



Inventory Shrinkage Costs Retailers Billions

Inventory shrinkage – a combination of employee dishonesty, shoplifting, vendor fraud and administrative error – is costing retailers a great deal of revenue.

Typically, employees do not steal from their employer once and then never do it again. Instead, employees steal small amounts over an extended period of time. When businesses finally discover the indiscretion, they have lost a significant amount of revenue. In addition, businesses generally do not discover that funds are lost until the economy enters a downturn and the company examines why their revenue is not as they had expected. Only then, after questioning where the money went, do they notice that funds are missing.

Smaller companies with fewer employees tend to be victimised more than larger companies. Not only are these smaller businesses uninsured to cover their losses, they've built up trust and developed relationships with their employees. So, they often are unsuspecting of the criminal activity and trust their employees too much. Larger companies also have the budget for audit committees and risk managers to assess any indiscretions immediately.

Protecting Against Inventory Shrinkage: Employer-Generated Solutions

Pre-employment screenings:

- Past employment history
- Personal reference checks
- Drug screening

Employee awareness programmes:

- New hire orientation discussions
- Bulletin/poster board notices
- Anonymous phone hotlines
- Follow-up education

Typically, employees do not steal from their employer once and then never do it again; they steal small amounts over an extended period of time, resulting in a significant amount of revenue.

- Newsletters
- Payroll stuffers

Asset control policies:

- Refund control structures
- 'Void' receipt procedure
- Rubbish removal controls
- Inter-store transfer policy
- Exit door controls

Provided by **Crendon Insurance Brokers Ltd**

The content of this Risk Insights is of general interest and is not intended to apply to specific circumstances. It does not purport to be a comprehensive analysis of all matters relevant to its subject matter. The content should not, therefore, be regarded as constituting legal advice and not be relied upon as such. In relation to any particular problem which they may have, readers are advised to seek specific advice. Further, the law may have changed since first publication and the reader is cautioned accordingly. © 2009-2010, 2012-2013 Zywave, Inc. All rights reserved.

Inventory Shrinkage Costs Retailers Billions

Loss prevention systems:

- Burglar alarms
- Closed circuit TVs
- Armoured car pickups
- Cables/locks/chains
- Secured display fixtures
- Electronic security tags
- Shoplifting signs posted
- Silent alarms
- Observation mirrors

Insurance Options

Employee dishonesty insurance offers employers protection from fraudulent acts committed by their employees. By purchasing this type of insurance, you are able to recover financial losses as a result of employee theft and robbery of the following:

- Money
- Securities
- Computer fraud
- Forgery
- Funds transfer fraud
- Credit card fraud
- Money order and counterfeit fraud
- Other valuable property

Third Party Cover

If your company is doing business for another organisation, employee dishonesty insurance may also cover the losses of that business as your client, depending on your plan.

If you elect cover that protects your client's property, the policy will cover the loss of money, securities and other property lost while working for that client.

Exclusions

There are several exclusions to these types of policies that employers must be aware of:

- Accounting errors
- Income lost in the event that the theft had not occurred
- Vandalism
- Restatement or lost statement of profit
- Theft by yourself – cover does extend to partners, trustees and directors

Don't become a victim of employee theft or shoplifting. Protect your business, your assets and your profits by obtaining employee dishonesty insurance. Contact us to learn more about our value-added services.

