



## News Release

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# Study Finds Retail Theft reached \$115 billion World-wide

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- ***Recession and reduced loss prevention spending lead to largest increase in shrink since study's inception***
- ***Global shrink average rises by nearly 6% reaching 1.43% of retail sales***
- ***Cost of theft equal to an average of \$208 per family***
- ***Apparel theft in accessories and fashion clothing reached 3.85% of sales, while meat theft in Supermarkets hit 3.38%***

**Thorofare, November 10, 2009** – The level of global retail theft reached \$114.8 billion in 2009, representing a significant increase of 5.9% over last year's total of \$104.5 billion, according to the third edition of the *Global Retail Theft Barometer*. The study monitored the costs of shrinkage and crime in the global retail industry between July 2008 and June 2009, and found that the rise in shrink occurred in all regions surveyed, with the greatest increase in North America (+8.1%), Middle East-Africa (+7.5%) and Europe (+4.7%).

"Retailers attribute one third of the increase in shoplifting to the economic recession," noted Professor Joshua Bamfield, Director of the Centre for Retail Research and author of the study. "Many have also noted a change in the type of offender and in the type of products stolen."

"While most businesses have suffered as a result of the recession, few have been as hard-hit as the retail industry," said Rob van der Merwe, Chairman, President and CEO of Checkpoint Systems, Inc., the sponsor of the study. "While retailers have had to cut budgets in most areas, this year's study shows the adverse effect of cutting spending too deeply in the area of loss prevention. Prudent spending in this area can have a very positive effect on bottom-line numbers, and act as a force-multiplier, especially as budgets for training programs and security personnel are reduced."

“The 2009 study also found that retailers decreased their spending on loss prevention and security by \$900 million, no doubt in response to their general need to trim budgets in tough times,” continued Professor Bamfield. “However, the correlation between \$900 million in decreased security spending and a \$10 billion increase in theft is very significant. It highlights the importance of continued advancement and improvement of loss prevention programs, as reducing theft is key to the success and growth of retailers’ businesses.”

Loss prevention spending in 2009 was equivalent to an average of 0.31% of retail sales.

### **Global Retail Shrinkage Rates**

Compared to last year’s survey, the losses of retailers in the 12-month period year ending June 2009 rose in 38 out of the 41 countries surveyed. Shrinkage, as a percentage of retail sales rose by 5.9 percent this year to a global average of 1.43%. This is a significant departure from the previous two years, in which shrink as a percentage of retail sales decreased.

While North America and Europe make up 40% and 38.4%, respectively, of global shrinkage, the highest country-specific rates were found in India, Morocco and Mexico and the lowest in Hong Kong, Taiwan and Austria.

“Although there are commentators that view retail crime as a harmless or intriguing social phenomenon or simply as a ‘cost of doing business’, this ignores the impact of the cost of retail crime to the general public, which, in 2009 cost 553 million families in the 41 countries surveyed an extra \$208 on their shopping bill,” said Professor Bamfield.

### **Shrinkage by Global Vertical Markets**

Shrinkage varies according to business type, vertical market and country. In 2009, some of the highest average shrinkage rates were found in apparel/clothing and fashion/accessories (1.84%) or cosmetics/perfume/beauty supply/pharmacy (1.77%).

In apparel/clothing and fashion, the highest shrinkage losses were seen in accessories (3.85%) and in fashion/tailored clothing (3.64%). These product groups suffered the highest shrinkage in all regions surveyed (North and Latin America, Europe, Asia-Pacific and Middle East-Africa).

For food items/groceries, the highest shrinkage was reported in fresh meat with 3.38%, which is two and a half times more than the global shrinkage rate of 1.36% for foodstuff. Luxury cooked meats also reached a high shrinkage rate of 2.72%.

### **Global Cost of Retail Crime**

In the 2009 edition of the survey, the global costs of retail crime (the charge that crime imposes on retailers) was \$120.5 billion including loss prevention costs. It is made up of shoplifting losses (40.5 percent), employee theft (33.8 percent), supply chain losses (5.3 percent) and loss prevention costs (20.3 percent).

While shrinkage has increased, security spending has decreased almost everywhere. In more mature markets, such as North America and Europe, loss prevention expenditure tends to be higher than in emerging markets. In North America, loss preventing spending represented 0.40% of retail sales, a fall of \$811 million from 2008. In Europe retailers spent an equivalent to 0.29% of retail sales compared to 0.34% in 2008

In Latin America, loss prevention spending was 0.18% of sales, a reduction of \$33 million. In Asia-Pacific the average for security spending was 0.17% and in Middle East-Africa 0.20% against a global average of 0.31% of retail sales.

“It is interesting to note that spending on security systems and equipment fell by a much greater amount than spending on outsourced security personnel,” commented Bamfield. “While a combination of several approaches to security is most effective, there are definite advantages to increase the effectiveness of personnel by employing a comprehensive shrink management solution and strong loss prevention processes.

### **Merchandise Theft**

Merchandise theft reached a total of \$64.51 billion in 2009. The amount of merchandise stolen by shoplifters and employees represents 72% of the total shrinkage. Most merchandise was stolen by shoplifters, who were responsible for \$48.8 billion of stolen goods. It is here that loss prevention can have its greatest impact by deterring would-be shoplifters and enabling merchandise recovery.

### **Economic Recession Impact**

“There is some criminological evidence that crime rises as unemployment rises and there are indications that crime is a much more important issue for retailers now than two or three years ago,” said Professor Bamfield.

“Some offenders may otherwise face real hardship. People whose family income has fallen because of unemployment or work-sharing may feel that they need to steal in order to maintain their previous lifestyle. The failure of the financial system and the political class in many countries has disillusioned many people, who may feel that they have to look after their own interests - however illegally - because no one else can be trusted to do so,” continued Bamfield.

The survey shows that shrinkage and offending have increased over the past year, and that retailers attribute one-third of increased shoplifting, and a little more than one-fifth of increased employee theft, to the recession. “It seems that the pattern of offending has altered. This is likely to be truer of shoplifting than of employee theft as employees are more eager to retain their jobs when there are fewer jobs available,” said Bamfield.

### **Most Vulnerable Merchandise**

Thieves tend to focus on small and easily-concealed, expensive, branded items that have considerable popular appeal and are easily re-sellable: electronic games/Wii, DVDs/entertainment, iPods/MP3 players, clothing, cosmetics/face creams/perfumes, alcohol, fresh meat/expensive foodstuffs, which appear most frequently on the list of most vulnerable merchandise. Other most-stolen products are razor blades/shaving items, mobile/cell phones and watches.

### **Apprehension of Thieves**

The number of shoplifters and employee thieves apprehended by retailers amounted in 2009 to 5.8 million – the size of many countries - an increase of 500,000 compared to the previous year. This increase may be due in part to the overall increase in crime. Of those apprehended, 85.6% were shoplifters and 14.4% employees.

The average amount stolen or admitted by shoplifters was \$225.90 (\$436.24 in North America). The average employee theft was \$1,889.02 in North America compared to \$2,535.52 in Europe.

### **Loss Prevention and Innovation**

“The recession makes loss prevention a more difficult task, but also more important,” said Per Levin, President, Shrink Management Solutions, Checkpoint Systems. “While 5.8 million theft-incidents were stopped and nearly \$6 billion in stolen merchandise was recovered in 2009, it was not enough to keep shrinkage from spiking. But there are still quick wins available. For example, 28 percent of products that are most attractive to thieves remain unprotected. We have seen significant innovation taking place in the industry, and there are new and effective solutions available today, from comprehensive product protection strategies to state-of-the-art shrink management systems. When brought together in a holistic fashion they can help retailers protect their businesses and prepare for profitable growth”

“With numerous studies supporting the conclusion that investing in and focusing on Loss Prevention decreases retail shrink, we hope this year’s Global Retail Theft Barometer provides the data retailers need to support their loss prevention efforts,” concluded Professor Bamfield.

### **The Survey**

Started in 2001, the *Global Retail Theft Barometer* (GRTB) is an annual survey conducted by the Centre for Retail Research in Nottingham, UK and sponsored by Checkpoint Systems. This study is now the largest and most comprehensive survey of retail theft and crime in the world.

The Study covered 1.069 corporations with total revenue of \$ 822 billion. Respondents to the questionnaire included 201 corporations in North America (combined sales of \$292 billion), 567 from Europe (\$452 billion sales), 196 from Asia-Pacific (\$59 billion), 67 from Latin America (\$15 billion) and 38 from Middle East Africa (\$4 billion).

The new countries included in the study this year are China (Shanghai, Beijing, Guangdong and Hong Kong SAR), Morocco, Taiwan and Turkey.

### **About The Centre For Retail Research**

The third edition of the Global Retail Theft Barometer (ninth edition for Europe) has been produced by Professor Joshua Bamfield, Director of the Centre for Retail Research ([www.retailresearch.org](http://www.retailresearch.org)) with the cooperation of Checkpoint Systems, Inc. The CRR is an independent organization providing research and consultancy for the retail sector dealing with the changing face of retailing and focusing on retail fraud and crime. It has carried out extensive studies dealing with the costs of crime and the application of electronic and computerized systems to combat shop theft and fraud in many parts of the world.

### **About Checkpoint Systems, Inc.**

Checkpoint Systems is a global leader in shrink management, merchandise visibility and apparel labeling solutions. Checkpoint enables retailers and their suppliers to reduce shrink, improve shelf availability and leverage real-time data to achieve operational excellence. Checkpoint solutions are built upon 40 years of RF technology expertise, diverse shrink management offerings, a broad portfolio of apparel labeling solutions, market-leading RFID applications, innovative high-theft solutions and its Web-based Check-Net data management platform. As a result, Checkpoint customers enjoy increased sales and profits by improving supply-chain efficiencies, by facilitating on-demand label printing and by providing a secure open-merchandising environment enhancing the consumer’s shopping experience. Listed on the NYSE (NYSE:CKP), Checkpoint operates in every major geographic market and employs 3,900 people worldwide. For more information, visit [www.checkpointsystems.com](http://www.checkpointsystems.com) .

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