The New Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

www.GlobalRetailTheftBarometer.com

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"The Global Retail Theft Barometer 2012-2013"
First Edition: October 2013

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EUROMONITOR INTERNATIONAL

Publisher ©:
Checkpoint Systems, Inc.
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Welcome to a new beginning for the Global Retail Theft Barometer

George Babich
Chief Executive Officer
Checkpoint Systems, Inc.

For 12 years, Checkpoint Systems has sought to provide insight to retailers about the state of shrink and theft in the form of an annual research study. Launched initially for the European market, by retailer's demand, this research soon was expanded to cover global markets and provide retailers with the industry's first and only statistical research on global theft.

This year, Checkpoint is ushering in a new age for theft-related research by teaming with Euromonitor International, a leading global supplier of research, insight and consulting for the world's most successful and innovative retailers. On one hand, this year's Global Retail Theft Barometer represents a new beginning; however, it also is part of Checkpoint's continuing commitment to help retailers understand the challenges of merchandise availability and how to have the right product, at the right place, and at the right time.

This year's report contains numerous key statistical insights, providing data on shrink and theft in 16 major geographic markets. The findings are based upon a combination of online surveys completed by key decision-makers in those countries, as well as personal, in-depth interviews with retail executives. In all, representatives from 157 leading retailers – representing in excess of $1.5 trillion in retail sales – provided information about shrink in their organizations.

The findings are eye opening and important: Shrink remains a significant operational challenge for retailers around the world, with loss rates ranging from 1 percent of sales in Japan to 1.6 percent in Mexico and Brazil. In the world's largest retail market, the United States, shrink hit 1.5 percent of sales. One big challenge in all markets, according to Euromonitor's findings, is the growing incidence of organized retail crime, particularly for high-value merchandise such as electronics and pharmaceuticals.

But the study also points out that retailers are deploying new tactics in dealing with shrink, becoming more creative and innovative in using their existing resources and, when possible, freeing up additional resources to address the problem. Additionally, the study identified RFID as an important technology for loss prevention applications, in addition to traditional inventory management. Many retailers already have begun implementing RFID both for merchandise visibility applications and for shrink reduction – the two key aspects to optimized merchandise availability.

Retailers understand that cutting shrink requires an ongoing commitment to deter shoplifters and reduce internal theft, but also to addressing many of the non-theft-related causes, such as supply chain inefficiencies or shortcomings with in-store processes. At Checkpoint, we are pleased to continue our support for this research, conducted with great care and expertise by Euromonitor, and we look forward to working with retailers around the world on new ways to improve merchandise availability.

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Introduction & Definitions

THE GLOBAL RETAIL THEFT BAROMETER

Introduction

THE GRTB

The GRTB- *Global Retail Theft Barometer* is a study of the cost of merchandise theft and merchandise availability in the global retail industry. The new format of the study aims at focusing more on shrinkage trends in individual countries rather than general global trends.

DEFINITION OF SHRINKAGE

'Shrinkage' or 'shrink' is an accountancy figure, reflect in the difference between the financial revenue the business should have received (based upon inventory and purchases) and the amount actually received. Shrinkage losses are caused mainly by people stealing goods or money from the company but also by a range of small or large process errors, accounting lapses, and pricing mistakes that produce apparent inventory losses. In addition to the actual loss of inventory, declared 'shrinkage' rates will also be affected by company policy, accounting rules, and tax regulations that will influence practice and account for some differences in results. Shrinkage does not include wastage.

NB: While in Europe the term is referred to as 'shrinkage' in the US it is 'shrink'.

THE STUDY

Objective

The objective of this report is to understand the rate of shrinkage in 16 countries, as well as the leading causes and methods of prevention.

Two main data points are provided:

- Average rate of shrinkage (in % terms) for retailing as a whole for each of the 16 countries.
- Reasons for shrink: % share of shoplifting, employee theft, vendor or supplier fraud and administrative and non-crime losses of total shrink in each country.

In addition to the aforementioned data points, insights per country include qualitative analysis on best methods of loss prevention, most stolen items and impact of shrinkage/loss on retailers in the country.

Methodology

Euromonitor International conducted in-depth trade interviews with Loss Prevention managers of leading retailers in each of the 16 countries, covering a questionnaire focusing on the aforementioned data and qualitative points (e.g. providing an estimate of total national shrinkage losses).

The retailers were chosen based on their rank within the Passport retailing database (Euromonitor International`s syndicated database), aiming to cover companies within the top 15 retailers where possible, in order to discuss shrinkage on a national level.

Furthermore, Euromonitor International conducted an online survey of retailers across the researched countries, and responses were leveraged for further insights. Where available, completed questionnaires from the survey were used to supplement the information from the trade interviews, in order create country shrinkage estimates for each market.

A total of 157 companies in 16 countries were interviewed and surveyed for this study. These companies generated approximately 18% (US$1,500 billion USD) in 2012 of total retail value sales in the 16 countries combined.

Euromonitor's team of researchers and consultants analysed the quantitative and qualitative information achieved through the methodology ultimately selected in order to understand 2012 trends in shrinkage and loss prevention in the selected geography/ scope.

Reported Data

- All results are reported on a national basis.
- All shrinkage figures in this report are based on average selling (retail) prices.
- Values in the report are given in US Dollars.

Retail Industry Overview

The qualitative and quantitative analysis in the country report sections "Industry Overview" are drawn from Passport, Euromonitor International`s syndicated research database, which is updated annually across 80 different countries.

Countries Researched

Asia/Pacific:	China, Hong Kong, Japan
Australasia:	Australia
Europe:	Belgium, France, Germany, Italy The Netherlands, Portugal, Spain,UK
Latin America:	Argentina, Brazil, Mexico
North America:	USA

Definitions

CAGR

Compound Annual Growth Rate describes the average annual growth over a defined period of time.

RETAIL CHANNELS

Grocery Retailers
Retailers selling predominantly food/beverages/tobacco and other everyday groceries. This is the aggregation of hypermarkets, supermarkets, discounters, convenience stores, independent small grocers, chained forecourt retailers, independent forecourt retailers, food/drink/tobacco specialists and other grocery retailers.

Modern Grocery Retailers
Modern grocery retailing is the aggregation of those grocery channels that have emerged alongside the growth of chained retail. For Euromonitor, modern grocery retailing is the aggregation of five channels: Hypermarkets, Supermarkets, Discounters, Forecourt Retailers and Convenience Stores. While there can be traditional (i.e. non-chained) supermarkets or forecourt retailers, for example, due to the store's presence in the channel, these stores are still considered as modern for Euromonitor International.

Convenience Stores
Chained grocery retail outlets selling a wide range of groceries and fitting several of the following characteristics: Extended opening hours Selling area of less than 400 sq metres Located in residential neighbourhoods Handling two or more of the following product categories: Audio-visual goods (for sale or rent), Take-away food (ready made sandwiches, rolls or hot food), newspapers or magazines, cut flowers or pot plants, greetings cards Example brands include 7-Eleven, Spar. Note: The number of branches required to be termed chained varies from country to country but is usually ten or more. If a multinational is operating in the country, then this is included, even if there are fewer than ten outlets under the brand.

Discounters
Discounters are retail outlets typically with a selling space of between 400 and 2,500 square metres. Retailers' primary focus is on selling private label products within a limited range of food/beverages/tobacco and other groceries at budget prices. Discounters may also sell a selection of non-groceries, frequently as short-term special offers. Discounters can be classified as hard discounters and soft discounters. Hard discounter: first introduced by Aldi in Germany, and also known as limited-line discounters. Retail outlets, typically of 300-900 square metres, stocking fewer than 1,000 product lines, largely in packaged groceries. Goods are mainly private-label or budget brands. Soft discounter: usually slightly larger than hard discounters, and also known as extended-range discounters. Retail outlets typically stocking 1,000-4,000 product lines. As well as private-label and budget brands, stores commonly carry leading brands at discounted prices. Discounters excludes mass merchandisers and warehouse clubs. Example brands include Aldi, Lidl, Plus, Penny, Netto.

Forecourt Retailers
Grocery retail outlets selling a wide range of groceries from a gas/petrol station forecourt and fitting several of the following characteristics: Extended opening hours Selling area of less than 400 sq metres Handling two or more of the following product categories: audio-visual goods (for sale or rent), take-away food (ready made sandwiches, rolls or hot food), newspapers or magazines, cut flowers or pot plants, greetings cards, automotive accessories. Data excludes petrol (gas) sales. Example brands include BP Connect, Shell Select. Forecourt retailers is an aggregation of Chained forecourt retailers and Independent forecourt retailers.

Hypermarkets
Hypermarkets are retail outlets with a selling space of over 2,500 square metres and with a primary focus on selling food/beverages/tobacco and other groceries. Hypermarkets also sell a range of non-grocery merchandise. Hypermarkets are frequently located on out-of-town sites or as the anchor store in a shopping centre. Example brands include Carrefour, Tesco Extra, Géant, E Leclerc, Intermarché, Auchan. Excludes cash and carry, warehouse clubs and mass merchandisers. For the Hypermarket channel Euromonitor also provides a breakdown of value sales between Grocery and Non-Grocery products.

Supermarkets
Retail outlets selling groceries with a selling space of between 400 and 2,500 square metres. Excludes discounters, convenience stores and independent grocery stores. Example brands include Champion, Tesco, Casino. Exception: In some markets, primarily the US, Australia and Hong Kong, there are grocery retailer brands that operate outlets with a selling space of over 2,500 square metres, but offer only a very limited range of non-grocery merchandise or none at all. These brands are included

in Supermarkets. Examples include: Coles, Woolworths, Park 'n Shop. For the Supermarket channel Euromonitor also provides a breakdown of value sales between Grocery and Non-Grocery products.

Traditional Grocery Retailers

Traditional grocery retailing is the aggregation of those channels that are invariably non-chained and are, therefore, owned by families and/or run on an individual basis. For Euromonitor traditional grocery retailing is the aggregation of three channels: Independent Small Grocers, Food/Drink/Tobacco Specialists and Other Grocery Retailers. While there can be modern (i.e. chained) food/drink/tobacco specialists or other grocery retailers, due to the store's presence in the channel, these stores are still considered as traditional for Euromonitor International.

Food/Drink/Tobacco Specialists

Retail outlets specialising in the sale of mainly one category of food, drinks stores and tobacconists. Includes bakers (bread and flour confectionery), butchers (meat and meat products), fishmongers (fish and seafood), greengrocers (fruit and vegetables), drinks stores (alcoholic and non-alcoholic drinks), tobacconists (tobacco products and smokers' accessories), cheesemongers, chocolatiers and other single food categories. Note: In the UK, Whittard's of Chelsea would be included in this category (the stores also sell household goods, but its core business is drinks). Food/drink/tobacco excludes: Health food stores (which are included in Other Grocery Retailers).

Independent Small Grocers

Retail outlets selling a wide range of predominantly grocery products. These outlets are usually not chained and if chained will have fewer than 10 retail outlets. Mainly family owned, often referred to as Mom and Pop stores.

Other Grocery Retailers

Other retailers selling predominantly food, beverages and tobacco or a combination of these. Includes kiosks, markets selling predominantly groceries. Includes CTNs (CTN = Confectionery, Tobacconist, and Newsagent). Food & drink souvenir stores and regional speciality stores. Direct home delivery, eg of milk, meat from farm/dairy is excluded. Sari-Sari stores in Philippines and Warung (Waroon) in Indonesia, that can either be markets or kiosks, are included in Other grocery retailers unless they occupy a separate permanent outlet building, in which case they are included in Independent small grocers. Outlets located within wet markets, particularly in South East Asia (often located in government-owned multi-story buildings) should be counted as separate outlets.

Non-Grocery Retailers

Retail outlets selling predominantly non-grocery consumer goods. Excludes retailers selling predominantly food, beverages and tobacco, as well as fuel, automotives and parts. Non-grocery retailers is the aggregation of mixed retailers, health & beauty retailers, clothing and footwear retailers, home furniture and household goods retailers, durable goods retailers, leisure and personal goods retailers, other non-grocery retailers.

Apparel Specialist Retailers

Outlets specialising in the sale of all types of clothing, footwear, accessories such as costume jewellery, belts, handbags, hats and caps, hosiery or a combination of these (for example stores selling handbags only are included). This includes those stores that carry a combination of all products for either men or women or children and those that may specialise by either gender, age or product. Example brands include Gap, H&M, Zara, C&A, Miss Selfridge, Foot Locker, Uniglo, Next, Matalan This category excludes sports good outlets. Sports goods outlets are included in the leisure and personal goods sector. Brands such as Adidas, Nike are included within Clothing and footwear specialist retailers as long as they offer sports apparel only (example: Niketown). Brands that offer both sports apparel and sport goods are excluded from Clothing and footwear retailers and included in Sports goods stores.

Electronics and Appliance Specialist Retailers

Retail outlets specialising in the sale of large or small domestic electrical appliances, consumer electronic equipment (including mobile phones), computers or a combination of these. For mobile phone retailers, this excludes revenues derived from telecoms service plans and top-up cards, etc. Example brands include Apple, Best Buy, Euronics, PC World, Darty, But, Media Markt, Yamada Denki, Gome (China).

Health and Beauty Specialist Retailers

This is the aggregation of chemists/pharmacies, parapharmacies/drugstores, Beauty specialist retailers and Other healthcare specialist retailers.

Beauty Specialist Retailers

Beauty specialist retailers are chained or independent retail outlets with a primary focus on selling fragrances, other cosmetics and toiletries, beauty accessories or a combination of these. Example Beauty specialist retailers brands include: Body Shop, Marionnaud, Sephora and Bath and Body Works.

Chemists/Pharmacies
Retail outlets selling prescription-bound medicines under the supervision of a pharmacist and as its core activity (other activities include sales of OTC healthcare and cosmetics and toiletries products).

Parapharmacies/Drugstores
Retail outlets selling mainly OTC healthcare, cosmetics and toiletries, disposable paper products, household care products and other general merchandise. Such outlets may also offer prescription-bound medicines under the supervision of a pharmacist. Drugstores in Spain (Droguerías) also sell household cleaning agents, paint, DIY products and sometimes pet products and services such as photo processing. Example brands include Rossmann (Germany), Kruidvat (Netherlands), Walgreen's (US), CVS (US), Medicine Shoppe (US), Matsumoto Kiyoshi (Japan), HAC Kimisawa (Japan).

Other Healthcare Specialist Retailers
Other retail outlets specialising in the sale of healthcare products, including vitamins and dietary supplement specialists, opticians and hearing aid specialists.

Home and Garden Specialist Retailers
This is the aggregation of furniture and homewares stores and home improvement and gardening stores. Business-to-business sales are excluded.

Home Improvement and Gardening Stores
Home improvement and gardening stores are chained or independent retail outlets with a primary focus on selling one or more of the following categories: Home improvement materials and hardware, Paints, coatings and wall coverings, Kitchen and bathroom, fixtures and fittings, Gardening equipment, House/Garden plants Home improvement and gardening stores includes: Home improvement centres / DIY stores, Hardware stores (Ironmongers), Garden centres, Kitchen and bathroom showrooms, Tile specialists, Flooring specialists Example Home improvement and gardening stores brands include: Home Depot, B&Q, Obi, Leroy Merlin, Castorama.

Furniture and Homewares Stores
Retail outlets specialising in the sale of home furniture and furnishings, Homewares, Floor coverings, Soft furnishings, Lighting Example brands include Ikea, Habitat, Conforama.

Leisure and Personal Goods Specialist Retailers
This is the aggregation of jewellery and watch specialist, media product stores, pet shops and superstores, sports goods stores, stationers/office supply stores, traditional toys and games stores and other leisure and personal goods stores.

Jewellery and Watch Specialist Retailers
Retail outlets specialising in the sale of jewellery, watches and clocks, new and second hand. Jewellery includes products that are worn for personal adornment, such as bracelets, rings, necklaces, cuff links etc. Note: Revenue generated through the repair of jewellery, watches and clocks is excluded from Euromonitor's definition. Example brands include: Ernest Jones, Goldas, Goldsmiths (GB), H Samuel, Kay, Tiffany, Swarovski and Zale

Media Products Stores
Media product stores are retail outlets specialising in the sale of recorded music, films, video games (including hardware), books, journals and magazines or a combination of these, including digital downloads. Note: this category excludes domestic electrical appliances and consumer electronics specialists and retailers selling only stationery or office supplies. Example brands include: Barnes & Noble, Fnac, Game, Gamestation, GameStop, HMV, Relay, Shinseido and WH Smith

Pet Shops and Superstores
Pet superstores are specialist outlets selling pet food, pet care and pets, sometimes also diversifying into on-site clinics, grooming services etc. These outlets are typically located in shopping parks or out-of-town sites. Superstore selling area will usually be in excess of 900 square metres. Stores usually sell the whole product range, from premium to economy with an emphasis on products in bulk. Examples include PetSmart, Fressnapf, Jumper, etc. Pet shops are specialist outlets selling pet food, pet care and pets. These outlets are usually located on the high street. Can be chained or independent. Sell mostly premium products and are usually smaller than 900 square metres.

Sports Goods Stores
Retail outlets specialising in the sale of sports and outdoor pursuits apparel and equipment. Example brands include Decathlon, Intersport, Dick's Sporting Goods and Xebio. Stores that specialise in sales of bicycles and parts are included here. However, in case an outlet offering bicycle repairs only it is included in Other non-grocery retailers. Excludes stores that sell sports apparel only.

Stationers/Office Supply Stores
Stationers/Office Supply Stores are retail outlets specialising in the sale of a range of products office supplies and stationery products. Companies sell goods such as stationery, school supplies, office supplies, office equipment and furniture, greetings cards or a combination of

these. Stationers/Office Supply Stores also includes 'gift stores' whose sales are dominated by greetings cards, but also sell soft toys, mugs, wrapping paper, boxes, ribbons, amongst other items. Retailers may sell computers and accessories but do not do so exclusively. Companies that sell only computers are included in Electronics and appliance specialist retailers. Please note that business-to-business sales are excluded. Example brands include: Cards'n'Such, Clinton Cards, Kalms, Office Depot, Office Max, Office World, Officeworks, Paperchase, Staples

Traditional Toys and Games Stores

Retail outlets specialising in the sale of traditional toys and games. Retailers specialising in computer games are excluded. Example brands include Toys 'R' Us, Hamleys, Jumbo, JouéClub

Other Leisure and Personal Goods Specialist Retailers

Other retail outlets specialising in the sale of leisure and personal goods. Includes flower and plant specialists, craft stores, hobby stores, joke shops, adult/marital aids stores. Examples include: Hobbycraft (GB) Beata Uhse (DE), Ann Summers (GB).

Mixed Retailers

This is the aggregation of department stores, variety stores, mass merchandisers and warehouse clubs.

Department Stores

Outlets selling mainly non-grocery merchandise and at least five lines in different departments, usually with a sales area of over 2,500 sq metres and arranged over several floors. Example brands include Macy's, Bloomingdale's, Marks & Spencer, Harrods, Sears, JC Penney, Takashimaya, Mitsukoshi, Daimaru, Karstadt, Rinascente.

Mass Merchandisers

Mixed retail outlets that usually: (1) convey the image of a high-volume, fast-turnover outlet selling a variety of merchandise for less than conventional prices; (2) provide centralised check-out service; and (3) provide minimal customer assistance within each department. Example brands include Wal-Mart, Target and Kmart. Excludes hypermarkets and warehouse clubs/cash and carry stores.

Variety Stores

Non-grocery general merchandise outlets usually located on one floor, offering a wide assortment of extensively discounted fast-moving consumer goods on a self-service basis. Normally over 1,500 sq metres in size, except in the case of dollar stores, these outlets give priority to fast-moving non-grocery items that have long shelf-lives. Includes catalogue showrooms and dollar stores. Example brands include Woolworth (Germany), Upim (Italy).

Warehouse Clubs

Warehouse Clubs are chained outlets that sell a wide variety of merchandise, but do have a strong mix of both grocery and non-grocery products. Customers have to pay an annual membership fee in order to shop. The clubs are able to keep prices low due to the no-frills format of the stores and attempt to drive volume sales through aggressive pricing techniques. Please note that sales data for the Warehouse Club channel excludes membership fees in the data provided by Euromonitor International. Therefore, the channel data provides sales data for products only. Warehouse Clubs typically: - exceed 2,500 sq metres of selling space and are invariably -over 4,000 sq metres in size; - convey the image of a high-volume, fast-turnover retailing at less than conventional prices; - provide minimal customer assistance within each department; and - are situated in out-of-town locations. Example brands include: - Costco - Sam's Club (Wal-Mart) - PriceSmart - Cost-U-Less Warehouse Clubs excludes: - Mass merchandisers - although warehouse clubs and Mass merchandisers share many of the same characteristics, consumers shopping at warehouse clubs have to pay a membership fee, while those using Mass merchandisers do not. - Cash & Carries/Wholesale – Warehouse Clubs differ from Cash & Carries through being orientated towards consumers, rather than businesses. Cash & Carries require customers to have evidence that enables them to shop there (VAT or business number for example), while Warehouse Clubs do not.

Other Non-Grocery Retailers

Other non-food specialist outlets, second-hand outlets (except where the operation is a chained retailer competing in a particular category, such as durable goods. In such cases, the retailer has been categorised in the relevant non-grocery specialist channel), non-grocery markets and street hawkers. Includes kiosks, markets selling predominantly non-grocery items. Includes specialist repair stores – ie of clothing, footwear, watches, clocks, jewellery, bicycles. Excludes retail areas located within bars.

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Executive Summary

THE GLOBAL RETAIL THEFT BAROMETER

SHRINKAGE OVERVIEW

Shrinkage and loss prevention remain a key concern for retailers across the globe

Shrinkage is a significant concern among interviewed retailers in the 16 countries researched. As it impacts profits, companies are keen to keep shrinkage under control, implementing effective loss prevention methods.

Surveyed retailers with particularly strong investment in loss prevention believe that they manage shrinkage well, and typically reported shrinkage rates well below the respective country average, with the investments clearly paying off.

Shrinkage rates across the 16 researched countries remain within 1.0% and 1.6%

Across the regions under review, Latin America records the highest rates, with shrinkage amounting for 1.6% respectively in Brazil and Mexico, and 1.5% in Argentina. Interviewed retailers in these countries reported to particularly suffer from organized crime, as well as from the weak economic environment, with financially burdened consumers being more prone to resort to theft.

Across the researched countries, Japan (1.0%), Australia (1.1%), Hong Kong (1.1%) and Germany (1.1%) record the lowest shrinkage rates. For example, the majority of German retailers interviewed agreed that shrinkage is generally well managed in the country, with implemented security and loss prevention systems being considered to be of a high standard.

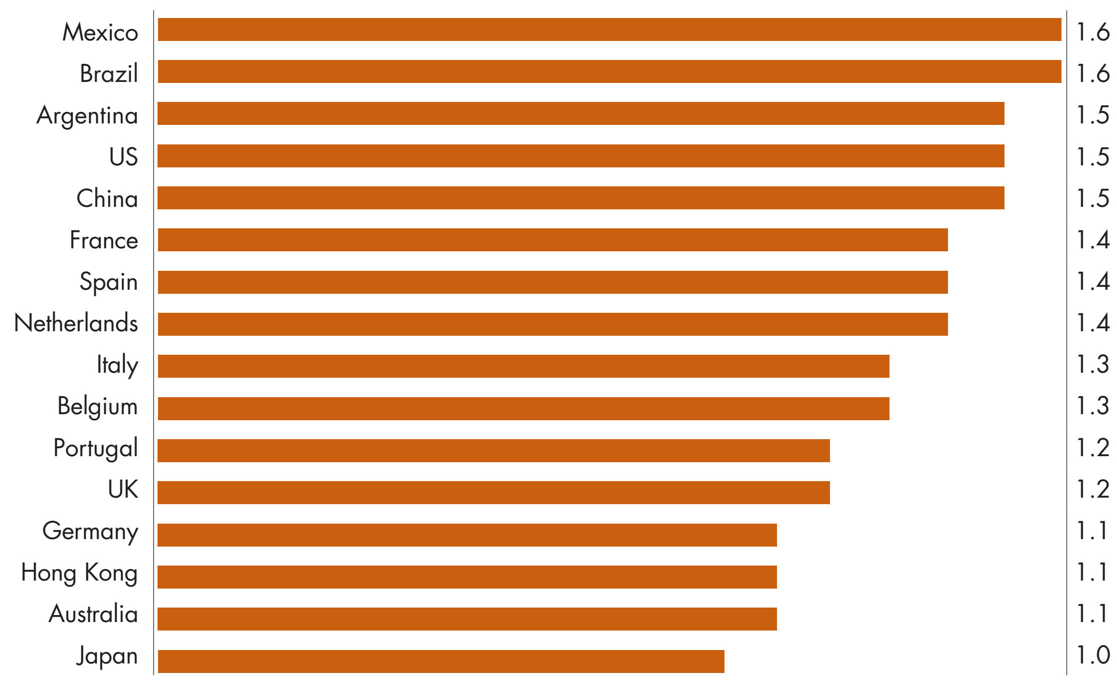
Shrinkage seems to be on the rise in most researched countries

Globally shrinkage is increasing. One of the key reasons is the rise in organized crime. For example in Japan, gangs steal high-value goods such as expensive drugs and electronic items.

The economic crisis was pointed out to be another major reason for increasing shrinkage rates. As a growing share of the population struggles to meet its financial obligations, the occurrence of both shoplifting and employee theft reportedly rose. For example in Belgium, food theft in particular was observed to increase, owing to the weak economy.

There have been some exceptions to the growth in shrinkage, highlighting increasing investments in loss prevention as a key reason. Many UK and German retailers stated that improving loss prevention methods helped to keep shrinkage under control.

Shrinkage rates (%) by country in 2012



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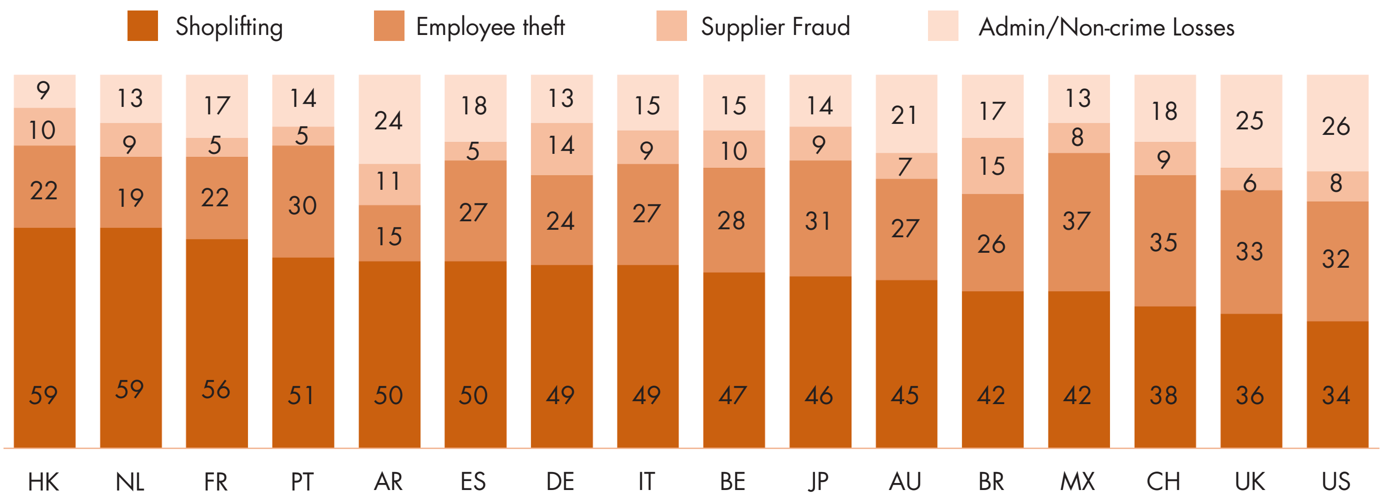
Causes of Shrinkage

Value shares (%) on total shrinkage by country in 2012



AR (Argentina), AU (Australia), BE (Belgium), BR (Brazil), CH (China), DE (Germany), ES (Spain), FR (France), HK (Hong Kong), IT (Italy), JP (Japan), MX (Mexico), NL (Netherlands), PT (Portugal), UK (United Kingdom), US (United States)

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Employee theft and shoplifting remain the two key causes of shrinkage

While shoplifting is on average the most important cause of shrinkage in all countries reviewed, followed by employee theft, reported shares vary across the retail landscape, depending on retailer type, size and the company management of loss preventions.

For example, shoplifting tends to be lower in grocery retailers, due to the typically low value of items, which are considered to be unattractive for stealing and difficult to resell. On the other hand, grocery retailers are considered to be more prone to supplier fraud and administrative losses, as it is reportedly relatively difficult to manage high volumes of fresh food.

Organized crime can be an issue in both employee theft and shoplifting. In Mexico, for example, organised crime reportedly includes highway robberies from delivery trucks, gangs entering stores stealing large amounts of specific products such as electronics, as well as truck drivers from delivery companies working with employees from a retailer's receiving department to invoice more products than have been delivered, with the missing products being sold on the black market.

Small, easy to conceal items are still the most stolen

Most stolen items are small, easy to steal and hide, have a relatively high value and offer the possibility of resale, such as via the internet retailing site eBay. These products for example include branded clothing and electronic goods.

Retailers continue to distinguish between two major types of theft: opportunity-driven and commercially-driven. Opportunity-driven theft is usually of low- to medium-value items such as beauty and personal care, electronic accessories and anything that is desirable and identified as a sudden opportunity for theft. Commercially-driven theft is usually conducted with the aim of reselling stolen merchandise and therefore tends to target higher value goods that offer good returns.

LOSS PREVENTION OVERVIEW

A combination of different loss prevention methods usually considered most effective

The consensus among the interviewed retailers in the 16 researched countries is that no prevention method is 100% effective and that there is no "one-type-suits-all" solution. As a result, a combination of several loss prevention methods is considered to offer best practice when striving to control losses.

Most effective solutions were indicated to depend on the type of store and size of products, with different methods and systems working best for different products (e.g. EAS solutions such as hard tags for products such as clothes, display solutions such as keepers for small valuable goods such as shavers). Partnering with a loss prevention specialist is one way of being more confident in limiting further shrinkage in the future.

Human monitoring is key even with the implementation of sophisticated loss prevention technology

The consensus is that an overall company policy of a "strong shrink prevention culture" is necessary, which includes the implementation of a variety of loss prevention measures in combination, as well as a strong loss prevention team.

Interviewees across the 16 countries under review agreed that staff training is essential to prevent theft. Motivated and qualified employees are able to detect and deter theft, conduct rigorous checks on supplier deliveries, follow inventory and pricing procedures and are not prone to stealing themselves.

A constant balance between protecting merchandise and ensuring a pleasant customer experience in-store

The key challenge for the retailers interviewed across the globe is that they do not want to compromise consumers' shopping experience, keen on providing consumers with easy access to products, and at the same time preventing thefts. Consequently, while retailers are working hard to reduce the incidence of theft, losses due to theft are to a certain extent viewed as an unfortunate but accepted consequence of creating a pleasant shopping experience.

For example, while locked cabinets are considered to be highly efficient in loss prevention, retailers interviewed highlighted that customers are more likely to buy something on impulse that they can touch in comparison to an item where they have to ask a staff member to take it out of the case.

Retailer investment in loss prevention expected to remain stable in most researched countries

Most interviewed retailers in the majority of countries under review reportedly plan to keep investments in loss prevention stable in the foreseeable future, not changing their security strategy.

Many respondents believed they had already implemented sufficient loss prevention methods. Furthermore, tight financial planning in a difficult economic environment is expected to prevent higher spending on loss prevention.

On the other hand, the majority of surveyed retailers in The Netherlands, Belgium, UK, Australia, China and Mexico reported to increase their spending in loss prevention, planning constant improvements to their loss prevention methods, in order to stay ahead of thieves and to sufficiently prevent loss. Highlighted examples include planned investments in source tagging, RFID, increased employee training to spot and deter theft, as well as data mining/analytics.

CONCLUSION

Shrinkage is a multi-dimensional threat for retailers across the globe, with shoplifting and employee theft, including organized crime, on the rise. Growing shrinkage concerns have put loss prevention high on the agenda of retailers; companies are keen to invest in effective loss prevention methods, collaborating with specialists for loss management solutions to resolve these shrinkage problems.

The New Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

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Argentina

THE GLOBAL RETAIL THEFT BAROMETER

Argentina

SECTION 1

Retail Landscape

US$111.3 billion

ARS 504.2 billion

Total store based retail value sales excluding sales tax, 2012

466,632

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in Argentina reached US$111 billion in 2012. Sales grew by a dynamic 2007-2012 CAGR of 23%, with value sales growth being partly driven by increasing prices. Argentina saw high rates of inflation during the review period, with inflation accelerating in the last two years to more than 20%. Argentineans find themselves with a rapidly depreciating local currency, with the peso currently being at an extremely low value. The Argentine peso has been beset by problems since its 2002 devaluation following the government's default on its debts.

Furthermore, the government continues to boost consumption via expansionary policies, especially monetary policies, as it seeks to meet high economic growth objectives. Banks are continuing to expand the availability of consumer credit. Instalment payment facilities at negative real interest rates are increasingly offered by banks in partnership with major retailers and being promoted by the government in order to boost consumption, especially via non-grocery retailers.

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	0,5%	0,0%
Discounters	1,5%	0,2%
Forecourt Retailers	1,1%	1,2%
Hypermarkets	7,6%	0,1%
Supermarkets	13,1%	0,4%
Food/Drink/Tobacco Spec.	7,2%	21,8%
Independent Small Grocers	16,2%	31,4%
Other Grocery Retailers	8,5%	21,6%
Apparel Specialists	13,0%	7,5%
Electronics/Appliance Spec.	5,0%	0,3%
Health/Beauty Specialists	11,7%	3,8%
Home/Garden Specialists	10,8%	8,8%
Leisure Specialists	2,3%	1,7%
Mixed Retailers	0,7%	0,1%
Other Non-Grocery Retailers	0,8%	1,1%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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Increasingly tight import and exchange controls are also being used to help support foreign reserves and monetary expansion to support consumption.

Driven by stronger consumer spending, higher grain prices and growing demand for manufactures in neighboring Brazil, the economy performed well in 2010 and 2011. However, the economy ran out of steam in 2012 when real GDP grew by 1.9%. The slowdown was due to sluggish global demand, high inflation, a weak grains harvest and the impact of government import and currency controls on investment. Real GDP is expected to grow by 2.5% in 2013. Tighter capital and import controls deter investment and limit the pace of growth. The economy is supported mainly by government-stimulated consumer demand, but will likely struggle in the medium term as public investment slows.

The number of retail outlets reached 466,632 in 2012, increasing by almost 2% CAGR over 2007-2012. Network growth was mainly driven by grocery retailers, while non-grocery retailers remained close to stagnation with a 2007-2012 CAGR of just 0.3%.

Traditional grocery retailers such as independent small grocers and food/drink/tobacco specialists accounted for 98% of the total grocery network in outlet volume terms and grew by 2% CAGR over 2007-2012.

Hypermarkets was however the most dynamic channel in terms of network growth, posting 8% CAGR over 2007-2012 and offering consumers a convenient one-stop shopping experience at competitive prices.

During 2012, Argentina's chained grocery retailers focussed mainly on their conveniently located outlets

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	39,780.7	49,637.6	54,481.6	69,453.5	88,917.5	111,277.8	22.8
Convenience Stores				56.8	162.8	604.7	
Discounters	541.6	697.7	878.3	1,059.6	1,274.8	1,636.4	24.7
Forecourt Retailers	440.9	562.3	597.9	744.9	940.6	1,206.6	22.3
Hypermarkets	3,040.7	3,804.9	4,296.1	5,505.9	6,803.7	8,435.1	22.6
Supermarkets	4,780.0	6,297.4	7,237.1	9,043.5	11,529.4	14,520.6	24.9
Food/Drink/Tobacco Specialists	2,174.5	2,895.9	3,246.3	4,638.6	6,298.3	7,973.9	29.7
Independent Small Grocers	6,025.5	7,757.8	8,828.3	11,150.2	14,249.9	18,026.2	24.5
Other Grocery Retailers	3,306.1	4,129.3	4,699.2	5,935.0	7,585.0	9,419.0	23.3
Apparel Specialist Retailers	5,656.6	6,462.9	6,548.7	8,339.1	11,032.6	14,492.5	20.7
Electronics and Appliance Specialist Retailers	2,404.0	2,778.8	3,120.3	4,083.2	4,456.2	5,526.8	18.1
Health and Beauty Specialist Retailers	4,335.9	5,503.9	6,494.4	8,105.7	10,713.9	13,074.7	24.7
Home and Garden Specialist Retailers	5,264.3	6,499.3	6,176.3	7,900.3	10,204.1	12,024.1	18.0
Leisure and Personal Goods Specialist Retailers	1,137.0	1,427.3	1,405.0	1,711.3	2,192.6	2,611.8	18.1
Mixed Retailers	204.8	250.5	292.3	446.4	658.9	791.3	31.0
Other Non-Grocery Retailers	468.8	569.6	661.3	733.0	814.8	934.1	14.8

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	430,900.0	437,940.0	450,416.0	460,446.0	464,989.0	466,632.0	1.6
Convenience Stores				32.0	70.0	208.0	
Discounters	778.0	807.0	809.0	816.0	820.0	824.0	1.2
Forecourt Retailers	5,280.0	5,352.0	5,376.0	5,415.0	5,430.0	5,473.0	0.7
Hypermarkets	175.0	176.0	188.0	214.0	247.0	253.0	7.7
Supermarkets	1,646.0	1,668.0	1,699.0	1,745.0	1,793.0	1,830.0	2.1
Food/Drink/Tobacco Specialists	76,548.0	77,313.0	90,160.0	98,352.0	101,415.0	101,820.0	5.9
Independent Small Grocers	141,500.0	144,330.0	145,052.0	145,922.0	146,213.0	146,783.0	0.7
Other Grocery Retailers	97,871.0	99,828.0	100,127.0	100,628.0	100,819.0	100,920.0	0.6
Apparel Specialist Retailers	32,788.0	34,300.0	33,469.0	33,837.0	34,513.0	35,014.0	1.3
Electronics and Appliance Specialist Retailers	1,249.0	1,420.0	1,633.0	1,621.0	1,623.0	1,647.0	5.7
Health and Beauty Specialist Retailers	17,728.0	17,510.0	17,580.0	17,733.0	17,716.0	17,624.0	-0.1
Home and Garden Specialist Retailers	42,103.0	41,998.0	41,302.0	41,168.0	41,319.0	41,132.0	-0.5
Leisure and Personal Goods Specialist Retailers	8,138.0	8,093.0	7,920.0	7,842.0	7,806.0	7,835.0	-0.8
Mixed Retailers	254.0	259.0	221.0	243.0	283.0	287.0	2.5
Other Non-Grocery Retailers	4,842.0	4,886.0	4,880.0	4,878.0	4,922.0	4,982.0	0.6

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which are situated in close proximity to the homes and workplaces of their customers to increase volume sales. Sales from supermarkets and hypermarkets are migrating to the discounter and convenience stores channels as consumers prefer proximity over promotions driven by reduced budgets to spend on grocery items as inflation continues to erode purchasing power. Large companies expanded mainly through their smaller neighbourhood outlets.

Within non-grocery retailers, electronics and appliance specialist retailers was the most dynamic in terms of network growth with a 2007-2012 CAGR of 6%. This channel is however growing from a very small base. Chained retailers are in particular opening new outlets, being encouraged by dynamic growth in local demand and easily available consumer credit.

Analysis by retailer type (see fig. page 20)

Independent small grocers is the largest channel both in terms of value sales with 16% share in 2012 and outlet volume with 32% share. In Argentina, the independent small grocers channel comprises several different types of outlets such as *kioskos* and *chinos*.

Kioskos accounts for the majority of outlets in independent small grocers and traditionally sell confectionery and tobacco products. However, during the review period this channel expanded its range and began to sell more products including drinks, sandwiches and small toys.

Chinos (local neighbourhood grocery stores) meanwhile continue to perform well, benefiting from convenient locations. However, this channel is no longer offering products at competitive prices as it did before.

The channel also faces increased competition from chained grocery retailers, which are opening small outlets in urban areas and ramping up their price war with chinos. In response to the threat posed by large chained retailers, the operators of many of Argentina's chinos are expanding into the country's interior, often purchasing existing family stores in medium-sized and small cities.

SECTION 2

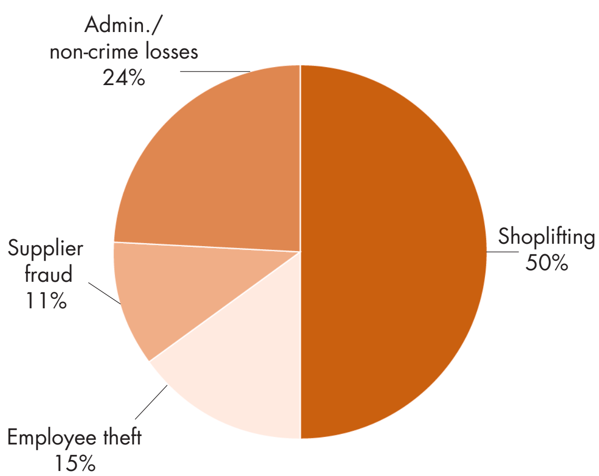
Shrinkage

1.5%

Average rate of shrinkage 2012

Retailers believe that the rate of shrinkage increased in the review period due to the economic crisis.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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SHRINKAGE OVERVIEW

Shrinkage is a key concern for retailers in Argentina and retailers are keen to keep shrinkage under control, as it impacts their profits.

Shrinkage was observed to increase in the review period, due to the country's weak economic situation and high inflation rate. Argentina faced high rates of inflation during the review period, with inflation accelerating in the last two years to above 20%. Inflation thus rose at a faster pace than nominal salary increases, adversely impacting purchasing power. As a result, the increase in shrinkage was indicated as being mainly caused by shoplifting.

Retailers with strong investment in loss prevention and effective methods however reported that losses are under control and believe that they manage shrinkage well, with reported rates being well below the country average. These retailers were able to maintain relatively stable shrinkage rates during the review period, as their prevention solutions reportedly proved efficient.

Shrinkage is reported to have an impact on all types of retailers in Argentina. Low-cost mass retailers such as discounters however tend to be more significantly impacted. Due to their focus on keeping prices low for consumers, these retailers are unable to invest heavily in loss prevention technology and instead tend to rely on staff interaction with consumers and security cameras. Apparel specialists were also indicated as having higher than average shrinkage rates.

Key Causes of Shrinkage

It is estimated that shoplifting is the most important cause of shrinkage, generating half of the total shrinkage value for the country.

Consumers are keen on expensive goods such as imported products but are not always able to afford these products. Furthermore, "young people stealing for fun" was indicated as a key concern.

Some companies work particularly hard to keep shoplifting under control, reporting the increased implementation of security measures in terms of security personnel, cameras and EAS solutions.

With an estimated share of 24% in 2012, administrative losses was the second most important cause of shrinkage. Administrative losses include pricing and inventory errors. While some retailers reported a strong impact from these losses, others have implemented advanced monitoring systems that helped them to keep administrative losses under control.

Employee theft accounted for an estimated 15% of shrinkage value for the country. This includes employees dispatching goods without invoicing them, the consumption of food or beverages from a store without paying for them and sneaking out merchandise hidden in clothing or bags.

Supplier fraud comes in last position, holding a share of 11% in 2012.

Stolen Products

The type of products stolen naturally depends on the retail channel. The health and beauty specialist retailers interviewed for example reported that items such as colour cosmetics are at risk from theft, while grocery retailers identified confectionery as a risk area and electronics and appliance specialist retailers indicated that portable memory devices are often stolen.
The consensus is however that most of the items stolen are small and easy to steal and hide, such as batteries, deodorants and USB sticks. Shoplifters often steal such items simply due to finding the opportunity to steal. Interviewees indicated that opportunistic thieves are often young people who steal for fun. Retailers also stated that small items such as USB sticks are difficult to protect with the security devices that are currently available.

Furthermore, most stolen items have a relatively high value, with consumers thus giving in to the temptation of stealing goods that they cannot afford. In addition, these expensive goods offer the possibility of resale.

Scarce and expensive imported goods are major areas of concern, such as colour cosmetics. Import restrictions imposed by the government in 2011 and heightened in early-2012 resulted in many health and beauty specialist retailers facing shortages in terms of product availability. These retailers are particularly dependent on imports and are thus suffering from the strengthened import barriers imposed by the government. Imported colour cosmetics are thus scarce and expensive, consequently being a major target for thieves.

Stolen Products

Retailer Type	Top Stolen Products
Health and beauty specialist retailers	Beauty and personal care such as skin care and colour cosmetics
Grocery retailers	Beauty and personal care such as deodorants Batteries Jam Pastry products Confectionery
Electronics and appliance specialist retailers	Games Digital cameras USB sticks

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SECTION 3

Loss Prevention

Key Loss Prevention Methods

Employee training to spot and deter theft
Security guards
Security cameras and CCTV
EAS antennae
EAS labelling (including hard tags and soft tags)
Locked shelves and cabinets
Safers/locked boxes/keepers/ wrap or spider wrap alarms
Dummy cartons/ticket systems
Chains/cables/loop alarms
Three-alarm accessories
Source tagging

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KEY PREVENTION METHODS

It is reported that Argentinean retailers typically apply a number of loss prevention methods, such as EAS solutions (for example for beauty and personal care) and display solutions such as locked display cabinets and keepers (for example for batteries). Security cameras and in-store security guards are also often used. Employee training was highlighted as being of particular importance for spotting and deterring theft and staff rewards systems are believed to be very effective.

Next to employee training and reward systems, interviewees stated that the prevention methods offering the best return on investment were security personnel and surveillance cameras, EAS solutions, wrap alarms and locked displays.

It was also pointed out that internal auditing, measuring and control systems are crucial for loss prevention. The thorough monitoring of delivery and in-store processes helps to identify problem areas in order to find solutions.

The industry consensus is that the best practice solution for loss prevention is the implementation of a number of measures at the same time, as the choice of prevention methods depends on store layout and product portfolio. Keepers were for example indicated to be only useful for high value products, as they are believed to compromise the consumers` shopping experience. Soft tags are meanwhile viewed as particularly suitable for beauty and personal care. These technological measures must be combined with human force in the form of security guards and trained in-store staff. Furthermore, it is considered to be important to work on loss prevention as an organisation on the whole and to not treat shrinkage as a separate issue.

Smaller stores and retailers such as discounters, which typically have a low cost strategy, have reportedly less security measures in place. These outlets mostly rely on cameras, store/shelf layout (e.g. expensive items such as shavers being placed behind the counter) and human interaction from staff and security personnel.

It was also indicated that much of grocery retailers' focus is on process loss rather than malicious loss, due to difficulties in handling fresh food.

Retailer investment in loss prevention technology likely to remain relatively stable over the short-term

A key observation was that companies with a number of well-implemented loss prevention measures experience below-average shrinkage rates.

Investment in loss prevention technology is likely to remain relatively stable in the short-term in Argentina, with most of the retailers interviewed believing that they manage shrinkage relatively well.

Only a few respondents were in the process of implementing more security measures, including:

- Increased numbers of security personnel;
- More video surveillance;
- Implementation of EAS solutions such as antennae;
- Investments in finding the right solution to protect high value items such as electronics.

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A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

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Australia

THE GLOBAL RETAIL THEFT BAROMETER

Australia

SECTION 1

Retail Landscape

US$224.4 billion

A$ 219.3 billion

Total store based retail value sales excluding sales tax, 2012

83,798

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in Australia reached US$224 billion in 2012. With a 2007-2012 CAGR of almost 4%, retail sales experienced strong growth during the review period.

Grocery retailing was particularly dynamic with a 2007-2012 CAGR of 5%. Discounters notably achieved double-digit growth with a 2007-2012 CAGR of 14%, attracting increasingly value-conscious consumers through a low-pricing structure. This strong performance was aided by continued outlet expansion, a superior range of value-added products, namely higher-end private label products, as well as companies increasing their marketing efforts.

Non-grocery retailers increased sales by 2% in terms of 2007-2012 CAGR. Health and beauty specialist retailers was most dynamic with a 2007-2012 CAGR of 6%, being boosted by chemists/pharmacies providing the important role of community health support.

The number of retail outlets reached 83,798 in Australia in 2012, having stagnated over 2007-2012 with just

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	0,8%	1,5%
Discounters	1,3%	0,3%
Forecourt Retailers	2,4%	4,7%
Hypermarkets	0,0%	0,0%
Supermarkets	32,9%	4,9%
Food/Drink/Tobacco Spec.	10,4%	10,8%
Independent Small Grocers	1,1%	3,7%
Other Grocery Retailers	1,9%	8,5%
Apparel Specialists	5,9%	14,2%
Electronics/Appliance Spec.	7,0%	2,0%
Health/Beauty Specialists	8,9%	11,5%
Home/Garden Specialists	11,6%	14,1%
Leisure Specialists	6,9%	17,7%
Mixed Retailers	8,6%	1,6%
Other Non-Grocery Retailers	0,3%	4,5%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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0.1% CAGR. Both grocery and non-grocery retailers had relatively stable outlet networks during the review period.

Only discounters showed dynamic network growth with a 2007-2012 CAGR of 12%, while electronics and appliance specialist retailers saw strong decline with a 2007-2012 CAGR of -5%. Consumer preferences for saving rather than spending saw a rise in sales via internet retailing, as this channel offers lower unit prices compared to store-based electronics and appliance specialist retailers. This tough sales environment led to the closure of a number of bricks-and-mortar stores.

Analysis by retailer type

In sales terms, supermarkets is the largest channel with 33% share in 2012, with this channel experiencing strong growth with 7% CAGR over 2007-2012. Supermarkets' lead in the grocery retail channel in Australia is supported by economies of scale. These outlets are able to offer low unit prices via a vast store network, with convenient locations enabling consumers to shop close to work or home.

Supermarkets increasingly seek to offer a one-stop shop for consumers, developing and broadening their product offerings in areas such as consumer health, pet care, home and garden and beauty and personal care.

Hypermarkets is however a relatively insignificant channel in Australia, with little investment being made by retailers to develop the channel during the review period.

In terms of outlet numbers, leisure specialists is the largest channel with 18% share in 2012. Outlet volume however stagnated during the review period,

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	189,352.1	199,400.5	212,752.7	216,725.5	220,906.2	224,360.9	3.5
Convenience Stores	1,364.0	1,440.0	1,718.8	1,698.5	1,683.4	1,674.4	4.2
Discounters	1,584.2	2,154.5	2,380.8	2,564.0	2,891.1	3,006.8	13.7
Forecourt Retailers	5,028.9	5,085.4	5,196.6	5,247.8	5,338.2	5,440.7	1.6
Hypermarkets							
Supermarkets	53,587.7	59,823.0	66,590.8	68,882.0	71,174.5	73,922.9	6.6
Food/Drink/Tobacco Specialists	19,549.4	20,538.2	21,770.5	22,097.0	22,561.1	23,278.5	3.6
Independent Small Grocers	2,851.0	2,623.0	2,544.3	2,455.2	2,453.5	2,453.9	-3.0
Other Grocery Retailers	4,496.4	4,586.3	4,701.0	4,607.0	4,389.5	4,355.0	-0.6
Apparel Specialist Retailers	13,022.0	13,412.7	14,150.4	13,938.1	13,450.3	13,219.1	0.3
Electronics and Appliance Specialist Retailers	16,011.3	15,691.0	16,632.5	16,715.7	16,763.6	15,664.5	-0.4
Health and Beauty Specialist Retailers	15,177.8	16,370.3	17,508.8	18,306.5	19,254.7	20,021.4	5.7
Home and Garden Specialist Retailers	23,406.8	23,589.8	24,144.7	24,456.2	25,189.9	25,927.6	2.1
Leisure and Personal Goods Specialist Retailers	14,412.8	14,923.9	15,522.2	15,605.2	15,729.2	15,578.1	1.6
Mixed Retailers	18,263.3	18,553.9	19,272.1	19,531.0	19,402.9	19,185.7	1.0
Other Non-Grocery Retailers	596.6	608.5	619.4	621.3	624.4	632.1	1.2

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	83,577.0	84,377.0	85,068.0	85,334.0	84,621.0	83,798.0	0.1
Convenience Stores	1,031.0	1,116.0	1,234.0	1,264.0	1,276.0	1,227.0	3.5
Discounters	163.0	201.0	220.0	240.0	265.0	281.0	11.5
Forecourt Retailers	4,262.0	4,268.0	4,265.0	4,268.0	3,887.0	3,916.0	-1.7
Hypermarkets							
Supermarkets	3,966.0	4,041.0	4,061.0	4,079.0	4,099.0	4,115.0	0.7
Food/Drink/Tobacco Specialists	8,525.0	8,675.0	8,775.0	8,855.0	8,944.0	9,078.0	1.3
Independent Small Grocers	3,590.0	3,480.0	3,400.0	3,330.0	3,230.0	3,117.0	-2.8
Other Grocery Retailers	7,003.0	7,091.0	7,171.0	7,241.0	7,205.0	7,147.0	0.4
Apparel Specialist Retailers	12,043.0	12,193.0	12,293.0	12,363.0	11,992.0	11,872.0	-0.3
Electronics and Appliance Specialist Retailers	2,115.0	1,935.0	1,920.0	1,860.0	1,800.0	1,645.0	-4.9
Health and Beauty Specialist Retailers	8,936.0	9,213.0	9,385.0	9,484.0	9,551.0	9,607.0	1.5
Home and Garden Specialist Retailers	11,683.0	11,687.0	11,680.0	11,705.0	11,776.0	11,827.0	0.2
Leisure and Personal Goods Specialist Retailers	14,768.0	15,094.0	15,352.0	15,414.0	15,364.0	14,799.0	0.0
Mixed Retailers	1,477.0	1,443.0	1,432.0	1,396.0	1,428.0	1,382.0	-1.3
Other Non-Grocery Retailers	4,015.0	3,940.0	3,880.0	3,835.0	3,804.0	3,785.0	-1.2

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with the channel's overall performance being hindered by competition from mixed retailers, internet retailing and grocery retailers. These channels sought to offer convenient shopping, a broad array of popular products and low unit prices, thus posing an increasing challenge to leisure specialists.

SECTION 2

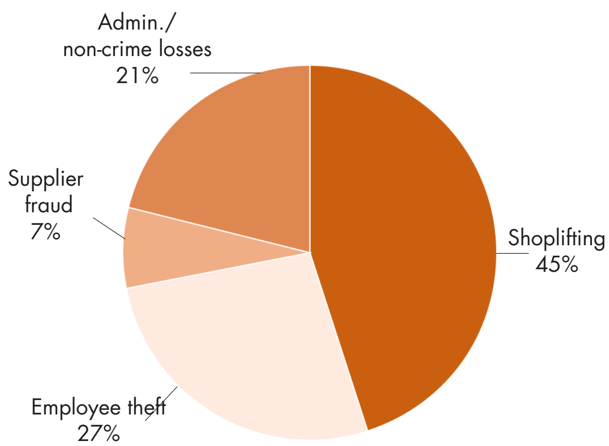
Shrinkage

1.1%

Average rate of shrinkage 2012

Retailers believe that the rate of shrinkage increased in the review period, mainly driven by organised crime.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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SHRINKAGE OVERVIEW

Shrinkage is considered to be relatively well managed in Australia and most of the retailers interviewed believe that the country's shrinkage rate is below the global average.

The country was relatively unaffected by the global economic crisis during the review period. Australia did not experience a recession but showed relatively strong ongoing GDP growth during this time, while consumers' annual disposable income levels continued to increase strongly.

However, the majority of the retailers interviewed reported shrinkage to be on the rise. Growth is believed to be being driven by employee theft and most significantly by organised crime, with motorcycle gangs for example stealing drugs from chemists/pharmacies.

The impact of shrinkage varies across the retail channels. Chemists/pharmacies is estimated to suffer higher shrinkage rates, being reportedly severely threatened by "bikie" groups (motorcycle gangs) stealing pseudoephedrine drugs.

Electronics and appliance specialist retailers however reported below-average shrinkage rates with stated rates being as low as 0.3%. This is believed to be due to the high investment in loss prevention methods by these retailers. The electronics and appliance specialist retailers surveyed were found to have the broadest variety of loss prevention methods in place and to spend above-average revenue shares on loss prevention.

Within departments stores, the picture varies considerably between different retailers. Some retailers are more concerned about shrinkage and loss prevention than others and no clear trend is evident for this channel. The key observation is however that retailers with above-average investment levels in loss prevention experience below-average shrinkage rates.

Key Causes of Shrinkage

Shoplifting is the main cause of shrinkage and accounted for 45% value share in 2012. Retailers in Australia are divided on the development of shoplifting. Half of the retailers surveyed believed that shoplifting increased during 2012, while the other half believed that shoplifting is decreasing. However, the retailers interviewed agreed that organised crime increased dramatically during 2012, such as "bikie" groups robbing chemists/pharmacies.

Employee theft is the second most important cause of shrinkage, generating 27% of total value. The majority of interviewees reported employee theft to be on the rise. Respondents also feel that there is also a lot of undetected employee theft, such as company credit cards being used for personal items and staff stealing stationery. Although stationery thefts have a small value per unit, these can add up to a significant overall impact.

Administrative/non-crime losses and supplier fraud are the third and fourth biggest causes of shrinkage and accounted for 21% and 7% value shares respectively in 2012.

The shares of the different causes of shrinkage refer to the country as a whole. However, the rates reported by respondents from different retail channels vary considerably, with employee theft for example ranging from 15% to 45%. Electronics and appliance specialist retailers appear to experience a stronger impact from employee theft, while grocery retailers tend to report particularly high shares of administrative losses due to food products being more difficult to manage compared to non-food products.

Stolen products

The type of products stolen naturally depends on the retail channel. For example, pharmacies/drugstores typically report stolen items such as cold and flu tablets while grocery retailers state that products such as infant milk formula are frequently stolen.

Stolen Products

Retailer Type	Top Stolen Products
Grocery retailers	Electronics (DVDs) Tobacco products Food and beverages (infant formula, coffee, confectionery and beverages) Health and beauty (razor blades, skin care and particularly facial care, sun protection, electric toothbrushes and accessories and vitamins) DIY/home improvement (batteries)
Chemists/pharmacies and parapharmacies/drugstores	Health and beauty (razor blades, colour cosmetics, skin care, sun protection, fragrances, electric toothbrushes and accessories) Sunglasses OTC medicines (e.g. cold and flu treatment) and vitamins Pseudoephedrine drugs
Department stores	Electronics (mobile device accessories such as cases and earphones, iPads/tablets and laptops) Apparel (fashion accessories, jeans, dresses, sports clothing, lingerie/intimate apparel, handbags and jewellery such as rings, earrings and necklaces) Health and beauty (colour cosmetics and fragrances)
Electronics and appliance specialist retailers	iPhones/smartphones iPads/tablets Mobile device accessories (e.g. cases and earphones) Laptops iPods/MP3 players Digital cameras Electronic games and satellite navigation/GPS Printers and accessories Connection devices (e.g. Bluetooth) Home/office consumables DVDs
Traditional toys and games stores	Laptops iPods/MP3 players Electronic games and satellite navigation/GPS Home/office consumables Health and beauty (skin care and particularly facial skin care, sun protection, shampoos and conditioners) Children's clothing

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However, according to the Australian retailers interviewed, the most stolen product areas across the retail landscape include health and beauty products such as colour cosmetics as well as electronic products such as games. These products are easily concealed and tend to retail at relatively high prices.

The biggest reported threat for convenience stores is youth delinquency, with groups of young people aged 15-18-years-old typically opting to steal cigarettes, drinks and confectionery.

The chemists/pharmacies and parapharmacies/drugstores interviewed stated that shoplifters mostly steal OTC products such as cold and flu tablets in small pack sizes that are easily concealed in pockets. However, respondents from this channel also reported motorcycle gangs stealing pseudoephedrine drugs.

SECTION 3

Loss Prevention

KEY PREVENTION METHODS

The majority of retailers interviewed in Australia reported having a variety of loss prevention methods in place, such as EAS and display solutions (e.g. keepers and locked cabinets) as well as CCTV.

Furthermore, it was suggested that "whistle blowing" (the exposure of misconduct, dishonest and/or illegal activity occurring in a company) is encouraged in some work environments in order to discourage employee theft.

RFID use is very limited in Australia.

The average share of total revenue spent on loss prevention by Australian retailers stood at approximately 0.1% in 2012. Electronics and appliance specialist retailers have the broadest range of loss prevention methods in place including display solutions and EAS methods among other strategies. This channel reported the highest share of revenue spent on loss prevention at up to 0.5%. As a result, these retailers reported the lowest shrinkage rates.

Most retailers interviewed plan on increasing their investment in loss prevention in the short-term.

Key Loss Prevention Methods
CCTV
Locked shelves and cabinets
Dummy cartons or ticket systems
Chains, cables and loop alarms
Keepers, safers, locked boxes and wrap alarms
EAS antennae
EAS labelling including hard and soft tags
Three-alarm accessories
Employee training to spot and deter theft

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The majority of retailers interviewed are planning to increase their investment in loss prevention in the near future.

Reported plans include increased spending on:

- Loss prevention hardware;
- Loss prevention software;
- Loss prevention consumables;
- Data mining/analytics.

The following initiatives have reportedly already been taken by most of the retailers interviewed but some interviewees reported further investment plans with regards to increased:

- Employee training to spot and deter theft;
- Pre-employment screening procedures;
- EAS reusable accessories.

However, interviews with Australian retailers revealed that there have been and will be only very limited efforts in terms of hiring more in-store personnel.

The New Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

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Belgium

THE GLOBAL RETAIL THEFT BAROMETER

Belgium

SECTION 1

Retail Landscape

US$94.8 billion

€75 billion

Total store based retail value sales excluding sales tax, 2012

70,265

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in Belgium reached US$95 billion in 2012. With a 2007-2012 CAGR of 2%, retail sales experienced moderate growth during the review period, driven by both grocery retailers with a 2007-2012 CAGR of 3% and non-grocery retailers with a CAGR of 2%. Despite the threat of rising unemployment and a weak economic environment, the purchasing power of the majority of Belgians did not decline, notably thanks to the indexing of salaries to inflation.

Within the grocery channel, forecourt retailers was the most dynamic channel with a 2007-2012 CAGR of 9%. Growth was driven by chained players expanding their networks and thus boosting sales. Belgians spend on average more time in traffic than their European counterparts, in particular in Brussels and Antwerp, and are thus more likely to shop at forecourt retailers.

Within the non-grocery channel, apparel specialists was the most dynamic channel with a 2007-2012 CAGR of 4%, despite a poor economic climate. The leading players were able to adapt their offer to a changing and

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	4,0%	2,3%
Discounters	5,2%	1,1%
Forecourt Retailers	0,7%	1,7%
Hypermarkets	3,5%	0,1%
Supermarkets	22,7%	2,5%
Food/Drink/Tobacco Spec.	7,2%	16,4%
Independent Small Grocers	7,4%	7,5%
Other Grocery Retailers	1,1%	2,3%
Apparel Specialists	10,9%	13,6%
Electronics/Appliance Spec.	5,8%	7,8%
Health/Beauty Specialists	9,9%	9,4%
Home/Garden Specialists	9,9%	9,3%
Leisure Specialists	7,8%	16,8%
Mixed Retailers	1,8%	0,9%
Other Non-Grocery Retailers	2,1%	8,3%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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demanding consumer base. The main drivers were a significant increase in footwear purchases for men, women and children, as well as growth in sales of clothing for children.

The number of retail outlets reached 70,265 in 2012, having declined over 2007-2012 due to a lack of available financing for independents and franchisees. The grocery and non-grocery channels declined at approximately the same rate.

Within the grocery channel, only modern retailers saw increasing outlet numbers during the review period, with growth driven by forecourt retailers and convenience stores thanks to the still underexploited potential of these small outlets. There continued to be increased demand amongst consumers for stores offering proximity.

Traditional grocery retailers such as food/drink/tobacco specialists and independent small grocers are however in decline. The one-stop shopping positioning and aggressive price policies of modern grocery retailers are gradually stealing sales from traditional retailers. As a result, a number of traditional stores joined the franchising networks of leading convenience store chains.

Within the non-grocery channel, electronics and appliance specialist retailers saw a particularly poor performance with a 2007-2012 CAGR of -3%. This was mostly due to the restructuring programmes of the leading players, with these focused on the closure of unprofitable stores, against a background of a lack of consumer confidence during weak economic times. Furthermore, Belgians also increasingly shopped abroad and via internet retailing, as electronics and appliances are more expensive in Belgium than in neighbouring countries.

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	84,077.4	86,332.2	89,336.4	90,981.5	93,400.2	94,772.0	2.4
Convenience Stores	3,552.8	3,769.2	3,842.3	3,827.9	3,755.0	3,826.1	1.5
Discounters	4,612.9	4,690.5	4,724.9	4,722.8	4,760.2	4,888.9	1.2
Forecourt Retailers	473.2	489.4	501.0	584.4	648.5	712.3	8.5
Hypermarkets	3,564.0	3,457.8	3,378.7	3,142.9	3,318.2	3,358.8	-1.2
Supermarkets	16,055.3	16,898.7	19,287.2	19,824.8	21,069.5	21,467.2	6.0
Food/Drink/Tobacco Specialists	5,969.3	6,294.6	6,320.4	6,400.7	6,538.0	6,778.8	2.6
Independent Small Grocers	6,764.1	6,848.0	6,861.7	6,913.6	6,953.7	7,053.5	0.8
Other Grocery Retailers	1,039.6	1,082.8	1,083.6	1,094.7	1,092.5	1,087.1	0.9
Apparel Specialist Retailers	8,709.9	8,655.9	8,990.1	9,525.0	9,964.1	10,321.8	3.5
Electronics and Appliance Specialist Retailers	5,007.7	5,150.5	5,270.5	5,639.0	5,717.3	5,492.8	1.9
Health and Beauty Specialist Retailers	8,251.7	8,609.7	8,748.3	8,958.4	9,144.2	9,349.7	2.5
Home and Garden Specialist Retailers	8,793.3	8,965.1	9,093.1	9,254.3	9,354.9	9,369.3	1.3
Leisure and Personal Goods Specialist Retailers	7,343.9	7,496.7	7,380.0	7,321.6	7,352.4	7,390.1	0.1
Mixed Retailers	1,563.7	1,590.1	1,617.0	1,668.1	1,693.3	1,694.4	1.6
Other Non-Grocery Retailers	2,375.8	2,333.3	2,237.6	2,103.3	2,038.2	1,981.3	-3.6

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	74,909.0	74,338.0	73,289.0	72,708.0	71,168.0	70,265.0	-1.3
Convenience Stores	1,396.0	1,436.0	1,498.0	1,572.0	1,528.0	1,622.0	3.0
Discounters	719.0	736.0	743.0	747.0	750.0	760.0	1.1
Forecourt Retailers	936.0	937.0	924.0	1,010.0	1,066.0	1,176.0	4.7
Hypermarkets	63.0	64.0	63.0	53.0	53.0	53.0	-3.4
Supermarkets	1,674.0	1,689.0	1,702.0	1,714.0	1,726.0	1,762.0	1.0
Food/Drink/Tobacco Specialists	12,907.0	12,759.0	12,550.0	12,368.0	11,663.0	11,522.0	-2.2
Independent Small Grocers	6,044.0	5,911.0	5,721.0	5,577.0	5,416.0	5,302.0	-2.6
Other Grocery Retailers	1,573.0	1,595.0	1,598.0	1,600.0	1,598.0	1,595.0	0.3
Apparel Specialist Retailers	9,794.0	9,690.0	9,502.0	9,532.0	9,543.0	9,573.0	-0.5
Electronics and Appliance Specialist Retailers	6,513.0	6,540.0	6,487.0	6,502.0	6,086.0	5,466.0	-3.4
Health and Beauty Specialist Retailers	6,762.0	6,751.0	6,696.0	6,662.0	6,631.0	6,609.0	-0.5
Home and Garden Specialist Retailers	6,478.0	6,500.0	6,482.0	6,468.0	6,512.0	6,517.0	0.1
Leisure and Personal Goods Specialist Retailers	12,555.0	12,436.0	12,244.0	12,039.0	11,925.0	11,839.0	-1.2
Mixed Retailers	598.0	601.0	610.0	619.0	627.0	626.0	0.9
Other Non-Grocery Retailers	6,897.0	6,693.0	6,469.0	6,245.0	6,044.0	5,843.0	-3.3

Source: Euromonitor International Ltd 2013. All rights reserved.

Analysis by Retailer Type (see fig. page 36)

Volume shares based on total number of retailing outlets
In value sales terms, supermarkets is the largest channel, accounting for 23% share in 2012, and is also growing dynamically with a 2007-2012 CAGR of 6%. Given the small size of Belgium and its high level of urbanisation, local consumers have a preference for more "human" (physical) formats such as supermarkets, where specialists are available to help in the different store departments.

In terms of outlet numbers, leisure specialists is the largest channel and accounted for 17% share in 2012, due to the presence of many independent players. However, outlet volume declined for this channel with a 2007-2012 CAGR of -1%. This was due to the channel being affected by growing competition from grocery retailers and their non-food ranges and, in particular, from internet retailing.

SECTION 2

Shrinkage

1.3%

Average rate of shrinkage 2012

Retailers believe that the rate of shrinkage increased in the review period due to the economic crisis.

SHRINKAGE OVERVIEW

The majority of retailers interviewed report shrinkage to be a key concern in Belgium, with all retail channels considered to be impacted.

Most interviewees observed that the shrinkage rate increased during the review period, as a result of the financial crisis. As an increasing share of the population struggles to meet its financial obligations, the occurrence of both shoplifting and employee theft reportedly rose. Food theft in particular was observed to increase, owing to the weak economy.

It was also indicated that television programmes and advertising make consumers feel that they need a lot of things in order to belong to society, whereas in the past consumers could more easily cope with just the basics. For example, among teenagers there is increasing competition to have the latest brands in areas such as fashion apparel, which makes it harder for families to meet teenagers' needs during times of financial hardship. Parents often find it very difficult to refuse when their children want to buy something such as toys. Some parents will therefore buy more for their children but then have to steal other things for themselves such as colour cosmetics or razor blades.

Furthermore, organised crime is observed to be increasing rapidly. Luxury retailers are considered to be among the primary targets of organised crime in retailing in Belgium, as the key objective is to resell stolen items. However, other retailers such as DIY stores also reported being impacted by burglaries several times a year. Even staff at grocery retailers have reportedly been threatened at gun point, with the burglar aiming to steal money from the tills.

While being a key concern, some interviewees however reported shrinkage to be relatively well-managed. These retailers have reportedly succeeded in maintaining or even decreasing shrinkage rates, due to improvements in prevention methods. This was particularly evident in terms of the prevention of administrative/non-crime losses.

The impact of shrinkage varies across retail channels. In general, it was indicated that non-grocery retailers experience below-average shrinkage rates, including sports goods stores, electronics and appliance specialist retailers and furniture stores. These stores reportedly had shrinkage rates as low as 0.3% on average.Furniture stores notably usually focus on large items in their ranges, making stealing more difficult.

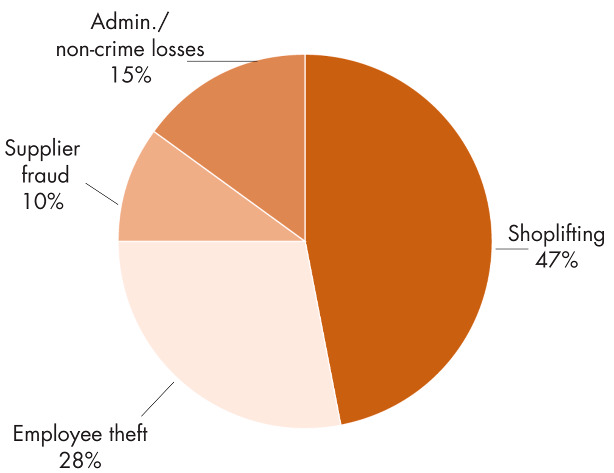
Within the grocery channel, rates of shrinkage vary considerably, with some retailers being more concerned about shrinkage and loss prevention than others. No clear trend is evident for these retailers. Reported shrinkage rates vary considerably from 1-3%.

Key Causes of Shrinkage

Shoplifting is the key reason for shrinkage, generating almost half of the total shrinkage value in Belgium. One reason for the high share of shoplifting is the inclusion of organised crime in this category. With a value share of 28%, employee theft is the second most important reason for shrinkage.

A growing number of Belgian families are being impacted by the weak economic environment. Constant exposure to advertising is believed to be worsening these households' situation by making consumers feel that they need more in order to be like everyone else in society. Against this background, it was observed that both shoplifting and employee theft increased since the onset of the economic crisis.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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While the majority of retailers interviewed in Belgium consider the key cause of shrinkage to be shoplifting, a few respondents insist that employee theft is the main problem. The consensus is however that in quantitative terms shoplifting is well ahead, representing the great majority of theft incidents. However, in value terms employee theft can be as significant or even more so than shoplifting for some retailers. Shoplifting occurs more frequently but typically involves cheaper items such as soft drinks, while employee theft occurs less often but typically involves more valuable items such as colour cosmetics or fragrances.

Furthermore, regional variations were highlighted during the interviews. Stores located in Brussels and Wallonia where there is lower average purchasing power are estimated to experience higher shrinkage rates. Meanwhile stores in Flanders where consumers enjoying greater purchasing power are estimated to experience lower shrinkage rates.

Administrative/non-crime losses and supplier fraud are the third and fourth most important causes of shrinkage and accounted for 15% and 10% value share respectively in 2012.

Grocery retailers reported on average higher shares of non-crime/administrative losses compared to non-grocery retailers. This is because food, especially fresh food, is more difficult to manage than non-food.

Supplier theft includes technicians carrying out repair work in stores and external salespeople doing in-store promotional activities such as food tasting, as well as drivers from transport companies delivering goods to stores.

While the majority of interviewees reported shoplifting and employee theft being on the rise due to the economic crisis, administrative and non-crime losses are reportedly declining as they are considered to be better controlled today with improved loss prevention methods. The same applies to supplier fraud, as the relationship with suppliers is now commonly computer-automated.

Stolen products

According to the Belgium retailers interviewed, products are often stolen because they are small and easy to hide such as batteries, DVDs, video games and underwear. The customer simply finds the opportunity to steal these products and does so. Other products that are typically stolen retail at relatively high prices such as carpets, fragrances and alcoholic drinks. Furthermore, stolen products are also often goods that have a high value and can be easily resold, such as power tools.

Shrinkage is believed to be often not caused by necessity, as most stolen items tend to be non-essential products. Instead, theft is mostly viewed as being linked to temptation or chance, such as the theft of an item that appears not to be carrying any alarm tags. There is however the exception of food theft, mainly meat. Thefts of meat were observed to be a very recent trend, with these being triggered by the economic crisis. Furthermore, grocery retailers indicate that they are impacted by thefts by teenagers who may not have the cash to purchase soft drinks. For example, Red Bull in particular is observed to be targeted by thefts from teenagers from nearby high schools.

Stolen Products

Retailer Type	Top Stolen Products
Grocery retailers	Electronics (iPhones/smartphones, iPads/tablets, Laptops, CDs, DVDs, games and small technology items such as USB cards) Apparel (fashion accessories, sunglasses, baby clothes, underwear and jewellery such as rings, earrings and necklaces) Beauty and personal care (razor blades, colour cosmetics, fragrances, skin care, sun protection and electric toothbrushes and accessories) Food and beverages (wines including champagne, spirits and predominantly whiskies, carbonates, energy drinks such as Red Bull, tobacco, fresh meat, gourmet food and delicatessen goods)
Leisure specialists	Electronics (mobile device accessories such as cases and earphones, digital cameras and connection devices such as Bluetooth) Apparel (sports clothing, footwear and sunglasses) Consumer health (vitamins)
Department stores	Electronics (mobile device accessories such as cases and earphones, iPods/MP3 players, digital cameras, electronic games and satellite navigation/GPS, printers and accessories and DVDs) Apparel (lingerie/intimate apparel and jewellery such as rings, earrings and necklaces) Beauty and personal care (colour cosmetics and fragrances)
Electronics and appliance specialist retailers	iPhones/smartphones iPads/tablets Mobile device accessories such as cases and earphones Laptops iPods/MP3 players Digital cameras Electronic games and satellite navigation/GPS Printers and accessories Connection devices such as Bluetooth DVDs
Home and garden specialists*	Textiles such as bed linen Carpets Power tools Fuses Measure tapes Car accessories Gardening tools Light bulbs Batteries

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* Home and garden specialists includes furniture stores as well as DIY retailers

SECTION 3

Loss Prevention

Key Loss Prevention Methods

Locked shelves and cabinets
Dummy cartons or ticket systems
Chains, cables and loop alarms
Keepers, safers, locked boxes and wrap alarms
EAS antennae
EAS labelling (including hard and soft tags)
Source tagging
Three-alarm accessories
Employee training to spot and deter theft
Security guards
Cameras

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KEY PREVENTION METHODS

The majority of Belgium retailers interviewed reported having numerous loss prevention methods in place. These include EAS solutions such as EAS soft labels and hard tags and EAS antennae and display solutions such as locked display cabinets, dummy cartons, cables/loop alarms, safes/locked boxes/keepers and wrap alarms. Retailers also often reported using video cameras with a security guard monitoring all screens for the early detection of suspicious behaviour.

Staff training is considered to be essential to prevent theft, with employees for example being trained to identify early signs of customer behaviour that suggest an intention to steal.

Security guards dressed as ordinary people is another major theft prevention method used by the retailers interviewed, with this reportedly proving very efficient in tracking down customers intent on theft.
Spider alarms and locked boxes (for example for small high-value items such as mobile phones) are also considered to be among the solutions offering the best returns on investment.

It was also indicated that EAS solutions often support other loss prevention methods. For example, these serve as a deterrent as tags are difficult to remove and therefore create suspicious behaviour that is easily caught on video camera.

Furthermore, grocery retailers indicated that they use dispensing systems for cigarettes, which reportedly greatly reduce shrinkage for these products. In addition, display and store layout solutions are viewed as effective measures. These include alcoholic drinks being stored behind the counter (most suitable for small stores) and items such as fragrances and colour cosmetics being positioned near the tills and/or displayed at the end of an aisle in order to improve visibility for staff.

Observed limitations to loss prevention methods include:

- The time taken to apply EAS tags to new products can lead to inconsistency in tagging by employees due to time constraints, with some products thus remaining untagged and vulnerable to theft;
- Lack of consistency in source tagging from the supplier side;
- Locked display cabinets impact sales, as they affect the consumer's shopping experience.

The majority of retailers interviewed are planning to increase investment in loss prevention in the short-term

RFID use is reportedly currently very limited in Belgium.

The consensus is that no prevention method is 100% effective. As a result, a combination of several loss prevention methods is considered to offer best practice when striving to achieve lower shrinkage rates.

The average share of total revenue spent on loss prevention by retailers in Belgium stood at approximately 0.1% in 2012. The grocery retailers interviewed however reported above-average spending, with stated rates of up to 1%.

The great majority of retailers interviewed in Belgium plan to increase their investments in loss prevention methods in the short-term. This is considered to be the only way to combat the increasing occurrence of theft in retailing.

Highlighted examples include:

- Investing in source tagging, as it saves time and cost in stores;
- Making existing systems more efficient, e.g. EAS solutions;
- Investment in staff training (e.g. with regards to consumer behaviour for early detection of thieves in stores);
- Sophisticated camera systems for the detection of suspicious behaviour with the ability to zoom in.

The New Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

www.GlobalRetailTheftBarometer.com

Brazil

THE GLOBAL RETAIL THEFT BAROMETER

Brazil

SECTION 1

Retail Landscape

US$308.2 billion

R$619.7 billion

Total store based retail value sales excluding sales tax, 2012

1,464,950

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in Brazil reached US$308 billion in 2012. With a 2007-2012 CAGR of 11%, retail sales experienced dynamic growth during the review period, with growth driven by both the grocery and non-grocery channels. Retailing maintained strong growth despite a slowing economy and retailers showed their optimism regarding future growth by investing in outlet expansion and mergers and acquisitions.

Fortunately for retailers, consumer disposable incomes continued to rise faster than the economy as a whole in Brazil during the review period, especially among lower-income groups. With more purchasing power, these consumers are eager to improve their lives.

Convenience stores and discounters are the most dynamic channels and posted double-digit growth in both value and volume terms during the review period, as they are relatively immature in Brazil. Companies saw the opportunity for growth from a small sales base and invested successfully, with excellent locations and competitive prices providing a strong boost to both channels.

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	0,1%	0,0%
Discounters	1,1%	0,0%
Forecourt Retailers	0,6%	0,5%
Hypermarkets	7,0%	0,0%
Supermarkets	8,2%	0,2%
Food/Drink/Tobacco Spec.	3,3%	10,4%
Independent Small Grocers	10,5%	2,4%
Other Grocery Retailers	2,1%	19,9%
Apparel Specialists	15,5%	17,6%
Electronics/Appliance Spec.	10,7%	4,7%
Health/Beauty Specialists	13,3%	8,4%
Home/Garden Specialists	11,5%	15,6%
Leisure Specialists	12,1%	13,9%
Mixed Retailers	3,2%	0,3%
Other Non-Grocery Retailers	0,8%	6,1%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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The number of retail outlets reached 1,464,950 in 2012, increasing over 2007-2012 by 3% CAGR. Expansion out of large urban areas and into mid-sized and smaller cities continued to be a strong strategy for retailers, especially for smaller retailers. Retailing in urban areas is extremely competitive and real estate prices are high. As a result, companies looking to open new outlets are increasingly investing in outlets in peripheral urban areas or in smaller cities away from the state capitals.

Analysis by retailers type

In sales terms, apparel specialists is the largest channel and accounted for 16% share in 2012. This channel posted 11% CAGR over 2007-2012, as retailers continued to invest in improving their positioning and sought to cater for a wider consumer base.

Apparel specialists benefited from growing consumption among Brazil's lower-middle-income consumers. Recognising that this income group is the greatest source of growth, some companies invested in adapting their product portfolios to match the purchasing power of this group or offered deep price promotions in order to attract these consumers into their stores.

In other cases, companies widened their consumer base by further differentiating their stores, for example opening stores that are exclusive to women or children.

The apparel specialists channel continues to be very fragmented, consisting of many independent small players and large retailer chains. It is thus also the largest channel in terms of outlet numbers and accounted for 18% share in 2012.

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	185,462.6	207,978.0	226,856.5	257,200.9	284,893.1	308,226.6	10.7
Convenience Stores	43.8	83.6	160.7	181.5	164.5	221.8	38.3
Discounters	894.1	1,309.0	1,926.0	2,490.4	3,057.4	3,534.6	31.6
Forecourt Retailers	921.1	1,056.4	1,349.7	1,434.5	1,599.7	1,734.3	13.5
Hypermarkets	14,050.7	15,397.3	16,903.4	18,606.2	20,722.3	21,605.0	9.0
Supermarkets	14,088.6	16,342.8	18,271.2	20,887.6	23,367.0	25,120.9	12.3
Food/Drink/Tobacco Specialists	5,948.1	6,840.4	7,635.3	8,666.8	9,457.2	10,174.0	11.3
Independent Small Grocers	21,232.0	23,057.9	25,391.2	28,783.4	30,698.8	32,454.9	8.9
Other Grocery Retailers	4,011.4	4,613.2	4,886.3	5,484.4	5,940.7	6,355.8	9.6
Apparel Specialist Retailers	28,688.6	32,120.5	35,366.9	39,956.1	43,638.2	47,879.0	10.8
Electronics and Appliance Specialist Retailers	17,223.3	20,134.0	20,556.8	24,754.5	29,534.9	33,096.8	14.0
Health and Beauty Specialist Retailers	21,647.1	24,968.8	28,486.0	32,948.7	36,831.1	40,980.2	13.6
Home and Garden Specialist Retailers	24,911.0	27,085.1	28,476.2	31,761.3	33,746.5	35,602.1	7.4
Leisure and Personal Goods Specialist Retailers	23,762.4	25,801.0	27,316.1	30,312.6	34,418.2	37,158.0	9.4
Mixed Retailers	6,309.3	7,201.7	8,053.5	8,746.3	9,428.7	9,924.7	9.5
Other Non-Grocery Retailers	1,731.0	1,966.3	2,077.4	2,186.5	2,287.8	2,384.4	6.6

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	1,271,708.0	1,309,553.0	1,345,581.0	1,393,060.0	1,430,153.0	1,464,950.0	2.9
Convenience Stores	24.0	40.0	60.0	81.0	80.0	94.0	31.4
Discounters	321.0	365.0	448.0	533.0	597.0	635.0	14.6
Forecourt Retailers	5,026.0	5,274.0	5,486.0	6,153.0	6,624.0	6,974.0	6.8
Hypermarkets	370.0	379.0	390.0	405.0	442.0	448.0	3.9
Supermarkets	2,192.0	2,258.0	2,348.0	2,446.0	2,523.0	2,605.0	3.5
Food/Drink/Tobacco Specialists	136,812.0	138,627.0	141,386.0	146,858.0	149,854.0	152,551.0	2.2
Independent Small Grocers	30,864.0	31,481.0	32,303.0	33,482.0	34,348.0	35,142.0	2.6
Other Grocery Retailers	229,307.0	243,295.0	251,573.0	265,736.0	276,844.0	291,406.0	4.9
Apparel Specialist Retailers	238,744.0	241,131.0	244,989.0	249,032.0	252,907.0	257,868.0	1.6
Electronics and Appliance Specialist Retailers	60,422.0	62,235.0	63,916.0	65,789.0	67,536.0	68,791.0	2.6
Health and Beauty Specialist Retailers	110,664.0	113,497.0	116,532.0	119,246.0	120,990.0	122,766.0	2.1
Home and Garden Specialist Retailers	209,421.0	214,862.0	218,937.0	224,983.0	226,383.0	228,790.0	1.8
Leisure and Personal Goods Specialist Retailers	171,310.0	176,838.0	184,097.0	190,932.0	200,472.0	203,714.0	3.5
Mixed Retailers	3,319.0	3,523.0	3,618.0	3,744.0	3,885.0	3,993.0	3.8
Other Non-Grocery Retailers	72,912.0	75,748.0	79,498.0	83,640.0	86,668.0	89,173.0	4.1

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SECTION 2

Shrinkage

1.6%

Average rate of shrinkage 2012

Retailers believe that the rate of shrinkage increased in the review period due to a weak economic scenario.

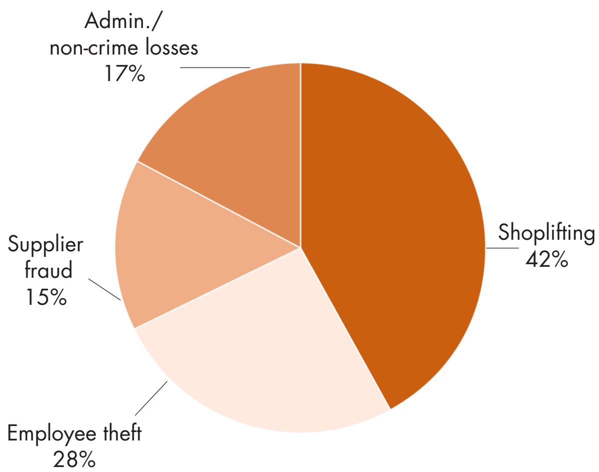
SHRINKAGE OVERVIEW

The majority of retailers interviewed report shrinkage to be a key concern in Brazil, with this impacting all types of retailers. Most respondents observed that the shrinkage rate increased during the review period, against a background of a weak economy. Increasing concern over the economic slowdown and declining consumer confidence, together with inflationary concerns, impacted the retail industry.

Some of the retailers interviewed however reported decreasing shrinkage rates during the review period, as a result of increasing investments in loss prevention. These respondents consider shrinkage to be well managed.

Across the retail landscape, shrinkage rates vary by channel. For example, it is estimated that shrinkage rates at parapharmacies/drugstores are on average lower than at grocery retailers and mixed retailers. Parapharmacies/drugstores have on average smaller shop sizes and manage a smaller number of SKUs per shop, with outlets consequently being generally easier to monitor. Furthermore, the parapharmacies/drugstores interviewed reported that they have implemented a high degree of loss prevention measures and hence stated shrinkage rates are as low as 1%.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

Source: Euromonitor International Ltd 2013. All rights reserved.

Stolen Products

Retailer Type	Top Stolen Products
Health and beauty specialist retailers	Health and beauty products (razor blades, colour cosmetics, sun protection and expensive medicines)
Grocery retailers	Premium meat (e.g. *picanha*). Health and beauty products (deodorants and colour cosmetics) Confectionery
Mixed retailers	Beauty products such as cosmetics Underwear. Seasonal products depending on specific sales events such as Mother's Day
Apparel specialists	Jeans Footwear

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Key Causes of Shrinkage

Shoplifting is the key reason for shrinkage, generating 42% of total shrinkage value in Brazil in 2012. The great majority of respondents agreed that shoplifting is the most important cause of shrinkage. It was however indicated that grocery retailers experience more administrative/non-crime losses compared to shoplifting, because food is more difficult to manage than non-food products.

For the country overall, employee theft is estimated to account for over a quarter of total shrinkage value. However, the retailers interviewed are divided on the importance of employee theft. Some believe that employee theft is the second most important cause of shrinkage, while others believe that employee theft comes in third or even fourth position.

Administrative and non-crime losses accounted for a share of 17% in total shrinkage value in 2012. This cause of shrinkage is observed to be particularly high at the majority of grocery retailers and health and beauty specialist retailers that were surveyed, because these outlets manage a high volume of fast-moving consumer goods.

Supplier fraud accounts for the lowest share of shrinkage with a value share of 15% in 2012. Interviewees indicate that this area includes significant problems with regards to suppliers delivering far lower quality products than those ordered.

Organised crime is reportedly not a key concern for most of the retailers interviewed.

Stolen Products

According to the retailers interviewed in Brazil, products are often stolen because they are small and easy to hide such as underwear, with the shoplifter simply finding the opportunity to steal them. Another key area for thefts is products stolen to be resold on the black market, with these mainly being high-value items such as jeans and shoes.

The types of products stolen naturally depend on retailer type. For example, the parapharmacies/drugstores interviewed reported that sun protection is the most stolen item in volume terms. Across total retailing, the most stolen product groups meanwhile include health and beauty items such as drugs and colour cosmetics, as these products are easily concealed and typically retail at relatively high prices.

Apparel specialists observed that thieves tend to opt for fashionable and attractive clothing and shoes that are easy to re-sell.

SECTION 3

Loss Prevention

Key Loss Prevention Methods

Training of employees to spot and deter theft
Security guards
Cameras
Dummy cartons or ticket systems
Keepers, safers, locked boxes and wrap alarms
EAS antennae
EAS labelling (including hard and soft tags)
Source tagging

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Most retailers are planning on keeping investment in loss prevention stable in the short-term

KEY PREVENTION METHODS

The majority of retailers interviewed in Brazil reported that they implement a variety of loss prevention methods. These for example include EAS solutions such as soft and hard tags for products such as clothes, as well as antennae. Many retailers also use display solutions such as keepers for small valuable goods such as Gillette shavers, alongside cameras and security guards.

The training of employees to spot and deter theft by raising awareness of suspicious customer behaviour was highlighted as one of the loss prevention methods that provides the best returns on investment. Furthermore, the consensus is that an overall company policy of a "strong shrink prevention culture" is necessary, with the best practice scenario involving the implementation of a variety of loss prevention measures in combination.

Chemists/pharmacies and parapharmacies/drugstores reported being particularly thorough in terms of preventing the theft of drugs. For example, these outlets typically use hard tags, with the medication that the customer receives from the counter being placed in a bag with a hard tag that is subsequently removed when the articles have been paid for at the cashier.

Grocery retailers also indicated that they are particularly thorough with regards to process loss prevention, by thoroughly monitoring and checking delivered as well as stocked products in terms of quantity and quality.

The majority of retailers interviewed are not planning to increase their investment in loss prevention in the short-term. Few retailers stated that they would increase investments or implement further measures, although those that did planned the implementation of measures such as source tagging and RFID.

The New Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

www.GlobalRetailTheftBarometer.com

China

THE GLOBAL RETAIL THEFT BAROMETER

China

SECTION 1

Retail Landscape

US$1,485 billion

RMB 9,359.8 billion

Total store based retail value sales excluding sales tax, 2012

5,928,893

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in China reached US$1,485 billion in 2012. This considerable sales size was supported by strong growth during the review period. Grocery retailers demonstrated an impressive 2007-2012 CAGR of 9% while non-grocery retailers posted 13% CAGR. The central government's emphasis on growing domestic demand in order to boost the economy through stimulus packages was translated into dynamic retailing growth.

Retailers, both grocery and non-grocery, increasingly adopted a customer-centric strategy during the review period. Retailers sought to facilitate consumers' shopping experience by strengthening their logistics systems or by enriching their product portfolios.

The number of retail outlets reached 5,928,893 in 2012, having increased by 3% CAGR over 2007-2012. This growth was mainly driven by non-grocery retailers which saw a 2007-2012 CAGR of 8%.

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	0,5%	0,5%
Discounters	0,1%	0,0%
Forecourt Retailers	0,2%	0,7%
Hypermarkets	6,1%	0,1%
Supermarkets	18,9%	1,9%
Food/Drink/Tobacco Spec.	2,2%	1,8%
Independent Small Grocers	5,4%	25,5%
Other Grocery Retailers	7,2%	33,2%
Apparel Specialists	5,2%	8,7%
Electronics/Appliance Spec.	9,2%	0,9%
Health/Beauty Specialists	8,7%	9,3%
Home/Garden Specialists	10,4%	6,0%
Leisure Specialists	7,2%	5,8%
Mixed Retailers	10,7%	0,1%
Other Non-Grocery Retailers	8,0%	5,5%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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Compared with relatively mature grocery retailers, many non-grocery retailing channels such as electronics and appliance specialist retailers and mixed retailers are comparatively underdeveloped in China, with less presence for multinational players in the country.

High-end shopping areas are usually found in China's major cities, with premium department stores, shopping malls and apparel specialists commonly being strategically located in areas of high foot traffic.

Informal retailing still accounts for a considerable proportion of value sales in retailing in China, especially in regions where formal retailing has yet to penetrate fully, such as rural areas. Informal retailing is expected gradually to lose ground, although it will continue to co-exist with formal retailing in a complementary role for some time yet.

Analysis by retailers type

In terms of value sales, supermarkets is the largest channel and accounted for 19% share in 2012. These outlets are increasingly accepted by Chinese consumers as a venue for grocery shopping, given their clean environment and wide product variety.

In terms of outlet numbers, independent small grocers outnumber all other channels by far, accounting for 26% share of retail outlets. While still enjoying some growth, with the channel being especially strong in rural areas, independent small grocers lost share to modern grocery outlets such as supermarkets during the review period.

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	862,957.5	966,481.5	1,054,242.7	1,189,263.9	1,339,298.1	1,484,596.1	11.5
Convenience Stores	4,324.2	4,843.1	5,157.9	5,890.3	6,833.6	8,007.8	13.1
Discounters	319.8	473.3	491.2	584.2	708.3	794.8	20.0
Forecourt Retailers	350.1	586.0	1,037.0	1,720.0	2,335.8	2,922.6	52.9
Hypermarkets	44,040.5	53,289.0	60,483.0	69,918.3	80,406.1	91,104.4	15.6
Supermarkets	164,406.9	187,752.7	203,148.5	227,323.1	253,692.6	280,025.6	11.2
Food/Drink/Tobacco Specialists	18,859.7	21,405.7	23,503.5	26,535.4	29,791.6	33,161.4	11.9
Independent Small Grocers	57,043.4	61,488.7	64,216.7	69,774.4	76,239.2	80,603.6	7.2
Other Grocery Retailers	101,887.1	104,411.8	105,145.3	106,677.4	107,780.5	107,037.8	1.0
Apparel Specialist Retailers	34,065.8	40,810.8	46,401.9	56,146.3	66,263.9	77,329.9	17.8
Electronics and Appliance Specialist Retailers	77,176.0	88,752.4	96,740.1	111,251.2	127,026.6	135,664.4	11.9
Health and Beauty Specialist Retailers	73,356.3	81,396.2	89,322.3	101,660.5	114,908.5	129,010.7	12.0
Home and Garden Specialist Retailers	84,262.4	89,748.1	102,780.7	118,302.8	135,729.9	154,211.9	12.8
Leisure and Personal Goods Specialist Retailers	56,625.5	64,052.7	71,286.6	81,035.5	93,526.7	107,410.3	13.7
Mixed Retailers	79,084.6	90,614.4	100,956.2	118,760.5	137,723.5	158,113.5	14.9
Other Non-Grocery Retailers	67,155.2	76,856.5	83,571.9	93,684.0	106,331.4	119,197.5	12.2

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	5,194,892.0	5,299,462.0	5,407,071.0	5,576,623.0	5,734,102.0	5,928,893.0	2.7
Convenience Stores	17,844.0	19,629.0	20,904.0	22,577.0	24,993.0	27,592.0	9.1
Discounters	615.0	779.0	866.0	846.0	1,010.0	1,148.0	13.3
Forecourt Retailers	8,079.0	13,918.0	24,561.0	30,798.0	37,596.0	42,968.0	39.7
Hypermarkets	2,469.0	2,868.0	3,280.0	3,723.0	4,293.0	4,872.0	14.6
Supermarkets	75,532.0	82,179.0	87,274.0	94,693.0	102,552.0	110,654.0	7.9
Food/Drink/Tobacco Specialists	83,098.0	87,668.0	91,350.0	96,375.0	101,483.0	106,760.0	5.1
Independent Small Grocers	1,261,721.0	1,306,171.0	1,334,462.0	1,404,689.0	1,465,608.0	1,509,576.0	3.7
Other Grocery Retailers	2,246,061.0	2,176,167.0	2,122,838.0	2,052,684.0	1,980,455.0	1,970,555.0	-2.6
Apparel Specialist Retailers	309,460.0	341,334.0	369,665.0	421,418.0	467,858.0	512,773.0	10.6
Electronics and Appliance Specialist Retailers	28,191.0	34,393.0	38,692.0	44,573.0	50,715.0	53,951.0	13.9
Health and Beauty Specialist Retailers	394,937.0	424,637.0	452,735.0	485,038.0	517,281.0	549,261.0	6.8
Home and Garden Specialist Retailers	255,586.0	267,595.0	288,611.0	312,505.0	335,241.0	357,081.0	6.9
Leisure and Personal Goods Specialist Retailers	234,347.0	252,398.0	271,966.0	295,169.0	320,794.0	345,896.0	8.1
Mixed Retailers	6,139.0	6,354.0	6,558.0	7,084.0	7,594.0	8,095.0	5.7
Other Non-Grocery Retailers	270,813.0	283,372.0	293,309.0	304,451.0	316,629.0	327,711.0	3.9

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SECTION 2

Shrinkage

1.5%

Average rate of shrinkage 2012

SHRINKAGE OVERVIEW

The majority of retailers interviewed report shrinkage to be a key concern in China, with most having observed the shrinkage rate increasing during the review period.

Healthy consumer demand against the background of strong economic growth is supporting rapid growth for a diverse range retail outlets and also means more people are shopping. Controlling in-store security during busy shopping hours is thus becoming increasingly challenging, with shoplifting reportedly being on the rise.

Furthermore, employee theft as well as organised crime was observed to be on the increase during the review period, as was the value of stolen goods.

Retailers consider loss prevention a key area of improvement, as shrinkage rates are increasing alongside rapid retailing growth.

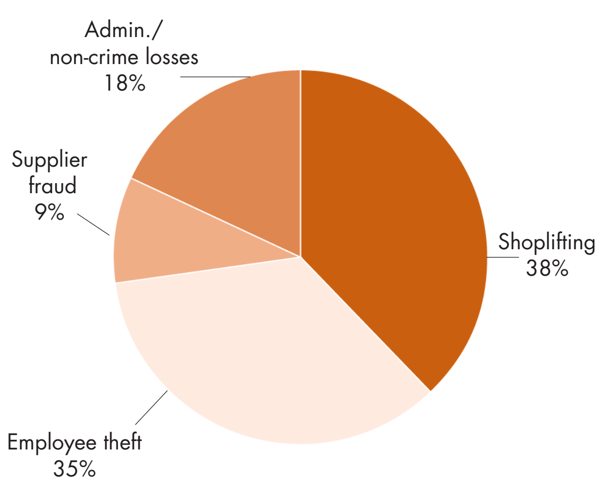
The consensus is that there is still a lot of improvement to be made with regards to shrinkage and loss prevention management. It was indicated that companies focused on driving expansion and sales growth in previous years, with investment in loss prevention lagging behind.

Those retailers interviewed that have already invested in sophisticated shrinkage management and loss prevention technologies reported a decline in shrinkage rates. Loss prevention is a priority for these retailers, with several departments working together to manage shrinkage and the implementation of key loss prevention technologies including cash-register management systems.

Shrinkage is believed to vary across the retail landscape. Rates are estimated to be higher for electronics and appliance specialist retailers, which reported rates of up to 3%, and to be below average for grocery retailers with reported rates as low as 0.3%. There are even differences within each channel. For example, within grocery retailers hypermarkets are considered to be more impacted by shrinkage than supermarkets, with their larger average store size being viewed as more difficult to manage and monitor.

It was indicated that retailers can drive their shrinkage rate down to as low as 0.3% by using so-called compensation practices. These compensations include supplier penalties, employee reimbursements for stolen goods that they overlooked and consumer price increases.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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Key Causes of Shrinkage

Shoplifting and employee theft were quoted by all trade players interviewed as the two major reasons for shrinkage, with shoplifting accounting for 38% share of the total in 2012 and employee theft for 35% share. Both shoplifting and employee theft reportedly increased during the review period.

A rise in shoplifting was in particular driven by organised crime, with this typically involving gang robberies, with a group of people acting together in a coordinated manner to accomplish the robbery and resell stolen goods. It was also observed that increasingly sophisticated criminal methods are being used, including credit card fraud and the use of bar scanners to decode items. It was indicated that for retailers such as hypermarkets, organised crime (gang theft) accounts for up to 80% of shoplifting.

Employee theft was indicated as a major source of concern. Levels increased dramatically during the review period and consequently retailers believe they require improved measures to deal with this issue. The consensus is that shoplifting can be more easily managed and prevented while employee theft is more sophisticated and thus more challenging to combat. Examples of employee theft include cashiers stealing cash and fraud related to product labels and scanned/purchased products.

Employee theft is believed to be particularly high for electronics and appliance specialist retailers and grocery retailers, while shoplifting is dominant for apparel specialists. Furthermore, grocery retailers are believed to be more vulnerable to supplier fraud and administrative errors compared to other retailers, as they manage high volumes of goods and food is considered to be more difficult to handle compared to non-food products.

Administrative losses accounted for 18% of total shrinkage value in 2012. These are commonly caused by insufficiencies in inventory and pricing systems, such as mistakes in attaching price tags or bar codes being damaged.

Supplier fraud accounted for 9% overall share in 2012. This is a major concern, particularly for large-scale grocery stores, especially hypermarkets, and includes exaggerating product loss rates due to perishing or processing.

Stolen Products

According to the Chinese retailers interviewed, products are often stolen because they are small and easy to hide, such as underwear, batteries and electronic accessories such as earphones. The shoplifter simply finds the opportunity to steal these products and does so. Another major area is products that are stolen to be resold, with this including high-value items such as technologically-advanced electronic products but also lower-priced consumer goods including packaged food

Stolen Products

Retailer Type	Top Stolen Products
Apparel specialists	Fashion accessories Jeans Dresses Sports clothing Lingerie/intimate apparel Handbags Leather coats Sunglasses Jewellery such as rings, earrings and necklaces
Mixed retailers	Electronics (iPhones/smartphones and mobile device accessories such as cases and earphones) Apparel (fashion accessories, footwear, lingerie/intimate apparel, leather coats and jewellery such as rings, earrings and necklaces) Beauty and personal care (razor blades and fragrances) DIY/home improvement (batteries)
Grocery retailers	Electronics and small household appliances (home/office consumables, iPhones/smartphones, digital cameras, mobile device accessories such as cases, earphones and hairdryers) Apparel (lingerie/intimate apparel, sports clothing and swimming costumes) Food and beverages (wines, spirits, fresh meat, packaged food, milk formula, chocolate and gum) Health and beauty (razor blades, skin care particularly facial moisturisers, colour cosmetics, sun protection, shampoos, conditioners, body wash/shower gel, toothpaste, toothbrushes and accessories, fragrances and contraceptives) DIY/home improvement (batteries)
Electronics and appliance specialist retailers	iElectronic accessories such as chargers, memory cards and earphones MP3 players Mobile phones Digital cameras

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such as milk formula and chocolate confectionery. The resale of these products mainly happens online, with strongly developing internet retailing sales in China making it easy for thieves to resell stolen items.

The type of stolen products naturally depends on the retail channel, with apparel specialists for example highlighting risk areas such as jeans, dresses and handbags and grocery retailers suffering from the theft of fresh meat. However, the most stolen product groups across the retail landscape include health and beauty products such as colour cosmetics and facial moisturisers and electronic products such as digital cameras and mobile phones. These products are easily concealed and tend to retail at relatively high prices.

Grocery retailers report that regularly purchased and basic items such as shampoos, lipsticks and deodorants are frequently missing on inventories. These products are small, easy to conceal and carry and also often have a low to medium value, meaning there is a less severe punishment for a thief if caught. These factors also result in electronic accessories such as memory cards and chargers being popular targets for thieves.

Apparel specialists report that high-priced leather goods, handbags, footwear and jewellery are among the popular fashion items that are easily stolen. Higher-value apparel and fashion goods are typically better-protected. However, thieves also target smaller and more basic items such as underwear.

SECTION 3

Loss Prevention

Key Loss Prevention Methods

Employee training to spot and deter theft
Security guards
CCTV
EAS antennae
EAS labelling (including hard tags and soft tags)
Source tagging
Chains, cables and loop alarms
Three-alarm accessories
Locked shelves and cabinets
Keepers, safers, locked boxes and wrap alarms
Cash-register management systems

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KEY PREVENTION METHODS

The majority of Chinese retailers interviewed reported using a variety of loss prevention methods. These typically include EAS solutions such as EAS soft labels and hard tags and EAS antennae and display solutions such as locked display cabinets, keepers and wrap alarms, as well as cameras and security guards.

Staff training and reward programmes were indicated as one of the most efficient solutions in the prevention of losses of all four types: shoplifting and employee-related, administrative and supplier loss. Motivated and qualified employees are able detect suspicious customer behaviour, conduct rigorous checks on supplier deliveries, follow inventory and pricing procedures and finally are not prone to stealing themselves.

Companies also started to run or plan criminal records checks on their employees, for example working closely with credit investigation teams and criminal databases in order to ensure the credibility of their staff.

Furthermore, it was indicated that retailers are keen on regular and/or surprise checks on inventories. This cheap and easy-to-perform method helps to identify losses as well as to spot employees' misdoings or lack of rigour.

Cash-register management systems are viewed as an efficient but costly solution in preventing cash losses by cashiers, with only the biggest retailers considering these to be a viable investment.

Other loss prevention solutions that are considered to offer the best return on investment are as follows:

- Electronics and appliance specialist retailers highlighted keepers and locked cabinets as effective for valuable electronic items;
- Source tagging, although costly, is viewed as highly effective, as it saves time in the store. Furthermore, tags are hidden and are therefore difficult to spot. Tags are also difficult to remove and therefore prevent resale;
- Security guards are popular, with some retailers insisting that 80% of all thefts are caught by human force;
- CCTV;
- Loop alarms;
- EAS solutions.

Furthermore, retailers stressed that data mining/analysis is of high importance in terms of loss prevention. This includes the thorough monitoring of delivery and in-store processes, such as price changes, inventories, delivered goods, waste and mark down. This area also includes evaluation of the efficiency of loss prevention methods such as measuring false alarms and the number of effectively processed alarms.

RFID use is observed to be very limited in China.

The majority of retailers interviewed are planning to increase their investment in loss prevention in the short-tearm.

The consensus is that an overall company policy of a "strong shrink prevention culture" is necessary, with the best practice scenario involving the implementation of a combined variety of loss prevention measures.

On average, Chinese retailers spent 0.1% of their revenues on loss prevention in 2012. The size of store and retail channel appear to be the two main parameters that determine each retailer's approach to in-store security. Most grocery retailers for example have been observed to spend below-average shares of revenue on loss prevention.

However, some large grocery retailers reportedly make loss prevention part of their key strategic priorities and implement a wide variety of loss prevention measures. These retailers for example highlighted the importance of data analysis such as monitoring operational and revenue statements. This enables them to identify high-shrinkage categories and to assign more resources to protecting these problematic areas. They also use loss prevention methods such as EAS soft and hard tags, loop alarms and CCTV surveillance.

In contrast, many smaller retailers are more conscious of the return-on-investment ratio. These retailers often opt to outsource their security service and/or use human force in the form of in-store staff and security guards, rather than opting for high-tech and high cost loss prevention methods.

The great majority of retailers interviewed plan to increase investments in loss prevention methods in the short-term.

Companies' general strategy for loss prevention is to start with employee training and improved inventory procedures, before moving on to improving technology security solutions. The methods chosen by retailers depend on their channel and size.

Reported planned loss prevention efforts include:

- Source tagging, as it is considered to be highly effective;
- Keepers and lockers;
- EAS solutions;
- RFID;
- Cash-register management systems that monitor cashiers receiving cash;
- Improved floor plans, with the repositioning of items in stores to make easily stolen items more visible and controllable by in-store staff.

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2012-2013

www.GlobalRetailTheftBarometer.com

France

THE GLOBAL RETAIL THEFT BAROMETER

France

SECTION 1

Retail Landscape

US$482.3 billion

€381.6 billion

Total store based retail value sales excluding sales tax, 2012

330,413

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in France reached US$482 billion in 2012. Despite ongoing low GDP growth and a high level of unemployment in France, retailing managed to achieve value growth with a 2007-2012 CAGR of 1%. While grocery retailers saw 2% CAGR over 2007-2012, non-grocery retailers were however close to stagnation with 0.4% CAGR. This was due to consumers prioritising essential grocery items over non-grocery ones.

Within grocery retailers, discounters was the most dynamic with a 2007-2012 CAGR of 5%. This channel offers extremely low prices, which appeals to consumers during difficult economic times. In non-grocery retailers, health and beauty specialist retailers was the most dynamic with a 2007-2012 CAGR of almost 2%, with consumer demand for wellbeing and beauty products driving sales.

The number of retail outlets reached 330,413 in 2012, slightly declining over the review period with -0.2% CAGR. The retailing industry in France is already mature

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	1,6%	2,7%
Discounters	4,6%	1,5%
Forecourt Retailers	0,5%	1,4%
Hypermarkets	23,0%	0,5%
Supermarkets	14,5%	2,6%
Food/Drink/Tobacco Spec.	7,2%	21,9%
Independent Small Grocers	2,6%	6,2%
Other Grocery Retailers	0,6%	1,3%
Apparel Specialists	7,0%	15,2%
Electronics/Appliance Spec.	4,5%	5,7%
Health/Beauty Specialists	12,3%	12,5%
Home/Garden Specialists	10,3%	9,7%
Leisure Specialists	8,0%	15,5%
Mixed Retailers	2,2%	0,2%
Other Non-Grocery Retailers	1,1%	3,1%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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and outlet closures were due to these years proving a tough time for retailers against the background of the economic crisis. Both grocery and non-grocery retailers declined by approximately the same rate.

In the grocery channel, only discounters experienced strong growth in outlet numbers over 2007-2012 with a CAGR of 3%, with operators expanding their networks in order to target consumers with lower purchasing power. In contrast, forecourt retailers experienced particularly strong decline with a 2007-2012 CAGR of 2%, due to the closure of outlets owned by independent players and/or those located in city centres. With a price positioning higher than other grocery retailing channels, forecourt retailers continued to experience difficulties in encouraging consumers to visit their outlets. This was particularly true during the review period, when consumers continued to be very wary about their spending.

In the non-grocery channel, only mixed retailers experienced strong growth in outlet numbers with a 2007-2012 CAGR of 4%. This was largely because the channel has not yet developed across the whole country. In contrast, electronics and appliance specialist retailers saw a particularly strong decline with a 2007-2012 CAGR of -1%. Due to the continued slowdown in the French economy, consumers spent less money on electronic goods, as these products are often not deemed to be essential. In addition, consumers increasingly preferred to buy these goods online.

Analysis by Retailer Type

In value sales terms, hypermarkets is the largest channel and accounted for 23% share in 2012, having grown by 2% CAGR over 2007-2012. Consumers value the convenience of these outlets, as they can buy all their goods in one place, purchasing

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	452,711.1	459,474.6	456,588.7	462,538.7	472,368.7	482,333.9	1.3
Convenience Stores	7,532.9	7,736.3	7,604.8	7,397.1	7,435.7	7,586.5	0.1
Discounters	17,621.5	18,927.6	20,320.7	20,735.0	21,488.9	22,262.7	4.8
Forecourt Retailers	2,563.4	2,587.2	2,527.5	2,462.9	2,416.0	2,375.1	-1.5
Hypermarkets	100,772.0	103,064.7	102,128.6	104,870.1	107,744.5	110,790.3	1.9
Supermarkets	64,024.0	65,112.5	64,233.4	66,128.3	67,953.5	69,934.7	1.8
Food/Drink/Tobacco Specialists	30,779.3	31,751.9	32,479.0	33,148.1	33,947.0	34,948.5	2.6
Independent Small Grocers	12,621.3	12,651.1	12,125.6	12,298.9	12,459.6	12,562.1	-0.1
Other Grocery Retailers	2,218.8	2,305.3	2,432.1	2,522.1	2,612.7	2,678.8	3.8
Apparel Specialist Retailers	35,891.0	34,785.6	33,811.6	33,201.0	33,579.4	33,861.5	-1.2
Electronics and Appliance Specialist Retailers	23,327.9	22,674.7	22,153.2	21,710.1	21,519.1	21,497.6	-1.6
Health and Beauty Specialist Retailers	55,108.8	56,103.9	56,513.5	57,331.9	58,390.5	59,402.4	1.5
Home and Garden Specialist Retailers	45,868.1	47,227.7	47,287.4	47,524.7	48,795.5	49,734.8	1.6
Leisure and Personal Goods Specialist Retailers	38,967.7	38,806.3	37,780.6	37,942.1	38,495.9	38,806.7	-0.1
Mixed Retailers	10,179.2	10,373.5	9,896.9	10,009.7	10,214.4	10,509.3	0.6
Other Non-Grocery Retailers	5,235.3	5,366.2	5,293.7	5,256.7	5,316.1	5,383.0	0.6

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	333,605.0	333,012.0	331,119.0	330,593.0	330,770.0	330,413.0	-0.2
Convenience Stores	8,758.0	8,784.0	8,785.0	8,838.0	9,041.0	9,134.0	0.8
Discounters	4,103.0	4,387.0	4,539.0	4,713.0	4,770.0	4,848.0	3.4
Forecourt Retailers	5,019.0	4,988.0	4,913.0	4,761.0	4,644.0	4,531.0	-2.0
Hypermarkets	1,494.0	1,533.0	1,591.0	1,607.0	1,645.0	1,654.0	2.1
Supermarkets	7,214.0	7,324.0	7,398.0	7,776.0	8,227.0	8,529.0	3.4
Food/Drink/Tobacco Specialists	75,856.0	75,309.0	74,706.0	73,810.0	73,109.0	72,523.0	-0.9
Independent Small Grocers	21,904.0	21,565.0	20,586.0	20,771.0	20,737.0	20,436.0	-1.4
Other Grocery Retailers	3,764.0	3,820.0	3,945.0	4,059.0	4,168.0	4,231.0	2.4
Apparel Specialist Retailers	49,805.0	49,915.0	49,934.0	49,984.0	50,184.0	50,356.0	0.2
Electronics and Appliance Specialist Retailers	19,806.0	19,467.0	19,300.0	19,072.0	18,885.0	18,772.0	-1.1
Health and Beauty Specialist Retailers	41,006.0	41,088.0	41,023.0	41,001.0	41,200.0	41,393.0	0.2
Home and Garden Specialist Retailers	32,669.0	32,719.0	32,611.0	32,477.0	32,383.0	32,209.0	-0.3
Leisure and Personal Goods Specialist Retailers	51,780.0	51,663.0	51,305.0	51,215.0	51,183.0	51,109.0	-0.3
Mixed Retailers	456.0	475.0	503.0	535.0	550.0	561.0	4.2
Other Non-Grocery Retailers	9,971.0	9,975.0	9,980.0	9,974.0	10,044.0	10,127.0	0.3

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fresh pastries, fruits and meat in one store instead of visiting a number of local market stalls or food/drink/tobacco specialists.

In terms of outlet numbers, food/drink/tobacco specialists is the largest channel and accounted for 22% share in 2012. The role of these traditional retailers is important thanks to their social function.

Consumers particularly like to go to markets to catch up with friends and socialise. However, the channel declined over 2007-2012 with a CAGR of -1%. Despite their good relationships with customers, traditional retailers lack the competitive advantages offered by modern grocery retailers. Food/drink/tobacco specialists have to maintain higher prices due to managing their stock without a high flow of clients.

SECTION 2

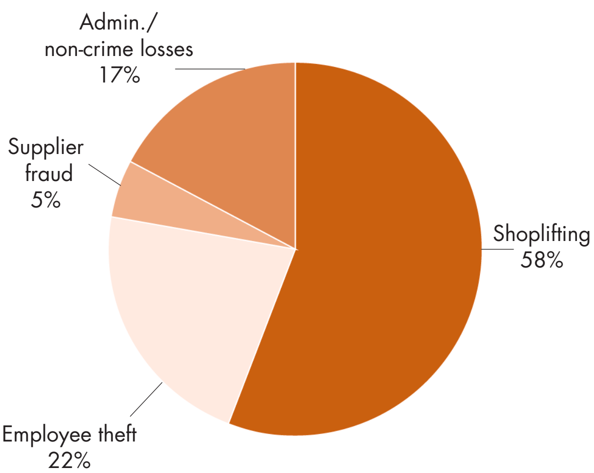
Shrinkage

1.4%

Average rate of shrinkage 2012

Most retailers believe that the rate of shrinkage increased in the review period due to a rise in organised crime.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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SHRINKAGE OVERWIEW

Shrinkage is a key concern for the French retail industry, with all channels considered to be impacted. With an estimated rate of 1.4% for the country as a whole, shrinkage is considered to have a significant impact on companies' profits and, as a result, retailers strive to control losses.

Many retailers interviewed in France believe shrinkage to be relatively well managed, at least across their own store network, with strong loss prevention methods in place. Hence, many respondents believe that they have lower shrinkage rates compared to the national average, with reported rates as low as 0.8%.

While all retailers are considered to be impacted by shrinkage and losses, there are variations across the retail landscape. Electronics and appliance specialist retailers for example are observed to experience above-average shrinkage rates with reported rates of up to 3%, due to the high value and attractiveness of the products that they sell.

The majority of respondents observed shrinkage to increase during the review period, claiming a rise in organised crime to be responsible for this development. The DIY retailers interviewed particularly reported that they were impacted by organised crime, as they offer products that are attractive for resale in their portfolios such as high-value power tools.

Furthermore, an increasing trend in shrinkage was also observed to be caused by retailers cutting their number of employees against the background of the weak economy. It was indicated that when the number of in-store staff is reduced shrinkage increases because shoplifters quickly see that they can steal more easily.

Key Causes of Shrinkage

Shoplifting is the key reason for shrinkage, estimated to generate more than half of the total shrinkage value in France. One key reason for the high share of shoplifting is the inclusion of organised crime. Shares of shoplifting can reportedly reach as much as 70-80%, depending on retail channel, as highlighted by DIY retailers and electronics and appliance specialist retailers, and the implemented prevention methods.

Employee theft follows with an estimated share of 22% for the country overall. The impact of this cause varies widely, however, with some retailers stating shares as low as 5%, while others stating shares as high as 50%. The reason for this variance is considered to be differences in the corporate culture of the retailers, taking into account issues such as employee satisfaction and fair wages.

Administrative losses rank third and accounted for 17% of the total shrinkage value in France. This share however varies by retailer. While some companies interviewed stated negligible shares, shares can reach up to 45% for others. There is no clear trend observable across the retail channels but the level of share for this area appears to depend on the inventory monitoring and controlling systems implemented by the retailer. Some grocery retailers reported low levels of administrative losses in contrast to levels reported in other countries. In many countries, grocery retailers are typically more prone to such losses due to the nature of products they handle, with food being more difficult to manage compared to non-food.

Supplier fraud is considered to be a relatively small cause of shrinkage, accounting for only 5% of the total in 2012. For some retailers, such as the electronics and appliance specialist retailers interviewed, supplier fraud is reportedly negligible, as many retailers' relationship with suppliers is computer-automated.

Stolen products

The type of products stolen naturally depends on retail channel. However, across the whole retail landscape the key product areas stolen include colour cosmetics, multimedia products, apparel and stationery.
There are observed to be two major types of theft: opportunity-driven and commercially-driven. Opportunity-driven theft is usually of basic low- to medium-value

Stolen Products

Retailer Type	Top Stolen Products
Apparel specialists	Fashion accessories Jeans Dresses Sports clothing Footwear Lingerie/intimate apparel Swimwear Leather coats Handbags Sunglasses Jewellery such as rings, earrings and necklaces Fragrances
Grocery retailers	Beauty and personal care (e.g. colour cosmetics) Smartphones, digital cameras, tablets and accessories Apparel, especially children's and baby clothing Food and beverages (e.g. alcoholic drinks) Stationery, particularly school basics (e.g. pens)
Electronics and appliance specialist retailers	Tablets Mobile phones Laptops Various types of accessories Digital cameras
Home/garden specialists	Tools with a high value Power tools Automation (e.g. remote lighting systems)
Department stores	Electronics (home/office consumables) Apparel (jeans, handbags, sunglasses and jewellery such as rings, earrings and necklaces) Beauty and personal care (colour cosmetics and fragrances) DIY/home improvement (power tools and screws)

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items for personal use, such as colour cosmetics and stationery, and anything that is identified as a sudden theft opportunity.

Commercially-driven theft is usually conducted with the aim of reselling the stolen merchandise and therefore typically targets high value goods. Stolen products in this group include smartphones and tablets. Products such as these that are not safely displayed in a cabinet are reportedly most prone to theft.

The grocery retailers interviewed reported being hardly impacted by food theft but stated that non-food products are the most stolen such as colour cosmetics and clothing.

SECTION 3

Loss Prevention

Key Loss Prevention Methods

Employee training to spot and deter theft
Security guards
Security cameras and CCTV
EAS antennae
EAS labelling (including hard tags and soft tags)
Locked shelves and cabinets
Keepers, safers, locked boxes, wrap and spider wrap alarms
Dummy cartons/ticket systems
Chains/cables/loop alarms
Three-alarm accessories
Source tagging

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KEY PREVENTION METHODS

The majority of retailers interviewed in France reported having a large number of loss prevention methods in place. These typically include EAS solutions and display solutions such as spider wrap alarms, locked cabinets and keepers, alongside cameras and security guards. The consensus is that the best practice solution in loss prevention is the implementation of a variety of measures at the same time.

The level of implemented security measures varies by retailer. For example among the apparel specialists interviewed, EAS solutions were observed to be most common, followed by keepers/safers/locked boxes/ wrap alarms.

Human interaction is considered to be the most important factor in loss prevention and was indicated as offering the best return on investment. This includes security guards, who can not only act immediately in the case of theft but also serve as a deterrent, and the training of in-store sales staff to spot and deter theft. It was indicated that even highly-advanced technological methods of loss prevention would fail without human presence and interaction. Other methods that were mentioned during interviews as offering the best return on investment include security cameras and spider wrap alarms.

Furthermore, interviewees pointed out that the operation of internal monitoring systems is important for the control and prevention of administrative errors. This enables retailers to thoroughly monitor delivery and in-store processes, including data mining.

Retailer investment in loss prevention technology is likely to remain relatively stable over the short-term.

Nearly 50% of the retailers interviewed in France indicated that they implemented RFID in their retail outlets. RFID is considered to improve inventory visibility and management, as well as to enhance loss prevention capabilities.

The average share of total revenue spent on loss prevention by French retailers stood at approximately 0.1% in 2012.

The majority of retailers interviewed do not plan to increase their investment in loss prevention in the short-term. Most respondents planned to keep investments in loss prevention stable in the foreseeable future, not changing their security strategy and not planning any new developments in this area in their stores.

One of the key reasons stated for this was that many respondents believed they had already implemented sufficient loss prevention methods. Furthermore, tight financial planning in a difficult economic environment is expected to prevent higher spending on loss prevention.

Only a few respondents indicated plans for increased spending on loss prevention in the short-term. Among the few reported planned efforts are:

- Increased spending on loss prevention consumables;
- Data mining/analytics;
- Employee training to spot and deter theft.

The New Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

www.GlobalRetailTheftBarometer.com

Germany

THE GLOBAL RETAIL THEFT BAROMETER

Germany

SECTION 1

Retail Landscape

US$494.8 billion

€391.4 billion

Total store based retail value sales excluding sales tax, 2012

295,195

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in Germany reached US$495 billion in 2012, having grown by 1% CAGR over 2007-2012. Retailing performed better than real GDP growth, indicating a relatively stable purchasing pattern for consumer goods. Value growth was seen across both the grocery and non-grocery channels.

Within grocery retailing, supermarkets was most dynamic with a 2007-2012 CAGR of 3%. Most players were clever in their marketing, making consumers aware that they offered the same benefits as discounters through their private label ranges, whilst at the same time emphasising that they offered a considerably wider choice of products.

Within non-grocery retailing, home/garden specialists was the most dynamic with a 2007-2012 CAGR of 2%. This channel benefited from the ever-increasing number of elderly consumers, with these consumers having a tendency to invest in homes and gardens in order to improve their living space.

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	0,2%	0,3%
Discounters	16,3%	5,4%
Forecourt Retailers	2,2%	5,0%
Hypermarkets	8,4%	0,6%
Supermarkets	12,4%	5,1%
Food/Drink/Tobacco Spec.	5,1%	12,3%
Independent Small Grocers	2,5%	7,0%
Other Grocery Retailers	0,6%	1,4%
Apparel Specialists	7,8%	11,1%
Electronics/Appliance Spec.	5,2%	6,5%
Health/Beauty Specialists	16,0%	13,0%
Home/Garden Specialists	13,0%	7,7%
Leisure Specialists	7,2%	20,5%
Mixed Retailers	2,5%	1,1%
Other Non-Grocery Retailers	0,6%	3,0%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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The number of retail outlets reached 295,195 in 2012, seeing -1% CAGR over 2007-2012. Key players already typically have nationwide coverage, leaving little to no room for further outlet openings. As a result, German retailers mainly focused on improvements to current outlets and ranges, rather than on expansion.

The grocery retail network was relatively stable during the review period, seeing a CAGR of just -0.1%. Discounters was the most dynamic channel in terms of network growth seeing a 2007-2012 CAGR of 2%. These outlets are very popular amongst Germans due to their ability to offer good quality products at very attractive prices.

The non-grocery retail network saw -2% CAGR over 2007-2012. Only mixed retailers with 2% CAGR and apparel specialists with 1% CAGR posted growth.

The larger number of openings compared with closures in these channels can be attributed to relatively strong consumer economic confidence, as well as shifts in terms of store brands and store formats. Within mixed retailers, for example, the stores that went out of business were mainly department stores. These were outnumbered by newly opened stores, which were mainly variety stores, especially small discount euro shops.

Analysis by retailers type

In value sales terms, discounters is the largest channel and accounted for 16% value share in 2012, having grown by 2% CAGR over 2007-2012. Discounter chains and their outlets have a loyal customer base in Germany and offer at least adequate quality but often and increasingly even premium quality products at rock-bottom prices. This is highly attractive to price-sensitive consumers.

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	467,670.1	479,881.4	474,376.7	483,430.5	490,662.6	494,801.9	1.1
Convenience Stores	941.7	859.8	647.3	683.6	729.3	768.2	-4.0
Discounters	74,697.2	77,484.6	77,439.7	79,261.6	80,299.7	80,818.2	1.6
Forecourt Retailers	10,222.7	10,996.9	10,932.5	10,926.0	10,855.6	10,812.5	1.1
Hypermarkets	41,813.4	43,117.9	42,445.4	42,483.5	41,425.7	41,794.4	0.0
Supermarkets	53,347.6	59,976.3	56,755.2	58,591.1	60,798.5	61,153.4	2.8
Food/Drink/Tobacco Specialists	25,159.7	24,660.8	24,773.8	24,676.6	25,027.0	25,292.3	0.1
Independent Small Grocers	13,953.2	12,939.3	12,615.4	12,697.4	12,633.9	12,550.5	-2.1
Other Grocery Retailers	2,687.3	2,679.1	2,740.0	2,755.5	2,812.0	2,866.0	1.3
Apparel Specialist Retailers	38,711.1	37,356.2	36,937.9	37,969.1	38,610.8	38,784.5	0.0
Electronics and Appliance Specialist Retailers	23,724.6	24,128.0	25,279.3	25,759.6	25,836.9	25,668.9	1.6
Health and Beauty Specialist Retailers	71,787.9	73,975.4	75,765.1	77,153.3	77,714.4	78,983.1	1.9
Home and Garden Specialist Retailers	57,706.5	58,515.7	58,102.9	60,260.6	63,050.0	64,203.6	2.2
Leisure and Personal Goods Specialist Retailers	34,541.5	34,622.5	34,519.1	34,968.6	35,650.6	35,856.9	0.8
Mixed Retailers	15,400.7	15,600.7	12,466.8	12,306.8	12,232.4	12,248.0	-4.5
Other Non-Grocery Retailers	2,974.9	2,968.1	2,956.2	2,937.3	2,986.0	3,001.6	0.2

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	309,110.0	307,836.0	305,256.0	303,748.0	302,277.0	295,195.0	-0.9
Convenience Stores	922.0	923.0	845.0	888.0	938.0	985.0	1.3
Discounters	14,525.0	14,904.0	14,797.0	15,487.0	15,690.0	15,779.0	1.7
Forecourt Retailers	14,334.0	14,502.0	14,639.0	14,731.0	14,688.0	14,669.0	0.5
Hypermarkets	1,703.0	1,722.0	1,757.0	1,713.0	1,713.0	1,727.0	0.3
Supermarkets	15,349.0	15,266.0	14,874.0	14,887.0	14,866.0	14,939.0	-0.5
Food/Drink/Tobacco Specialists	36,489.0	36,340.0	36,149.0	35,949.0	36,127.0	36,278.0	-0.1
Independent Small Grocers	22,671.0	22,205.0	21,812.0	21,378.0	20,993.0	20,657.0	-1.8
Other Grocery Retailers	4,084.0	4,091.0	4,270.0	4,330.0	4,318.0	4,280.0	0.9
Apparel Specialist Retailers	31,732.0	32,050.0	32,211.0	32,414.0	32,709.0	32,848.0	0.7
Electronics and Appliance Specialist Retailers	21,719.0	21,209.0	20,661.0	20,374.0	19,801.0	19,213.0	-2.4
Health and Beauty Specialist Retailers	48,798.0	48,337.0	47,918.0	46,428.0	45,115.0	38,255.0	-4.8
Home and Garden Specialist Retailers	24,160.0	23,727.0	23,361.0	23,042.0	22,910.0	22,756.0	-1.2
Leisure and Personal Goods Specialist Retailers	60,464.0	60,298.0	60,017.0	60,039.0	60,220.0	60,559.0	0.0
Mixed Retailers	3,090.0	3,228.0	2,965.0	3,158.0	3,278.0	3,386.0	1.8
Other Non-Grocery Retailers	9,070.0	9,034.0	8,980.0	8,930.0	8,911.0	8,864.0	-0.5

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In terms of outlet numbers, leisure specialists is the largest channel and accounted for 21% volume share in 2012. This is a very fragmented channel, with a large amount of independent as well as chained sports goods stores, jewellery and watch specialist retailers, media products stores, stationers/office supply stores and toys and games stores.

SECTION 2

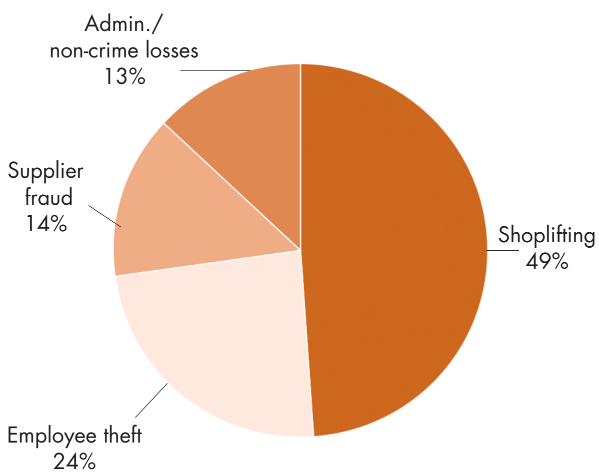
Shrinkage

1.1%

Average rate of shrinkage 2012

Most retailers believe that shrinkage is well managed, with the majority having observed the shrinkage rate decreasing in the review period due to improved loss prevention methods.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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SHRINKAGE OVERVIEW

The majority of German retailers interviewed agree that shrinkage is generally well managed, with implemented security and loss prevention systems being of a high standard. With an estimated average rate of 1% in the country, shrinkage is not considered to be a key concern, unlike most other countries under review such as the US and the Netherlands.

While some of the trade players interviewed observed the shrinkage rate to be relatively stable during the review period, most interviewees reported decreasing shrinkage rates. This was stated to be a result of improved loss prevention measures. These for example included better stock control systems and more advanced data analysis systems in order to apply more targeted measures to reduce shrinkage. These measures also included the implementation of EAS solutions, staff training to raise awareness and the increased presence of security personnel. Few retailers indicated that they are still in the process of improving their loss prevention measures, with these starting with better monitoring systems in order to detect weak areas and to understand the reasons for shrinkage.

Across the retail landscape, non-food retailers such as apparel specialists are estimated to be impacted by shrinkage to a greater degree. This is due to the nature of products that they sell, which are high value, highly desired and relatively easy to conceal. Meanwhile, grocery retailers are estimated to experience on average lower shrinkage rates, reporting figures as low as 0.6%.

However, it was indicated that grocery retailers and in particular discounters suffer the most in terms of margins. These channels operate in an environment of fierce price competition and extremely low margins. As a result, theft hurts them much more financially compared to apparel specialists, which have higher margins on average.

Furthermore, shrinkage is observed to vary between urban and rural locations, with shrinkage rates reportedly being often twice as high in urban compared to rural stores.

Key Causes of Shrinkage

The German trade players interviewed stressed that causes of shrinkage ultimately depend on the type and strength of implemented security measures, as well as the corporate culture of the company. The latter particularly impacts employee theft, which is observed to depend on the degree to which employees identify themselves with the company, taking into account issues such as employee satisfaction and fair wages. As a result, for some retailers employee theft can be comparatively high while for others it can be reportedly close to zero.

All interviewees agree that shoplifting is the main cause of shrinkage, with this being estimated to account for 49% share overall in the country. This share can reach as high as 60-80% for channels such as electronics and appliance specialist retailers. This channel is considered to be particularly prone to shoplifting due to the nature of products that it sells, which are high in value and easy to hide and resell. Again, shares are considered to vary from retailer to retailer. Companies implementing strong loss prevention measures such as highly visible security systems that deter customers from stealing reportedly experience significantly lower levels of shoplifting.

Retailers in Germany are divided on the importance of the remaining three causes of loss. For the country overall, it is estimated that employee theft ranks second with 24% share of total shrinkage value in 2012, followed by supplier fraud with 14% share and then administrative losses with 13% share.

Supplier fraud appears to be under control at some retailers interviewed, such as electronics and appliance specialist retailers. However, levels are observed to be relatively high at grocery retailers with reported shares of up to 30%. However, it is indicated that not all problems with suppliers are malicious. Problems are not always intentional but instead are often technologically-driven and hence are administrative errors.

Some retailers interviewed claim to have administrative losses under control, reporting negligible shares.

However, for other retailers this kind of loss is of key significance with reported shares of up to 30%. There is no clear trend observable across retail channels but the level of share appears to depend on the inventory monitoring/controlling systems that have been implemented by the retailer.

Stolen Products

According to the German retailers interviewed, most stolen items are small, easy to steal and hide, have a high value and offer the possibility of resale, such as via car boot sales or internet retailing site eBay. These

Stolen Products

Retailer Type	Top Stolen Products
Apparel specialists	Fashion accessories Jeans Footwear Lingerie/intimate apparel Handbags Jewellery such as rings, earrings and necklaces Batteries
Grocery retailers	Electronics (mobile device accessories such as cases and earphones, electronic games and satellite navigation/GPS, DVDs and CDs) Apparel (fashion accessories, sports clothing and sunglasses) Food and beverages (spirits and tobacco) Beauty and personal care (razor blades, electric toothbrushes and accessories, body care products and facial moisturisers) DIY/home improvement (batteries)
Electronics and appliance specialist retailers	Smartphones Tablets Headphones Notebooks Digital cameras
Home and garden specialists	Small power tools Batteries Accessories such as garden trimmer lines, boxes of nails, screws and other small items Hand tools Plant food and pest and weed control products

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products for example include branded clothing and electronic goods.

Retailers tend to distinguish between two major types of theft: opportunity-driven and commercially-driven. Opportunity-driven theft is usually of low- to medium-value items such as beauty and personal care, electronic accessories, batteries, DVDs and anything that is desirable and identified as a sudden opportunity for theft. Commercially-driven theft is usually conducted with the aim off reselling stolen merchandise and therefore tends to target higher value goods that offer good returns.

The type of stolen products naturally depends on the retail channel. For example, DIY retailers reported the theft of items such as power tools and weed control products, while supermarkets highlighted tobacco and spirits. Apparel specialists meanwhile indicated jeans and footwear and electronics and appliance specialist retailers indicated smartphones and digital cameras as major theft areas.

The consensus is however that the most stolen product areas across the retail landscape include beauty and personal care such as razor blades and facial moisturisers, as well as electronic products such as DVDs, headphones and games. These products often offer the opportunity for theft due to being highly visible and easy to steal, are easily concealed and tend to retail at relatively high prices.

Food theft is not considered to be a major issue for the grocery retailers interviewed and has reportedly not increased as a result of the relatively weak economy seen since 2008/2009.

SECTION 3

Loss Prevention

Key Loss Prevention Methods
Employee training to spot and deter theft
Security guards
CCTV
EAS antennae
EAS labelling including hard tags and soft tags
Locked shelves and cabinets
Safers/locked boxes/keepers/wrap or spider wrap alarms
Dummy cartons/ticket systems
Chains/cables/loop alarms
Bottle tags
Three-alarm accessories
Source tagging

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KEY PREVENTION METHODS

The great majority of Germany retailers interviewed reported that they use a wide variety of loss prevention methods. These typically include EAS solutions such as soft tags for cosmetic products and display solutions such as chains/cables/loop and spider wrap alarms for electronic items, safers for CDs, locked shelves or ticket systems for cigarettes and tags for spirits. Many retailers also reported using CCTV as well as in-store security guards.

Best practice solutions were indicated to depend on the type of store and size of products. For example, for many small fast-moving consumer goods, it is considered to be unfeasible to attach tags. Different methods and systems thus work best for different products. The choice of protection method also depends on how the product is packaged and whether the packaging is easy or difficult to open for thieves. Best practice loss prevention consequently includes the implementation of a variety of measures concurrently, such as CCTV, EAS solutions, display solutions and staff training.

It was also indicated that thieves are discouraged from attacking cashiers if they are unable to access high amounts of cash. Cashiers' lack of access to large quantities of cash is thus emphasised via posters in stores.

Retailer investment in loss prevention technology is likely to remain relatively stable over the short-term.

Data analysis/processing/mining was mentioned as one of the most important loss prevention methods, such as constantly checking incoming goods, inventory and outgoing goods in order to find out what disappears, where and when. This enables retailers to analyse/identify problem areas and to improve stock control, with measures being adapted to the requirements of individual stores.

Other highlighted loss prevention solutions that are considered to offer the best return on investment include:

- Staff motivation and training to raise shrinkage and loss prevention awareness and to enable employees to spot and deter theft;
- Video/CCTV technology;
- EAS solutions, with theft incidences having reportedly significantly reduced in those stores where EAS was introduced;
- Safers, as these are considered to be inexpensive, easy to apply and to provide strong protection;
- Security guards.

Shrinkage is considered to be managed well in Germany. Investment in loss prevention technology is thus likely to remain relatively stable in the short-term. Most retailers interviewed believe that the measures they undertook during the review period, such as the implementation of EAS systems, have already led to year-on-year reductions in losses. They are reportedly content with the shrinkage rates they have achieved as a result.

If retailers are planning to increase their efforts, they reported plans for the improvement of existing technologies such as stock control systems and the roll out of already implemented systems such as EAS across a wider store network.

It was indicated that, if at all, mostly only individual stores will see an increase in loss prevention investment rather than the total network. This will typically occur because these stores are in a problematic location that is heavily affected by organised crime and hence encounter significant shrinkage problems.

Few retailers indicated that they are still in the process of improving their loss prevention measures on a company level. These retailers are seeking to better monitor and record the reasons for shrinkage and as a result to finally implement a best practice loss prevention solution in the short- to medium-term.

The *New* Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

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Hong Kong

THE GLOBAL RETAIL THEFT BAROMETER

Hong Kong

SECTION 1

Retail Landscape

US$51.4 billion

HK$389.6 billion

Total store based retail value sales excluding sales tax, 2012

57,764

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in Hong Kong reached US$51 billion in 2012, having increased strongly over 2007-2012 with a CAGR of 11%. This was due to the growing numbers of mainland Chinese tourists visiting Hong Kong and local positive spending sentiment due to stable employment levels.

While grocery retailers increased sales by 7% CAGR over 2007-2012, non-grocery retailers grew by a dynamic 12% CAGR. Tourist-driven retailers, including apparel specialists, beauty specialist retailers and jewellers recorded strong value growth. This was due to the wide range of brands available in Hong Kong. In addition, the products sold in Hong Kong are cheaper than in many other Asian countries due to low taxation levels.

The number of retail outlets reached 57,764 in 2012, having remained relatively stable during the review period with a CAGR of 0.1%. Rental costs reached new heights during the review period, affecting the operational costs of retailers in Hong Kong, with

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	2,4%	2,2%
Discounters	0,0%	0,0%
Forecourt Retailers	0,1%	0,3%
Hypermarkets	0,0%	0,0%
Supermarkets	9,2%	1,6%
Food/Drink/Tobacco Spec.	5,6%	18,0%
Independent Small Grocers	1,2%	4,8%
Other Grocery Retailers	0,3%	9,0%
Apparel Specialists	15,0%	21,4%
Electronics/Appliance Spec.	11,1%	5,0%
Health/Beauty Specialists	9,6%	9,2%
Home/Garden Specialists	4,3%	3,1%
Leisure Specialists	31,2%	11,2%
Mixed Retailers	9,3%	0,2%
Other Non-Grocery Retailers	0,7%	14,0%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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independent retailers particularly having difficulties coping with increasing rents. Retailing is thus moving towards more international and chained outlets. As a result, only modern grocery retailers (chained convenience stores, forecourt retailers and supermarkets) and mixed retailers experienced strong outlet expansion during the review period.

Hypermarkets and discounters are not present in Hong Kong. If discounters enter Hong Kong, they are expected to see a poor performance in the short- to medium-term. Consumers in Hong Kong are strongly focused on food safety issues and the nutritional value of food products. Hence, any new private label products will need time to build acceptance and a reputation for quality. In addition, supermarkets already offer a wide range of budget products in their private label portfolios, so this channel has already captured the potential for private label development.

Analysis by retailers type

Leisure specialists is the largest channel, generating almost a third of total retail value sales in 2012. This was also among the most dynamic channels with a 2007-2012 CAGR of 13%. This strong performance was due to thriving inbound tourism and comparatively high luxury taxes in mainland China, with lower prices boosting retail sales in Hong Kong.

Comprising over a fifth of the total network in terms of outlet numbers, apparel specialists is the largest channel. Foreign brands in particular continued to enjoy rapid growth in expansion in this channel, due to the high popularity of foreign brands amongst youngsters in Hong Kong.

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	31,026.8	33,134.5	33,818.1	39,361.5	46,525.9	51,400.2	10.6
Convenience Stores	1,016.3	1,056.9	1,046.4	1,160.9	1,195.8	1,238.4	4.0
Discounters							
Forecourt Retailers	64.8	77.5	75.2	68.0	66.2	64.6	0.0
Hypermarkets							
Supermarkets	3,054.2	3,466.5	3,674.5	4,053.3	4,364.9	4,729.5	9.1
Food/Drink/Tobacco Specialists	2,164.0	2,250.5	2,300.0	2,510.0	2,723.5	2,900.5	6.0
Independent Small Grocers	682.5	668.9	648.8	634.5	644.5	644.1	-1.2
Other Grocery Retailers	140.8	139.1	135.6	142.4	152.4	161.8	2.8
Apparel Specialist Retailers	4,388.1	4,737.6	4,701.0	5,620.7	6,770.4	7,737.6	12.0
Electronics and Appliance Specialist Retailers	2,908.3	3,136.4	3,277.5	4,198.7	5,059.1	5,686.4	14.4
Health and Beauty Specialist Retailers	3,331.6	3,536.5	3,680.5	4,011.3	4,511.7	4,914.7	8.1
Home and Garden Specialist Retailers	1,751.8	1,811.1	1,787.0	1,954.5	2,094.7	2,195.1	4.6
Leisure and Personal Goods Specialist Retailers	8,530.6	8,981.4	9,100.7	11,143.5	14,417.4	16,016.4	13.4
Mixed Retailers	2,670.0	2,951.3	3,074.9	3,541.4	4,190.2	4,756.7	12.2
Other Non-Grocery Retailers	324.0	320.8	316.0	322.3	335.2	354.3	1.8

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	57,383.0	57,551.0	57,530.0	57,679.0	57,745.0	57,764.0	0.1
Convenience Stores	1,124.0	1,197.0	1,290.0	1,318.0	1,303.0	1,285.0	2.7
Discounters							
Forecourt Retailers	121.0	148.0	152.0	142.0	146.0	149.0	4.3
Hypermarkets							
Supermarkets	726.0	796.0	866.0	861.0	878.0	897.0	4.3
Food/Drink/Tobacco Specialists	10,248.0	10,345.0	10,365.0	10,368.0	10,398.0	10,418.0	0.3
Independent Small Grocers	2,991.0	2,946.0	2,911.0	2,874.0	2,834.0	2,799.0	-1.3
Other Grocery Retailers	5,464.0	5,385.0	5,350.0	5,350.0	5,285.0	5,224.0	-0.9
Apparel Specialist Retailers	12,125.0	12,122.0	12,009.0	12,159.0	12,259.0	12,369.0	0.4
Electronics and Appliance Specialist Retailers	2,837.0	2,803.0	2,786.0	2,818.0	2,843.0	2,863.0	0.2
Health and Beauty Specialist Retailers	5,085.0	5,149.0	5,177.0	5,237.0	5,276.0	5,300.0	0.8
Home and Garden Specialist Retailers	1,848.0	1,847.0	1,834.0	1,820.0	1,824.0	1,789.0	-0.6
Leisure and Personal Goods Specialist Retailers	6,437.0	6,465.0	6,452.0	6,451.0	6,480.0	6,493.0	0.2
Mixed Retailers	77.0	88.0	98.0	101.0	102.0	103.0	6.0
Other Non-Grocery Retailers	8,300.0	8,260.0	8,240.0	8,180.0	8,117.0	8,075.0	-0.5

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SECTION 2

Shrinkage

1.1%

Average rate of shrinkage 2012

SHRINKAGE OVERVIEW

Overall, shrinkage is reportedly not a key concern for retailers, as its impact is considered to be marginal. The Hong Kong retailers interviewed agree that shrinkage is well managed, with the estimated rate of 1.1% in the region being observed to remain relatively stable during the review period.

In the overall retail environment, it is estimated that grocery retailers, particularly large stores, experience slightly higher shrinkage rates of reportedly up to 1.2%. After various food scandals, such as the milk scandal, in mainland China, food safety is of high and increasing concern for mainland Chinese consumers. Demand for some Hong Kong goods such as milk formula and OTC

Retailers believe that losses are well managed and that the shrinkage rate remained fairly stable in the review period.

medication from mainland Chinese consumers is high, as these consumers have a strong trust in the quality of Hong Kong products. Such items were consequently reported to be particularly impacted by organised crime, with stolen products typically being resold in mainland China.

Health and beauty specialist retailers also reported slightly higher than average shrinkage rates of up to 1.2%. This is due to the nature of the products sold by this channel, which are typically small and easy to conceal, such as lip balm.

Companies retailing high-value goods such as jewellery in contrast reported particularly strong security measures and, as a result, very low shrinkage rates. For these retailers, shrinkage is mainly due to administrative losses rather than to theft/fraud related to employees, suppliers or customers.

Key Causes of Shrinkage

All interviewees agree that shoplifting is the main cause of shrinkage, followed by employee theft, with these causes estimated to account for 59% and 22% share respectively of the total in 2012.

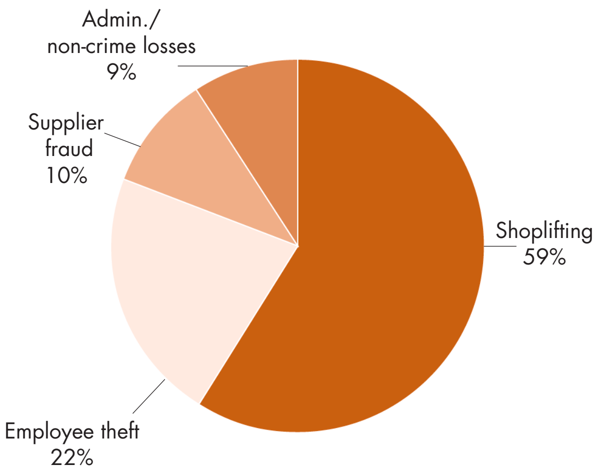
The key reason for the high share of shoplifting is the inclusion of organised crime. This area for example includes the theft of milk formula and OTC medication, with these products often being resold in mainland China. There is high demand for high quality products in mainland China, due to the country seeing several recent food scandals.

Retailers in Hong Kong are divided on the importance of supplier fraud and administrative losses. While some insist that supplier fraud ranks third in terms of share, others believe that administrative losses account for a higher share. For the country overall, supplier fraud and administrative/non-crime losses are estimated to account for 10% and 9% share respectively.

Stolen Products

According to the Hong Kong retailers interviewed, most stolen items are small and easy to steal and hide. Retailers for example indicated that small products such as lip balm are difficult to protect, as it is difficult to implement tags. They also stated that the high quantity and turnover of some fast-moving consumer goods per store makes these products difficult to manage and monitor.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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Stolen Products

Retailer Type	Top Stolen Products
Health and beauty specialist retailers	Health and beauty products in small pack sizes such as lip balm OTC medication
Grocery retailers	Milk formula Confectionery such as sugar confectionery OTC medication

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Furthermore, most stolen items often have a relatively high value and/or offer the ability for resale. The main areas of concern were stated to be OTC medication and milk formula.

Grocery retailers also mentioned packaging concerns, with products that are individually packed in a multi-pack being most prone to theft. These products can be easily taken out of the packaging, with thieves typically removing the contents and leaving the empty box on the shelf. With this procedure, the individual unit is still in packaging and is hence easier to resell than a loose product.

SECTION 3

Loss Prevention

Key Loss Prevention Methods

Employee training to spot and deter theft
Security guards
CCTV
EAS antennae
EAS labelling (including hard tags and soft tags)
Locked shelves and cabinets
Keepers, safers, locked boxes and wrap alarms

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Retailer investment in loss prevention technology is likely to remain stable over the short-term.

KEY PREVENTION METHODS

Most of the Hong Kong retailers interviewed reported applying a number of loss prevention methods. For example, many retailers use EAS solutions and display solutions such as locked display cabinets, for example for OTC medication, alongside security cameras and in-store security guards. Employee training was also mentioned as being of particular importance for spotting and deterring theft.

Smaller stores reportedly have fewer security measures implemented, with convenience stores for example mostly relying on cameras.

Overall, EAS solutions were indicated as being among the loss prevention methods offering the best return on investment, next to human force involving a large number of in-store personnel and security guards as well as staff training.

Shrinkage is considered to be managed well in Hong Kong while for most retailers shrinkage rates are viewed as negligible. Investment in loss prevention technology is thus likely to remain relatively stable in the short-term. Among the few reported planned efforts are the implementation of RFID technology and EAS solutions.

The New Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

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Italy

THE GLOBAL RETAIL THEFT BAROMETER

Italy

SECTION 1

Retail Landscape

US$360.6 billion

€285.2 billion

Total store based retail value sales excluding sales tax, 2012

885,738

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in Italy reached US$361 billion in 2012. Retail sales were close to stagnation during the review period with a 2007-2012 CAGR of -0.1%.

Sales of grocery retailers increased by almost 1% CAGR over 2007-2012. Growth was driven by modern formats such as discounters, with these meeting the needs of Italian consumers looking for more competitive prices.

Non-grocery retailers meanwhile experienced declining sales with a 2007-2012 CAGR of -1%. Mixed retailers suffered mainly due to the poor performance of apparel and alongside apparel specialists were particularly weak. This development was a result of Italian consumers' decreasing spending capacity against the background of the economic crisis.

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	4,6%	1,7%
Discounters	3,7%	0,5%
Forecourt Retailers	0,1%	0,1%
Hypermarkets	7,4%	0,1%
Supermarkets	15,3%	1,1%
Food/Drink/Tobacco Spec.	6,7%	13,5%
Independent Small Grocers	4,8%	8,6%
Other Grocery Retailers	0,4%	4,7%
Apparel Specialists	13,3%	17,7%
Electronics/Appliance Spec.	3,4%	1,2%
Health/Beauty Specialists	10,5%	5,7%
Home/Garden Specialists	14,9%	10,2%
Leisure Specialists	7,4%	16,8%
Mixed Retailers	1,1%	0,1%
Other Non-Grocery Retailers	6,4%	18,0%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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The number of retail outlets reached 885,738 in 2012, slightly declining with -0.4% CAGR over 2007-2012. Grocery retailers and non-grocery retailers declined by approximately the same rate, pulled down by independent stores that are not affiliated to any major retail chain.

Analysis by retailers type

In sales terms, supermarkets is the largest channel and accounted for 15% value share in 2012. This was thanks to the channel's combination of competitive prices, accessibility and wide presence in the country.

In terms of outlet numbers, apparel specialists is the largest channel and accounted for 18% volume share in 2012. The Italian population has a tradition of enthusiasm for fashion.

However, the total outlet volume for this channel slightly declined during the review period with a CAGR -0.1%. Many independents closed due to the difficult economy, with Italians being forced to cut their spending in apparel.

On the other hand, chained and franchised stores continued to expand outlet volume.

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	362,805.0	367,177.5	364,548.5	363,532.5	363,491.6	360,588.4	-0.1
Convenience Stores	17,354.3	17,843.7	17,352.0	16,858.9	16,981.5	16,682.5	-0.8
Discounters	11,130.2	12,183.8	12,674.5	12,840.2	13,287.3	13,389.2	3.8
Forecourt Retailers	132.8	147.4	174.7	189.6	199.3	197.3	8.2
Hypermarkets	25,815.1	26,439.7	27,004.3	26,810.3	26,321.2	26,539.2	0.6
Supermarkets	49,148.6	50,339.7	51,846.6	52,582.8	54,181.1	55,150.6	2.3
Food/Drink/Tobacco Specialists	25,688.1	26,019.1	25,517.0	25,019.7	24,322.1	23,989.2	-1.4
Independent Small Grocers	18,106.7	17,826.0	17,490.9	17,358.3	17,484.5	17,366.0	-0.8
Other Grocery Retailers	1,261.6	1,288.0	1,285.4	1,316.7	1,348.1	1,362.8	1.6
Apparel Specialist Retailers	53,276.6	51,785.2	50,652.4	49,872.3	49,209.6	47,962.5	-2.1
Electronics and Appliance Specialist Retailers	13,717.8	12,974.9	11,897.4	12,176.6	12,543.0	12,419.6	-2.0
Health and Beauty Specialist Retailers	35,158.3	37,065.5	37,745.7	38,289.1	38,593.6	37,970.3	1.6
Home and Garden Specialist Retailers	56,445.5	55,254.5	53,446.6	53,644.2	53,660.8	53,562.0	-1.0
Leisure and Personal Goods Specialist Retailers	27,899.3	28,322.4	28,211.4	28,146.3	27,469.2	26,746.1	-0.8
Mixed Retailers	4,630.4	4,742.6	4,672.7	4,377.9	4,162.9	3,985.5	-3.0
Other Non-Grocery Retailers	23,039.7	24,945.0	24,576.9	24,049.6	23,727.6	23,265.7	0.2

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	901,863.0	906,743.0	904,546.0	908,650.0	899,334.0	885,738.0	-0.4
Convenience Stores	16,887.0	17,076.0	16,630.0	16,495.0	16,017.0	15,129.0	-2.2
Discounters	3,847.0	4,047.0	4,127.0	4,188.0	4,421.0	4,430.0	2.9
Forecourt Retailers	306.0	367.0	440.0	480.0	537.0	585.0	13.8
Hypermarkets	619.0	652.0	680.0	697.0	771.0	781.0	4.8
Supermarkets	9,479.0	9,610.0	9,669.0	9,707.0	10,231.0	9,913.0	0.9
Food/Drink/Tobacco Specialists	130,285.0	129,099.0	125,355.0	124,941.0	122,502.0	119,562.0	-1.7
Independent Small Grocers	70,736.0	69,727.0	77,612.0	78,792.0	78,343.0	76,678.0	1.6
Other Grocery Retailers	43,610.0	42,990.0	42,470.0	42,873.0	42,272.0	41,744.0	-0.9
Apparel Specialist Retailers	157,500.0	157,833.0	157,069.0	156,846.0	156,658.0	156,501.0	-0.1
Electronics and Appliance Specialist Retailers	16,581.0	15,964.0	14,675.0	13,176.0	11,679.0	10,294.0	-9.1
Health and Beauty Specialist Retailers	46,372.0	48,911.0	49,980.0	51,694.0	49,658.0	50,280.0	1.6
Home and Garden Specialist Retailers	100,439.0	99,316.0	93,753.0	93,741.0	92,314.0	90,241.0	-2.1
Leisure and Personal Goods Specialist Retailers	157,526.0	159,221.0	156,925.0	155,475.0	152,035.0	148,954.0	-1.1
Mixed Retailers	1,225.0	1,246.0	1,275.0	1,108.0	1,082.0	1,038.0	-3.3
Other Non-Grocery Retailers	146,451.0	150,684.0	153,886.0	158,437.0	160,814.0	159,608.0	1.7

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SECTION 2

Shrinkage

1.3%

Average rate of shrinkage 2012

SHRINKAGE OVERVIEW

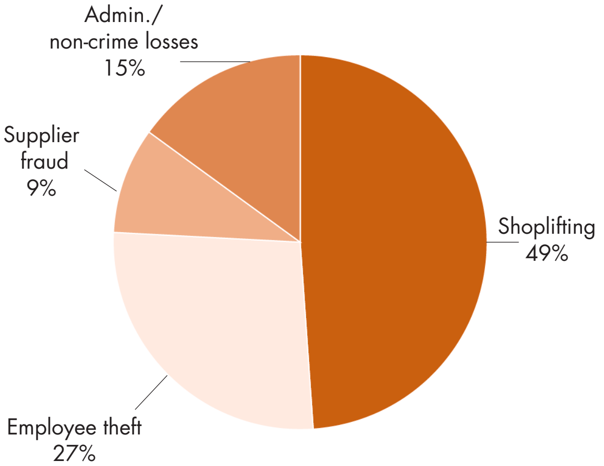
The majority of retailers interviewed report shrinkage to be a key concern in Italy. Most observed the shrinkage rate increasing during the review period, as a result of the economic crisis and tightening household budgets.

However, some of the retailers interviewed consider shrinkage to have a minimal impact on Italian retailing due to advanced loss prevention methods effectively preventing theft. EAS methods were highlighted as particularly successful and efficient. Shrinkage rates as low as 0.3% were reported by some of these retailers.

A key observation is that the rate of shrinkage tends to be higher in Southern Italy compared to the North, largely because the South tends to be less affluent.

Retailers believe that the rate of shrinkage increased in the review period due to the economic crisis.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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Across the retail landscape, it is estimated that shrinkage rates at grocery retailers are on average higher than at other retailers, with shrinkage rates as high as 1.8% being reported by individual supermarkets. The reasons for this are considered to be:

- High turnover rate for products on shelves, making it difficult to spot missing products;
- Large stores (e.g. hypermarkets) frequented by a large number of customers are difficult to monitor;
- Typically small size of products, making them easy to conceal;
- Wide range of customers shopping at grocery retailers including affluent as well as low-income consumers. In comparison, some other channels such as electronics specialist retailers typically attract more affluent consumers.

Key Causes of Shrinkage

Shoplifting is the key reason for shrinkage, generating almost half of the total shrinkage value in Italy in 2012. Against the background of the economic crisis and consumers being forced to tighten their belts, shoplifting was observed to have increased since 2008. While the overall country share of shoplifting is 49%, for some retailers it can reportedly reach up to 90% of their total shrinkage value.

With a value share of 27%, employee theft is the second most important cause of shrinkage. Administrative/non-crime losses meanwhile reached a value share of 15% in 2012, while supplier fraud generated 9% of the total shrinkage value.

Both employee theft and supplier fraud reportedly decreased in importance during the review period. This occurred as employees do not want to lose their jobs while suppliers are keen to maintain their client base, particularly during difficult economic times.

Stolen Products

According to the Italian retailers interviewed, most stolen items are basic products that are small, easy to steal and hide and also relatively high-priced, such as fresh food.

The type of products stolen naturally depends on the retail channel. For example, the DIY retailers interviewed reported that items such as door locks are high risk, while apparel specialists highlighted products such as dresses and electronic specialists cited items such as digital cameras.

Stolen Products

Retailer Type	Top Stolen Products
Grocery retailers	Apparel such as fashion accessories Food and beverages (wines, spirits, cheese, fresh food such as meat, gourmet food/delicatessen goods, coffee) Health and beauty (razor blades, facial moisturisers, colour cosmetics, fragrances, Batteries Electronics such as iPhones/smartphones
Leisure specialists	Apparel (fashion accessories, jeans, dresses, footwear and sunglasses) Beauty and personal care (colour cosmetics, skin care, sun protection and fragrances)
Electronics and appliance specialist retailers	iPhones/smartphones iPads/tablets Mobile device accessories (cases and earphones) Laptops iPods/MP3 players Digital cameras Electronic games and satellite navigation/GPS Connection devices (e.g. Bluetooth) DVDs
Home/garden specialists	Power tools Cables Batteries Door locks Building supplies and timber Screws and washers
Apparel specialists	Fashion accessories Dresses Swimwear Handbags Leather coats Sunglasses Jewellery (rings, earrings and necklaces)
Mixed retailers	Electronics (iPhones/smartphones, mobile device accessories such as cases and earphones, electronic games and satellite navigation/GPS) Apparel (accessories, handbags and jewellery such as rings) Health and beauty (facial moisturisers, colour cosmetics, contraceptives)

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The consensus is however that the most stolen product groups across the retail landscape include health and beauty products such as razor blades and facial moisturisers, fashion accessories such as small items of jewellery and sunglasses and electronic products such as mobile phone accessories. These products offer the opportunity for theft, being highly visible and easy to steal, are easily concealed and tend to retail at relatively high prices.

The grocery retailers interviewed highlighted impulse products such as snacks placed in the checkout area being of key concern.

Retailers reported demographic differences. Italian housewives suffering from tight household budgets typically steal food, while groups of young people typically steal for fun and opt for items such as alcoholic drinks. Furthermore, there are reportedly seasonal variations, with the Christmas period for example typically seeing higher shrinkage rates.

SECTION 3

Loss Prevention

Key Loss Prevention Methods

EAS antennae
EAS labelling (including hard and soft tags)
Locked cabinets
Security guards
CCTV
Chains, cables and loop alarms
Keepers, safers, locked boxes and wrap alarms
Employee training to spot and deter theft

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Retailer investment in loss prevention technology is likely to remain relatively stable over the short-term.

KEY PREVENTION METHODS

Most of the Italian retailers interviewed reported implementing a number of loss prevention methods. For example, retailers typically use EAS solutions such as soft tags for food and display solutions such as dummy cartons/ticket systems for fragrances and locked shelves for electronic equipment, alongside CCTV and in-store security guards.

EAS solutions were repeatedly reported to be the loss prevention solution offering the best return on investment, particularly for the prevention of shoplifting as thieves are unable to take these tags off.

For preventing organised crime, CCTV is considered to be the most effective and also the lowest cost prevention method.

RFID use is currently limited in Italy. Only a small number of grocery retailers reported implementing this technology.

The average share of total revenue spent on loss prevention by Italian retailers stood at approximately 0.1% in 2012. The variety stores interviewed reported above-average spending at 0.9% on average. Meanwhile, while grocery retailers are considered to be most affected by shrinkage, the majority reported below-average spending at 0.05% of revenue on average.

The great majority of retailers interviewed do not plan to increase their investment in loss prevention in the short-term, stating the following reasons:

- Loss prevention is of low priority;
- The impact of shrinkage on total sales is considered to be minimal;
- Retailers are content with their currently implemented solutions.

The few retailers that planned to implement additional investment plan measures including

- Increased spending on loss prevention hardware;
- Increased spending on loss prevention software;
- Increased use of EAS reusable accessories;
- Increased employee training to spot and deter theft;
- Data mining/analytics.

The New Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

www.GlobalRetailTheftBarometer.com

Japan

THE GLOBAL RETAIL THEFT BAROMETER

Japan

SECTION 1

Retail Landscape

US$1,195.3 billion

¥94,291 billion

Total store based retail value sales excluding sales tax, 2012

860,535

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in Japan reached US$1,195 billion in 2012. Although this figure appears quite considerable, the majority of retail channels faced declining sales over 2007-2012, resulting in a CAGR of -2% for total value sales for store-based retailing.

Diminishing sales mainly reflected low consumer confidence and moderate optimism over the future of the domestic economy. Consumers were observed to be increasingly price-sensitive, attracted by discounts and economy-priced products when purchasing daily items. However, people tend to be willing to pay a premium for certain product categories, such as jewellery, watches, premium make-up and skin care and luxury leather goods.

Non-grocery retailers took the hardest hit and posted almost -2% CAGR in value sales over 2007-2012. Grocery retailers bore a lesser impact and saw their value sales shrinking with -1% CAGR over the same period.

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	11,2%	6,8%
Discounters	0,0%	0,0%
Forecourt Retailers	0,0%	0,0%
Hypermarkets	0,0%	0,0%
Supermarkets	16,3%	2,0%
Food/Drink/Tobacco Spec.	3,3%	14,9%
Independent Small Grocers	2,7%	5,0%
Other Grocery Retailers	1,9%	8,5%
Apparel Specialists	7,5%	15,0%
Electronics/Appliance Spec.	7,4%	5,0%
Health/Beauty Specialists	14,1%	11,0%
Home/Garden Specialists	4,8%	5,6%
Leisure Specialists	6,7%	11,0%
Mixed Retailers	17,9%	1,4%
Other Non-Grocery Retailers	6,2%	13,8%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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Decrease in the number of outlets was even steeper at -3% CAGR for grocery retailers and -2% CAGR for non-grocery retailers over the review period. Outlet numbers particularly diminished in rural areas, as a result of urbanisation and a growing consumer enthusiasm for internet retailing. Rapid innovation in portable devices is increasing consumers' opportunities to buy from internet retailing.

Growth for internet retailing is also being supported by family lifestyles becoming busier and the increasing share of women in the workforce. Japanese office hours are also longer than the average for most countries around the world, which also boosts demand for internet retailing as the channel is accessible 24hrs and seven days a week. However, a growing number of smaller retail outlets in urban areas are offering extended opening hours in order to cater for the needs of busy white collar workers and those of elderly consumers who appreciate close-to-home convenience.

Analysis by retailers type

In value sales terms, mixed retailers is the largest channel in the Japanese retail environment and accounted for 18% share in 2012. Thanks to major store renovations and product display overhauls, variety stores in particular became popular, with this channel offering a wide variety of stylish products targeting female consumers. Given this channel's reasonable pricing strategy, variety stores is in a good position to further expand operations.

In terms of outlet numbers, apparel specialists is the largest channel with 15% share in 2012. Japanese consumers have a strong enthusiasm for fashion, with this channel including a large number of independent retailers as well as big chains.

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	1,285,999.7	1,260,642.6	1,204,736.2	1,199,121.5	1,197,510.8	1,195,283.0	-1.5
Convenience Stores	109,528.4	117,828.3	120,554.1	122,362.4	130,683.0	133,950.1	4.1
Discounters							
Forecourt Retailers	359.2	349.3	348.5	349.9	330.6	314.1	-2.6
Hypermarkets	545.9	534.2	440.4	424.9			
Supermarkets	205,162.8	201,059.6	192,011.9	188,171.7	191,558.7	194,623.6	-1.0
Food/Drink/Tobacco Specialists	59,474.3	54,581.9	49,213.1	45,133.4	41,974.0	39,455.5	-7.9
Independent Small Grocers	42,667.8	40,768.2	37,180.0	35,321.0	33,592.8	32,008.2	-5.6
Other Grocery Retailers	25,824.6	24,815.6	23,574.8	23,103.3	22,687.5	22,301.8	-2.9
Apparel Specialist Retailers	102,445.3	100,908.7	91,540.7	89,893.0	88,994.1	90,240.0	-2.5
Electronics and Appliance Specialist Retailers	102,717.7	101,424.8	96,709.2	101,544.6	94,436.5	88,770.3	-2.9
Health and Beauty Specialist Retailers	140,166.1	147,831.3	153,759.9	159,931.2	164,118.7	168,514.8	3.8
Home and Garden Specialist Retailers	72,114.6	65,143.5	57,659.3	55,853.8	57,001.6	57,726.9	-4.4
Leisure and Personal Goods Specialist Retailers	86,880.2	84,786.0	81,712.8	80,965.1	80,122.0	79,768.4	-1.7
Mixed Retailers	251,001.1	237,480.8	221,978.0	219,574.8	216,895.7	213,695.4	-3.2
Other Non-Grocery Retailers	87,111.7	83,130.7	78,053.6	76,492.5	75,115.7	73,913.8	-3.2

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	957,229.0	932,770.0	905,494.0	884,134.0	871,192.0	860,535.0	-2.1
Convenience Stores	53,173.0	54,365.0	55,180.0	55,897.0	57,239.0	58,498.0	1.9
Discounters							
Forecourt Retailers	176.0	164.0	159.0	160.0	152.0	145.0	-3.8
Hypermarkets	7.0	7.0	6.0	6.0			
Supermarkets	17,875.0	17,475.0	16,951.0	16,450.0	16,779.0	17,081.0	-0.9
Food/Drink/Tobacco Specialists	163,314.0	155,800.0	147,542.0	140,165.0	133,858.0	128,503.0	-4.7
Independent Small Grocers	50,114.0	48,514.0	46,573.0	45,409.0	44,319.0	43,300.0	-2.9
Other Grocery Retailers	79,578.0	78,304.0	76,424.0	75,278.0	74,299.0	73,408.0	-1.6
Apparel Specialist Retailers	152,877.0	147,373.0	141,478.0	136,478.0	132,384.0	129,074.0	-3.3
Electronics and Appliance Specialist Retailers	50,210.0	47,950.0	45,553.0	43,953.0	43,074.0	42,471.0	-3.3
Health and Beauty Specialist Retailers	90,599.0	91,294.0	92,384.0	93,161.0	94,005.0	94,798.0	0.9
Home and Garden Specialist Retailers	52,739.0	50,598.0	48,068.0	46,374.0	47,506.0	48,441.0	-1.7
Leisure and Personal Goods Specialist Retailers	104,177.0	101,222.0	99,010.0	97,042.0	95,578.0	94,325.0	-2.0
Mixed Retailers	12,425.0	12,004.0	11,561.0	11,581.0	11,652.0	11,708.0	-1.2
Other Non-Grocery Retailers	129,965.0	127,700.0	124,605.0	122,180.0	120,347.0	118,783.0	-1.8

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SECTION 2

Shrinkage

1.0%

Average rate of shrinkage 2012

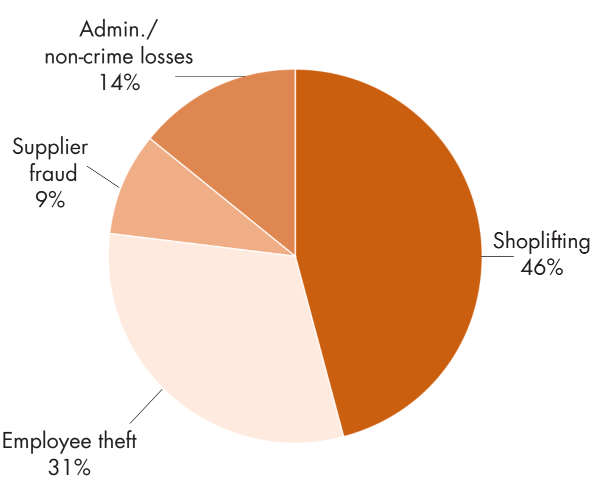
SHRINKAGE OVERVIEW

Until recently, Japanese retailers were reportedly relatively unconcerned about shrinkage and generally only hesitantly invested in loss prevention. A few respondents still claimed to give loss prevention low importance, believing that shrinkage is likely to remain insignificant. However, the majority of retailers interviewed have changed their approach and are taking loss prevention more seriously.

One key reason for most interviewees to be increasingly concerned about shrinkage was the increase in thefts and losses over the review period. It is also estimated that the number of non-reported theft cases is 10 times higher than that of reported cases. A rise in organised crime was stated as the most important reason for the rise in theft.

Retailers believe that the rate of shrinkage increased in recent years, stating an increase in organised crime as the main reason.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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Gangs stealing high-value goods such as expensive drugs, cosmetics and electronic items was mentioned among retailers' key concerns.

It was also indicated that the "no plastics" policies introduced by grocery retailers during the review period led to an increase in shoplifting, with these policies encouraging customers to bring their own shopping bags.

In terms of country averages, however, the shrinkage rate in Japan remains low compared to Western countries such as the US and France.

In terms of socio-demographic trends, the majority of shoplifting is believed to be committed by adolescents. High school students are not necessarily driven by economic reasons but by the thrill of the event. Easy online access, with the internet being available to almost the entire population of Japan, and good familiarity with technology enables teenagers to sell stolen merchandise quickly and efficiently. This is especially true when it comes to valuable technological goods.

Retailers tend to distinguish between two major types of theft: need-driven and commercially-driven. Need-driven theft is usually of low value items such as food, beauty and personal care, electronic accessories, comic books, DVDs and anything that is identified as offering a sudden opportunity. Commercially-driven theft is in contrast usually conducted in groups with the aim of reselling stolen merchandise and therefore tends to target higher value goods that can offer good returns.

The impact of shrinkage varies across retail channels. For example electronics and appliance specialist retailers are believed to experience above-average shrinkage rates and grocery retailers below-average shrinkage rates. This is a result of the average value of products sold in these channels, with food products being relatively low-priced in comparison to electronic items. Non-grocery retailers such as apparel specialists, health and beauty specialist retailers and DIY/car accessory stores are also viewed as more prone to theft, as they typically sell goods that are easy to resell.

Key Causes of Shrinkage

Generating almost half of the total shrinkage value in Japan, shoplifting is the most important cause of shrinkage. A key reason for the high share of shoplifting is the inclusion of organised crime in this category, with this increasing during the review period.

Accounting for almost a third of the shrinkage value, employee theft is the second most important reason for shrinkage. While the number of incidents is significantly lower in employee theft compared to shoplifting, the average value of stolen items is significantly higher.

Reported shares vary across the retail landscape, depending on retailer type, size and the company management of loss preventions. For example, shoplifting tends to be lower in grocery retailers, due to the typically low value of items, which are thus considered to be unattractive for stealing and difficult to resell. However, grocery retailers is considered to be more prone to supplier fraud and administrative losses, as it is relatively difficult to manage high volumes of fresh food.

Non-grocery retailers such as electronics and appliance specialist retailers, apparel specialists and parapharmacies/drugstores in contrast report higher shares of shoplifting and employee theft. This is due to the typically high value of items sold via these channels, products' relatively small size or ease of hiding and products' high visibility in terms of open display. Furthermore, the products sold via these channels are considered to be easy to resell.

Stolen Products

According to the Japanese retailers interviewed, products are either stolen because they are small and easy to hide or for reselling online. Small and easy to hide products include underwear, headphones, CDs and comic

Stolen Products

Retailer Type	Top Stolen Products
Health and beauty specialist retailers	Expensive OTC drugs Vitamins and medicated tonics Skin care and colour cosmetics
Home and garden specialists	Household goods and home care
Leisure and personal goods retailers	Electronics (iPod/MP3 players, electronic games, satellite navigation/GPS and home/office consumables) Apparel and fashion accessories (footwear and lingerie/intimate apparel) Beauty and personal care (skin care including facial creams, sun protection, shampoos and conditioners)
Grocery retailers	Food and beverages (premium foods, delicatessen goods, ready meals such as sashimi lunchboxes, meat and seafood, vegetables, dairy products and alcoholic drinks such as beer and sake) Electronics (mobile device accessories such as cases and earphones) Apparel and fashion accessories (accessories) Beauty and personal care (skin care including facial creams, colour cosmetics, sun protection, fragrances, shampoos and conditioners)
Electronic specialist retailers	Digital cameras DVDs Phones and phone accessories iPod/MP3 players Games Satellite navigation/GPS Home/office consumables
Mixed Retailers	Electronics and media (mobile device accessories such as cases, earphones, electronic games satellite navigation/GPS, printers and accessories, home/office consumables and DVDs) Apparel and fashion accessories (lingerie/intimate apparel) Beauty and personal care (colour cosmetics)
Bookstores	Comic books Bunko (small paper bag books) CDs/DVDs

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books, with theft due to the shoplifter simply finding the opportunity to steal them. Products that are stolen to be resold on the internet are meanwhile typically high-value items such as technologically-advanced electronic products, e.g. smartphones and digital cameras. Popular brands are reportedly the most targeted.

The type of products stolen depends on the retail channel. For example, the grocery retailers interviewed reported that items at risk from theft include ready meals and dairy products, while bookstores highlighted products such as comic books and DVDs. Parapharmacies/drugstores meanwhile indicate that high-value OTC drugs, vitamins and medicated tonics are most likely to be stolen. Respondents from the electronics and appliance specialist retailers channel mentioned that display models of products such as digital cameras are frequently targeted.

The consensus is however that the most stolen product groups across the retail landscape include beauty and personal care such as colour cosmetics and facial skin care as well as electronic products such as mobile phones and computer accessories. These products offer a good opportunity for theft, being highly visible and easy to steal, easily concealed and tending to retail at relatively high prices.

SECTION 3

Loss Prevention

Key Loss Prevention Methods

Employee training to spot and deter theft
Security guards
CCTV
EAS antennae
EAS labelling (including hard tags and soft tags)
Chains, cables and loop alarms
3-alarm accessories
Locked shelves and cabinets
Dummy cartons or ticket systems
Keepers, safers and locked boxes

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KEY PREVENTION METHODS

The majority of Japanese retailers interviewed reported using a variety of loss prevention methods. These include EAS solutions such as EAS soft labels and hard tags and EAS antennae, with most of the retailers interviewed considering EAS technology to be highly effective. Measures also include display solutions such as locked display cabinets and dummy cartons, as well as surveillance cameras and security guards. A number of the trade players interviewed expressed the idea that there is no "perfect prevention" or "one-type-suits-all" solution.

Chemists/pharmacies and parapharmacies/drugstores belong to the retail channels which are most focused on shrinkage, as beauty and personal care can be quite expensive and is typically of a small size, thus being easy to conceal as well as easy to resell. However, many interviewed parapharmacies/drugstores as well as convenience stores perceive the use surveillance cameras and security guards as loss prevention methods to be fairly efficient, at least for small stores, with some of these interviewed retailers still being reluctant to invest in EAS solutions, as they haven't been educated about the benefits of this loss prevention method.

Furthermore, it was indicated that bottle tags and spider wraps are relatively uncommon in Japanese grocery retailers. The key reason stated was the perception of high cost of such solutions.

Retailer investment in loss prevention technology likely to remain relatively stable over the short-team.

Display lockers are widely used for small and expensive items such as watches and jewellery. Some large stores also use transparent locked displays for electronic appliances.

Interactions with staff are said to be an efficient method of preventing or at least diminishing shoplifting. Strategies include trained staff who greet shop visitors, establish eye contact and approach customers during their visit and even store announcements that express gratitude to customers for their visit.

The average share of total revenue spent on loss prevention by retailers in Japan stood at approximately 0.1% in 2012, which is in line with the global average.

Japanese retailers are aware of the technological security solutions available. However the key factors that are likely to prevent retailers from investing in new security solutions in the short-term are:

- Sluggish consumer demand impacting overall retail sales, with companies being more concerned about generating sales growth rather than investing in loss prevention;
- Dominance of small format shops in the retail landscape, with these typically having limited investment in loss prevention;
- Increasing importance of internet retailing, even for store-based retailers, with many retailers thus shifting their focus from their store network to online operations.

Furthermore, for a few retailers loss prevention remains of low importance within their overall company strategic measures because they consider shrinkage rates to be negligible.

The New Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

www.GlobalRetailTheftBarometer.com

Mexico

THE GLOBAL RETAIL THEFT BAROMETER

Mexico

SECTION 1

Retail Landscape

US$181.1 billion

Mx$2,504.7 billion

Total store based retail value sales excluding sales tax, 2012

1,253,562

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in Mexico reached US$181 billion in 2012. With a 2007-2012 CAGR of 5%, retail sales experienced dynamic growth, driven by both the grocery and non-grocery channels.

Retailing grew at above GDP levels, seeing particularly strong growth in areas such as department stores and specialised retailing such as leisure specialists. Consumer credit and financing have become essential tools for retailers to encourage sales.

Retailers in Mexico are now opening smaller formats in an attempt to widen their customer base while decreasing overheads. Modern grocery retailers such as discounters are focusing their expansion on residential areas, encourage by population growth in smaller cities and also by customers demanding closer stores for convenience.

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	3,8%	1,0%
Discounters	12,6%	0,3%
Forecourt Retailers	1,1%	0,5%
Hypermarkets	9,8%	0,1%
Supermarkets	5,8%	0,1%
Food/Drink/Tobacco Spec.	2,1%	4,3%
Independent Small Grocers	14,2%	46,1%
Other Grocery Retailers	2,1%	3,7%
Apparel Specialists	4,1%	3,7%
Electronics/Appliance Spec.	2,9%	2,1%
Health/Beauty Specialists	7,5%	4,3%
Home/Garden Specialists	7,1%	2,4%
Leisure Specialists	3,4%	6,4%
Mixed Retailers	14,5%	0,5%
Other Non-Grocery Retailers	9,0%	24,5%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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The number of retail outlets reached 1,253,562 in 2012, having stagnated over 2007-2012 with 0% CAGR. Grocery retailers declined by 0.5% CAGR over 2007-2012, due to decline in traditional independent small grocers. However, modern grocery retailers such as discounters and convenience stores expanded strongly. Non-grocery retail outlets increased by 0.8% CAGR over the review period, with mixed retailers as well as leisure specialists expanding dynamically.

Analysis by retailers type

In sales terms, mixed retailers is the largest channel and accounted for 15% value share in 2012. Department stores, variety stores and warehouse clubs are traditionally important channels in Mexico and chained players have a nationwide presence.

In terms of outlet numbers, independent small grocers is the largest channel, with these small independent mom-and-pop stores accounting for almost half of the total retail network. For decades, independent small grocers have held a prominent position in Mexico. However, this channel's share is diminishing as modern retailers such as discounters, hypermarkets and convenience stores expand strongly.

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	143,969.5	151,423.7	149,508.5	157,478.3	169,967.5	181,106.5	4.7
Convenience Stores	3,942.8	3,912.5	4,524.9	5,255.0	6,113.9	6,948.8	12.0
Discounters	15,227.2	15,774.5	16,303.1	17,915.7	19,607.0	22,760.0	8.4
Forecourt Retailers	1,277.5	1,421.8	1,489.7	1,665.6	1,804.4	1,944.6	8.8
Hypermarkets	13,278.2	14,122.9	14,760.0	15,253.6	16,036.2	17,661.9	5.9
Supermarkets	9,485.1	11,509.0	7,244.9	7,606.2	9,706.7	10,550.3	2.2
Food/Drink/Tobacco Specialists	3,660.3	3,856.0	3,841.2	3,893.2	3,946.5	3,832.7	0.9
Independent Small Grocers	22,256.7	23,268.5	23,972.6	24,715.6	26,373.5	25,669.6	2.9
Other Grocery Retailers	3,394.4	3,626.4	3,636.8	3,670.6	3,731.1	3,884.1	2.7
Apparel Specialist Retailers	6,092.7	6,351.0	6,155.6	6,473.5	7,059.2	7,431.2	4.1
Electronics and Appliance Specialist Retailers	4,951.7	4,880.4	4,782.5	4,901.3	5,079.2	5,176.5	0.9
Health and Beauty Specialist Retailers	11,384.5	11,666.7	11,925.5	12,337.8	12,827.2	13,556.7	3.6
Home and Garden Specialist Retailers	10,977.2	11,363.4	11,380.3	11,820.2	12,281.8	12,925.0	3.3
Leisure and Personal Goods Specialist Retailers	4,786.0	5,006.1	5,028.1	5,333.4	5,815.7	6,211.8	5.4
Mixed Retailers	17,547.1	18,687.5	19,413.3	21,439.5	23,718.5	26,209.3	8.4
Other Non-Grocery Retailers	15,708.0	15,976.8	15,050.0	15,197.2	15,866.4	16,344.0	0.8

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	1,252,000.0	1,264,998.0	1,256,891.0	1,260,599.0	1,272,278.0	1,253,562.0	0.0
Convenience Stores	8,162.0	8,071.0	9,259.0	10,480.0	11,539.0	12,720.0	9.3
Discounters	1,324.0	1,545.0	1,966.0	2,387.0	3,013.0	3,438.0	21.0
Forecourt Retailers	5,052.0	5,183.0	5,320.0	5,597.0	5,973.0	6,312.0	4.6
Hypermarkets	637.0	649.0	676.0	722.0	786.0	838.0	5.6
Supermarkets	703.0	748.0	731.0	774.0	812.0	855.0	4.0
Food/Drink/Tobacco Specialists	55,960.0	55,837.0	55,792.0	55,795.0	55,828.0	54,042.0	-0.7
Independent Small Grocers	605,052.0	611,042.0	608,904.0	609,330.0	610,125.0	578,334.0	-0.9
Other Grocery Retailers	45,625.0	45,750.0	45,625.0	45,750.0	46,000.0	46,874.0	0.5
Apparel Specialist Retailers	52,443.0	52,485.0	46,408.0	42,681.0	45,298.0	46,417.0	-2.4
Electronics and Appliance Specialist Retailers	26,056.0	26,335.0	26,396.0	26,414.0	26,429.0	26,451.0	0.3
Health and Beauty Specialist Retailers	50,663.0	51,122.0	50,747.0	51,498.0	52,407.0	53,591.0	1.1
Home and Garden Specialist Retailers	28,354.0	28,670.0	29,142.0	29,685.0	29,934.0	30,357.0	1.4
Leisure and Personal Goods Specialist Retailers	73,890.0	74,134.0	74,584.0	75,234.0	75,805.0	79,943.0	1.6
Mixed Retailers	4,563.0	4,958.0	5,119.0	5,274.0	5,524.0	5,892.0	5.2
Other Non-Grocery Retailers	293,516.0	298,469.0	296,222.0	298,978.0	302,805.0	307,498.0	0.9

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SECTION 2

Shrinkage

1.6%

Average rate of shrinkage 2012

SHRINKAGE OVERVIEW

The majority of retailers interviewed report shrinkage to be a key concern in Mexico, with most having observed the shrinkage rate increasing during the review period.

The global economic crisis is viewed to have had a minimal impact on shrinkage levels, with Mexico experiencing favourable GDP growth since the recession in 2009. However, organised crime is considered to be having a major impact. Organised crime has become more prevalent due to unstable political conditions. Interviewees for example referred to PAN (Partido Acción Nacional) putting pressure on the narco (Mexican drug cartel). While the government is trying to control drug cartels, organised crime is however flourishing in

Retailers believe that the rate of shrinkage increased in the review period due to unstable political conditions in the country, resulting in an increase in organised crime.

other areas such as retail theft. Interviewees however expect more tranquil conditions following a change in government at the end of 2012.

An increase in the levels of organised crime is a key concern in Mexico. Gangs entering stores often steal a large quantity of specific products such as health and beauty products or electronics. Furthermore, interviewees referred to the increasing incidence of highway robberies of delivery trucks, particularly on the Circuito Mexiquense passing through Veracruz, Puebla and Tlaxcala. Additionally, employees connected with organised crime were reported to be another problem area, with some employees for example disengaging in-store security equipment for their accomplices.

However, a number of interviewees observed decreasing shrinkage rates during the review period. The key reason for this development is believed to be improved loss prevention methods, such as investments in employee training, particularly with regards to in-store supervision/ monitoring of customers.

Across the retail landscape, it is estimated that shrinkage rates at apparel specialists are on average higher than at other retailers, with shrinkage rates as high as 2.5% being reported by individual apparel specialists. Fashionable clothing from popular brands are the key items stolen from these outlets for resale on the black market.

Hypermarkets reported a slightly above-average shrinkage rate of up to 2% for some retailers. This is due to these stores offering many small items such as food and health and beauty products that are easy to conceal.

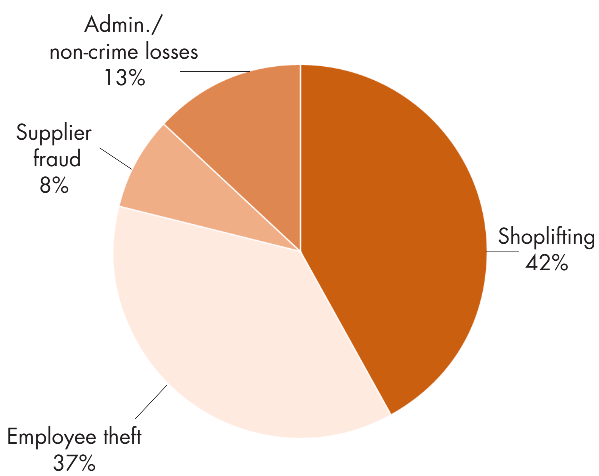
Convenience stores are meanwhile reportedly less affected by shrinkage in Mexico, as these stores are smaller and therefore easier to monitor. Shrinkage rates of as low as 1% were indicated in this retail channel.

Key Causes of Shrinkage

Shoplifting is the key reason for shrinkage, generating over 40% of total shrinkage value in Mexico. The key reason for the high share of shoplifting is the inclusion of organised crime in this category.

While the overall country share for shoplifting is 42%, for some retailers it can reach up to 90% of total shrinkage value. This is due to the heavy impact of organised crime, which can include highway robberies from delivery trucks.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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With a value share of 37%, employee theft is the second most important reason for shrinkage. A major area of concern is connections between employees and organised crime. For example, truck drivers from delivery companies were reported to sometimes work with employees from a retailer's receiving department to invoice more products than have been delivered, with the missing products subsequently being sold on the black market. There were also reports of employees disengaging in-store security equipment in order to offer their accomplices easy access, alongside cashiers stealing cash and cashiers not charging relatives and friends for the goods that they purchase.

Retailers in Mexico are divided on the key cause of shrinkage. Some insist that employee theft is the main problem while others indicate that the main issue is shoplifting. The consensus is however that both employee theft and shoplifting are often related to organised crime. On a broader level organised crime is thus the key cause of shrinkage in Mexico, with this area even spilling into supplier fraud.

Stolen Products

Retailer Type	Top Stolen Products
Grocery retailers	Wine and cigarettes Milk formula Confectionery and snacks Soft drinks (popular brands such as Red Bull and Nescafé) Fragrances and shampoo Clothing Watches OTC consumer health Electronic items (flat screen TVs, iPods, cameras, mobile phones and tablets)
Mixed retailers	Apparel (fashion accessories, lingerie, men's underwear and shoes, particularly popular brands such as Nike) Personal care appliances (hair straighteners and razors) Household appliances (juicers and particularly popular brands such as Braun) Electronic items (mobile phones) Confectionery CDs and videogames
Apparel specialists	Fashion accessories Jeans Dresses Sports clothing Footwear Lingerie/intimate apparel Swimwear Leather coats Handbags Sunglasses Jewellery (rings, earrings and necklaces)
Electronics and appliance specialist retailers	PiPhones/smartphones iPads/tablets iPods/MP3 players Mobile device accessories (cases and earphones) Laptops Printers and accessories Connection devices such as Bluetooth Home/office consumables DVDs

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Administrative/non-crime losses and supplier fraud are the third and fourth biggest cause of shrinkage and accounted for 13% and 8% value share respectively in 2012. Supplier fraud for example includes employees from delivery companies selling products on the black market.

Stolen Products

According to the Mexican retailers interviewed, products are often stolen because they are small and easy to hide, such as underwear. The shoplifter simply finds the opportunity to steal these products and thus does so. Otherwise, products are stolen to be resold on the black market, with these mainly being high-value items such as technologically-advanced electronic products.

Apparel specialists reported that thieves typically opt for fashionable and attractive clothes and shoes, preferring popular brands such as Nike. These retailers also highlighted the impact of limited storage capacities, with the bulk of their products being available on sales floors and thus offering strong opportunities for thieves.

Convenience stores operators observed that most stolen items are taken for immediate consumption and are of medium value such as confectionery and snacks. In these outlets, high value products such as premium spirits are difficult to steal, as they are often placed behind the counter.

SECTION 3

Loss Prevention

Key Loss Prevention Methods

EAS antennae
EAS labelling (including hard and soft tags)
Source tagging
Spider wraps
Bottle tags
Keepers
Cable locks
Locked cabinets
Dummy cartons or ticket systems
Three-alarm accessories
Employee training to spot and deter theft
Hiring more in-store personnel (e.g. hidden detectives and highly visible security guards)
CCTV in-store to monitor customers and cashiers and at distribution centres

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KEY PREVENTION METHODS

The majority of retailers interviewed in Mexico reported using a wide range of loss prevention methods in place. Methods for example typically include EAS solutions such as hard tags for clothing and display solutions such as spider wraps for electronic equipment and bottle tags for premium spirits. Cameras and a large number of in-store personnel (e.g. security guards) are also often used.

Other popular loss prevention methods include the thorough monitoring of delivery and in-store processes including data mining. Shelf display strategies are also used, with premium products for example being located behind a counter. Employee training to spot and deter theft is also significant, including staff protocols regarding how to monitor customers.

All solutions were reported to be highly effective.

Observed limitations to loss prevention methods include:

- EAS solutions not being as effective because thieves have learned how to deactivate antennae and tags;
- Cameras only recording but not transmitting live images;
- Hard tags being only applied to 25-30% of items, focusing on products that are most likely to be stolen, because the tagging process is time-consuming.

While the technology is highly regarded, according to a number of interviewees, RFID use is currently very limited in Mexico.

The majority of retailers interviewed are planning to increase their investment in loss prevention in the short-term.

The average share of total revenue spent on loss prevention by Mexican retailers stood at approximately 0.1% in 2012.

The great majority of retailers interviewed plan to increase their investments in loss prevention methods in the short-term. For example, retailers are planning to invest in CCTV, EAS solutions and GPS in order to monitor/trace delivery routes.

Thieves have over the years learned how to deactivate EAS tags and antennae. Consequently, a number of interviewees are reviewing their loss prevention methods and searching for innovative solutions in order to prevent losses. They are reportedly keen to find ways to enhance loss prevention capabilities and to receive improved solutions from their loss prevention product suppliers.

A number of the retailers interviewed plan to increase the use of RFID. This is considered to be a highly effective solution for addressing both inventory management and loss prevention.

The New Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

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The Netherlands

THE GLOBAL RETAIL THEFT BAROMETER

The Netherlands

SECTION 1

Retail Landscape

US$108.5 billion

€85.8 billion

Total store based retail value sales excluding sales tax, 2012

105,677

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in the Netherlands reached US$109 billion in 2012. With a 2007-2012 CAGR of 0.3%, retail sales were almost stagnant. Retailing is struggling with a lack of consumer confidence against the backdrop of a weak economic environment. In 2012, real GDP once again declined after two years of modest recovery.

While value sales of grocery retailers grew by almost 2% CAGR during the review period, non-grocery retailers saw -0.8% CAGR. Grocery retailers benefited partly from the fact that many consumers cut down on their consumer foodservice expenditure and opted to entertain at home instead. In addition, grocery retailers were less vulnerable to the effects of the economic crisis, as consumers continued to buy necessary grocery items while cutting back on impulse and luxury purchases.

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	1,0%	0,6%
Discounters	5,6%	0,8%
Forecourt Retailers	1,7%	2,7%
Hypermarkets	1,5%	0,0%
Supermarkets	29,0%	4,9%
Food/Drink/Tobacco Spec.	5,3%	11,5%
Independent Small Grocers	1,1%	2,1%
Other Grocery Retailers	1,5%	8,4%
Apparel Specialists	8,4%	15,6%
Electronics/Appliance Spec.	5,1%	3,7%
Health/Beauty Specialists	11,7%	8,5%
Home/Garden Specialists	12,3%	13,1%
Leisure Specialists	7,6%	13,9%
Mixed Retailers	5,9%	2,7%
Other Non-Grocery Retailers	2,3%	11,5%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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The number of retail outlets reached 105,677 in the Netherlands in 2012, declining at -0.5% CAGR over 2007-2012. Both grocery and non-grocery retail outlets declined at approximately the same rate.

Grocery retailers generated 47% of value in 2012 but accounted for only 31% of the total number of stores.

Analysis by retailers type

In sales terms, supermarkets is the biggest channel by far as it accounts for 29% of total Dutch retail sales and more than half of overall grocery retailers' sales.

Supermarkets has traditionally been a major channel within grocery retailers, with many major chains having been present from the first half of the 20th century.

Consumers value the convenience and value for money offered by supermarkets.

In terms of outlet numbers, apparel specialists is the largest retailer and accounted for 16% volume share in 2012. This is a very fragmented channel with a large number of independent boutiques as well as the presence of domestic and international chains.

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	106,887.6	110,702.4	109,607.1	109,100.3	108,726.1	108,465.2	0.3
Convenience Stores	863.3	856.4	971.6	981.8	1,017.4	1,040.8	3.8
Discounters	4,753.3	4,939.9	5,232.1	5,284.0	5,805.0	6,063.3	5.0
Forecourt Retailers	1,845.0	1,816.9	1,756.7	1,763.7	1,818.3	1,834.9	-0.1
Hypermarkets	973.7	1,143.4	1,441.7	1,513.7	1,552.3	1,590.4	10.3
Supermarkets	27,582.9	29,320.3	30,404.9	30,854.9	31,126.7	31,470.4	2.7
Food/Drink/Tobacco Specialists	7,415.0	7,306.0	6,933.4	6,503.5	6,075.1	5,747.9	-5.0
Independent Small Grocers	1,241.5	1,341.6	1,259.1	1,228.6	1,190.5	1,163.6	-1.3
Other Grocery Retailers	1,806.4	1,772.2	1,738.5	1,709.8	1,674.3	1,642.6	-1.9
Apparel Specialist Retailers	9,454.2	9,508.1	9,460.6	9,545.7	9,393.0	9,167.5	-0.6
Electronics and Appliance Specialist Retailers	5,067.9	6,086.5	5,866.3	5,721.3	5,512.5	5,540.6	1.8
Health and Beauty Specialist Retailers	11,277.1	11,541.1	11,699.5	11,908.7	12,240.2	12,675.8	2.4
Home and Garden Specialist Retailers	16,375.9	16,561.3	15,004.0	14,550.8	14,080.1	13,390.2	-3.9
Leisure and Personal Goods Specialist Retailers	9,313.0	9,395.8	9,023.6	8,779.8	8,493.2	8,313.7	-2.2
Mixed Retailers	6,121.4	6,270.3	6,089.7	6,128.7	6,223.5	6,359.4	0.8
Other Non-Grocery Retailers	2,796.9	2,842.5	2,725.4	2,625.1	2,524.1	2,464.0	-2.5

Source: Euromonitor International Ltd 2013. All rights reserved.

Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	108,548.0	108,540.0	107,783.0	107,155.0	106,262.0	105,677.0	-0.5
Convenience Stores	565.0	555.0	599.0	608.0	634.0	641.0	2.6
Discounters	684.0	736.0	797.0	822.0	848.0	863.0	4.8
Forecourt Retailers	3,120.0	3,086.0	3,021.0	2,975.0	2,905.0	2,889.0	-1.5
Hypermarkets	21.0	24.0	29.0	30.0	31.0	34.0	10.1
Supermarkets	4,935.0	4,965.0	4,925.0	4,894.0	4,991.0	5,144.0	0.8
Food/Drink/Tobacco Specialists	12,648.0	12,564.0	12,519.0	12,345.0	12,223.0	12,170.0	-0.8
Independent Small Grocers	2,434.0	2,479.0	2,390.0	2,314.0	2,260.0	2,207.0	-1.9
Other Grocery Retailers	9,466.0	9,390.0	9,293.0	9,179.0	9,025.0	8,890.0	-1.2
Apparel Specialist Retailers	16,377.0	16,721.0	16,756.0	16,483.0	16,559.0	16,503.0	0.2
Electronics and Appliance Specialist Retailers	4,111.0	4,023.0	3,989.0	4,181.0	3,890.0	3,860.0	-1.3
Health and Beauty Specialist Retailers	8,595.0	8,741.0	8,754.0	8,836.0	8,872.0	8,917.0	0.7
Home and Garden Specialist Retailers	14,623.0	14,552.0	14,168.0	14,249.0	14,017.0	13,847.0	-1.1
Leisure and Personal Goods Specialist Retailers	15,286.0	15,159.0	15,087.0	14,930.0	14,822.0	14,721.0	-0.8
Mixed Retailers	2,412.0	2,526.0	2,624.0	2,698.0	2,814.0	2,867.0	3.5
Other Non-Grocery Retailers	13,271.0	13,019.0	12,832.0	12,611.0	12,371.0	12,124.0	-1.8

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SECTION 2

Shrinkage

1.4%

Average rate of shrinkage 2012

SHRINKAGE OVERVIEW

The retailers interviewed report shrinkage to be a key concern in the Netherlands, with the shrinkage rate having increased during the review period against the backdrop of the economic crisis. Consumers have lower disposable income levels but do not want to compromise on their living standards. The consensus is that all types of retailers from grocery retailers to home/garden specialists are being impacted by this trend.

A major concern is the increase of organised crime. Although the prevalence of organised crime is far lower than that of individual shoplifting, organised groups typically steal high value goods such as electronic equipment. The retailers interviewed, particularly from non-grocery channels, stated that incidents of organised crime increased during the review period.

Retailers believe that the rate of shrinkage increased during the review period due to the economic crisis.

Across the Dutch retail landscape, it is estimated that shrinkage rates at health and beauty specialist retailers are on average higher than those at other retailers. This is because health and beauty items tend to be small and easy to conceal and are often of relatively high value. The grocery retailers interviewed also reported that an increasing volume of beauty products had been stolen in their stores over the past four to five years.

In contrast, home/garden specialists including DIY stores and furniture retailers tend to be less effected by shrinkage, with retailers reporting below-average shrinkage rates. The key reason for this is that these channels typically offer larger products that are difficult to conceal. In addition, low shrinkage levels were reported to be linked to improved prevention methods, such as cooperation with the police and justice department. This cooperation is particularly effective when it comes to organised crime.

Key Causes of Shrinkage

Shoplifting is the key reason for shrinkage, generating 59% of the total shrinkage value in the Netherlands in 2012. A key reason for the high share of shoplifting is the inclusion of organised crime, which is estimated to account for 20% of the total shrinkage value.

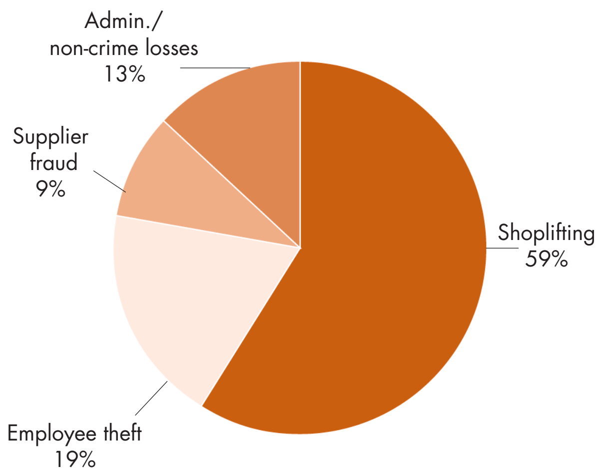
While organised crime is rarely a concern for grocery retailers, the impact of organised crime was reported as being severe for the DIY stores and mixed retailers interviewed. Organised groups reportedly travel across the country from North to South, conducting robberies at one store after another.

Interviewees also reported a concerning number of schoolchildren stealing small items such as USB sticks.

With a value share of 19% in 2012, employee theft is the second most important reason for shrinkage. Reported key examples include cash stolen by cashiers, with this being a particularly significant problem during the holiday season when employees need the extra cash for their summer holidays. Retailers also reported employees stealing goods to resell them and employees consuming food/drinks from stores during breaks.

Administrative and non-crime losses, such as errors in pricing, are the third biggest cause of shrinkage

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

Source: Euromonitor International Ltd 2013. All rights reserved.

and accounted for 13% value share in 2012. This was followed by supplier fraud with a comparatively small share of 9%. Due to improved internal automated ordering, tracking and controlling systems, these two causes of shrinkage steadily declined during the review period.

The shares of causes of shrinkage referred to above are estimates for the country as a whole. However, rates reported by respondents vary. For example, employee theft ranges from a negligible share for some interviewees to rates as high as 50% for others. The reasons for these differences are the level of loss prevention measures implemented by each company, as well as the retail channel. For example the grocery retailers interviewed reported above-average shares of employee theft, while respondents from DIY stores reported particularly high rates of shoplifting, as they reportedly suffer a strong impact from organised crime.

Stolen products

Stolen products are typically goods that are small and easy to conceal but that have a high value, such as colour cosmetics and electronic items. These products are targeted because the purchase of such items tends to put pressure on household budgets. Furthermore, particularly with regards to organised crime, the products stolen are often goods that have a high value and can be easily resold on the black market, such as electronic equipment.

The main types of product stolen naturally depend on the retail channel, with DIY retailers for example reporting the theft of items such as power tools and grocery retailers citing products such as meat. However, the most stolen product groups across the retail landscape include health and beauty products as well as electronic products, as these products are easily concealed and tend to retail at relatively high prices.

Stolen Products

Retailer Type	Top Stolen Products
Home/garden specialists	Small and basic electronic items* Small and basic health and beauty items* DIY products (power tools, electric hand tools, faucets and clock thermostats)
Mixed retailers	Bicycle equipment School equipment Small electronic items (USB sticks) Colour cosmetics (foundations, mascara and eyeliner) Jewellery
Grocery retailers	Health and beauty (toothpaste, vitamins and facial moisturisers) Food (meat, cheese and coffee) Small electronic items (LED lamps)
Health and beauty specialist retailers	Colour cosmetics (foundation and mascara) Skin care (facial moisturisers) Shaving items Fragrances Oral care

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* Home/garden specialists include furniture retailers that offer small and basic health and beauty products such as hairbrushes, toothbrushes, soap and razors as well as small and basic electronic items such as hairdryers and shavers

SECTION 3

Loss Prevention

Key Loss Prevention Methods

Employee training to spot and deter theft
Hiring more in-store personnel, including security guards
Implementation of camera systems
EAS antennae
EAS labelling (including hard tags and soft tags)
Source tagging
Locked cabinets
Safers/locked boxes/keepers/ wrap or spider wrap alarms

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The majority of retailers interviewed are planning to increase their investment in loss prevention in the short-term.

KEY PREVENTION METHODS

Trade interviews in the Netherlands revealed that the most important issue in loss prevention is employee training. Interviewed retailers reported significant investments in the training of their employees in terms of shrinkage awareness and loss prevention. Retailers also reported hiring more in-store staff and security personnel across their store networks, alongside close cooperation with the police. Other common loss prevention methods include the implementation of camera systems, with these typically being partly invisible, as well as the use of antennae.

Source tagging is another popular and highly successful loss prevention method. However, grocery retailers highlighted technical difficulties experienced in source tagging certain food products because packs are too small or the packaging is not compatible.

Health and beauty specialist retailers in particular highlighted the use of soft and hard tags as well as keepers/safers and locked boxes, while these methods are observed to be less prevalent in other retail channels.

Furthermore, displaying only a limited number of products on shelves was highlighted as a successful loss prevention method. This method ensures good product visibility for customers but keeps thefts under control at the same time. Displaying only a limited number of products on shelves reduces the value of products that can be stolen at one time while also making it more obvious when something is stolen, thus working as a deterrent for potential shoplifters.

The key challenge for the retailers interviewed is that they do not want to compromise consumers' shopping experience and that they want to provide consumers with easy access to products while at the same time prevent thefts. Consequently, while retailers are working hard to reduce the incidence of theft, losses due to theft are to a certain extent viewed as an unfortunate but accepted consequence of creating a pleasant shopping experience.

Based on interviews, retailers in the Netherlands perform regular internal store audits and data mining, analysing the success of their implemented prevention methods. Most interviewees plan constant improvements to their loss prevention methods, in order to stay ahead of thieves and to sufficiently prevent loss. Reported examples include updating camera systems, the acceleration of employee training and making access to easily-stolen products more difficult, such as by using dispenser systems.

The New Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

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Portugal

THE GLOBAL RETAIL THEFT BAROMETER

Portugal

SECTION 1

Retail Landscape

US$49.7 billion

€39.3 billion

Total store based retail value sales excluding sales tax, 2012

114,145

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in Portugal reached US$50 billion in 2012. The persisting economic downturn hit retailing hard, resulting in retail sales being close to stagnation over 2007-2012 with a CAGR of 0.1%.

Fears over job security, tax increases, lower disposable incomes and cuts in government spending left consumers very reluctant to spend. This resulted in poor conditions for consumption, which had an impact on retailing.

Trends in grocery and non-grocery retailing continued to be dominated by consumers demanding only staples. The economic downturn in the country meanwhile further altered consumers' sense of what qualified as necessary and what did not. For this reason, non-grocery retailers experienced a considerably bigger decline in value terms with a 2007-2012 CAGR of -2%. Demand flattened and competition tightened in this channel, due to a consumer shift away from unnecessary spending.

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	0,9%	1,5%
Discounters	5,1%	0,7%
Forecourt Retailers	0,5%	0,6%
Hypermarkets	8,9%	0,1%
Supermarkets	24,7%	1,3%
Food/Drink/Tobacco Spec.	7,0%	14,4%
Independent Small Grocers	2,6%	5,7%
Other Grocery Retailers	1,4%	7,4%
Apparel Specialists	6,5%	13,2%
Electronics/Appliance Spec.	3,9%	4,8%
Health/Beauty Specialists	10,6%	5,9%
Home/Garden Specialists	11,0%	18,5%
Leisure Specialists	10,1%	15,7%
Mixed Retailers	4,0%	2,3%
Other Non-Grocery Retailers	2,8%	7,9%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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Grocery retailers meanwhile grew value sales with a 2007-2012 CAGR of 2%, although there was a significant move towards lower-priced products. Grocery retailers responded to growing demand for lower prices by offering more private label products and therefore managed to protect their profit margins.

The number of retail outlets reached 114,145 in 2012, declining with -3% CAGR over 2007-2012. The retail environment saw numerous closures during the review period. Only the more robust chains and the most value-focused retailers succeeded in growing outlet volume amidst the recession.

The economic crisis was particularly harsh on small independent players, which lack the financial muscle or financial margins to cope with a long-term decline in sales. In general, while large players gained marginal share, independent stores suffered most from losses and store closures.

Analysis by retailers type

In value sales terms, supermarkets is the largest channel and accounted for 25% share in 2012. Supermarkets was the only grocery channel posting strong growth during the review period with a 2007-2012 CAGR of 6%. This occurred due to a decrease in visits to large shopping malls outside of cities in favour of stores in closer proximity to homes that are more integrated into the urban structure.

Most Portuguese supermarket chains belong to hypermarket groups. Therefore they can take advantage of economies of scale and integrated negotiation strategies with suppliers. They are thus able to compete with the leading discounters and hypermarket chains

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	49,607.5	51,622.9	52,216.1	52,175.2	51,221.1	49,737.0	0.1
Convenience Stores	520.0	524.8	518.9	505.8	489.1	461.2	-2.4
Discounters	2,489.4	2,534.6	2,754.8	2,747.0	2,648.0	2,516.1	0.2
Forecourt Retailers	251.2	259.7	261.1	258.8	253.8	241.3	-0.8
Hypermarkets	4,486.6	4,709.8	4,762.0	4,856.1	4,721.3	4,432.9	-0.2
Supermarkets	9,305.7	10,748.4	11,449.8	11,875.4	12,176.6	12,301.9	5.7
Food/Drink/Tobacco Specialists	4,026.4	3,958.7	3,915.2	3,825.1	3,691.3	3,503.0	-2.7
Independent Small Grocers	1,393.5	1,376.8	1,369.9	1,342.5	1,293.6	1,273.6	-1.8
Other Grocery Retailers	841.5	816.3	791.8	763.7	730.2	712.0	-3.3
Apparel Specialist Retailers	4,386.4	4,494.0	4,363.9	4,195.6	3,809.1	3,225.9	-6.0
Electronics and Appliance Specialist Retailers	2,269.3	2,253.4	2,222.4	2,172.9	2,036.9	1,919.4	-3.3
Health and Beauty Specialist Retailers	5,056.9	5,161.5	5,189.7	5,214.5	5,215.9	5,267.7	0.8
Home and Garden Specialist Retailers	5,810.9	5,875.3	5,797.7	5,759.7	5,596.5	5,480.6	-1.2
Leisure and Personal Goods Specialist Retailers	5,319.8	5,383.7	5,340.2	5,228.3	5,148.5	5,016.9	-1.2
Mixed Retailers	1,939.7	2,033.9	2,023.8	2,009.9	2,013.7	2,007.3	0.7
Other Non-Grocery Retailers	1,510.2	1,491.9	1,454.8	1,419.9	1,396.7	1,377.1	-1.8

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	132,468.0	129,040.0	124,600.0	120,919.0	117,244.0	114,145.0	-2.9
Convenience Stores	1,630.0	1,708.0	1,713.0	1,714.0	1,710.0	1,702.0	0.9
Discounters	750.0	728.0	755.0	777.0	795.0	802.0	1.3
Forecourt Retailers	707.0	725.0	725.0	711.0	708.0	699.0	-0.2
Hypermarkets	107.0	86.0	92.0	93.0	94.0	91.0	-3.2
Supermarkets	1,037.0	1,278.0	1,379.0	1,434.0	1,450.0	1,429.0	6.6
Food/Drink/Tobacco Specialists	21,506.0	20,435.0	19,005.0	18,017.0	17,123.0	16,438.0	-5.2
Independent Small Grocers	8,541.0	8,114.0	7,546.0	7,169.0	6,739.0	6,469.0	-5.4
Other Grocery Retailers	10,941.0	10,318.0	9,596.0	9,058.0	8,805.0	8,453.0	-5.0
Apparel Specialist Retailers	17,749.0	17,323.0	16,814.0	16,181.0	15,666.0	15,021.0	-3.3
Electronics and Appliance Specialist Retailers	6,268.0	6,055.0	5,910.0	5,733.0	5,609.0	5,485.0	-2.6
Health and Beauty Specialist Retailers	6,791.0	6,765.0	6,846.0	6,831.0	6,773.0	6,764.0	-0.1
Home and Garden Specialist Retailers	24,463.0	23,882.0	23,161.0	22,711.0	21,766.0	21,116.0	-2.9
Leisure and Personal Goods Specialist Retailers	18,932.0	18,724.0	18,482.0	18,208.0	18,029.0	17,970.0	-1.0
Mixed Retailers	2,773.0	2,828.0	2,758.0	2,699.0	2,662.0	2,638.0	-1.0
Other Non-Grocery Retailers	10,273.0	10,071.0	9,818.0	9,583.0	9,315.0	9,068.0	-2.5

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in terms of price. This offers a leading competitive advantage against a gloomy economic background. Supermarkets are also widely and easily accessible and offer a large variety of products at very competitive prices.

In terms of outlet numbers, home/garden specialists is the largest channel and accounted for 19% volume share in 2012. This is an extremely fragmented channel with the top five companies not even comprising 1% of the total network.

SECTION 2

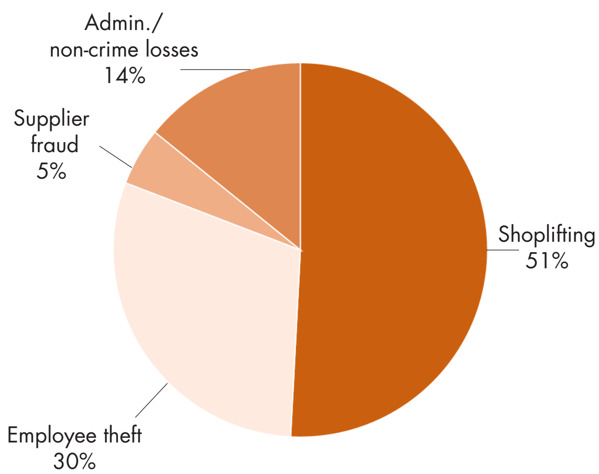
Shrinkage

1.2%

Average rate of shrinkage 2012

It is estimated that the rate of shrinkage increased for the country average in the review period due to the economic crisis.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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SHRINKAGE OVERVIEW

Shrinkage is considered to be a key concern for Portuguese retailers. While the shrinkage rate reached an estimated 1.2% in 2012 for the overall country, rates vary considerably across the retail landscape. Rates depend for example on company size, with larger companies having more financial power to invest in strong loss prevention methods. Rates also vary according to product portfolio, with retailers offering attractive high-value products such as electronic items being more prone to theft. In addition, rates vary in line with the general company approach to loss prevention, with the number and strength of implemented measures depending on the priority level that shrinkage receives within each organisation.

Some retailers interviewed stated that they manage shrinkage well across their own network, reporting below-average shrinkage rates of as low as 0.3%, having implemented a large number of strong loss prevention measures. These retailers saw shrinkage rates decrease during the review period or experienced at least stable rates.

However, it is believed that the shrinkage rate increased for the overall country during the review period. This was due to the weak economic situation in Portugal negatively impacting consumer confidence and purchasing power.

Across the retail landscape, electronics and appliance specialist retailers is among the retail channels viewed as most impacted by shrinkage. However, these retailers are also observed to invest strongly in loss prevention and have a large number of measures in place to protect their goods.

Key Causes of Shrinkage

The shares of different causes of shrinkage are believed to vary across the retail landscape. However, the great majority of respondents agree that shoplifting is the main cause of shrinkage. For the country overall, the share of shoplifting in shrinkage was estimated at 51% in 2012.

Employee theft is considered to be the second most important cause of shrinkage for the overall country, with a share of approximately 30% in 2012. Only few respondents stated that employee theft is more significant than shoplifting, with some however suggesting a share of up to 70% for employee theft.

Employee theft is followed by administrative losses with a share of 14% in 2012 and supplier fraud with a share

Stolen Products

Retailer Type	Top Stolen Products
Grocery retailers	Food and beverages (wines, spirits, cheese, fresh meat, fish, milk formula and frozen food) Health and beauty (razor blades, shaving creams, deodorants, skin care such as facial moisturisers, colour cosmetics such as nail polish, sun protection, fragrances, shampoos and conditioners) Apparel (lingerie/intimate apparel, fashion accessories, jeans, dresses, sports clothing, footwear and swimwear) Electronics (iPhones/smartphones, laptops, iPods/MP3 players, electronic games, satellite navigation/GPS and digital cameras) Small appliances (shavers)
Electronics and appliance specialist retailers	iPhones/smartphones iPads/tablets Mobile device accessories such as cases and earphones Laptops iPods/MP3 players Digital cameras Electronic games and satellite navigation/GPS Printers and accessories DVDs
Apparel specialists	Fashion accessories Trousers and jeans Tops and t-shirts Dresses Footwear Lingerie/intimate apparel Swimwear Handbags Leather coats Sunglasses Jewellery
Mixed retailers	Fashion accessories Jeans Sports clothing Footwear Swimwear Handbags Leather coats Sunglasses

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of 5%. Many respondents stated that supplier fraud is an insignificant problem due to implemented loss prevention systems.

Stolen Products

The type of products stolen naturally depends on the retailer type. The grocery retailers interviewed for example reported thefts of items such as fresh meat and milk formula, while apparel specialists cited products such as jeans and footwear and electronics and appliance specialist retailers identified items such as smartphones and digital cameras as being at risk.

Across the retail landscape on the whole, however, the consensus is that the most stolen product groups include health and beauty products such as razor blades and facial moisturisers, apparel and fashion accessories such as underwear and sunglasses and electronic products such as iPhones and games. These products typically offer an opportunity for theft as they are often highly visible and easy to steal. In addition, they are easily concealed and tend to retail at relatively high prices.

It was also indicated that organised crime plays a significant role in shrinkage for Portuguese retailers.

Merchandise stolen by organised crime is typically high-value goods such as fashion brands and electronic items, with these products being resold on the black market in Portugal as well as in other countries.

SECTION 3

Loss Prevention

Key Loss Prevention Methods

Employee training to spot and deter theft
Security cameras and CCTV
EAS antennae
EAS labelling (including hard tags and soft tags)
Locked shelves and cabinets
Safers/locked boxes/keepers/ wrap and spider wrap alarms
Dummy cartons/ticket systems
Chains/cables/loop alarms
Three-alarm accessories

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Retailer investment in loss prevention technology is likely to remain stable over the short-term

KEY PREVENTION METHODS

Most Portuguese retailers interviewed reported implementing a number of loss prevention methods. Methods most prominently included EAS solutions such as for fashion items, followed by display solutions such as safers for high-value items such as electronics. CCTV as well as employee training to spot and deter theft were also highlighted as highly efficient loss prevention methods.

Among the implemented loss prevention measures offering the best return on investment, retailers mentioned EAS solutions and CCTV.

Furthermore, it was indicated that measuring and controlling systems are crucial for loss prevention. Thorough monitoring of delivery and in-store processes helps to identify problem areas in order to understand reasons for losses and to find solutions.

For the overall country, retailers' investment in loss prevention technology is likely to remain fairly stable in the short-term, with most retailers interviewed believing that they manage shrinkage fairly well. Furthermore, the impact of shrinkage on total sales is observed to be tolerated to a certain degree, with losses being considered to be "part of the business".

Among the few companies that reported plans to increase investment, planned measures are:

- RFID;
- Allocation of more company internal human resources, moving from outsourcing to the internal management of shrinkage;
- Increased use of EAS reusable accessories;
- Pre-employment screening procedures.

The New Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

www.GlobalRetailTheftBarometer.com

Spain

THE GLOBAL RETAIL THEFT BAROMETER

Spain

SECTION 1

Retail Landscape

US$236.3 billion

€186.9 billion

Total store based retail value sales excluding sales tax, 2012

508,375

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in Spain reached US$236 billion in 2012, seeing -2% CAGR over 2007-2012. Retailing suffered heavily from the economic crisis. Dramatically rising unemployment rates and declining disposable income levels resulted in falling consumption and retail value sales.

Grocery retailers stagnated over 2007-2012 with a CAGR of 0%. Only discounters saw strong growth at 5% CAGR, benefiting from the competitive pricing strategies undertaken by the majority of leading players.

Non-grocery retailers meanwhile saw -4% CAGR in the review period, with electronics and appliance specialist retailers showing a particularly strong decline with -9% CAGR. These retailers suffered from the negative influence of the economic crisis to a significant extent, with restrictions being placed on access to consumer credit by Spanish banks compromising the channel's growth potential.

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	0,6%	0,5%
Discounters	3,8%	0,7%
Forecourt Retailers	0,6%	1,1%
Hypermarkets	8,0%	0,1%
Supermarkets	25,2%	2,5%
Food/Drink/Tobacco Spec.	10,2%	18,1%
Independent Small Grocers	0,9%	3,0%
Other Grocery Retailers	1,1%	2,4%
Apparel Specialists	9,6%	13,9%
Electronics/Appliance Spec.	2,8%	2,0%
Health/Beauty Specialists	9,5%	6,5%
Home/Garden Specialists	8,4%	12,9%
Leisure Specialists	12,0%	22,1%
Mixed Retailers	5,8%	3,1%
Other Non-Grocery Retailers	1,5%	11,1%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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The number of retail outlets reached 508,375 in 2012, seeing -2% CAGR over 2007-2012. Both grocery and non-grocery retailers declined at approximately the same rate. Grocery retailers saw sharp decline in the number of traditional grocery retailers such as independent small grocers, due to rising competition from modern large-format grocery retail outlets. Non-grocery retailers were meanwhile impacted by decline in electronics and appliance specialist retailers.

Analysis by retailers type

In sales terms, supermarkets is the largest channel, generating a quarter of total retail sales in 2012 and seeing 1% CAGR over 2007-2012. Supermarkets continue to benefit from the proximity of most outlets to the homes and workplaces of a high proportion of urban Spanish consumers. In addition, supermarket chains are expanding strongly and operate extremely aggressive pricing strategies, which provides these chains with a competitive advantage in the current gloomy economic situation.

In terms of outlet numbers, leisure specialists is the largest channel and accounted for 22% volume share in 2012. However, this channel saw -1% CAGR over 2007-2012. The pernicious influence of the economic recession and the caution of Spanish consumers hindered demand for these retailers, forcing many to close.

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	265,488.7	265,112.8	252,299.9	246,677.7	242,176.3	236,326.8	-2.3
Convenience Stores	1,816.7	1,970.7	1,795.3	1,667.8	1,577.7	1,527.3	-3.4
Discounters	6,906.8	8,120.6	8,498.6	8,794.2	8,740.0	8,889.2	5.2
Forecourt Retailers	1,889.5	1,796.7	1,580.6	1,503.7	1,422.7	1,382.2	-6.1
Hypermarkets	19,625.9	19,846.4	18,570.3	18,746.8	18,892.3	18,922.5	-0.7
Supermarkets	55,893.6	56,899.6	56,273.7	57,117.8	58,852.6	59,513.5	1.3
Food/Drink/Tobacco Specialists	27,156.3	27,161.7	26,971.5	26,216.3	25,167.7	24,211.3	-2.3
Independent Small Grocers	2,923.5	2,742.3	2,514.7	2,356.3	2,269.1	2,133.2	-6.1
Other Grocery Retailers	3,031.2	3,002.1	2,855.0	2,746.5	2,705.3	2,629.6	-2.8
Apparel Specialist Retailers	27,761.3	26,934.6	24,968.4	24,169.4	23,613.5	22,621.7	-4.0
Electronics and Appliance Specialist Retailers	10,564.6	9,503.9	8,753.1	8,052.8	7,239.5	6,566.2	-9.1
Health and Beauty Specialist Retailers	24,932.6	26,100.2	26,439.6	25,617.9	24,360.2	22,444.0	-2.1
Home and Garden Specialist Retailers	29,998.2	29,169.3	24,237.3	21,843.6	20,498.6	19,858.5	-7.9
Leisure and Personal Goods Specialist Retailers	33,461.9	32,756.1	30,208.5	29,515.0	28,957.1	28,296.9	-3.3
Mixed Retailers	15,024.1	14,799.3	14,599.7	14,473.5	14,174.4	13,784.2	-1.7
Other Non-Grocery Retailers	4,502.5	4,309.3	4,033.6	3,856.1	3,705.7	3,546.3	-4.7

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	553,639.0	553,876.0	544,822.0	535,351.0	523,060.0	508,375.0	-1.7
Convenience Stores	2,638.0	2,647.0	2,588.0	2,578.0	2,552.0	2,544.0	-0.7
Discounters	3,459.0	3,420.0	3,531.0	3,515.0	3,582.0	3,657.0	1.1
Forecourt Retailers	5,630.0	5,685.0	5,705.0	5,707.0	5,615.0	5,592.0	-0.1
Hypermarkets	415.0	441.0	445.0	465.0	465.0	463.0	2.2
Supermarkets	12,787.0	12,948.0	13,233.0	13,207.0	13,273.0	12,828.0	0.1
Food/Drink/Tobacco Specialists	106,179.0	105,021.0	103,341.0	101,067.0	96,923.0	92,077.0	-2.8
Independent Small Grocers	16,745.0	16,411.0	16,165.0	15,939.0	15,652.0	15,151.0	-2.0
Other Grocery Retailers	13,365.0	13,234.0	12,824.0	12,555.0	12,455.0	12,256.0	-1.7
Apparel Specialist Retailers	74,666.0	75,739.0	74,604.0	73,933.0	72,233.0	70,788.0	-1.1
Electronics and Appliance Specialist Retailers	12,885.0	11,721.0	11,194.0	10,914.0	10,608.0	10,269.0	-4.4
Health and Beauty Specialist Retailers	34,239.0	34,571.0	34,565.0	33,976.0	33,611.0	33,152.0	-0.6
Home and Garden Specialist Retailers	77,730.0	77,425.0	74,155.0	71,477.0	68,478.0	65,491.0	-3.4
Leisure and Personal Goods Specialist Retailers	118,584.0	119,750.0	118,281.0	116,659.0	114,789.0	112,326.0	-1.1
Mixed Retailers	15,823.0	16,138.0	15,995.0	15,803.0	15,728.0	15,541.0	-0.4
Other Non-Grocery Retailers	58,494.0	58,725.0	58,196.0	57,556.0	57,096.0	56,240.0	-0.8

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SECTION 2

Shrinkage

1.4%
Average rate of shrinkage 2012

SHRINKAGE OVERVIEW

The majority of retailers interviewed report shrinkage to be a key concern in Spain. Most observed the shrinkage rate increasing during the review period, against the background of the economic crisis.

This was particularly true for shoplifting, with consumers experiencing tightening household budgets. In contrast, most interviewees observed employee theft to be decreasing, as employees are afraid to lose their jobs in an insecure economic environment.

The economic crisis is observed to have particularly increased shoplifting of food and beverages as well as hygiene items such as sanitary towels, with the number of Spaniards unable to afford basic products increasing.

Retailers believe that the rate of shrinkage increased in the review period due to the economic crisis.

Shrinkage is observed to be a key concern across the whole retail landscape, with grocery retailers, apparel specialists and electronics and appliance specialist retailers reportedly being particularly affected. This is because the typical items that are stolen are small and easy to conceal such as food, underwear and small electronic devices. In addition, these products are relatively high-priced such as fresh food, electronic items and fashionable clothing. Some of the grocery retailers, apparel specialists and electronics and appliance specialist retailers interviewed reported above average shrinkage rates of up to almost 2%.

Across the retail landscape, it is estimated that shrinkage rates for large retail groups such as chained hypermarkets and chained electronic specialists are on average higher than for other retailers. It is generally believed that large stores frequented by a large number of customers are more difficult to monitor.

Another key observation is that shrinkage is higher in urban than rural areas, with the economic crisis being believed to have intensified regional differences.

Key Causes of Shrinkage

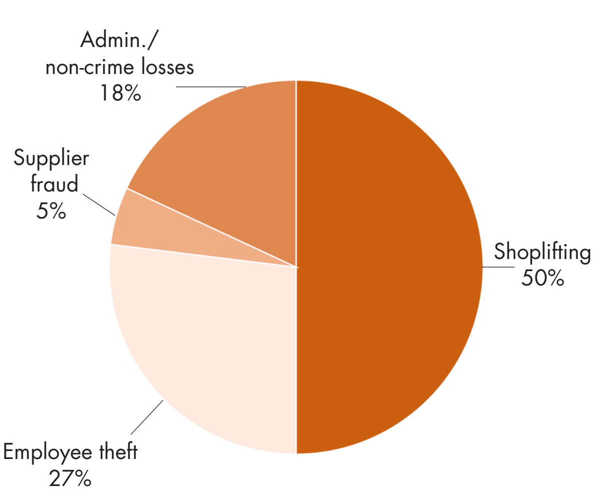
Generating half of total shrinkage value, shoplifting is the main cause of shrinkage in Spain. Shoplifting increased since the onset of the economic crisis in 2008/2009, as consumers suffered from decreasing disposable incomes and tightening household budgets.

Employee theft is the second most important reason for shrinkage, accounting for 27% of total shrinkage in 2012. The majority of retailers interviewed observed employee theft decreasing since the onset of the economic crisis, with staff being anxious to keep their positions. Employee theft is believed to be higher in larger companies that suffer from high staff fluctuation, with temporary employees feeling less committed to their employers.

Administrative/non-crime losses and supplier fraud are the third and fourth biggest causes of shrinkage and accounted for 18% and 5% value share respectively in 2012. Both of these shrinkage factors are reportedly higher in large companies, as these retailers manage a large number of stores and goods and typically have high staff turnover rates. Temporary employees meanwhile have less expertise and knowledge about loss prevention management.

These shares of different causes of shrinkage refer to estimates for the country as a whole.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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Stolen Products

Retailer Type	Top Stolen Products
Grocery retailers	Wine and spirits Gourmet food/delicatessen goods Premium ham and cheese Fresh meat Beauty and personal care such as razor blades, shaving creams, facial moisturisers, colour cosmetics, fragrances, deodorants, toothpaste, shampoos and conditioners Sanitary protection Batteries
Leisure specialists	Clothing and shoes (sports-related items and international brands) Fashion accessories (jewellery such as rings, earrings and necklaces, sunglasses and handbags) Small electronic devices Electronic games and satellite navigation/GPS
Electronics and appliance specialist retailers	iPhones/smartphones iPads/tablets Mobile device accessories (cases and earphones) Laptops iPods/MP3 players Digital cameras Electronic games and satellite navigation/GPS Printers and accessories DVDs Other small items such as batteries, USB sticks and memory cards
Home/garden specialists	Work tools Home/building appliances (e.g. home security systems) Light bulbs Electric parts Water taps
Apparel specialists	Fashion accessories Jeans Dresses Sports clothing Footwear Lingerie/intimate apparel Swimwear Handbags Leather coats Sunglasses
Health and beauty specialists	Milk formula Beauty and personal care (razor blades, facial moisturisers, colour cosmetics, fragrances, deodorants, toothpaste, shampoos and conditioners)
Mixed retailers	Electronic games and satellite navigation/GPS Apparel (fashion accessories, jeans, dresses, sports clothing, footwear, swimwear and sunglasses) Food and beverages (small items)

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However, rates reported by respondents vary considerably, with shoplifting for example ranging from 25-80% share depending on the level of loss prevention measures implemented by the company. Shares also vary by retail channel, with grocery retailers for example reporting above-average shares, while home improvement specialists stated below-average shares. This is due to the nature of products that the different channels sell.

Stolen Products

The retailers interviewed agree that stolen products are typically goods that are small and easy to hide but that have a relatively high value, such as colour cosmetics and facial moisturisers. Electronic items such as games and DVDs are also often stolen, because the purchase of such items puts pressure on household budgets.

Commonly stolen products also include high-value goods that can be easily sold on the black market, such as apparel from popular international brands.

The type of products stolen naturally depends on retail channel, with DIY retailers for example identifying items such as water taps and apparel specialists citing products such as jeans. However, the most stolen product groups across the total retail environment include beauty and personal care such as razor blades and facial moisturisers, as well as electronic products such as games, as these products are easily concealed and tend to retail at relatively high prices.

A key finding was the increase in food and beverage thefts, particularly of higher-priced items such as meat, spirits and cheese. This was due to the economic crisis, with Spaniards' average disposable income decreasing dramatically since the start of the economic downturn.

SECTION 3

Loss Prevention

Key Loss Prevention Methods

EAS labelling (including hard and soft tags)
EAS antennae
CCTV
Hiring more in-store security personnel, including security guards
Spider wraps
Keepers, safers, locked boxes and wrap alarms
Bottle tags
Locked shelves and cabinets
Dummy cartons or ticket systems
Chains, cables and loop alarms
Three-alarm accessories
Employee training to spot and deter theft

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KEY PREVENTION METHODS

Most Spanish retailers interviewed reported implementing a variety of loss prevention methods. These typically include EAS solutions such as hard tags for clothing and display solutions such as spider wraps for cameras, keepers for mobile phones and fragrances and bottle tags for alcoholic drinks retailing at over €10. These methods also typically include CCTV and a large number of in-store personnel such as security guards.

Some interviewees reported an increasing investment in security guards during the review period, which reportedly proved a successful investment as security guards can act immediately.

Another loss prevention method that is considered to be highly effective is EAS solutions. Soft EAS/RF labels were reported to be most commonly used for small items.

Spider wraps are commonly used for the most expensive electronic items and/or products that are displayed close to the store exit.

Interviewees also stressed the thorough monitoring of delivery and in-store processes. These involve the monitoring of inventories, the quantity of goods delivered to stores, price changes, waste and mark down, including data mining to analyse what is going through the tills and to compare this with stock figures.

The majority of retailers interviewed are planning to keep their investment in loss prevention stable in the short term.

The Spanish retailers interviewed agree that the best loss prevention methods are ineffective without human interaction. Therefore, staff training on shrinkage and loss prevention is considered to be highly important.

RFID use is currently very limited in Spain.

The retailers interviewed are keen on a profitable investment in security, maintaining a balanced security investment as a percentage of company turnover. The average share of total revenue spent on loss prevention by Spanish retailers stood at approximately 0.1% in 2012. The apparel specialists, health and beauty specialist retailers, leisure specialists and variety stores interviewed reported an above-average spending share of 0.2% on average of revenues. However, the grocery retailers surveyed reported that this share reached approximately only 0.04% on average.

The great majority of retailers interviewed increased their investment in loss prevention in the review period, such as by hiring more in-store security guards. They do not plan to further increase their investment in loss prevention in the short-term.

The few companies that reported plans to increase their investment in loss prevention stated plans including:

- Increased spending on loss prevention consumables;
- Hiring more in-store personnel;
- Increased use of EAS reusable accessories;
- Increased employee training to spot and deter theft;
- Data mining/analytics.

The New Barometer

A study of the **cost of merchandise theft** and **merchandise availability** for the global retail industry

2012-2013

www.GlobalRetailTheftBarometer.com

United Kingdom

THE GLOBAL RETAIL THEFT BAROMETER

United Kingdom

SECTION 1

Retail Landscape

US$440.7 billion

£283.2 billion

Total store based retail value sales excluding sales tax, 2012

274,669

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

The sales size of store-based retailing in the UK reached US$441 billion in 2012, with retail sales increasing over 2007-2012 with a CAGR 1.4%, despite a tough economic climate.

Growth was however solely driven by grocery retailers, which saw a 2007-2012 CAGR of 4%. Discounters and convenience stores were particularly dynamic with 2007-2012 CAGRs of 8% and 7% respectively. The burst of growth in discounters stemmed from the economic downturn, with consumers increasingly prioritising cost and value over anything else. Convenience stores meanwhile thrived as UK consumers looked for more convenience, less food wastage and better value for money.

Non-grocery retailers however experienced declining sales with a 2007-2012 CAGR of -1%. This occurred as consumers refrained from making non-essential purchases against the background of the economic crisis.

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	7,9%	8,6%
Discounters	2,5%	0,4%
Forecourt Retailers	1,5%	3,0%
Hypermarkets	24,2%	0,5%
Supermarkets	12,1%	1,7%
Food/Drink/Tobacco Spec.	3,5%	10,3%
Independent Small Grocers	2,3%	8,1%
Other Grocery Retailers	0,7%	1,6%
Apparel Specialists	10,3%	12,2%
Electronics/Appliance Spec.	5,6%	3,4%
Health/Beauty Specialists	5,0%	6,5%
Home/Garden Specialists	6,9%	10,5%
Leisure Specialists	6,3%	17,5%
Mixed Retailers	9,5%	2,5%
Other Non-Grocery Retailers	1,7%	13,2%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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The number of retail outlets reached 274,669 in 2012, having declined with a 2007-2012 CAGR of -1.6%. Grocery retailers saw -1% CAGR while non-grocery retailers saw -2% CAGR, as many independent stores closed and chains consolidated their outlet networks.

Analysis by retailers type

Hypermarkets is the largest channel, generating almost a quarter of total retail value sales in 2012. This channel grew sales by almost 4% CAGR over 2007-2012, with many retailers expanding their existing stores. Consumers with businesses and larger households are able to shop in high volumes in such stores, making these outlets convenient for a one-stop shop.

In terms of outlet numbers, leisure specialists is the largest channel and accounted for 18% volume share in 2012. However, this channel declined with almost -3% CAGR over 2007-2012, suffering competition from non-specialist retailers as well as internet retailing.

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	411,552.1	413,645.7	415,530.6	421,775.5	430,852.2	440,673.3	1.4
Convenience Stores	24,449.7	26,082.2	27,912.3	30,504.0	32,686.0	34,623.3	7.2
Discounters	7,201.3	8,203.6	8,983.0	9,642.8	10,084.5	10,995.1	8.8
Forecourt Retailers	6,069.2	6,220.2	6,361.8	6,445.2	6,518.1	6,584.8	1.6
Hypermarkets	89,969.5	94,546.4	98,063.4	99,959.5	103,432.0	106,732.5	3.5
Supermarkets	40,549.9	43,051.8	45,100.8	47,375.1	50,317.1	53,411.1	5.7
Food/Drink/Tobacco Specialists	17,133.4	16,303.4	15,962.6	15,813.2	15,599.7	15,490.5	-2.0
Independent Small Grocers	11,004.0	10,782.8	10,510.0	10,246.4	10,296.8	10,251.3	-1.4
Other Grocery Retailers	3,185.7	3,116.8	3,059.7	3,030.6	3,014.0	3,004.9	-1.2
Apparel Specialist Retailers	48,567.9	46,303.3	45,064.7	44,929.5	45,064.3	45,289.6	-1.4
Electronics and Appliance Specialist Retailers	27,707.1	25,908.9	24,263.7	24,409.2	24,592.3	24,759.5	-2.2
Health and Beauty Specialist Retailers	21,355.0	21,732.1	21,466.6	21,570.4	21,615.7	21,770.7	0.4
Home and Garden Specialist Retailers	36,856.0	35,540.1	33,841.7	31,962.1	31,016.0	30,262.5	-3.9
Leisure and Personal Goods Specialist Retailers	31,295.7	30,478.8	29,692.1	29,113.1	28,802.9	27,908.6	-2.3
Mixed Retailers	39,554.6	38,617.9	38,354.7	39,750.6	40,614.8	41,998.7	1.2
Other Non-Grocery Retailers	6,653.1	6,757.5	6,893.4	7,023.6	7,197.8	7,590.1	2.7

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	297,499.0	291,462.0	286,687.0	284,620.0	281,784.0	274,669.0	-1.6
Convenience Stores	18,742.0	19,006.0	20,146.0	21,758.0	22,973.0	23,547.0	4.7
Discounters	1,020.0	1,105.0	1,157.0	1,173.0	1,061.0	1,048.0	0.5
Forecourt Retailers	9,581.0	9,198.0	8,988.0	8,755.0	8,499.0	8,288.0	-2.9
Hypermarkets	1,258.0	1,302.0	1,332.0	1,371.0	1,414.0	1,451.0	2.9
Supermarkets	4,209.0	4,318.0	4,397.0	4,553.0	4,735.0	4,789.0	2.6
Food/Drink/Tobacco Specialists	32,594.0	31,015.0	29,777.0	28,833.0	28,500.0	28,215.0	-2.8
Independent Small Grocers	25,302.0	24,686.0	24,000.0	23,722.0	23,207.0	22,348.0	-2.5
Other Grocery Retailers	4,923.0	4,576.0	4,432.0	4,339.0	4,285.0	4,246.0	-2.9
Apparel Specialist Retailers	43,161.0	41,817.0	39,935.0	38,218.0	37,148.0	33,470.0	-5.0
Electronics and Appliance Specialist Retailers	10,222.0	9,933.0	9,699.0	9,521.0	9,363.0	9,227.0	-2.0
Health and Beauty Specialist Retailers	19,405.0	19,217.0	18,799.0	18,490.0	18,196.0	17,977.0	-1.5
Home and Garden Specialist Retailers	32,121.0	31,209.0	30,357.0	29,590.0	29,116.0	28,847.0	-2.1
Leisure and Personal Goods Specialist Retailers	54,618.0	53,454.0	52,576.0	52,430.0	50,725.0	48,030.0	-2.5
Mixed Retailers	6,651.0	6,628.0	6,733.0	6,828.0	6,920.0	6,977.0	1.0
Other Non-Grocery Retailers	33,692.0	33,998.0	34,359.0	35,039.0	35,642.0	36,209.0	1.5

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SECTION 2

Shrinkage

1.2%

Average rate of shrinkage 2012

SHRINKAGE OVERVIEW

Shrinkage is a key concern in UK retailing, with all retail channels considered to be affected. As a result, shrinkage prevention has high level support up to an executive level for the majority of the retailers interviewed.

Shrinkage losses are considered to have a higher impact during difficult economic times. Food theft in particular was observed to increase during the review period, owing to the weak economy.

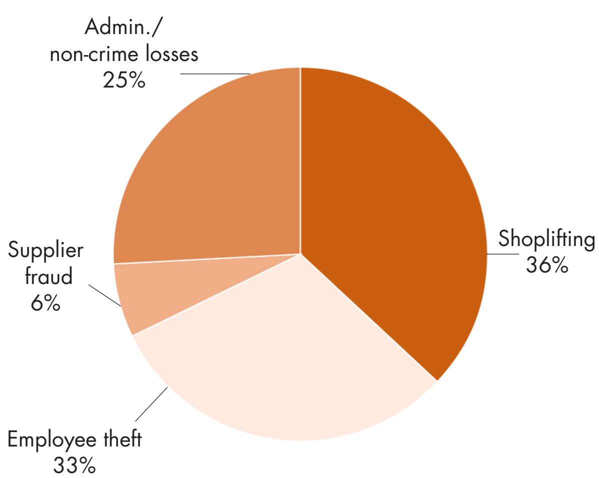
It was also indicated that the number of shrinkage incidents reduced year-on-year during the review period but that the cost per incident increased, thus increasing overall shrinkage value.

Furthermore, it was highlighted that the number of robberies and burglaries increased during the review period and that robberies became more violent and more likely to involve weapons.

Some retailers interviewed however reported decreasing shrinkage rates during the review period. This was due to the attention that shrinkage receives within these companies and their proactive approach with regards to improved loss prevention methods. Rates as low as 0.4% were reported by some of these retailers, with shrinkage considered to be very well managed by these retailers.

Retailers believe that the rate of shrinkage value increased in the review period due to the economic crisis but stated that improving loss prevention methods helped to keep shrinkage under control.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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Observed differences across the UK retail landscape are as follows:

- Due to the high volume of products sold, grocery retailers are more prone to process shrinkage (non-crime losses) while other types of retailers such as electronics and appliance specialist retailers (which typically sell high-value products), are more prone to theft;
- Grocery retailers also experience a comparatively high number of cases but value per case is relatively low. Grocery retailers have a lot of foot traffic and low-value items are stolen more frequently. The same is true for health and beauty specialist retailers;
- In contrast, retailers selling high-value items such as apparel or electronics record fewer incidences but the value loss per incident is higher;
- Electronics and appliance specialist retailers tend to manage shrinkage relatively well, as they are considered to have more options to protect items. For example customers are reportedly happy to wait for a security tag to be removed at the till when they buy a high-priced electronic item. In grocery retailers and health and beauty specialist retailers, customers are meanwhile often in a hurry and it is thus not feasible to protect products in the same way, as it increases waiting times at tills while protective measures are being removed. These retailers are thus considered to be limited in terms of the security measures that they can apply. There is thus reportedly always a trade-off between security and the quality of the customer's shopping experience;
- Apparel specialists are considered to have the highest average shrinkage rates across the retail landscape. This is because the majority of these shops are on high streets and also because fashion items are easy to conceal and have a relatively high value.

Key Causes of Shrinkage

The shares of the key causes of shrinkage in the UK vary according to the type of retailer. For example, shoplifting, employee theft and supplier fraud are considered to be more significant causes for electronics and appliance specialist retailers than grocery retailers, due to the high value and attractiveness of electronics and appliance specialist retailers' products.

The grocery retailers interviewed meanwhile reported that they are particularly impacted by administrative/ non-crime losses, as food and fresh food in particular is more difficult to manage than non-food products. For these retailers, the focus in terms of loss prevention is consequently placed on process loss rather than on malicious loss such as theft.

For the convenience stores interviewed, shoplifting is fairly low. This is because most high-value items and items at the highest risk of being stolen are typically kept behind the counter, such as alcoholic drinks. In large grocery stores such as hypermarkets, meanwhile, shoplifting is observed to be a more significant cause. This is because large stores that are frequented by a large number of customers are more difficult to monitor.

Furthermore, shares are considered to vary in line with organisational culture, with shares of employee theft for example being impacted by employee pay and motivation. Shares are also impacted by the overall shrinkage culture and how much a company will tolerate shrinkage. Shares are also influenced by opportunities in terms of the level of security and loss prevention measures implemented by the company.

For the country as a whole, shoplifting is estimated to hold a share of 36% of total shrinkage value, followed by employee theft with a share of 33%. Administrative and non-crime accounted for 25% share in 2012 while supplier fraud accounted for 6%, with these being the third and fourth most important causes of shrinkage.

Stolen Products

According to the UK retailers interviewed, most items that are stolen are small, easy to steal and hide, have a high value and offer the ability for resale (often to fund addictions to gambling or alcohol) such as branded goods.

Fragrances and colour cosmetics are for example relatively easy to steal. This is because these products are small, they are desired by consumers and there is high demand for them both for personal use and for resale. Furthermore, there is continuous demand for such products because they are quickly used. In addition, the retailers interviewed mentioned that it is difficult to protect fragrances and colour cosmetics without impacting accessibility for customers.

A key observation from the grocery retailers interviewed was an increase in food theft during the review period, including items such as fresh meat, owing to the weak economy.

It was also indicated that for some products shrinkage is now completely under control despite these being

Stolen Products

Retailer Type	Top Stolen Products
Grocery retailers	Electronics (iPads/tablets, printers and accessories, music/video/games, CDs, DVDs, and other small electric items) Food and beverages (wines, spirits such as Glenn vodka, cheese such as mature white cheddar, fresh meat such as gammon joints, coffee such as Nescafé Gold, frozen products such as chicken breast and beef joints, chilled food such as unsmoked bacon and smoked bacon and chewing gum) Health and beauty (razor blades, colour cosmetics, skin care, sun protection, electric toothbrushes and accessories and sports nutrition) Home care (air fresheners and washing powder such as liquid tabs) Baby products (milk formula and nappies) Batteries
Home/garden specialists*	Electronics (home/office consumables) Food and beverages (wines, spirits, cheese and fresh meat) and tobacco products DIY/home improvement (power tools, cables, batteries and door locks)
Health and beauty specialist retailers	Colour cosmetics Fragrances Electrical beauty products Skin care Healthcare items and OTC products

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* Home/garden specialists includes home furnishing stores that offer a basic portfolio of electronics and food and beverages; DIY retailers are also included in this category

among the most stolen items in the past. This is due to the implementation of highly effective prevention methods. An example includes premium frozen meat being placed in a safer.

The type of products stolen naturally depends on retail channel. For example the DIY retailers interviewed reported that items such as power tools, cables and door locks are often stolen, while supermarkets highlighted frozen and fresh meat and milk formula as key areas of concern.

The consensus is however, that the most stolen product groups across the retail landscape include health and beauty products such as razor blades and facial moisturisers, as well as electronic products such as music/video/games. This is because these products offer the opportunity for theft due to being highly visible and easy to steal. They are also easily concealed and tend to retail at relatively high prices.

SECTION 3

Loss Prevention

Key Loss Prevention Methods

EAS antennae
EAS labelling (including hard and soft tags)
Source tagging
Employee training to spot and deter theft
Security guards
CCTV
Locked shelves and cabinets
Dummy cartons/ticket systems
Chains, cables and loop alarms
Keepers, safers, locked boxes and wrap alarms
Bottle tags
Three-alarm accessories

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The majority of retailers interviewed are planning to increase their investments in loss prevention in the short-term

KEY PREVENTION METHODS

Most of the UK retailers interviewed reported applying a number of loss prevention methods, for example EAS solutions and display solutions such as chain/cable alarms for laptops, CCTV and in-store security guards.

Trade interviews however reveal that the most important issue in loss prevention is employee training and motivation. A few retailers interviewed even stated that staff training/motivation is much more effective than technological deterrents.

In terms of staff training, the retailers interviewed reported measures such as the creation of awareness among staff about the items most targeted. They also cited red routing in stores, with staff being told to use the aisles where items of high risk of being stolen are located as transit routes through the store in order to ensure a high staff presence in these areas. Other key areas of staff training include customer service, including staff interaction with customers and a strong presence on the shop floor. Staff engagement was however stated as difficult to achieve by some of the retailers interviewed and it was also highlighted that staff engagement needs to be closely encouraged and monitored by line managers.

Manned security such as plain-clothed and uniformed guards was also mentioned as being one of the loss prevention strategies that offer the best return on investment.

Furthermore, cultural methods are reportedly very effective, including a "name and shame" policy for customers and employees caught stealing and taking people to court.

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In smaller stores such as convenience stores, high-tech methods of loss prevention are viewed as having limitations. Methods such as store layout and design are considered to be much more effective, such as putting products at high risk of being stolen and/or of high value in areas of high footfall or close to the till.

In addition, methods such as locked cabinets and tags are often considered to hinder consumers' shopping experience in retail outlets. Furthermore, EAS tags are observed not to work well on food, particularly frozen food.

The consensus is that an overall company policy of a strong anti-shrinkage culture is necessary. The implementation and combination of a range of different methods is viewed as offering best practice with regards to loss prevention, including a strong loss prevention team. Furthermore, store size, location and portfolio must be taken into account when developing loss prevention strategies. In addition, loss prevention equipment needs to be combined with strong employee training, as technology that is not applied properly is viewed as ineffective.

The safety of staff is a key concern. For example CCTV with an audio function was highlighted as reducing the risk to staff, as a suspicious person can be addressed via the audio function. The focus of staff engagement is also typically placed on customer service, such as approaching customers to ask if they need help, with this considered to be safer than directly confronting customers who are stealing.

With regards to process loss prevention, retailers thoroughly monitor delivery and in-store processes such as price changes, inventories, delivered goods, waste and mark down. Retailers also use data mining to detect till fraud.

RFID use is currently limited in the UK. Only a small number of grocery retailers reported using this technology. The key reason for this was stated as the high cost of this technology.

Loss prevention systems and processes improved tremendously over the review period. The retailers interviewed highlighted the fact that shrinkage can be managed far better today than in the past. Measures include the implementation of a centralised and strong loss prevention team enjoying boardroom support.

The consensus is that loss prevention technology moved significantly forward during the review period, with state-of-the-art technology becoming available at a reasonable cost.

However, there is always the need to stay ahead of the curve. As shrinkage is considered to be a key concern for retailers, they feel the need to continually improve and update their methods of combating loss. Therefore, the majority of retailers interviewed are planning to increase their investment in loss prevention in the short-term.

While some of the retailers interviewed want to work on the evolution of existing systems, other retailers interviewed are working on the development and integration of new systems and applying careful cost-benefit assessments. Highlighted planned measures include:

- Introduction of source tagging;
- Hiring more security guards;
- Sophisticated central remote monitoring systems with speakers;
- Increased employee training to spot and deter theft;
- Data mining/analytics.

It was also indicated that retailers are in the process of finding sophisticated technologies for highly effective loss prevention. For example, there is a focus on technology that accurately and consistently measures loss of sales data, including when loss of sales data occurs, in order to distinguish loss of sales data from stock loss.

Furthermore, some of the retailers interviewed are still at the stage of trying to understand the root causes of losses. These retailers are aiming to gain a clearer understanding of the nature of losses, where they occur and why. Once this has been more fully understood, these retailers will be in a position to make decisions about the necessary and desired investments in shrinkage prevention.

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United States

SECTION 1

Retail Landscape

US$2,441 billion

Total store based retail value sales excluding sales tax, 2012

893,740

Total no. of retailing outlets, 2012

INDUSTRY OVERVIEW

After surpassing its pre-crisis peak in 2011, US retailing grew again to reach US$2,441 billion in 2012. Over 2007-2012, US retailing displayed moderate growth compared to other developed countries with a CAGR of 1%. The fact that many shopping habits formed during the recession persisted at the end of the review period helps to explain why growth has not been higher.

There was strong economic uncertainty in the US throughout 2012, due to the Eurozone crisis in the first half of 2012 and the threat of the fiscal cliff towards the end of the year. This eroded consumer confidence and therefore hindered retailing sales throughout the year. Despite the continuation of a modest recovery in GDP growth at 2% in 2012, consumers remain wary of significant risks to the economy arising in the future.

Although grocery retailers saw a relatively strong 2007-2012 CAGR of 2%, non-grocery retailers saw a small decline with a CAGR of -0.1%. This is symptomatic of an economic recovery that saw some categories rebound well from the crisis while others struggled.

Analysis by retailers type

	Value Shares	Volume Shares
Convenience Stores	0,9%	3,1%
Discounters	0,9%	0,4%
Forecourt Retailers	5,6%	13,9%
Hypermarkets	12,0%	0,5%
Supermarkets	14,0%	2,7%
Food/Drink/Tobacco Spec.	3,0%	8,2%
Independent Small Grocers	3,2%	3,1%
Other Grocery Retailers	0,2%	0,7%
Apparel Specialists	8,2%	13,6%
Electronics/Appliance Spec.	4,1%	5,3%
Health/Beauty Specialists	11,2%	10,4%
Home/Garden Specialists	12,4%	15,4%
Leisure Specialists	6,3%	13,7%
Mixed Retailers	16,5%	5,0%
Other Non-Grocery Retailers	1,5%	4,0%

Shares by retailer type in 2012:
Value shares based on total retail value sales excluding sales tax;
Volume shares based on total number of retailing outlets.

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Grocery retailers benefited from consumers eating in more often, rather than spending money on consumer foodservice. In addition, grocery retailers are also simply less susceptible to economic fluctuations, as grocery items are usually viewed as necessities.

The number of retail outlets increased marginally to 893,740 in the US in 2012 over the previous year but remained 5% lower than its peak in 2007. Over 2007-2012, non-grocery retailers saw significantly sharper decline in outlet volume than grocery retailers with CAGRs of -1% and -0.3% respectively.

As a result grocery retailers increased both retail value share and outlet volume share, with shares rising from 47% to 49% and from 32% to 33% respectively during the review period.

These increases were largely driven by growth for modern retailers such as discounters and hypermarkets. These channels saw value sales increase by 6% CAGR and 5% CAGR respectively during the review period, at the expense of traditional grocery retailers such as independent small grocers, as well as non-grocery retailers. Both discounters and hypermarkets also markedly increased their store presence throughout the country in the review period, albeit from a low base.

Analysis by Retailer Type

Mixed retailers lead in sales terms with 17% value share of overall retailing. However, hypermarkets, supermarkets, health and beauty specialist retailers and home/garden specialists all also have large shares. In the US, no one channel dominates retailing. As channel blurring intensifies, this trend is set to continue.

Retail Value RSP excl Sales Tax, US$ million in historic current prices 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	2,350,558.3	2,345,841.7	2,289,458.6	2,329,386.7	2,390,384.4	2,441,304.8	0.8
Convenience Stores	20,966.3	21,575.6	22,050.3	22,755.9	23,415.8	23,221.4	2.1
Discounters	17,495.0	18,509.7	19,176.0	20,786.8	22,241.9	23,106.8	5.7
Forecourt Retailers	130,080.9	126,545.7	128,467.6	131,550.8	134,519.2	135,588.8	0.8
Hypermarkets	229,790.1	249,625.8	264,303.0	270,625.0	280,280.2	292,027.4	4.9
Supermarkets	320,591.8	330,437.9	331,098.8	329,443.3	332,737.7	341,030.3	1.2
Food/Drink/Tobacco Specialists	69,780.0	69,178.1	69,385.6	70,079.5	70,710.2	73,048.8	0.9
Independent Small Grocers	75,715.9	76,094.4	76,398.8	77,010.0	77,395.0	78,948.1	0.8
Other Grocery Retailers	6,386.5	6,207.6	6,052.4	5,810.3	5,688.3	5,574.5	-2.7
Apparel Specialist Retailers	182,262.0	178,470.6	173,116.5	180,976.0	190,929.6	200,304.3	1.9
Electronics and Appliance Specialist Retailers	109,949.1	107,750.1	96,975.1	97,750.9	98,738.2	99,003.5	-2.1
Health and Beauty Specialist Retailers	229,641.8	241,250.6	248,908.9	256,770.6	265,397.9	273,358.5	3.5
Home and Garden Specialist Retailers	364,808.7	338,364.1	295,486.7	296,957.7	303,897.7	302,061.8	-3.7
Leisure and Personal Goods Specialist Retailers	162,019.2	157,593.2	147,092.9	150,152.4	152,979.0	154,407.3	-1.0
Mixed Retailers	396,363.8	389,843.5	379,130.8	385,470.5	396,315.0	403,830.0	0.4
Other Non-Grocery Retailers	34,707.3	34,394.9	31,815.3	33,247.0	35,138.7	35,793.1	0.6

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Number of sites/outlets 2007-2012

Subcategory	2007	2008	2009	2010	2011	2012	Historic CAGR%
Store-based Retailing	936,189.0	918,284.0	899,461.0	892,745.0	892,978.0	893,740.0	-0.9
Convenience Stores	27,890.0	28,262.0	28,827.0	28,568.0	27,911.0	27,799.0	-0.1
Discounters	2,447.0	2,554.0	2,659.0	2,881.0	3,083.0	3,216.0	5.6
Forecourt Retailers	124,317.0	123,075.0	122,828.0	122,818.0	123,623.0	123,906.0	-0.1
Hypermarkets	3,315.0	3,517.0	3,668.0	3,800.0	3,892.0	4,022.0	3.9
Supermarkets	24,678.0	24,332.0	24,390.0	24,603.0	24,406.0	24,186.0	-0.4
Food/Drink/Tobacco Specialists	76,540.0	73,784.0	72,908.0	72,845.0	73,209.0	73,648.0	-0.8
Independent Small Grocers	28,017.0	27,498.0	27,585.0	27,905.0	27,514.0	27,762.0	-0.2
Other Grocery Retailers	7,938.0	7,898.0	7,266.0	6,852.0	6,749.0	6,783.0	-3.1
Apparel Specialist Retailers	126,158.0	127,317.0	123,577.0	122,474.0	121,837.0	121,944.0	-0.7
Electronics and Appliance Specialist Retailers	49,846.0	49,173.0	48,489.0	48,305.0	47,875.0	47,157.0	-1.1
Health and Beauty Specialist Retailers	89,794.0	88,658.0	89,392.0	90,295.0	91,475.0	92,764.0	0.7
Home and Garden Specialist Retailers	153,789.0	150,950.0	143,389.0	138,617.0	138,441.0	137,971.0	-2.1
Leisure and Personal Goods Specialist Retailers	143,638.0	136,338.0	129,357.0	125,459.0	124,312.0	122,594.0	-3.1
Mixed Retailers	41,062.0	40,244.0	40,341.0	41,870.0	43,127.0	44,286.0	1.5
Other Non-Grocery Retailers	36,760.0	34,684.0	34,785.0	35,453.0	35,524.0	35,702.0	-0.6

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All types of retailers are taking advantage of an increased desire for convenience and a widening range of retailers are stocking fresh food, packaged food and drinks in order to give consumers increased options wherever they shop.

Home/garden specialists is the largest retailer in terms of outlet numbers with 15% volume share in 2012. This is a very fragmented channel, with the top five companies representing just over 10% of total outlet volume.

SECTION 2

Shrinkage

1.5%

Average rate of shrinkage 2012

Pressure on sales due to economic crises contributed to a greater rate of shrinkage in the review period.

SHRINKAGE OVERVIEW

Retailers across all channels reported that they viewed shrinkage as a key concern in the US and also stated that the rate of shrinkage increased in the review period due to pressure from the economic crisis.

Those retailers interviewed believed that there were two complimentary factors leading to an increase in shrinkage rates. Firstly, they cited consumers attempting to maintain living standards on a shrinking budget, with this increasing demand for stolen goods. In addition, they stated that constrained sales within companies led to compromises in asset protection. There is a general agreement that all retailers were impacted by this trend during the review period.
Organised retail crime is seen as increasingly important throughout the US and in every retail channel. It is hard to quantify exactly how much of shoplifting is driven by organised crime. However, it is believed that organised crime accounts for a significant proportion of high value goods stolen by shoplifters.

One of the main drivers of the rise in organised crime during the review period was the growing popularity of internet auction and classified advert sites such as eBay and Gumtree. These sites allow criminals to quickly and efficiently find potential buyers and caused the resale price for many products to increase significantly, making organised retail crime considerably more lucrative.

Although electronics and appliance specialist retailers lose fewer items to theft, it is estimated that these retailers are the worst affected in value terms due to the high value of the goods that they sell. This high value of goods leads to such retailers being repeatedly targeted by both organised crime focusing on resale and by individual shoplifters looking to get their hands on highly desirable goods.

There is a common perception that health and beauty specialist retailers have a particularly significant shrinkage problem. Many of the retailers interviewed said that this was the channel worst affected. However, while some health and beauty specialist retailers had high rates of shrinkage, overall shrinkage in this channel was relatively low. Despite health and beauty products being small and therefore easy to conceal, the channel's overall rates of shrinkage are kept low with some leading retailers reporting annual shrinkage between 0.7% and 1%, considerably lower than the national average.

Stolen Products

Retailer Type	Top Stolen Products
Apparel specialists	Fashion accessories Jeans Dresses Footwear Lingerie/intimate apparel Handbags Leather coats Sports clothing Swimwear Sunglasses Jewellery such as rings, earrings and necklaces Fragrances
Mixed retailers	High-value electronics such as Apple products Computer games Prepaid cellular devices Skin care and colour cosmetics Fragrances Razor blades Apparel and fashion items, especially trendy junior apparel, fashion accessories, jeans, sports clothing, footwear, lingerie/intimate apparel, handbags, sunglasses and jewellery such as rings, earrings and necklaces
Health and beauty specialist retailers	Consumer health such as allergy treatments, antacids and vitamins Milk formula Razor blades Skin care such as facial moisturisers, shampoos, conditioners, sun protection and colour cosmetics Fragrances Oral care (whitening strips, toothbrushes, electric toothbrushes and accessories) Contraceptives Electronic accessories such as headphones Tobacco products Fashion accessories
Grocery retailers	Milk formula Energy drinks Healthcare items Laundry detergents Colour cosmetics Apparel (sports clothing and lingerie/intimate apparel)
Home/garden specialists	Electronics (electronic games and satellite navigation/GPS) DIY/home improvement (power tools, cables, batteries, door locks, building supplies and timber, screws and washers)
Leisure specialists	Electronics (mobile device accessories such as cases and earphones, digital cameras, electronic games and satellite navigation/GPS, iPads/tablets, iPods/MP3 players and DVDs) Apparel (sports clothing, footwear, lingerie/intimate apparel, swimwear and sunglasses) Food and beverages (milk formula)
Electronics specialists	Video games Computing including laptops and tablets Computer accessories (hard-drives, USB sticks and speakers) Cameras and video recording equipment

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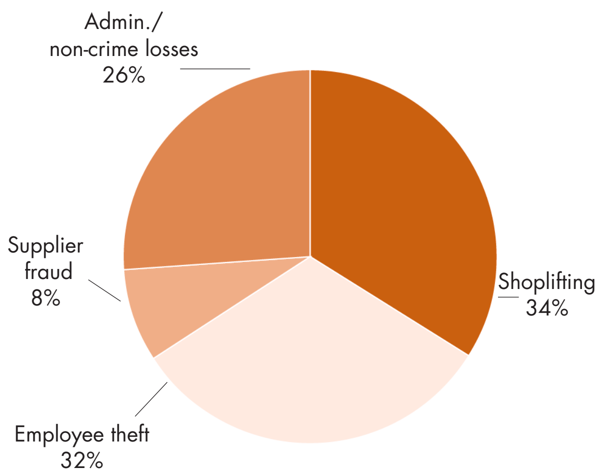
Similarly, there is a perception that apparel specialists are particularly affected by shrinkage. Many respondents stated that this channel probably suffered most after health and beauty specialist retailers however this perception is largely because apparel specialists are more affected by shoplifting which tends to be the most visible cause of shrinkage. The impact of shoplifting at apparel specialist retailers is balanced by lower than average administrative losses and supplier fraud to ensure that these retailers do not experience higher than average rates of shrinkage.

Key Causes of Shrinkage

In the US, shoplifting accounts for the largest share of shrinkage, accounting for just over a third of total shrinkage loss. Although it is not reported as the main reason for shrinkage in every channel, shoplifting has a fairly consistent range of share, with the vast majority of respondents saying that it accounted for 25-40% of their losses.

The retailers that reported higher shares of shoplifting were all either apparel specialists or health and beauty specialist retailers. This helps to explain why these channels were perceived to suffer a higher rate of shrinkage than other retailers.

Causes of Shrinkage 2012



Value shares on total shrinkage in 2012

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Employee theft also played a large role, accounting for under a third of overall losses in the US. The impact that employee theft had on different retailers however varied significantly, ranging from as little as 7% of total shrinkage value to as high as 65% share. Those retailers with a lower share of employee theft often attributed this to incentive schemes that are designed to make staff self-police.

The role that administrative and non-crime losses plays in shrinkage appears to have increased during the review period and is particularly high compared to many other developed countries. However, as one large retailer pointed out, it is only now that companies have got to grips with the vast amount of data available that they can fully appreciate the role that these categories play. It may not be the case that administrative and non-crime losses grew during the review period. Instead, companies may have become more aware of these losses, many of which stem from excess inventory costs. Retailers are increasingly addressing the issue of excess inventory, following the policy of, "if you don't have it, you can't lose it."

In general, grocery retailers and mixed retailers suffer significantly more from administrative and non-crime losses than other retailers. This is due to the nature of grocery retailing, which is generally more difficult to manage, with more of the focus being on reducing process-related losses.

Supplier fraud plays by far the smallest role in shrinkage, accounting for only 8% share overall. This share seems to be fairly consistent across different retail channels. None of the companies interviewed highlighted supplier fraud as a key concern and many did not separate this out from employee theft or administrative losses.

Stolen Products

The reasons that products are stolen from stores can be split into two different types: those for personal use and those for resale, usually by organised crime. However, the products stolen are usually small and therefore easy to conceal while also offering a relatively high value. This could mean fashion accessories at apparel specialist retailers and razor blades as well as OTC medication at health and beauty retailers.

Some goods are reported as being regularly targeted across all channels that stock them. These products include high-value electronics, razor blades, skin care and colour cosmetics. Very few of these product areas would generally be classed as necessities. Instead, they seem to be popular targets for theft either due to their high resale value or for personal use due to their high desirability.

Some goods such as razor blades and oral care, such as whitening strips, are more likely to be stolen for resale than goods such as apparel. This is because apparel is more personalised and so has a relatively lower resale value to its original value, whereas products such as razor blades have a high resale value and can be sold easily.

Some goods are stolen largely for personal use but are also targeted by organised crime for resale. Key examples of such products are high-value electronic goods and computer games. For these product areas, the majority of individuals steal just one or two products for personal use. However, there is also a small subset of individuals that will steal many more items or repeatedly steal items in order to sell these on to other customers, as they are easily resold.

The fact that a higher proportion of shrinkage is now due to organised retail crime means that the composition of the most stolen products changed during the review period, with a lower share of personalised goods being stolen.

SECTION 3

Loss Prevention

Key Loss Prevention Methods

Employee training to spot and deter theft
EAS labelling (including hard tags and soft tags)
EAS antennae
Locked cabinets and shelves
Exception-based reporting
Source tagging
Keepers, safers, locked boxes and wrap alarms
Dummy cartons or ticket systems
Chains, cables and loop alarms
Three-alarm accessories
Camera systems (CCTV)
Security guards

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KEY PREVENTION METHODS

Employee-focussed methods of loss prevention are important to US retailers – not necessarily in terms of increased man-power but rather staff training to enhance customer service and staff interaction with customers. More than one of the interviewed retailers stated employee-focussed strategies are a key element of loss prevention, without which loss prevention technologies cannot achieve their full potential.

In addition to educating staff members about how to best prevent losses, it is also important to have the right incentives in place. Retailers are keen to ensure that staff members are vigilant in terms of self-policing and reporting on employees that do steal from the company, either in terms of cash or goods.

Almost all of the retailers interviewed reported that they use a combination of EAS methods, with hard tags being the most popular. The reasons for the usage of this strategy vary but it was often reported that EAS is the first line of defence for retailers. It was also stated that, as nearly all retailers use some form of EAS, if a store does not have EAS then it is more likely to be targeted by criminals. Even though EAS systems may not be particularly effective in stopping determined criminals, this means that a lack of such systems leads to an increase in the number of people attempting to steal from a store.

One of the other most popular systems in use for loss prevention is locked cabinets and shelves. However, the retailers interviewed about locked systems generally had mixed feelings about this strategy. While this is probably the most successful method for reducing the absolute value of shrinkage, as only the most determined criminals will smash open a locked display cabinet, this strategy also markedly reduces sales. Customers are much more likely to be impulsive and buy something that they can touch or try on in comparison to an item where they have to ask for a staff member to take it out from behind the case. It is therefore more difficult to decide upon the optimum number of locked cabinets to utilise in comparison to other systems.

Three-alarm accessories are also fairly popular, particularly in apparel specialists where these are the second most prevalent type of loss prevention technology after EAS.

Other common methods include the implementation of camera systems (concealed and displayed), video analytics, source tagging and exception-based reporting. These systems all improved significantly during the review period as the technology became easier to use, with tags for example becoming smaller in the case of source tagging. Technology also began to work more effectively during the review period in the case of exception-based reporting and video analytics. Loss prevention is believed to be one of the areas of retailing that is benefiting most from technological advances, especially considering how shrinkage prevention was once so reliant on manpower. While employee training remains key, the sheer manpower required to focus on loss prevention has been eased by technological advances.

The majority of retailers interviewed are planning to keep their investment in loss prevention stable in the short-term.

Exception-based reporting usually comes in the form of software that analyses data from cashiers in order to detect patterns that could indicate fraud. Exception-based reporting can thus spot excessive discounts, returns that do not match a purchase and employees processing their own transactions or returns. Out of the retailers interviewed who used such programmes, those who had a custom-made programme however found this to be much more effective than those with more standardised programmes.

RFID is a highly valued method of loss prevention. However, due to the costs involved this method is not widely used. Less than half of the retailers interviewed currently use RFID, although many stated that they are considering investing in RFID in the short-term future.

The percentage of revenue spent on loss prevention out of the retailers surveyed varied from 0.001% to 0.2% with an average of 0.04%. However, apart from one retailer, every retailer's expenditure on loss prevention was notably less than a fifth of the value of its shrinkage loss.

One of the biggest challenges that faces teams working in loss prevention is attempting to minimise losses while avoiding any negative impact upon sales. In order to achieve this aim, retailers highlighted the importance of not taking a broad approach when looking at asset protection. Instead, retailers stated that it is important to make sure that the systems in place are the most suitable for the products they are protecting.

When asked if they would be likely to change investments in their stores in the short-term, most retailers stated that they would keep overall levels of investment fairly constant.

Most retailers stated that in order to reduce the impact that shrinkage has on the profitability of a company they could either reduce absolute levels of shrinkage or could focus on increasing sales so that shrinkage is proportionally a smaller problem. Most retailers stated that they would keep the level of investment in loss prevention fairly constant in short-term, with the hope of increasing sales so that shrinkage would be less of a problem.

Many retailers however stated that, although they are planning on keeping investment levels constant, they believe that their future investment is likely to become more closely targeted. Strategies could for example be adapted based on better analysis of the increasingly large amount of data that is available to these retailers.

THE GLOBAL RETAIL THEFT BAROMETER