

THE FIRST WORLDWIDE  
SHRINKAGE SURVEY



# THE GLOBAL RETAIL THEFT BAROMETER 2009

MONITORING THE COSTS OF SHRINKAGE AND  
CRIME IN THE GLOBAL RETAIL INDUSTRY

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## **FOREWORD**

[to be sent at a later stage]

# THE GLOBAL RETAIL THEFT BAROMETER 2009

## EXECUTIVE SUMMARY

The *Global Retail Theft Barometer 2009* (GRTB 2009) reports on key trends in retail shrinkage and crime in 41 countries and regions across the world, including the U.S., China, India, Europe, Japan and Australia. New countries this year include China, Hong Kong SAR, Morocco, Taiwan and Turkey. Data have been adjusted where appropriate to take account of the inclusion of five new countries. Information for GRTB 2009 has been provided by a confidential survey of 4,200 large retail corporations. Replies were received from 1,069 corporations with combined sales of U.S. \$822.8 billion. The response rate was 25.4%. This study, prepared by the Center for Retail Research, Nottingham, England, is the largest survey of retail crime and loss in the world. It is funded by an independent grant from Checkpoint Systems, Inc.. All figures in this report relate to the period of twelve months ending in June 2009.

### MAIN GLOBAL RESULTS

#### TOTAL SHRINKAGE

- ❑ Total shrink in the 41 countries surveyed across the world cost retailers \$114.8 billion, an average of 1.43% of global retail sales. This represented an increase of +5.9% over last year's average shrink of 1.35%. 'Shrinkage' or 'shrink' is defined as stockloss from crime or waste expressed as a percentage of retail sales.
- ❑ All except three countries experienced an increase in shrinkage. Average shrinkage rates increased most in North America (+8.1%) and in Middle East/Africa (+7.5%) and were strongly influenced by a large increase in shoplifting.
- ❑ Significant increases in shrink rates occurred in the U.S. (where shrink rose by +8.8% to reach 1.61% of retail sales). The highest increases in shrink rates were experienced in Slovakia (+9.8%) and South Africa (8.2%).
- ❑ The countries with the highest shrinkage rates as a percentage of sales were India (shrinkage 3.20% of retail sales), Morocco (1.79%) and Mexico (1.75%). The lowest rates of shrinkage were found in Taiwan (0.89%), Hong Kong SAR (0.92%), and Austria (0.99%). By region, the lowest average shrink rates were in Asia-Pacific and the highest in Middle East/Africa (1.72%).
- ❑ Average shrink rates varied between different types of retail business (or vertical market). The highest shrink rates were: apparel/clothing and fashion/accessories (1.84%); auto parts/hardware/building materials (1.83%); and cosmetics/perfume/beauty supply/pharmacy (1.77%). The lowest rates were in liquor, wine, beer/off-licence (0.79%); footwear/shoes/sports goods and sporting goods (0.82%); and toys and games/hobby and craft (0.90%). These shrink rates relate to *specialist businesses* and may not apply to individual categories in diversified retail stores. For example, although *specialist* liquor stores have low shrinkage rates (0.79%), shrink for alcohol *as a category* in grocery and food stores was as high as 2.42% (as a percentage of sales).

#### The Survey

- ❑ Questionnaires were sent to 4,200 major retailers covering all major types of retail business in the 41 countries surveyed. The response rate was 25.4%. As is now conventional in international surveys, to ensure comparability and to preserve confidentiality the results are reported using national figures instead of sample data.
- ❑ Respondents to the questionnaire: 201 corporations in North America (combined sales of \$292 billion), 567 from Europe (\$452 billion sales), 196 from Asia-Pacific (\$59 billion), 67 from Latin America (\$15 billion), and 38 from Middle East/Africa (\$4.0 billion).

## **RECESSION AND SHRINKAGE**

- ❑ Average shrinkage rates rose in 38 out of 41 countries surveyed. The economic recession played a significant part in this increase. Crime has risen in most countries, whilst reduced profitability has led retailers to cut their security spending.
  - 41.2% of retailers had experienced a significant increase in shoplifting in 2009 and 19.5% of retailers found employee theft had increased. Retailers believed that one-third (33.6%) of the shoplifting increase was caused by the recession and 22.2% of the rise in employee crime.
  - Security spending has fallen, particularly expenditure on security equipment such as CCTV and EAS, which fell by 11.4% (\$0.9 billion).

## **CAUSES OF SHRINKAGE**

- ❑ Customer theft, including shoplifting and organized retail crime, caused the greatest shrinkage loss in most countries, a total of \$48.9 billion (42.5% of total shrinkage), an increase since last year when the proportion was 41.2%.
- ❑ Disloyal or fraudulent employees were estimated to be responsible for \$40.7 billion (35.5% of shrinkage).
- ❑ Retailers in North and Latin America regarded employee theft as their greatest shrinkage problem, causing 44.2% of shrink in North America and 42.8% in Latin America. In Asia-Pacific and Europe customer theft was regarded as the biggest problem, responsible for 51.4% and 47.5% of losses respectively.
- ❑ Other causes of shrinkage loss were: suppliers/vendor fraud (5.6% of shrinkage, \$6.4 billion), and internal error and administrative failure such as pricing, process or accounting mistakes, which cost a total of \$18.8 billion, 16.4% of total shrinkage.
- ❑ The theft of merchandise constituted the largest element in shrinkage losses, amounting to \$64.51 billion. Of this total, \$48.86 billion was stolen by shoplifters and \$15.65 billion by dishonest employees.

## **APPREHENDED THIEVES**

- ❑ Rising crime and greater activity by retailers led to the apprehension of almost 5.8 million thieves, 0.5 million more than last year – possible evidence of the rise in retail crime. 14.4% of these (0.837 million) were employee thieves and almost 5.0 million shoplifters. The most prolific regions were Europe (3.1 million thieves apprehended, mainly shoplifters) and North America (2.3 million thieves, 29.9% being dishonest employees).
- ❑ The average amount admitted or stolen per apprehended employee was \$1,889.02 and each shoplifter stole an average of \$225.90, showing that retail crime is not a small-scale insignificant activity. The average amount admitted or stolen by employees in North America was 4.3 times higher than the average stolen by shoplifters (\$1,876.26 compared to \$436.24). In Europe the average stolen by dishonest employees was 19.8 times higher than the average stolen by shoplifters (\$2,535.32 compared with \$128.41).

## **RETAIL LOSS PREVENTION**

- ❑ Global loss prevention spending in 2009 amounted to \$24.5 billion, which was equivalent to 0.31% of retail sales. Loss prevention expenditure suffered a fall of \$0.9 billion compared to last year, reflecting the exigencies of the recession. Operating/current costs were \$17.4 billion and capital costs \$7.1 billion. Reductions in loss prevention spending were seen everywhere. Loss prevention spending as a percentage of sales varied from

0.41% in the U.S. and 0.35% in Australia to an average of 0.29% in Europe and 0.17% in Asia-Pacific.

- ❑ The cost of security employees represented more than one-half (56.2%) of loss prevention spending; directly-employed security officers cost \$5.2 billion (21.1% of total LP spending) and \$8.6 billion (35.1%) was committed to third-party or contract employees. Spending on security equipment such as electronic surveillance, IT equipment and software was \$7.1 billion (29.0% of total spending) – a fall of 11.4% against 2008, armoured car cash collection was constant at \$2.0 billion (8.0% of spending), and other spending was \$1.7 billion (6.8%).

#### **GLOBAL COSTS OF CRIME**

- ❑ The overall global costs of retail crime amounted to a total of \$120.5 billion in 2009, \$7.7 billion more than last year. This figure is calculated using the costs of crimes by customers, employees, suppliers/vendors and loss prevention spending and excludes internal error. These costs have to be paid by everyone - retailers, employees, suppliers and shoppers - and are equivalent to \$208.39 per family or \$69.18 per person.

#### **THE MOST-STOLEN MERCHANDISE**

- ❑ Retailers reported that thieves stole a wide range of items, but tended to focus on expensive popular branded items including: razor blades/shaving products; cosmetics/face creams and perfumes; alcohol; fresh meat/expensive foodstuffs; infant formula; CDs, DVDs, and electronic games/wii; fashion (especially branded items, leather, handbags and accessories); mobile/cell phones; iPods/MP3 players, SD cards, electronic goods; and watches. Satellite navigation equipment and laptops are also increasingly stolen.

#### **POLICIES AGAINST CRIME AND SHRINKAGE**

- ❑ To deal with the problems caused by the recession, 71.4% of retailers had implemented fresh training for employees to spot and deter theft and 79.3% planned to carry out further training work. Other new initiatives included new CCTV video surveillance (planned by 28.7% of retailers), new crime-prevention hardware and software (planned by 26.9%) and pre-hiring screening for employees (implemented by 20.4% and planned by 20.4%). The proportion of retailers with a schedule of loss prevention audits was 79.1% (73.3% last year) and 56.8% of them performed audits more than three times a year.

#### **PROTECTING THE MOST STOLEN MERCHANDISE**

- ❑ Retailers provided no specific protection for 28.0% of their 'Top Fifty' most-stolen product lines. Levels of protection were lowest in Asia-Pacific and highest in North America.
- ❑ Electronic article surveillance (EAS) was the main method of protecting the most-stolen items (used for 39.7% of product lines). EAS hard tags were used on 13.5% of items, soft tags on 12.4%, 9.3% were protected by EAS source tagging (where the supplier incorporates tags inside packaging during manufacture), and 4.5% by 3-alarm accessories.
- ❑ Other means of protection included keepers/safers, locked boxes and product alarms (used for 12.1% of the most-stolen items); display in locked cabinets or locked shelves (6.9%); cables or loop alarms (4.7%); and dummy cartons or ticket systems (3.9%).
- ❑ EAS was used in North America and Latin America for 47.4% of vulnerable lines, 37.6% in Europe and 29.7% in Asia-Pacific. EAS Source tagging was used on 13.6% of vulnerable lines in North America and Latin America, 7.6% in Europe and 3.7% in Asia-Pacific.

Although there are commentators that view retail crime as a harmless or intriguing social phenomenon or simply as a ‘cost of doing business’, this ignores the impact of criminal gangs, growing levels of violence against employees and customers, and the links between much retail crime and drugs, fraud, and extortion. It also ignores the cost of retail crime to the general public, which, in 2009, cost every family an extra \$208.39 on their shopping bill.

The support provided for the *Global Retail Theft Barometer* from Checkpoint Systems, Inc. is gratefully acknowledged.

## **REPORT STRUCTURE**

The report is divided into five parts.

Part I presents an overall view of the global results and all the regions covered by the survey.

The other sections report on individual countries and regions. Every section is of approximately equal size; there are no political or other implications concerning the section in which every country or region is placed for a discussion of its shrinkage results. Part II covers North America and Latin America. Part III is concerned with Europe. Part IV presents data for Middle East/Africa and Part V covers the results from Asia-Pacific.

## **PART THREE: EUROPE**

### **THE GLOBAL RETAIL THEFT BAROMETER**

#### **SURVEY INFORMATION**

Since 2001 retail corporations in Europe have been sharing information about retail crime and shrinkage through the *European Retail Theft Barometer*, now part of the *Global Retail Theft Barometer*. Starting in 2001 as a study focused on Western Europe, the *Barometer* has grown to include virtually all European countries.

Five hundred and sixty-seven European retailers responded to the current GRTB questionnaire. They operated a combined total of 42,157 stores with total sales of €308,168 million (\$452.8 billion).

This report covers the twelve-month period ending in June 2009 and deals with trends in security spending, the extent of theft by customers and by employees, current information on what products are most stolen, estimates of the means of internal theft and fraud, and how retailers protect their most vulnerable merchandize. All shrinkage figures used here are based on retail selling prices. Data from retailers that use cost prices or a combination of cost and retail selling prices have been converted to retail selling prices. The currency used in this section is Euros; this has been done as a result of feedback from European retailers about last year's GRTB. All other parts of the GRTB 2009 report are expressed in US \$. To avoid extreme values, when converting exchange rates the average values for 1 July 2008 to 30 June 2009 have been used. Further information about exchange rates can be found in Part I.

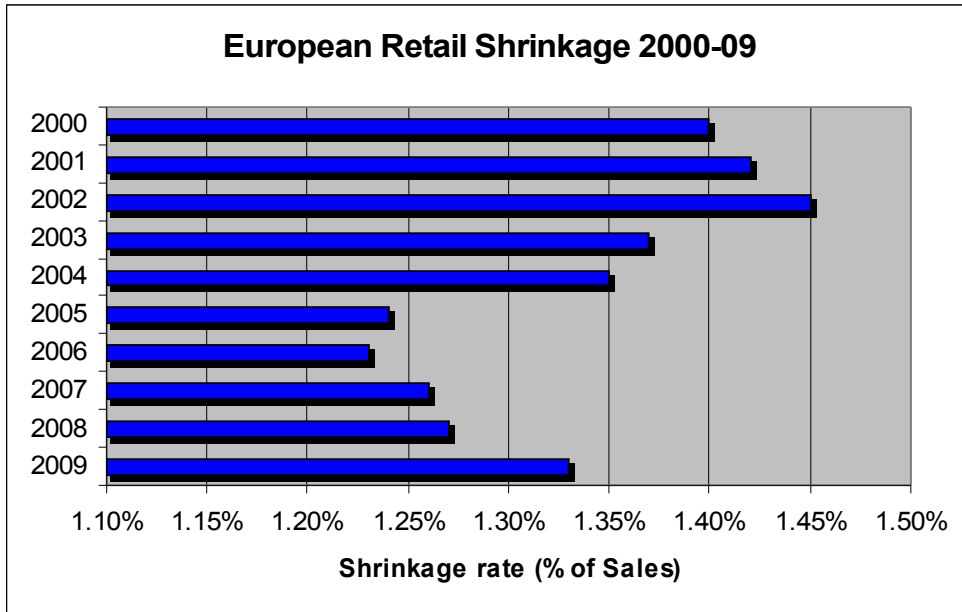
Turkey has been included for the first time and its results are given in Part III. The comparisons with 2008 cited here have been adjusted slightly to take account of Turkey's results. The results of a number of countries have been combined in order to ensure confidentiality.

#### **INCREASING CRIME AND SHRINKAGE RATES**

In 2008-2009, retail shrinkage in Europe rose again. Shrinkage is defined as stock loss from crime or waste expressed as a percentage of retail sales. The average shrinkage rate for European retailers in 2009 was 1.33%, an increase of +4.7% compared to the 2008 figure of 1.27%. As recently as 2006, the average European shrinkage rate was 1.24% (see Figure 3.1).

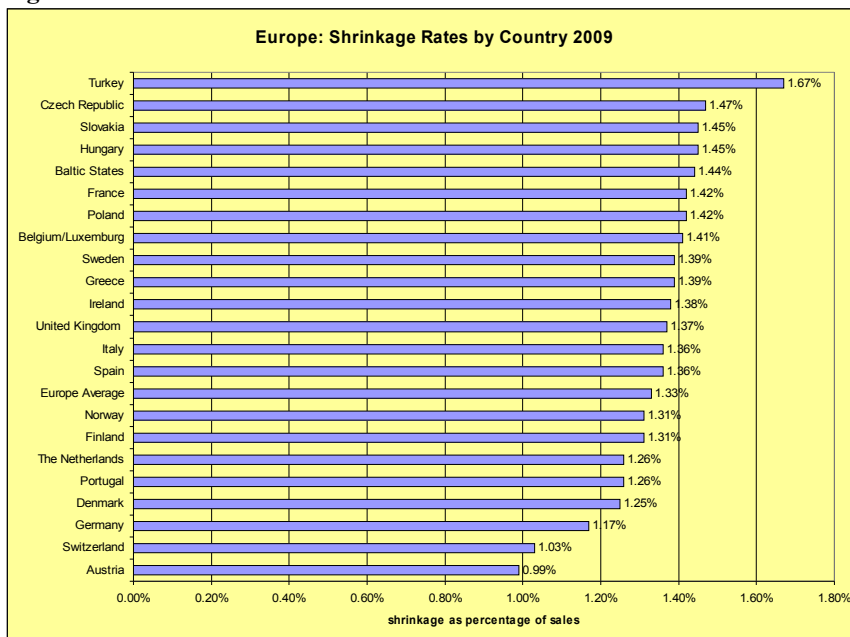
The 2009 shrinkage rate (as a percentage of sales) for each country is shown in Figure 3.2. The highest rates are for Turkey (1.67%), the Czech Republic (1.47%) and Slovakia (1.45%). The lowest shrinkage rates in Europe are found, as before, in Austria (0.99%), Switzerland (1.03%) and Germany (1.17%).

**Figure 3.1**



Shrinkage cost Europe’s retailers €32,285 million (\$44.6 billion) in 2009 and is estimated to have increased by €1,330 million (\$1.8 billion) over the 2008 level.

**Figure 3.2**



Shrinkage rates for Europe’s retailers rose by an average of 4.7% between 2008 and 2009, except Austria and Portugal (Table 3.1). Austria reduced its average shrinkage rate by -2.0% and Portuguese retailers recorded no change in shrinkage. All other retailers suffered higher shrinkage losses than in 2008.

The greatest increases in shrinkage rates were found in Slovakia (+9.8%), the Baltic States (6.7%) and the Czech Republic (6.5%). Finland experienced the lowest increase in average shrinkage (+0.8%) amongst those countries where average shrinkage had risen. It would be wrong however to place too much importance on a

particular country's shrinkage performance in any one year, because it can be affected by so many different influences.

**Table 3.1**  
**Retail Shrinkage 2009 EUROPE**

	<b>Total Shrinkage 2009 (€ millions)</b>	<b>Shrinkage 2009 (as % of sales)</b>	<b>Shrinkage 2008 (as % of sales)</b>	<b>Percentage change 2008-09</b>
Austria	€ 454	0.99%	1.01%	-2.0%
Baltic States (Latvia, Estonia, Lithuania)	€ 209	1.44%	1.35%	6.7%
Belgium/Luxemburg	€ 860	1.41%	1.36%	3.7%
Czech Republic	€ 374	1.47%	1.38%	6.5%
Denmark	€ 382	1.25%	1.20%	4.2%
Finland	€ 413	1.31%	1.30%	0.8%
France	€ 4,924	1.42%	1.37%	3.6%
Germany	€ 5,209	1.17%	1.13%	3.5%
Greece	€ 534	1.39%	1.32%	5.3%
Hungary	€ 358	1.45%	1.38%	5.1%
Ireland	€ 453	1.38%	1.36%	1.5%
Italy	€ 3,405	1.36%	1.28%	6.2%
The Netherlands	€ 1,197	1.26%	1.20%	5.0%
Norway	€ 447	1.31%	1.28%	2.3%
Poland	€ 1,239	1.42%	1.36%	4.4%
Portugal	€ 344	1.26%	1.26%	0.0%
Slovakia	€ 145	1.45%	1.32%	9.8%
Spain	€ 2,805	1.36%	1.31%	3.8%
Sweden	€ 665	1.39%	1.35%	3.0%
Switzerland	€ 629	1.03%	1.01%	2.0%
Turkey	€ 1,513	1.67%	1.57%	6.4%
United Kingdom	€ 5,726	1.37%	1.30%	5.4%
<b>Europe</b>	<b>€ 32,285</b>	<b>1.33%</b>	<b>1.27%</b>	<b>4.7%</b>
<b>Global</b>	<b>€84,165</b>	<b>1.43%</b>	<b>1.35%</b>	<b>5.9%</b>

There has been a Europe-wide increase in attempted or actual shoplifting (discussed in more detail in Part I, Figures 1.7 and 1.8). Thirty-eight percent of European retailers had experienced a significant increase in shoplifting (Figure 1.7), although effective security systems have meant that this did not necessarily lead to a similar increase in shrinkage. The global average was 41.2% (Figure 1.10 in Part I). The pattern however was mixed. Many European retailers saw little or no change in shoplifting levels: 24.6% of retailers said that shoplifting had fallen and 37.4% reported that it was no different from 2008. European retailers reported that 28.6% of the rise in shoplifting had been caused by the recession, a slightly smaller proportion than other regions (the global average was 33.6%) (Figure 1.9, Part I).

Employee theft also rose, with 19.3% of European retailers reporting an increase in employee theft. Figure 1.9 (Part I) showed that a little over one-fifth (22.0%) of increased employee theft in Europe was thought to have the recession as its cause. This proportion is similar to the global average of 22.2%.

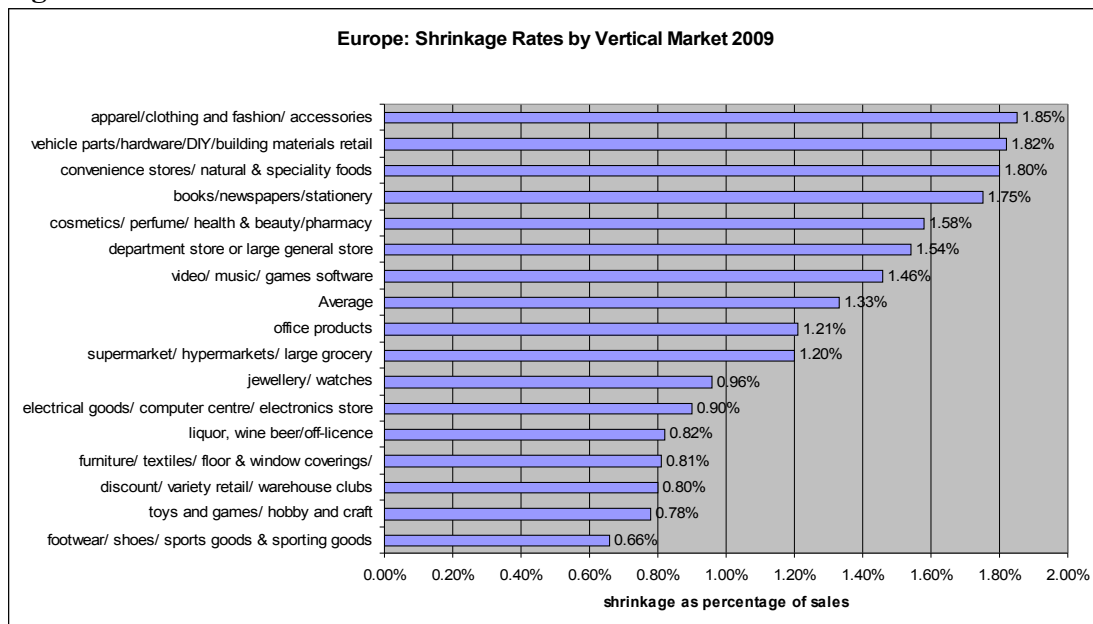
The 2009 increases in shrinkage rates continue a European trend that started in 2007, reversing the downward trend in shrinkage seen in the early part of this decade. Retail

security policies, the criminality of potential thieves, and the effectiveness of the criminal justice system are all likely to have an impact on shrinkage rates over varying timescales. The trend of increased shrinkage may continue for some years, supported by new criminality associated with the recession. Retail security policies and investment in security equipment will obviously play a part in curbing or reducing the impact of shrinkage growth on individual companies.

### SHRINKAGE BY TYPE OF BUSINESS

Different types of retailer often have different shrinkage problems and may even account for shrinkage differently. In Figure 3.3 and Table 3.2 we show how the average shrinkage rate varies between 16 different types of retail business or vertical markets. Care should be taken, when making comparisons, as similar businesses may classify themselves differently.

**Figure 3.3**



The lowest average rates of shrinkage in Europe were found in footwear/shoes/sports goods & sporting goods (0.66%), toys and games/hobby and craft (0.78%), discount stores/variety chains (0.80%). The highest average rates were found in apparel/clothing and fashion/accessories (1.85%), vehicle parts/DIY/hardware/building materials (1.82%), and convenience stores/natural & speciality/specialty foods (1.80%).

There were considerable variations within as well as between each category. Individual retailers frequently have shrinkage rates that are significantly higher or lower than the industry averages shown in Table 3.2.

These are, of course, average shrinkage rates for *specialist retail businesses* rather than product categories. For example, although liquor, wine beer/off-licence stores have an average shrinkage rate in Europe of 0.82% (Table 3.2), alcohol *as a category* in European food and grocery stores suffered shrinkage losses that were almost three times higher, at 2.38% (Table 1.14).

<b>Table 3.2</b>			
<b>Shrinkage as Percentage of Sales by Types of Business 2009</b>			
<b>EUROPE</b>			
	<b>2009</b>	<b>2008 Change</b>	
apparel/clothing and fashion/accessories	1.85%	1.70%	8.8%
books/newspapers/stationery	1.75%	1.66%	5.4%
convenience stores/natural & speciality/specialty foods	1.80%	1.66%	8.4%
cosmetics/ perfume/health & beauty/pharmacy	1.58%	1.52%	3.9%
department store or large general store	1.54%	1.46%	5.5%
discount/variety retail/warehouse clubs	0.80%	0.74%	8.1%
electrical goods/computer centre/electronics store	0.90%	0.85%	5.9%
footwear/shoes/sports goods & sporting goods	0.66%	0.65%	1.5%
furniture/textiles/floor & window coverings	0.81%	0.81%	0.0%
jewellery/watches	0.96%	0.92%	4.3%
liquor, wine beer/off-licence	0.82%	0.85%	-3.5%
office products	1.21%	1.10%	10.0%
supermarket/hypermarkets/large grocery	1.20%	1.15%	4.3%
toys and games/hobby and craft	0.78%	0.76%	2.6%
vehicle parts/hardware/DIY/building materials retail	1.82%	1.75%	4.0%
video/ music/games software	1.46%	1.38%	5.8%
<b>Average</b>	<b>1.33%</b>	<b>1.27%</b>	<b>4.7%</b>

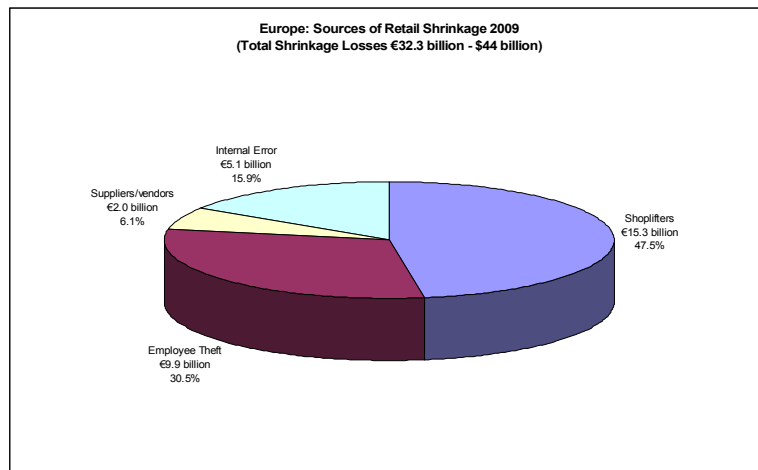
## **SOURCES OF RETAIL SHRINKAGE**

For European retailers, the largest source of shrinkage on average is generally seen as shoplifters or customer theft. This is certainly the case for 2009, where €15,334 million (\$20.9 billion) (47.5% of combined shrinkage) were estimated to be caused by customer theft (see Figure 3.4). This included losses caused by organized crime.

Dishonest employees were the next largest source of retail shrinkage, accounting for 30.5% of shrinkage or €9,861 million (\$13.4 billion). Most employees are honest, but considerable losses can be caused by repeated, systematic theft by trusted employees over a long period of time. Suppliers/vendor fraud and delivery theft were estimated to account for 6.1% of losses or €1,982 million (\$2.7 billion). This was a reduction compared to last year when it accounted for 6.5% of losses.

Internal error, administrative mistakes, pricing errors, and process failures were believed to cause 15.9% (€5,108 million or \$7.0 billion) of shrinkage losses.

### **Figure 3.4**



**Table 3.3**

**Sources of Retail Shrinkage, Europe, 2009**

	Shoplifters	Employees	Suppliers/ vendors	Internal Error
Austria	56.2%	23.8%	5.2%	14.8%
Baltic States	43.1%	35.9%	7.2%	13.8%
Belgium/Luxembourg	52.9%	25.6%	4.3%	17.2%
Czech Republic	43.2%	31.4%	6.7%	18.7%
Denmark	47.2%	29.4%	5.7%	17.7%
Finland	48.9%	29.4%	6.9%	14.8%
France	41.9%	32.8%	7.6%	17.7%
Germany	53.6%	25.7%	5.4%	15.3%
Greece	55.0%	22.1%	6.9%	16.0%
Hungary	41.7%	37.4%	5.9%	15.0%
Ireland	40.6%	36.8%	7.0%	15.6%
Italy	50.8%	30.9%	6.1%	12.2%
The Netherlands	48.5%	28.9%	5.9%	16.7%
Norway	47.3%	29.5%	5.3%	17.9%
Poland	39.8%	35.6%	5.9%	18.7%
Portugal	48.7%	27.5%	6.8%	17.0%
Slovakia	44.8%	34.7%	7.5%	13.0%
Spain	50.2%	28.4%	7.7%	13.7%
Sweden	47.6%	31.3%	5.2%	15.9%
Switzerland	46.9%	30.4%	5.5%	17.2%
Turkey	49.6%	22.3%	9.6%	18.5%
United Kingdom	43.5%	36.4%	4.3%	15.8%
<b>Europe</b>	<b>47.5%</b>	<b>30.5%</b>	<b>6.1%</b>	<b>15.9%</b>
<i>Average 2008</i>	<i>46.8%</i>	<i>30.7%</i>	<i>6.5%</i>	<i>16.0%</i>

Table 3.3 reports the different contributors to shrinkage estimated by retailers in the countries surveyed. Compared to other sources of theft, shoplifting was seen as the greatest problem in Austria (56.2%), Greece (55.0%), and Germany (53.6%), whilst employee theft was estimated to be proportionately larger than elsewhere in countries such as Hungary (37.4%), Ireland (36.8%), and the UK (36.4%).

Countries with large suppliers/vendor issues included Turkey (9.6%), Spain (7.7%) and France (7.6%). The percentage of internal error was highest in Poland (18.7%), the Czech Republic (18.7%) and Turkey (18.5%).

The percentages of the sources or causes of shrinkage are perceptions or estimates made by retail security managers based on their current understanding of the major problems they face. But most shrinkage is unseen at the time it occurs and it may be months before it is discovered, by which time it may be too late to know the cause. Care should be taken, therefore, in considering these estimates.

## APPREHENDED RETAIL THIEVES

European retailers apprehended more than 3.1 million thieves in 2009 (Table 3.4). Only a proportion of these were reported to the police so there may be discrepancies between the trends known to the police and the experience of retailers. The total thieves apprehended by European retailers represented more than one-half (53.6%) of all thieves caught by retail stores globally. The great majority of those apprehended by European retailers were customer thieves; only 3.3% were employee thieves. This is in sharp contrast to the position in North America, where 29.9% of thieves apprehended were employees. This situation may reflect the different numbers of thieves at work in North America and Europe, but it probably also shows that European retailers focus much more upon customer thieves and devote fewer resources to apprehending employee thieves.

	Shoplifters		Employee thieves		Totals
	Number	Average Amount Stolen (€) per Incident	Number	Average Amount Stolen (€) per Incident	
<b>Europe</b>	3,006,983	€ 94.12	102,788	€ 1,858.39	3,109,771
<i>Percentages</i>	<i>96.7%</i>		<i>3.3%</i>		<i>100.0%</i>
<b>North America</b>	1,635,162	€ 319.76	697,325	€ 1,375.30	2,332,487
<i>Percentages</i>	<i>70.1%</i>		<i>29.9%</i>		<i>100.0%</i>
<b>Other regions*</b>	318,433	€ 48.72	37,537	€ 261.10	355,970
<i>Percentages</i>	<i>89.5%</i>		<i>10.5%</i>		<i>100.0%</i>
<b>Global totals</b>	<b>4,960,578</b>	<b>€ 165.59</b>	<b>837,650</b>	<b>€ 1,384.65</b>	<b>5,798,228</b>
<i>Percentages</i>	<i>85.6%</i>		<i>14.4%</i>		<i>100.0%</i>

\* Latin America, Middle East/Africa and Asia-Pacific

The average amount stolen or admitted by shoplifters in Europe was €94.12 (\$128.41), proving that the ‘typical’ customer theft was not a tin of cat food or a loaf of bread, but branded merchandise that can be resold for a profit. Even more significant, the average amount stolen or admitted by employee thieves in Europe was €1,858.39 (\$2,535.32) reflecting the importance of long-term financial fraud as an element in European employee theft. The value of the average employee theft was therefore 19.8 times greater than the average case of customer theft, which suggests that there may be considerable added value in targeting cases of employee theft – the earlier that employee theft is discovered, the lower the total amount that might be stolen.

There have been significant changes in the numbers apprehended. Between 2007 and 2008, numbers apprehended fell by 15.1% in Europe, probably as a result of targeting prolific offenders. Since 2008, the number of thieves apprehended rose by +9.2%,

largely in response to increased shoplifting. In 2009, 3 million shoplifters were apprehended and 102,788 employee thieves.

There may be legal or cultural differences, which affect the values of theft admitted. The types of thieves apprehended will, of course, reflect LP policy as well as the number of offenders stealing from the business.

## RETAIL SECURITY AND LOSS PREVENTION

European retailers spent €7,127 million (\$9.7 billion) on security and loss prevention, equivalent to 0.29% of retail sales in 2009. Security spending as a percentage of sales in Europe has been falling since 2007. Last year, loss prevention expenditure was equivalent to 0.34% of retail sales. This year the fall is likely to have been primarily caused by lower profitability and the cash-flow issues that have resulted from this recession. Loss prevention can be a very labour-intensive activity with outcomes or outputs that can be hard to quantify with precision and loss prevention and security departments may well suffer constraints in times of economic restraint.

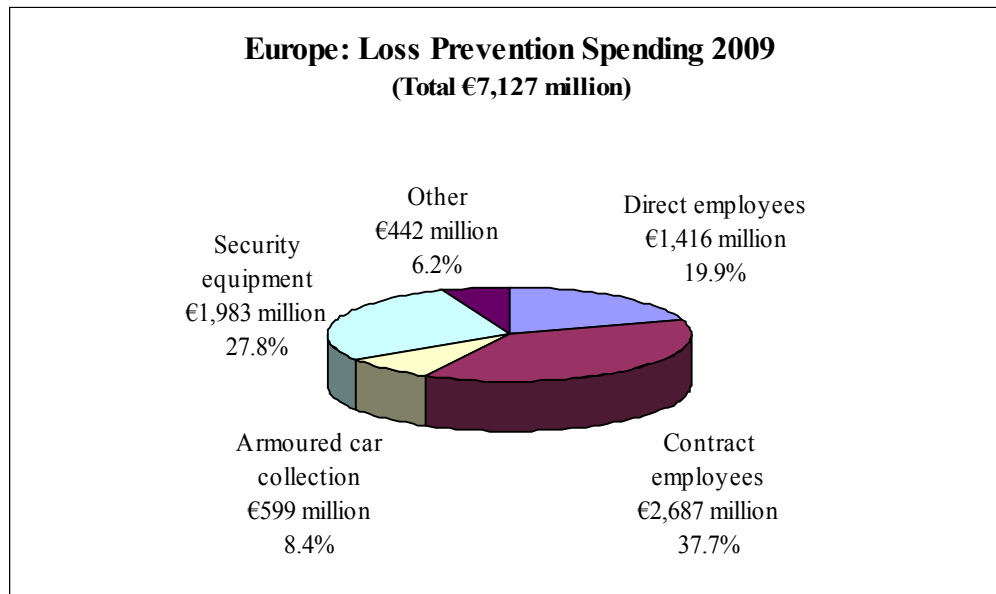
In Europe, security costs in 2009 (Table 3.5) were:

- Current/operational security spending \$5,143 million (0.21% of retail sales) (including payroll, armoured car cash collection, etc.)
- Capital or investment security spending \$1,984 million (0.08% of retail sales) (including EAS, CCTV and information systems).

	Values in € millions			Security costs as % of sales
	Security costs	Current/Operational/ Revenue	Capital	
France	€ 1,269	€ 894	€ 375	0.37%
Germany	€ 1,168	€ 825	€ 343	0.26%
Italy	€ 815	€ 611	€ 204	0.33%
The Netherlands	€ 348	€ 248	€ 100	0.37%
Spain	€ 745	€ 559	€ 186	0.36%
United Kingdom	€ 1,086	€ 750	€ 336	0.26%
Subtotal (above 6 countries)	€ 5,431	€ 3,887	€ 1,544	0.31%
Other European Countries (19 countries)	€ 1,696	€ 1,256	€ 440	0.25%
<b>European Totals</b>	€ 7,127	€ 5,143	€ 1,984	0.29%
<b>Global Totals (41 countries)</b>	€ 17,994	€ 12,770	€ 5,224	0.31%

Security spending in Europe (Figure 3.5) as elsewhere was mainly directed towards security employees, who accounted for 57.6% of total spending or €4,103 million (\$5.6 billion). The amount spent on direct security employees was €1,416 million (19.9% of total security spending) and third-party contract employees who cost a total of €2,687 million (37.7%). Major economies this year seem to have been made with third-party employees, expenditure on which has fallen by €1,007 million compared to last year, and security equipment, spending on which had fallen by €1,088 million. Cash collection by armoured car accounted for 8.4% of security spending (€599 million), an increase of +5.0% compared with last year.

**Figure 3.5**



Capital spending of €1,983 million on information systems (including depreciation), EAS, CCTV, and other merchandize protection fell from 30.3% of total security spending last year to 27.8% in 2009. The growing use of leasing equipment (an operational cost) may mean that utilisation of security equipment is greater than suggested by the above figures.

### THE COSTS OF RETAIL CRIME IN EUROPE

‘Shrinkage’ is not the same as retail crime because shrinkage includes an allowance for administrative error. The costs of retail crime (Table 3.6) exclude administrative error and focus on crime-based losses. Because ‘security spending’ is caused by the existence of crime, the costs of security are included in the costs of crime.

The costs of retail crime in Europe are €34,307 million (\$46.8 billion) in 2009, an increase of 6.5% compared to 2008.

As defined here, the costs of crime consist of several elements: shoplifting €15.3 billion; employee crime €9.9 billion; suppliers/vendors almost €2.0 billion; and security and loss prevention costs of €7.1 billion.

<b>Table 3.6</b>		
<b>The Total Costs of Retail Crime 2009, Europe</b>		
Costs of crime by customers		<b>€15,335 million</b>
+ Costs of crime by employees		<b>€9,863 million</b>
+ Costs of suppliers/vendor crime		<b>€1,980 million</b>
+ Costs of retail security		<b>€7,129 million</b>
<b>TOTAL COST OF CRIME</b>	<b>=</b>	<b>€34,307 million</b>

Table 3.7 shows these costs for each European country surveyed. ‘Crime-related shrinkage’ is the total of losses from customers, staff and the suppliers/vendors.

	<b>Crime-related Shrinkage € millions</b>	<b>Security Costs € millions</b>	<b>Costs of Crime € millions</b>
Austria	€ 386	€ 136	€ 522
Baltic States	€ 180	€ 26	€ 206
Belgium/Luxembourg	€ 712	€ 179	€ 891
Czech Republic	€ 304	€ 51	€ 355
Denmark	€ 314	€ 75	€ 389
Finland	€ 352	€ 103	€ 455
France	€ 4,053	€ 1,269	€ 5,322
Germany	€ 4,412	€ 1,168	€ 5,580
Greece	€ 448	€ 70	€ 518
Hungary	€ 305	€ 70	€ 375
Ireland	€ 383	€ 92	€ 475
Italy	€ 2,989	€ 815	€ 3,804
The Netherlands	€ 997	€ 348	€ 1,345
Norway	€ 368	€ 122	€ 490
Poland	€ 1,007	€ 221	€ 1,228
Portugal	€ 286	€ 90	€ 376
Slovakia	€ 125	€ 20	€ 145
Spain	€ 2,421	€ 745	€ 3,166
Sweden	€ 559	€ 155	€ 714
Switzerland	€ 520	€ 160	€ 680
Turkey	€ 1,234	€ 128	€ 1,362
United Kingdom	€ 4,823	€ 1,086	€ 5,909
<b>Europe</b>	<b>€ 27,178</b>	<b>€ 7,129</b>	<b>€ 34,307</b>
<b>Global Totals</b>	<b>€70,366</b>	<b>€34,601</b>	<b>€104,967</b>

## STORE AUDIT SCHEDULES AND LOSS PREVENTION COMPLIANCE

Slightly more than three-quarters of European retailers (76.5%) had a schedule of store audits for loss prevention policies. This was an increase of 11.4% over last year’s figure (Table 3.8), although slightly less than the global percentage of 79.1%.

	Audit schedule in place	Frequency of Audits per annum	
		1-3 times	More than 3 times
Europe	76.5%	31.6%	44.9%
Global	79.1%	22.3%	56.8%

In Europe 44.9% of retailers conducted audits more than three times per year and 31.6% carried them out between one and three times each year. This was rather lower than the global average of 79.1%, of which 56.8% carried out audits more than three times every year.

## PROTECTING THE MOST-STOLEN MERCHANDISE

The measures used by European retailers to protect their 50-most stolen lines from theft are shown in Table 3.9. A little under one-third (31.4%) of the 50 most-stolen lines were not specifically protected, the percentage being protected therefore was 68.6%.

The protection methods used for items that were specifically protected primarily consisted of EAS and a range of other devices to lock or chain products. EAS, which is electronic article surveillance, protected 37.6% of all items and was the most widely-used method. EAS hard tags were used on 14.8% of the most-stolen items, soft or paper tags protected 11.4%, and 7.6% of the most stolen items were protected by EAS source tagging, applied at the time of manufacture or final processing. The proportion of most-stolen merchandise protected by 3-alarm accessories was 3.8%.

<b>Protecting the 50 Most-Stolen Lines 2009</b>	<b>European Averages</b>	<b>Sub-totals</b>	<b>Global Averages</b>
Percentage of lines not protected	31.4%	<b>31.4%</b>	28.0%
EAS hard tags	14.8%		13.5%
EAS soft or paper tags	11.4%		12.4%
EAS source tagging	7.6%		9.3%
3-alarm accessories	3.8%	<b>37.6%</b>	4.5%
Keepers/safers, locked boxes, product alarms	10.2%		12.1%
Displayed in locked cabinets or shelves	7.9%		6.9%
Chains, cables, loop alarms	5.0%		4.7%
Dummy cartons or ticket systems	4.5%		3.9%
Other protection device	3.4%	<b>31.0%</b>	4.7%
<b>Totals</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The percentage of highly-stolen goods displayed in locked cabinets or shelves was 7.9% whilst dummy cartons or ticket systems were used on 4.5% of the most-stolen lines. Chains, cables and loop alarms were used on 5.0% of the most-stolen products, keepers/safers, locked boxes and product alarms on 10.2% of them, and 3.4% of items were given 'other' methods of protection not separately classified here.

On average, European retailers used protection devices on a smaller proportion of their most stolen lines than retailers elsewhere (31.4% were unprotected compared to 28.0% globally). They made slightly less use of source tagging than was seen, for example, in North America and Latin America, where 13.7% of the most vulnerable lines were sourced tagged, compared to 7.9% in Europe. The figures in Table 3.9 are not comparable with last year's survey as the categorisation has changed.

## POLICIES TO COPE WITH THE RECESSION

What policies have been adopted by retailers to combat crime during the recession?

Table 3.10 shows that 'more employee training to spot and deter theft' has been adopted by more than one-half of retailers; 69.3% have already taken action to improve staff training and 78.1% plan to make further use of staff anti-crime training.

<b>Table 3.10</b> <b>Europe: Policies to cope with recession</b>	<b>Europe</b>		<b>Global</b>	
	<b>Implemented</b>	<b>Planned</b>	<b>Implemented</b>	<b>Planned</b>
More Employee training to spot and deter theft	69.3%	78.1%	71.4%	79.3%
Pre-hiring screening for employees	18.3%	33.7%	20.4%	20.4%
New CCTV video surveillance	17.1%	29.8%	15.9%	28.7%
Hiring more in-store LP employees	17.1%	18.3%	16.1%	15.7%
Increased spending on crime prevention hardware and software	17.0%	22.6%	17.4%	26.9%
Increase EAS reusable accessories	16.7%	19.2%	15.8%	18.4%
Increased spending on LP consumables	14.8%	21.5%	16.8%	25.1%

The other key policies that have been implemented are ‘pre-hiring screening for employees’ (18.3% have done this already and 33.7% plan to introduce it); ‘new CCTV video surveillance’ (17.1% have done this already and 29.8% plan to introduce it); ‘hiring more in-store loss prevention employees’ (achieved by 17.1% of stores and planned by 18.3%); and ‘increased spending on crime prevention hardware and software’ (17.0% have done this already and 22.6% plan to introduce it). As well as more training, all the policies in Table 3.10 have already been introduced by between 14.8% and 18.3% of retailers with an even larger proportion planning to do so in the future.

## **APPENDIX**

### **SURVEY METHODS**

**OBJECTIVES.** The objectives of the Global Retail Theft Barometer are to capture the extent of crime-related losses and shrinkage suffered by retailers throughout 41 countries in Middle East Africa, Asia-Pacific, Europe, North America, and Latin America and to note trends both in the scale of losses and in the security policies adopted by companies. This study has been funded by an independent grant from Checkpoint Systems, Inc., as a contribution to discussion within the sector.

**THE QUESTIONNAIRES.** The loss prevention managers or finance directors of 4,200 of the major retailers in the countries being surveyed were sent a questionnaire for completion. The questionnaire consisted of 30 questions. Anonymity was guaranteed. The questionnaire was in Cantonese, English, French, German, Italian, Japanese, Mandarin, and Spanish and was available on-line.

**CONTACT DETAILS.** The names and addresses of the companies were drawn from a combination of commercial lists and the Centre's own list of retailers.

**CROSS SECTION BY COUNTRY AND BY TYPE.** The final composite list covered the major retailers in the 41 countries, drawn from all types of retail business. The number of questionnaires sent out to retailers in each country was proportional to the size of the retail industry in that country. The growth of cross-border and international retailing meant that a number of respondents would naturally have been providing information about more than one country. The results for Luxembourg were included with Belgium in order to protect commercial confidentiality and the results for Latvia, Lithuania and Estonia were combined (as before) as 'Baltic states'. No political implications should be drawn from the process of grouping certain states or from the inclusion or non-inclusion of any country.

The terms 'Europe', 'Asia-Pacific', 'North America' and 'Latin America' are all used here as geographical expressions; no political implications are intended through the use of this terminology. No political conclusions should be drawn from the groupings used, or from the inclusion or non-inclusion of any country in this study.

**THE RESPONSE.** 1,069 useable returns were provided by retailers. By continent, 201 responses were received from North American corporations, 67 from Latin America, 567 from Europe, 38 from Middle East/Africa (two countries), and 196 from Asia-Pacific. The number of returns made by retailers in each country and the collective scale of those retailers that responded can be seen in the accompanying Table. The retailers who completed the questionnaires were collectively responsible for combined sales of \$822.8 billion and operated 121,741 retail outlets.

**COLLATING THE DATA.** Retailers were allocated to one of 16 types of business. A distinction was made between a 'nil response' (no reply was entered to a question) and '0'. The '0' was counted but not the nil response. The data provided was consistent (no responses needed to be abandoned because of material error), but it should be noted that there were significant differences between retailers in the same country.

**CALCULATING THE RESULTS.** In a survey of this type there is a danger that a small and unrepresentative number of respondents can influence the average – either exaggerating a 'trend' or minimizing a problem. To avoid this, we have not used simple arithmetic averages, but have weighted each reply in accordance with the sales of the company involved. Thus the shrinkage result for Germany is not a simple addition of the average shrinkages of the

companies which reported, but each result has been weighted so that the shrinkage of a \$500 million retailer is calculated at five times more than a \$100 million corporation.

**COUNTRY WEIGHTINGS.** The results of retailers in each country have been weighted in proportion to the total retail sales of that country to prevent differences in the response rates between countries affecting the overall result.

**SHRINKAGE.** ‘Shrinkage’ or ‘shrink’ is an accountancy figure, reflecting the difference between the financial revenue the business should have received (based upon inventory and purchases) and the amount actually received. Shrinkage losses are caused mainly by people stealing goods or money from the company but also by a range of small or large process errors, accounting lapses, and pricing mistakes that produce apparent inventory losses. In addition to the actual loss of inventory, declared ‘shrinkage’ rates will also be affected by company policy, accounting rules, and tax regulations that will influence practice and account for some differences in results.

Although ‘shrinkage’ is often used as a proxy for retail crime it is *not* identical to crime against shops because it includes error and waste as well as crime. It is a convenient figure used almost universally by retailers for management-control purposes.

#### **The Centre for Retail Research**

The Centre for Retail Research is an independent organization providing research and consultancy for the retail sector. It has carried out a range of studies dealing with the costs of crime and the application of electronic and computerized systems to combat shop theft and fraud in many parts of the world.

The *Global Retail Theft Barometer* has been written by Professor Joshua Bamfield, Director of the Centre. He has researched retail crime issues since the mid-1980s and has written extensively on this topic.

**APPENDIX**  
**Corporations Responding to GRTB 2009 By County**

	<b>Number of Respondents</b>	<b>Total Store Numbers</b>	<b>Sales of Respondents (\$ billions)</b>
Canada	24	2,732	\$11.205
U.S.A.	177	57,353	\$280.557
<b>North America</b>	<b>201</b>	<b>60,085</b>	<b>\$291.762</b>
Argentina	14	614	\$2.219
Brazil	25	895	\$4.089
Mexico	28	3,183	\$8.864
<b>Latin America</b>	<b>67</b>	<b>4,692</b>	<b>\$15.172</b>
Morocco	16	436	\$0.121
South Africa	22	1,197	\$3.884
<b>Middle East/Africa</b>	<b>38</b>	<b>1,633</b>	<b>\$4.005</b>
Australia	22	1,156	\$23.399
China	46	992	\$5.859
Hong Kong SAR	7	90	\$2.234
India	33	1,285	\$7.383
Japan	16	2,956	\$9.272
Malaysia	19	331	\$1.339
Singapore	17	425	\$1.287
Taiwan	15	2,629	\$4.533
Thailand	21	3,310	\$3.774
<b>Asia-Pacific</b>	<b>196</b>	<b>13,174</b>	<b>\$59.080</b>
Austria	19	881	\$8.448
Baltic States	15	394	\$1.503
Belgium/Luxemburg	26	1,450	\$13.805
Czech Republic	19	740	\$6.907
Denmark	19	1,192	\$5.708
Finland	17	753	\$7.482
France	54	6,277	\$32.642
Germany	46	4,694	\$100.819
Greece	20	791	\$13.611
Hungary	18	953	\$8.693
Ireland	21	358	\$2.373
Italy	32	1,812	\$35.523
The Netherlands	25	1,327	\$29.286
Norway	29	957	\$13.131
Poland	27	1,462	\$11.793
Portugal	21	1,159	\$5.110
Slovakia	16	472	\$3.485
Spain	28	2,894	\$21.947
Sweden	19	1,773	\$8.745
Switzerland	29	2,177	\$12.157
Turkey	19	2,866	\$4.698
United Kingdom	48	6,775	\$104.937
<b>Europe</b>	<b>567</b>	<b>42,157</b>	<b>\$452.803</b>
<b>Grand Totals</b>	<b>1,069</b>	<b>121,741</b>	<b>\$822.822</b>

