



2018 National Retail Security Survey

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I. Introduction and Key Findings

In today's challenging retail environment, shrink — a loss of inventory related to theft, shoplifting, error or fraud — continues to take a bite out of the bottom line. Whether perpetrated by a dishonest employee or organized retail criminals, shrink costs retailers about 1.33% of sales, on average — a total impact on the overall U.S. retail economy of \$46.8 billion in 2017.

The 2018 National Retail Security Survey includes positive signs, as some of the spikes in the 2017 survey returned more to historical norms. However, overall shrink continues its upward trend — especially for those who see it as a higher percentage of sales. In 2015, only 17.1% of respondents reported shrink at 2% of sales or more. That is up to 20% in the 2018 survey.

Adding to the difficulties: Tools used to deter both internal and external crime have dropped in use and retailers are not investing in the more technologically advanced methods of preventing shrink. When dishonest employees are caught, punitive actions continue to decline.

On the positive side: The average dollar loss from robberies continues a three-year decline and now result in losses of about half of what they were in 2016. Yet robberies netting \$10,000 or more accounted for one-third of incidents in this report, which is higher than previous years.

Another bright spot for loss prevention: More than a third of participants saw increases in staffing and overall budgets, with fewer experiencing declining budgets. But a tremendous gap remains. Those surveyed say they need eight additional LP employees to keep up. And that comes as skill demands have increased. There is a continued need for more investigatory and analytical skills, as well as regional LP managers.

It becomes clear that there is more pressure on LP than ever before to combat crime, and the expectations continue to expand. LP professionals help play a role in combating cybercrime, meeting at least quarterly with IT and cybersecurity colleagues to discuss threats and crisis management plans. But there is room for improvement: While the majority of retailers have cybersecurity incident response plans in place, they do not always involve LP teams.

II. Methodology

The NRSS is an annual study jointly conducted by the National Retail Federation and Dr. Richard Hollinger of the University of Florida. The study develops and analyzes retail loss prevention benchmarks to examine:

- Inventory shrinkage
- Staffing and budgeting for loss prevention departments
- Costs and deterrents to employee theft
- The impact of shoplifting and external retail crime
- Other areas of general enterprise shrink

METHODOLOGY

The 2018 NRSS was conducted online among retail industry loss prevention and asset protection professionals, March 14-April 13. Participants were asked about their company's loss prevention performance and actions in the 2017 fiscal year.

A total of 63 retailers completed the 2018 NRSS. Several companies participated in the survey on behalf of individual brands within their portfolios. Several companies participated in the survey on behalf of multiple brands within their portfolios.

Due to the large number of responses from apparel retailers, those responses occasionally are segmented.

In our analysis of the data for each question, we removed select instances of extreme outliers that distorted the overall results.

USE OF "AVERAGE" AND "MEDIAN"

Where logical, the data references both the "average" and "median" results. The two are not interchangeable. Including both affords readers the opportunity to benchmark their own results to the aggregated survey.

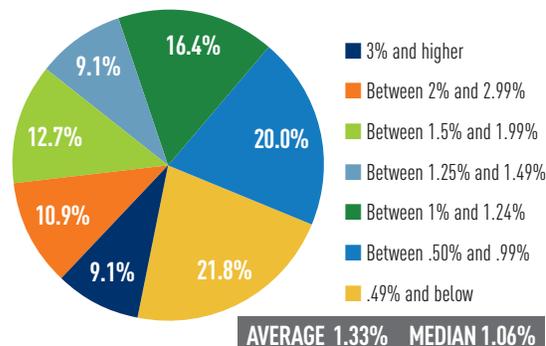
- **Average:** the number that is calculated by adding quantities together and then dividing the total by the number of quantities.
- **Median:** The middle value in a series of values arranged from smallest to largest.

III. Inventory Shrinkage

AVERAGE OF 1.33% ON PAR WITH PREVIOUS YEARS

- The average and median shrinkage have continued to hold steady since 2015. The majority of respondents (58.2%) say their shrinkage is 1% or higher.
- Shrink as a percentage of sales is a tale of opposites. The percentage of those experiencing the highest levels of shrinkage — 2% or greater — has dropped slightly since 2017. But when compared with 2015, it has increased. In 2015, only 17.1% said shrink was greater than 2% compared with 20% in 2018. At the opposite end of the spectrum, more retailers report shrink of less than 1% of sales. In 2015, 34.4% said their shrink had budget impact of less than 1%. In 2018, 41.8% were in those smaller categories.
 - The apparel sector was slightly above the overall average at 1.7%, edging up from 2017's 1.4%.
- Nearly six in 10 say shrinkage is flat or decreasing. That is up slightly from 2017, when slightly more than half saw flat levels or decreases.
 - In apparel, seven of 17 say shrinkage increased. That is down from 2017, when 15 of 26 said shrinkage was up.

Overall Inventory Shrink as a Percentage of Sales (2018)

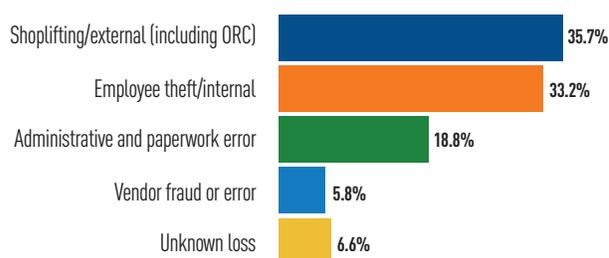


| | 2017 | 2016 | 2015 |
|----------------|--------------|--------------|--------------|
| 3% and higher | 9.0% | 5.4% | 6.6% |
| 2% to 2.99% | 14.1% | 13.5% | 10.5% |
| 1.5% to 1.99% | 17.9% | 5.4% | 13.2% |
| 1.25% to 1.49% | 9.0% | 17.6% | 15.8% |
| 1% to 1.24% | 7.7% | 17.6% | 19.7% |
| .50% to .99% | 24.4% | 25.7% | 18.4% |
| .49% and below | 17.9% | 14.9% | 15.8% |
| Average | 1.44% | 1.38% | 1.38% |
| Median | 1.20% | 1.21% | 1.18% |

SHOPLIFTING THE TOP SOURCE OF INVENTORY SHRINKAGE FOR THE FOURTH YEAR IN A ROW, OUTPACING EMPLOYEE THEFT

- Shoplifting has again surpassed employee theft as the leading cause of shrink for the fourth year in a row. Still, simple shoplifting continues to drop, down to 35.7% from its 2016 high of 39.3%.
- Employee and other types of internal theft is up slightly over 2017, but still shows slight declines over 2015 and 2016.
- Administrative and paperwork errors dropped over 2017, but still show increases over time.
 - Apparel continues to show higher incidences of shoplifting at 43.1%, increasing over 2017 (41%). Other types of theft for apparel retailers were below the average for all retailers. Vendor fraud or error (2.8%) and administrative/paperwork error (13.1%) both were lower than the overall averages. Unknown losses were slightly higher for apparel retailers (7.5%) than the overall group.

Source of Inventory Shrinkage (2018 Average)



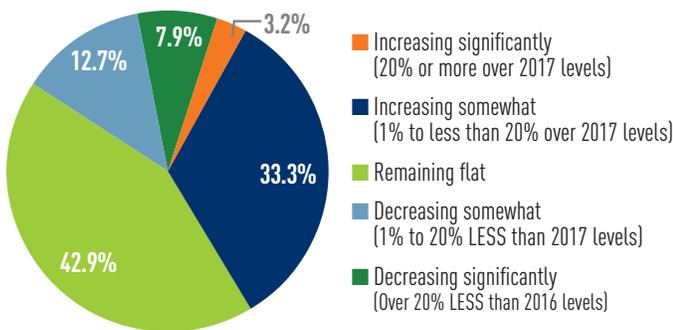
| | 2017 | 2016 | 2015 |
|--------------------------------------|-------|-------|-------|
| Shoplifting/external (including ORC) | 36.5% | 39.3% | 38.0% |
| Employee theft/internal | 30.0% | 35.8% | 34.5% |
| Administrative and paperwork error | 21.3% | 16.8% | 16.5% |
| Vendor fraud or error | 5.4% | 4.8% | 6.8% |
| Unknown loss | 6.8% | 7.2% | 6.1% |

IV. Staffing and Budgets for the Loss Prevention Department

MORE THAN ONE-THIRD SEE INCREASES IN STAFFING, OVERALL BUDGETS; NUMBER OF LP DEPARTMENTS WITH DECREASING BUDGET DOWN

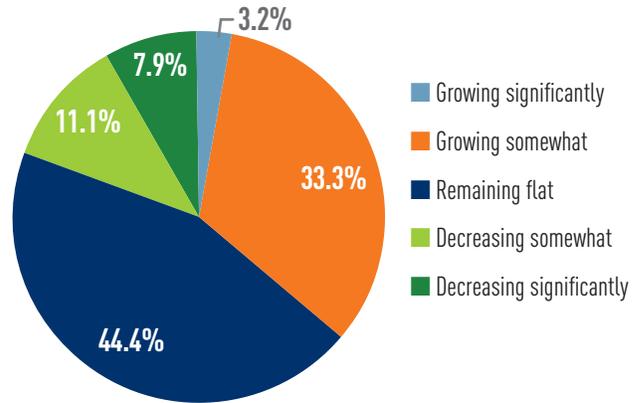
- More retailers see flat budgets than increases or decreases — up from 2017, when it was split some what evenly between increases, decreases and flat.
- The number of LP departments with decreasing budgets (20.6%) dropped over 2017 (31.7%). Still, the number of those with 20% or greater budget decreases remains flat at 7.9% — a number that was much higher in 2017 than in previous years.
- In apparel, only six of 17 respondents expect higher budgets in 2018 compared to the previous year — and they are in the smaller category of increases of 1% to less than 20%. Nine of 17 expect flat budgets while two expect decreases.

Compared with last year, is your LP budget in 2018 increasing, decreasing or remaining the same?



| | 2017 | 2016 | 2015 |
|--|-------|-------|-------|
| Increasing significantly (20% or more OVER 2017 levels) | 4.8% | 12.3% | 1.4% |
| Increasing somewhat (1% to less than 20% OVER 2017 levels) | 30.2% | 30.8% | 38.0% |
| Remaining flat | 33.3% | 24.6% | 36.6% |
| Decreasing somewhat (1% to 20% LESS than 2017 levels) | 23.8% | 30.8% | 22.5% |
| Decreasing significantly (Over 20% LESS than 2017 levels) | 7.9% | 1.5% | 1.4% |

Compared with last year, are your LP teams in 2018 growing, decreasing or remaining the same in regard to number of employees?



- There are positive signs of increased hiring, with more respondents expecting to add to their teams. Fewer than two in 10 say their LP teams will be shrinking.
 - In apparel, seven of 17 say their staffs will grow compared with four of 23 in 2017.
- The average LP team has 45.9 employees per \$1 billion in sales, up from 43.6 employees in 2017. In apparel, the average is 18.9 per \$1 billion in sales, compared with 19.5 in 2017.
- The need for additional LP staff continues to grow. Respondents say they need an average of eight additional LP employees to be successful. That has increased slightly from 2017, when seven additional LP employees were needed.
- LP professionals still make the bulk of shoplifting stops. Only 31.8% of survey respondents say their company allows non-LP personnel to make shoplifting apprehensions. In apparel, only one of 17 respondents say non-LP personnel can make shoplifting stops.

ANALYTICS, INVESTIGATORY SKILLS NEEDED IN EXPANDING LP DEPARTMENTS

- There is no doubt that the skills needed are changing. Investigatory experience, analytical skills and cyber expertise all are in high demand. But so is leadership — particularly at the regional level. Some see the need for a wholesale reimagining of the LP profession. As one respondent says:
 “Moving into an enterprise risk model and away from security. We need more bang for the buck and security alone is one-dimensional. Time to move on from the past.”
- Other frequently mentioned needs:



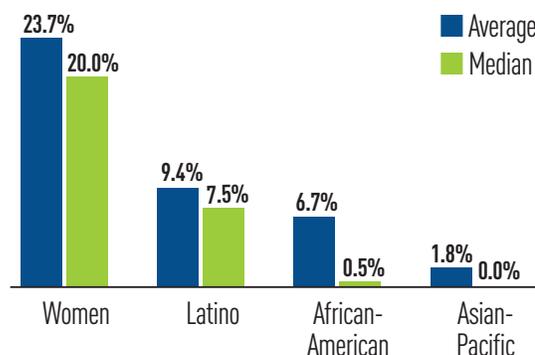
RETAILER SECURITY AND LOSS PREVENTION BUDGETS AVERAGE 0.74% OF SALES, AN INCREASE OVER 2015-2017

Security and Loss Prevention Budget as a Percentage of Sales (2018 Average)

| Average | 2018 | 2017 | 2016 | 2015 |
|---------------------------|------|------|-------|------|
| Payroll expenses | .34% | .13% | .18% | .22% |
| Capital expenses | .27% | .07% | .07% | .14% |
| Other noncapital expenses | .12% | .11% | .06% | .13% |
| Overall | .74% | .40% | .42% | .42% |
| Median | | | | |
| Payroll expenses | .12% | .06% | .09% | .11% |
| Other noncapital expenses | .03% | .03% | .05% | .07% |
| Capital expenses | .03% | .02% | .03% | .04% |
| Overall | .35% | .19% | .019% | .30% |

WOMEN, MINORITIES SHOW OPPORTUNITIES FOR IMPROVEMENT IN LP MANAGEMENT OR HIGHER RANKED ROLES

LP Management (or Above) – Representation by Demographic Groups (2018)



| | 2017 Avg. | 2016 Avg. | 2015 Avg. |
|------------------|-----------|-----------|-----------|
| Women | 25.9% | 24.5% | 23.1% |
| Latino | 9.0% | 9.4% | 9.7% |
| African-American | 7.6% | 6.7% | 7.7% |
| Asian-Pacific | 2.6% | 2.1% | 2.6% |

- Most minority demographics saw slight dips over 2017, with Latino management the only segment to grow.
- All four demographic groups are on par with or slightly below the representation in the 2015 NRSS. Then, minority groups of LP leaders were women (23.1%), African-American (7.7%), Latino (9.7%) and Asian-Pacific (2.6%). Still, almost one in four LP managers is female, which is a strong showing.
- The apparel sector ranks slightly above the overall averages in LP management of those who are women (24.0%), Latino (14.5%) and African-American (8.9%). At 1.1%, the number of Asian-Pacific managers is slightly below the overall average.

V. Employee Integrity Screening

CRIMINAL CONVICTION CHECKS RETURN TO TOP METHOD OF EMPLOYEE SCREENING; MORE METHODS DECLINE IN USE THAN GROW.

- Criminal conviction check is once again the top security option, replacing multiple interviews, which held the top spot in 2017.
- Verification of past employment history dropped significantly over 2017 but returned to its 2016 levels.
 - Apparel ranks these methods in largely the same order, with one significant exception: Drug screenings are used by only two of 17 respondents.

Employee Integrity Screening Options Used by Retailers

| | 2018 | % Point Difference from 2017 |
|--------------------------------|-------|------------------------------|
| Criminal conviction checks | 84.1% | -0.9 ▼ |
| Multiple interviews | 81.0% | -10.1 ▼ |
| Verify past employment history | 60.3% | -12.8 ▼ |
| Personal reference checks | 54.0% | -4.2 ▼ |
| Drug screening (laboratory) | 36.5% | -3.8 ▼ |
| Education verification | 33.3% | -9.9 ▼ |
| Driving history | 31.7% | 3.4 ▲ |
| Credit checks | 27.0% | 0.1 ▲ |
| Computer-assisted interview | 11.1% | -9.8 ▼ |
| Pre-employment honesty testing | 11.1% | -3.8 ▼ |
| Mutual protection association | 7.9% | -1.0 ▼ |
| Handwriting analysis | 3.2% | 0.2 ▲ |
| Workers' compensation claims | 3.2% | 1.7 ▲ |

VI. Loss Prevention Awareness and Training Programs

ACTIVE SHOOTER TRAINING, ANONYMOUS HOTLINES AND CODE OF CONDUCT DROP FROM 2017. TRAINING VIDEOS AND AUDIO ANNOUNCEMENTS INCREASE IN USE.

- Since 2015, most methods have seen declines in use. Only paycheck stuffers (8.1%), training audio/announcements (27.0%) and periodic programs/lectures (51.4%) have increased since then.

Loss Prevention Awareness Programs Used by Retailers

| | 2018 | % Point Difference from 2017 |
|--|-------|------------------------------|
| Anonymous telephone "hotline" | 81.0% | -9.5 ▼ |
| Bulletin board notices and posters | 81.0% | 0 |
| Code of conduct | 79.4% | -9.5 ▼ |
| Discussion during new hire orientation | 74.6% | -6.4 ▼ |
| Training videos | 68.3% | 9.5 ▲ |
| Periodic programs and lectures | 55.6% | 7.9 ▲ |
| Active shooter training program | 54.0% | -9.5 ▼ |
| Newsletters | 47.6% | 6.4 ▲ |
| Internet, web-based communications | 44.4% | -6.4 ▼ |
| Anonymous online/email notification system | 42.9% | -9.5 ▼ |
| Training audio/announcements | 36.5% | 15.9 ▲ |
| Honesty incentives (e.g. cash and gifts) | 33.3% | -3.2 ▼ |
| In-store, employee LP committees | 28.6% | 0 |
| Internet interactive or CDROM training | 27.0% | -7.9 ▼ |
| Employee surveys about LP issues | 19.1% | 1.6 ▲ |
| Paycheck stuffers | 11.1% | 0 |

COSTLY LP SYSTEMS, INCLUDING SOME FORMS OF TECHNOLOGY AND PERSONNEL, SHOW DECLINES

- LP professionals have an array of tools to combat shoplifting and other external thefts. Technology continues to change and LP departments explore new options. Some technology options have grown in use such as RF electronic security tags, while acousto-magnetic tags have dropped.
- Over time, clear preferences for types of CCTV have emerged. Live CCTV monitoring — both visible and hidden — has dropped significantly since 2015. Then, 75.3% said they used live CCTV that customers could see. That is down to 54.0% in 2018. Hidden CCTV also dropped from 65.8% in 2015 to 47.6%. More efficient forms of CCTV

monitoring, such as remote, POS-exception-based and simulated visible, saw gains over time. In, simulated visible CCTV has increased quite rapidly. In 2015, about 19.2% used it. That dropped a little in 2017 to 14.3% before roaring back to 41.3% in 2018.

- While burglar alarms are the most-used loss prevention system, used by 87.3%, this method has dropped from 2015, when 100% said they used the alarms.
- Use of plainclothes security and mystery/honesty shoppers increased while uniformed guards, fitting room attendants and door greeters/receipt checkers dropped.

Top 5 Loss Prevention Systems in Use



| | 2018 | 2017 | 2016 |
|-----------------------------|-------|-------|-------|
| Burglar alarms | 87.3% | 96.8% | 93.8% |
| Remote IP CCTV monitoring | 76.2% | 73.0% | 60.9% |
| Armored car deposit pickups | 74.6% | 85.7% | 73.4% |
| Digital video recorders | 74.6% | 87.3% | 93.8% |
| POS data mining | 57.1% | 76.2% | 82.8% |

Retail Loss Prevention Systems Growing in Use Compared with 2017

| | 2018 | 2017 | % Point Difference from 2017 |
|--|-------|-------|------------------------------|
| Simulated, visible CCTV | 41.3% | 14.3% | 27.0 ▲ |
| Observation mirrors | 22.2% | 12.7% | 9.5 ▲ |
| Theft deterrent devices (spider wraps/keepers, etc.) | 41.3% | 33.3% | 7.9 ▲ |
| Plainclothes store detectives | 30.2% | 22.2% | 7.9 ▲ |
| RF electronic security tags | 30.2% | 22.2% | 7.9 ▲ |

Retail Loss Prevention Systems with Biggest Decreases in Use Compared with 2017

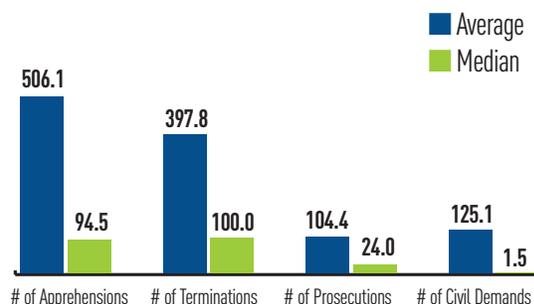
| | 2018 | 2017 | % Point Difference from 2017 |
|--|-------|-------|------------------------------|
| Cables, locks and chains | 34.9% | 57.1% | -22.2 ▼ |
| Acousto-magnetic, electronic security tags | 22.2% | 44.4% | -22.2 ▼ |
| POS data mining | 57.1% | 76.2% | -19.1 ▼ |
| Live customer-visible CCTV | 54.0% | 73.0% | -19.1 ▼ |
| Merchandise alarms | 20.6% | 36.5% | -15.9 ▼ |

VII. Employee-Related Shrink

APPREHENSIONS, ACTIONS GROWING AGAIN AFTER LONG-TERM DOWNWARD TREND

- All methods of actions against dishonest employees have declined since 2015. In 2015, there were 834 apprehensions, 651.6 terminations, 209.6 prosecutions and 344.5 civil demands. Still, all categories show increases over 2017.
- In apparel, the average number of apprehensions (480.1) and prosecutions (45.8) fell below the overall average. Civil demands (207.3) were significantly higher.

Apprehensions and Actions Taken Against Employees (2018)

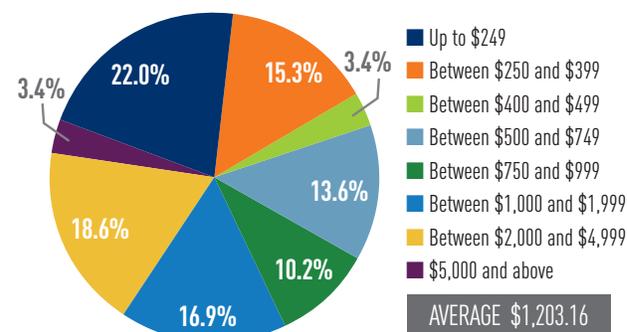


| | 2017 Avg. | 2017 Median | 2016 Avg. | 2016 Median |
|--------------------|-----------|-------------|-----------|-------------|
| # of apprehensions | 345.6 | 52.5 | 865.3 | 137.5 |
| # of terminations | 333.2 | 71.0 | 552.7 | 136.0 |
| # of prosecutions | 93.3 | 13.0 | 158.3 | 20.0 |
| # of civil demands | 114.5 | 1.5 | 241.5 | 25.5 |

THE AVERAGE DOLLAR LOSS PER DISHONEST EMPLOYEE WAS \$1,203.16.

- The average loss per dishonest employee case dropped from 2017 but was more in line with the 2016 figures.
- The median loss per dishonest employee in 2019 (\$700) decreased from 2017 (\$962.60) but was higher than 2016 (\$622).
- Similar to the overall downward trend, employee-related theft saw declines in the top loss categories.
- In 2018, only 22% were above \$2,000, compared with 31.6% in 2017. In 2016, 20.3% had average dollar losses that high in 2016 and 17.8% in 2015.
- More than half — 54.2% — of employee cases cost retailers less than \$750. In 2017, 56.2% of cases totaled \$750 or more.
- To deter this type of shrink, retailers continue to focus on increasing awareness and training programs. These continue to outweigh technology solutions like fingerprint ID at the point of sale and facial recognition. Fingerprint ID is in use at all stores, 9.5% say; another 1.6% say they will implement this in 2019. Nearly nine in 10 — 88.9% — say they have no plans to implement. Facial recognition is in pilot/limited testing at 4.8% of retailers, with another 4.8% saying they will implement in 2019. Again, nine in 10 — 90.5% — say they have no plans to use this technology to deter employee theft.

Average Dollar Loss per Employee-Related Shrink Case (2018)



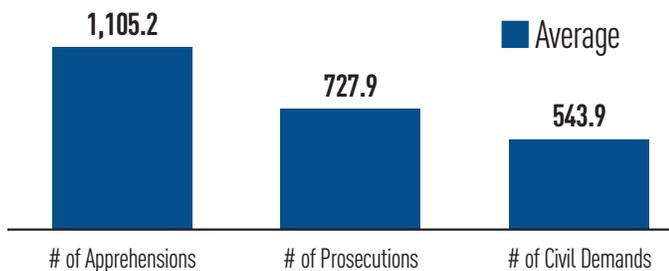
| | 2017 | 2016 | 2015 |
|--------------------|-------------------|-------------------|-------------------|
| Up to \$249 | 19.3% | 11.9% | 11.3% |
| \$250 to \$399 | 14.0% | 10.2% | 9.7% |
| \$400 to \$499 | 3.5% | 11.9% | 14.5% |
| \$500 to \$749 | 7.0% | 22.0% | 16.1% |
| \$750 to \$999 | 8.8% | 10.2% | 14.5% |
| \$1,000 to \$1,999 | 15.8% | 13.6% | 16.1% |
| \$2,000 to \$4,999 | 15.8% | 18.6% | 11.3% |
| \$5,000 & above | 15.8% | 1.7% | 6.5% |
| Average | \$1,922.80 | \$1,233.77 | \$1,546.83 |

VIII. Shoplifting and External Retail Crime

THE AVERAGE NUMBER OF APPREHENSIONS AND PROSECUTIONS CONTINUE TO DECLINE

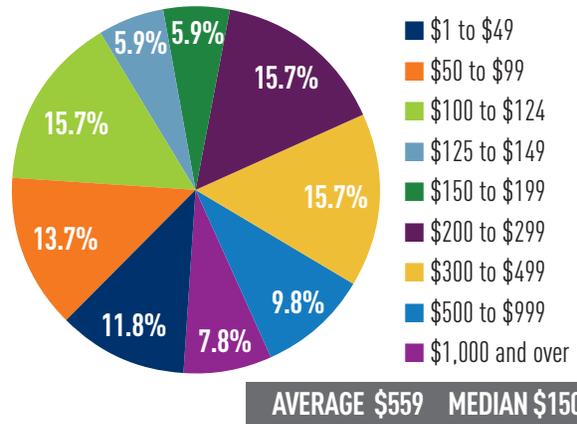
- The number of apprehensions — stops without referrals — continued to decrease and is less than one-third the number in 2015.
- The number of actions taken against shoplifters has declined significantly since 2015 but appears to be leveling off over 2017.
- The number of civil demands has started to increase but remains well below the 2015 average.
 - In the apparel sector, apprehensions dropped from 425.1 in 2017 to 354.1. Prosecutions and civil demands also dropped.
- The average dollar loss for shoplifting declined over 2017 but remains significantly higher than 2015.

Actions Taken in Shoplifting Incidents (2018)



| | 2017 Avg. | 2016 Avg. | 2015 Avg. |
|---|-----------|-----------|-----------|
| # of apprehensions (stops without referrals) | 1440.7 | 3322.7 | 3455.1 |
| # of prosecutions (law enforcement referrals) | 741.9 | 1934.6 | 2738.7 |
| # of civil demands | 308.9 | 2201.4 | 1216.3 |

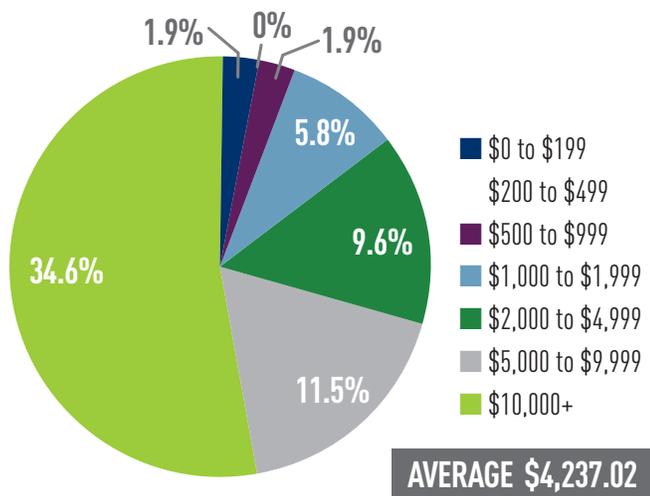
Average Dollar Loss Per Shoplifting Incident (2018)



| | 2017 | 2016 | 2015 |
|------------------|----------|----------|----------|
| \$1 to \$49 | 13.3% | 8.9% | 6.1% |
| \$50 to \$99 | 13.3% | 20.0% | 20.4% |
| \$100 to \$124 | 11.1% | 17.8% | 10.2% |
| \$125 to \$149 | 0.0% | 6.7% | 4.1% |
| \$150 to \$199 | 6.7% | 11.1% | 16.3% |
| \$200 to \$299 | 6.7% | 11.1% | 12.2% |
| \$300 to \$499 | 15.6% | 8.9% | 10.2% |
| \$500 to \$999 | 11.1% | 11.1% | 12.2% |
| \$1,000 and over | 22.2% | 4.4% | 8.2% |
| Average | \$798.48 | \$376.80 | \$317.84 |
| Median | \$230 | \$138 | \$165 |

- The percentage of respondents experiencing losses of \$1,000 or more dropped from 2017, aligning more closely with 2015 findings.
- In 2017, almost half — 48.9% — of respondents experienced an average loss of \$300 or more. In 2018, that is down to 33.3%. Still, those larger losses are greater than 2015 (30.6%) and 2016 (24.4%).
- Losses at the lower end of the scale, less than \$125, were up slightly in 2018 (41.2%) compared with 37.7% in 2017.
 - The apparel sector continues to see an average dollar loss significantly higher than the overall. But the \$934.20 average loss is down from 2017 (\$974.40).

Average Dollar Loss From Robbery (2018)

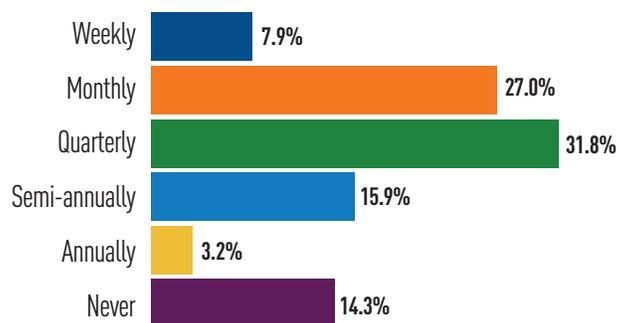


| Robbery | 2017 | 2016 | 2015 |
|--------------------|-------------------|-------------------|----------------|
| \$0 to \$199 | 4.35% | 0.0% | 9.4% |
| \$200 to \$499 | 17.39% | 15.6% | 6.3% |
| \$500 to \$999 | 17.39% | 18.8% | 18.8% |
| \$1,000 to \$1,999 | 17.39% | 15.6% | 15.6% |
| \$2,000 to \$4,999 | 21.74% | 18.8% | 21.9% |
| \$5,000 to \$9,999 | 0.0% | 6.3% | 12.5% |
| \$10,000 + | 21.74% | 25.0% | 15.6% |
| Average | \$5,309.72 | \$8,170.17 | \$2,465 |

- The average dollar loss from robberies continues to decline and now results in losses of about half of what they were in 2016. Still, the number is significantly higher than 2015. Contributing to this — and an area of concern — is the sizable increase in robberies that cost more than \$10,000 per incident. This accounts for more than one-third of incidents in 2018.

LP Playing Greater Role in Cybercrime

- Cyberthreats and data breaches continue to impact retailers, and LP is playing an increasing role in combating them. About two-thirds of LP professionals meet at least quarterly with IT/cybersecurity professionals to discuss potential threats or crisis management plans. Only 14.3% say they never meet with those teams to discuss cyber threats.



- In response to the growing threat, the majority (85.7%) say their company had a cybersecurity incident response plan in place. However, a quarter say they do not have a formal role on that team. The exception to this is in apparel, where nearly all say that they are integrated into their cybersecurity incident response teams.

Conclusion

All types of shrink are impacting retailers' margins, adding to the challenge in today's tight environments. There are positive signs, with slight improvements in LP budgets and hiring. But the demands on today's LP professional only increase, with more responsibility for cybercrime and the increasing sophistication of organized retail crime.

Compared with 2017, 2018 saw a return to more historical averages across many of the key metrics. Whether that is a sign that retailers are paying more attention to LP's role in improved bottom lines remains to be seen. Still, the 2018 NRSS provides a hopeful snapshot that — despite the demands — LP professionals are having a positive impact.

This research could not be conducted without the participation of retailers. Thank you for helping to provide understanding of the current landscape of loss prevention. The NRSS study is an invaluable tool for the retail and solution provider communities and our law enforcement partners, as well as for legislative efforts that impact retail crime and media awareness campaigns. We look forward to working with you for years to come.

We wish to express our thanks to our study sponsor, Appriss Retail, for underwriting the 2018 NRSS. We are very grateful to Dr. Hollinger at the University of Florida for the many years that he has shared his time, insights and counsel for this study.

Please feel free to contact Bob Moraca or Dr. Hollinger if you have any questions or feedback about this study.

Warmest regards,

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National Retail Federation
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Participant Profile

Top Retail Market Categories Represented

| | |
|--|-------|
| Specialty men's and women's apparel | 11.1% |
| Grocery and supermarkets | 9.5% |
| Specialty women's apparel | 9.5% |
| Books, magazines and music | 6.4% |
| Department store | 6.4% |
| Shoes and footwear | 6.4% |
| Household furnishings and housewares | 4.8% |
| Consumer electronics, computers and appliances | 3.2% |
| Home improvement, building, hardware, lumber and garden supply | 3.2% |
| Jewelry and watches | 3.2% |
| Specialty children's apparel | 3.2% |
| Specialty men's apparel | 3.2% |
| Sporting goods and recreational products | 3.2% |
| Toys | 3.2% |
| Other | 15.9% |

Number of Stores

| | |
|------------------------|-------|
| Up to 49 stores | 9.5% |
| 50 to 200 stores | 27.0% |
| 201 to 500 stores | 14.3% |
| 501 to 1,000 stores | 19.1% |
| 1,001 to 2,000 stores | 12.7% |
| More than 2,000 stores | 15.9% |
| No stores | 1.6% |

Total Employees — Store Level (Managers and Sales Associates)

| | |
|------------------|-------|
| 50,000 or more | 11.3% |
| 10,000 to 49,999 | 35.8% |
| 5,000 to 9,999 | 17.0% |
| 2,500 to 4,999 | 13.2% |
| 1,000 to 2,499 | 5.7% |
| Up to 999 | 17.0% |

Total Employees — Company-wide

| | |
|------------------|-------|
| 50,000 or more | 13.2% |
| 10,000 to 49,999 | 34.0% |
| 5,000 to 9,999 | 22.6% |
| 2,500 to 4,999 | 7.5% |
| 1,000 to 2,499 | 11.3% |
| Up to 999 | 11.3% |

FY 2017 Sales Volume

| | |
|--------------------------------|-------|
| Up to \$99 million | 15.5% |
| \$100 million to \$499 million | 12.1% |
| \$500 million to \$999 million | 17.2% |
| \$1 billion to \$2.49 billion | 12.1% |
| \$2.5 billion to \$4.9 billion | 17.2% |
| \$5 billion to \$9.9 billion | 12.1% |
| \$10 billion or more | 8.6% |



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