



CAMBRIDGE
SECURITY

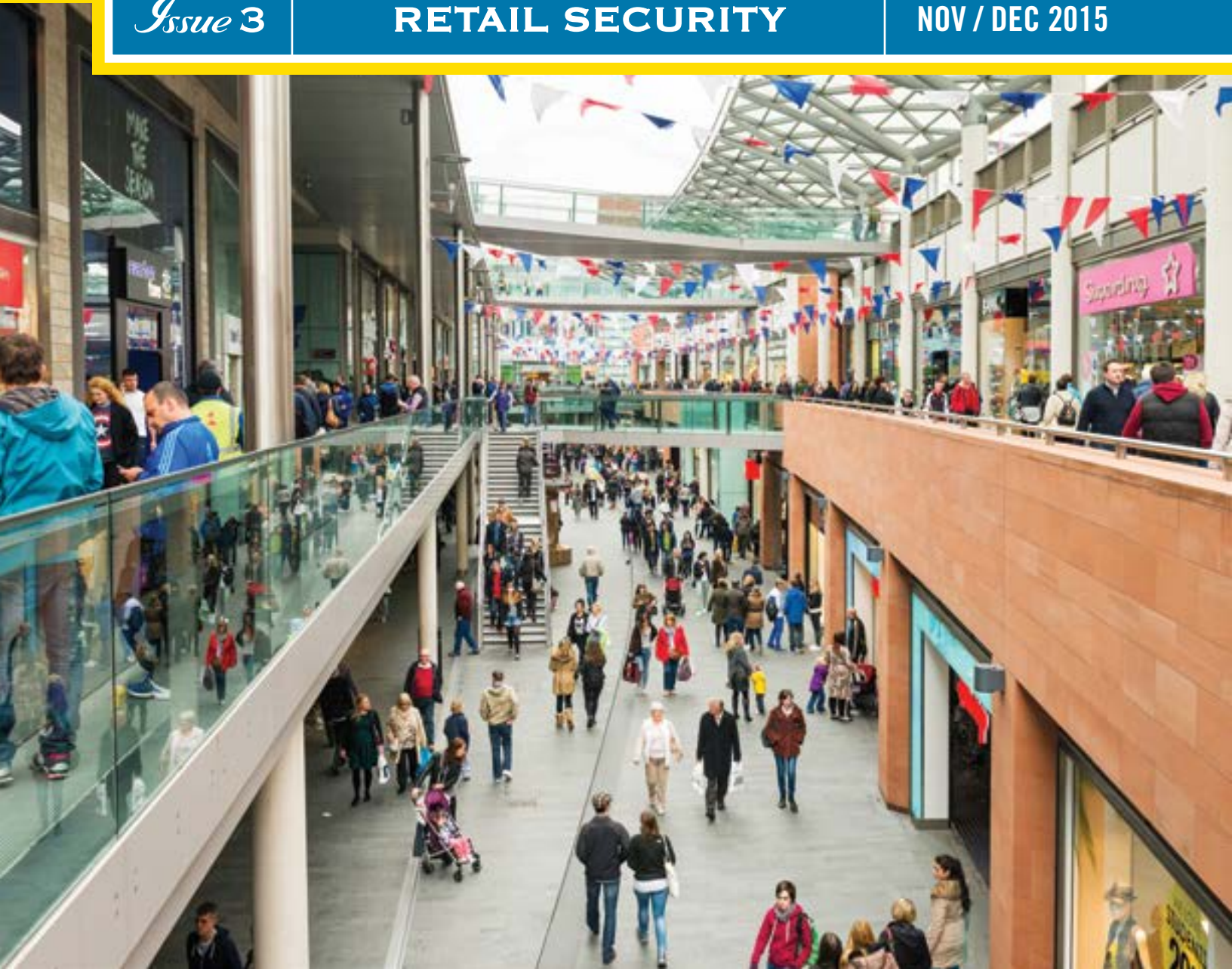
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Issue 3

RETAIL SECURITY

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Most retailers won't know whether or not they had a good year until it's over. The holiday shopping season, which begins with Black Friday and ends sometime after New Year's, brings throngs of shoppers into the stores (45% of the U.S. population went shopping during these few weeks last year). And to serve all those customers, retailers hire more employees, put more trucks on the road, and fill up more warehouses than at any other time of the year.

They also gear up for a dramatic surge in "shrinkage," the loss of merchandise and revenue to various kinds of theft. As you'll read in this issue, Cambridge Security has played a key role in helping retailers all over the U.S. and Canada fight back against shoplifters, dishonest employees, and others who can turn narrow profit margins into losses.

We pioneered a networked approach to nationwide retail security that remains unsurpassed in scope and flexibility. And our officers protect a staggering array of businesses in every corner of the country.

So as we prepare for the hard work ahead, on behalf of the team at Cambridge Security—from the managers in our Command Center to the uniformed and plainclothes officers in the field—I would like to wish everyone the happiest, and safest, of holidays.

All the best,

ETHAN LAZAR
CEO, CAMBRIDGE SECURITY

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Issue 3

RETAIL SECURITY

Today, retail security challenges include everything from organized retail crime to criminal flash mobs, from crowd management to disaster recovery—not to mention everyday issues such as alarm outages, routine shoplifting, and employee theft. The simple term “loss prevention” has expanded to encompass all these challenges, as well as store openings and closings, renovations, local disturbances, and natural disasters.

As the world of retail sales has grown and expanded online, the very nature of loss prevention has undergone a radical transformation. Those in charge of retail security now employ a wide array of sophisticated technology and specially-trained personnel—some in plain sight, some in plainclothes, some behind the scenes—to protect the people who work in retail, the shoppers they serve, and the companies who employ them.

In this issue, we take a close look at the changing loss-prevention landscape and how today’s security professionals are adapting to prevent criminal activity and keep people safe, while they remain focused on protecting what is often a razor-thin profit margin for retailers large and small.

CONTENTS

**How Cambridge Pioneered
A New Approach to Retail Security**

02

**Retail Security in
Plain Sight & Plainclothes**

04

**Retail Crime in
the Digital Age**

06

Cambridge Security Snapshot:

When shoplifters get aggressive,
safety comes first.

08





HOW CAMBRIDGE PIONEERED

A NEW APPROACH TO RETAIL SECURITY

WHEN ASKED HOW he went bankrupt, a Hemingway character answers, “Two ways. Gradually, then suddenly.” Which helps explain why retail liquidations tend to pop up on short notice, and why Dave Malefsky, Cambridge Senior Vice President, was not all that surprised when, in 1997, he was given just 48 hours to come up with security for some 80, or so, Woolworth stores that were being shut down in New York and New Jersey. Malefsky made some calls (he had handled liquidations for other major retailers before), and in short order assembled the 200 officers he needed to get the job done.

Malefsky was a good deal more surprised to receive a call not long after from a recent client, Donald Horan, who was the Director of Security handling liquidations for Gordon Brothers Group, a global firm that today handles \$70 billion worth of transactions and appraisals annually. Horan asked Malefsky if Cambridge would put together a security operation that could handle liquidations nationwide. The big national security firms, he explained, had little interest in covering the relatively short-term assignments (liquidations typically run six to 11 weeks), especially if the stores weren't located near one of their branch offices. And added Horan, he would like this new Cambridge service to cost less than he was use to paying the larger firms.

That call marked the beginning of a quiet revolution in retail security. Malefsky and Cambridge rose to Horan's challenge by developing a network of affiliates across North America. Today, Cambridge has the most extensive network of security personnel



THE CAMBRIDGE NETWORK NOW ALLOWS THE COMPANY TO HANDLE VIRTUALLY EVERY ASPECT OF RETAIL SECURITY FOR WHAT MALEFSKY ESTIMATES IS 70% OF AMERICA'S RETAILERS.

in the country—some 650 security companies throughout the continental U.S., Alaska, Hawaii, Puerto Rico, and Canada, including approximately 3,500 off-duty police officers.

And while bankruptcies and liquidations have thankfully declined nationally, especially in more recent years, the Cambridge network now allows the company to handle virtually every aspect of retail security for what Malefsky estimates is 70% of America's retailers. "Not all of those retailers are aware that Cambridge is on their job," says Malefsky, "because we may have been hired by the company that regularly services that client." But whether Cambridge is using its vast database of trusted affiliates to serve its own direct clients' needs or the needs of another security company, its networked approach gives Cambridge the capacity and flexibility to handle everything—grand openings, special retail events, store closings, and regular store security—anywhere in the US and Canada.

Cambridge took an important step in solidifying its network approach when it opened its state-of-the-art 9,300 square-foot National Command Center (NCC) in 2012. Manned by management staff who are empowered to quote prices, implement assignments, monitor the work, and handle calls from all over the country, the NCC ensures prompt, accurate, and effective security at high-end red-carpet events, discount chains' Black Friday sales, and everything in between. ■

BLACK FRIDAY IS COMING

NOVEMBER 27th IS BLACK FRIDAY. And retailers everywhere have been gearing up for the surge that can make or break their outlook for 2015. Last year was not what retailers had hoped; still, more than 95 million people spent \$50.9 billion during that one day. And the number of shoppers rose to more than 140 million people in the course of the weekend.

That much business in that short a time demands security and Cambridge Security is there to handle that demand. While a typical day may see Cambridge providing security for 50 to 125 stores, on Black Friday the company generally covers 800 to 900 stores nationally.



RETAIL SECURITY IN

PLAIN SIGHT & PLAINCLOTHES

VIRTUALLY EVERYONE who goes shopping in this country is used to the greeters and uniformed guards who help discourage, prevent, and handle disruptive and unlawful behavior in stores of every description. But few shoppers are aware of how much security work goes on behind the scenes.

IN PLAIN SIGHT AT STORAGE AND DISTRIBUTION FACILITIES: Cambridge Security officers play critical roles at the warehouses and distribution centers where merchandise is stored before it is shipped to individual retail outlets. In addition to the National Command Center personnel who monitor activity throughout the buildings via CCTV cameras, guards on the scene check both incoming and outgoing trucks to ensure that security seals are properly installed and match up with internal paperwork. Other guards monitor employees entering and leaving facilities to ensure that no one is bringing in anything that might cause problems or leaving with anything that doesn't belong to them.

Cambridge also provides security auditors who check to make sure that trucks are carrying the proper inventory. Some retail chains have Cambridge supply security auditor's day in and day out at every warehouse. Others are content to do spot checks on a periodic basis.

IN PLAINCLOTHES INSIDE THE STORES: Many retailers also make use of Cambridge's mystery shoppers, who are trained to help store managers evaluate key performance indicators (KPIs) without customers ever noticing them. A mystery shopper might, for example, keep track of how shoppers are being greeted when they enter a store. The report that's generated is likely to be of interest to Customer Service (Are customers being made to feel welcome?), Merchandising (Are they being directed to promotions they may be interested in?), and Loss Prevention. "Shoplifters don't want to be noticed," says National Accounts Manager Charles Casale, "In most cases, the simple act of greeting a potential shoplifter at the door and asking if he or she needs assistance is all it takes to make that person turn around and go in search of another retailer where it's easier to blend into the crowd without being noticed."

Mystery shoppers are often assigned to keep an eye on fitting rooms, as well, so they can establish whether the rooms are being well maintained, if merchandise is being returned promptly to the selling floor, and whether sales associates are adequately monitoring the number of garments customers are bringing into and out of the fitting rooms.

As part of this same kind of undercover security operation, Cambridge also employs integrity shoppers, who check to see if salespeople are sticking with store policies. They might try to get a salesperson to give them a discount, or accept less for a cash transaction. In other cases, surprise audits are conducted not undercover, but unannounced to ensure that inventory is being properly managed.

While these officers help retailers manage their stores efficiently, plainclothes store detectives, or loss prevention operatives, are charged with deterring and apprehending

shoplifters. They are known to store employees but not to shoppers, and are trained to carefully follow a five-step procedure before stopping a customer suspected of shoplifting.

Considering that U.S. retailers lost \$32 billion last year to shoplifting, employee theft, and supplier fraud, it's not surprising that these various retail security efforts are now more in demand than ever. ■

SHRINKAGE ISN'T SHRINKING

THE COST OF SHRINKAGE—loss due to shoplifting, worker and vendor theft—is alarming. While two different studies, one conducted this year by the National Retail Federation (NRF), and another last year entitled the Global Retail Theft Barometer (GRTB), reach slightly different conclusions about the specifics, the agreement between the two lend credibility to both.

- The two studies estimate total U.S. shrinkage at \$32 billion (NRF) and \$42 billion (GRTB, which also included losses due to administrative error).
- Those numbers represent between 1.3% and 1.4% of U.S. retail sales in 2014, which may not sound so alarming until you consider how low retail profit margins tend to be.
- According to the Food Marketing Institute, net margins for the grocery industry were just over 1% in 2010. And these food stores suffer the worst shrink, an average of 3.2% of sales.
- The NRF study found that shoplifters stole slightly more than employees. The GRTB concluded the opposite. Either way, customers and employees account for somewhere between 74% and 80% of total shrink.
- The cost of retail shrinkage grew 27% in 2013. "That increase is primarily attributed to a surge in shoplifting and dishonest employee theft incidences in the country, along with lower loss prevention spending by U.S. retailers," says the GRTB.
- Those who steal generally target products that are easy to conceal and resell, including fashion, mobile phone accessories, and cosmetics.
- The cost of all this shrinkage is passed on to consumers—costing the average household \$403 per year.



RETAIL CRIME IN

THE DIGITAL AGE

THE DAYS WHEN PEOPLE stole an item or two for themselves are gone, in large part because of the rapid rise of online buying and selling. The Internet offers today's shoplifters, "some good avenues to get rid of product pretty easily and make a pretty good profit," says David Hall, Senior Director of Asset Protection and Risk Management at Ollie's Bargain Outlet, Inc. ("Ollie's").

And the Internet not only opens up a whole new world where thieves can fence stolen goods, it also offers a vast new area for theft. In fact, the process of shoplifting and reselling now flows seamlessly back and forth between the virtual world and brick-and-mortar retailers. "Now thieves steal merchandise in stores and sell it online, and steal items online and sell them in stores through the refund process," says Dominick Archer, Director of Loss Prevention at ULTA Salon, Cosmetics & Fragrance, the largest beauty retailer in the United States.

Gift cards are a favorite item in this fluid environment. Thieves use stolen credit cards to buy merchandise online, return it to the store, and walk out with a gift card they can sell either on the street or to one of the many websites that sell hundreds of discounted gift cards. Machines that dispense cash in return for gift cards are also proliferating, notes Hall. The machines, which are now appearing in shopping centers and even grocery stores, make it possible for thieves to get cash from cards without any face-to-face interaction.

To prevent these crimes, and sometimes help apprehend the thieves, retailers are turning to sophisticated pattern detection. Exception-based reporting or XBR software is a regularly used by many retailers, including Ollie's. The software, "does analytical evaluation of transactions, looking for patterns that can help identify both internal and external fraud (theft by employees and shoppers)," says Hall.

Such systems work by establishing rules or thresholds that trigger a reaction. The key is establishing the right rules for each store. It's an iterative process. At ULTA, analysts review online sales constantly, looking through thousands of transactions to identify patterns that signal a fraudulent purchase. When a pattern does emerge—a large number of gift cards and high-risk items, for example—rules are established that help spot such transactions in the future and prevent them from taking place.

CONTINUE TO PAGE 7 ▶

If a fraudulent sale gets through the system, and is spotted in time, the retailer can at least remove the value from the gift cards. And then, says Archer, the analysts go back to work to figure out why the system failed to detect the problem and to create and test new rules that will do a better job.

In the store, the video from CCTV cameras can also be analyzed to help identify patterns. Electronic article surveillance (EAS) tags can play an important role here. According to Archer, about 50% of shoplifters take the time to remove these tags, which set off alarms if someone leaves the store with one still attached to an item. The other 50% just run out of the store with the alarm sounding. But the alarm alerts security personnel that there has been a theft. Thanks to the store video, the retailer now has photos of the thief, which can be shared with police and other retailers, perhaps leading to the person's apprehension. The retailer can also study the shoplifter's actions before the alarm went off so store employees can be on the lookout for similar behavior in the future.

A NEW FRONT IN THE DIGITAL WAR: SOCIAL MEDIA—In the endless war between shoplifters and those they steal from, social media has become an important battle zone. Tumblr, with 420 million users, appears to have an active community of shoplifters, for example. At least one of Tumblr's 217 million blogs is dedicated to the shoplifting community. According to BDCwire, a Boston Globe blog site, the Tumblr shoplifting blog attracts, "a group of covert, organized, self-proclaimed criminals who work together to steal and extort things for personal gain. They're an intricate and interconnected group of people who are using the blogging platform, whose content restriction is notoriously loose, to prop up their community."

Others say that the Tumblr site seems to be frequented mostly by teenage girls, more interested in bragging rights than cash. But that's not the case with organized retail crime. A report by the San Diego Police Department Neighborhood Policing Resource Team notes that, "Many thieves have found that selling stolen goods on various on-line auction sites results in quicker sales and much higher prices" than such traditional methods as fencing goods through street vendors and flea markets. Even more disturbing, the report says that, "Shoplifting is also done by criminal "flash mobs," which are usually gangs of juveniles that organize using social media, texting, and viral e-mails to commit theft, vandalism, and other crimes."

Some retailers are exploiting social media to fight back, using the antiquated Colonial practice of "shaming," adapted to the digital age. Storeowners like Matt Parry of Australia are posting CCTV footage of shoplifters on Facebook. Parry says that he only posts video when he is positive the person has

stolen something, and he is very happy with the results. In one case, the shoplifters called in, apologized, and returned what they had stolen. In other cases, family and friends have turned in the perpetrators.

Lawyers warn that this kind of public accusation is extremely risky, but the practice is said to be a growing trend. And Parry for one has no intention of stopping what he sees as an effective deterrent. "We're the victim here. We're only posting about people who have actually stolen something so I don't think there is an issue," Parry told Australia's SmartCompany.

Other high tech ways of preventing shoplifting, say experts, are far less risky, far more reliable and scalable. Among these are:

- Electronic article surveillance (EAS) technology, which includes not only anti-theft tags but also, says Curtis Baillie, an independent security consultant, technology that detects foil-lined bags and EAS jammers that some shoplifters use to try to bypass surveillance systems.
- Theft denial systems are also popular with retailers, Baillie told CSO Online. Such systems include ink tags and magnetic stainless steel clips designed to protect neckwear, eyewear, and lingerie.
- Radio frequency identification (RFID) tags, which enable security personnel to track stolen objects in real time.
- Video analytic software and facial recognition software enhance the effectiveness of store security cameras.
- Using mobile point of sales systems, employees can ring up purchases anywhere on the sales floor, which means they can keep on the move, making it much more difficult for shoplifters to avoid detection (provided, of course, that the employees themselves are trustworthy).
- Anti-push out systems use underground wires that trigger the wheels on shopping carts to lock, if someone tries to leave the store without going through checkout.
- Inventory management software, which constantly updates inventory levels as items are sold, can help reduce employee theft, according to a report conducted by Software Advice, a firm that researches inventory management software.

Each of these technologies is useful in its own right, but they all become far more useful when integrated into an overall security plan. "At Cambridge," notes Karen Lazar, Vice President and Director of Marketing, "we combine digital assets and highly trained personnel to create solutions uniquely suited to the needs of our retail clients." ■



SECURITY

SNAPSHOT

WHEN SHOPLIFTERS GET AGGRESSIVE, SAFETY COMES FIRST.

Shoplifters are growing bolder. There are still those who quietly slip a small item into purse or pocket. But David Hall, of Ollie’s, reports that some shoplifters go a whole other way, filling up an entire shopping cart with items and taking it right out the front door.

It’s hard to identify as theft right away, says Hall, because “if you see a customer leaving with a full shopping cart, you’re usually pretty happy about it.” These brazen thieves go so far as to wait for someone to help them by opening the door.

And once they’re outside, Ollie’s employees are instructed not to run after them. The company’s policy is for employees not to leave the store. “We want our associates to stay safe,” says

Hall. “We want them to gather as much information as possible about what happened, but our top priority is their safety.”

Shoplifters have become more aggressive inside the store as well, reports Dominick Archer of ULTA. These people will, “yell and scream, verbally threaten people, push and shove to get associates out of their way.” At ULTA, too, safety comes first. Employees are instructed to step aside when they see that kind of behavior, rather than risk injury to themselves or others nearby.

“When we have stores with routinely aggressive shoplifters, we’ll put a Cambridge guard in there for a period of time,” says Archer. While upscale ULTA doesn’t have many stores in high-crime areas, Archer notes that whenever they do, they place trained guards in those stores on a permanent basis.

ARTICLES YOU MIGHT FIND INTERESTING

The following articles were used in researching this issue of the Journal.

- [Study: Shrink costs U.S. retailers \\$42 billion; employee theft tops shoplifting.](#)
- [Shoplifting, worker theft cost retailers \\$32 billion last year](#)
- [Hundreds of shoplifters are using Tumblr to swap secrets. And they’re getting away with it.](#)
- [Retailer turns to Facebook to name and shame shoplifters: Runs risk of legal action](#)
- [Retailers run the risk of legal action to use social media to name and shame shoplifters](#)

- [PREVENTING SHOPLIFTING SDPD](#)
- [Neighborhood Policing Resource Team](#)
- [The Global Retail Theft Barometer](#)
- [Organized Retail Crime Survey](#)
- [How to reduce losses caused by theft at POS](#)
- [The Surprising Ways Inventory](#)
- [Software Prevents Employee Theft](#)
- [6 Technologies Designed to Stop Theft](#)

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ISSUE 04 | RESIDENTIAL REAL ESTATE SECURITY | JANUARY / FEBRUARY



We'll be covering the latest in safety protocols and technologies for protecting people and property in residential settings in the next issue of The Cambridge Security Journal.

If you're responsible for securing a residential building or community, don't miss this edition.

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