable information embedded in a driver's license.**

*Organized Retail Crime Survey*, a record-setting 96.0 percent say their company has been the victim of organized retail crime in the past year, up from 94.5 percent last year, and another 87.7 percent say ORC activity in the United States has grown over the past three years.

"What this tells us is that as retailers and law enforcement become more aware of and more proactive in pursuing organized retail crime gangs, criminals have become more desperate and brazen in their efforts, stopping at nothing to get their hands on large quantities of merchandise," says NRF Vice President of Loss Prevention, Rich Mellor. "Selling this stolen merchandise is a growing criminal enterprise, and retailers must

remain vigilant as this is an issue that involves everyone's cooperation when it comes to protecting retailer's assets, including their valued store associates and customers."

The silver lining, says NRF, is that more companies this year believe law enforcement is aware of and understands the severity and complexity of the issue (40.0 percent vs. 32.3 percent in 2011). More than half (54.4 percent) say top management at their company is aware of the problems associated with organized retail crime.

One way to stop retail theft is to ensure that you are collecting accurate information on your customer. But up until recently in the state of Texas, retailers did not have that option.

Texas was one of only two states that prohibited businesses from saving electronically readable information obtained from scanned driver's licenses. Because driver's license numbers rarely change, businesses can use them to track fraudulent and potentially fraudulent activities such as returning shoplifted or used merchandise. Return fraud costs Texas businesses approximately \$1 billion a year. Information electronically embedded in Texas driver's licenses is the same as the information displayed on the license, which includes a unique number, a color photograph of the entire face, a brief physical description, and the license holder's address.

"That's one area where I saw a real need to address point-of-sale fraud," says Charles Andrews, CPP - ASIS Regional Vice President for the State of Texas. "We know that fraudsters use counterfeit driver's licenses, and by swiping a driver's license, you can dramatically decrease that. Being a former law enforcement investigator, I wanted to introduce legislation to get the law changed."

Texas House Bill 346 sought to protect businesses from fraud by allowing them to scan and store electronically readable information embedded in a driver's license. It also allows businesses to provide this information to check services or fraud prevention

services companies as part of a transaction initiated by the license holder. Check services and fraud prevention services companies are governed by the Fair Credit Reporting Act, and therefore any electronically readable information that they obtain would be subject to the Acts data privacy protections.

"The interesting part is that every legislative session gets it closer to refining the language," Andrews says. "I'm thrilled that it passed the Legislature and it was signed into law by the Governor. Now there is something on the books that merchants can now use to swipe driver's license. This is another mechanism for defeating fraud at the point of sale."

"Security directors are expected to do more, all of the time, and often that means that we need to be heavily involved in operations," he continues. "This is a great example of how Security can bring strong value to the bottom line."

## New Alarm Technologies Target Pharmacy Burglaries

Before the point of sale, though, is ensuring that when alarms do go off, they are responded to in a timely manner.

A retail area that has been hit hard in Texas are pharmacies, which are being pillaged as thieves adopt more sophisticated methods to successfully gain entry and steal prescription drugs. According to James Hughes, a 32-year veteran of law enforcement and an active member in the North Texas Chief of Police Association, "Drug trafficking has gone through a revolution as demand shifted towards prescription drugs; away from clandestinely imported narcotics and cocaine. Modern criminals are adopting new techniques for successful burglaries and forcing a paradigm shift in pharmacy alarm systems and security."

According to Hughes, the street-price of prescription drugs has skyrocketed over the past decade. He cites Midwest Rapid Detox Services, which states that an 80mg tablet of OxyContin sold legally will cost around \$6 on the street. In contrast, an illegally sold

80mg tablet of OxyContin can cost between \$65 and \$80 – more than 10 times the legal value. For a burglar, a single bottle of 100 tablets is worth up to \$8,000 and a small plastic shopping basket can easily contain over \$70,000 worth of drugs. This ratio of “value vs. physical size” is unusual and represents a unique risk for the retail industry, Hughes says. “The only other retail sector with comparable risk is jewelry stores, where thousands of dollars of gold and diamonds can be put into a small bag. Both are targets of special interest to criminals and need special protection. Suffice it to say that while pharmacy shelves now hold goods as valuable as those found in jewelry store display cases, pharmacies usually have less protection. In addition, sophisticated criminals are evolving, and their attacks are improving – for both the jewelry and pharmacy sectors. This is not by accident. Unfortunately, there are now blogs on the Internet that discuss the most successful ways to steal from pharmacies and even specific pharmacy chains.”

In the past few years, Texas experienced a rash of successful jewelry store robberies in which thieves didn't enter through the doors/windows. Instead, crooks cut a hole in the roof and lowered themselves down into the store, disabling the alarm system and destroying the DVR/video cameras, says Hughes. “In some cases, an alarm signal reached the monitoring station and police responded; officers checked the premises and confirmed that all entry points were still intact and secure. However, they left because there was no evidence of intrusion. Once the police were gone, thieves spent the rest of the night opening the safe containing the high-value merchandise and cleaned out the store.”

“Educated thieves” are not the only bad news for pharmacies, Hughes adds. “Increasingly, classic burglar alarms do not

deliver the protection required by pharmacies. Police response to classic burglar alarms is degrading across the country. Burglar alarms are now a mass-market product generating high levels of false alarms and creating a headache to police departments. Because more than 95 percent of all burglar alarms are false, classic burglar alarms receive low priority response and are considered a significant waste of officers' time by many police departments.”

But things are getting worse as “slow response” is becoming “no response,” says Hughes. “Municipal budget cuts mean that local police departments have to do more with less. Many municipalities such as Detroit, Salt Lake City, San Jose, Las Vegas and Milwaukee have stopped responding to classic burglar alarms altogether because they can no longer afford to provide the service. Many other cities have made alarm response ‘voluntary’ at the discretion of the officers, which often means no response at all. According to recent law enforcement studies, arrest rates for the traditional alarm systems are nearly meaningless at only 0.08 percent. As resources shrink, police officers are being redeployed to fight crime other ways than responding to false alarm calls.”

### Monitored Video Alarms and Response

While the classic “blind burglar alarm” continues to exist, the new monitored video alarm is transforming the alarm industry, Hughes notes, citing alarm technology from Videofied where wireless sensors with integrated cameras (called MotionViewers) detect the intruder, film the event, and send the video clip of the incident to a central station for immediate review/dispatch by a monitoring operator. The 911 center assigns

priority Level 1 to a video verified alarm so officers respond to this alarm as a crime-in-progress. “Regardless of the manufacturer, monitored video verified alarm systems deliver faster police response even in municipalities where police don't respond to classic burglar alarms,” says Hughes. “Video verified alarms have documented arrest rates of more than 50 percent and this has caught the attention of law enforcement.” For example, Chief Steve Dye of Grand Prairie, Texas, is a strong advocate of priority response and monitored video alarm solutions. Chief Dye recently held a press conference to educate his community of the value of video-verified alarms to combat crime and to encourage his business owners to install these systems to help his department arrest the bad guys. This public/private partnership approach is working, and Grand Prairie just posted a record drop in property crime.

In addition, Pharmacists Mutual Insurance Company has worked to collect crime data to help them better protect policy holders. Michael Warren, risk manager for Pharmacists Mutual Companies, spearheaded this effort and issued a *Five Year Analysis of Pharmacy Burglary and Robbery Experience* in January 2013. The report notes that for the past five years, there have been nine burglaries (thefts occurring when the business is closed) for every robbery (including armed robberies). One conclusion was that police response time was the single most important factor in making arrests and reducing losses. Warren says, “In the world of pharmacy, burglaries continue to represent a major problem. A key defense for the pharmacist is a reliable alarm system. Unfortunately, when police don't respond due to overwhelming numbers of false alarms or for budgetary reasons, the pharmacist is unprotected.” **SECURITY**

## Eye in the Sky

A handful of new technologies allow store owners to transform their existing security cameras and digital video recorders into tools for boosting business and their marketing efforts.

The services can track things like where customers linger in a shop and how the layout of the store blocks the flow of traffic, as well as the demographics of visitors. Owners can then get a breakdown of the data – organized as lists of statistics, graphs or heat maps – to figure out if the store needs to be reorganized or workers' hours need to be moved around. They can also use the systems to tap into cameras remotely and keep an eye on their businesses while they're away.

Frank Chao, Vice President of Cowtastic Frozen Yogurt in McMurray, PA, and Bethel Park, PA, is using an open and close



reporting system that sends him daily reports on store activity – when the stores are opened and closed by his staff each day.

Chao also employs video surveillance cameras that are tied to a third-party monitoring company that will alert police when needed.