

## Counting the cost

### **As employee theft remains on the rise in the UK, Dave Lunn from Tellermate looks at the latest trends and considers whether the answer lies in new technology or a different approach by management.**

There is little doubt that theft by dishonest employees remains a major headache for retailers as it continues to contribute to a significant proportion of UK shrinkage figures.

According to the latest Global Retail Theft Barometer, employee theft in the UK increased by 7% in 2009 when it accounted for an alarming £2.08bn in lost revenue. We also know that dishonest employees are rarely apprehended by their employers (as few as one in 30), despite stealing on average eight times more than a typical customer caught stealing.

The Barometer survey throws up an interesting perspective on retailers' views on the best strategy to tackle employee theft, as well as on the perceived impact of the recession.

As is typical in difficult economic times, UK capital expenditure on retail security fell by 5% in 2009, however the survey suggests that UK retailers are gearing up to increase investment in technology to combat employee theft. More retailers anticipated increasing their spending on measures like CCTV and other crime prevention hardware or software than on 'softer', HR solutions like pre-hiring screening.

It may surprise some people that retailers in the UK appear more focused on technology-solutions than HR policies to combat the problem but, if this trend continues, it will start to mirror the picture in the US where retailers are taking a much tougher line.

Tellermate deals with retailers across the world and has seen a step-change in monitoring of till data by US customers, who are looking for customised hardware and software that suits their business models. One of our US retail customers has shown that increasing spot checks in tandem with the introduction of more efficient cash counting and data capture processes can save millions of dollars annually. Time saved by managers responsible for overseeing the reconciliation of tills can also be re-directed to data analysis or other tasks.

Retailers know that the checkouts are the most vulnerable to employee theft and are faced with a choice between digital video surveillance and electronic till monitoring. Video surveillance can prove to be tedious to plough through and monitor continuously, as well as being ineffective against the more sophisticated techniques used by employees, like "sweet-hearting". Some loss prevention experts have suggested that sweet-hearting (dishonest staff, working with friends or 'sweethearts' and selectively scanning in items) is now responsible for over half of all employee theft and that regular tracking of till transactions combined with effective data mining is by far the most effective means of not only identifying the source but securing the necessary evidence to enable a conviction.

Some of the latest specialised security software uses 'motion analysis algorithms' designed to spot each instance when an employee may have bypassed the checkout price scanner with a grocery item, or passed a barcode-side-up over the infrared lens. It then checks with the store's point-of-sale system and cross-references time stamps to confirm the missed scan.

As a technology-led company, we are naturally tuned in to the potential of hardware and software advances to tackle employee theft but having worked with retailers, as well as businesses in the banking and foodservice sectors, we acknowledge that technology alone will not eliminate the problem.

Enhancing job satisfaction and levels of perceived responsibility amongst employees remains important. UK retailers are rightly concerned about the excessive use of anti-theft measures and what this can do to employee morale - positively motivated employees are less likely to steal from their companies.

However, opportunity remains the leading driver and businesses need to have clear policies on employee theft and its consequences, together with measures such as regular employee shift rotation. When businesses introduce technology they need to clearly inform employees about where and how they are being monitored and a standard should be set for the use of surveillance and tracking systems to ensure an effective use of the technologies without affecting employee morale.

One other significant difference in the US highlighted by the Barometer survey was the perceived impact of the recession. 49% of US retailers felt it was the main cause of rising employee theft as opposed to 28% in the UK, suggesting that more employees have been forced into the 'opportunist' bracket, which in turn has called for a harder line approach from retailers. With the UK recovery looking less than certain, more retailers will look for their solution to tackle internal theft and it is likely that technology will be playing a significant role.

*Dave Lunn is group sales and marketing director of Tellermate, a manufacturer and global supplier of electronic cash counting systems. Its latest model, the T-i<sup>x</sup>, will be launched to the UK market at Retail Fraud 2010. [www.tellermate.com](http://www.tellermate.com)*