

## **ORGANIZED RETAIL CRIME**

### **What Is ORC?**

Organized retail crime (ORC) is a growing problem throughout the United States affecting a wide range of retail establishments including supermarkets, chain drug stores, independent pharmacies, mass merchandisers, and convenience stores among others. It has become the most pressing security problem confronting retailers and suppliers, and now accounts for as much as \$30 billion in losses at store level annually according to the Federal Bureau of Investigation's (FBI) interstate theft task force (**Washington Post** – August 4, 2001).

ORC is separate and distinct from petty shoplifting in that it involves professional theft rings that move quickly from community to community and across state lines to pilfer large amounts of merchandise that is fenced and sold back into the marketplace. Petty shoplifting, as defined, is limited to items stolen for personal use or consumption.

### **Targeted Products**

ORC gangs typically target everyday household commodities and consumer items that can be easily sold through fencing operations, flea markets, pawn shops, swap meets and shady store-front operations. ORC gangs are also using Internet Auction Websites as a venue to sell stolen goods. Items that are in high demand by these professional theft rings include over-the-counter (OTC) drug products, such as analgesics and cough and cold medications, razor blades, camera film, batteries, videos, DVDs, CDs, smoking cessation products and infant formula. High end items including designer clothes, furs and consumer electronics are also popular.

### **Consumer Health and Safety Risks**

Consumers are at risk when ORC gangs steal consumable products especially OTC drug items and infant formula. In many cases after the merchandise has been stolen, the products are not kept under ideal or required storage conditions which can threaten the integrity of the product. For example, extreme heat or cold can affect the nutrient content or physical appearance of infant formula.

When products are near the end of their expiration date, ORC middlemen may change the expiration date, lot numbers and labels to falsely extend the shelf-life of the product and to disguise the fact that the merchandise has been stolen. In addition, cough and cold products are popular with ORC rings because these medications can be sold to clandestine labs for the purpose of manufacturing methamphetamine.

## **Economic Impact on Consumers**

Retail theft results in consumers having to pay higher prices for the products they purchase as retail establishments attempt to cover their losses. Higher prices adversely affect all consumers especially the most needy in America, such as the elderly and families that depend upon food stamps and the WIC program to augment their limited budgets.

Moreover, consumers are also being inconvenienced by this type of criminal activity. Because theft has become so rampant in certain product categories, for example infant formula, a number of major retail companies are taking the products off the shelves and placing them behind the counter or under lock and key. In some cases, products are simply unavailable due to high pilferage rates.

## **Problem: Limited Existing Enforcement**

Presently, there is no federal law that specifically addresses ORC. The federal statute most frequently utilized in dealing with professional theft rings is the Interstate Transportation of Stolen Property Act, but this law is limited to situations involving the transporting of stolen goods. Thus, when professional thieves are apprehended for stealing large quantities of merchandise from a retail store, no federal statute is available. This means the case must be handled under a state shoplifting law that usually treats such crimes as a misdemeanor. As a result, rarely are shoplifting cases prosecuted and when they are individuals who are convicted usually see limited jail time or are placed on probation.

## **Solution**

The retail community and its suppliers believe the time has come to make ORC a federal felony in an effort to deter this type of criminal activity. In fact, because of the magnitude of this problem, ORC is now the second highest domestic priority for the Federal Bureau of Investigation (FBI) given its concerns that ORC activity may be helping to fund terrorism.

A coalition of national organizations representing retailers and suppliers as well as individual companies is developing draft legislation to make ORC a federal offense. In brief, the coalition's draft bill would amend several sections of Title 18 of the United States Criminal Code, to address various matters associated with ORC, such as the fraudulent use of UPC codes, interstate transportation of stolen goods and the sale of stolen merchandise from an Internet auction website. The coalition will urge Congress to actively consider this important legislative initiative.

**For Further Information:** Contact Ty Kelley (202) 220-0629

## **Coalition Against Organized Retail Crime**

Abbott Laboratories  
Consumer Healthcare Products Association  
Cosmetic Toiletry and Fragrance Association  
CVS  
Duane Reade  
Eastman Kodak Company  
Eckerd Corporation  
Food Marketing Institute  
The Gillette Company  
GlaxoSmithKline  
Grocery Manufacturers Association  
International Mass Retail Association  
Kellen Company  
International Formula Council  
National Association of Chain Drug Stores  
National Association of Convenience Stores  
National Community Pharmacists Association  
National Retail Federation  
Nestle  
Retail Alliance  
Retail Industry Leaders Association  
Rite Aid Corporation  
Security Industry Association  
Target Corporation  
U. S. Chamber of Commerce  
Walgreen Co.  
Wal-Mart Stores