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Stolen Knowledge Issue No.2



Exclusive

Cash security expert, Brian Rix, discusses The Changing Landscape of Criminality and how increasingly sophisticated gangs threaten retailers and their staff.

A Cross-Functional Approach to Loss Prevention

A look at why Loss Prevention should permeate the wider business.

By Ady Houghton

Hot off the Press: Shopping and Crime

A new study by Professor Joshua Bamfield

Sweden's Cash Free Dream...

Leading the way in cash free living, but what can the UK learn from Swedish advocates?

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A Word From Our Sponsor

Retailers find themselves facing significant challenges.

The UK economy is back in recession. There is uncertainty regarding the sustainability of the Euro zone generally and single currency in particular. So retailers are facing the toughest trading conditions for generations.

Recent BRC data shows that shrink has grown 10% during the recession. The growth of criminal activity is a direct threat to the profitability of

retailers and their ability to compete in a very price sensitive market. In this issue of Stolen Knowledge we have a special feature from former Special Forces operative "Brian Rix" exploring how retailers, large and small, are increasingly being targeted by professional gangs operating at very high levels of sophistication.

Building on our previously featured article by Adrian Beck, whose concept of Product Value Management provoked much debate, we are delighted to have a guest article by Ady Houghton, Head of Corporate Audit at Iceland Foods. Ady has provided insights into his very successful initiative of cross-functional Loss Prevention at Iceland and its implications for other retailers.

Readers also enjoy a special opportunity to obtain one of ten free copies of Prof. Joshua Bamfield's new book, *Shopping and Crime* (RRP £55.00), a definitive guide to the evolution of retail crime and a really fascinating read.

Looking forward to the next edition, we have what promises to be a controversial article by Phil Willsmer Director of Group Risk Services at the Co-operative Group. Phil poses the question "whilst the Loss Prevention industry continues to re-invent itself, normally through rebranding, does it offer real value for money if it sits in isolation from other central functions, or can it be more effective if integrated into the wider Risk model offering a more diverse proposition, tailored to meet the specific needs of the organisation?"

We will also feature input from the underworld. One of the nation's highest profile fraudsters, Tony Sales, imparts information as to how he acquired everything from electrical equipment to houses, without paying a penny for them. This information is invaluable in improving fraud detection processes.

Finally, it remains for me to thank you for your continued support and encourage you to please let me know of articles, research or features that you would like to see in future editions of Stolen Knowledge.

James Harris
Commercial Director, Volumatic



The Changing Landscape of Criminality

By Brian Rix

Whilst there will always be opportunist crime and dishonesty driven by addiction, social deprivation and just plain greed, the nature of much crime is changing, including theft and robbery.

Where mention of gangsters might have in the past conjured up thoughts of Cosa Nostra, or of specific gangs from Marseilles, the streets of London, or other notorious metropolitan areas, the reality now is of something far more organised, proficient and concerning.

The old stereotype of the archetypal East End or Merseyside lad is no longer applicable; think less Lock Stock and more Bourne Identity... Intelligence, gathered by Europol and other agencies, clearly identifies a large and cohesive unification of criminal groups.

Pan-European crime is now organised geographically into 5 key zones, working when appropriate in alliance with others across a wide spectrum of criminal behaviours and activities.

Key to this criminal reorganisation has been the taking over of the upper echelons of these international gangs by articulate, disciplined and intelligent persons, who recruit relatively highly trained ex-forces personnel, capable of operating to a previously unimagined 'high standard'.

Add to this mix all of the advantages of 21st century technology and communications systems, and you have an organisation of striking capability; generally far better funded than the various law enforcement agencies and with a corporate will to succeed.

The modus operandi of these organisations follow the styles of business plans and structures more commonly associated with large corporations and company groups.

Divisions of these organisations dedicated to acquiring and amassing 'cash' from small, intermediate and large scale robberies are organised to produce the highest possible yield with minimal risk to the corporate group, following militarily patterned rank structures, where even the 'foot soldiers' vary from specialists to expendables.

Intelligence gathering and the assessment of retail zones as potential targets

It follows that many robberies are now preceded by advanced, analytical intelligence gathering. Gangs will run a cost/gains matrix evaluation, to calculate the potential yield and vulnerability of target.

It is widely known by the various law enforcement agencies, that there are large teams of 'watchers and followers', and intelligence gathering operatives across most of the wealthier countries. Many (but by no means all) of these are ex-forces or Special Forces from a large pool of Eastern European and Balkan operatives, previously trained by now defunct regimes. They are very well funded, with excellent communications networks that challenge even the resources of such establishments as GCHQ at Cheltenham, and other listening stations.

These "watchers" have the discipline and patience required by specialist and experienced surveillance operatives. They watch for any flaws, weaknesses and failings in the systems of the target.

So what are they looking for?

A key factor would certainly be the turnover profile of a target.

This could relate to the busy local convenience shop, within a dense roof-top and footfall area, and the demographics of that area in regard to lifestyle and consumerism. Most of the busier corner shops retail high value tobacco and alcohol goods, much by way of cash transaction.

Moving up a scale, the majority of transactions in medium to large supermarkets are paid for in cash. Likewise for busy food/catering outlets or leisure centres; just think of a holiday camp, where often thousands of people engage in bar purchases, fruit machines, amusements, etc.

There are still a number of intermediate sized companies who have a member of staff undertaking the bank run.

Paradoxically, many or most of these premises have ATM cash dispensing machines with their intrinsic and generally good levels of security. Yet it is the cash spent over the counter, which may often not be afforded the same levels of security and integrity, that gangs, will target. Our watcher will identify potential within a target, and will observe how cash may be stored and transferred to the bank.

So what will he see? It is surprising just how many businesses will happily invest in making their retail operation attractive to customers and in marketing, and yet perversely pay lesser attention or resources to protecting the takings that they have worked so hard to generate.

The corner shop may well use a member of staff or manager to bank their takings, making a daily or twice daily run to the bank. They will often lapse into a pattern in terms of timings and route. Whilst thinking that they are being covert with regard to secreting their takings for transit, they will be quickly flagged up by the watcher, who can then plan an optimum time for best yield, and the attack will take place.

Taking this up a stage to larger operations, the same mindset can still jeopardise cash takings.

There are still a number of intermediate sized companies who have a member of staff undertaking the bank run. Frankly these people are now 'victims in the making'.

However, the increased sophistication and intelligence gathering techniques of these gangs mean that even the professionals are now under pressure...

Many businesses use dedicated CiT companies. Many of these companies are limited as to flexibility. They operate according to inflexible run patterns and timings. The nature of their armoured vehicles renders them subject to tachograph and drivers' hours regulations, which in turn restrict flexibility. They are very easy to spot and identify due to corporate



logos, nature of vehicles, transfer hatches, etc.

All of these companies will have set safe systems of working, codes of conduct, operational systems and so forth. They will be limited to a generic cross-pavement consignment limit of £25K, and will follow the set systems thoroughly and without variance. Or will they? What might our watcher in reality observe? Evidence is that the practicalities of serving their clients and commercial imperative are creating opportunities for criminals...

All couriers (that's the person delivering the consignment), if uniformed, will be wearing a safety helmet with the strap fastened and the cup-piece over the chin, and the visor down at all times. This, sadly, is all too often not the case, especially the visor. In truth, the helmet is uncomfortable, and of course we have the human factor. A watcher observing an unfastened helmet immediately wonders what other aspects of the set systems will not be observed and are these couriers prone to cutting corners.

If delivering cash, the courier should make a pre-advisory check across the pavement without carrying any valuables (normally delivering the keys and fobs to the consignment box, which will follow on the next cross-pavement trip). If he is picking up a consignment, he will carry the empty box on his first trip, and return with the consignment secure with the keys inside the box. He should be seen to be overtly vigilant at all times. The watcher will note this.

So what about "the box"? These are generally expected to be a "smoke and dye" box, which if compromised will release copious amounts of (orange) smoke externally, whilst internally injecting all the banknotes with a permanent red dye, often incorporating 'red web' or 'smart water' identification systems.



However, whilst there is an agreement with the Bank of England to get replacement for any cash so permeated, this can be quite a lengthy process, tying up the cash value. Add to this the propensity for these boxes to malfunction and trigger unnecessarily, then they can and are often viewed with a slightly jaundiced eye.

The watcher will know that a genuine box has a cross-pavement duration of 5 minutes before triggering.

It will give warning of imminent triggering, at which point the courier can 'buy' a further 5 minute's walking time by following a 'set down and re-set' procedure. However, this can only be affected once. So if the box is not properly disarmed within 10 minutes, either in the van or the cashier's office, then it will trigger.

Now, reasonably and understandably, certain customer sites, whether supermarket or shopping mall, would not be happy to suffer a rogue triggering within their premises. So most CiT vans carry a "dummy" box. This dummy is theoretically to accommodate the failure of the real box, but in practice is often used to replicate the real deal.

Arguably, providing that the courier follows the exact procedures for a genuine box, then the watcher would not know for sure which it might be. However, given the propensity for human beings to take short cuts, which in turn is often exacerbated by unrealistic workloads and expectations from employers and duty schedulers, then you have the likelihood that malpractice will show out.

For example, in a shopping precinct where a courier would with certainty be collecting cash rather than delivering, any courier going to one store, then exiting and going on to another store will clearly be shown as using a dummy box. Would an intelligent observer notice this? You bet!

Whilst it would be unlikely for a courier to risk exceeding cross-pavement limits, they might well be under considerable pressure to optimise their trips. Combine this with the handicaps of having to work to rigid routes and schedules, top it off with a perhaps slightly disenchanted or disaffected operative failing to comply with PPE (Personal Protective Equipment) guidelines, and you have the recipe for an attack.

In common with private security norms, many CiT crews may be working within a pay range of £18k to £21k gross, for perhaps a 56 hour week; that might be less than £7.50 per hour. Rhetorically, what level of expertise



and commitment might that buy? Generally speaking, would such operatives be any match for our specialist criminal?

Before we become too despondent, retailers can reduce the risks. We can adopt safer systems for cash management and movement, whilst incorporating some relatively simple methodology to deter criminals from targeting us. This can best start by challenging surveillance.

Surveillance (from the French “watching over”) is generally challenged by means of Anti-Surveillance (A.S.) and Counter-Surveillance (C.S.) techniques and protocols.

Put simply, A.S. are the actions or manoeuvres that a person can carry out in order to confirm that he is under surveillance, and by whom, and then possibly to take appropriate action.

C.S. refers to the practice of avoiding surveillance by the actions of a third party or team carrying out strategies in order to identify any presence of surveillance teams, to identify such, and gather intelligence.

Any surveillance operative will know the risks of “showing out” and being tagged by multiple sightings. Good A.S. can create multiple sightings by being aware of and using “choke points”.

What can an individual member of staff do? Be alert. Where possible regularly walk to the door of the premises and have a good look up and down the street; be overt (obvious) in doing this. Anything untoward should be noted, jot down any suspicious car numbers, note any occupants, how long they are there, steamy windows, slightly open side windows, cigarette smoke emanating, etc.

If expected to do the bank run, staff should make sure that they don’t fall into any pattern and vary the time and the route. They should not carry a bag. Instead use a coat with a large internal (poacher’s) pocket. If they are in town, go to the bank via a large store, such as M&S or Debenhams. They should go in one door and out of another, stop at a counter and look round.

If there is anyone of whom they are unsure, they should stop beneath a CCTV ‘dome’ or camera, look back and make sure the person

knows that they know and that they have been 'clocked' on camera.

If staff are driving, they should scan their mirrors, maybe throw in a couple of loops around a roundabout, use slip roads, and maybe slow down at green traffic lights before driving away just as they change to amber and red. You will soon know if you're being followed and likewise send a strong message to any watchers.

Whatever you do, don't allow staff to mooch about in victim mindset (known as Cooper's



White Zone in the security industry). Within the shop, watch out for loiterers, people hanging about aimlessly. If there are any concerns they should be reported up-line or shared with an experienced colleague.

For employers or management there are many options. Whilst larger companies may have dedicated security officers/departments, that does not mean smaller businesses cannot take preventative C.S. and protective measures.

Safe systems, cash counting and anti-tamper pouches, drop safes, and other measures to limit till contents, and of course CCTV. Don't merely install internal, but also external (bubble), even if it's a dummy. Ensure the equipment is well maintained.

All retailers should train staff to be aware of the threats to themselves, the shop and other security professionals such as the CiT couriers, whilst avoiding making them paranoid. Remember that staff generally are not 'ninja warriors', so be wary of encouraging any 'have a go' responses.

The naughty boys are out there, and many are very professional.

It is sad to acknowledge that we do live in dangerous times.

About Brian

Brian Rix is himself a product of the Armed Forces and Special Forces regimes. Now he is an independent consultant advising the top ATM and CiT firms on cash security and training of their couriers.

“Remember that staff generally are not ‘ninja warriors’ so be wary of encouraging any ‘have a go’ responses”



Shopping and *Crime*

by Prof. Joshua Bamfield • Published by Palgrave Macmillan

Shopping and Crime, published in March 2012, is the definitive new book on retail crime, which is the result of many years research carried out by Professor Joshua Bamfield into theft by customers and employees.

Shopping and Crime often takes a contrary view from conventional wisdom and puts forward a number of strategic approaches to combat business fraud

It will be relevant to all people with a professional or academic interest in security/Loss Prevention/business crime issues. The book views business crime as a management issue, not purely a criminological one.

Shopping and Crime often takes a contrary view from conventional wisdom and puts forward a number of management and strategic approaches to combat business fraud. There are important chapters on the politics of crime prevention, inhibiting online fraud, managing the loss prevention function, the role of the police, the difficulties in using the CJS to sanction offenders.

Shopping and Crime draws on behavioural economics, consumer research and strategic management as well as criminological evidence about business crime.

The book shows that shoplifting and malevolent employees are not a recent invention, but were aggravating the lives of retailers as far back as the 18th century as a result of opportunity, motivation and skills on the part of the thief.

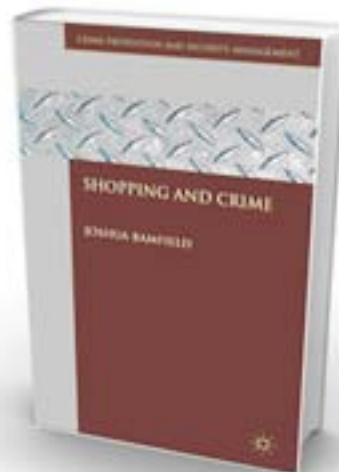
Bamfield discusses the Loss Prevention methods used by the best retailers based on: good management, motivation, communications, strategic planning, awareness of developing crime trends and focusing on the contribution of Loss Prevention to the profitability of the enterprise.

Shopping and Crime can be obtained from Amazon, Blackwells, Palgrave Macmillan, W H Smith, Waterstones or your local bookseller. A Kindle edition is available. Price £55.00/\$90.00 hardback (£49.40/\$77.14 online, kindle £36/\$58). ISBN: 9780230521605

Readers can enjoy a special opportunity to obtain one of ten free copies of Prof. Joshua Bamfield's new book, Shopping and Crime (RRP £55.00), a definitive guide to the evolution of retail crime and a really fascinating read. All you need to do to enter is send in your suggestions for a feature that we could use in a future edition of Stolen Knowledge.

Email info@volumatic.com and mark the heading for the attention of Stolen Knowledge Editorial

We look forward to reading your suggestions.





A Cross-Functional Approach to Loss Prevention

A look at why loss prevention should permeate the wider business.
By Ady Houghton • Head of Corporate Audit at Iceland Foods.

Loss Prevention departments are facing a time of great change. Organisations are under significant pressure to protect and create shareholder value. As with many functions, the work of the LP department has to respond to those pressures, which are perhaps most acutely felt in three areas – technology, functionality and budgetary.

When I was “growing up” professionally, I spent most of my time in and around Iceland stores. From an early age I was involved in the day to day logistics and operational functions of running shops. When I subsequently moved to a loss prevention function, the background and understanding of how a cash till actually works, how petty crime is perpetrated, gave me insights into both systems and human behaviour in and around our stores that allowed me to pursue an LP function from a much broader perspective.

For example if you look at a stock loss of a bag of frozen peas and some fish fingers, chances are it is an error. If you are missing a leg of lamb and bottle of champagne, experience tends to indicate that would have been a deliberate theft! The operational experience of working in the stores actually allows decisions to be made earlier about what is and is not worth pursuing and, if pursued, which lines of enquiry are likely to yield the answers fastest.

So it is my opinion that operational experience for those charged with Loss Prevention provides for **both insight and a higher quality and speed of appropriate decision making.** If we look back at the way in which loss prevention was conducted, even 15 years ago,

we can say that the approach was very much a “cops and robbers” one. We spent our time looking for “whodunit” and, whilst prevention was a part of the job, the emphasis was very much on finding the culprits and closing off opportunities for repeat offences by making examples of those caught.

“Loss Prevention departments are facing a time of great change. Organisations are under significant pressure to protect and create shareholder value and it is the work of the LP department to respond to those pressures”

However, as times have changed the focus has shifted from a focus on detection to a culture of prevention and not by locking everything up. It is accepted that in most modern businesses absolute security would be at odds with acceptable operational costs and routines. Having your freezers locked to avoid shoplifting might reduce crime, but it would probably not be conducive to good sales either! So in the commercial world it is important to balance interests, to take calculated risks and critically to avoid putting people in a position where they can make bad decisions. Our emphasis has gone

from detection to avoidance of temptation. This yields more satisfactory results, in terms of shrink levels, gives HR less to explain and ultimately leads to happier staff, improved morale and work safety.

So my first point about cross-functional approaches to Loss Prevention, is that we should be exposing our teams to a wider experience of the business and recruiting from amongst those who understand other parts of the business beyond the historically narrow focus of Loss Prevention.

That way we are able to bring more value to the table with an holistic view of operations; from the moment goods arrive at the gates to receiving payment from the customer. An

LP department with a broader perspective than the traditional one of detective or head of security, allows LP to make contributions to the wider field of Loss Prevention than has historically been the case. This allows LP to provide greater value to the whole business, rather than just chasing shoplifters.

The second point I would like to make is one of technology. **It was the case that the till point was basically the place where we received money.**

The technology available to ensure that all goods were paid for and to differentiate between human error and dishonest incidents were very limited. Basically a manual reconciliation of stock had to be made and, with retailing on any scale, not only was that taking place at a point in time far removed from the erroneous transaction itself, giving less opportunity to track the problem, but also the manpower associated with keeping accurate stock levels was itself so great that acceptable levels of loss were disproportionately high; that was the reality of the operational environment in which we found ourselves.

However, now that has all changed... The till point is one of the technologically richest areas of most retail operations. Data is available on every line in every store that arrives and travels through the business and to the consumer.



The amount of computer power in a till point would put the computers guiding early space ships to the moon and back, like Apollo 11, to shame.

Technology has allowed us to keep track of stock in real time, detect forged notes at the till point, count money received and even promises to credit cash to the bank account instantly, as it is received, before it has even left the store. As a result of the rich data mined, we are able to interrogate systems throughout the business to ascertain how the greatest value has been realised for the organisation. Are some items spoiling faster than others and are they from different suppliers or stored differently? How much cash is being built up in tills, what is the CiT going to be faced with and are we detecting forgeries at a higher level in one area; perhaps a gang of money launderers becomes active there? The data, combined with the experience of LP personnel drawn from those with a wider background than just security, enables the data to be accurately interpreted across functions.

The fact is that decision making on many areas of a retail outlet are no longer best made by the manager, but actually head office.

The manager is running the outlet, but the principal decisions of stocking and promotion are really best carried out by head office, which has a greater amount of data to make comparisons and study optimisation across a wide range of SKUs. This change of emphasis, once recognised and adopted, allows for greater acceptance of responsibility by appropriate individuals in head offices and an assembly of ad hoc teams to cross-functionally investigate the "problem" and bring their collective skills to bear. Gone are the days of buying cheap goods to optimise margins that logistics could not ship fast enough for stores to sell profitably. An integrated approach means that no one area of the business thrives at the expense of others. Everything and everybody works in harmony to produce the optimum business outcome. The final point in assessing the virtues of cross-functional LP would be budgetary.

Every business is scrutinising every part



of its operations to see where savings and efficiencies can be made. I think that LP departments seeking to justify their economic existence on purely P&L basis are going to have a tough time. The technology, as we have already mentioned, exists to reduce losses to the business to such an extent that it may herald the redundancy of the conventional LP function.

Only the other day I visited one of our stores in Wales. The shop operates in a central replenishment environment, where the ordering of goods and replenishment are controlled by head office and based upon EPOS data and forecasts. I was there to investigate why the store had a high write off of a particular item. It turned out that actually it was not the store's fault at all. The write off for salads was occurring because the weather had changed and there had been no adjustment in ordering to meet reduced demand. Because the store was not driving that process it was not their fault.

This sort of experience has lead Iceland to build a new diagnostic system, that takes cause and effect data (what could be described as "experience") and through the use of algorithms produces a calculation for head office indicating the most likely causes of any loss. That is going live next month.

This technology means that we are a learning

organisation through systems and processes, rather than living on the wits and experiences of individuals, or being taught the same lessons over and over again, but being taught to different personnel. We will know where to look for the problem based on empirical data gathered over years of operational problem solving. Most importantly this data can be fed back to our ordering and merchandising processes to prevent the loss ever happening in the first place. At a time when increasingly LP is not allocated a budget, but instead told to pay for itself by bringing efficiencies and savings to the business, to become an income generator rather than an overhead, means that LP professionals need to be able to operate cross-functionally in order to identify and exploit the opportunities for gains they identify in the business.

Every £1.00 saved in spoiled goods being written off because of sell by dates, or merchantable quality (fruit and veg style) is not 2p on the bottom line; it is a whole £1.00. So participation by LP in a cross-functional team that uses LP's forensic skills to identify the problem and possible avenues for solution allows the LP director to point to very significant savings for the business – everyone is happy.

Contrast that with the old style LP department; can you see an ex-copper mining data to get to grips with rotting salads! In summary, technology, business and society have all changed substantially over the last 20-30 years. With that have come changes in corporate culture and the role LP is expected to play, if it is to remain at the epicentre of the business. As a result, I feel that a more sophisticated, cross functional approach to LP is not only desirable, but inevitable. From my personal experience I can say that it has brought significant rewards to Iceland. In 2011 the Iceland Loss Prevention Team received a commendation for their work, coming second in The Best Support Team of The Year Awards.

The commendation was for our "very different approach". That got me thinking... In the years to come will such a cross-functional approach still be regarded as innovative, or will it become the way in which all Loss Prevention departments operate?

Sweden Firm Advocate of Cash Free Living... and Giving but What's in Store for the UK?

Enthused by the vision of a cash free society, a church in southern Sweden has a contactless payment collection box. The congregation gives to the church at the wave of a device. And this is not unique...

For Sweden is at the forefront of cash free living. With few people handling actual money, most people are paying contactless; whether that is by card or phone.

Bills and coins represent only 3 percent of Sweden's economy, compared to an average of 9 percent in the Euro zone and 7 percent in the U.S., according to the Bank for International Settlements, an umbrella organisation for the world's central banks.



On the face of it being able to hop on a bus at the wave of a card, or tap for your groceries and charitable donations, really does seem idyllic for consumers. And the technology is being embraced elsewhere in Europe with some rapidity...

Visa Wave recently announced their issue of over 19 million contactless cards in the UK. They already have 85,000 contactless terminals nationwide. Visa Wave retailers include McDonald's, Greggs and Superdrug. More retailers are set to get in line alongside BP, Co-op Food and Starbucks.

WH Smith recently confirmed that contactless payment systems will be available in travel hotspot branches, primarily major rail terminals. They aim to target the "time poor" consumer who would benefit from a quick transaction.

Lakeland has also confirmed that they are going "contactless" in all of their UK stores within 2012. What is the key reason behind their decision to go contactless? They believe they will be able to deliver an improved customer experience.

Visa Europe predicts that 2012 will see a substantial rise in European engagement. It is anticipated that contactless cards will increase from 30 million issuances to 50 million within the year. Influencing MacDonal's recent

installation of cash free facilities, the Olympics is integral to European promotion of cash free payments.

During the events European spectators will be able to spend in the UK with ease.

Orange launched their contactless phone payment system last year.

A good example of how the new "electronic wallet" is being marketed to consumers.

Their "Quick Tap Treats" rewards scheme incentivises customers to use their phones to make payments. It rewards them for doing so with special deals and preferential treatment; such as with special offers, not generally available, at food chains EAT and Pizza Express.

Contactless payment is revolutionising the high street. Improved consumer experiences coupled with the promises of special offers and rewards are the driving forces. And for retailers there are anticipated savings. But what about the costs; social as well as financial...

Some Swedish towns are completely cash free - even the banks! Unfortunately this has caused problems for some groups.

Pensioners, especially in rural locations,



struggle to embrace contactless technology. Recently a tourist in Sweden was reported to have experienced some difficulty when trying to board a cash free bus. With only cash to hand, he paid a Swedish passenger to purchase a ticket for him contactless.

Visa Europe state that only small transactions use contactless presently. However, unless contactless is fully embraced in stores, efficiency will fall short of what has been promised to retailers, who will effectively be running a further payment system in addition to all those presently in use.

For cards to be contactless they must have the right technology for the job. It costs an extra £34 - £43 million per year for key UK issuers to upgrade cards to dual interface. Added to their usual card administration and this cost works out at approximately £90 million a year! Someone has got to pay...

On the other hand, the costs associated with cash transactions remain low. Cash is still by far the very cheapest way for retailers to accept payment.

As we reported in our previous edition of Stolen Knowledge, retailers' costs for accepting cash average 1.7p per transaction compared to 37.1p for credit card transactions and 9.2p for debit cards. What's more the BRC 2011 Survey noted that cash payments have increased 5.7% in 12 months to 58.3% of all transactions, so consumers are still happy to pay with cash.

The low costs associated with accepting cash payments are set to fall even further thanks to new intelligent cash handling technology, such as CCI, that could pave the way for the eradication of the cash office for many retailers.

In November, the retailer Phones 4u told the City it had suffered a 25% collapse in earnings over the past 12 months, citing the rising number of claims for stolen and lost smart phones, which had dented its traditionally lucrative insurance business.

Social threats also include theft. In Lewisham, since 2010 phone theft has risen from 157 reported incidents to 786 in 2011. Across the UK as a whole, between 250,000 and 300,000 mobile phones are reported stolen each year, according to police figures. However, with many victims never contacting the police, the true figure is probably much higher. This statistic applies to a pre-contactless generation of devices. Cash free is becoming more common place. This is before the proliferation of "wallet" capability. The crime figures can only be set to rise. That is the shocking reality.

At the London Olympics contactless will certainly be a lure for tourists, which can only help the UK economy become stronger. With so many retailers providing contactless facilities to consumers, we can only wait and see the effects of its integration into our society.

Sweden, proving itself a cash free advocate, has backing from Bjorn Ulvaeus (ABBA band member). Ulvaeus is an influential proponent of contactless living, after his son was robbed on three occasions, believing that a cash free culture cuts crime.

In the UK, the theft of enabled phones is increasing as enabled devices enter the market. There is much room for debate as to what the prospects for a cash free Britain might be.



UK'S Top 100 Retailers Speak Out...

The Retail Fraud Survey 2012 reveals their biggest areas of loss and what they are doing about it.

Trading conditions on the high street are currently at their worst for generations. Inevitably savvy retailers are responding, by adapting their operations to meet the challenges faced during these austere times.

However, not all retailers are embracing opportunities to cut costs and improve loss prevention results, as the new survey shows...

Background

The Retail Fraud Survey 2012, sponsored by Volumatic, is an important piece of research in that it provides a valuable insight into what are seen as major threats and how the top retailers are responding.

The level of research underpinning the findings is impressive. This year the Retail Fraud Survey team has worked alongside 100 of the UK's top retailers, who account for 42% of the UK retail market with combined sales of £141 billion. The Survey affords the loss prevention community a detailed insight into the loss prevention systems, processes and strategies, which are especially relevant in these troubled times.

The Results for 2012

The greatest area of loss was shoplifting and external theft. Employee theft remains a significant issue for respondents, which has not changed from last year. It is believed that this may be accounted for by an increase in due diligence and staff training.

This year the Survey charts a reported rise in shrinkage of 10% over 2011.

The single most important and effective way to control losses is seen as the introduction and nurturing of a culture of loss prevention.

Changing the attitudes of a workforce can have a widespread effect, so it is vital that every member of staff is encouraged to be a part of a company with a focus on loss prevention. This was also raised in last year's survey. So it seems that this is now consistently at the forefront of industry thinking.

Knowledge is Power

The Survey indicates that 55% of retailers share intelligence, to help combat the increased threats to retailers from increasingly sophisticated organised crime.

"This year the Survey charts a reported rise in shrinkage of 10% over 2011."

However, some see their LP intelligence as providing a competitive advantage and do not wish to pass it on. So retailers who could all benefit from a broader perspective and wider intelligence are not advancing their systems as quickly as is actually possible. This approach makes the acquisition of loss prevention intelligence and solutions a competitive battleground rather than a collaborative effort, undertaken for the good of all retailers against common enemies; who unfortunately share information to great effect!

Average time taken to process a cash transaction (in seconds)



The Survey highlighted that another key area of focus was card payment security; both for store-based retailers and online.

Fraud carried out online is now retailers' fourth most common concern, up one place on last year's survey.

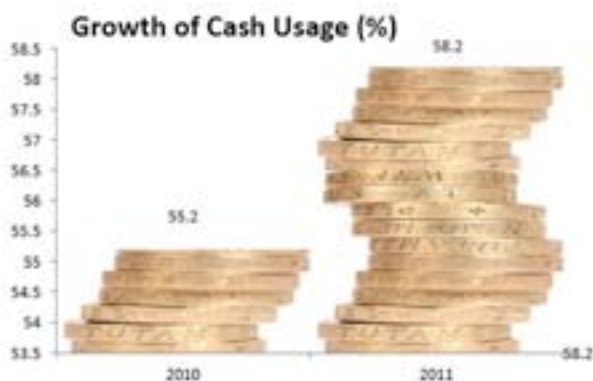
Losses through the till, such as counting change, were included in a rise in cash counting errors from 9% to 12%. As the volume of cash transactions continues to rise, conventional cash offices are under ever greater pressure. Internal cash theft was also reported to have increased on the year before from 10% to 11%.

This number is questionable though as it is potentially under-reported. However, the trend indicates the need for more robust internal cash handling processes and security.

Cash still the fastest, cheapest and most popular form of payment

According to the Survey, retailers said that cash accounted for 36% of sales, indicating that cash is still a popular method of payment despite growing pressure on retailers to upgrade their card payment technology.

The increase in cash usage is echoed by the recent BRC Cost of Payment Collection Survey 2011. It identifies cash as the most popular method of payment, growing 5.7% since the previous year.



Cash also continues to be the cheapest way for retailers to accept payment at just 1.5p per transaction, down from 1.7p the previous year and set to fall further, as more retailers embrace intelligent cash handling solutions.



It seems that it is the banks who are the main beneficiaries in card transactions, with charges of up to 33p per credit card transaction and 9.6p per debit card transaction; considerably higher than the cost of accepting cash.

The research also shows that cash remains the quickest way for retailers to accept payment. The average time taken to process a cash transaction at point of sale is 27 seconds, compared to 36 seconds for handling a card payment.

Conclusion

The top retailers' first area of focus in loss prevention is cultural; prevention is better than cure. This is even more important in the light of substantially increased shrinkage figures. The usage of cash continues to grow and continues to be the cheapest and fastest way for retailers to accept payment.

However, still not all retailers are taking maximum advantage of the opportunities to reduce cash shrink and cash handling costs.

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