ASSET PROTECTION

FOR THE 21ST CENTURY

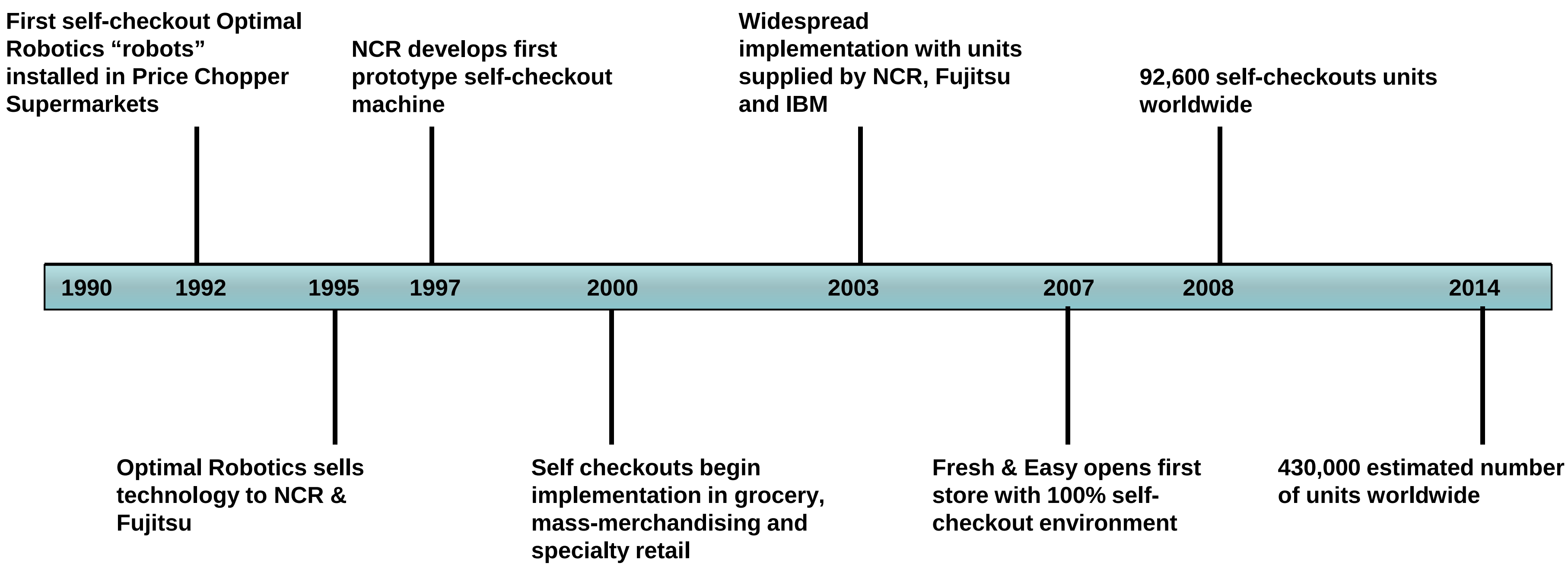
FOOD MARKETING INSTITUTE

ASSET PROTECTION

Assessing & Mitigating Self-Checkout Shrink Risk

FMI
FOOD MARKETING INSTITUTE

Historical Timeline




1 1
SELF CHECKOUT
NCR


FUJITSU
FUJITSU


salads &
$1.99


wine ideas
TAKE CASH

Advantages

- Reduced/reallocated payroll expense
- Reduced checkout time / Increased customer throughput
- Reduced risk of traditional cashier robbery
- Reduced risk of traditional cashier cash theft

Risks

- Potential for increase in merchandise shrink through customer errors & abuse
- Barcode/weight database discrepancies
- Increased risk of “take-over” type robbery
- Restricted item purchase (alcohol, restricted OTC, etc)
- Employee theft

Advantages

- Reduced/reallocated payroll expense
  - 150 hours of staff time per week
  - Redeploy staff to other areas to improve customer service
- Reduced checkout time / Increased customer throughput
  - Perception is that it is faster
- Reduced risk of traditional cashier robbery
  - Self-checkout units are 10 times less likely to be robbed
- Reduced risk of traditional cashier involved theft
  - No cash till popping open
  - Staff are three times more likely to intentionally fail to scan items that customers

Risks

- Potential for increase in merchandise shrink through customer errors & abuse
- Barcode/weight database discrepancies
  - Major cause for “interventions” and high error rate
- Increased risk of “take-over” type robbery
  - Opening & closing most at risk
- Restricted item purchase (alcohol, restricted OTC, etc)
- Employee theft
  - Collusion, refund/void fraud, etc.

Shrink Research

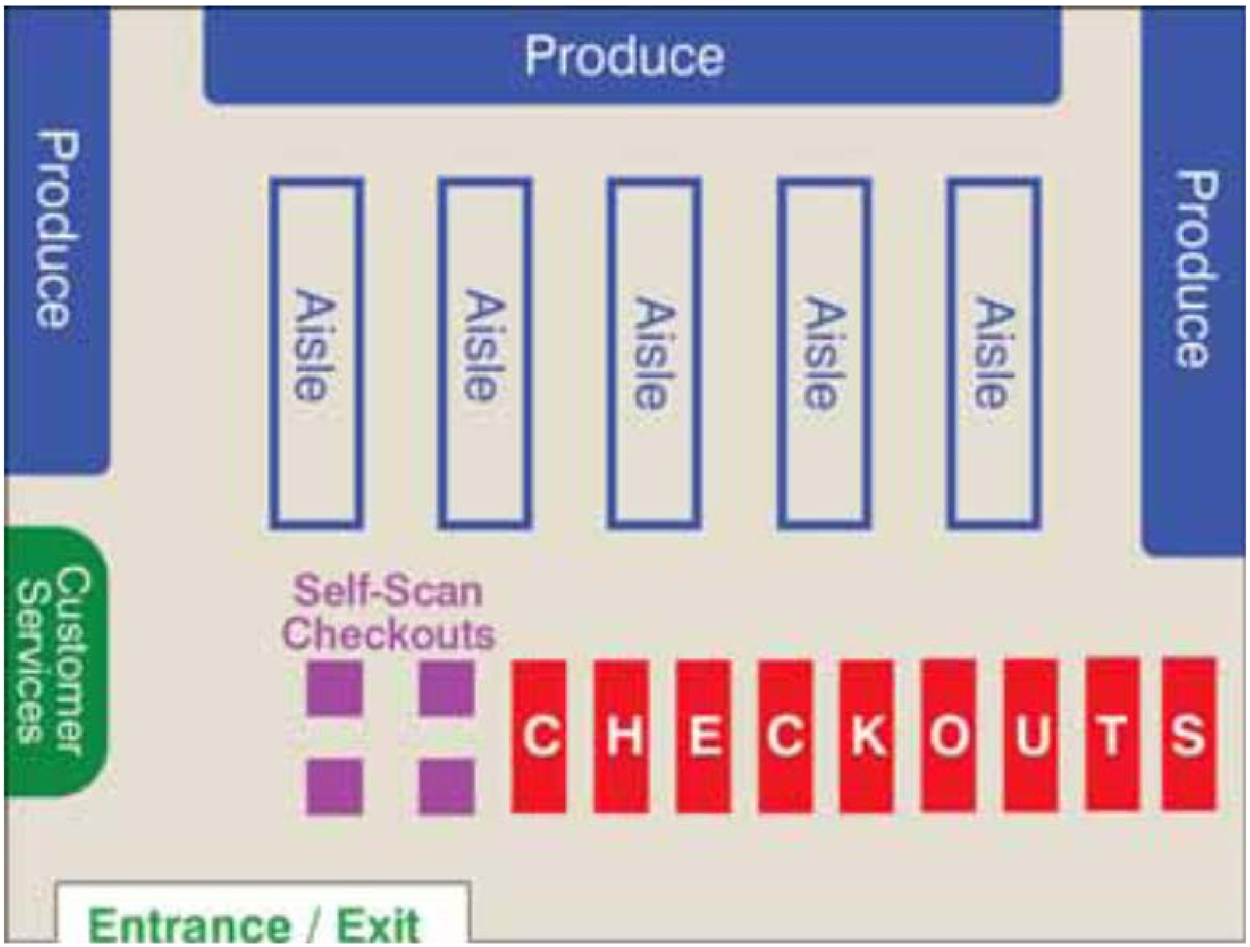
- Until recently, no published research on self-checkout's impact of shrink
  - Unpublished report presented at RILA Auditing & Safety Conference in 2009
  - Perception survey of six retailers and shrink data from subsection of 39 retailers
  - Compared differences in shrink between stores with and without self checkout
  - Concluded that shrink was "slightly higher" in stores with self-checkout.
    - 20%-65% higher

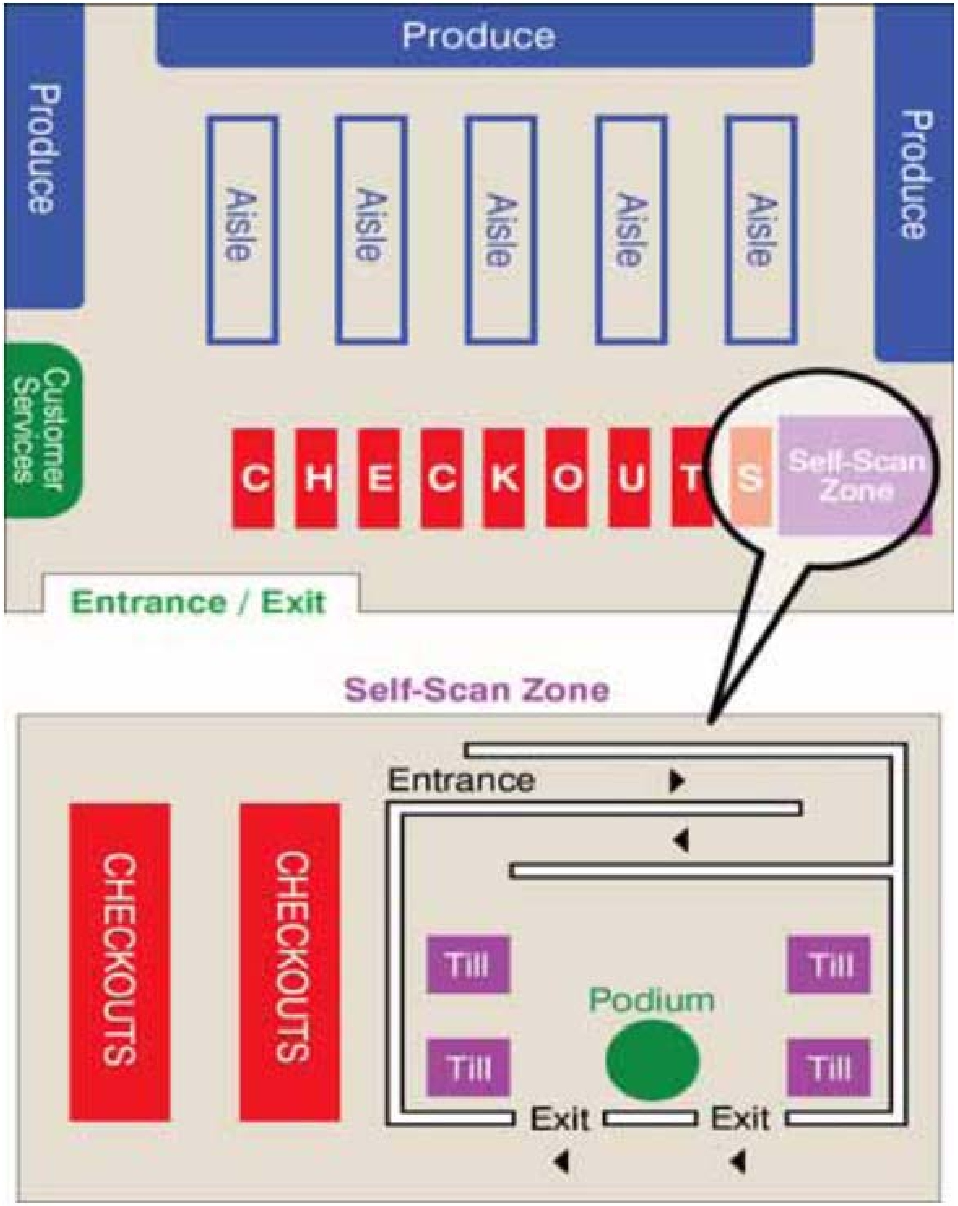
Shrink Research

- Efficient Customer Response (ECR) Europe commissioned first in-depth research on impact of self checkout on customer shrink with assistance from University of Leicester.
  - Retailer Case Studies
    - Four UK/US based grocery/mixed use retailers participated with almost 700 stores with self-checkout
    - All submitted shrink data for stores before and after self checkout implementation.
  - Survey of Self-Checkout Supervisors
    - 955 surveys used
  - Interviews with Practitioners and Technology providers

Key Findings

- Little or no impact on shrink levels
- No widespread concern
- Need for “Zones of Control”


Produce
Produce
Produce
Aisle
Aisle
Aisle
Aisle
Aisle
Customer Services
Self-Scan Checkouts
C H E C K O U T S
Entrance / Exit


Produce
Produce
Produce
Aisle
Aisle
Aisle
Aisle
Aisle
Customer Services
C H E C K O U T S
Self-Scan Zone
Entrance / Exit
Self-Scan Zone
Entrance
CHECKOUTS
CHECKOUTS
Till
Till
Till
Till
Podium
Exit
Exit

Key Findings

- Little or no impact on shrink levels
- No widespread concern
- Need for "Zones of Control"
- Intervention Control
- Increased Loss Related Training
- Improved Relationship between Technology Providers


DECISION TO OFFEND
Expected Punishment
Risk of Detection
Ease of Offending
Perceived Reward
Fustration Factor
Creating a Zone of Control
Surveillance
Design
People:
Supervisors; Guards
Technologies:
CCTV; Tills
Channelling; Visibility
Podium Placement;
Exit Control
Proximity
Vigilance
Deviancy Identification
Distractions and Firefighting
Number of: Alarms; Alerts; Checkouts;
Customers; Errors
Training
Reluctant/'Justified' Offender

Real-World Issues

- Produce
  - Loose, Pre-packaged & “Eaches”
- Item / Weight File Mismatches
  - Weight Security – On or Off
- Customer Theft
  - Two-Handed Scanning/Pass-Around

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  - Walk-Offs
  - Gift Card Purchases
- Alcohol Purchases
  - Union considerations
- Employee Theft
  - Refunds/Voids/Collusion/Customer Change/Loyalty Card

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  - Refunds/Voids/Collusion/Customer Change/Loyalty Card
  - Exception Based Reporting System

For more information:

Download the ECR White Paper
"The Impact and Control of Shrinkage at Self-Scan Checkouts"

http://ecr-all.org/files/ECR-Self-Scan-Report-Jan-2011.pdf

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Questions