



2019

national retail SECURITY SURVEY

NRF NATIONAL
RETAIL
FEDERATION



APPRISS[®]
RETAIL

UF UNIVERSITY of
FLORIDA



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Introduction *and* Key Findings

The 2019 National Retail Security Survey tells a story of a dramatically changing retail risk landscape, with new threats and challenges being met at each turn with new loss prevention tools. Progress is being made, but LP teams continue to face setbacks and challenges with new and expanding areas of threat.

The average shrink rate (1.38%) has remained steady over the last few years. When extrapolated on an industry-wide basis, it would be an estimated \$50.6 billion impact on the retail industry. Despite the growth in this figure, the shrink percentage calculated at retail, has largely been unchanged since FY 2014—despite the increasing opportunities and avenues for theft.

While respondents reported seeing the greatest increase in in-store fraud, LP departments are increasingly confronting challenges with online shopping/fraud and buy online/return in-store pressures.

Add in others factor like a tight labor market, workplace violence, cyber issues and fraud from “frictionless” forms of payment, and it is clear there are plenty of reasons to prioritize and evolve current loss prevention practices.

Retailers are seeing their investments in risk management pay off. Actions against dishonest employees and shoplifters have declined. Surveyed LP professionals

indicated their budgets for loss prevention efforts will be up for 44.5% of respondents and 68.2% say they’ll allocate additional resources, most of that in technology. About one in three (28.6%) surveyed professionals say they will add staff resources — and are looking for professionals with analytical, cybersecurity and investigative skills.

Criminals have many ways to steal from retailers, and LP departments have many tools at their disposal. Those tools, however, are changing in preference. Electronic security tags, screening systems and digital video recorders are growing in use while remotely monitored security cameras and theft deterrent devices like spider wraps (wired alarms) are declining. A majority (55.6%) of retailers have already implemented point-of-sale analytics across all their stores, although other high-tech tools lag in adoption.

The changing risk landscape, including the growing focus on cyber, also has implications for the organizational structure. LP professionals are seeing an overlap between LP and cyber roles. Still, nearly half (46%) of surveyed LP professionals feel they are not as involved in this area as they should be.

Today’s LP departments are faced with more responsibility than ever before in an evolving threat environment. At the same time, there are more opportunities for LP professionals to positively impact the retailer’s bottom line.

A NOTE

The 2019 National Retail Security Survey gathers input from LP professionals based on their experiences in FY 2018, as well as their current situations and future plans. Most data points reflect the previous fiscal year. In a few instances, we asked respondents to anticipate the current fiscal year; those data points are referenced with the year the report was published, i.e., 2019 NRSS, for clarity.

The report is based only on data collected from retailers who participated in our survey and is not necessarily representative of the entire industry.

TERMINOLOGY

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 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.

Emerging Risks, Evolving Priorities

OVER HALF OF RESPONDENTS SAY RISK OVERALL IS BECOMING MORE OF A PRIORITY

Compared with the last five years, LP leaders say they see a greater urgency in combating various methods of crime. Organized retail crime and cybercrimes in particular are more of an issue. For retailers with fewer than 500 stores, organized retail crime has become much more of a priority. For retailers with more than 500 stores, ecommerce crime has become much more of a priority.

ACTION ITEM



All types of risk are becoming more a priority for retailers. How does your company compare?

Please indicate whether or not the following risks and threats have become more or less of a priority for your organization in the last 5 years.

	Much more of a priority	Somewhat more of a priority
Organized retail crime		
Overall	28.6%	36.5%
500 or fewer stores	30.0%	33.3%
More than 500 stores	27.3%	39.4%
Cyber-related incidents (e.g. data breaches)		
Overall	25.4%	42.9%
500 or fewer stores	26.7%	46.7%
More than 500 stores	18.2%	48.5%
Internal theft		
Overall	25.4%	34.9%
500 or fewer stores	20.0%	36.7%
More than 500 stores	24.2%	39.4%
Ecommerce crime		
Overall	17.5%	47.6%
500 or fewer stores	16.7%	46.7%
More than 500 stores	30.3%	33.3%
Return fraud (incl. from buy online/pick up in store)		
Overall	12.7%	38.1%
500 or fewer stores	6.7%	33.3%
More than 500 stores	18.2%	42.4%

NEW THREATS AND EMERGING AREAS OF CONCERN

“The difficult hiring market makes it more difficult to screen out potential internal thieves.”

“Credit card fraud involving contactless forms of payment.”

“Escalated customer service issues are rising, including violence.”

“Shoplifter violence and active shooting/mall violence in general.”

LP teams are pulled in many directions, combating the various types of shrink. When asked for their top five priorities in the coming year, many of those priorities coalesced around a few areas:

STAFFING

- Training employees to resolve conflict
- Adding more LP professionals
- Enhancing employee awareness and training on conflict resolution
- Addressing internal theft awareness

KNOWLEDGE

- Identifying the causes of shrink in Top Tier Stores
- Combating internal/external mobile POS fraud
- Understanding the technology tools criminals use

TOOLS

- Upgrading LP technology
- Increasing rapid-removal authority

CYBER

- Focusing on breaches
- Combating cybercrime

Shrink Rates Remain Steady

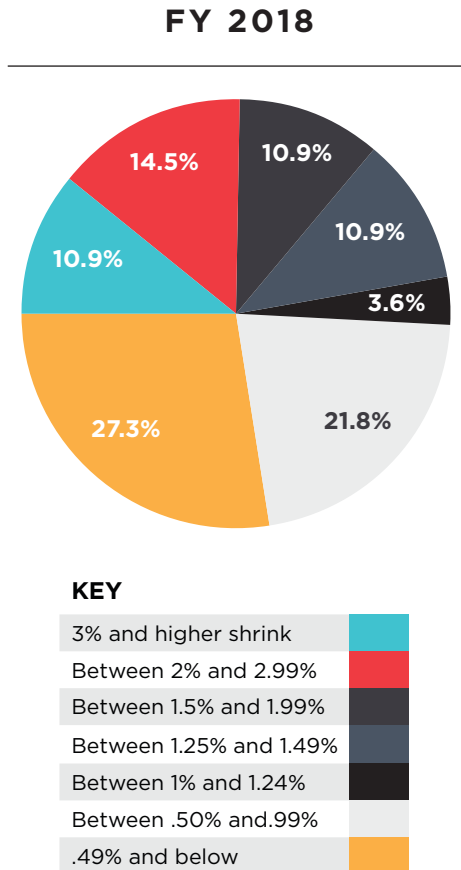
AVERAGE SHRINK OF 1.38%, ON PACE WITH HISTORICAL NORM

Average shrink rates have remained stubbornly steady over the past few years, hovering around 1.4% since FY 2014. This year's survey found that the average shrink rate for FY 2018 is 1.38%. While the lack of movement in shrink rate might sound like a positive, as LP professionals are well aware, it can mean billions of dollars in losses for the industry overall.

Perhaps even more concerning is the spike in the highest levels of shrink: 36.3% of retailers reported shrink rates of 1.5% or higher, up from just under a third (32.7%) in FY 2017. The amount with the highest shrink rate — 3.0% or higher — has climbed steadily from 6.6% in FY 2014 to 10.9% in FY 2018.

For fiscal year 2018, what was your company's inventory shrinkage percentage calculated at retail?

	FY 2018	FY 2017	FY 2016
3% and higher shrink	10.9%	9.1%	9.0%
Between 2% and 2.99%	14.5%	10.9%	14.1%
Between 1.5% and 1.99%	10.9%	12.7%	17.9%
Between 1.25% and 1.49%	10.9%	9.1%	9.0%
Between 1% and 1.24%	3.6%	16.4%	7.7%
Between .50% and .99%	21.8%	20.0%	24.4%
.49% and below	27.3%	21.8%	17.9%
AVERAGE	1.38%	1.33%	1.44%
MEDIAN	1.00%	1.06%	1.20%



Larger retailers — those with more than 500 stores — had shrink rates that averaged twice that of those with fewer locations. For retailers with more than 500 stores, the average shrink was 1.81% and the median was 0.01%. For stores with 500 or fewer locations, the average shrink was 0.9%, with a median of .76%. According to Bob Moraca, NRF’s VP of loss prevention, “It is apparent that larger retailers having greater variation of merchandise in their marketplace offer boosters a greater variety of products to steal than smaller specialty stores.”

Today’s retail landscape has created new channels for fraudsters as well as shoppers. Respondents were mixed in where they’re seeing the greatest increase of fraud, though answers leaned toward in-store sales. More than two in 10 are seeing the greatest increase occurring in multichannel sales.

Where have you noticed the greatest increase in fraud occurring?

IN-STORE ONLY SALES

42.9%

ONLINE ONLY SALES

30.2%

MULTICHANNEL SALES

(for example, buy online, pick up in store)

22.2%



LP Staffing *and* Budgets

RESPONDING RETAILERS ARE ALLOCATING ADDITIONAL RESOURCES TO ADDRESS RISK

Retailers are combating shrink with an increased investment across a variety of resources. Technology tools top the list, with more than half of all responding retailers

investing. Just under a third of retailers say they won't be adding resources in the coming year.

Is your company allocating additional resources to address risks this year?

	NRSS 2019 all	500 or fewer stores	More than 500 stores
Yes, technology resources	55.6%	56.7%	54.6%
Yes, other budget resources	34.9%	43.3%	27.3%
Yes, staff resources	28.6%	20.0%	36.4%
No	31.8%	33.3%	30.3%

Looking ahead to the current fiscal year, 44.4% of respondents expected increases in their LP budget. Increased investments in LP budgets have shown continued growth each year.

Compared with last year, is your LP budget in 2019 increasing, decreasing or remaining the same?

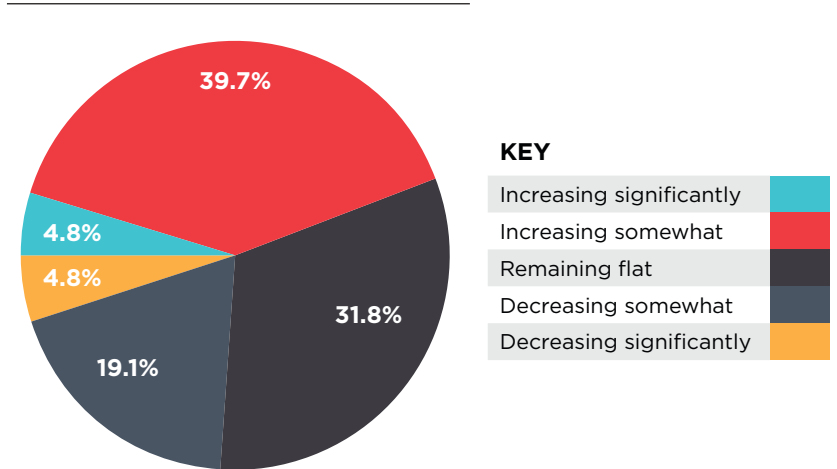
	NRSS 2019	NRSS 2018	NRSS 2017	NRSS 2016	NRSS 2015
Increasing significantly (20% or more over 2018 levels)	4.8%	3.2%	4.8%	12.3%	1.4%
Increasing somewhat (1% to less than 20% over 2018 levels)	39.7%	33.3%	30.2%	30.8%	38.0%
Remaining flat	31.8%	42.9%	33.3%	24.6%	36.6%
Decreasing somewhat (1 to 20% LESS than 2018 levels)	19.1%	12.7%	23.8%	30.8%	22.5%
Decreasing significantly (Over 20% LESS than 2018 levels)	4.8%	7.9%	7.9%	1.5%	1.4%

The 2019 NRSS finds more retailers anticipate budget growth in the current fiscal year than in the 2018 NRSS, when 42.9% anticipated flat budgets. In the 2019 NRSS, only 31.8% expected flat budgets. However, nearly one in

four retailers anticipate declining budgets this year. The bright spot for these retailers is that fewer expected their budgets to decrease by more than 20%.

- 46.7% of retailers with 500 or fewer stores expected budget increases of 1-20% while none anticipated budget growth in excess of 20%. Slightly more than one-fourth (26.7%) of those retailers expected flat budgets over 2018 levels.
- For retailers with more than 500 stores, almost one in 10 (9.1%) expected budget growth greater than 20% while more than one-third (36.4%) expected flat budgets.

NRSS 2019



LP Staffing *and* Budgets

LP TEAMS CONTINUE TO GROW, WITH MORE THAN ONE-THIRD SAYING THEY HAVE PLANS TO INCREASE THE NUMBER OF MEMBERS IN THEIR LP TEAMS

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

	NRSS 2019	NRSS 2018	NRSS 2017
Growing significantly	4.8%	3.2%	3.0%
Growing somewhat	31.8%	33.3%	20.9%
Remaining flat	38.1%	44.4%	55.2%
Decreasing somewhat	15.9%	11.1%	17.9%
Decreasing significantly	9.5%	7.9%	3.0%

As retailers grow their LP teams, they are looking to add new skillsets that better equip them to face the changes in the risk environment. Analytical skills were identified as the most needed, with more than six in 10 retailers saying it is needed for the LP department to be successful or grow. Cybersecurity is the second greatest need, with four in 10 retailers needing to increase those skills.

ACTION ITEM



LP teams are hiring, with analytical skills topping the list of most pressing needs. How can your department better compete for these critical skills in a challenging job market?

What skills do you believe you need more of in your loss prevention department for your programs to be successful or grow?

	All	500 or fewer stores	More than 500 stores
Analytical	61.9%	63.3%	60.6%
Cybersecurity	39.7%	43.3%	36.4%
Investigative	34.9%	43.3%	27.3%
Computer skills	33.3%	36.7%	30.3%
Leadership	28.6%	16.7%	39.4%
Emotional intelligence	28.6%	23.3%	33.3%
Interviewing	15.9%	16.7%	15.2%
Other (please specify)	4.8%	6.7%	3.0%

A CHANGING WORKFORCE

LP management continues to diversify, with each demographic group — women, Latinx, Asian-Pacific and African Americans — making steady gains over the previous year. While two-thirds (66.7%) agree that their LP departments adequately represent diversity, there’s certainly room for improvement. Only 22.2% agree strongly that diversity is adequately represented.

What is the percentage of the following groups in positions of LP manager and above?

- Retailers with 500 or fewer stores have slightly more female LP managers than the overall average at 32%. Retailers with more than 500 stores lag in female LP managers at 23.3% and are slightly above the overall average in ethnic and racial minority representation.

	NRSS 2019	NRSS 2018	NRSS 2017
Women Average	27.4%	23.7%	25.9%
Women Median	29.9%	20.0%	20.0%
Latinx Average	12.0%	9.4%	9.0%
Latinx Median	10.0%	7.5%	1.5%
African American Average	11.0%	6.7%	7.6%
African American Median	10.0%	0.5%	0.0%
Asian-Pacific Average	3.4%	1.8%	2.6%
Asian-Pacific Median	0.0%	0.0%	0.0%

LP Systems *and* Programs

ACTION ITEM



Point-of-sale analytics are the most widely used tool. Others are gaining in adoption but remain a very small segment of LP tools. Is it time to reevaluate new technologies?

LP DEPARTMENTS ARE TURNING TO INCREASINGLY SOPHISTICATED TOOLS TO COMBAT VARIOUS TYPES OF SHRINK

More than six in 10 retailers have implemented point-of-sale analytics, either fully or in pilot phase. Another 25.4% say they will implement this technology in 2019 or 2020. However, other LP tech tools are much further behind.

Fingerprint ID at the point of sale and facial recognition — while small — are gaining in adoption over last year, when roughly 90% of respondents said they had no plans to implement either technology.

For threat prevention purposes, has your company implemented any of the following LP-related emerging technology countermeasures?

	POS analytics	Solution provider video analytics	Fingerprint ID at POS	Facial recognition
We have implemented already across all our stores	55.6%	15.9%	11.1%	6.4%
We are in pilot (limited rollout/testing)	6.4%	17.5%	6.4%	4.8%
We plan to implement this year (2019)	6.4%	11.1%	0.0%	6.4%
We plan to implement next year (2020)	19.1%	11.1%	4.8%	1.6%
We have no current plans to implement	12.7%	44.4%	77.8%	81.0%

What are the loss prevention awareness programs that your company currently utilizes?

	NRSS 2019	NRSS 2018
Anonymous telephone "hotline"	85.7%	81.0%
Discussion during new hire orientation	82.5%	74.6%
Bulletin board notices and posters	81.0%	81.0%
Code of conduct	79.4%	79.4%
Active shooter training program	65.1%	54.0%
Internet-based training, videos, etc.	58.7%	N/A
Anonymous online/email notification system	57.1%	42.9%
Honesty incentives (e.g., cash & gifts)	31.8%	33.3%
In-store, employee LP committees	23.8%	28.6%
Other (please specify)	6.4%	1.6%

Other LP awareness programs included weekly LP meetings and annual store meetings, quarterly newsletters, awards and recognition.

More respondents are utilizing anonymous telephone hotlines and anonymous online notification systems. Active shooter trainings have increased as well. Fewer organizations are relying on LP committees and honesty incentives.

ACTION ITEM



Preferences are changing with LP tools. When was the last time your company examined the tools used and their effectiveness?

ANONYMOUS TELEPHONE HOTLINES ARE THE MOST COMMONLY USED AWARENESS PROGRAM BY RETAILERS, THOUGH THIS PROGRAM IS MORE POPULAR WITH RETAILERS WITH 500 OR FEWER STORES.

Retailers with 500 or fewer stores prefer these programs:

Anonymous telephone hotline	90.0%
Code of conduct	90.0%
Discussion during new hire orientation	90.0%
Bulletin board notices and posters	83.3%
Active shooter training program	76.7%

Retailers with more than 500 stores prefer these programs:

Anonymous telephone hotline	81.8%
Bulletin board notices and posters	78.8%
Discussion during new hire orientation	75.8%
Code of conduct	69.7%
Anonymous online/email notification system	63.6%

LP Systems *and* Programs

LOSS PREVENTION SYSTEMS USED BY RETAILERS

Methods of combating shrink are shifting, with some systems falling out of favor and others gaining adoption, especially when compared with last year's report. All tools have declined in use since the 2015 report, except for the

use of mystery shoppers, up from 23.3% to 31.8%, and POS exception-based CCTV interface, which remained mostly flat, from 32.9% to 33.3%.

Top 5 loss prevention systems in use

	NRSS 2019	Point Change from NRSS 2018	Point Change from NRSS 2015
Burglar alarms	92.1%	+4.8 ↑	-7.9 ↓
Digital video recorders	84.1%	+9.5 ↑	-9.1 ↓
Armored car deposit pickups	68.3%	-6.4 ↓	-22.2 ↓
POS data mining	65.1%	+7.9 ↑	-4.8 ↓
Live customer visible CCTV	61.9%	+7.9 ↑	-13.4 ↓

Biggest movement from NRSS 2019 compared with NRSS 2018

(those with movement of roughly ten percentage points or more)

IN:	NRSS 2019	% Point Change from NRSS 2018
Merchandise alarms/electronic security tags	46.0%	+25.4 ↑
Acoustomagnetic, electronic security tags	34.9%	+12.7 ↑
Check approval database screening systems	55.6%	+11.1 ↑
Digital video recorders	84.1%	+9.5 ↑

OUT:	NRSS 2019	% Point Change from NRSS 2018
Remote IP CCTV monitoring	57.1%	-19.1 ↓
Theft deterrent devices (spider wraps, keepers, etc.)	23.8%	-17.5 ↓
IP analytics	22.2%	-9.5 ↓



Employee-Related Shrink

APPREHENSIONS, TERMINATIONS AND PROSECUTIONS CONTINUE LONG-TERM DOWNWARD TREND

While there are fluctuations year to year, overall actions taken against dishonest employees have declined significantly over the years. Since FY 2015, the

average rates for each of the four types of actions have dropped by about half.

How many dishonest employee apprehensions, terminations, prosecutions and civil demands were made in 2018?

Number of:	FY 2018	FY 2017	FY 2016	FY 2015
Apprehensions AVERAGE	322.6	506.1	345.6	865.3
Apprehensions MEDIAN	76.0	94.5	52.5	137.5
Terminations AVERAGE	335.0	397.8	333.2	552.7
Terminations MEDIAN	122.5	100.0	71.0	136.0
Prosecutions AVERAGE	91.3	104.4	93.3	158.3
Prosecutions MEDIAN	28.0	24.0	13.0	20.0
Civil demands AVERAGE	159.8	125.1	114.5	344.47
Civil demands MEDIAN	18.0	1.5	1.5	36.0

- Most actions against dishonest employees have declined since FY 2017 and closely mirrored FY 2016.
- Civil demands have started to increase over the previous two fiscal years, up from 114.5 in FY 2016 to 159.8 in FY 2018.

THE AVERAGE DOLLAR LOSS PER DISHONEST EMPLOYEE WAS \$1,264.10, ON PACE WITH FY 2017.

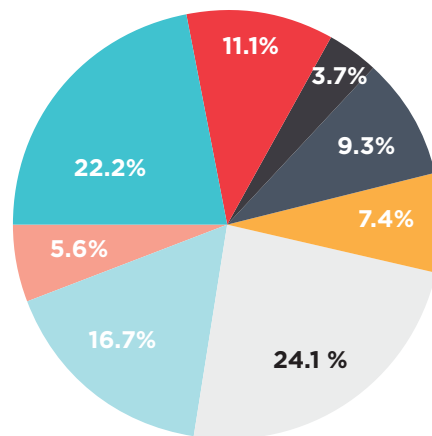
The average dollar loss per dishonest employee also holds mostly steady when compared to FY 2017 and shows a slight decline when compared with FY 2014.

What is the average dollar loss per dishonest employee case?

Average Loss	FY 2018	FY2017	FY 2016	FY 2015	FY 2014
Up to \$249	22.2%	22.0%	19.3%	11.9%	11.3%
Between \$250 and \$399	11.1%	15.3%	14.0%	10.2%	9.7%
Between \$400 and \$499	3.7%	3.4%	3.5%	11.9%	14.5%
Between \$500 and \$749	9.3%	13.6%	7.0%	22.0%	16.1%
Between \$750 and \$999	7.4%	10.2%	8.8%	10.2%	14.5%
Between \$1,000 and \$1,999	24.1%	16.9%	15.8%	13.6%	16.1%
Between \$2,000 and \$4,999	16.7%	18.6%	15.8%	18.6%	11.3%
\$5,000 and above	5.6%	3.4%	15.8%	1.7%	6.5%
AVERAGE	\$1,264.10	\$1,203.16	\$1,922.80	\$1,233.77	\$1,546.83

- Retailers with 500 or fewer locations had a slightly higher average loss per employee-related case, averaging \$1,377.12. Retailers with more than 500 locations had an average dollar loss of \$1,172.63.
- Over half (53.7%) of respondents reported employee-related theft was less than \$1,000, the national average felony threshold.
- Retailers experiencing an average loss of \$5,000 or more have held steady for the past two years, after experiencing a significant jump in FY 2016.

FY 2018



KEY

Up to \$249	■
\$250 - \$399	■
\$400 - \$499	■
\$500 - \$749	■
\$750 - \$999	■
\$1,000 - \$1,999	■
\$2,000 - \$4,999	■
\$5,000 and above	■

Shoplifting

When it comes to shoplifting apprehensions, prosecutions and civil demands, FY 2018 showed a decline over the previous year, with apprehensions and prosecutions each dropping by half.

This continues the decline in shoplifting-related actions over the past few years. In FY 2015, for instance, retailers reported an average of 3,322.7 apprehensions. That compares with 509.4 in FY 2018.

The same dramatic decreases in prosecutions follows. In FY 2018, the number of prosecutions was 369.7 compared with 1,934.6 in FY 2015.

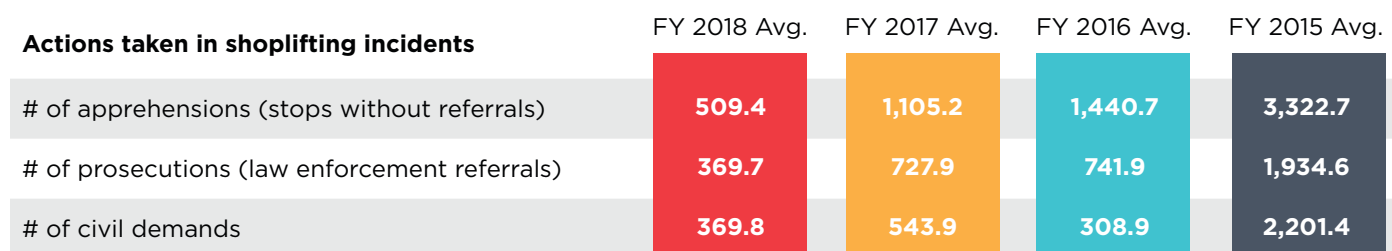
ACTION ITEM



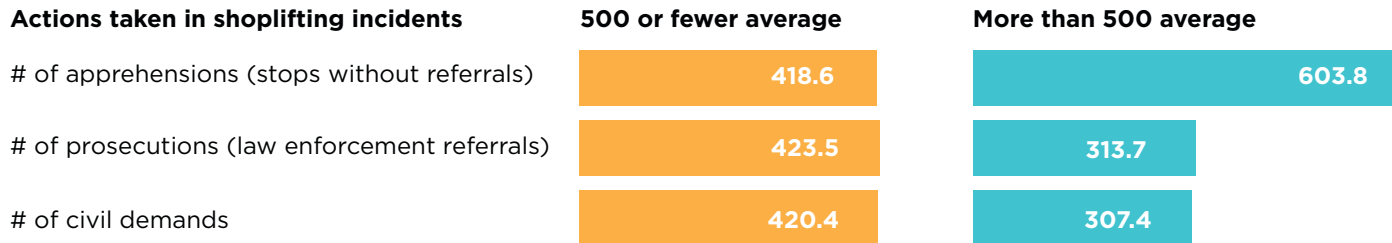
Overall shoplifting apprehensions and prosecutions dropped in half. Has your company seen the same declines?

How many shoplifting apprehensions (i.e. stops), prosecutions, and civil demands were made in 2018?

FY 2018 AVERAGE



Actions taken in shoplifting incidents



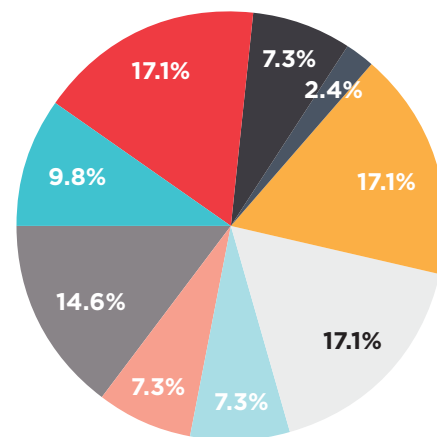
- While stores with more than 500 locations saw significantly more apprehensions, they were less likely to prosecute or demand civil restitution than stores with 500 or fewer locations.

Average dollar loss per shoplifting incident

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
AVERAGE	\$546.67	\$543.28	\$798.48	\$376.80	\$317.84
MEDIAN	\$180	\$200	\$230	\$138	\$165

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Up to \$49	9.8%	11.8%	13.3%	8.9%	6.1%
\$50 to \$99	17.1%	13.7%	13.3%	20.0%	20.4%
\$100 to \$124	7.3%	15.7%	11.1%	17.8%	10.2%
\$125 to \$149	2.4%	5.9%	0.0%	6.7%	4.1%
\$150 to \$199	17.1%	5.9%	6.7%	11.1%	16.3%
\$200 to \$299	17.1%	15.7%	6.7%	11.1%	12.2%
\$300 to \$499	7.3%	15.7%	15.6%	8.9%	10.2%
\$500 to \$999	7.3%	9.8%	11.1%	11.1%	12.2%
\$1,000 and over	14.6%	7.8%	22.2%	4.4%	8.2%

FY 2018



KEY

Up to \$49	9.8%
\$50 - \$99	17.1%
\$100 - \$124	7.3%
\$125 - \$149	2.4%
\$150 - \$199	17.1%
\$200 - \$299	17.1%
\$300 - \$499	7.3%
\$500 - \$999	7.3%
\$1,000 and above	14.6%

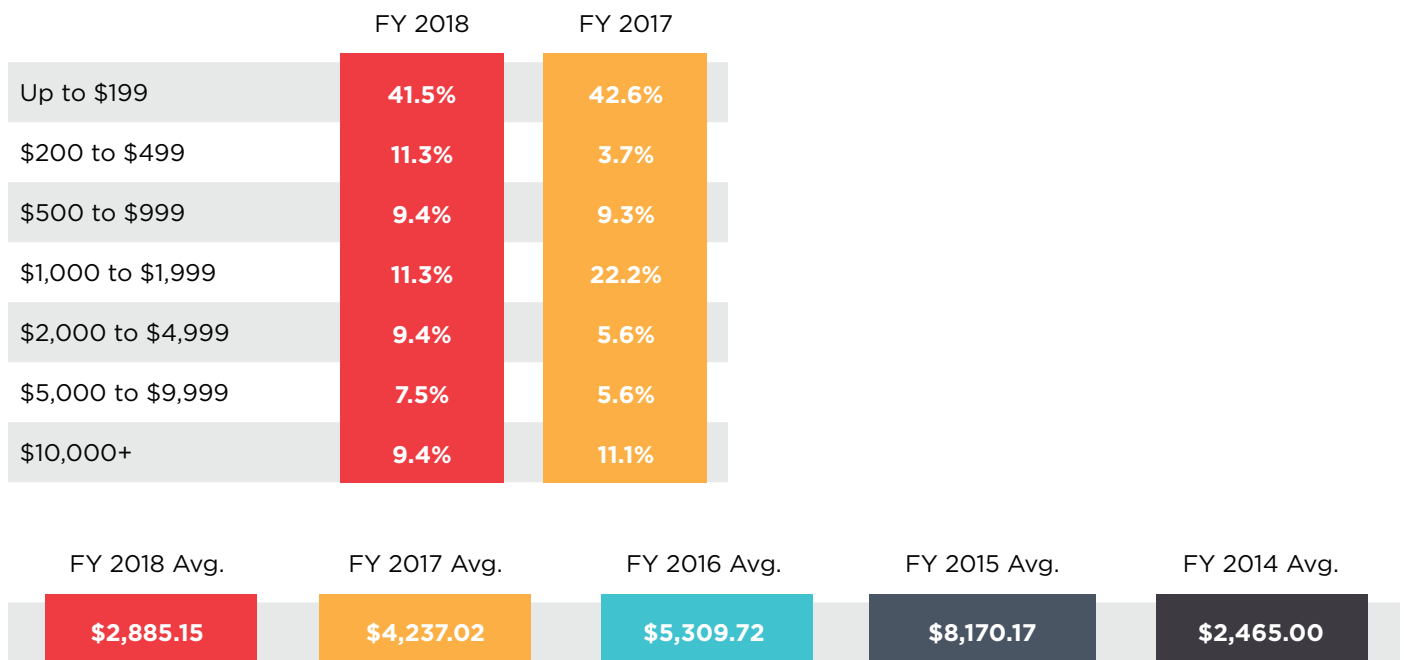
- The average dollar loss per shoplifting incident has remained on par with the previous year.
- Retailers with 500 or fewer locations reported losses of \$753.20, more than double that of stores with 500 or more locations (\$307.55).
- The number of respondents with an average dollar loss of less than \$150 declined compared with FY 2017. In FY 2018, 36.6% of retailers had an average dollar loss of less than \$150, compared with 47.1% in FY 2017.

Shoplifting

AVERAGE DOLLAR LOSS FROM ROBBERY

The loss from robbery has been showing a steady decline since FY 2015, when it spiked to nearly \$8,200. The FY 2018 figure continues the downward trend.

For the first time in the survey, more than half of all robberies netted an average of less than \$500.





Emerging Threats

There is no doubt that today's retailers are faced with new and rapidly evolving cyber-related thefts and breaches: 88.9% of respondents felt there is increasing overlap between LP and cyber, creating opportunities for LP to contribute to combating this rapidly evolving threat.

Despite this convergence, most LP professionals are not actively involved in cyber issues. Only about three in 10 LP professionals say they are always or very often called upon to respond to cybersecurity issues. When LP is involved in cyberthreats, it occurs most with incident response. Only about one in four are engaged in threat analysis.

LP professionals working for retailers with 500 or fewer stores are slightly more likely to "always" be called upon to assist with cyberthreats. LP professionals working for

ACTION ITEM



How can your department better collaborate with cybersecurity teams to combat these crimes?

larger retailers with more than 500 stores are about twice as likely to "never" be called upon than their smaller counterparts.

Still, LP professionals believe they have something to contribute in this area, and nearly half of respondents feel as if they're not as involved with their cyber teams as they should be.

How strongly do you agree or disagree with the following statement: There is increasing overlap between LP and cybersecurity priorities.

	Overall	500 or fewer stores	More than 500 stores
Agree strongly	46.0%	43.3%	48.5%
Agree somewhat	42.9%	50.0%	36.4%
Disagree somewhat	6.4%	3.3%	9.1%
Disagree strongly	4.8%	3.3%	6.1%

How often are you involved in your organization's cybersecurity issues?

	Overall	500 or fewer stores	More than 500 stores
Always	15.9%	16.7%	15.2%
Very often	14.3%	13.3%	15.2%
Sometimes	30.2%	30.0%	30.3%
Rarely	30.2%	33.3%	27.3%
Never	9.5%	6.7%	12.1%

Do you feel you're as involved as you should be?

	Overall	500 or fewer stores	More than 500 stores
Yes, definitely	28.6%	20.0%	36.4%
Yes, somewhat	25.4%	23.3%	27.3%
No, not really	33.3%	36.7%	30.3%
No, definitely not	12.7%	20.0%	6.1%

When engaged in cyber issues, LP professionals work alongside cybersecurity teams on a number of issues, with incident response and employee awareness/training topping the list of collaborations. More than half of LP professionals surveyed worked with cyber teams on risk management/compliance and investigation/forensics.

However, those in the largest retailer category — more than 500 stores — are significantly less likely to be involved in investigation and forensics than those with 500 or fewer stores. They are much more likely to be involved in incident response and personnel security and insider risk areas.

In what specific areas are you working with your cybersecurity colleagues?

	Overall	500 or fewer stores	More than 500 stores
Incident response	59.7%	53.6%	65.5%
Employee awareness and training	57.9%	53.6%	62.1%
Risk management and compliance	52.6%	50.0%	55.2%
Investigation and forensics	52.6%	64.3%	41.4%
Disaster recovery and business continuity	43.9%	42.9%	44.8%
Personnel security and insider risks	40.4%	28.6%	51.7%
Threat analysis	26.3%	28.6%	24.1%
Other	5.3%	3.6%	6.9%

Other areas mentioned include working with law enforcement or agencies and analytics.

While the 2019 NRSS marks the first time these cyber-focused questions have been asked, it will be interesting to see if LP has a growing responsibility with cyberthreats. A sizeable majority of respondents believe there is an increasing overlap between the two teams.

Conclusion

Today's LP professional has more challenges than ever before, with threats online and in-store and from internal and external sources. One bright spot is the increased investment in resources, including staffing and technology. Still, departments are looking for additional talent with the need for more sophisticated skills. Tried-and-true technologies to combat shrink have fallen out of favor, with new ones being more widely adopted. LP departments continue to evolve and improve in the techniques and tools used to combat theft on all fronts.

Thank you for helping provide understanding of the current landscape of loss prevention. This research could not have been conducted without the participation of our retail partners. The NRSS study is an invaluable tool for the retail, 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, and are very grateful to Dr. Richard Hollinger at the University of Florida for the many years that he has shared his time, insights and counsel toward the completion of this study.

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

Warmest regards,

Bob Moraca

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About *the* Survey

The 2019 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 the loss prevention departments**
- **Costs and deterrents to employee theft**
- **The impact of shoplifting and external retail crime**

METHODOLOGY

The 2019 National Retail Security Survey was conducted online February 27 through March 29, 2019, among retail industry loss prevention and asset protection professionals. Participants were asked about their company's loss prevention performance and actions in the 2018 fiscal year.

A total of 63 retailers completed the 2019 National Retail Security Survey. Several companies participated in the survey on behalf of individual brands within their portfolios.

To provide more accurate benchmarking, data occasionally is broken out based on the number of stores in a retailer's portfolio.

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

Top retail market categories represented

Apparel	23.8%
Department store	7.9%
Specialty accessories	7.9%
Discount, mass merchandise, or super center	6.3%
Grocery and supermarkets	6.3%
Shoes and footwear	6.3%
Household furnishings and housewares	4.8%
Jewelry and watches	4.8%
Sporting goods and recreational products	4.8%
Books, magazines and music	3.2%
Consumer electronics, computers and appliances	3.2%
Entertainment media/games, DVDs and music CDs	3.2%
Auto parts, tires and accessories	1.6%
Convenience store or truck stop	1.6%
Drug store or pharmacy	1.6%
Liquor, wine, beer, or tobacco products	1.6%
Toys	1.6%
Other	9.5%

Retailer participant profile

NUMBER OF STORES

Less than 50 stores	4.8%
50 to 200 stores	25.4%
201 to 500 stores	17.5%
501 to 1,000 stores	28.6%
1,001 to 2,000 stores	14.3%
More than 2,000 stores	9.5%

FY 2018 SALES VOLUME

(among those who provided this information)

\$99 million or less	7.0%
\$100 million to \$499 million	14.0%
\$500 million to \$999 million	22.8%
\$1 billion to \$2.49 billion	19.3%
\$2.5 billion to \$4.9 billion	10.5%
\$5 billion to \$9.9 billion	14.0%
\$10 billion to \$24.9 billion	7.0%
\$25 billion or more	5.3%

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