

Shoplifters? Studies Say Keep an Eye on Workers

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Gift cards are just so easy — so easy for dishonest employees to exploit, that is.

At the Saks flagship store in Manhattan, a 23-year-old sales clerk was caught recently ringing up \$130,000 in false merchandise returns and siphoning the money onto a gift card.

“Gift card fraud is spiking,” said Joshua Bamfield, author of the Global Retail Theft Barometer, an annual international survey of retailers. “To employees, this is like currency. It’s almost as good as the U.S. dollar.”

After all, walking out with a little card in the wallet is a whole lot easier than lugging a big-screen TV out the back of a store.

Employee fraud involving gift cards appears to be growing sharply as retailers struggle to contain overall theft, now estimated at \$36 billion a year in the industry, or 1.51 percent of retail sales, according to a leading national study. Even as total

sales have been falling, employee theft and shoplifting have been rising across the United States, industry experts say, with occasional arrests making headlines.

Many of the gift card crimes are straightforward, frequently involving young sales clerks and smaller amounts than the Saks theft. Among the variations of such crimes, cashiers often do fake refunds of merchandise and then, with the amount refunded, use their registers to electronically fill gift cards, which they take. Or sometimes when shoppers buy gift cards, cashiers give them blank cards and then divert the shoppers' money onto cards for themselves.

A 20-year-old cashier at a Best Buy on Staten Island was arrested two weeks ago and accused of fraudulently ringing up gifts cards for \$600. A Kmart employee, 22, was arrested the same week in Hazlet, N.J., and accused of stealing more than \$1,500, partly by diverting false refunds and layaway plans onto gift cards.

Other schemes are slightly more complex: early this year, a 20-year-old worker at a Sears in Milford, Conn., was charged with manipulating the store's computers to divert more than \$35,000 onto gift cards that were fraudulently activated.

Retail experts say they can only estimate what portion of their theft losses can be traced to employees, to shoplifting and to vendors, but they view their own store workers as the leading culprits. The national study, based on information obtained from 106 retail chains that responded to a questionnaire, said

employees were responsible for 43 percent of the stores' unexplained losses, versus 36 percent for shoplifting.

The study, known as the 2008 National Retail Security Survey, showed that employee theft rose slightly that year to \$15.5 billion.

“The retail industry has come to the realization that, as the Pogo comic strip said, ‘We have met the enemy, and he is us,’ ” said Richard C. Hollinger, the survey’s principal author and a professor of criminology at the University of Florida.

The most common type of employee theft is “sweethearting,” in which cashiers fail to ring up or scan goods that friends or relatives present at the register, Professor Hollinger said.

Stealing from the till remains a problem, too. But with gift cards continuing to grow in popularity, they are an increasingly easy target.

Whatever method employees use to steal, their take is more substantial than that of the average shoplifter. Mr. Bamfield’s global study of retail theft found that larcenous employees averaged \$1,890 in theft, compared with \$438 for shoplifters.

“I’m sure there are employees who steal because they feel aggrieved over a wage freeze or the way they’re treated,” said Mr. Bamfield, director of the Center for Retail Research, based in Nottingham, England. But “it’s very easy to be tempted in a retail environment. You have merchandise, you have cash, you

have friends who want cellphones and iPods.”

Retail professionals emphasized that only a small percentage of employees steal. Officials at Wal-Mart, Target, Macy’s and Best Buy declined to discuss employee theft, a subject many companies find embarrassing, saying that industry associations were better positioned to discuss it.

In some cases, employee theft is part of a bigger problem: organized crime. Casey Chroust, executive vice president for retail operations at the Retail Industry Leaders Association, said that organized criminals often pressure or pay retail employees to slip them gift cards or tell them when and where security guards are patrolling.

Detective David Hill, a retail theft specialist with the Montgomery County Police Department in Maryland, said two areas he aimed to focus on were organized retail crime and gift card fraud. He said he was investigating a 20-year-old cashier who wrote down shoppers’ credit card numbers and then used them to fill more than \$13,000 in gift cards — at \$200 a pop. “For us, gift cards are harder to track than a stolen credit card,” Detective Hill said. “If you go to make a purchase with a gift card, you don’t have to show ID.”

Several years ago, retailers complained to eBay that people were auctioning a dozen or two \$200 or \$500 gift cards from Best Buy or Home Depot. It is one thing for a shopper to return a \$300 power drill, refund it for a \$300 gift card and auction that on eBay, retailers say, but it is far more suspicious when

someone auctions 20 gift cards.

“The online marketplace provides an outlet for people with fraudulently obtained merchandise or gift cards,” said Joseph J. LaRocca, senior asset protection adviser with the National Retail Federation. “They used to sell these things on a street corner or a local pawnshop. But in today’s world, they put them online for a national or international distribution, and that brings a much bigger customer base and commands a higher price. We know goods sold on the street, they get 30 cents on the dollar. Goods sold on the Internet get 70 to 80 cents, with gift cards getting about 80 cents.”

Many retailers have loss-prevention specialists who monitor online auctions of gift cards to ferret out thieves. Bowing to retailers’ concerns, eBay now bars sellers from auctioning cards over \$500 in value or more than one gift card a week. Paul Jones, eBay’s director of global asset protection, said his company was committed to working with retailers and law enforcement to combat gift card fraud.

Many retailers have embraced technology to fight employee theft. Data mining programs can now detect whether a particular cashier is refunding far more items than other cashiers, a strategy often used to fill fraudulent gift cards. When such trends are detected, store officials often review video, taken by overhead cameras, to see whether a cashier repeatedly did refunds with the same friend or relative.

One company, StopLift, based in Cambridge, Mass., has even

developed software that, when used with overhead cameras, can detect when cashiers engage in sweethearting, by not running merchandise over the scanner or by letting acquaintances take merchandise without paying. The software then alerts managers.

Professor Hollinger says the rate of theft is greatest among retailers with high turnover rates and many part-time workers, who may be less loyal and under more financial pressure than full-time workers.

He also found higher theft among younger workers. “Older workers know they have a lot more to lose — promotional opportunities, health insurance, 401(k)’s and pensions,” Professor Hollinger said.