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Analyzing shrinkage and theft in bricks-and-mortar stores

May 21, 2018

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By AN AMERICAN MARKETER COLUMNIST

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In today's label-conscious and logo-focused world, consumers love to sport high-end brands. Consumer demand for luxury goods from designer apparel, footwear, bags and accessories, to cosmetics and fragrances, jewelry and watches has accelerated, per Deloitte's Global Powers of Luxury Goods 2017 report.

Deloitte examined consumers' attitudes to luxury goods and their purchasing behavior. Quality continues to be the key driver of luxury purchases of all the markets surveyed.

Findings revealed that the 100 largest luxury goods companies globally generated sales of more than $212 billion, with average sales per company around $2.1 billion and sales growth of more than 3 percentage points. The result: today's luxury market means big business for retailers and big appeal for consumers.

But for luxury retailers, higher price tags mean a greater impact of shrink, making loss prevention a critical business component for this sector.

Jewelry, designer apparel and handbags were a few of the top most stolen items in 2017, according to the National Retail Federation's 2017 Organized Retail Crime survey.

Now, imagine if luxury retailers were equipped with the actionable data needed to identify cracks in their defenses and help prevent these losses from happening in the first place.

While loss prevention has been historically slower to adopt new technology and data compared to other parts of the retail industry, technology has made huge strides in recent years to not only identify theft, but also provide actionable data and insights to help prevent it.

It is time for loss prevention to take advantage of the technology and analytics available to help reduce shrink, especially in the luxury sector.

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Higher price tags also mean a bigger demand and higher lure for criminals.

Stealing a designer handbag compared to a $20 blouse is more lucrative for offenders. However, it is an even more extreme loss for luxury retailers.

Jewelry stores managers are not surprised to find out that jewelry was one of the top most stolen items last year, since pieces are small enough to be easily concealed and are easier to sell or pawn afterwards.

Traditionally, luxury retailers have thrived as bricks-and-mortar stores, where the experience is half of the reason shoppers visit.

While nothing is better than seeing diamonds sparkle or touching Italian leather in person, studies show that upscale shoppers are buying online in growing numbers.

In fact, by 2025, online is expected to represent 25 percent of luxury good sales, according to Bain & Co.

As true bricks-and-mortar stores must compete with ecommerce rivals who do not need to jump the same asset protection hurdles, it is crucial for loss prevention professionals to use the best methods to reduce shrink.

The time has come for loss prevention to step up and leverage the data-driven insights now available within the retail industry and use real-time actionable insights to better control store shrink.

Arming stores with loss protection

To stay true to the deluxe treatment for which luxury stores are known, loss prevention needs to incorporate discreet technology and behind-the-scenes methods to preserve the customer experience and brand integrity.

Currently, analytics is one of the most vital tools to statistically identify the key factors that highly correlate with loss due to shrink.

Collecting data from multiple sources gives retailers a more holistic perspective of their customers, along with a better understanding of the market and insights into areas of potential loss.

By integrating data from existing electronic article surveillance (EAS) systems and other data sources into one easy-to-navigate dashboard, loss prevention professionals can identify problems early on and recognize causes of shrink within operations to take corrective actions to avoid future problems.

This existing data, which had previously been difficult to analyze and therefore went unused, can now provide actionable insights for management to make informed decisions.

By assembling all data in one centralized place, it is easier for everyone from store managers to headquarters to see the full shrink management picture and find opportunities to strengthen store operations.

In recent years, luxury retailers have struggled to combat organized retail crime's (ORC) metal foil-lined "booster" bags, which hide merchandise and prevent security tags from alarming when they pass through EAS systems.

With new innovative technology and data analytics, loss prevention professionals can better understand loss activity through customized dashboard analysis best suited to their business and operational strategies.

Shrink wrap

The ability to understand unusual patterns and pinpoint the origin of issues in near real-time helps retailers gain better control of their losses and take proactive measures to combat future causes for shrink.

Also, they can identify patterns in ORC and have a clear understanding into how weaknesses in store operations could lead to opportunistic shoplifting.

For instance, within a comprehensive dashboard, data can be viewed across store locations, and within store zones helping to identify areas of high ORC activity, indicating patterns that might help predict and prevent future incidents.

In addition, loss prevention professionals are able to see how in-store traffic correlates with alarm activity, pointing to trends and relationships and an opportunity for potential staffing adjustments.

By having more interactive real-time analytics around shrink, retailers are also able to more accurately assign financial value to each alarm and determine the real-time impact of loss events. This can help educate senior management, including chief financial officers, on shrink incidents that can impact bottom line results. It is helpful, providing a better measure for return on investment funding additional loss prevention solutions, tools and personnel.

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SHRINK ANALYTICS will prove to be a game changer for luxury retailers, as they continue to compete with ecommerce.

The actionable insights will ultimately empower retailers to make data-driven decisions where and when it counts, rather than guessing or looking at months-old data.

By taking advantage of the latest loss prevention technology and data insights available, luxury retailers can continue to provide the unparalleled, personal experience that upscale shoppers have come to expect.

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