

# ASKING SOME HARD QUESTIONS

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## **Its time to face the Truth**

When it comes to providing effective and sustainable solutions for reducing loss in the retail sector, Leading Solutions are facing one important truth, that retail security solutions are not as effective as they can be, as seen within the worsening national loss figures! We believe that there is no point in simply repeating what other suppliers have done before, it is time for change!

**Its all about Trust** – Here we explore what it takes to be an effective supplier of solutions and at the same time overcome the apathy that is reported within various research papers. Our view is that the most important thing is 'trust'. After all, a successful retail environment and brand is one that is customer centric and is underpinned by trust – the retailers 'trust' their customers to not steal.

An environment in which products are openly displayed (or should be) and customers of all walks of life are encouraged, invited and therefore presumably trusted to visit. So we believe we need to embrace that principle at the heart of what we do. We explore how our company, our solutions, products and services will be packaged, implemented and ultimately trusted to not only decrease your theft/loss but increase your profit and be proven effective ongoing. So, more about that below.

*"The problems we have cannot be solved at the same level of thinking with which we created them".....Albert Einstein*

**But what is the problem?** - Every conceivable type of theft, loss and shrinkage in the retail sector that is said to amass to upwards of \$700,000,000 per annum. Up to \$2,000,000 per day seasonally adjusted.

**Is that really the problem ?** - No it's not, that is merely the result of the problem. If we think the \$700,000,000 national loss is the problem it will never be resolved because its in 'no-mans-land' meaning no man owns it! The real problem stems from the fact that the amount of loss, shrinkage and theft is worsening and we need to explore the cause.

**No problems – No progress** – Contained within this principle is good news for all concerned. It simply states that there will be progress here because a problem exists. Here we explore the cause of a worsening national problem and progress will be defined by engaging new thinking to uncover solutions.

### **New Kids on the Block**

Let me put my consulting hat on for a couple of pages! Despite my 24 years in successful private business, my time exploring the retail sector is less than 2 years. In that regard, the Leading Solutions Company for which I am Managing Director, might be regarded as the New kids on the Block so to speak. And that's fine, perhaps our team brings some new and challenging views that have evolved in a different environment. Some times we welcome different thinking in solving a problem even if it's a little provocative on occasion. Sometimes our lack of time-in so to speak can be scorned upon by those who have much more experience. Change is inevitable and the following reflects my own changed thinking.

Our company's strategic disciplines demand that we spend significant time in the outside world. Testing assumptions and gaining views and understanding from those far more experienced in this market place. This we have done and will continue to do and I take this opportunity to thank everyone I have met to date through this process. I am grateful for your thoughts and contributions and having access to your experience. It certainly has shaped my thinking on these matters.

### **A new way of thinking!**

This white paper contains material that is reflective of my current thoughts and perspectives regarding retail theft, loss and shrinkage and the widespread belief that the problem is worsening.

The material will mean different things to different readers. I don't mean to be overly provocative in presentation of this material. Rather, I am challenged by this problem and believe that any solution to it will demand a significant shift in thinking. Perhaps even transformational thinking. The material is therefore intended to challenge our thinking on the matter.

In sharing my thoughts, I welcome and encourage your feedback and thoughts on the matter. I believe as a solution provider that a new business case is emerging. A business case that is underpinned by different thinking.

### **So who is Leading Solutions?**

Leading Solutions is a part of The Harvey Group (THG) experiencing business success here and in Australia providing products and services to a variety of markets. Here in NZ, our attention is focused on the retail sector. Bringing together a variety of like minded people, products and services that together enable us to provide a valuable solution to organizations who choose to work with us.

## **Have we all become immune to the problem?**

\$700,000,000 per year in loss, theft and shrinkage!

For the sake of this paper, let's all agree with the figures despite the fact they are of course contestable, difficult to quantify and likely understated!

Now there's a challenge! Presumably it's taken quite some years for known losses to continue growing to that magnitude. Respectfully then, there is no silver bullet or quick fix, short of locking your doors and putting your stock in a vault.

Why is it that so many people can now quote this figure \$700,000,000 per annum? In recent times these figures have been grabbed by the media and delivered repetitively across the nation. When I ask key people why there is so much attention given to this publicly they say that's because there has to be greater awareness of the problem. I understand that intention but also go on to learn that the people who can do something about this already have the greatest awareness of the problem, being the belief that the amount of loss is growing nationally.

## **People are the cause! – Retailers take all the risk!**

That's right !! People are the cause of this! Took no rocket science to establish that fact. But a typical mentality within the retail and security sector is that the thieves and opportunists are the cause and therein lays a major part of the problem. The problem will never be resolved, reduced nor dare I say 'arrested' whilst those that can do something about it are focused on or believing that the thieves themselves are the cause, never! Just look at the term 'opportunist'. It describes someone who might/will act in a particular way if they see the opportunity. Who is it that creates the opportunity? The risk is with those who are deemed to be the creators of the opportunity, the retailers. But from a community viewpoint, we all want retailers to not only survive but thrive right?

## **Sharing responsibility individually**

So let's move from risk to responsibility. If retailers have all the risk, that's one thing but responsibility for a problem of this magnitude has to be shared widely. That responsibility is shared amongst communities, associations, authorities, security consultants, advisers, vendors of security products & services. In fact all suppliers who truly want retailers to survive and thrive can share in this responsibility. It's perhaps easier to determine who does not have responsibility. The thieves and opportunists are just a constant reminder of what is NOT working. Truly sharing responsibility demands a shift in thinking!

Out of that the NZRA has some 6,000 - 8,000 members and I believe that might equate to some 15,000 - 20,000 shop fronts. So there's another 25,000 plus shop fronts that are unlikely to be influenced by the NZRA. Surely that is a problem worth consideration. How much is the small retail operator losing? Is it even known or measured? And therefore unlikely to be reflected in the national loss figures. At only a few hundred dollars a year, why do so many small retailers not associate? Is there a disconnect here? Is there a perception of value issue? How important are the

smaller, privately owned retailers in this \$700,000,000 plus loss? Is there changed thinking required here also? Perhaps some other approach to engaging small retailers?

### **But why reduce the size of the pond?**

Here's a \$700,000,000 pond (estimated annual losses) containing over 40,000 fish (retail outlets) with a few hundred fisherman (vendors peddling goods and services intended to combat/prevent theft, loss, shrinkage). If a whole host of independent fisherman are getting their catch, where is the real motivation amongst suppliers to provide solutions that really make a hole in this problem? How much are retailers collectively spending in the security sector?

There are many very well intended vendors of security goods and services. Small, medium and large sized organizations providing an endless stream of products and services to retailers that are meant to provide a solution to retailer's losses. These suppliers have a responsibility here to ensure that what they provide, works. So many well intended suppliers, generating so much revenue and profits across a minefield of security related paraphernalia in the wake of what is declared as a worsening problem. Why then would these organizations, want the national loss to become less? What is the sensible motivation for these suppliers to truly want their goods and services to be reducing the problem? In fact I know of suppliers who actually rub their hands together in recessionary times because their past experience tells them the climate might be ripe for more pickings!

### **Apparent denial and apparent apathy**

General view amongst some key people is that retailers are in denial about loss and theft. And that there is a general apathy out there that perhaps was born from the good times, when retail was easier than it is today. This apathy was further evident within the research we commissioned in the retail sector. I'm not so certain about such conclusions. No sensible retailer is going to intentionally, be either apathetic or in denial when it comes to shrinkage, loss and theft. So I call these things 'apparent' i.e. apparent denial and apparent apathy. My point is that there's cause and effect with apathy. The evidence that apathy exists in the retail sector is undeniable but the responsibility for apathy has to be shared with all those who are part of the cause and that includes suppliers. Apathy only exists when certain conditions prevail.

### **Has theft become all too easy?**

One of the biggest risks here is that of intergenerational. I met with a very experienced person from within the police force. It is very clear that retail thieving is intergenerational, obvious perhaps when it comes to kids growing up with parents who thieve. Not so obvious where younger generations quickly learn how easy it is. Fact that opportunists will buy from you if they see no real opportunity to steal. Is it also a fact then, that more opportunists become thieves in an environment where retailers make it easy? In that, I also learned that amongst those who had chosen theft as a vocation in life, they easily explain which supermarket chains and which retailers are providing the easiest pickings! They know who's who!

### **Is it all too expensive to overcome?**

Aside from the apparent denial and apathy, we surveyed retailers and retail managers. Even where they are fully aware of the problem it was surprising how many raised the perception that anti theft or loss prevention measures are seen as too expensive. Is that a part of the problem? I think so! Perceptions of "cost and expense" well exceed that of "value and investment" when it comes to buying and implementing security measures in retail. We hear the term 'grudge purchase' and these perceptions all form a part of the underlying conditions here. As suppliers, past and present, we are individually and collectively responsible for this condition.

### **Cost & Expense Vs. Value & investment!**

If by and large, retailers perceive these measures as expensive is that not because the suppliers deliver their wares as a cost? Surely for retailers to perceive these measures as a real value, they have to be delivered as a real value. I believe a supplier of security products and services has to provide an actual solution to a retailer, one that is properly integrated. A solution to theft, shrinkage, loss and one that is proven in its effectiveness ongoing, now that's a value! A supplier's goal would then have to be focused on reducing theft and loss in that retailer's environment. As opposed to merely making a sale. Making a sale does not contribute sustainably to actually reducing the national problem, even at a grass roots level. In fact, if a suppliers goal is merely to make a sale, they themselves inadvertently become a part of the overall problem. Selling more products not solutions. Of course retailers (the prospect) have a responsibility in their willingness to buy yet another product or service as opposed to a solution.

### **In the absence of value everyone focuses on cost!**

Anti theft measures such as tags, bugs, EAS, CCTV etc are all old concepts, there are advances sure but conceptually these measures have been around a while. There's nothing extraordinarily distinguished or breakthrough here with these measures. So how have a multitude of providers gone about competing? All too often this is done on price. Without doubt this has compromised both the retail sector, the security industry and the perceptions that linger today about cost/price Vs value/investment and the effectiveness of these measures after they have been implemented. Where's the service? The ongoing training, the maintenance, return visits, performance audits, where's the value?

### **The goal of a supplier! There has to be an outcome**

A big ask I know but perhaps an essential one. For security, loss prevention suppliers to adopt a goal of reducing theft, loss, shrinkage in their prospects retail environment through the implementation (not sale) of their goods and services, demands a change of thinking. But hey, why not? After all the problem is worsening which suggests that the way these goods and services are currently provided is not working.

In that shift of thinking, a supplier has to be prepared to share in their prospects problem from the outset, not superficially but genuinely share in the problem. As opposed to merely making a sale. Have you got any idea how many CCTV, DVDR, EAS systems etc are out there and don't actually work properly? Our investigations suggest there's a growing graveyard of security products out there in the retail sector. With so many security products now underperforming in retail through failed advice, neglect, lack of maintenance, lack of training, a general lack of care but above all, a failure to genuinely share in the problem.

### **More products or integrated solutions**

These loss prevention products and services do work! In and of themselves they work. If you sell a retailer a security camera and get it working, is it job done? It works right? If you sell an EAS system to a retailer, install it successfully, get it working, is that job done? DVDR's, CCTV, Alarm systems, line alarms, smoke screens, consultation, education, training, and the list goes on. So many suppliers independently providing products and services to retailers and it all works. But is it an integrated solution that's provided or just another product or service that works in and of itself? Is it all too fragmented, are all these suppliers independently providing just one component part as opposed to a solution that is measured for its ongoing effectiveness?

### **Convergence not independence**

I have a great deal of respect for the big players and we all should. It's the Checkpoints and the Sensormatics of this world who have paved the way. Throughout decades they have brought innovation to various sectors including retail, they have built and created markets. Their international presence has afforded the introduction of various technologies to our small market here in NZ.

In their wake, there has been a variety of people who have left those organizations and seen fit to set up their own businesses as independent suppliers. All with good intentions of doing it better. Providing a growing variety of security products and services to retailers. Today it can be argued that we have many providers all working independently and it has become fragmented, lost cohesion and become less effective. People providing a host of products, important components sure but through independence, this does not provide integrated solutions.

### **Transformational thinking**

Sometimes we need to transform our thinking. Imagine that it's taken two decades for a problem of this dimension to get this big! Key people within the industry all seem to agree that the problem is worsening, let's say we all agree with that. Some assumptions that we will put aside for the moment are;

1/ that some degree of increase in theft over the years is directly related to increased number of retail outlets.

2/ that some degree of theft over the years is directly related to larger stores with more SKU's and less watchful staff working within the store environment.  
3/ that current economic conditions are having some further impact on retailers demand for security related goods and services.

- What if it were that thieves and opportunists are seen as people who simply take advantage of a situation that is created by others?
- And if it were that there are too many independent suppliers peddling products to combat theft and not enough providing integrated solutions.

### **Heard enough? Its time for action!**

Sure we have and will continue to spend many thousands of dollars commissioning research to hone our understanding into the topic retail loss! In particular we look at prevailing attitudes toward shrinkage, loss and theft! Research is valuable in gaining understanding necessary to exploring a new and fresh approach to providing solutions to this growing problem within the retail sector. For me there's a limit to how much time and effort should be spent obtaining and presenting information about a problem we're all aware of. Its time to develop a new business case!

Besides our own research, I have spent time with various people within the security sector, testing, exploring and validating assumptions that would otherwise be made in regards to implementing effective security solutions into the retail sector.

Various people and organizations have, of late, been intent on raising the level of awareness and public consciousness of this National problem. Consequently, the media have got hold of this and it is now being shouted from the roof tops. Retail theft (loss) costs upwards of \$700,000,000 per annum, enough said.

### **Taking ownership**

There is a solution to every problem, that is not in question but the problem has to be owned, who owns this \$700,000,000 problem? Any problem of this magnitude is likely to have multiple owners but does everyone want it fixed? I'm not so sure! It is clear that the problem is worsening and on the opposite side of the \$700,000,000 loss is another great amount of money that retailers spend with suppliers of security products and services.

### **Changed thinking precedes changed behaviour**

Lets start at a grass roots level, be more objective, don't accept the status quo! Demand knowing where your loss is and approach it on the 'healthy' assumption that loss exists. Make sure losses are measurable. Audit the security and loss prevention measures that you need or have in place. Question whether these measures are performing, are they right for your business today. Challenge your supplier to go beyond selling security goods and services, to quantifying the effectiveness of what they provide to your business. And ensure that your supplier empowers you, your business, your team. Your supplier should leave your business empowered and more capable of managing loss, theft and shrinkage.

### **Short term thinking Vs Long term problem**

I believe short term thinking to be another prevailing condition that is compromising national retail loss. When buying or selling security products and services, you do not apply short term thinking to what is a long term ongoing problem and expect sustainable results. This is causing waste and ineffectiveness in the retail sector.

### **Business Case Development**

Within the development of our business case into the retail sector, our strategic disciplines demand that we spend considerable time in our customers world. Learning and gaining a depth of understanding. We have commissioned our first research paper in this regard, conducted 6 months of coal face surveys and we continue to meet a variety of very experienced people within both the retail sector and the security profession. The material contained within this paper has been influenced by this learning.

### **Here for the long haul**

Longevity in business is rarely achieved, I know, I've studied it! But beyond the recession, beyond survival it is important to ensure some business goals are focused on longevity. More businesses with these types of goals and strategies will contribute to much needed stability and quality in both the retail sector and security industry.

Like any business its important to know long term intentions! As mentioned, we're in our third decade of private business and have long since decided that what we are building is long term. Long term participation in any field brings stability, reliability and dependability and this is important in any market sector. This I feel is critical to the next generation of business in both retail and the security sector.

*None of this material is to suggest any business, organization, supplier or market sector is doing anything right or anything wrong for that matter, we all continue to do what appears to be acceptable. All it takes is to change what's acceptable!*