Six Principles of Loss Prevention

Each segment and individual organization in the vast retailing community is completely unique, with its own corporate culture, store layout, policies and processes. Therefore, certain functions of each retailer, including its loss prevention program, should be as unique as the culture dictates; however, there are key principles and best practices that are universal, and transcend segment and store type.

A well-structured loss prevention function should include a program designed around the six key principles of loss prevention. These six individual but symbiotic principles provide an approach that focuses on the prevention, identification, and resolution of loss. Embracing these principles within your loss prevention function, structure and program will ensure you the best opportunity to promote an environment of profitability and prevention.

The six principles, as shown in the diagram to the right, include Prevention, Awareness, Compliance, Detection, Investigation and Resolution. As the circle moves clockwise, each principle has a relationship with the next principle, starting with and circling back to the primary principle and objective of any loss prevention program – Prevention. As a retailer builds or monitors their loss prevention function, the overall goal is to include as many of these principles with each program element, resource or technology.

Another objective of a well-structured program is to ensure a holistic approach to loss prevention. Loss comes in many forms, and most often surpasses mere theft or internal error. Including analysis and focus in the areas of margin erosion, supply chain management, fiscal practices, and even customer service, will provide a greater opportunity to improve profitability.

This Best Practice series aims to outline each principle of a well-structured loss prevention program, and identify tools, programs, and resources that can be applied to an existing loss prevention program for immediate results on shrink and impact on earnings.

PREVENTION
It’s quite obvious that the objective of any loss prevention function should be the prevention of loss, which is why it is the first and most important of the six principles.

From the beginning, the design of the program should focus on prevention, including processes, implementations, technologies and use of resources. This is easily stated and considered elementary, however one would be surprised how often an actual program becomes more reactive than preventative.

Prevention should also play a role within each of the other five principles. For example, even when dealing with the principles of detection and investigation, a good program has some form of regression analysis to break down how the losses occurred and the methods of resolution, so that measures can be developed to prevent future losses.

The initial process of developing a program which focuses on prevention must contain two core aspects within the retail business, which include:

- The Existence of a Dedicated Loss Prevention Function. Having dedicated resources to develop, implement and maintain the overall program and its elements provides a retailer with a focused means of preventing loss, reducing shrink and increasing overall profitability.
• The Creation and Implementation of Controls Which Focus on Prevention and Reduction of Loss. Developing controls that focus on areas of the business which can cause loss (point of sale, inventory control, cash control, safety, shoplifting, employee theft, etc.) will help to establish proper policy and procedures to prevent loss. Reviewing existing policies, procedures and controls to ensure the prevention of loss will reduce the chances of theft, error or margin erosion.

Retailers who have these core aspects within their business have a solid foundation for making loss prevention a driver of profitability. Dedicating resources, whether internally resourced or outsourced, brings the skill, knowledge and attention to the concept of loss prevention. Developing and maintaining policies, procedures and processes geared toward the holistic approach to loss prevention provides the greatest opportunity to prevent loss and protect profitability.

Awareness
Moving counterclockwise around the circle, the second principle is Awareness. There is a good reason why this is the closest principle to the key principle of Prevention. As a retailer begins to develop a preventative program, it is important to begin with the education of its workforce.

Most associates in the retail industry may claim that they understand the aspects of loss prevention, including what the causes of loss are, and how to prevent theft in their stores. However, retailers should not assume or expect that associates, management included, are truly familiar with loss prevention. For example, most retail studies and surveys have shown that retail leaders report employee theft as the largest percentage of annual loss to a company. When asking the same of store associates (including management,) most report that shoplifting or external theft is the largest area of loss within their location. What does this tell you?

There are three key points to consider when working to generate loss prevention awareness and education. The first is to include all levels of personnel. From part-time or cashier level associates, to management of all levels, sending the same message to all associates ensures consistent and thorough awareness. Secondly, using a variety of mediums helps to drive consistent messages throughout the organization. Printed materials of multiple formats and training meetings help to bring the message of awareness to your workforce.

The last point is to consider how you’re going to gauge and measure the retention and implementation of your staff’s education and support of your loss prevention program. This can be completed through a variety of other programs, including Best Practice Audits, store discussions, contests, monthly quizzes or other learning principles.

The following are some examples of how retailers use awareness to promote their loss prevention programs:

• Development of an Awareness Program with printed materials positioned in a common area of the retail location. Provide updated graphical materials for staff to read and review regularly such as posters, newsletters, brochures, etc.

• Creation of a staff guidebook on loss prevention, detailing key policies, procedures, responsibilities and steps to deter theft and reduce shrink and loss. Make certain to personalize the book to present what is in it for them (how does shrink and loss affect them) and what happens if a staff person makes the decision to be dishonest.

• Schedule timely in-store meetings with staff to discuss the awareness program and loss prevention related topics. Meetings can be run by store management with guidebooks or scheduled throughout the year with individuals within the loss prevention function.

Prevention through Awareness
Loss Prevention Awareness fosters education, and creates an environment where associates can better understand the concepts of loss prevention. Building greater awareness will empower associates to report situations where loss may occur, promote honesty, and develop a level of deterrence and prevention.

Beyond awareness programs geared toward education, other initiatives used by retailers to promote a state of loss prevention awareness include:

• In-store Loss Prevention presence, whether it be a scheduled or unscheduled visits by an auditor, investigator or Director, brings to store associates the knowledge that someone involved in loss prevention can visit the store at any time. Resources providing LP knowledge, can promote a deterrence value, resolution to issues and help to promote the principles of the program.

• Developing and maintaining an audit program for retail locations can assist in preventing future losses by highlighting both positive compliance, as well as bringing to light issues that may cause loss. Having a structured and consistent audit program will ensure that policies and procedures are followed and the opportunities for loss are reduced.
THE REMAINING PRINCIPLES

For more information on the rest of the Key Principles of Loss Prevention, look for our next customer newsletter in October 2008, or check out our new monthly e-Zine titled “The Bottom Line,” where we will publish each principle on a monthly basis, starting in August 2008. To subscribe to the bottom line, visit www.lpinnovations.com.