

# 2017 RETAIL CRIME SURVEY

TAKING RETAIL  
FURTHER //

Retail



UNIVERSITY  
of  
**OTAGO**  
*Te Whare Wānanga o Ōtāgo*  
NEW ZEALAND





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## FOREWORD

**Crime is an enormous problem facing the retail sector, and costs New Zealand retailers just under \$1.1 billion a year, the vast majority of which is never recovered.**

We are very pleased to present the results of our 2017 Retail Crime Survey. It has been 14 years since we last undertook a survey of this type and it is timely to have up to date information about this serious issue. Anecdotally we knew that the crime problem was getting worse, and that crimes were becoming more aggressive and brazen, and we now have evidence to back this up.

Our survey attempts to quantify the cost of retail crime in dollar terms. This is difficult to do, and will only present part of the picture when we consider the overall impact of retail crime. It is important to also consider the fear and trauma associated with violence against retail employees, the stress to business owners in managing the impacts of criminal activity. Policing, Courts and Corrections also have a huge cost to the taxpayer. Fearful retailers and shoppers create a negative environment and prevent people from wanting to go to certain areas.

The real cost of retail crime is greater than the \$1.1 billion direct costs revealed by our survey. Additional costs not included are the costs of prevention, plus the overall costs to society. Retail crime has a significant economic impact on New Zealand, and it takes a real toll on the people and communities who face it.

We hope our survey results will help us in our work with Government, Police, retailers and their staff, to reduce crime rates across the board.

Scott Fisher  
Chief Executive - Retail NZ

Dr John Guthrie  
Senior Lecturer - University of Otago





Cost of crime losses  
\$1.1 billion in 2017

### COST OF RETAIL CRIME

Crime is a reality for most retailers in New Zealand today and we estimate the total direct cost of retail crime to be just under \$1.1 billion a year.

81 per cent of respondents had been affected by retail crime over the past 12 months, and all categories were affected.

For most retailers, it is not possible to detect every instance of crime. This study, and its predecessors, have asked respondents to estimate their total shrinkage over time, and the proportion that can be attributed to crime. Shrinkage is defined as stock losses and takings shortages caused by theft/fraud or by administrative errors/mistakes.

For larger retailers, this number will be well known and understood. Smaller retailers that do not have sophisticated stock management systems, or that do fewer regular stock takes, may have a less detailed understanding of shrinkage levels. However, the technology available today means that most retailers are able to identify with accuracy gaps in the value of stocks held which cannot be explained by bad stock management, clerical error and discounting, and are attributed to retail crime.

The average shrinkage level across all respondents to our survey was 1.6 per cent, with 1.3 per cent of that attributed to crime. As a proportion of total retail sales to March 2017, this equates to just under \$1.1 billion annually.

In comparison to the 2003 New Zealand Survey of Retail Crime, total shrinkage was up slightly from 1.5 per cent. There was a significant increase in losses attributed to internal crime and a smaller decrease in losses attributed to external crime.

COMPOSITION OF SHRINKAGE (1.6%)



- Crime losses
- Administration errors

COST OF CRIME	2003 SURVEY		2017 SURVEY	
External crime losses (shoplifting, burglary, etc.)	\$479m	85%	\$836m	77%
Employee theft or fraud (internal)	\$85m	15%	\$249m	23%
TOTAL COST OF CRIME	\$564m		\$1,085m	



**81% of retailers impacted by crime in the last 12 months**

## HIGH STREET RETAILERS ARE WORSE OFF

Retailers with a physical presence on suburban, rural and city high streets were most affected, with around 75 per cent of crime happening at these locations.

Suburban high streets are slightly more vulnerable. This may be because there are fewer people in these areas, particularly at certain times of the day and night. In general, they are also easier to access (on foot or by vehicle) and have simpler get away routes.

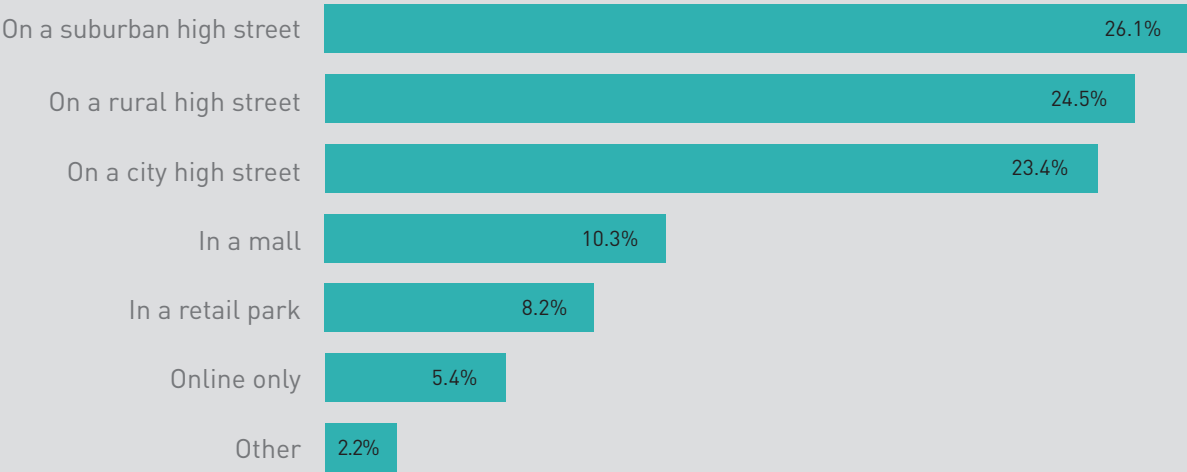
Malls and retail parks are less affected by retail crime. This may be because of their confined and controlled spaces that make offenders easier to identify. Larger retailers in retail parks are likely to have better loss prevention technologies. Both malls and retail parks may also employ dedicated security staff which act as deterrents.

### HAS YOUR BUSINESS BEEN AFFECTED BY RETAIL CRIME IN THE PAST 12 MONTHS?



- Affected by crime (81%)
- Not affected by crime (19%)

### LOCATION OF RETAILERS AFFECTED BY RETAIL CRIME



## CRIME AFFECTS ALL RETAILERS

Of the total cost of crime, the largest cost is incurred in the 'grocery, convenience, food and liquor' category. However, a relatively low proportion of annual sales are lost to crime from this category (1.2 per cent).

Proportionally, the 'fuel' and 'pharmaceutical and other' categories have the biggest crime problem in relation to their overall size.

### THE COST OF CRIME BY CATEGORY



- Grocery, convenience, food & liquor (36.7%)
- Fuel (13.1%)
- Motor vehicle & parts (10.7%)
- Electrical, furniture, homeware & recreational goods (10.6%)
- Hardware, building & garden supplies (10.5%)
- Pharmaceutical & other (9.7%)
- Department, clothing & footwear (8.7%)

## LARGER RETAILERS LOSE LESS TO CRIME PROPORTIONALLY

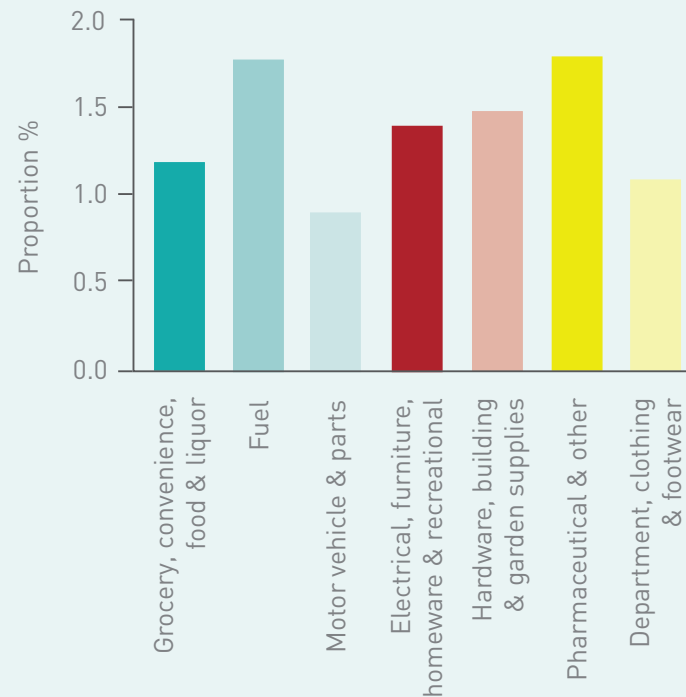
Larger retailers with annual sales of over \$10 million lost an average of 0.9 per cent of sales to crime over the last 12 months. This compares to 1.4 per cent for retailers with annual sales of \$1m to \$4 million.

Larger retailers are more likely to have invested in loss prevention technologies and staff training to reduce crime, and therefore are more able to control crime losses.

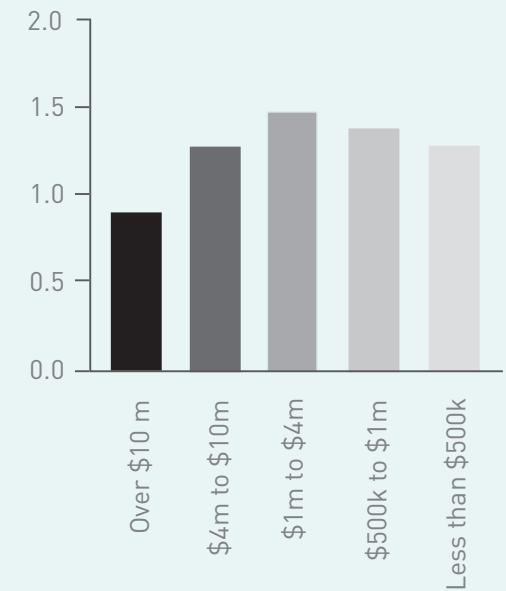
Very small retailers, with turnover of less than \$500,000, lost a lower proportion to crime than might be expected at 1.3 per cent. Crime prevention might be simpler in these settings where the floor plan is smaller and people on the shop floor have good visibility of all areas. Our survey showed that medium-sized retailers with annual sales of \$1-4 million are most affected by crime, losing 1.5 per cent annually.

### PROPORTION OF ANNUAL SALES LOST TO CRIME

#### BY CATEGORY



#### BY ANNUAL SALES





## THE COST OF CRIME PREVENTION

Over the past 12 months retailers spent \$514 million on loss prevention. This demonstrates how seriously retailers are taking retail crime and the high levels of investment that are being made into protecting staff and assets. This figure includes all expenditure on loss prevention – from cash management, security staff to CCTV or other technologies that can be used to detect and deter criminals.

## RETAILERS ARE OUT OF POCKET

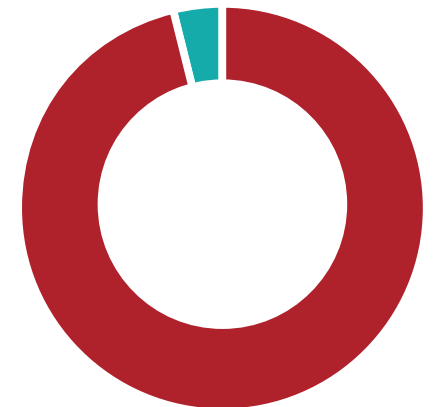
Retailers recover only very small amounts from retail crime, whether through insurance claims or other means.

Our survey showed that costs recovered were just over \$10.5 million. This equates to just 3.6 per cent of potentially recoverable costs.

Our survey did not investigate why this number is so low. It could be because retailers are simply not insured. It may also be because of difficulties recovering goods and reparations, or making insurance claims.

### PROPORTION OF CRIME COSTS RECOVERED

- Costs not recovered (96.4%)
- Costs recovered (3.6%)



**Retailers spent  
\$514m on loss  
prevention in 2017**

## TYPES OF CRIME

Respondents were asked to state the number of known crime incidents experienced by their business over the past twelve months. This number was then extrapolated across the retail sector on a weighted basis to give an estimation of the number of retail crime incidents that occurred in total.

In total retailers were affected by 290,278 crime incidents in 2017, which is on average eight incidents per year for each retail outlet in New Zealand<sup>1</sup>.

Petty theft was overwhelmingly the most common type of retail crime, making up 86 per cent of all retail crimes recorded in our survey. Fraud was the next most common crime event, but it made up just five per cent of offending. Employee theft or fraud accounted for just 1.3 per cent of known crimes, despite accounting for 18 per cent of crime by value.

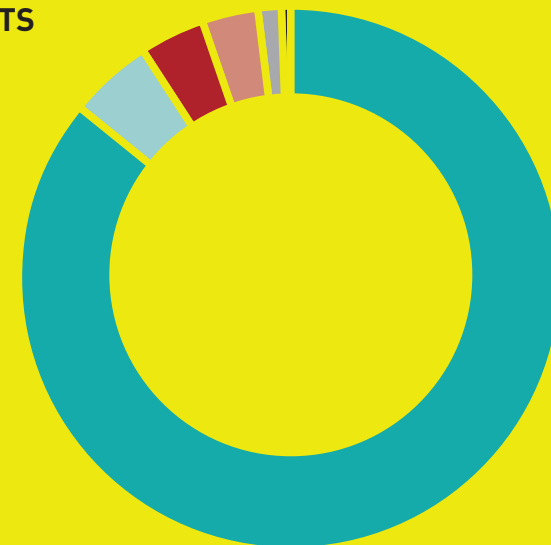
We also asked respondents if they had been affected by begging and nuisance, an issue which often attracts public attention. In total there were 16,901 incidents, of which 2,109 (32 per cent) were reported to the Police.

<sup>1</sup> There were 35,235 Retail Trade Geographic Units at Feb 2017, according to Statistics NZ's Business Demographics Survey.

**In 2017, there were  
290,278 retail crimes**

### PROPORTION OF RETAIL CRIME INCIDENTS

- Petty theft (85.9%)
- Fraud - including refund fraud, online fraud, credit/debit card fraud (5.0%)
- Other (3.9%)
- Violent or aggressive behavior toward staff or other customers (3.4%)
- Employee theft (1.3%)
- Robbery or burglary (0.5%)





## TRENDS

### How is criminal behaviour changing?

38 per cent of respondents to our survey said that they had noticed changes or emerging trends in the products targeted, or the methods used by criminals, over the past year.

Almost all retailers that had noticed changes over the past year noted that criminals were more brazen than they had been previously. For example, retailers report crimes being committed in full sight of staff, no attempts to hide stolen items, or that crimes were more aggressive.

A common comment among respondents was that retail crime was becoming more organised generally, and more likely to be committed by organised groups of offenders. We specifically asked respondents to estimate the proportion crime that was committed by an organised criminal gang and this was 25 per cent across all retailers.

Many retailers also noticed an increase in targeting of certain items, most notably meat and cigarettes or tobacco among retailers that stock these items. Across the board, the most commonly stolen types of products were clothing, alcohol, food, jewellery, cosmetics and cigarettes. Smaller and higher value items were most commonly targeted.

### How are shrinkage levels changing?

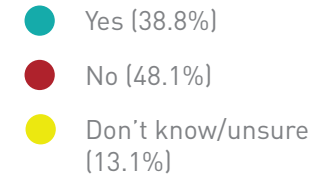
Respondents were also asked how they expect their shrinkage levels will change over the next two years. Most said shrinkage would stay the same, but a significant number (40 per cent) said shrinkage would rise. The reasons for this included the increasing cost of living (including the price of cigarettes) or increasing deprivation putting pressure on individuals who were turning to crime to make ends meet. There was also concern about a perception among offenders that there are no consequences for retail crime.

Reasons for retailers to expect a decrease in shrinkage included the decreasing use of cash and better internal systems including stock management systems, and improved staff training and other loss prevention strategies.

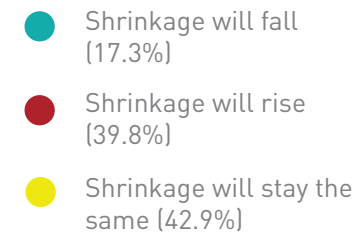
## CYBERCRIME

Given the targeting of large retailers internationally, we thought it timely to ask respondents whether they had been impacted by cybercrime in the past year. 16 per cent said that they had, and 12 per cent did not know whether they had been impacted or not. The results show that cybercrime is an issue in New Zealand and that all retailers should have protections in place against these threats.

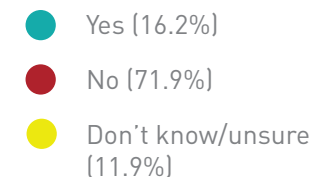
### HAS CRIMINAL BEHAVIOUR CHANGED OVER LAST YEAR?



### WILL SHRINKAGE CHANGE OVER THE NEXT TWO YEARS?



### HAVE YOU BEEN IMPACTED BY CYBERCRIME IN THE PAST YEAR?





**68% of retail crime is not reported to the Police**

## MOST CRIME IS NOT REPORTED

**On average, just 31.7 per cent of retail crime is reported to the Police. Burglary and robbery is most commonly reported (85 per cent), but reporting is significantly lower for theft and fraud. Arguably, in these cases smaller amounts of cash or stock are taken and they may be perceived to be minor. They may also be detected long after the incident occurred making it difficult to identify the offender.**

We compared our results with the official Police statistics. For the 2016 calendar year Police data suggests there were 48,612 'victimisations'<sup>2</sup> recorded at retail locations, and 22,096 'proceedings'. Our survey recorded 92,127 retail crime incidents reported to the Police, indicating that roughly half of all reported incidents are investigated but just a quarter result in criminal proceedings.

	Number of incidents	Number reported to Police	Proportion reported to the Police
Robbery or burglary	1,528	1,293	84.7%
Violent or aggressive behaviour toward staff or other customers	9,748	3,229	33.1%
Shoplifting	249,384	81,033	32.5 %
Fraud (including refund fraud, online fraud, credit/debit card fraud)	14,427	4,089	28.3%
Employee theft or fraud (internal)	3,915	964	24.6%
Other damage, theft or fraud	11,276	1,519	13.5%
<b>TOTAL</b>	<b>290,278</b>	<b>92,127</b>	<b>31.7%</b>

<sup>2</sup> A victimisation refers to the number of victims of crime incidents which are either currently under investigation, or the investigation concludes that an offence took place.

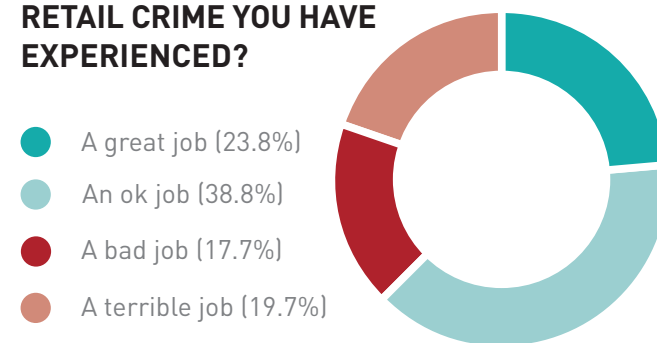
## POLICE PERFORMANCE

**Respondents who had experienced retail crime, and reported it to Police, were asked to rate their experience. The average rating was 2.7 out of 4, and 63 per cent thought the Police did an 'ok' or a 'great' job of dealing with the crime they experienced.**

Respondents who did not contact the Police about the crime they experienced were asked to give the main reason why not. The two most common reasons were that they thought they did not have enough evidence; or that the retailer expected no response, or such a minimal response, that it would not be worthwhile to report.


Many retailers expressed concern about how time consuming and difficult it was to report crime. A smaller number of retailers noted that they dealt with the crime in-house and therefore did not feel it necessary to report to the Police.

### OVERALL, HOW WELL DO YOU THINK THE POLICE RESPONDED TO THE RETAIL CRIME YOU HAVE EXPERIENCED?



**63% of retailers thought the Police did an 'ok' or a 'great' job**





**All theft needs to be reported and simplified online tools are needed**

## KEY RECOMMENDATIONS

Our survey results show that the issue of retail crime is not going away; it is a reality for most retailers in New Zealand and it requires ongoing investment and vigilance. In analysing the results some misconceptions and areas for improvement were revealed. Key recommendations to address these areas are outlined below:

- **All theft should be reported to the Police**

A number of respondents indicated that they believe that there is a minimum theft value before Police will attend an incident. This is incorrect and we recommend that all crime incidents are reported to the Police, regardless of the scale of the offending or the relationship to the alleged offender. This is essential to track the full extent of retail crime and ensure that Police assign appropriate resources to deal with it.

- **Retailers should treat employee theft seriously**

There was a perception among some respondents that employee theft could be dealt with in-house without reporting it to the Police. In the first instance, it is important to investigate and complete disciplinary process in-house, however we recommend that all theft be reported to the Police following the conclusion of this process. Even if a retailer has dismissed an employee for theft, we recommend that it still be referred to the Police.

- **The Police needs to simplify crime reporting**

A common concern among retailers was the cost and time involved in reporting crime. We recommend that, as a priority, Police develop an online reporting platform including an app to streamline this process.

- **Retailers should continue loss prevention measures**

While costly, it is clear that retailers should continue deterrence measures. Despite the large investments that are being made, crime remains a significant issue. Loss prevention strategies that suit the size, location and stock of a retail business are essential. Retail NZ has prepared a comprehensive guide for members with advice about preventing and managing the risks of crime.

## GOVERNMENT ACTION IS STILL ESSENTIAL

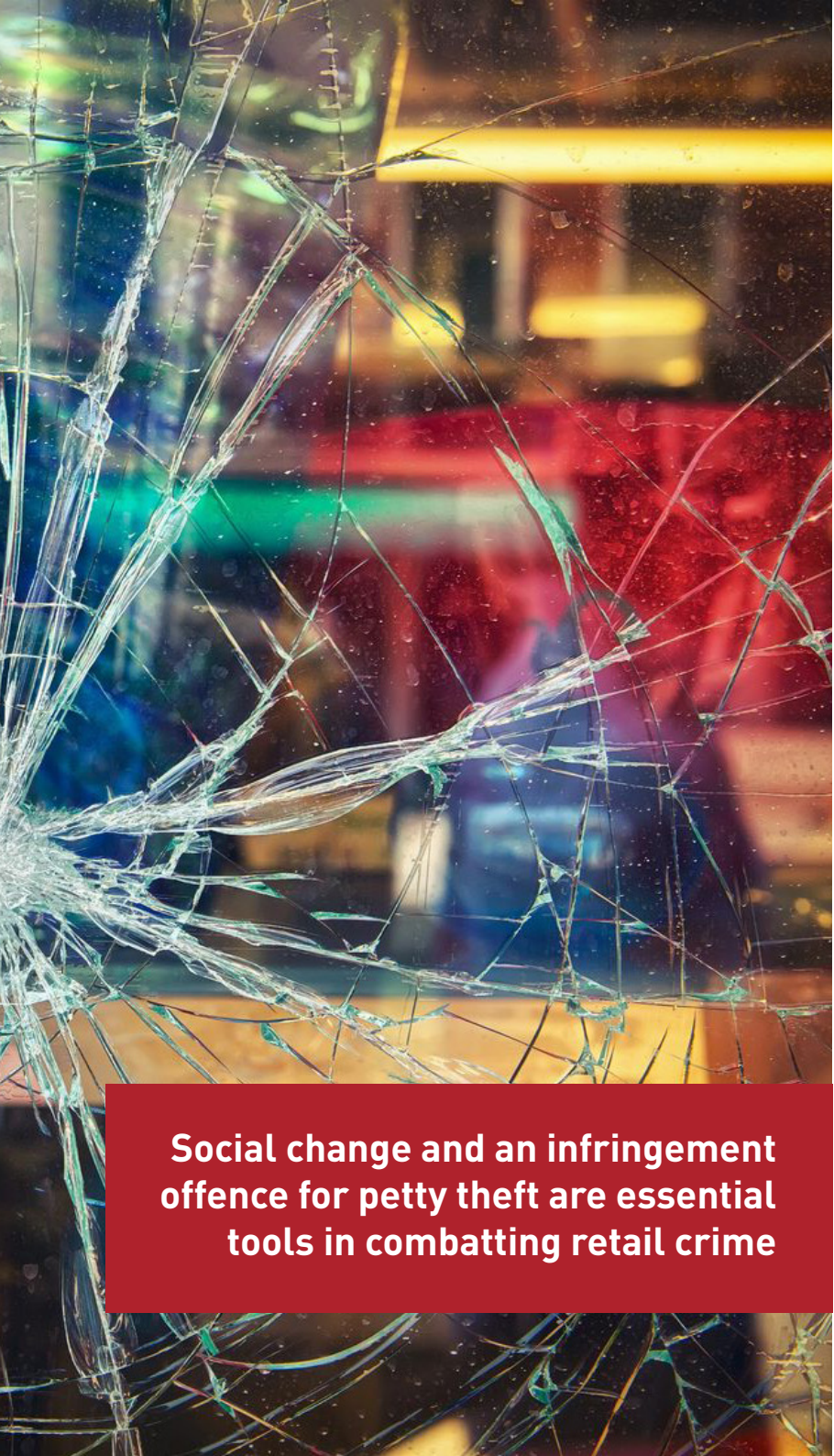
In March 2017, Retail NZ released a discussion paper, 'Facing Retail Crime – An Action Plan for Change' which outlined a three point action plan to reduce retail crime in New Zealand. Our survey results have reinforced the need for strong and urgent government action on retail crime in these three essential areas:

- 1. The Government should fund a Retail Crime Taskforce and set targets for retail crime reduction**

Retailers would like to see a heightened focus by the Police on retail crime. However, understanding that there is real resourcing constraint concern, we propose that the Government provide new funding for a Retail Crime Taskforce within the Police, and sets targets for a reduction in retail crime. Funding could be provided for a four year period, and the work of the task force reviewed after that time. A particular focus for the Taskforce should be tackling organised retail crime and cyber crime which are of increasing concern, as well as taking steps to break the crime cycle by dealing with petty offenders.
- 2. A programme to change social attitudes is needed**

Retailers recognise that social change would be the most effective form of preventing retail crime from occurring. We propose that the Government fund a social programme to encourage New Zealanders to respect the law, understand the impacts of crime, and the importance of personal property rights. This could include a programme delivered through schools, social agencies as well as an above the line marketing campaign. This would have positive effects in the community outside the retail sector.
- 3. The Government should introduce an infringement notice for low-value offending**

The introduction of an infringement notice offence for people engaging in retail crime would be a step towards addressing the issue of retail crime, and putting the building blocks in place to stop the chain of crime before it escalates. This is a way of deterring retail crime, and the unacceptable social harm which is caused by it.



**Social change and an infringement offence for petty theft are essential tools in combatting retail crime**



## NEW ZEALAND RETAIL CRIME IN CONTEXT

Retail crime is a big issue, but it is not unique to New Zealand. Surveys similar to ours are done in a number of countries around the world.

Examples are:

- UK: The British Retail Consortium
- USA: Hayes International
- USA: University of Florida National Retail Security Survey

Each of these reports shows that retail crime in its many forms is at the very least remaining constant but in some cases is increasing both in terms of the number of incidents and in the value of the losses. The estimated cost of retail crime across the world is between 1.5 – 2.0 per cent of gross retail sales.

While the percentage of retail crime attributed to the different forms of retail crime does vary from country to country it is clear that technology related retail crime is increasing. Given the growth of online retailing this is no surprise but it does mean that retailers will need to develop new skills and strategies to address online cybercrime.

New Zealand is a major player in the online retailing community which means that studies into New Zealand retail crime are no longer confined to transactions based just in New Zealand.

## METHODOLOGY

The New Zealand Survey of Retail Theft and Security was first run by Dr John Guthrie from the University of Otago and Retail NZ in 1996. It was repeated in 1999 and 2003. The questionnaire for the 2017 survey for this report was based on this previous work but changes were made to some questions and additional questions were added to reflect the changes happening to retailing since 2003, in particular, the growth of online retailing and the associated cybercrime and the reality of organised crime. Where possible comparisons have been made to show how the retail crime problem has changed over time.

The survey was in the field for three months from mid-August until mid-November 2017. Responses from a broad range of retailers were sought, including from Retail NZ's members, members of the New Zealand Association of Convenience Stores and the New Zealand Crime Prevention Group. The respondents' combined turnover accounts for 11.5 per cent of total retail sales to March 2017 (Retail Trade Survey).

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