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THE PROTECTION OF SUPERMARKET ASSETS VIA CONTROLS

by

Alan B. Fleischman
President
Firm Security Systems, Inc.
Pittsburgh, Pennsylvania 15216

The author discusses the need for controls and offers solutions for an effective asset security system.

Over the last several years, security has become synonymous with loss prevention. The concept of loss prevention provides a framework to evaluate risks against your business and assesses the impact of that risk on your business. In doing so it provides a comprehensive, systematic method for placing into perspective the component parts from which a store chooses its protection. It serves to provide an umbrella under which all the sub-systems of the store protection are provided. These sub-systems include insurance, store design, police and fire protection and safety. These sub-systems are the components of a total loss control program. They work by themselves and collectively to provide protection and prevention of your personnel and other assets such as cash and merchandise. You might say that security is the generic name for loss prevention.

The losses to supermarkets go far beyond the monetary losses contributed to shoplifting and employee theft. Some of the other tangible losses are:

- A. Loss of trained people
- B. Lost records
- C. Low morale due to suspicion
- D. Cost of training replacements
- E. The contamination of other employees
- F. Unfavorable publicity

Many retailers find it difficult to understand why retailing has been singled out as one of the businesses that is hardest hit by theft. There are circumstances that are unique to retailing that significantly contribute to the theft problem.

Retailers have a large number of employees with little or no training in the area of loss prevention. This area is slowly changing as the supermarket industry continues to experience large losses due to poor loss prevention practices. Desirable merchandise coupled with heavy customer traffic contributes to the problem. Food being one of the essentials of life coupled with the exposure to the general public, make the retailing business vulnerable to theft in a manner that is absent in all other businesses. The other factor that contributes to the problem of heavy losses is a lack of proper pre-employment screening. The employer should realize that the prospective employee is

evaluating the employer and his controls as much as the reverse. This is the initial contact with the company and it should be a favorable, lasting impression with the employee. Gaps in employment history and false statements that go unchallenged all serve to give the employee the impression that the operation is loose--and it is usually true.

I have found that with every dishonest employee I have encountered, two factors were always present. Need and opportunity are the partners in crime. Some of my colleagues have stated that a third factor must be present in order to have dishonesty. The third one being "ability." However, I believe that everyone possesses the ability to be dishonest if they are so inclined.

The need can be a very real one, such as a financial crisis. Hospital bills, auto and home repairs, divorces and litigations are merely some of the problems that can arise to cause a financial crisis. These are real needs, but all too many times the need is one that is manufactured by the employee. The most common being "I am not paid enough for the job I am doing." As we all strive to upgrade our standards of living, it appears that "need" just about always exists! It should be remembered that an employee has the luxury of time to plot, plan and create the opportunity for dishonesty. Careful planning and proper controls limit the opportunity. I believe that it is the moral obligation of the employer to reduce the opportunity to be dishonest, to all employees.

One effective method to reduce the opportunity is to list all the risks that expose your business to theft opportunity, then indicate what procedures and systems you can implement to reduce the risk. Many times a problem arises when management attempts to educate the employees with these new

policies and procedures. In fact, if done incorrectly, it could have a reverse effect and increase losses as opposed to reducing criminal opportunity.

When presenting a loss prevention program, or implementing new policies and procedures, it should be done by highlighting all the positive aspects of the program instead of the risks. For example, if I were implementing a new inventory control system, I would not point out the loopholes that existed prior to the new program, nor would I indicate what could happen if the program is not followed. Instead I would point out all the advantages of the new procedures, such as accurate inventory figures, more concise re-ordering schedules, monitoring sales more accurately etc., etc. The systems and procedures should be effectively taught to the employees, monitored for adherence and periodically reviewed.

As a business grows, so does "opportunity" for dishonesty. All loss prevention programs should be constantly upgraded by periodic review and evaluation of the risks, followed by the procedures and policy to reduce that risk!

To illustrate my point of "proper opportunity," I cite the following example to all the people who consider themselves basically honest. Suppose you were in the midst of a bustling airport, and want to place a long distance call. You enter the audio privacy of a phone booth and place the call. The operator informs you that you must deposit \$1.25. After completing your conversation and hanging up, your \$1.25 is returned, and the phone does not ring. Would you re-deposit the \$1.25?

Controls modify and limit opportunity. The dictionary defines "control" as a holding back; a keeping down;

restraint; to check or direct. These words are very appropriate when applied to a security program for proper controls restrain and check dishonesty. They can be further utilized to continually monitor a loss prevention program.

Over the years, one of the things I have heard more often are the anguished cries of store managers and employers whose trusted employee is caught stealing. "I can't believe it! I have known this person for a long time."

When designing a control program, if some attention was given to employees behavior a good early warning of potential problems would be realized. The behavior of dishonest employees seems to have some distinct traits. Just about each dishonest employee I have ever interviewed had one or more of these traits:

1. Low identity with the company that employed them. They did not consider themselves part of the company and seemed very detached and aloof. In conjunction, they lack a sense of accountability for their job and show very little loyalty to their employer.
2. Frustration towards the company, customers and co-workers is an obvious trait. They do not like their job and long to do something else.
3. A poor self-image manifests in symptoms of withdrawal and self-doubt. For fear of failure they never want to try something new, and are quick to point out all the negative aspects of a new idea. These employees often feel that they are not liked by their co-workers and have, on occasions, reacted very aggressively when they believe that others are picking on them or even talking about them.
4. Disregard for co-workers on policy. These employees are usually never

willing to assist their co-workers. They can also exhibit this disregard by being rude to customers. The rules and policies of their company are not designed for them, and will flagrantly violate them to demonstrate this.

5. A poor perception of a company's financial situation is usually present with a dishonest employee. They feel that the company has lots of money and won't really be affected by losses. Carelessness with money and merchandise is a common symptom with this trait resulting in more than average breakage and missing sales.

In order to reverse these traits in an employee's behavior, you must first be aware of what is really important to them. I suggest that a survey be taken from a cross section of the work force. The results of this survey can then be used to help employees identify with the goals of a loss prevention program, and their accompanying controls.

One simple method is to list ten or fifteen job aspects and ask the employee to rank these aspects in order of importance to them. I have found that employers, when given the same set of questions are really out in left field when trying to relate what they believe their employees choose, in order of importance. It is not necessary for the employee to identify themselves on the survey, in fact a better response could be obtained if they don't. Some topics that the survey should cover are, job security, wages, working conditions, promotion and growth within the company, company loans, appreciation of a well-done job, discipline procedures, work that holds their interest, personal recognition, etc.

Some positive steps should be taken to help the employees obtain the proper

attitude towards their employment. The information gained on the survey can be an excellent assist in helping mold these programs--some suggestions are:

- A. Give the employees new experience and challenges versus boredom. Through these challenges, help them to identify with the goals of a loss prevention program.
- B. Foster feelings of certainty as opposed to feelings of fear.
- C. Positive personal recognition goes a long way in boosting morale. New cars, births, marriages, new clothes and hairdos are just some areas of personal acknowledgement.
- D. Give personnel a sense of belonging to a company team instead of rejection and intimidation.

One major retail discount chain was able to accomplish many of these points by instituting a poster program designed specifically for the security department. All employees from management through stockhelp, were asked to design and submit posters that show one or more loss prevention topics. Each month the loss prevention department chose the best poster of all submitted that month. The winner receives a \$100 check and recognition throughout the chain. The company reproduces this poster and permanently displays it in all its stores. Some typical posters came up with some slogans such as "Shoplifting is Hazardous to Your Wealth." Another was a fingerprint card that stated "Theft Can Blot Your Record." Some posters showed that employees were not only thinking about theft, but also waste, accidents and carelessness.

One of the finest controls, in my opinion, is a continuing audit program. Instead of waiting for inventory figures (which is the best measure of how effective your program is) the audit

provides the Loss Prevention Department with a constant monitoring of the policies and procedures of the company. It takes a certain type of person to perform a truly effective audit. Many times the audits are merely an accounting function, and the security department does not have this valuable information readily available to them. I have found that a person with an accounting background may be very adept at taking the audit, but falls short of proper interview techniques to probe and uncover dishonesty. On the other hand, I have found many security people lack the patience for the mundane routine of a comprehensive audit. A person that is an employee of the security department and likes to work with figures is ideal.

There are many types of audits, and they can be written to encompass the specific policies and procedures of each company. In addition to the normal auditing of regular procedures, a drug chain would be interested in compliance with Federal and State drug laws, while a fast food chain would be interested in proper portion control and accuracy of scales. Three of my favorite audit programs are the General, Special or Cursory and Cash Register. The General audit is an all encompassing one that is usually performed once or twice a year. It checks on just about every policy and procedure that a company has. It investigates buying, receiving, shipping, distribution, warehousing, merchandising, advertising, laws, regulation, safety, cash handling and on and on through all the functions of the company. Where violations are uncovered, they should be followed up with the special audit. A good example of how the special audit is used would be on a general audit of one of the company stores; it was found out that the accounting of controlled drugs was not being maintained as specific by law. Each month thereafter for a predetermined amount of time, a special audit was con-

ducted to assure that all laws pertaining to drugs were being adhered to. You might say that a special audit is merely one segment of a general audit.

Another way that the special audit can be used is in an investigative manner. An audit of a store's cash contingency fund many times uncovers violations of store policy, and many times, dishonesty. A combination of knowledge and imaginative thinking can produce some excellent special audits. The cash register audit not only can pinpoint procedural violations, but when used in conjunction with a shopping service can actually weed out and deter dishonest cashiers. A good shopping service can be a valuable asset to security in any retail store, large or small. It is one of the least expensive forms of protection and when used properly, can be very effective. Some areas in which a shopping service can help are:

- * Detecting dishonest employees
- * Pinpointing rude and discourteous employees
- * Highlighting excellent employees
- * Creating a deterrent factor for stealing
- * Aiding in training cashiers
- * Finding mispriced and outdated merchandise
- * Upgrading the selling ability of employees

A word of caution--all shopping services are not alike! Geographical differences within the same service can pose a quality control problem. Some shopping services are franchised and vary greatly from one location to another. Beware of the services that are reluctant to let you meet the shoppers or seem very inexpensive compared to their competitors.

The following are the minimum controls that I recommend. Each area is so vast that it would not be practical to fully discuss all in the span of this article.

1. Pre-employment Screening

A fact-to-face interview should be the very least a prospective employee receives. Keep in mind that this is the initial contact the applicant has with his new employer. As the employer is evaluating the new applicant, the reverse is just as true. The first area of control will be pre-employment screening. Poor screening is a good indication to the applicant that the company has poor controls. I have seen just about every method of pre-employment evaluation and screening and highly recommend the polygraph as one of the most effective.

2. Parking Lot Control

Employees should not be permitted to park in the immediate vicinity of their place of employment. If an employee parking lot is not feasible, designated spaces should be assigned for employee parking. Under no circumstances should employees be permitted to park by loading docks, rear doors or dumpsters.

3. Employee I.D.

All employees should have proper identification, preferably visible. A name tag is better than no employee identification. The larger the facility, the more important identification becomes. In addition to proper identification, limited access to some degree should be maintained. An employee from the shoe stock area should not be allowed into the hardware stock area, as an example.

4. Proper Key Control

A true story comes to mind to highlight the importance of key control. The manager of a supermarket

sent his stockboy on an errand to the local hardware store. He gave the keys to his car to the boy as he did not have his own transportation. On the same key ring were the keys to the store and the store's alarm system. No need to say what transpired at the hardware store. The supermarket was bilked out of over \$13,000 worth of merchandise before he was caught using his private set of keys.

5. Receiving and Shipping Controls

As previously stated, this one topic alone warrants lengthy discussion and special considerations. High priced and desirable merchandise should be secured immediately upon receipt, prior to being priced. Many thefts take place in receiving and shipping areas.

6. Truck Seal Control

It is not sufficient merely to seal a truck or a bin. The person responsible for sealing should not have access to the main supply of seals. In order for a seal program to be successful, the security of the seals should start with the placing of the seal order to the seal supplier.

7. Vendor Trucks

This is, naturally, part of the receiving operation, but warrants comment. It would be a good policy for all vendor trucks to be observed and if they enter the facility to be logged in and out. Periodic inspections of the truck, when leaving the premises, is also a good idea.

8. Trash and Garbage

The trash and garbage area affords an employee the opportunity of removing goods from the premises.

Strict controls on how and when trash is removed limits this opportunity.

9. Closed Circuit Television

Along with the tremendous deterrent effect of C.C.T.V., it affords a security staff excellent control of critical areas such as loading docks, employee exits, areas of high priced merchandise, desirable items, etc.

10. Alarm System

Even though the alarm system is primarily designed for burglar and fire protection, it can be an excellent means of access control when reporting to a central station. I highly recommend that opening and closing reports be incorporated as part of the alarm system.

11. Form Control

An accountant or security consultant can usually help in setting up proper controls on all forms that are used in business. Some forms that should have in-depth scrutiny are: checks, receiving, shipping, transfers, markdowns, return to vendor, refunds, credits, purchase orders, invoices, marketing tickets, guest checks.

Forms played a key role in theft in a major motel chain. The chain issued a new registration form, which was the main control on all transactions for the guest. The company failed to collect the forms that were no longer going to be used. A number of night clerks merely continued to use the old form and failed to record these transactions on the cash register.

12. Money Control - Store Opening
and Store Closing

Statistics show that businesses are most vulnerable to asset attacks during these two crucial times. Tight controls during these two times of the day reduce criminal opportunity.

These are merely the basic controls. They can be supplemented by many company policies and procedures. Don't overlook housekeeping, lighting, job descriptions, dividing responsibility, good leadership and bookkeeping. All policies, procedures, and controls for the effective protection of business assets must be coupled with an ongoing program of employee education relating to these controls.