

Store Security is More Than Shoplifting...

©1997-2002 ALL RIGHTS RESERVED

MELCHIOR THOMPSON & ASSOCIATES
170 West Poplar Avenue
San Mateo, CA 94402-1152

Introduction to Store Security	1
I. Risk Management for Retailers	1
Catastrophic Loss.....	1
Significant Losses	1
Minor Loss.....	1
II. Employees and Security	2
A. Hiring Practices.....	2
B. Employee Monitoring	3
B. Employment Exit Procedures.....	4
C. Laying a Paper Trail to Fire an Employee	5
C. Employee Training.....	5
III. Operational Policies and Security.....	6
A. Cash Handling	6
B. Opening and Closing Procedures	6
C. Shoplifting Policies and Practices	6
D. Splitting Ordering and Receiving	7
E. Parcel & Backpack Control	7
F. Miscellaneous Operational Policies	7
G. How to Deal with Robberies or Burglaries.....	8
H. Steps to Recover Stolen Merchandise	8
I. Buying and Selling Used Merchandise.....	9
J. Conducting Merchandise Inventories	9
III. Internal Security Hardware	9
A. Safes, Cash Drawers, Mirrors etc.	9
B. Electronic Security Tools	9
IV. External Security Hardware.....	10
A. Locks and Gates	10
B. Motion Sensors	10
C. Outside Lighting	10
D. Magnetic Window Tape	10
E. Automatic Record of Door Opening	10
F. Burglar/Fire Alarms	11
V. Store Layout and Design	11
A. Visibility from the Cash-wrap.	11
B. Avoid Nooks and Crannies.	11
C. Central vs. Side Podium Locations.....	11
VI. Using POS to Improve Security	11
A. Separate Till Balancing	11
B. Identify Cashier Problems	11
C. Inventory Control	11
VII. The Tourist/Destination Store	12
A. Large Denominations.....	12
B. Check Acceptance	12
VII. Natural and Other Disasters	12

A. Disaster Planning	12
B. Back Up Your Computer Data	12
C. Leaks - The Overlooked Disaster	12
A. Fire and Property.	12
B. Liability.	12
C. Business Interruption.	12
D. Worker s Compensation.	13
IX. Employee Security	13
A. Health Records	13
B. First Aid Training	13
C. First Aid Kit	13
D. Emergency Telephone Numbers	13
X. The Store Security Planning Process	13
XI. Appendix	14
A. Store Security Planning Checklist	14
B. Determining Merchandise Shrinkage	14
C. A POS Inventory Count Form	16
D. Sample Employee Application Form Questions	17
E. A Sample Mystery Shopper Evaluation Form	18
F. A Sample Till Balance Log	19
G. Some Sources of Store Security Hardware & Services	20
H. Sample Reasons for Immediate Termination	21

Introduction to Store Security

Store security is much more than dealing with shoplifting. It consists of identifying and developing ways to avoid or minimize loss from all the likely problems your business can experience.

The old maxim “an ounce of prevention is worth a pound of cure” was never more true than when we look at retailing. If your pre-tax profit margin is 10% of gross sales, a \$100.00 loss wipes out your profits from \$1,000.00 of sales! How much work is \$1,000.00 of sales worth to you? Or to put it another way, how hard do you have to work to generate \$1,000.00 in sales?

This seminar isn't intended to be a nuts-and-bolts tutorial on how to deal with store security problems. What we intend is to sensitize you to potential security problems and give you with some ideas about practical solutions. If we can provide you a useable framework for thinking about store security and risk management we've been successful.

If you have ideas for improving this seminar or have war stories you'd like to share, please call us. We'd love to hear from you and will pass on anything useful to other retailers.

I. Risk Management for Retailers

Risk Management is the element of insurance and security where potential problems are identified, their potential damage to a business is estimated, and solutions to deal with them are developed based on their damage ranking. Learn to think about security for your retail business in terms of Risk Management.

A potential problem may have several risk solutions. You may, for example, purchase insurance, have a high or lower deductible for insurance depending on how much risk you want to assume, or self-insure if you believe that the chance of a problem occurring is really minimal. Other risk management options might include installing hardware to minimize the risk of occurrence or increasing employee training.

All potential security problems for retailers fall into three broad categories:

- **Catastrophic Loss**

These sorts of problems can put you out of business permanently in such a manner that all the equity which you've laboriously created over the years is gone.

Examples of catastrophic loss can include liability lawsuits from customers, total loss of business due to fire or natural disaster or fraud or embezzlement from a business partner or key employee. Most catastrophic losses are best prevented by proper insurance and business practices, such as incorporating each store in a multi-store company separately.

- **Significant Losses**

The result of problems that would otherwise generate catastrophic results can be lessened by proper risk management techniques, although the results can still be very serious. “Significant” losses are those which leave your business in operation but which cost it a substantial amount of money.

“Significant” losses are best prevented by a combination of insurance, proper business practices and staff training.

- **Minor Loss**

All businesses experience minor losses. These can best be minimized by proper business practices and staff training. Customer “slip and falls”, minor employee accidents, merchandise damage are good examples of “minor” losses. Minor losses shouldn't be taken for granted since if they happen often enough or the same losses happen repeatedly you can lose nearly as much in their entirety as a “significant” loss.

II. Employees and Security

Almost every security issue in a retail store is affected by the quality of your employees and how well they are trained and monitored by you.

A. Hiring Practices

Good hiring practices form the basis for good store security. If you have a solid group of employees many security problems can be avoided or minimized. Careless hiring practices cause nothing but trouble.

- *Reference checking*

Always request and check references for potential employees. You may have known someone “for years”, but you don’t know everything about them. Don’t make exceptions when you ask for references and the names/address/phone number of an applicant’s past employers.

- *Employee “honesty” tests*

One screening technique for job applicants which have passed your initial screening are so-called “honesty” tests.

These tests cover applicant’s attitudes toward honesty, work ethic, attitude, drugs, cooperation with others, etc. They usually consist of about 150 multiple-choice questions. You can telephone in the results to the testing service and get an immediate overall score for the candidate. A more detailed analysis of their responses typically arrives a week later.

These tests cost about \$8.00-\$15.00 each, and you can locate sources under *Security Services* in the Yellow Pages of a major metropolitan area.

Most experts recommend that you use these tests for candidates who have passed initial screening, rather than for every job applicant. In order to avoid charges of discrimination it’s best to use this sort of test at the same point in the hiring process for *every* candidate. You may have three candidates for a job, and only two may pass your initial screening. That’s the point where most people would use an “honesty” test.

These tests are legal and are not considered to be an invasion of privacy as long as they are administered equally. Some comics retailers feel that these tests work very well as a screening tool. Some experts feel

that someone who is “test smart” can fool these tests, and also point out that the results of the test are valid only at the time of testing and that individuals attitudes and behavior can change later.

- *Checking for a Criminal Record*

Checking an applicant’s criminal record may seem excessive to you, but if you are hiring someone to be your representative when you’re not in your store, and that person will be responsible for a day’s sales receipts and all the merchandise your store, we think it’s worth the time to check.

How you react if you discover any history of criminal convictions is your call. (*You do have a question on your job application form about previous criminal convictions, don’t you?*)

- *Check Applicant’s Driving Record*

If you have the applicant’s operator’s permit number you can usually get a copy of their driving record through your state’s department of motor vehicles. If you are planning on a employee do any driving on company time this is a good idea. If an applicant has a poor driving record that’s also worth knowing. And any incidents involving alcohol or drugs are really worth knowing about.

- *Drug screening*

Most of us tend to have mixed feelings about drug testing, especially those of us who were teenagers or college-age during the sixties. What with the spread of methamphetamine use, as well as cocaine and heroin you might want to consider drug testing new hires. In fairness, if they are going to have to pee into a cup to get hired, or do it once a year as a condition of employment, you should be the first in line at the bathroom.

- *Hiring non-comics people*

Many of our retail clients have found that hiring a mixture of comics-based and non-comics staff works best for them. Comics or game fans are best for casual or temporary staff while non-comics people with some retail experience in other fields seem to be best for more responsible positions.

B. Employee Monitoring

Once you've hired an employee, don't relax and think that your job is done. Apart from training them properly to do things the way you want, it's important to keep tabs on how they're doing. Here's a few of the ways to do so:

- *Use Mystery Shoppers*

While you can hire professional services to go through your stores on a regular basis and evaluate cashiers and staff according to a list that you develop with the service, they are a little expensive for many smaller retailers. If you don't use a commercial service, we definitely recommend developing a simple evaluation checklist and have relatives and friends cycle through your store for you at least every other week.

While you may not discover any irregular activities, you may discover that customer policies that you have developed aren't being carried out properly.

- *Track Till Balance Variances*

Record the variances in each cashier's till in a log, whether on paper or on a computer. Take a look at the pattern of the variances every month or so and see if the staffer is over or under regularly. If you have a spreadsheet program with graphing capabilities you can visually determine whether there's any regular pattern in their variances.

- *Rotating staff between stores*

If you have multiple stores, you should rotate staff periodically to a different store for a week at a time. If sales vary substantially with a transfer you know that you have a problem. Some of you reading this may think that we are excessively paranoid. In working with our clients we have found many, many times that moving a manager or store team from one store to another has resulted in one-week differences of as much as \$1,500.00 on an average weekly sale of \$4,500.00!!!

If you have multiple stores which are too far apart for convenience staff transfers, consider working at a store yourself for a week while the manager is away on vacation.

- *Monitoring Store Sales*

Monitoring store sales isn't quite the same as seeing what happens when store staff switches from store to

store. If you track daily sales, daily transaction count, average customer transaction and calculate a monthly turnover rate for inventory you'll often be able to spot a security or other problem before it becomes too serious.

If staff are misbehaving, their actions will inevitably show up in flat or declining sales or a decrease in the average customer transaction. It certainly will appear in your turnover rate as a sharp drop in that number. A drop in annualized turnover rate from 6.0 (which is pretty good) to 4.5, for example, would have me discreetly turning the store inside out to find out the source of the decrease.

If you can't generate these numbers for your business you are leaving yourself wide open for internal and external shrinkage.

- *Excessive Transaction Void or Till Opening*

Another indicator to watch out for is an excessive number of voided transactions or till openings without a transaction. Many cash registers will track this data, and ComTrac-POS tracks it and automatically includes it in the daily data transfer file.

If the number of voids or drawer openings increases significantly on a given staffer's shift, that's an indicator that there's a problem. That's your cue to start running mystery shoppers through the store while they are at work.

- *Conduct Snap Inventories*

If you are able to keep a running value of the value of your inventory by department, it's a good idea to conduct a "snap" inventory of a department or sub-department on a monthly or bi-monthly basis. If there's a significant discrepancy between what merchandise is there and what should be there, you know that you have a problem.

- *Use Video cameras*

A number of comics retailers mount Video cameras hooked to a VCR near their cashwrap. Doing this provides several advantages:

You can check to see that customer service policies are being carried out properly.

You can check for customer problems, such as shoplifting small items from the cashwrap or trying to short-change the cashier.

You can document offences such as attempts by customers to till-tap or robberies.

Although you might not believe it, clients with videotape setups at the cashwrap have found their staff planning to open their own stores, copy their subscriber lists and embezzle product to help start the new store!

So if you install a video camera system, take the time to fast-forward through the tape periodically.

- *Conduct Informal Honesty Tests*

Many comics retailers use simple, informal honesty tests to check on the integrity of a new hire. These generally fall into the category of leaving an extra ten dollar bill in the till while the new employee is at lunch.

- *Having a Strong Group of Employees*

If you have more than two employees and they are people who enjoy their job and have integrity, they will tend to help you screen out new hires that don't fit in.

If part of their bonus plan involves how profitable the store is or whether certain short-term sales goals are met, this positive behavior will be reinforced. We have a client who hires all new employees for a ninety-day probationary period. At the end of that period their employment can be terminated or extended as they see fit.

Whenever a marginally honest person has been hired, they've never cleared their probationary period. The other staff suddenly notice that tills no longer balance closely, that desirable back issues are disappearing or that other "red flags" are appearing.

Bear in mind that if you get a group of "bad apples" the

same applies, but in reverse. I've worked with an East Coast retailer who developed several stores worth of employees with negative habits. Apart from poor business practices, these six employees probably cost him \$500,000 over three years. Seems hard to believe but it's true!

B. Employment Exit Procedures

When an employee leaves you, whether by resignation or firing, you should follow a standard set of exit procedures.

- *The Exit Interview*

Always conduct an exit interview with an employee who's leaving you, as this is one of the best times to get an unvarnished opinion of what you are doing right and wrong.

- *Accounting for Property*

Take the time to make sure that all company materials have been returned, especially keys. Here's where keeping a log of what items have been "out on loan" for staff to become familiar with comes in handy.

- *Reference Requests*

Be sure to discuss how reference requests will be handled by you for the employee. If they are leaving voluntarily, discuss whether they will need a letter of reference from you as well.

- *Change Locks*

Whether an employee resigns or not, it's a good idea to rekey all your external locks. This may seem to be expensive, but it's a lot cheaper than having an ex-employee (or one of their friends) pay your store a midnight visit. This is also where having a door logging unit is useful.

- *Involuntary Terminations*

Involuntary terminations (firings) are a lot more complicated. Besides the points we've reviewed, we recommend:

Always avoid unsubstantiated accusations when terminating an employee. There are lots of hungry attorneys who love to take a small wrongful discharge case, get \$8,000.00 from you of which they get to keep \$4,000.00-\$5000.00 for their trouble. Some states are worse than others for this, but any employer should take care regarding this.

C. Laying a Paper Trail to Fire an Employee

Have a proper paper trail when terminating so as to avoid “wrongful discharge” lawsuits. If you are terminating an employee for substandard performance, suddenly firing them without warning may get you sued.

The best way to cover yourself (and to be fair to your employees) is to review them quarterly. Evaluate their punctuality, cashier accuracy and how well they performed other tasks you’ve assigned to them. If they have done well, by all means tell them so. If they have problems, identify the problems clearly. Then set a goal and time limit to remedy the problems. This may involve additional training on your part.

If an employee continues to have problems in a critical area that could justify termination, formally warn them in writing. Once again, set a time limit during which you expect to see significant improvement and define what “improvement” means. At the end of this period you have your paper trail and can terminate them safely.

If this sounds overly cautious and excessive, consider once more how much sales it takes you to generate \$8,000.00 in profits.

None of this gradual approach is relevant when an employee commits an act which is sufficiently serious that immediate termination is called for.

You will have covered yourself if you have an Employee Manual or Operations Manual which clearly outlines the causes which justify immediate termination of staff. You should have made sure that every employee receives a copy of this manual when they begin work and that they sign a form which you keep in their personnel jacket that states they have read and understand the contents of the document. (*See the Appendix for a sample list...*)

C. Employee Training

Employee training is the basis for much successful store security. Consistency is the key to success.

• The Operational Manual

The Operations Manual documents the standard way that things are done at your store. Its an extremely

important document, whether its a simple ten-page booklet or a much more elaborate document.

One of its chief virtues is that it allows you to begin to clone yourself, so that you can focus on tasks which will grow your business rather than grind yourself up trying to handle the myriad of small jobs connected with comics and game retailing.

From a security or risk management perspective, its value lies in training staff and providing background to support disciplining employees.

• Company Policies

All your Company Policies should be included in this document. Be sure to set clear, enforceable, written policies. Establish manager/senior clerk responsibilities. List the relevant skills/experience for each major salary level. Discuss the dress code for staff and the general behavior your expect regarding customers and one another. Clearly set out your basic customer service policies.

• What’s Expected from Staff

If you do a good job of putting together an Operations Manual your staff will have a good idea of what skills or experience are needed in order to achieve various levels of responsibility (and pay) in your business.

III. Operational Policies and Security

Operational Policies have a great deal to do with proper security. Cash handling, shoplifting and many similar items fall into this category.

A. Cash Handling

Always have a standard beginning balance for the till. We strongly recommend having separate tills for each cashier as well as having locked drawers to keep tills in when the cashier is on break or at lunch.

Another good idea is to separate balancing tills from totaling. This is only practical on our ComTrac POS, but what it does is let the closing cashier record the contents of their till. The till goes into a locked drawer and the next day someone else can balance their drawer against the receipts. This doesn't eliminate cash problems but helps discourage them.

Always make regular cash drops when the amount in a till exceeds a pre-determined amount. This minimizes the losses in the event of till-tapping or robbery. If your receipts are starting to build up on site go and make a bank deposit.

One of our clients was burglarized and lose a good deal of money from an on-site concealed cash box. While this was obviously an inside job, since the burglars knew exactly where the cash box and another well-concealed storage space was, the loss would have been considerably smaller if they had made a deposit earlier.

In spite of this example, having secure on-site cash storage is a good idea. If you are going to use a cash box, use two boxes. One box should have a minimal amount of money and be more readily accessible. This is best used as a change box. The other box should have the majority of stored funds in it and should be much more well-concealed.

Your tills should balance to within 1% of total sales or better. This means that on a \$1,000.00 day the over/under shouldn't be more than \$10.00. As we said earlier, log your balancing results so you can check for patterns of cashiers being consistently over or under.

(Being over consistently is just as bad as being under.

It means that your customers are being short-changed or that the cashier is keeping extra funds in the till and is being careful when they remove funds at end of day).

B. Opening and Closing Procedures

Some of the most vulnerable periods in store operation are opening and closing. Have "punch list" of opening and closing procedures can minimize or even eliminate much of the potential for trouble. Be sure to have the opening/closing employee check off and initial their punch list.

C. Shoplifting Policies and Practices

Shoplifting (external shrinkage) is what most retailers think of first when we discuss store security. Shoplifting is a serious problem, and can cut into your profits substantially if it gets out of control.

Shoplifting Policies

Check with local police about their shoplifting incident policies when you determine what your in-store policies are going to be.

Consider having police visit store and train staff. Have all shoplifters arrested Reward employees who follow procedures which result in detecting shoplifters. Avoid underestimating this problem. Compare notes on shoplifting and other scams with other merchants.

Handling Shoplifting Incidents

- ✓ Remember, a perpetrator is a suspect, "innocent till proven guilty".
- ✓ Call police immediately before accosting suspect. Have someone else call if possible while you continue to monitor the suspect. Make sure ALL your emergency phone numbers are posted near the telephone
- ✓ If you're alone, lock the front door before confronting the suspect
- ✓ Don't confront the suspect with shoplifting until you are both off the sales floor. Ask to speak with them in private - "My manager wants to speak with you and asked me to bring you to him..."

✓ Have a witness to the confrontation if possible. Don't ask customers to participate otherwise.

✓ Always have suspected shoplifters arrested. Even though the police and courts often regard shoplifting as a minor, unimportant infraction; being arrested and booked is unpleasant and serves as a useful deterrent to a shoplifter repeating their crime in your store..

In many areas its untrue that you must wait for the suspect to leave your premises. Concealment of merchandise, etc. is grounds for believing that a crime has or will shortly occur. **Note: Check with your local police for definitive information, as this varies from area to area.** This also varies from precinct to precinct no matter what the local laws read.

Be sure you treat all shoplifters consistently.

How you treat shoplifters depends somewhat on their age. Children will be scared, reassure them that you are required to do this "by your boss" or you'll lose your job. Don't make any promises. As for teenagers, don't let them "go to the bathroom". Keep them under observation.

D. Splitting Ordering and Receiving

Never allow same employee to order and receive merchandise. One of our clients called up and told us that they have discovered that a trusted employee (isn't it always a "trusted employee"?) had been doing their ordering and checked in new merchandise. The employee had been ordering additional products for himself through the Special Order section of ComTrac and took them home without paying when they arrived. Our client was able to reconstruct a history of everything he had ordered which they used in recovering product from their ex-employee.

Always, always check invoices against shipments. Process claims for damaged or shorted merchandise immediately. I know it sounds unlikely, but we estimate that **at least** 15% of all comics retailers don't check their invoices against arrivals.

E. Parcel & Backpack Control

✓ Checked parcels/backpacks must be stored in secure area.

✓ Avoid having external rack or storage area for self-service storage

✓ Consider using two decks of playing cards as parcel checks. One card is attached to the checked item by a clothespin and the other is given to the customer.

✓ Have large, conspicuous signs for customers about their having parcels and backpacks checked.

F. Miscellaneous Operational Policies

✓ *Receipts For Security* - We just don't understand why some retailers avoid giving receipts to their customers. One of the oldest methods for making sure that customers get their receipts is to have a sign on the cash register offering customers a cash reward if they don't get a receipt.

Requiring a receipt for returns, refunds and exchanges also is a good loss prevention technique. If your receipt can identify the date and time of the transaction as well as the staffer who made the sale, so much the better.

✓ All purchases to be bagged, tagged and stapled shut

✓ No borrowing/buying without management permission. No borrowing/buying "after hours".

✓ Employee Purchases - Sales must be made by superior - no self-sales! Staff doesn't have priority over customers for scarce/rare merchandise

✓ Discounts. Establish a clear, consistent employee discount policy.

✓ Transfers. Don't allow any inter-company merchandise transfers without the proper transfer documents.

✓ Credit Cards. Establish Firm Credit Card Policies Establish floor limit on minimum purchases (Note: This is against policy according to most cardservice

companies although it's a common practice). Be sure to check monthly lost/stolen update bulletin unless you get authorization for all purchases above a floor amount. Allow your staff to keep the reward for recovered credit cards.

Be sure to write the customer's telephone number on the credit card slip as customers do leave their cards behind in the store. Make clerks responsible for financial losses if policies aren't followed. High-volume stores should get on-line verification readers. Compare signatures with charge card and receipt - THIS IS BASIC! Check expiration date on card! THIS IS ALSO BASIC!

✓ Establish Firm Check Policies. Establish upper limit cashier can accept without management approval
Usual check acceptance requirements:

- Printed check
- Telephone number
- Local address
- No "temporary" checks
- No "third party" checks
- Require proper ID, usually a driver's licence

You cannot require a credit card for check acceptance

✓ Profile of Bad Check Issuer:

- Male
- Late teen's and early twenties
- Low serial number on check
- Apartment address

✓ Using Check Guarantee Services. Consider using DataCheck or Equivalent. These services are fairly expensive to if they are to guarantee against bounced checks

Checking for bounced checks only guards against habitual bad check issuers

✓ Have a substantial "Bounced Check" charge

✓ Scams, Fraud and Con-Men. Take the time to become familiar with common scams and train your staff to recognize and deal with them. Your local police department can provide you with information about the basic scams.

G. How to Deal with Robberies or Burglaries

You should plan for robberies now, as sooner or later you WILL BE robbed. The same applies to being burglarized.

If you are robbed or burglarized take advantage of the publicity opportunity if any "valuable" merchandise is taken.

H. Steps to Recover Stolen Merchandise

✓ Contact other retailers

✓ Prepare list in advance with names and phone numbers

✓ Make phone call followed by letter

✓ Put identifying labels, mark etc. inside high-value merchandise

✓ Offer reward for "information leading to arrest/conviction"

✓ Check flea markets, etc. for merchandise

✓ Stolen merchandise often ends up in competitors stores - check by telephone immediately!

✓ Have height tape strips by exits

✓ Don't be a hero! Give the robber what they want.

✓ Remember essentials of perpetrator:

- Height, weight
- Ethnic background
- Hair color, distinguishing marks
- Licence plate, make, color of car, etc.
- What was taken? Money - merchandise.

✓ Write descriptions and other information down before you forget!

✓ Contact police and insurance company

✓ Get names/addresses of any witnesses

I. Buying and Selling Used Merchandise

You can get into trouble with the local authorities by purchasing used merchandise without following the local rules and regulations.

- ✓ Require good ID (e.g.: driver's licence) from seller
- ✓ Record all pertinent transaction information including date, seller's phone number, driver's licence, address, information on what was purchased
- ✓ Put all information into a purchase book - reference check # if you paid by check
- ✓ Have one copy of receipt for customer and one for store of purchase receipt
- ✓ Many cities require a licence for the purchase and resale of used merchandise

J. Conducting Merchandise Inventories

The only way you can find out whether you're losing merchandise to internal or external "shrinkage" is to conduct a physical inventory and match it against the expected inventory.

If you are using manual ordering and inventory control systems and track activity by department you can conduct a snap inventory for a given department. If there are serious discrepancies between what amount of merchandise is found and what you expect to be there it's time to inventory the entire store or at least your major departments.

You need to carry out a complete merchandise inventory on at least an annual basis for insurance purposes as your insurance company is not likely to reimburse you for merchandise loss otherwise.

For those of you with automated ordering and inventory control (such as ComTrac POS) you can generate an inventory count form for any department which will have the most current inventory level printed on the form for each item. This makes it easy to spot variances.

III. Internal Security Hardware

Most retailers are familiar with the basics of security

hardware, especially since it's the most visible part of store security.

A. Safes, Cash Drawers, Mirrors etc.

There are many visual observation tools. Visual security hardware commonly includes:

- ✓ Mirrors. Wall-mounted mirrors are typically used to provide the ability to visually check up on isolated corners of the store. Mirrors are relatively inexpensive, but some experts believe that they are relatively ineffective.
- ✓ One-Way Mirrors. One-way mirrors are usually installed on a rear wall so you have the ability to inspect portions of your store without customers knowing that they are being observed. This is a very effective means of maintaining security. Our feeling is that several small one-way mirrors are preferable to one large mirror. If you have multiple viewing locations you can randomly check different parts of the store, and if you are tracking a suspicious customer it's much easier with several viewing stations.

- ✓ Video Cameras. Video cameras can be used as "live" viewing tools or can feed into a VCR for later review. The only problem with using a VCR for recording is that the tapes tend not to be reviewed. Some stores have a single video camera mounted directly behind and to the side of the cashwrap, which allows them to monitor staff as well as check for customer problems. A number of our clients use fake video cameras which have a glowing red light powered by an internal battery, which is the only thing inside the shell.

Video cameras are somewhat expensive, although prices continue to fall. We've heard of a few retailers putting together their own video camera security systems, but most retailers find that it's much easier to purchase a commercial product.

B. Electronic Security Tools

By now almost everyone is familiar with merchandise that's protected by some form of electronic security. Most of these systems involve a detection system at the entrance of the store combined with a marker on each

piece of merchandise which triggers the alarm. At this writing most of these systems are based on microwave detection, although this may change in the future.

✓ Sensormatic, CheckData are common units
The real cost in implementing a detection system lies in detection strips on merchandise. Each system uses proprietary sensor strips or units that work with their own sensor installation equipment.

✓ Depending on the type of merchandise you are protecting deactivating sensors after making a sale to a customer ranges from putting the merchandise over a deactivation unit to physically removing the unit.

✓ Many retailers felt they reduced shoplifting “substantially” by using these devices and that they recovered the initial capital cost of the unit in three-to-four months. (Note: Leases are very common in financing this sort of equipment).

We think that these devices are best for high-volume “mass-market” locations such as shopping malls. In situations with lower customer counts other security methods can work as effectively.

Door Chimes

Door chimes are often overlooked as a low-cost, effective security tool. These are best-suited for stores where one person is often the only staffer on duty. It’s really useful to know when someone has come into the store.

IV. External Security Hardware

External security is also pretty familiar to most retailers. It’s still a good idea to review the most common equipment.

A. Locks and Gates

Having good locks on all your exterior doors seems like a “no brainer”, but you should make sure that all your locks are functional, that “spare keys” aren’t in existence and that your locks are so simplistic that they are vulnerable to burglars. You should also consider installing a bar across the rear door to your store so that when the store is closed you have extra protection against rear entry.

B. Motion Sensors

These devices detect motion in the store during defined period of time. A wide variety of types and search patterns are available.

Motion sensors typically cost \$350-\$450 to install and \$35.00-\$50.00 per month rental fee. When you are considering a motion sensor always check for who is responsible for maintaining the system, paying for repairs, etc.

C. Outside Lighting

Adequate outside lighting is important, both during business hours and when you are closed. Be sure to properly illuminate the store entrance and parking area during business hours.

The areas which particularly need illumination outside business hour are the entrance and any rear entrance.

D. Magnetic Window Tape

“Smash and grab” is a relatively crude burglary method, but it happens and can be very costly. One way to protect yourself against this is to have your windows taped so that any interruption in the circuit trips an alarm.

Magnetic window tape usually costs \$50.00-\$70.00 per hour labor rate to install and typically requires 1 to 1 ½ hours per large window to install.

E. Automatic Record of Door Opening

You can install devices which record when the door they are attached to are opened. These usually track when the front door to the store are opened in the morning and closed in the evening. They are particularly useful in monitoring incidents where store staff use their keys to gain entrance to the store after-hours.

F. Burglar/Fire Alarms

Some stores come with basic alarms in place and most do not. Getting a modern burglar alarm installed is one of the basic store security methods. We believe that silent alarms are preferable to loud alarms. We feel that if there is a burglary at your store you really don't want to frighten off the burglar, but rather want them caught by police responding to the alarm.

V. Store Layout and Design

Store layout and design can create security problems or go a long way toward minimizing them. Some points to consider in looking at your store's layout are:

A. Visibility from the Cash-wrap.

Try and set up your store so that most of the space is visible from the cashier's position. Comics and game stores often operate with just one employee on duty, so good visibility is critical. Diagonal shelf or racking gives better

B. Avoid Nooks and Crannies.

When you set up merchandise displays try to avoid creating "black holes" where staff can't see what's happening. Look for "stash" areas of merchandise when working out on the sales floor, try to avoid giving shoppers the opportunity to hide merchandise so they can wait for a good opportunity to take it and head out the door.

C. Central vs. Side Podium Locations

We prefer a side podium or cash-wrap to a centralized cashier area. A central podium makes it easy for customers to shoplift the small items which tend to gravitate to this area, and leaves blind spots for store staff. A side podium allows the full use of the wall space behind the cash-wrap for product display and allows store staff to monitor the store all the time.

VI. Using POS to Improve Security

Point-of-Sale (POS) systems are very helpful in maintaining a satisfactory level of store security. POS systems can help you actively by enforcing proper store procedures for refunds and the purchase of used merchandise and by monitoring cash handling. POS systems also help your security efforts passively by

recording store activities in sufficient detail that potential problems are easily identified and dealt with.

Three issues are particularly useful to the retailer in terms of security with a properly designed POS system:

A. Separate Till Balancing

With a properly designed POS systems you can separate till balancing so that you have better control over your cashiers. At the end of their shift a cashier can count their till and lock it away. Later that day or the next day you can verify their count and balance their till against the information in the POS system. This makes it more difficult for a dishonest employee to steal from you, and also makes it harder for a cashier with poor money-handling skills to conceal their problem.

B. Identify Cashier Problems

A POS system can help you identify patterns of an excessive number of refunds, voids or "No Sale" drawer openings. All of these tend to be associated with cashier problems.

C. Inventory Control

Being able to inventory portions of your merchandise and see whether there are unacceptable levels of shrinkage is one of the most effective store security techniques around. The problem with manual ordering and inventory control systems is that it's difficult to track sales and purchases on a small enough level to make "mini-inventories" practical. With a properly configured POS system you can quickly and easily conduct "snap" inventories. If there's a pattern of shortages that's your cue to do a larger and more thorough inventory. If that reveals additional problems you know that you must begin work on determining whether your problems are due to external or internal shrinkage.

VII. The Tourist/Destination Store

The tourist-based or destination store has a few problems which are worth considering. Most of them are concerned with cash control and large sales.

A. Large Denominations

Larger denominations tend to be presented by customers. There must be increased emphasis on proper change procedures. You should call-in authorization for all credit card transactions above a floor level if you don't have a credit card authorization terminal.

B. Check Acceptance

Check acceptance from out-of-state customers is also a potential problem, whether the check is for a small or large amount. Checks for a large amount can be called for verification to the issuing bank if the check is presented during business hours. This is becoming less important due to credit cards and ATM cards. Other options include asking for a check guarantee card (some customers will have them) or asking the customer if they'd prefer using a credit card.

VII. Natural and Other Disasters

A. Disaster Planning

Most retailers don't worry about natural disasters until they happen. Identify possible natural disasters for your area: flood, tornado, hurricane, earthquake.

Then list pre-disaster precautions appropriate to your area in checklist form and put into your Operations Notebook for future reference. Create a checklist for items to get for disasters that are possible for your area.

B. Back Up Your Computer Data

If you use any type of computer program to manage your business, make sure that you back up regularly and that one set of backups are off-site. One of our clients was fully backed up, but the gun shop next door caught fire and took the entire block of retail shops with it. It turned out that in anticipation of a weekend gun show the gun shop had extra ammunition and gunpowder on premises. When the ammunition started "cooking off" the fire brigade quit trying to put the fire out and backed off to a safe distance.

When two barrels of gunpowder went off that finished the job that the fire had begun.

If you lose your entire store you may wonder why you'd want backed up computer data. First, it will make processing your insurance claim much easier. Second, all that sales information and your customer lists are like money in the bank. If you have them you can recover. Lose them and you are in a world of trouble.

C. Leaks - The Overlooked Disaster

A fairly common cause of business loss is a leaky roof with commensurate damage to merchandise. If there's a heavier than normal rain expected and you have any reason to suspect the integrity of your roof, consider putting plastic tarps over your key merchandise before going home. It's only another 5-10 minutes work but can save your considerable time and expense.

VIII. Business Insurance

Insurance is one of the oldest and most basic risk management tools. Most comics retailers are under-insured and are vulnerable to being completely put out of business.

A. Fire and Property.

This is your basic insurance against loss by fire or other calamity. Watch out for exclusions.

B. Liability.

Any retailer without sufficient liability insurance in this day and age is courting disaster. Your coverage should be \$1,000,000 plus.

C. Business Interruption.

This insurance can not only save your hide if you suffer a major loss, but can help get you back on your feet in better shape than before the accident.

D. Worker's Compensation.

This is mandatory in most states, and not having it can really cost you money.

Have your insurance agent review your premises annually to suggest ways to minimize risk - fire extinguishers, loss prevention practices, etc. Review your insurance coverage at least every other year if not annually. Get alternate bids for your coverage periodically. *Make sure your all your insurance is current!*

IX. Employee Security

Part of your security planning process is to take provision for your employees well-being.

A. Health Records

Be aware of any potential employee health problems, such as asthma, diabetes, etc. Have complete information on file for each employee on who to call in case of emergency, etc. Have employees fill out an incident report for any employee or customer accident.

B. First Aid Training

Encourage staff to take Red Cross first aid or CPR classes.

C. First Aid Kit

Keep a good first-aid kit on premises in an easily accessible place. Inspect it monthly to make sure that supplies aren't low or exhausted.

D. Emergency Telephone Numbers

Make sure that all relevant emergency telephone numbers are posted near each telephone at your place of business.

X. The Store Security Planning Process

Store security planning isn't difficult and lends itself to a checklist approach more than many management jobs.

The gist of this process is to:

- ✓ Systematically go through all of the major risk areas in your business and note your current risk management practices.
- ✓ Separate the areas that leave you exposed to the greatest financial loss.
- ✓ Develop a risk management solution for each of these areas.

Then repeat the process again for the next most serious group of potential risks. You should go through this process in its entirety at least once a year. We recommend that you go through parts of the store security checklist at least twice yearly - such as the section on store layout.

XI. Appendix

A. Store Security Planning Checklist

You should review your security procedures on a quarterly basis if you are a multi-store retailer or if you have a single, high-volume store. Every retailer should review their security procedures at least once a year. Set aside an entire day and go through the checklist. Make appointments ahead of time with your insurance agent or broker.

- Review “mystery shopper” results
- Have you had any customer or staff accidents since your last review? How serious were they? What changes would you make to prevent them?
- Analyze history of till balances and register activity for problems
- Analyze store sales for unexpected increases or decreases
- Review cash-handling procedures - have there been any problems?
- Review any shoplifting incidents. What changes would you make in training, etc?
- What problems have other retailers experienced?
- Has your shrinkage rate changed? Why? What do you plan to do about it?
- Have you or any other local retailer been robbed or buglarized? If so, what changes would you make?
- Have you conducted at least one major inventory of your merchandise for insurance and shrinkage purposes? What are the results? Is your shrinkage in excess of 3% of inventory?
- Review your internal security hardware. Do you feel that it is necessary to add new hardware or a new system? Have you talked with other retailers about their experiences with this equipment?
- Have you checked your locks and gates for proper operation? Do any locks need to be upgraded?

- Have you checked your outside lighting in the evening or in poor weather. Do you need more lighting?
- Have you checked all the entrances (doors, windows, ventilators, skylights) to your store to make sure they are weather-tight and properly secured?
- Check your store layout for potential blind spots, places to cache merchandise, etc.
- Check your store layout for potential customer or staff accidents.
- Have there been any significant natural disasters or other incidents in your area since your last security review? How did they affect you? What precautionary measures should you take to minimize loss if they happen again or happen nearer you?
- Is all your employee information (who to notify, potential health problems, etc.) current?
- Is all your insurance current? Do you need to increase coverage on existing insurance or add any new coverage?

B. Determining Merchandise Shrinkage

If you don't have a POS system, you can determine what your merchandise shrinkage rate is if you have kept track of your sales and purchases by some merchandise category, such as New Comics or Games.

Here's an example:

Game Department (Wholesale Values)

Inventory 1/1/97	5,000
Purchases 1/1-6/30/97	2,500
	=====
Total 6/30/97	7,500
Sales 1/1-6/30/97	6,000
	=====
Expected Inventory	1,500
Actual Inventory	1,250
	=====
Variance	250
Shrinkage	16.7%

Comments:

In reality this should cause any retailer to start inventorying the other major merchandise departments in their store, as a 17% loss rate is about six times higher than is tolerable. Remember that all shrinkage isn't due to theft. Bookkeeping errors, mistakes in logging in merchandise, damaged merchandise all contribute to inventory variances.

C. A POS Inventory Count Form

Page: 001

Specialty Mdse Inv Form for Store:DEMI Dept Cde:FIG Mfgr:ALL
 ComTrac-Plus 1.9k THE MODERN COMIC STORE

Item	Dept	Mfgr	Old #	Curr#	Bar Code	Catalog #	Mfr #	Min
DARTH VADER FIGURE	FIG		1		CT-585			3
FIGURES - COMIC	FIG		14		CT-578			2
FIGURES - SPORT	FIG		12		CT-579			1
SANDMAN BISQUE	FIG		1		CT-583			1
WOLVERINE BISQUE	FIG		0		CT-584			2

*** End of Report ***

Notes:

This report shows only the merchandise for a single, fairly small department. It's ideal for carrying out a "snap" inventory whose primary purpose is to check on shrinkage. If you print out a Count Form such as this for a department with many items, you could spot check every second or third item with equally good results.

D. Sample Employee Application Form Questions

- Name (Last, First, Middle, Nickname)
- Address (Street, City, State, Postal Code)
- Telephone
- Social Security Number
- If no home phone, where can they be reached by telephone?
- If under 18, enter date of birth
- Citizenship status
- Do you have the legal right to work in US?
- Position desired
- Wage or salary expected
- Why did you apply for this job?
- Date available to begin employment
- Total hours available to work weekly
- Are there any days of the week that you cannot work?
- What is your availability during school vacations? (N/A, Full-time, Part-time, None)
- Are you willing to work at any of our stores?
- Have you worked for us before? Where? When?
- What was your supervisor's name?
- Why did you leave?
- Have you ever been convicted of a crime, excluding misdemeanors and summary offences, which has not been annulled, expunged or sealed by a court? If yes, explain.
- During the past year, how much time have you lost from work or school due to illness or injury? Explain.
- List personal references who are not relatives. (If student, list at least one teacher or counselor).
- List your last three employers. Provide:
 - ✓ Name of Employer

 - ✓ Address (Street, City, State, Postal Code)

 - ✓ Dates of employment

 - ✓ Salary or wage

 - ✓ Nature of duties

 - ✓ Name of supervisor

 - ✓ Reason for leaving job

E. A Sample “Mystery Shopper” Evaluation Form

Shopper _____

Date: _____

Time: _____

Store: _____

Were you greeted when you entered the store? Yes No

Were you asked if you were looking for any specific merchandise? Yes No

Was the store neat in appearance? Yes No

Were the store staff well-dressed and well-groomed? Yes No

Was the store staff attending to their duties? Yes No

Were you helped by one of the store staff? Yes No

Did the person who helped you or the cashier tell you about additional merchandise that you might be interested in? Yes No

Did the cashier count your change aloud? Yes No

Was your purchased bagged, tagged and stapled? Yes No

Did the cashier inform you about our Frequent Shopper Program? Yes No

Did the cashier inform you about our Subscription Program? Yes No

Other Comments:

This form is provided for your use as a sample. Modify it to suit your own needs and experience.

G. Some Sources of Store Security Hardware & Services

ADT Security Systems West

510-785-2912

One-stop shopping for burglar and fire alarms and all general high-tech security services.

Reliable Chimes

800-641-4111

A complete source of door chimes.

Security Products

800-869-1727

A complete line of mini-safes, safes and cash drawers.

Sensormatic

800-368-7262

One of the well-known anti-shoplifting labeling systems. Also carries a variety of security products.

Yellow Pages Headings:

Security

Burglar Alarm Systems

Drug Detection & Testing

Fire Alarm Systems

Security Control Equipment & Systems

Television Systems & Equipment-Closed Circuit

H. Sample Reasons for Immediate Termination

1. Theft or accessory to theft from the company.
2. Theft or accessory to theft from another staffer.
3. Willfull damage or abuse of any property of the company.
4. Exhibiting gross negligence when handling money, merchandise or property of the company.
5. Insubordination toward superiors, subordinates, peers or adressing customers in a profane or insulting manner.
6. Threatening or committing acts of physical violence, whether on or off company property during business hours or while on company business.
7. Indulging in horseplay which could result in physical injury or property damage.
8. Improper use of your POS password or another staffer's password when ringing a transaction.
9. Improper use of credit card authorization procedures, etc.
10. Falsifying employment application through omission or misrepresentation of facts.
11. Solicitation (for any reason) while working for the company on working time.
12. Including the company in your personal financial affairs, namely through excessive garnishments or the issuing of bad checks to the company.
13. Violation of company rules concerning employee discounts or purchasing merchandise.
14. Sexually harassing any other staff member or customer.