



**2021**

# Retail Security Survey

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**The state of national retail security and  
organized retail crime**



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# Introduction *and* Key Findings

Stop if you've heard this one before: COVID-19 has had a tremendous impact on the retail industry. From shifts in consumer behavior to the growth of curbside pickup to livestreaming, the pandemic's influence on how and where consumers shop has been well documented. Less discussed? COVID-19's impact on retailer risk, particularly when it comes to criminal behavior.

According to these highlights from the 2021 Retail Security Survey, participating retailers said the pandemic resulted in an increase in overall risk to their organizations. It also brought new areas of prominence, as consumers had to find new ways of getting products — and criminals new channels to exploit: Buy online, pick up in store and other multichannel methods became ripe targets.

This comes as the average loss per shoplifting and robbery incident has increased. The increasingly risky environment has repercussions that extend well beyond a company's bottom line into actual threats against employees and customers. It is increasingly clear that greater support is needed from lawmakers and law enforcement.

Yet despite the growing dangers from organized retail crime, no federal law prevents this type of activity. That leaves prosecutions — if they do occur — in a patchwork of local jurisdictions, even though the crimes are typically multi-jurisdictional and multi-state.

LP professionals and retailers are not sitting idly by while these changes occur. They have brought attention to the continuing increase in ORC, cybercrimes, and shootings and other violent incidents in malls and stores. They continue to invest in multiple resources: Half of respondents said their organization was adding technology resources and capital. And, compared with last year, there is more of a focus on hiring additional personnel.

As the long-term impacts of the COVID-19 pandemic continue to evolve, one thing is clear: The retail risk environment is more complex and more costly than ever.

# Shrink

## Top line

Despite the many new avenues for shrink, the overall rate of shrink remained relatively steady compared with 2019. While that can be seen as good news, it is worth noting that it remains above the five-year average.

The shrink rate also seems to cut a fairly wide swath across retailers, with fewer keeping their shrink rates below 0.5%.

For fiscal year 2020, what was your company's inventory shrinkage percentage (%) calculated at retail?

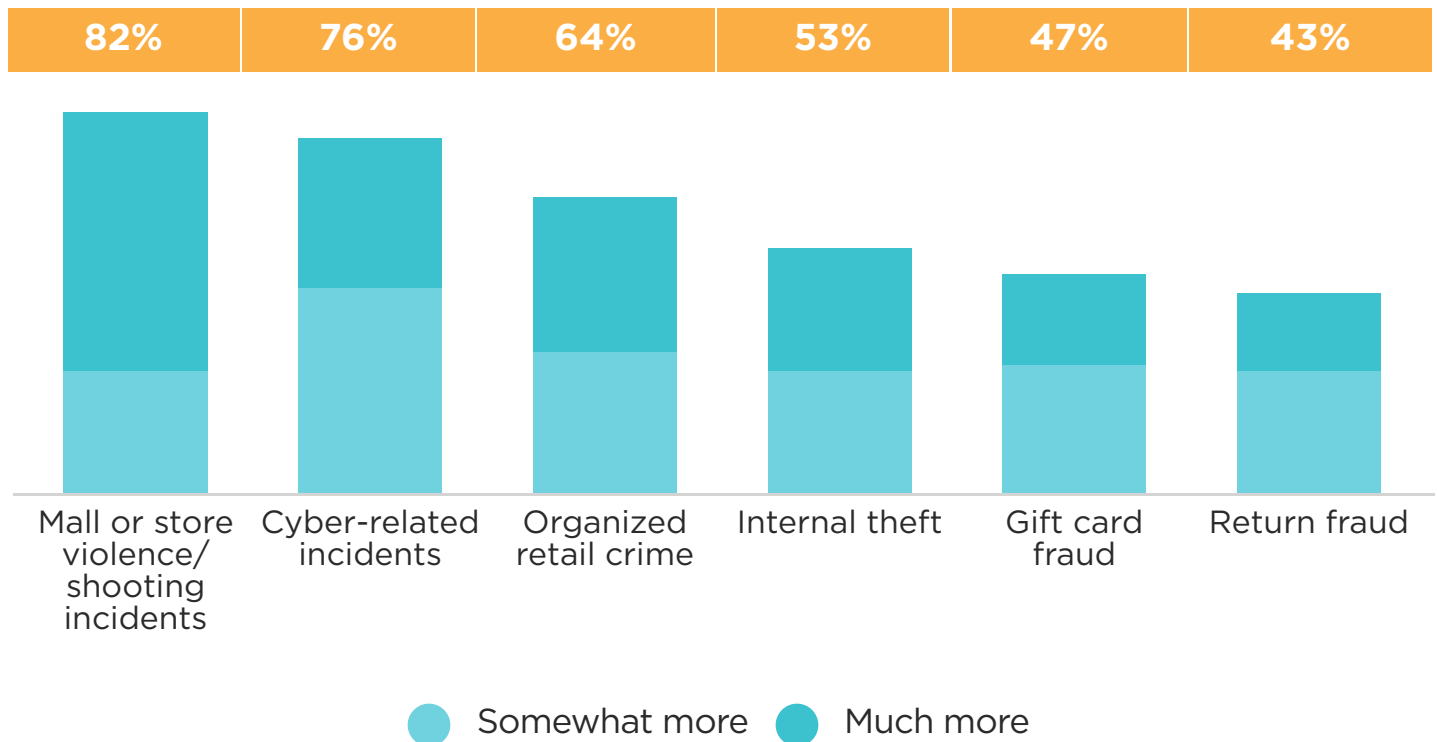
	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
3% and higher	15.7%	18.2%	10.9%	9.1%	9.0%
Between 2% and 2.99%	11.8%	9.1%	14.5%	10.9%	14.1%
Between 1.5% and 1.99%	11.8%	15.2%	10.9%	12.7%	17.9%
Between 1.25% and 1.49%	17.6%	7.6%	10.9%	9.1%	9.0%
Between 1% and 1.24%	9.8%	19.7%	3.6%	16.4%	7.7%
Between .5% and .99%	21.6%	16.7%	21.8%	20.0%	24.4%
.49% and lower	11.8%	13.6%	27.3%	21.8%	17.9%
<b>Average</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.4%</b>	<b>1.3%</b>	<b>1.4%</b>
<b>Median</b>	<b>1.3%</b>	<b>1.3%</b>	<b>1.0%</b>	<b>1.1%</b>	<b>1.2%</b>

# Current Risk Landscape

## New threats emerge

LP professionals have a growing list of threats on their radars. When asked what areas have increased in priority over the last five years, LP professionals were most likely to point to mall and store-related violence alongside cyber incidents and ORC.

Percent who indicated the following risks and threats have become **more** of a priority for their organization in the last 5 years.



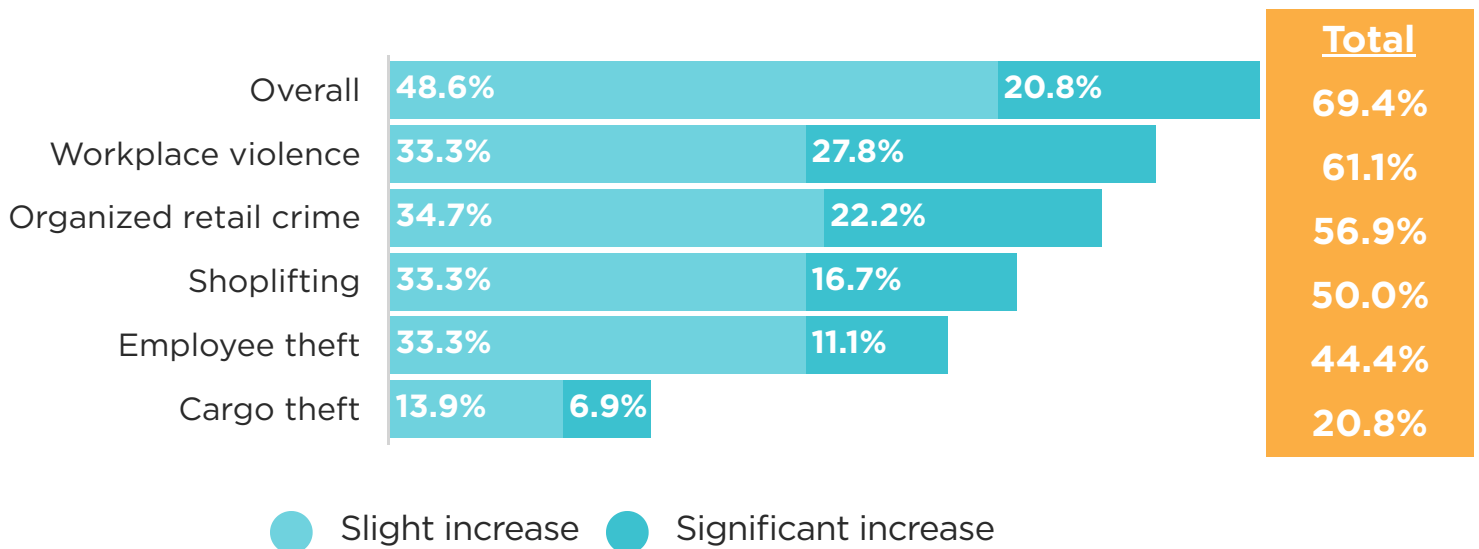
## The COVID-19 effect

Of course, 2020 was like no other. While the world was focused on the threat of COVID-19, the pandemic brought new risk to retailers. More than two-thirds said the pandemic increased risks for their organization. Topping the list: workplace violence (61%) and organized retail crime (57%).

At the same time, almost one in five (18%) said they actually saw a slight or significant reduction in threats over the past year. Employee theft was the largest area of reduction, with one-third saying this had reduced slightly or significantly. Shoplifting also was a reduced threat for about 30 percent of respondents.

Cargo theft was the largest area in which the pandemic had no impact, with about seven in 10 reporting no change.

Percent who reported the COVID-19 pandemic resulted in an increase on fraud, crime and overall risk on their company



Mandated shutdowns and other shopping restrictions impacted where fraudulent activity occurred. Criminals went where the opportunities were; with a significant increase in multichannel sales such as buy online, pick up in store, crime followed.

In fact, compared with the previous year, more than twice as many respondents reported that multichannel sales were their fastest growing source of fraud. Naturally, with many stores shut down or shoppers' in-person visits limited, the percent of those who saw a surge in in-store-only sales fraud dropped significantly. And those who pointed to online-only sales fraud saw almost no change over the previous year.

Where have you noticed the **greatest** increase in fraud occurring?

	2021 Survey	2020 Survey
Multichannel sales (for example, buy online, pick up in store)	38.9%	18.8%
In-store only sales	27.8%	49.3%
Online only sales	26.4%	26.1%

One potential positive outgrowth of COVID-19 could be related to LP's role in cybersecurity. LP professionals were more likely to say they are often or always involved in their organization's cybersecurity in 2020. This could potentially be tied to the pandemic, where more retail emphasis was shifted online. It might also be an awareness of the importance of better integrating this important aspect of cybercrime into overall loss prevention.

However, there is room for greater collaboration, with one-third (34%) of respondents still saying they do not believe they are as involved as they should be in their organization's cybersecurity issues.

# Internal Theft

## An inside job

When it comes to employee-related crime, there were highs and lows. Apprehensions and prosecutions of dishonest employees appear to be down compared with last year and with the five-year average.

Overall, the average for employee apprehensions was down in 2020 compared with 2019, but about on par with 2018. Terminations were slightly lower than 2019 but maintained an overall sizeable increase since 2018. Prosecutions were at the lowest point since 2015.

How many dishonest employee apprehensions, terminations, prosecutions and civil demands were made in 2020?

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
<b>Apprehensions</b>						
Average	361.6	560	322.6	506.1	345.6	865.3
Median	86	191	76	94.5	52.5	137.5
<b>Terminations</b>						
Average	527.3	558.6	335	397.8	333.2	552.7
Median	106	169	122.5	100	71	136
<b>Prosecutions</b>						
Average	83.0	156	91.3	104.4	93.3	158.3
Median	19	40	28	24	13	20
<b>Civil Demands</b>						
Average	150.2	283.4	159.8	125.1	114.5	241.5
Median	3	32	18	1.5	1.5	25.5



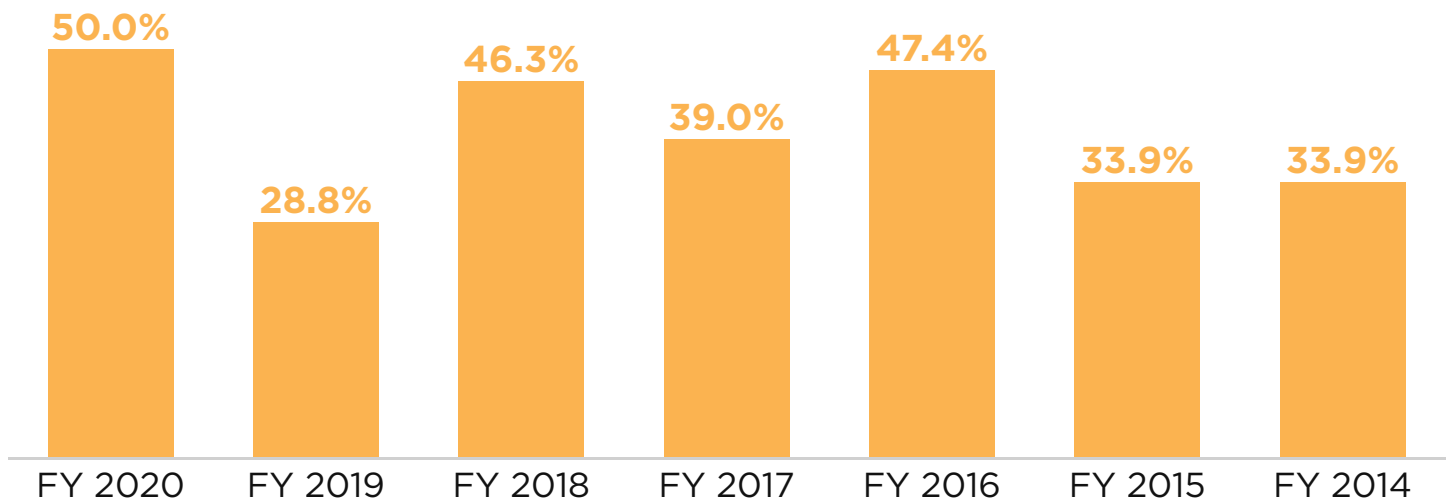
Despite the lowered actions, each dishonest employee case cost retailers more than in recent years – \$1,551.66, still higher than the last few years, but not as high as in 2016.

### What is the average dollar loss per dishonest employee case?

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Average	\$1,551.66	\$1,139.32	\$1,264.10	\$1,203.16	\$1,922.80	\$1,233.77

However, respondents were more likely to report an average dollar loss of \$1,000 or higher. Half (50%) of respondents reported an average dollar loss of at least \$1,000 compared with 29% in 2019. While this is higher than in previous years, it is not unprecedented: Respondents reported similar results in both 2018 and 2016.

### Percent who reported an average dollar loss of at least \$1,000



# Shoplifting *and* Robberies

Criminal action is not always an inside job and retailers are fighting on multiple fronts. The number of apprehensions, prosecutions and civil demands all fell to new lows in 2020. Apprehensions were down to 507.8 on average in 2020 from 688.8 in 2019. However, with the exception of 2018 — when apprehensions were about on par with 2020 — this is a sizeable decrease over the previous five years.

Prosecutions also show a slight decline over the previous year and a more significant change over time.

Civil demands, however, showed a significant falloff, landing well below the averages of the last five years.

How many shoplifting apprehensions (i.e. stops), prosecutions and civil demands were made in 2020?

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
<b>Apprehensions</b>						
Average	507.8	688.8	509.4	1,105.2	1,440.2	3,322.7
Median	0	15	25	4	2	10
<b>Prosecutions</b>						
Average	323.3	417.5	369.7	727.9	741.9	1,934.6
Median	5	30	20	10	3	7.5
<b>Civil Demands</b>						
Average	42.6	389.7	369.8	543.9	308.9	2,201.4
Median	0	0	0	0	0	0

Still, those shoplifting incidents are paying off more for the criminal. The average loss per shoplifting incident is up compared with last year, but still below the average of the last few years. The median — the “middle” value in the list of all survey respondents — is the lowest it has been in the last seven years.

What is your company’s average dollar loss per shoplifting incident?

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Average	\$461.86	\$270.06	\$546.67	\$543.28	\$798.48	\$376.80	\$317.84
Median	\$136.50	\$200.00	\$180.00	\$200.00	\$230.00	\$138.00	\$165.00

One of the most troubling trends is also a costly one. Robberies, which bring the added threat of injury to retail workers and shoppers, are delivering tremendous windfalls to criminals. The average retail robbery netted more than \$7,500 — a figure not seen since 2015.

What is your company’s average dollar loss per robbery incident?

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Average	\$7,594.48	\$828.94	\$2,885.15	\$4,237.02	\$5,309.72	\$8,170.17	\$2,465.00

# Organized Retail Crime

**“Due to curfews, closures and overall pandemic restrictions, shoplifting was suppressed for a prolonged period of time. Once restrictions began to loosen, shoplifting incidents increased higher than pre-pandemic incidents.”**

**- Retailer -**

One potential driver behind the increases in robberies and shoplifting incidences is the growth in organized retail crime reported by retailers. About 69% of retailers said they had seen an increase in ORC activity over the past year. They cited reasons such as COVID-19, policing, changes to sentencing guidelines and the growth of online marketplaces for the increase in ORC activity.

Most alarming: Retailers report these gangs are more aggressive and violent than in years past. Some 65% of respondents noted the increase in violence, while 37% said ORC gangs were much more aggressive than in the past. For comparison, in 2019, only 57% said ORC gangs were more aggressive with 31% saying they were much more aggressive.

One area of strong agreement, buoyed no doubt by the increase in aggressive tactics, is the need for a federal ORC law. Some 78% of respondents felt it would effectively combat these issues in part because ORC is a multi-jurisdictional issue that crosses state lines. It is growing in its use and because of the broad range of activities, it would be more productive to bring charges at the federal level versus a series of small local cases.

**“Perpetrators are becoming more common in an era where it is easy to evade prosecution.”**

**- Retailer -**

## More tools in the arsenal

LP professionals are proactively investing in tools to combat the rise in crime as well as new risk areas. When compared with previous years, respondents were more likely to say their company was allocating additional resources to address risks this year. Half reported their organization was allocating additional technology resources and another 50% said they were allocating additional capital specifically to LP equipment. In a shift from the last few years, there was a significant increase in those reporting that they would dedicate additional staffing resources.

Is your company allocating additional resources to address risks this year?

	2021 Survey	2020 Survey
Yes, technology resources	52.8%	52.2%
Yes, capital allocated specifically to LP equipment	50.0%	NA
Yes, staff resources	43.1%	26.1%
No	26.4%	31.9%
Yes, other budget resources	20.8%	29.0%

# Conclusion

On the front lines, today's LP professionals are asked to stand between increasingly sophisticated criminals and a retailer's bottom line. They bridge the gap between employees and shoppers and aggressive criminal activity. They have expanded their role into helping their organizations fight global cybercrime. And they have faced an unprecedented global pandemic, which changed retail overnight.

LP professionals confronted all these challenges without giving much ground as overall shrink remained steady. And they are looking to the future with continued investment in technology resources and people. However, retail LP professionals need additional law enforcement help at both the federal and local level. Many have established great partnerships, but more must be done to give law enforcement the tools they need to go after these sophisticated criminals.

## Methodology

The 2021 Retail Security Survey was conducted online among retail industry loss prevention and asset protection professionals. Participants were asked about their company's loss prevention performance and actions in Fiscal Year 2020. A total of 55 retailers reported NRSS metrics, however, some questions may have seen higher response rates. A total of 41 provided responses to the ORC section of the survey.

In a few incidents, outliers were removed so as not to skew the overall result. However, some individual retailers or segments may have seen much higher incident rates.

# Appendix: Top ORC cities

## Top cities affected by ORC

Rank	City
1	CA - Los Angeles
2	CA - San Francisco/Oakland
3	IL - Chicago
4	NY - New York
5	FL - Miami
6	TX - Houston
7	GA - Atlanta
8	CA - Sacramento
9	MD - Baltimore
10	NV - Las Vegas
10	WA - Seattle

# Appendix: Top items stolen

## Top items stolen by ORC gangs

Item	Percent reporting
Designer clothes	22.2%
Laundry detergent	16.7%
Designer handbags	14.8%
Allergy medicine	14.8%
Razors	14.8%
High-end liquor	14.8%
Denim pants	14.8%
Pain relievers	13.0%
Infant formula	11.1%
Teeth whitening strips	11.1%
Energy drinks	9.3%
Deodorant	7.4%
Contraceptives	5.6%
High-end vacuums	5.6%
Laptops/tablets	5.6%
High-end appliances	5.6%
Children's toys	5.6%