

Enterprise

Shoplifters: retail feels the pinch

Mark Fenton-Jones

Shoplifting, the most under-reported property theft, could take out as much as a quarter of the annual profit of a business.

And while cost-recovery programs were proving popular overseas as a means of reducing shoplifting's impact, Australian retailers still had to take independent action if they wanted to be paid for some of the cost of policing their stores.

The Australian Retailers Association estimated shrinkage at 1.8 per cent of retail sales, equivalent to about \$2.5 billion a year. Employee and customer theft made up 35 per cent each and administrative errors and wastage 30 per cent.

While that would indicate both forms of theft cost \$875 million each a year, Renata Ringin, managing director of Victorian-based loss-prevention service Pro Active Strategies, believed that figure could be higher.

Ms Ringin, who completed a study of retail civil recovery programs on a Churchill Fellowship, said shoplifting — customer theft — costs retailers as much as \$1.5 billion a year.

"Shoplifting could be seen as the largest and fastest-growing property crime, with significant economic cost to the community," she said. It was also the most under-reported.

She estimated shoplifting now represented 55 per cent of property crime, compared with 32 per cent in 1995.

Among the reasons retailers gave for not reporting the crime was the belief that police could not do anything. Also, they did not consider it serious enough to report, which was associated with the view that chances of a successful conviction, other than a rap over the knuckles, were slight.

But shoplifting could do serious damage. "In terms of retail margins, the cost of shrinkage at 1.5 per cent of total sales can equate to a 25 per cent loss in profit and can make a business unviable," Ms Ringin said.

Australian business owners could soon be following the trend overseas where retailers, police and courts work within formal programs designed to recover costs associated with loss-prevention programs.

At the moment they act independently when they sue to recover losses, expenses and security costs from people caught stealing.

For example, when Victorian investigation and security services company Onesec caught an alleged shoplifter in a client store, the investigator handed the individual a letter of intended civil recovery.

This action was separate from any criminal action the police might



Shoplifting is the largest and fastest-growing form of property crime.

Photo: ROB HOMER

KEY POINTS

- Shoplifting costs retailers as much as \$1.5 billion a year.
- Australian businesses could soon be following the trend overseas where retailers, police and courts work within formal programs to recover the costs of shoplifting.

take, and during the initial stages of civil recovery the police might be unaware of the process. That meant the Onesec investigator had to explain the process to the police.

But if a more formal process was set up, with all interested parties co-operating, that situation was unlikely to arise.

While providing a civil recovery service for the past 18 months, Onesec represented only a handful of clients dealing with shoplifting.

Onesec managing director Brett MacDonald said that with shoplifters, after two letters of demand 30 per cent of the money was paid. Onesec received a commission of 50 per cent of the money recovered.

It was up to retailers if they wanted the matter taken to court, although Mr MacDonald believed retailers were discouraged by possible bad publicity. "It's certainly not had wide acceptance by retailers."

In Australia, New Zealand and

the UK, civil recovery is based on the principle that a theft is both a crime and a civil wrong (a tort).

Under Australian law, a retailer can bring action against an offender for the tort of conversion. Conversion is where someone, without lawful justification, takes a chattel out of another's possession with the intent to exercise dominion over it. A retailer is entitled to obtain damages to the full value of the chattel as well as consequential damages.

In New Zealand, retailers championing civil recovery administer their own program in-house or have been using Theftec, a division of Armourguard New Zealand, since 2000.

The New Zealanders base their scheme on the UK model.

A group of major UK retailers formed a company, Retail Loss Prevention, to manage a loss-prevention pilot program that was run in 1999 and to inform the general public how much shop theft actually cost the community.

Participating stores reported a net shrinkage benefit of 25.4 per cent.

Civil recovery was first piloted in the West Midlands. It has now been extended to the whole of England and Wales. A pilot in Scotland started in March 2000 and civil recovery is now being used in most areas there. Eire followed with its program last year.

In the US, most states have

enacted civil-recovery legislation since 1972. Ms Ringin said the US experience indicated about a 25 per cent reduction in retail theft in businesses participating in civil recovery programs as well as the recovery of some of the costs associated with the thefts.

"The legislation is attributed to the greater majority of offenders paying the costs claim without further legal costs being required for recovery, allowing retailers to offset some of the associated costs."

The benefit of civil recovery legislation is that it gives courts a point of reference. For instance, it defines what costs can be claimed, who can be pursued and who's excluded, such as children.

Despite the inroads being made here, civil recovery is mostly used in dealing with dishonest staff.

Ms Ringin admitted there was little awareness about civil recovery in Australia. Except for Victoria, state and territory governments had no plans to support civil-recovery programs.

The ARA has been trying to get a project going for two years, and is talking to Victorian police. A pilot program is expected to be run in the Geelong area.

fentonjones@afr.com.au

Next week: Dealing with employee theft. ■