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## Loss Prevention in a Distressed Retail Environment

Minimizing shrink and neutralizing theft can become especially challenging in distressed retail environments. Both professional external theft—commonly referred to as Organized Retail Crime (ORC)—and internal cases of theft and fraud pose serious obstacles to the successful liquidation of an estate's inventory in distressed scenarios, store closing events or going-out-of-business (GOB) sales. Over the past two years as economic uncertainty has mounted, statistics indicate higher frequencies of employee theft, white collar crime, check and credit card fraud, gift card scams, return and refund scams, professional ORC booster crews, cargo thefts, robberies and after-hours break-ins. These various forms of retail theft are estimated to cost the industry as a whole somewhere in excess of one trillion dollars annually.

Tiger Valuation offers the following tips for protecting merchandise and minimizing theft, particularly in a distressed retail environment:

- **Secure the front end of the store.** For many retailers, this is an area in which a significant percentage of retail shrink can be prevented. The front ends of many retail stores are the most vulnerable areas in terms of potential theft. Point-of-sale (POS) counters are often located in this area and smaller, easily pilfered accessory items are frequently housed near registers. During liquidations and GOB sales, additional foot traffic on sales floors presents an even bigger challenge to the security of the front end. Companies can deter criminals by training employees in key areas such as theft awareness and providing responsive customer service. All store personnel should be fully trained in anti-theft procedures and protocol.
- **Report all losses as well as any theft preventions and recoveries.** If company management or law enforcement is not aware of the activities occurring in a specific store location, then they will not be able to provide assistance. Recoveries and preventions that go unreported will not be recognized by the company. This precludes loss prevention personnel from allocating appropriate budget dollars and resources to the stores that need them most.
- **Promptly report all security equipment breakdowns or malfunctions.** Problems should be fixed as soon as possible. A regular schedule of preventative maintenance should be provided to all store managers to ensure security equipment is being checked on a regular basis.
- **Managers and key holders should always be aware of their surroundings.** Companies should implement policies in which at least two employees are present during the opening and closing of all retail stores. Managers and key-holders should change the routes and times they travel to make bank deposits to avoid being targeted by thieves. Never convey deposits to the bank alone and do not stockpile daily deposits in the safe.
- **Protect the “back of house” and stockroom areas.** Locks and closure devices should be placed on all back entry doors and receiving/shipping bays. Additionally, doors should never be propped open and locks should be active at all times. Unauthorized individuals, including employees, should not have access to the manager's office or any cash rooms.
- **Always sweep the store completely before closing the store.** Performing store sweeps prevents “sleepers” from hiding in the store. Also, for retail locations that are freestanding or within strip malls or shopping plazas, managers should drive around the exterior of the store in order to observe for questionable or suspicious behavior.
- **Mix traditional methods of loss prevention with non-traditional strategies.** Examples include undercover investigations, integrity shopping services, covert closed-circuit television (CCTV) installations, opening and closing surveillance and sting operations.
- **Be very vigilant when hiring temporary employees to work in stores.** Seasonal or temporary workers hired on a short-term basis are statistically more likely to steal merchandise or pilfer other property owned by stores than long-time employees. Longer term employees who are familiar with systems and security practices, especially in distressed retail or liquidation environments, can also inflict heavy losses since they know that their employment with the company will end after a certain point in time.

By implementing company-wide security initiatives and anti-theft procedures, ORC and other forms of shrink can be effectively minimized in distressed retail environments such as liquidation sales or GOB events. Estate-owned merchandise and cash reserves can be put in a precarious position as foot traffic in stores increases due to heightened discounting activity. When managing distressed inventory situations, Tiger Valuation has partnered with Summit Security, a Company specializing in loss prevention and asset protection. Summit Security's expertise enables Tiger Valuation and its affiliates to implement effective, innovative methods for curtailing both external and internal retail theft.