

LEVERAGING EFFECTIVE LOSS PREVENTION STRATEGIES

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Overview

Loss Prevention

Programs instituted by individuals or companies to prevent losses. Businesses implement safety programs to prevent workplace injuries. Individuals install fire detectors, burglar alarms, and other protective devices to prevent losses caused by fire and theft. Car owners install special locks to prevent auto theft. Insurance companies usually offer discounts to businesses or individuals taking loss prevention measures.

Source: All Business Dictionary of Finance and Investment Terms

According to Jack L Hayes International Annual Retail Theft 2012 Survey, for every \$1 recovered, \$31.25 is lost to retail theft. Only 3.2% of total retail theft losses result in a recovery.

To become more competitive, companies need to protect their brand. This includes everything from ensuring that their policies and procedures are being followed to being sure that their messaging and signage is consistent across all their various locations to confirming that all locations are using

the same raw materials to ensure that quality and consistency is maintained across the brand. This can be achieved by implementing a comprehensive, multi-pronged loss prevention program.

Loss prevention is more than just stopping theft and fraud by customers and employees. To build an effective loss prevention program, you must look at the big picture and understand that you aren't just targeting theft, but also many other activities such as, system errors, or employee mistakes, that can negatively impact your business too. For example, perhaps your employees are not following proper procedures when serving customers. Whether this act is intentional to "hook up" a friend who has come into the establishment or unintentional due to the lack of proper training, it's hitting your business's bottom line and affecting your Brand.

A comprehensive loss prevention program will assist you in identifying these problems, the reasons they are occurring, and help you to correct or eliminate them. Loss prevention (LP) solution providers like HS Brands' The Mershimer Group offer a wide array of services to help you mitigate your risks and take action when problems arise.

By providing a large network of LP professionals to work as an extension of your internal team The Mershimer Group helps keep your employees, assets and business safe, while improving your overall business.

Building an LP Program to Meet Your Needs

The Mershimer Group (TMG) provides a complete line of loss prevention solutions and we work with our clients to build program tailored to meet their specific needs. However, in all cases LP policies and strategies need to filter down from the top and be communicated efficiently to all areas of your business. With 20 plus years of experience in corporate loss prevention and security, TMG is capable of providing guidance, support, and consultation to our corporate clients. TMG Program Directors work directly with clients, listening and evaluating their needs and concerns to build a program addressing their current issues but also with an eye towards any issues that may arise in the future.

In addition to working with client's corporate teams, TMG also runs Loss Prevention Meetings with our client's employees, franchisees, and their employees to raise awareness about LP issues, strategies, and programs. This also allows TMG to answer any questions or concerns that employees may have, but it also provides an opportunity for some coaching and training on specific company loss prevention policies and strategies.

Loss prevention is about catching and stopping these situations but also creating awareness to prevent them from happening in the first place. Perhaps there have been instances of theft from back doors being inadvertently left open once deliveries have been accepted or spills that have not been cleaned up in a timely manner resulting in slip and fall accidents. These are issues that TMG would tackle by reviewing, sometimes creating, raising awareness of, and reinforcing the corporate polices and standards, while stressing the importance of creating a safer work environment for all employees.

Leverage a Multi-Pronged Approach

Just having Loss Prevention policies and procedures in place alone is not enough to curtail the risk of negative impact to your brand. Companies must protect their brands and assets through comprehensive programs that include activities such as, LP audits, instituting LP hotlines that allow employees to anonymously report incidents, video recording reviews, LP awareness visits with employees, and mystery and integrity shopping programs to get an unbiased look at what is actually happening in the establishment.

In a perfect world, every employee or franchisee would have the brand and company's best interests in mind when going about their duties, and in most cases that is true. However, there are those that are always looking for a leg up on the competition, or in some cases, they just want a bigger piece of the pie for themselves. Unfortunately, the ends to the means almost always result in damage to the company's brand and ultimately on the company's balance sheet.

Awareness and Prevention Tools in Action

In utilizing the multi-pronged approach and employing audits, companies are ensuring that only approved signage, equipment, and raw materials are being used. Sometimes when an employee sees something that they know is not right, they don't know where to turn. By making a LP hotline available to their employees, companies can provide an anonymous outlet to report wrong doings, either intentional or unintentional.

Companies that conduct video audits can help identify breaches in procedures and policies, and possibly even losses that otherwise would have gone unnoticed unless there was another reason for viewing the recordings

The purpose of making your employees, franchisees, and employees of franchisees aware of loss prevention policies and procedures is twofold. First, you want them to be aware of the proper procedures in case they may have been poorly trained or just plain unaware of such procedures. Secondly, making employees aware that the company is serious about protecting their brand, image, and bottom line lets them

know that this veering from the policies and procedures in place is unacceptable and acts as a deterrent to those that may be willing to take a risk. Knowing that the policies and procedures are in place, will be enforced, and that there are consequences is often enough to discourage some employees from knowingly violating those policies and procedures and risk losing their job or even worse being prosecuted for their actions.

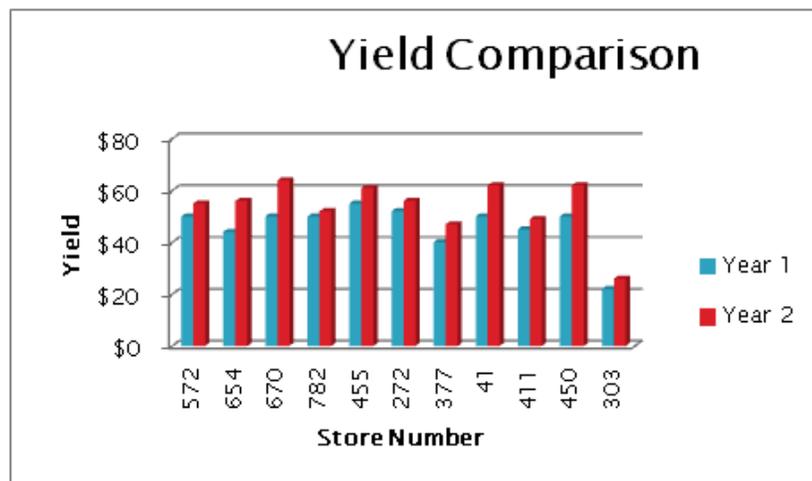
Case Study

In a 20 unit coffee and bakery chain where a multi-pronged approach towards loss prevention was employed, they saw drastic change.



From year 1 to year 2 sales increase by \$873,119 on 4% less coffee supplied.

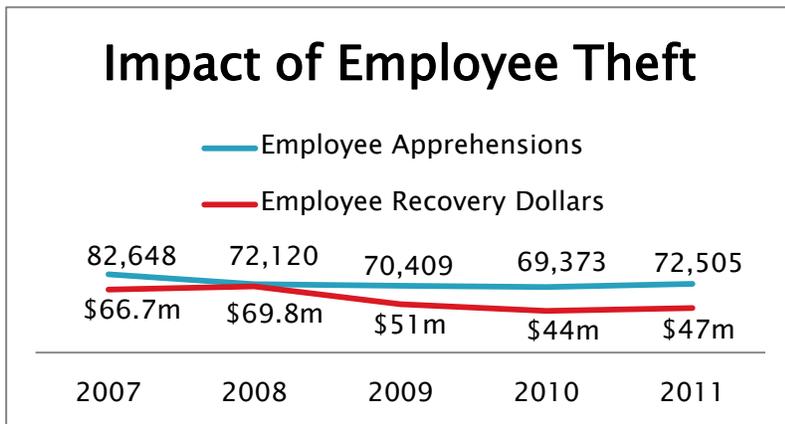
In just one year's time, yield improved overall by 14%



Source: The Mershimer Group

Take the Mystery Out of Your Business

Service, appearance and perception are all integral parts of the loss prevention process and that is where mystery and integrity shopping come into play. Mystery shopping allows companies to ask shoppers specific questions related directly to their policies



Source: Jack L Hayes International's Annual Retail Theft Survey

and procedures, which provide unbiased feed back where as customer satisfaction surveys, while valuable, can be skewed by opinions, moods, emotions, etc. Mystery shopping provides a look into the customer's business so they can see which policies and

procedures are being adhered to and which ones need some work. In addition, there is an opportunity to examine how these procedures and the employees' willingness or ability to follow those impacts the business as whole.

Integrity shopping on the other hand provides the customer with peace of mind. Integrity shops can consist of "bar spotting" which is basically a shopper sitting at a bar and watching the staff to see how they pour drinks, handle cash and credit transactions, or treat customers, especially the regulars. Another situation where integrity shops could be used is sending a shopper up to the cash wrap in a retail store with a small item and have them toss a twenty dollar bill on the counter and tell the cashier that they are "too busy to wait for them to ring the item up and the twenty should cover the cost of the item." The cashier can handle the situation in a couple of different ways:

- Refuse and insist on making the transaction
- Make the transaction and keep the change
- Make the transaction and leave the change in the drawer
- Just pocket the twenty if they want to and think no one is looking

Then TMG can check back into the POS system and see what the cashier did with the twenty dollars and take an appropriate course of action. Integrity shops basically let the client know that when given the chance to engage in dishonest behavior, which employees take advantage of that opportunity and to what level they actually take advantage.

It's Going to Take a Team Effort

At the end of the day, a loss prevention department or outsourced partner cannot be responsible for executing all the moving parts of the LP strategy. In reality, it's going to take a team effort from everyone in the company that is involved in the process. This includes the corporate team that sets the policies and procedures right down to the employees that work at each location, no matter what their role is. Everyone needs to buy into the program and take responsibility sure the brand is protected and the workplace is a safe environment for employees and customers alike.

Conclusion

Jack L Hayes International's Annual Retail Theft 2012 Survey found that survey participants apprehended a total of 1,076,508 dishonest individuals in 2011, an increase of 5.8% from the prior year

In today's fast paced world, where pictures, comments, and stories, whether based in truth or tall tales, are spread like wild fire through social media, business owners need to take every measure possible to protect themselves and their brands. Companies that are serious about taking every precaution possible undoubtedly employ effective LP programs. The Mershimer Group assists those companies in developing successful LP programs and helps them leverage those strategies from inception down into the operation. It is important to remember that LP is not a project but rather a philosophy and should be leveraged as an ongoing project. At the end of the day, it's all about protecting the brand – brand standards and brand integrity. If you and your company are serious about your Loss Prevention program, please contact The Mershimer Group to discuss your options.