

Some Reflections on Retail Loss Prevention in a Time of COVID-19

By Emeritus Professor Adrian Beck

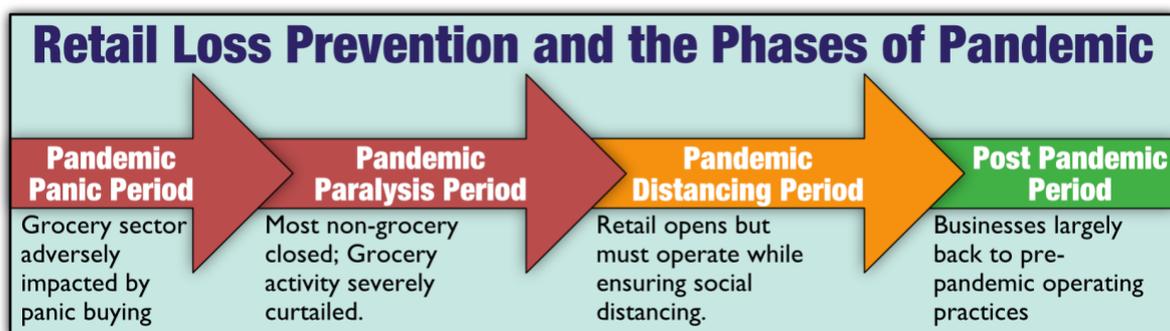
Much has already been written and spoken about the likely impact of the COVID-19 Pandemic on the retail sector in general and loss prevention in particular – perhaps the price we pay for too many people working from home with time on their hands! I have heard sweeping and largely data-free assertions being made about how retail losses will dramatically increase: shop theft will go up, Organised Retail Crime will get much worse, staff will steal more, fraud will go through the roof, and so on. In addition, there is considerable speculation that what is happening now will become the ‘new’ normal – everything has changed and nothing will be the same again.

Now, some of this may be ‘true’ although how anybody actually knows is very unclear at this stage of the Pandemic, not least because in some countries at least, many non-food retail stores still remain closed or are just beginning the slow process of restarting. In many respects, it reminds me of the apocryphal quote attributed to the Chinese PM in the 1970s, Zhou Enlai, when asked about the impact of the French Revolution in the 18th Century, he said: ‘it was too early to say’. I can certainly recall similar sentiments about things never being the same again after 9/11 and the economic crash in 2008, and while these events have not, and should not be forgotten, their lasting impact has undoubtedly faded over time.

Given all of this, I am going to only offer some very tentative thoughts on how I think retail loss prevention has been impacted by current events and a few reflections on emerging issues and what the future may hold. This is based primarily upon a number of non-representative online discussions with loss prevention leaders associated with the ECR Retail Loss Group. For the most part, they represent the Grocery industry in Europe.

Pandemic Phases

What now seems to be coming clear is that the retail industry is likely to experience four phases of impact from the COVID-19 Pandemic:



Phase I: Pandemic Panic Period

We are all now familiar with the scenes of panic buying seen across the world, where the Grocery sector was hit with the equivalence of sustained peak festive buying patterns across several weeks in late February, early March 2020. Shelves stripped bare of ‘essentials’ such as toilet rolls, sanitisers, pasta, flour and so on. But, unlike the predictability of the established seasonal peaks, Grocers and their supply chains were simply overwhelmed for a period of time, with heavily overcrowded stores unable to maintain established working practices.

Likely Impact on Retail Loss and its Control

Levels of unexplained loss in this period are likely to have increased substantially due to:

- Loss of control over inventory records as stock is rushed into stores at breakneck speed.
- Shoppers/thieves taking advantage of the chaos/overly full stores to commit theft, including push out thefts.
- Abuse of self-scan systems as customers take advantage of the inability for stores to maintain any form of control/undertake checks. Indeed, some retailers simply turned off all their SCO controls to ease overcrowding/increase throughput of customers. It is hard to imagine what the losses are likely to have been from Scan and Go/Mobile SCO systems where the capacity to undertake any form of audit check was severely curtailed.
- Use of product tagging suspended by some retailers due to volume of product and lack of available staff time to apply them.
- Increased product damage as large volumes of stock are quickly moved through the supply chain.
- Staff theft (cash and produce) made easier by the relaxation of controls and the chaotic environment.
- Influx of new staff brought into businesses to cope with the increased demand who have not been properly vetted and/or correctly trained, leading to increased theft and errors.

For many Loss Prevention teams, they were likely to have been largely side lined/reallocated to stores to try and manage the massive increase in demand – the primary focus of the business – with concerns about associated losses simply parked for review at a later date. In addition, expenditure on guarding was dramatically increased to try and ensure some form of crowd control.

Thankfully, this period of Pandemic Panic only lasted a few weeks, as countries began to impose more draconian controls over their citizenry, dramatically curtailing where they could go and what they could do. This gave Grocers the opportunity to replenish their supply chains and stores and fully engage their Crisis Management plans – for some UK Grocers, the extended planning for Brexit undoubtedly helped considerably in this respect.

Phase 2 Pandemic Paralysis Period

As Governments enforced varying degrees of lockdown, most parts of retailing other than food-related, were forced to close their physical stores, turning once vibrant town centres and shopping centres into ghost towns. For the food sector, the panic buying period was over but they had to adapt their stores to deliver a more controlled socially isolating shopping experience.

Likely Impact on Retail Loss and its Control

It is unclear whether the UK Home Secretary was being ironic when she rather proudly claimed that a positive impact of the lockdown was a massive reduction in the number of incidents of shop theft reported to the police – who would of thought closing all the retail stores would have such an effect! Obviously, for those retailers that no longer had stores open, then their losses from external theft largely went away – no customers, no shop theft. It is a dizzyingly brilliant way to curb these losses, but it comes at a rather profound cost to the health of the business. However, shuttered stores full of unsold stock in now deserted parts of city centres offer a potentially attractive target for burglars and so it is likely that this posed an increased risk at this time.

For Grocers, it is likely that the risk from external theft was decreased in this period, for the following two main reasons:

- Strict limits on the number of customers allowed in a store at any one time, with one way systems often in place to regiment their flow through the building. Typically shop thieves thrive in busy environments that offer a high degree of anonymity and cover.

- High levels of human control at exits and entrances making push out thefts in particular highly risky.

In terms of internal theft, then it is hard to know – its prevalence could be impacted positively and negatively. One argument goes that it will increase because, amongst other reasons, staff feel justified in stealing because their employer is not recompensing them sufficiently for the risky environment they are asking them to work in. A counter argument is that staff are much less likely to steal because if they are caught and lose their job, then the prospect of getting other work at this time will be extremely challenging. Another argument is that as the flow of goods through supermarkets is now much more regulated, with fewer peaks and troughs, backroom areas are now less cluttered, therefore offering fewer opportunities for thefts to take place.

It is of course impossible to know at this time and any comparisons between data before, during and after the COVID Pandemic are likely to be riven with methodological problems. For instance, one loss prevention leader declared that incidents of staff theft had increased considerably since they had reallocated their team of store detectives to focus upon the problem. It reminded me of the wonderfully flawed measure of shop theft utilised by a now defunct retailer. They relied upon the number of arrests by store detectives to act as their barometer of shop theft. They were always baffled as to why they never had any shop theft incidents on a Monday, until they finally took into account store detective rotas – no store detectives at work, no shop theft incidents recorded! Similarly, now having the resource to unearth more cases of employee theft does not provide indicative data of a trend – merely that incidents are now being uncovered that could have been happening before.

While most physical stores have been shuttered in this period, online sales have continued for some retailers and claims have been made that losses associated with this type of retailing will increase. While data on retail losses from E-commerce are only beginning to emerge and my [Total Retail Loss Typology 2.0](#) began to capture what these losses might look like, it is hard to begin to imagine why the COVID pandemic will necessarily impact upon these types of losses. It could be that the increased volume of orders makes credit checks harder to perform. It could mean that more orders lead to more picking and packing errors perhaps. But equally, it could mean that there are fewer incidents of theft from the delivery supply chain – chances of nobody being at home are much reduced at a time of lockdown! It is hard to know and while speculation is an inherent human trait, much more data and research is required to understand what impact these times have had on e-commerce related losses.

Phase 3: Pandemic Distancing Period

So, we come to what can be regarded as the current phase – the reopening of most forms of retailing albeit with a whole series of restrictive practices put in place by governments and consumer expectations. The most dominant factor is the requirement to deliver forms of social distancing wherever possible. This is likely to create some extremely challenging financial problems for retailers and have an impact upon the scale and control of retail losses.

Likely Impact on Retail Loss and its Control

With strict limits on the number of customers allowed in a store, then opportunities for shop theft are likely to remain diminished – as mentioned earlier, thieves prefer to operate under the cover of anonymity offered by crowded stores. Equally, the active policing of entrances and exits will add a further layer of security that is likely to amplify the sense of risk in those tempted to steal. While there is some evidence that economically distressed communities can see an uptick in crime, which may encourage more to try and steal out of necessity, this is not as clear cut as some commentators would have you believe.

Less positively, keeping control of self-scan related losses may prove more challenging when staff are actively trying to maintain social distancing. Responding to alerts at Fixed SCO machines will continue to represent a challenge, especially where screens are introduced to provide a barrier between

customers. In addition, delivering audit checks on those using Scan and Go systems will be difficult – will customers be willing to have staff rummaging through their products looking for under or over scanned items? Losses are also likely to be exacerbated by a higher number of users opting to shop using SCO technologies.

Retailers could see an increase in aggressive confrontations between customers. Unlike in the Pandemic Panic Period when unruly behaviour was seemingly focussed upon who got the last pack of toilet roll (I hope somebody has started a PhD on this topic), arguments may flare up relating to the extent to which social distancing rules are being maintained.

In a similar vein, Loss Prevention teams will need to carefully review how they will handle incidents of violence and the apprehension of shoplifters to ensure staff and customers remain safe. Indeed, retail lawyers may already be preparing their defence for COVID infection claims.

Social distancing rules may also impact upon the use of a range of reusable security devices, such as hard tags and safer cases – will they need to be regularly cleansed and can their removal at the checkout be done in a socially distancing way? Time will tell.

Some retailers are already beginning to grapple with the thorny issue of processing product returns and the handling of clothing in changing rooms. Any additional process steps to 'cleanse' these products are likely to increase the risks of damage, mark downs and internal theft opportunities.

Current evidence suggests that in a good number of countries the COVID-19 Pandemic has accelerated the use of non-cash ways of paying, particularly contactless technologies. This in turn could therefore reduce losses of cash, both by staff and by robbers. In addition, the costs of cash handling will also be reduced.

In terms of internal theft, I have already rehearsed the arguments for and against a change. For those companies that rely upon a staff searching regime, then again this could be much more difficult to deliver effectively while ensuring social distancing. One option may be the greater use of body scanning technologies but making this a viable option financially in most retail stores is highly unlikely.

So, it is likely that retailers will experience some loss head winds but also some tail winds as well as they grapple with the challenges of operating in a socially distancing environment. Understanding which of these countervailing winds will dominate is hard to tell at this stage.

Phase 4: Post Pandemic Period

I have always been rather averse to future gazing, just ask the man who invented the Betamax technology or the IBM executive who posited that the world would only need 5 computers...! I have little doubt that retailing will gradually edge its way back to pre-pandemic patterns of activity – the death of the high street and the shopping mall has been a recurring theme for several decades. Undoubtedly, there will be many retail casualties, with several well know names disappearing for ever. But, I think we could see some possible lasting changes as a consequence of the seismic impact of the Pandemic on the retail sector in general and loss prevention in particular. Some of these could be the following.

- Numerous Loss Prevention leaders have spoken about the benefits of becoming a more agile and responsive business, prepared to take decisions quicker and with less navel gazing and managerial deliberations. It may be that the COVID enforced way of getting things done becomes the new norm.
- The exclusion of many Loss Prevention team members from retail stores and the need to work from home led to some developing a greater analytical desk-based approach to their work – what does the available data reveal and how can it be actioned? This can only be a good thing; replacing travel time with analysis time should lead to greater insights, improved

productivity and more targeted use of limited resources. Needless to say, thought will need to be given to how staff will access a range of data sources remotely and securely.

- Retailers may reflect positively upon the impact of exit and entrance controls in some formats and decide they offer valuable control benefits, especially as customers will have grown familiar with their presence. As yet, little if any research has been undertaken to measure their impact although a number of UK retailers were undertaking a ‘target hardening’ approach to some of their more high-risk stores prior to the Pandemic.
- Both E-commerce shopping and Self-scan use have grown considerably during the Pandemic and it is likely that many COVID converts will continue to use them. I have written elsewhere about the risks associated with [Self-scan](#) – retailers will need to continue to invest in not only technologies and store design to help manage this problem, but also in the selection, training and incentivisation of staff responsible for their control. This is a specialist role, requiring a unique skill set, and retailers will need to continue to invest to ensure they keep self-scan related losses under control. Equally, as we understand more about the losses associated with E-commerce activities, not least the challenge of [managing returns](#), then this should become an increasing focus for loss prevention teams.
- Many retailers have commented upon the extent to which there has been much greater collaboration and communication, not only between retail loss prevention teams, but also with manufacturers and technology providers. Certainly times of crisis tend to encourage a greater desire to work collectively to meet an existential threat, but there does seem a genuine willingness to keep these co-operative channels open – something which the [ECR Retail Loss Group](#) will of course be more than happy to foster!

Finally...

We are currently navigating through one of the most turbulent periods the retail industry has ever faced – it is an often over used word, but *unprecedented* on this occasion accurately reflects what we are witnessing. Given that, it is clearly very difficult to know what is going to happen – history can only be a partial guide on this one. It is therefore important that we do not jump to conclusions too quickly about what has and is going to happen. Charting losses in the retail sector is less than easy at the best of times and so we need to be careful that any identifiable changes are a genuine reflection of reality rather than as a consequence of the way in which practitioners go about measuring them. We also need to avoid a culture of scaremongering as a means to somehow justify the existence of the Loss Prevention Department – there will be plenty to do without over-egging the proverbial pudding. Indeed, there is certainly a need for Loss Prevention as a function to increasingly re-evaluate its *raison d’être*, something which started well before the onset of the Pandemic, and something I have elaborated on in my [Total Retail Loss](#) work. Now might be as good a time as ever to begin this reflection.

Perhaps it is appropriate to end with another apocryphal Chinese quote, this time supposedly from Chairman Mao who possibly said: ‘we live in interesting times’; indeed we do.

I would be delighted to hear from you about your thoughts on any of the issues I have covered in this short article, particularly things you think I have missed or got wrong! Keep safe.