

Striking Back at Theft Inc.

Insights on how retailers can protect themselves from organized retail crime

by PAUL VACHON



Accountants classify losses from theft rather euphemistically as part of “inventory shrinkage.” But everyone knows what that usually refers to: lost revenue due to theft.

While the everyday, garden variety shoplifter is a perennial thorn in any merchant’s side, focusing solely on the lone thief diverts attention from a much larger and more pervasive threat to a store’s profitability: organized retail crime. Think of it as shoplifting on steroids.

The uptick in ORC is responsible for the changing statistical landscape of retail inventory shrinkage. According to the 2017 National Retail Security Survey

from the National Retail Federation and the University of Florida, the value of merchandise taken in the average shoplifting incident is \$798. In 2014 it stood at only \$318. The report indicates that shoplifting has exceeded employee theft and is the largest component of overall shrinkage.

INDUSTRY SUPPORT

Just what makes ORC “organized”? Security experts distinguish between the individual who takes advantage of an inattentive sales clerk and the ringleader of a group engaged in large-scale theft that traffics in stolen goods.

There are different models of ORC, a few of which were described recently

during a webinar presented by Protection One, a division of ADT security, which used actual cases to illustrate its points.

One concept resembles a pyramid. Detective Miguel Garcia of the Miami Dade Police Department describes the first rung as “boosters.”

“Boosters are individuals or a group of people that go out, target and steal consumer goods — clothing, over the counter medications, perfume and the like — and ‘fence off’ [hand off the goods to their boss] to a secure location and make money,” Garcia says. On a good day, boosters might steal between \$700 to \$1,200 worth of goods.

The boosters are paid by the “fencers,” who then sell the goods to the next-level fence, who in turn sells them to yet another fence — or to ordinary (often unsuspecting) retail establishments. At each level, a markup is applied, which generates significant income for those involved. Some fences may have more than one network of boosters working underneath them.

Garcia cites a recent case in south Florida when a theft ring was busted and some \$15 million in stolen medication confiscated. The investigation began when a woman was apprehended stealing diabetic test strips from a local pharmacy.

After agreeing to become a confidential informant, the woman introduced her fence to an undercover officer, which ultimately led to arrests that brought down the entire operation. Code-named “Operation OTC,” the investigation uncovered a sophisticated network, involving people from across Florida.

Sergeant Leopoldo Fuentes, a colleague of Garcia’s, strongly emphasizes the necessity of retailers and law enforcement working together to thwart ORC.

“Without industry support, we would have been unable to conduct the investigation,” Fuentes says. “A lot of the information we needed came from store loss prevention people.”

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— Mark Neapolitan, Signet Jewelers

INFORMATION DISSEMINATION

When ORC traffics in higher ticket items, the potential ramifications can be far more impactful — and may even affect public safety. “ORC relative to the jewelry industry, due to the price points we deal in, often involves other criminal activities such as money laundering, drug cartels, the funding of terrorism and various underworld dealings,” says Mark Neapolitan, senior director of loss prevention at Signet Jewelers.

Elaborate counter measures are necessary to combat this level of sophistication. Signet’s loss prevention department has 24 managers, each of whom oversees security for some 130 locations. Signet is one of the largest retailers of fine jewelry, operating over 3,300 locations in the United States and Puerto Rico under several familiar names including Kay Jewelers and Jared-The Galleria of Jewelry. The

company’s LP staff performs a wide range of security-related activities, including offering seminars in jewelry identification and jewelry investigation to law enforcement.

Neapolitan points out techniques used by jewelry thieves, some of which are similar to other types of retail fraud, while others are specific to jewelry; they include grab and run, burglary, distraction theft and credit fraud. Internal theft can also occur at jewelry repair locations or in the store.

An especially noteworthy case involved a series of armed robberies that occurred from January 2015 until June 2016 at Signet locations throughout the South. Early on, the female suspect targeted was dubbed the “diamond diva,” and was thought to be part of a criminal cell.

After the first few incidents, analysis performed by Signet LP staff and the FBI detected several patterns. In each case, the suspect entered the store when only female employees were on duty and no customers were present. After asking to see some merchandise, the offender produced a handgun, ordered the employees to the back and bound them. She then took their showcase keys and stole several pieces of merchandise.

During each incident she wore a wide-brimmed hat to obscure her face; only her manner of dress varied from instance to instance.



However, advanced video technology made it possible to see outside the store and determine the color and make of the getaway vehicle. Rapid dissemination of this information was made possible by effective coordination with law enforcement at the local, state and federal levels, and also through the Jewelers' Security Alliance, a trade organization that shares security related information throughout the industry.

Eventually a robbery occurred in which the suspect's face was exposed. The video was immediately pulled and shared among all parties. National TV networks broadcast it, and within one week arrests were made of the suspect and her cohorts.

COORDINATING OPERATIONS

"It's a misnomer in loss prevention to feel that information cannot or should not be shared. This hurts you, it doesn't help you," Neapolitan says. "The more sharing there is between parties, the greater the amount of new information that can be generated." ORC makes this especially crucial, since cells often operate over several states and jurisdictions.

This level of coordination was instrumental in busting a much larger cell operating out of Detroit. Known as the Red Wing Gang, it consisted of close to 100 members committing "smash and grabs" from New York to Wisconsin during 2015 and 2016. The mutual sharing of intelligence was instrumental in 26 arrests, with the potential of more in the future.

Security experts say that ORC is spreading to other product areas. This growing problem underscores the importance of security people from this branch of retail to consider a more coordinated, multifaceted approach to loss prevention.

In addition to the jewelers' alliance, the Coalition of Law Enforcement and Retail, formed in 2008, promotes the formation of partnerships between merchants and law enforcement agencies. The coalition claims a number of high profile members, including Target, CVS and Under Armour. **STORES**

Detroit-based Paul Vachon writes for various trade publications, in addition to feature stories for consumer magazines and books on Michigan history and travel.