



# A Refresher

Employee theft may pose the greatest threat of loss; awareness and simple steps can reduce the risk.

BY DAVID MAUS-BERKLEY

*Since 2004, JVC has been fortunate to share a partnership with Jewelers Mutual Insurance Company. Here is just some of the loss prevention advice the firm encourages all industry members to take in order to build a safer and more secure business.*

*- Phyllis Richard, Executive Director, JVC*

You're a successful jewellery business manager or owner ... or both. You run a tight ship. You also wear many hats, because it doesn't make financial or operational sense for your business to carry a legion of employees.

Perhaps one of the hats you wear is that of recruitment and development. You pride yourself in being thorough, in being a good judge of people and in making good hiring decisions. For this reason, aside from the sting of financial loss, it is hard to cope with the fact that one of your employees has ripped you off.

If this scenario sounds a bit too familiar, you can take solace in knowing that you're not alone. The *2009 Global Retail Theft Barometer* and other surveys of retailers confirm a growing trend: employee theft is the largest source of retail loss in Canada, outranking even shoplifting as a cause of inventory shrinkage.

According to Jewelers Mutual Insurance Company, a company specializing exclusively in insurance protection for jewellery businesses and owners in North America, cases of betrayal by employees represent a broad spectrum of thievery, from simple pocketing of cash or merchandise to highly sophisticated embezzlement schemes. Tactics include under-ringing tickets and keeping the difference, transferring false merchandise returns or layaway plans onto gift cards, hacking computers to divert funds, capturing funds from payment of fake invoices, accepting payoffs from vendors and turning a blind eye while an accomplice makes off with merchandise.

Motivations vary, too. Certainly in a sluggish economy the allure of a fast take can be an enticement, even for the employed. However, loss-prevention experts caution storeowners and managers not to overlook the numerous other factors that can influence employee theft, regardless of the economic climate. These include reprisals from disgruntled workers, thrill seeking, attention seeking, drug abuse and mental illness.

Retail Loss Prevention, a newsletter of the Retail Council of Canada, cites several similar motivators. In that publication, Joshua Bamfield, the *Global Retail Theft Barometer's* lead researcher, even points to cases involving individuals disaffected by corporate corruption. "I think the 'anti-capitalist/they've all cheated us/it's all lies' comments that have been common currency in the media have given all types of people permission to steal or to buy black-market goods," he says. With so many possible motivators and so many opportunities for workers who operate unchecked, Jewelers Mutual recommends steps to discourage would-be employee thieves:

- **Screen job applicants carefully**, within the boundaries of anti-discrimination laws. Require each applicant to complete your business's job application, rather than relying on resumes that offer only what applicants want you to know. And be sure to check references before you extend an offer. Remember, you can't count on appearances. The U.S. Small Business Administration's report, *Curtailing Crime — Inside and Out*, advises that "the person you easily pick may just be looking for easy pickings."

- **Closely observe employees**, especially recent hires and those who handle merchandise, engage in financial transactions, or have access to computer systems or financial records.
- **Check and affirm your daily receipts**. Price merchandise by stamp or machine, rather than by hand. Allow only authorized employees to price merchandise.
- **Keep a record of keys issued** and do not allow opportunities for duplicates to be made.
- **Use motion detectors, electric eyes, or central-station alarm systems** to deter "breakouts" — an employee hiding inside the store and leaving after hours with stolen merchandise in tow.
- For returns and refunds, have at least one other employee corroborate the legitimacy of the transaction.
- Make sure your merchandise isn't taken out with the trash or the mail. Beware of collusion between employees and trash collectors or delivery workers. Use clear plastic bags.

In addition to these measures, Jewelers Mutual and other loss-prevention experts strongly advise business owners to establish an atmosphere of professionalism and integrity with thorough employee training, clearly communicated policies and procedures and appropriately conveyed expectations. Kyle Murray, director of the School of Retailing at the University of Alberta, echoes this point in *Retail Loss Prevention*: "It depends on your relationship with employees and the systems you have in place. Take care of your employees ... and if you do that, you're less likely to have theft."

Jewelers Mutual believes that, in all crime-prevention efforts, the best defenses are education, awareness and preparedness, with sound practices and procedures. For this reason, Jewelers Mutual has partnered with Jewellers Vigilance Canada (JVC), providing its insured clients in Canada with free membership in JVC's Crime Prevention Package. This JVC resource includes: alerts on dangerous jewellery crime, crime-prevention bulletins on effective security procedures, access to a database on criminal activity in the jewellery industry, a crime-prevention manual on CD and access to the JVC security library. Please visit JVC's Crime Prevention Program site at [www.jewellerycrimcanada.ca](http://www.jewellerycrimcanada.ca).

The JVC site includes links to the Jewelers Mutual's website and its acclaimed JM University website, which offers online "Selling with Security" and "Danger on the Road" courses, as well as a legal compliance tutorial produced in conjunction with JVC. [CJ]