2022 Retail Security Survey

The State of National Retail Security and Organized Retail Crime

NRF National Retail Federation | LPRC Loss Prevention Research Council | APPRISS® RETAIL

National Retail Federation

The National Retail Federation, the world's largest retail trade association, passionately advocates for the people, brands, policies and ideas that help retail thrive. From its headquarters in Washington, D.C., NRF empowers the industry that powers the economy. Retail is the nation's largest private-sector employer, contributing $3.9 trillion to annual GDP and supporting one in four U.S. jobs — 52 million working Americans. For over a century, NRF has been a voice for every retailer and every retail job, educating, inspiring and communicating the powerful impact retail has on local communities and global economies. nrf.com

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Loss Prevention Research Council

The Loss Prevention Research Council was founded in 2000 by leading retailers and Dr. Read Hayes in an effort to support the evidence-based needs of loss prevention decision-makers. To date the LPRC has conducted over 300 real-world loss prevention research projects for retailers and partners.

The LPRC strives to provide comprehensive research, development opportunities, and collaborative spaces for our members that will enable the innovation of loss & crime control solutions.

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Introduction *and* Key Findings

The COVID-19 pandemic continues to reveal unforeseen impacts across all industries. One rapidly ballooning issue is retail shrink, a nearly $100 billion problem for the industry, according to the National Retail Federation's (NRF) 2022 National Retail Security Survey (NRSS).

Each year, NRF surveys retail loss prevention and security executives about risks, threats and vulnerabilities to their company and the retail industry as a whole. This year's NRSS report was conducted in partnership with the Loss Prevention Research Council (LPRC) and includes a closer look at the impact of organized retail crime (ORC) on the retail industry.

The study found that, similar to the last five years, the average shrink rate in 2021 was 1.4%. When taken as a percentage of total retail sales in 2021, that shrink represents $94.5 billion in losses, up from $90.8 billion in 2020. While retail shrink encompasses many types of loss, it is primarily driven by external theft, including theft attributed to ORC. In fact, retailers, on average, saw a 26.5% increase in ORC incidents in 2021. Beyond the loss of goods, these incidents are increasingly alarming. Eight in 10 retailers surveyed report that the violence and aggression associated with ORC incidents increased in the past year.

Retailers face security-related challenges on many fronts. Most of the retailers surveyed report in-store, ecommerce and omnichannel fraud are all on the rise. The majority of respondents also reported that guest-on-associate violence, external theft, ORC and cyber crimes have become higher priorities for their organizations. Challenges with labor shortages, employee retention and hiring – as well as issues related to masking and maintaining COVID precautions – have contributed to the risks of violence and hostility. The current climate of active assailants and gun violence add to retailers' concerns about being able to keep employees and customers safe.

Retailers are devoting considerable resources to prevent the victimization of their employees, guests and organizations. They are boosting their budgets for loss prevention and technology, and 52.4% are increasing budgets specifically for capital and equipment. Retailers are implementing a variety of technological solutions, from artificial intelligence-based video analytics at point of sale/self-checkout to self-service locking cases, autonomous security robots and license plate recognition. In addition, almost one third of retailers surveyed have established a dedicated ORC team, and retailers with such teams average greater apprehensions, prosecutions and civil demands.

However, additional steps must be taken to combat ORC, including policy reform. Retailers desire stronger ORC legislation, especially at the federal level, as well as better enforcement of existing laws. They also favor increased penalties for theft, and a reduction in felony thresholds; 70.8% of survey respondents reported increases in ORC in areas where felony thresholds have increased.

Throughout the pandemic, retailers have responded and adapted to a rapidly changing environment to protect their customers, employees and communities, and will continue to do so when it comes to shrink.

This research would not be possible without the support of the NRF Loss Prevention Research Committee and other participating retailers. Thank you to all who shed light on the current loss prevention landscape and Appriss Retail for partnering with NRF and LPRC in sponsoring this report.

A NOTE ABOUT THE SURVEY

The 2022 National Retail Security Survey contains insights from 63 participating retailers and features forward-thinking results and actionable items. This report marks the first year the National Retail Federation has partnered with the Loss Prevention Research Council on the NRSS.

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 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

Loss Prevention Programs *and* Priorities

This chapter of the report focuses on the nature of loss prevention and asset protection teams and programs throughout the United States, and explores the responsibilities of loss prevention programs, size of LP/AP teams, budgetary priorities and changes, and the use of technology in the industry.

Loss Prevention Team Size

According to the respondents, the average LP/AP department size as of January 31, 2022, was 391.4 team members; however, the median was 32. This includes everyone from store-level LP/AP team members to senior loss prevention management. As one might expect, the size of LP teams also varied by sales volume. Figure 1 provides the average number of LP/AP team members by sales volume.

Figure 1. Average Number of LP/AP Team Members by Sales Volume

Sales Volume	Average Team Size	Median Team Size
$0 to $999 million	12.9	11
$1 billion to $2.49 billion	267	16
$2.5 billion to $9.9 billion	107.3	65
$10 billion to $24.9 billion	735.5	715
$25 billion or more	2,041.1	900
All participating retailers	**391.4**	**32**

As Figure 2 shows, the majority of respondents' AP/LP teams are remaining the same size; however, a relatively large subset (37.1%) of the retailers indicated that their departments are growing, while only 11.9% of participating retailers reported that their LP/AP teams were shrinking in 2022.

Figure 2. Change in LP/AP Team Size in 2022

Response	Percentage of Respondents
Increasing by more than 10%	4.8%
Increasing 1% to 10%	32.3%
Remaining the same	51.6%
Decreasing by 1% to 10%	4.8%
Decreasing by more than 10%	6.5%

Loss Prevention Team Responsibilities and Skills

Modern loss prevention teams are responsible for securing a variety of facilities and assets. In the 2022 NRSS, 100% of respondents reported that their LP/AP teams were responsible for physical store locations; however, 85.5% indicated that they were responsible for securing the organization's headquarters, and 83.9% reported that their LP/AP team was responsible for securing supply chain facilities.

Figure 3. Domains of Responsibility for LP Teams

Facility or Other Major Asset	Percentage of Respondents
Physical store locations	100%
Headquarters	85.5%
Supply chain facilities (e.g., warehouses, DCs, etc.)	83.9%
Local, regional and divisional offices	56.5%
Ecommerce platform	53.2%
Information technology centers/hubs	27.4%
Cargo shipments	22.6%
Manufacturing, printing and/or packaging plants	17.7%
Retailer app ecosystem	9.7%
Other	3.2%

One of the greatest changes in retail over the past 30 years has been the shift to ecommerce. As the results above show, 53.2% reported that their team is responsible for securing their ecommerce platform, but only 9.7% reported that they were responsible for the retailer app ecosystem. Given the changes in the retail industry, we asked whether the respondents believed their teams were as involved in cybersecurity as they should be. As Figure 4 shows, the majority reported that they are "probably" or "definitely" not as involved as they should be.

Figure 4. Is LP/AP Team as Involved in Cybersecurity as it Should Be?

Response	Percentage of Respondents
Definitely not	12.5%
Probably not	42.9%
Probably yes	33.9%
Definitely yes	10.7%

Finally, we asked the respondents, "For your AP/LP department to become more successful, which of these skills do you believe need to be strengthened or further developed? As Figure 5 shows, the majority of respondents reported needing greater analytic and investigative skills, which likely reflects the increasingly important role of business intelligence in the loss prevention industry, as well as retailers' need to investigate organized retail crime. As we show later in the report, organized retail crime is a serious challenge and major priority for many retailers.

Figure 5. Skills Needed to Strengthen LP/AP Teams

Skill	Percentage Reporting a Need
Analytic	88.5%
Investigative	62.3%
Cyber	44.3%
Leadership	44.3%
Computer	42.6%
Interviewing	34.4%
Emotional intelligence	32.8%
Other	8.2%

Loss Prevention Budgets and Budget Priorities

Close to half (44.5%) of respondents reported that their 2022 LP/AP budgets were increasing compared with the previous year – 28.6% reported that budgets were increasing by 1% to 9.9%; 12.7% reported that they were increasing by 10% to 24.9% and 3.2% reported that they were increasing by more than 25%.

Figure 6. LP/AP Budget Changes in 2022

Response	Percentage of Respondents
Increasing by more than 25%	3.2%
Increasing by 10 to 24.9%	12.7%
Increasing by 1 to 9.9%	28.6%
Remaining the Same	47.6%
Decreasing by 1 to 9.9%	3.2%
Decreasing by 10 to 24.9%	3.2%
Decreasing by more than 25%	1.6%

As the results in Figure 7 show, most respondents are spending more on technology or capital/equipment, while a sizeable minority reported that budgets for guards or “other” were increasing. Other categories include areas such as global security, safety and staffing.

Figure 7. Budgetary Priorities in 2022

Budgetary Category	Decreasing	Remaining the Same	Increasing
Technology	3.2%	36.5%	60.3%
Capital/equipment	12.7%	34.9%	52.4%
Other	14.3%	42.9%	42.9%
Guards	14.5%	53.2%	32.3%

Awareness, Education and Training Programs

Finally, while LP/AP departments are primarily responsible for mitigating risk in the retail industry, true success in addressing risk is a whole-company effort. Therefore, we asked which programs retailers use to raise awareness about issues or to train and educate their team members about proper loss prevention and asset protection practices.

Figure 8. Awareness, Education and/or Training Initiatives Used by Retailers

Awareness, Education and/or Training Initiative	Percentage of Respondents Utilizing
Active shooter training program	84.5%
Anonymous online/email notification program	60.3%
Anonymous telephone "hotline" program	87.9%
Bulletin board notices/posters	82.8%
Code of conduct	93.1%
Face-to-face training during new hire orientation	74.1%
Honesty incentive initiatives (e.g., cash and gifts)	39.7%
In-store, employee LP committees	31%
Internet/computer-based training videos	79.3%
Other	6.9%

Note: Other initiatives included electronic messaging in employee lounge, virtual reality training, monthly training meetings, weekly modules and live streaming training

The results show that the vast majority of respondents use: (1) codes of conduct; (2) anonymous telephone "hotline" programs; (3) active shooter training programs; (4) bulletin board notices/posters; (5) internet/computer-based training videos; and (6) face-to-face training during new hire orientation. Many respondents also reported using anonymous online/email notification programs.

Losses, Risks, Threats *and* Vulnerabilities

This chapter contains key findings related to retail risk, including those related to inventory shrink; risk and threat priorities; loss prevention priorities; shoplifting; employee dishonesty; fraud; cargo theft; and critical incident and emergency preparedness and response; as well as how COVID-19 continues to affect retail loss prevention. Additional findings related to organized retail crime can be found in the last chapter of the report.

Inventory shrink and sources of shrink

The vast majority (89.7%) of respondents report that their LP/AP department is evaluated according to inventory shrink levels – in other words, shrink reduction is part of their goals, objectives or performance measures. Just 10.3% reported that they were not.

Figure 9. Percentage of LP Teams Evaluated According to Inventory Shrink

Response	Percentage of Respondents
Yes	89.7%
No	10.3%

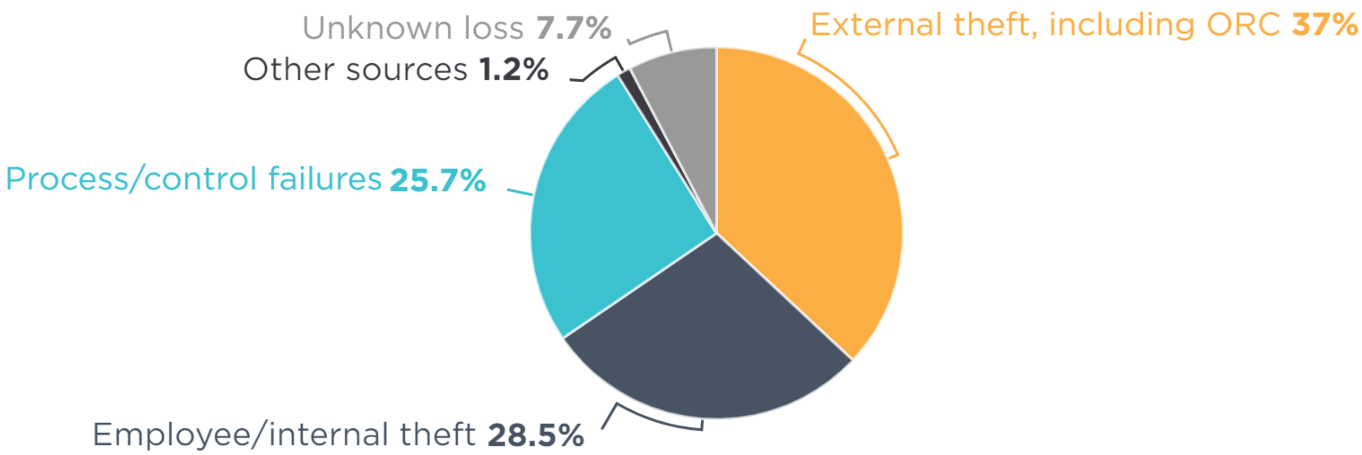
On average, respondents reported inventory shrink of 1.4% (see Figure 10). This is in line with the five-year average of 1.5%. When taken as a percentage of total retail sales, retail shrink represented $94.5 billion in losses in 2021.*

Figure 10. Inventory Shrink Percentage Calculated at Retail

Category	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
3% and higher	10.7%	15.7%	18.2%	10.9%	9.1%	9%
Between 2% and 2.99%	16.1%	11.8%	9.1%	14.5%	10.9%	14.1%
Between 1.5% and 1.99%	8.9%	11.8%	15.2%	10.9%	12.7%	17.9%
Between 1.25% and 1.49%	8.9%	17.6%	7.6%	10.9%	9.1%	9%
Between 1% and 1.24%	17.9%	9.8%	19.7%	3.6%	16.4%	7.7%
Between .5% and .99%	19.6%	21.6%	16.7%	21.8%	20%	24.4%
.49% or lower	17.9%	11.8%	13.6%	27.3%	21.8%	17.9%
Average	**1.4%**	**1.6%**	**1.6%**	**1.4%**	**1.3%**	**1.4%**
Median	**1.2%**	**1.3%**	**1.3%**	**1%**	**1.1%**	**1.2%**

On average, participating retailers attributed the greatest portion of shrink (37%) to external theft, including organized retail crime, followed by employee/internal theft and process/control failures.

Figure 11. FY 2021 Inventory Shrink by Source

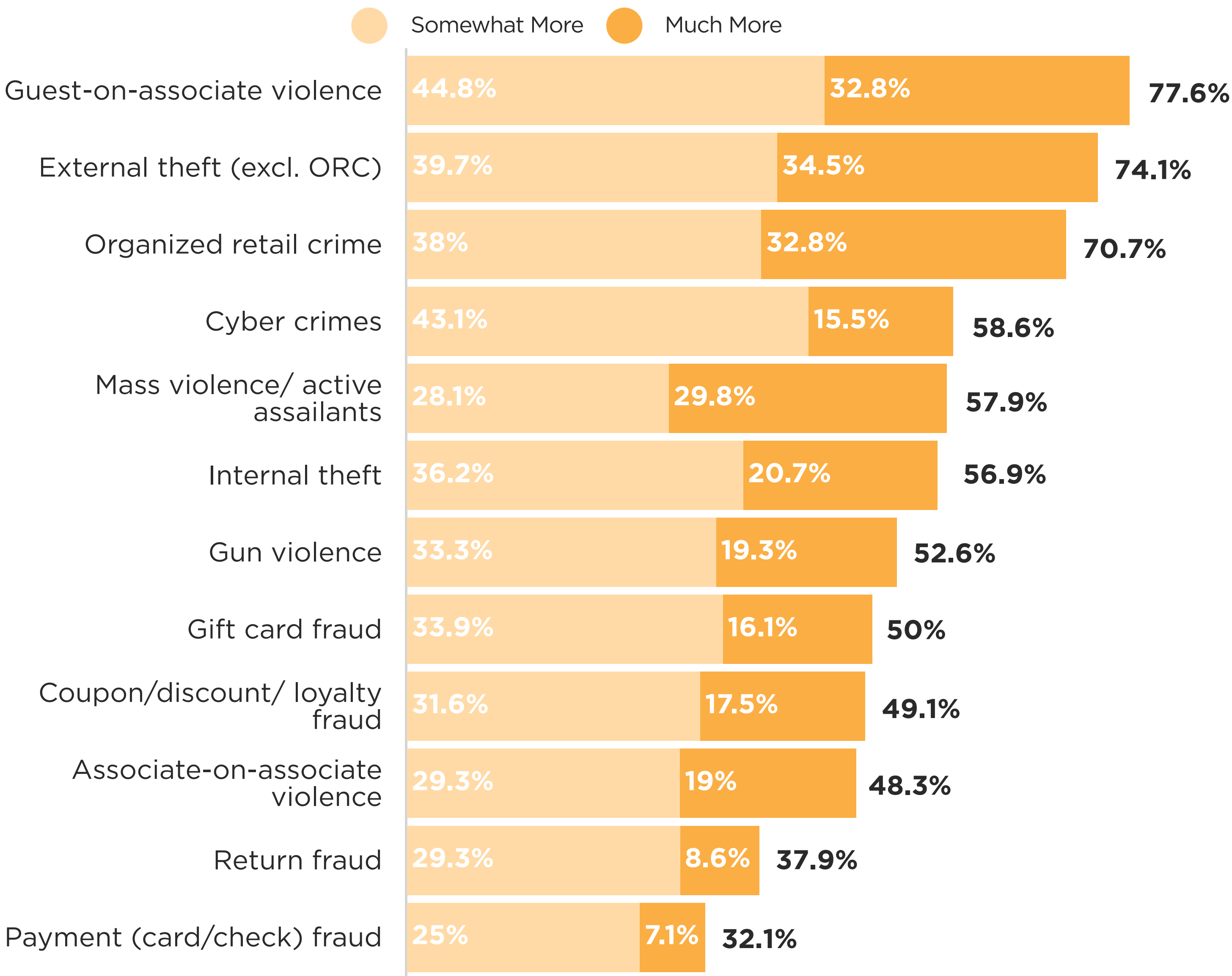


* U.S. Census Bureau, NRF calculations

Changing Risk and Threat Policies

Shrink control is only one aspect of loss prevention – these departments must also protect store associates, customers, facilities and many other types of non-merchandise assets. The majority of respondents report incidents of guest-on-associate violence, external theft and organized retail crime, in particular, have become more of a priority compared with five years ago. However, respondents also indicated that other violent threats such as mass violence/active assailants (57.9%) and gun violence (52.6%) have risen in priority in recent years.

Figure 12. Increase in Risk and Threat Priorities over the Past Five Years



All of this suggests that violence is an increasingly important concern among retailers. As the final chapter of this report shows, organized retail crime is likely contributing to retailers' concerns about violence, as the majority of respondents suggest that organized retail offenders have become more violent and aggressive since last year.

Respondents were also asked to list their top three priorities for 2022. The responses can be categorized as offense-oriented (e.g., external theft, internal theft, violence, fraud, organized retail crime); tactic-oriented (e.g., target hardening, training, education, investigations); resource-oriented (e.g., personnel, technology); or operations-oriented (e.g., operational controls, policies, reporting). The results indicate that retailers are primarily focused on fundamental strategic issues which can help mitigate many of the offense-oriented priorities. However, the results also show that retailers are very concerned about violence, as it was the most commonly cited **specific** offense.

Shoplifting and Employee Dishonesty

As shown in Figure 11, respondents attribute the greatest percentage of inventory shrink to internal theft or external theft. Internal and external theft encompasses areas such as organized retail crime and shoplifting, as well as employee dishonesty metrics, such as prosecutions, civil demands, et cetera.

However, there are several factors that may influence shoplifting and employee dishonesty outcomes, including staffing levels and company policies. The results in Figure 13 show that the majority of respondents (56.9%) authorize LP/AP personnel to apprehend shoplifters, while only 19% authorize non-LP/AP personnel to make apprehensions, and 37.9% do not allow any of their team members to make apprehensions.

Figure 13. Who is Authorized to Apprehend Shoplifters in Your Organization?

Employee Group	Percentage of Respondents
AP/LP personnel	56.9%
Non-AP/LP personnel	19%
No associates are allowed	37.9%

Additionally, just 12.7% of respondents reported that they have prosecution thresholds for internal incidents and 29.1% reported that they have prosecution thresholds for external incidents, while the vast majority (70.9%) reported that they did not have dollar-value prosecution thresholds for either internal or external incidents.

Figure 14. Internal Dollar-Value Thresholds for Prosecution of Internal and External Incidents

Do you have prosecution threshold policies?	Percentage of Respondents	Average Threshold Value	Median Threshold Value
Yes, thresholds for internal incidents	12.7%	$1,650	$350
Yes, thresholds for external incidents	29.1%	$655	$100
No prosecution threshold policies	70.9%	--	--

Fraud

Fraud is also a major source of loss for the retail industry. Approximately 69% of respondents indicated that in-store fraud had increased and 61.1% indicated that ecommerce fraud increased during the past year, while 53.9% indicated that omnichannel fraud increased during the past year. This may be due to increased store traffic during fiscal year 2021 relative to 2020.

Figure 15. Past Year Changes among Different Types of Fraud

Category of fraud	Decreased			Stayed same	Increased			Total Increased
	>25%	10-24.9%	0-9.9%		0-9.9%	10-24.9%	>25%	
In-store	3.5%	0%	6.9%	20.7%	43.1%	17.2%	8.6%	68.9%
Ecommerce	3.7%	1.9%	5.6%	27.8%	31.5%	18.5%	11.1%	61.1%
Omnichannel	1.9%	0%	7.7%	36.5%	28.9%	19.2%	5.8%	53.9%

Cargo Theft and Supply Chain Protection

COVID-19 introduced several challenges in the retail industry, including supply chain disruption, and these disruptions are only compounded when cargo is stolen. The disruptions led to significant congestion at key nodes in the supply chain, forcing cargo to sit. Cargo at rest is cargo at risk.

As Figure 16 shows, the greatest percentage of participating retailers experienced cargo theft while shipments were "en route from distribution centers to stores" (47.4%); this was followed by cargo theft at stores (42.1%) and while shipments were "en route from manufacturers to distribution centers" (35.1%).

Figure 16. Where Respondents Experience Cargo Theft at Different Points in the Supply Chain

Supply Chain Element	Percentage Experiencing Cargo Theft
En route from DCs to stores	47.4%
At stores	42.1%
En route from manufacturers to DCs	35.1%
At distribution centers	31.6%
Third-party centers	31.6%
En route between stores	29.8%
Other	8.8%

Respondents were also asked to rank the specific points in the supply chain where they experienced cargo theft in order from most problematic to least problematic. For example, if an organization indicated that they experienced cargo theft “at distribution centers,” “en route between stores” and “at stores” in the previous question, then they were asked to rank these in order from most to least problematic.

Figure 17. Cargo Theft: Most Challenging Points in Supply Chains, Ranked

Supply Chain Element	#1	#2	#3	#4	#5	#6	#7
En route from manufacturers to DCs	8.3%	41.7%	16.7%	16.7%	16.7%	0%	0%
En route from DCs to stores	47.4%	21.1%	21.1%	5.3%	5.3%	0%	0%
At distribution centers	7.7%	46.2%	30.8%	7.7%	7.7%	0%	0%
En route between stores	7.1%	35.7%	21.4%	21.4%	14.3%	0%	0%
At stores	37.5%	6.3%	12.5%	31.3%	6.3%	6.3%	0%
Third-party centers	40%	6.7%	13.3%	20%	6.7%	13.3%	0%
Other	0%	33.3%	33.3%	0%	0%	0%	33.3%

"En route from distribution centers to stores” was identified as the most problematic by the greatest percentage of respondents; in fact, 68.5% ranked this element of the supply chain as the #1 or #2 most problematic element in terms of cargo theft. Similarly, 53.9% ranked “at distribution centers” as #1 or #2.

Loss Prevention Technologies

As retail risk changes, retailers must turn to new strategies and technologies to mitigate those risks. The greatest percentage of participating retailers reported that they were implementing or planning to implement: (1) RFID systems; (2) AI-based point-of-sale (POS)/self-checkout (SCO) video analytics; (3) license plate recognition; and/or (4) self-service locking cases or lockers. These changes are understandable, given the new risks.

For example, RFID has many uses throughout retail, from managing and tracking inventory in the supply chain to maintaining up-to-date in-store inventory records, or identifying and recovering stolen products. AI-based POS/SCO video analytics can help detect crimes such as ticket- or product-switching, or sweet-hearting. Ticket- and product-switching involves retail offenders using the barcode from a less expensive item in place of the barcode for a more expensive item while scanning products, while sweet-hearting includes a variety of offenses at the POS involving an employee and a "sweetheart" – someone to whom they are giving "favorable" treatment.

Many of the technologies that retailers are implementing or planning to implement are designed to provide greater threat awareness. For example, license plate recognition systems, perimeter surveillance, facial recognition and multi-sensor parking lot surveillance towers/units can all help retailers detect when a potential threat has arrived on the premises, as well as gather information about suspects who entered/exited the store and/or the parking lot.

Figure 18. Retail Loss Prevention Technologies

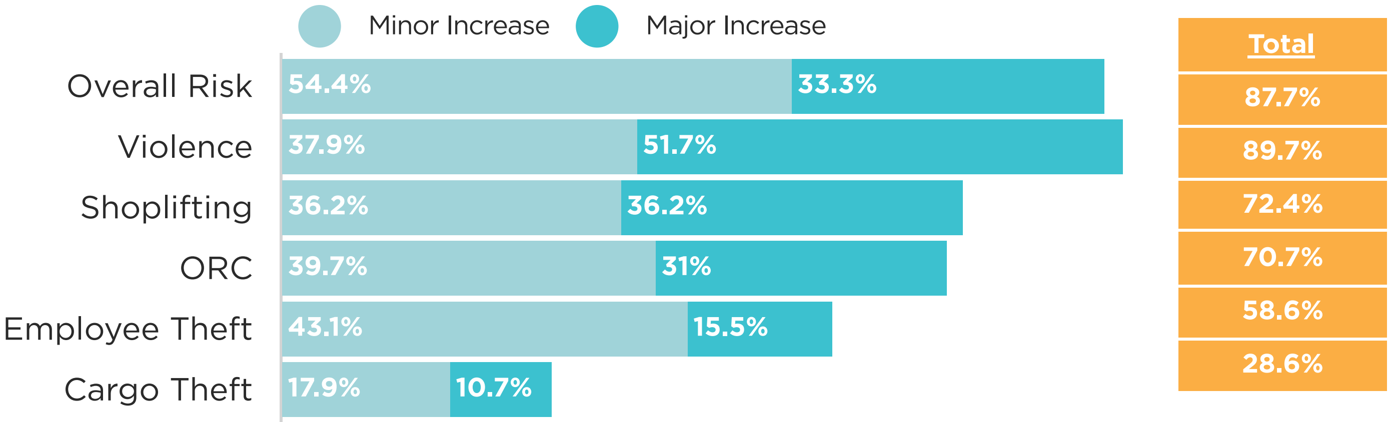
Technology	Percentage Implementing or Planning to Implement
RFID systems	38.6%
AI-based POS/SCO video analytics	29.8%
License plate recognition	19.3%
Self-service locking cases or lockers	17.5%
AI-based perimeter surveillance	14%
Advanced weapon detection (AI, thermal, etc.)	12.3%
Facial recognition	12.3%
Multi-sensor parking lot or curbside surveillance towers/units	12.3%
AI-based access control	10.5%
Gunshot detection	7%
Autonomous security robots	5.3%
AI-based spill detection	3.5%
AI-based behavior detection (e.g., violence or theft)	3.5%
Fingerprint or other identification requirements at POS/SCO	1.8%
Drones	0%

In many ways, these technological changes represent a shift toward more intelligence-based loss prevention practices, as many of the technologies provide more data, and richer data, about offenders and loss events at stores and other facilities. This intelligence is necessary for investigating crimes, but it is also necessary for detecting where problems are occurring and addressing those problems.

The Lingering Effects of COVID-19

Finally, COVID-19 has had tremendous implications for the retail risk landscape. Fully 89.7% of respondents reported that COVID-19 had resulted in an increase in the risk of violence within their organization. This echoes earlier findings showing that retailers are increasingly concerned about violence in their stores, as well as the safety of their employees. The majority of respondents also reported that overall risk increased, as well as the risk of shoplifting, organized retail crime and employee theft. In contrast, 60.1% of respondents said that COVID-19 had no impact on cargo theft risk at their organization.

Figure 19. Reported Increase in Risk due to COVID-19



Respondents also shared other areas where the COVID-19 pandemic has impacted their risk. As Figure 20 shows, the most commonly cited effects included: (1) labor-related challenges; (2) increased violence and hostility; (3) and issues related to masking and maintaining COVID-19 precautions.

Clearly, labor shortages and turnover have tremendous effects on retailers, including serious implications for loss prevention. Retailers may not have sufficient employees in the store to provide informal guardianship, that is, to simply deter retail crimes with their presence. Employee turnover can also reduce retailers' ability to maintain trained staff and develop their workforce – for example, if an employee develops experience controlling loss and mitigating risks within a store and then leaves, the retailer must then train another employee to do so.

Figure 20. Other Effects of COVID-19 on Risk, Ranked

1. Labor shortage/retention/hiring
2. Increased violence/hostility/escalations
3. Masking associated with serious and brazen crimes
4. Maintaining COVID precautions (PPE/cleaning)
5. Beneficial effects due to reduced occupancy

Critical Incident Management and Emergency Response

Retailers face a number of chronic challenges, such as retail theft, violence and fraud. As the results described throughout this report show, many of these are quite serious and quite frequent. However, there are many challenges that are less frequent but that retailers must prepare for, such as national disasters and other emergencies.

Figure 21. Retailers with Recovery Plans in Place for Disasters and Emergencies

Disaster/Emergency Plans in Place?	Percentage of Respondents
Yes	89.7%
No	10.3%

The majority (89.7%) reported that they had recovery plans in place for national disasters and other emergencies. Of these, 63.5% reported that executing these plans was only “slightly challenging,” while 30.8% reported that it was "moderately challenging." Only 1.9% reported that it was “very challenging.”

Figure 22. How Challenging was it for Retailers to Execute Recovery Plans?

Response	Percentage of Respondents
Not challenging at all	3.9%
Slightly challenging	63.5%
Moderately challenging	30.8%
Very challenging	1.9%

Respondents also cited issues specific to working with law enforcement and other government agencies during crisis and emergency response. The most common challenges were communicating with agencies and getting accurate information about threats and risks. However, retailers also mentioned policy variations across jurisdictions, agencies’ lack of preparation for exceptional conditions, agencies’ availability, and retailers’ own lack of partnerships with law enforcement and local officials.

Given the infrequent nature of many types of events, some retailers find that it is more efficient to centrally manage their preparedness for, and response to, critical incidents and emergencies via either a security operations center (SOC) or emergency operations center (EOC).

Typically, the key difference between these in retail is that EOCs are activated when necessary to respond to emergencies, while SOCs remain active to respond to security concerns including critical incidents. Respondents were fairly split in their implementation of these types of initiatives: 48.3% reported that their organization does not use these, while 51.7% indicated that they used these in one form or another. The most common response was that retailers used both a SOC and an EOC, while the same percentage of respondents reported that they used one or the other.

Figure 23. Retailers with an EOC, SOC or Other Internal Group/Center

Response	Percentage of Respondents
Yes, an EOC for disasters and national emergencies	13.8%
Yes, a SOC for critical incidents	13.8%
Yes, both a SOC and EOC	24.1%
No	48.3%

Organized Retail Crime

Organized retail crime (ORC) has received increased attention from the media, public and policymakers during the past several years, and, year after year, the results in the NRSS have shown that ORC is of growing concern among retailers. This year was no exception.

Organized retail crime is typically much more complex than other types of retail crimes. In order to establish that retail crime is organized, retailers and law enforcement must work to determine that crimes form a broader pattern of organized crime or that the crime could reasonably be classified as organized retail crime. This raises a second challenge – the practical definition that retailers use when defining and prioritizing cases can vary between organizations.

Finally, retailers themselves vary in their ability to deter, detect, disrupt and document organized retail crime. As Figure 24 shows, the majority of participating retailers (68.5%) reported that they did not have an ORC team; in fact, only 31.5% reported that they did. Of course, there are sectors that are more or less affected by organized retail crime, but if retailers do not have dedicated resources to investigate ORC then they will be less likely to identify when ORC is occurring. This is because retailers must investigate crimes and determine whether they constitute an organized pattern of offending before they can accurately estimate the amount of ORC against their organization.

Figure 24. Retailers with an ORC Team

Response	Percentage of Respondents
Retailers with an ORC Team	31.5%
Retailers without an ORC Team	68.5%

Furthermore, as Figure 25 shows, even retailers with an ORC team vary in the number of people on their team. In some cases, respondents' ORC teams only included one person, some had 4 or 5 members, while other retailers had teams that were much larger than this. Among respondents with an ORC team, the average team size was 17.2, while the median team size was 7.

Figure 25. Average and Median Number of ORC Team Members

	Average Team Size
Average	17.2
Median	7

As has been detailed throughout this report, external theft and ORC in particular, is a significant and growing area of concern for retailers. Among the respondents, 52.9% reported that ORC had increased, while 0% reported that ORC had decreased. However, there were clear differences between retailers with and without ORC teams; for example, the percentage of respondents that were not sure whether ORC increased was twice as large for retailers without an ORC team as it was for retailers with an ORC team. Furthermore, retailers with an ORC team were almost twice as likely to report an increase.

Figure 26. Reported Change in ORC Among All Respondents

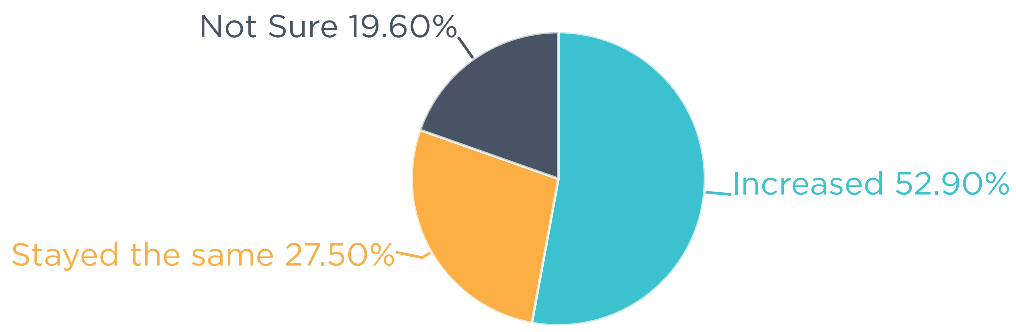


Figure 27. Reported Change in ORC Among Respondents with and without an ORC Team

Response	Respondents without an ORC Team	Respondents with an ORC Team
Increased	41.2%	76.5%
Stayed the same	35.3%	11.8%
Decreased	0%	0%
Not Sure	23.5%	11.8%

According to respondents, organized retail crime incidents increased by 26.5% on average; however, once again there were differences among those with and without an ORC team. On average, respondents with an ORC team reported 3.3 times the increase in ORC incidents compared with those without an ORC team. However, the difference between the median for those with an ORC team (20%) and without an ORC team (10%) was smaller; this was largely because of higher values among retailers with an ORC team. We spoke with one retailer that suggested that investments in reporting and case management technology had a tremendous impact on the number of incidents they were able to detect and document.

Figure 28. Average Reported Increase in ORC Incidents Among Retailers with/without ORC Teams

Category	Average Percentage Change	Median Percentage Change
Retailers with an ORC Team	48.6%	20%
Retailers without an ORC Team	14.6%	10%
All retailers	**26.5%**	**10%**

The results provided in Figures 27 through 28 suggest that the differences are not due to differences in ORC victimization alone; rather, it is very likely that these differences in reported ORC and changes in ORC are also due to retailers' ability to detect, document and investigate ORC, which enables them to build cases.

Collaboration is also very important for building ORC cases. Many offenders target multiple retailers. If these retailers are not collaborating with each other and law enforcement, then they will not be able to detect that offenses against their organization are part of a larger pattern of organized criminal activity. Fortunately, 62.3% of respondents reported participating in ORC organizations and associations. This is interesting, especially in light of the fact that 68.5% reported that they did not have an ORC team – in other words, even though the majority are engaged in ORC associations, they do not have ORC teams of their own.

Figure 29. Retailers' Involvement in ORC Organizations and Associations

Response	Percentage of Respondents
Involved	62.3%
Not involved	37.7%

Organized retail crime often involves retail theft and fraud; however, it can also involve violence. There have been numerous media reports of violent retail offenders, and the data presented earlier in the report shows that violence is a major concern throughout the industry. As the results in Figure 30 show, the majority of participating retailers (81.2%) reported that ORC offenders are somewhat more or much more violent when compared with one year ago. This is concerning, especially since over one third (35.9%) reported that ORC offenders were much more violent when compared with one year ago.

Figure 30. Past Year Aggression and Violence Associated with Organized Retail Crime

Response	Percentage of Respondents
Much less	3.8%
Somewhat less	1.9%
About the same	13.2%
Somewhat more	45.3%
Much more	35.9%
Total: Somewhat or much more	**81.2%**

There are several things that retailers can do to control ORC beyond investigating and prosecuting these crimes, including changing their internal policies relating to returns, point-of-sale, ecommerce, trespassing or employee screening. While the majority of retailers do not have plans to change any of these policies, retailers were most likely to say they had changed policies relating to ecommerce, trespassing and returns in 2021 and 2022.

However, retailers may have already changed many of their policies to address ORC and are beginning to reach the limits of what can be done with policy changes alone. In other words, retailers may not be changing their policies because there is little that they can do in terms of internal policy changes alone.

Figure 31. Retailer Policy Changes to Address ORC

Policies Related to...	Changed in 2021	Plan to Change in 2022	No Plans to Change	No Policies Related to This
Returns	8.3%	10.4%	81.3%	0%
Point-of-sale policies	4.3%	6.4%	87.3%	2.1%
Ecommerce	19.2%	6.4%	70.2%	4.3%
Trespassing	14.3%	6.1%	79.6%	0%
Employee screening	6.1%	2%	91.8%	0%

Gift Cards

Gift cards are convenient for both retailers and customers; however, they are often abused or involved in organized retail crimes. For example, retail offenders often steal merchandise and then return the merchandise as if it had been purchased. However, because the retail offenders have no proof of purchase, the retailers will issue the return in the form of credit on a store credit or gift card. Next, these offenders will convert the store credit to cash on secondary markets. As Figure 32 shows, in the last year 74.1% of respondents experienced instances where individuals returned merchandise for store credit and then sold the credit on secondary markets.

Figure 32. Retailers Experiencing Gift Card-Related Crimes

Experienced in the Past Year?	Percentage of Respondents
Yes	74.1%
No	20.7%
Not sure	5.2%

In terms of which secondary markets are being used to sell gift cards, the vast majority (95.1%) of respondents reported finding gift cards being resold online; 19.5% reported finding them at pawn shops; 9.8% at check cashing stores; and 14.6% reported finding them at other locations. These "other" locations included "on store property," but also in corner stores, bodegas, barbershops, nail salons and flea markets.

Figure 33. Where Retailers have Found Gift Cards Sold on Secondary Markets

Location	Percentage of Respondents
Online	95.1%
Pawn shops	19.5%
Check cashing stores	9.8%
Other	14.6%

Note: Other locations mentioned included "on store property" and in corner stores, bodegas, barbershops, nail salons and flea markets

ORC and Public Policies

Controlling and reducing organized retail crime will require effective public policies. Retailers can only do so much to deter offenders and disrupt organized retail crime rings; they need the support of law enforcement and public officials to both investigate and prosecute organized retail offenders.

One of these policies is felony thresholds. The majority (70.8%) of respondents reported either a moderate increase (36.6%) or substantial increase (34.2%) in ORC case values in areas that increased felony thresholds. In terms of rational choice, increases in felony theft thresholds increase the potential benefits of crime relative to the possible risks.

Figure 34. Changes in Average ORC Case Value Associated with Felony Threshold Increases

Response	Percentage of Respondents
Substantial increase	34.2%
Moderate increase	36.6%
No change	24.4%
Moderate decrease	2.4%
Substantial decrease	2.4%

Another 54.6% reported that these initiatives to reduce or eliminate cash bail have been associated with a substantial increase in repeat offending, while 15.2% reported a moderate increase. Finally, 30.3% reported that there had been no change.

Figure 35. Bail Reforms and Repeat Offending

Response	Percentage of Respondents
Substantial increase	54.6%
Moderate increase	15.2%
No change	30.3%
Moderate decrease	0%
Substantial decrease	0%

Satisfaction with Criminal Justice Stakeholders

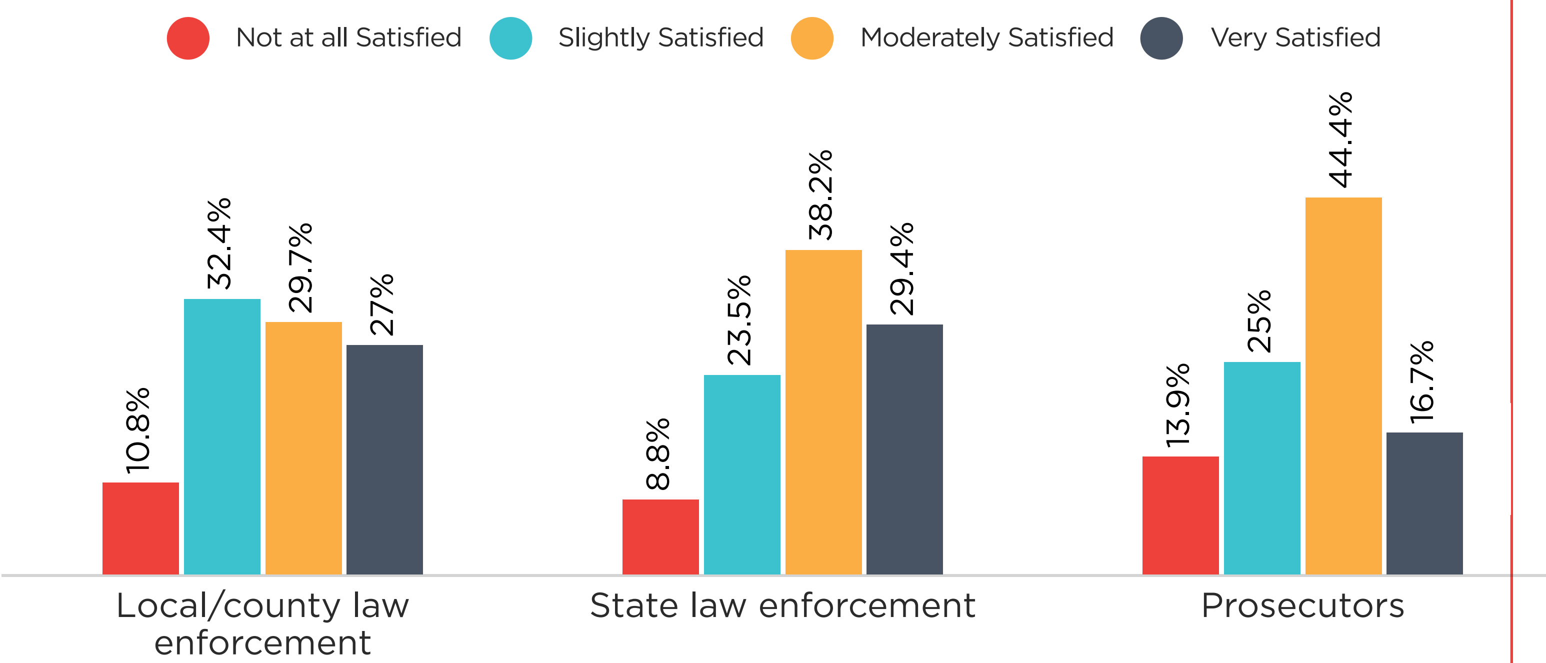
Overall, respondents are satisfied with their support from various criminal justice stakeholders. However, retailers were more likely to report that they were very satisfied with state law enforcement than local law enforcement or federal law enforcement.

Figure 36. Satisfaction with Criminal Justice System Stakeholders in States with an ORC Task Force

Stakeholders	Not at all Satisfied	Slightly Satisfied	Moderately Satisfied	Very Satisfied
Local/county law enforcement	10.8%	27%	48.7%	13.5%
State law enforcement	9.4%	12.5%	56.3%	21.9%
Federal law enforcement	11.8%	23.5%	47.1%	17.7%

When it comes to states where ORC is differentiated from other forms of retail crime in the penal code, once again, most respondents reported that they were moderately or very satisfied with their law enforcement stakeholders. However, retailers were more likely to report that they were very satisfied with state law enforcement and local law enforcement than prosecutors.

Figure 37. Satisfaction with Criminal Justice System Stakeholders in States with ORC Laws



Perceptions of the Need for Federal ORC Legislation

As in past years, the majority of respondents (86.8%) support federal legislation to address ORC.

Figure 38. Retailers' Perceptions on whether Federal ORC Legislation is Needed

Response	Percentage of Respondents
Yes	86.8%
No	5.7%
Not sure	7.6%

Hot ORC Merchandise

Research suggests that some products are more likely to be targeted by offenders than others.* For example, the CRAVED model suggests that some items are more likely to be stolen than others. CRAVED is an acronym that refers to items that are: (1) concealable; (2) removable; (3) available; (4) valuable; (5) enjoyable; and (6) disposable. Items that have more of these characteristics are more likely to be stolen. This is primarily because these items are optimal targets for offenders who want to minimize the time and effort required to commit crime (e.g., the availability/accessibility and removability of items), and minimize risk of negative consequences (i.e., concealability), while maximizing the benefits of any given offense (e.g., value, enjoyment and disposability of items).

The top categories respondents identified as being targeted by ORC offenders align closely in many cases with this model: apparel, health and beauty, electronics/appliances, accessories, food and beverage, footwear, home furnishings and housewares, home improvement, eyewear, office supplies, infant care, toys and other.

* Clarke, Ronald Victor Gemuseus, and Barry Webb. *Hot products: Understanding, anticipating and reducing demand for stolen goods*. Vol. 112. London: Home Office, Policing and Reducing Crime Unit, Research, Development and Statistics Directorate, 1999.

Figure 39. Top ORC Categories

Category	Top ORC Items Include...
Apparel	Denim, designer apparel, activewear, intimates
Electronics	Appliances, charging cords, smartphones, headphones, vacuums
Health and beauty	Medication (e.g. allergy and pain), fragrance, blades and razors, cosmetics, and body wash
Accessories	Designer handbags, fashion and fine jewelry, belts, and watches, designer sunglasses, branded eyewear
Footwear	Men's and women's footwear, athletic shoes/ sneakers, designer shoes,
Home furnishings	Bedding, home goods and housewares, high-end mirrors
Home improvement	Power tools/equipment, outdoor/seasonal tools, wire
Office supplies	Ink cartridges, printers, toner
Food and beverage	Meat, seafood, candy, alcohol, energy drinks
Children's items	Infant formula, infant and toddler items, children's toys
Other	Detergent, tobacco, pet medication, travel items, physical and electronic gift cards

Areas Affected by ORC

Finally, a large body of research suggests that crime is clustered in places. Many of the cities that have previously been identified as the most problematic areas for ORC continue to be hotspots for this activity; in fact, all the areas that were in the top 10 for 2020 are on the top 10 list for 2021, except two – Baltimore, Maryland and Las Vegas, Nevada.

Figure 40. Top Cities/Metropolitan Areas Affected by ORC

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
1	CA - Los Angeles	CA - Los Angeles	CA - Los Angeles	CA - Los Angeles	NY - New York
2	CA - SF/Oakland	CA - SF/Oakland	IL - Chicago	NY - New York	CA - Los Angeles
3	NY - New York	IL - Chicago	FL - Miami	TX - Houston	FL - Miami
4	TX - Houston	NY - New York	NY - New York	IL - Chicago	IL - Chicago TX - Houston (tie)
5	FL - Miami	FL - Miami	CA - San Francisco	FL - Miami	CA - SF/Oakland
6	IL - Chicago	TX - Houston	MD - Baltimore	CA - SF/Oakland GA - Atlanta (tie)	GA - Atlanta
7	CA - Sacramento	GA - Atlanta	GA - Atlanta	MD - Baltimore PA - Philadelphia TX - DFW (tie)	MD - Baltimore
8	WA - Seattle	CA - Sacramento	Washington, D.C.	CA - Sacramento	FL - Orlando
9	GA - Atlanta	MD - Baltimore	PA - Philadelphia	CA - Orange Co. NV - Las Vegas (tie)	NJ - Northern NJ Washington D.C. PA - Philadelphia TX - DFW (tie)
10	TX - DFW	NV - Las Vegas WA - Seattle (tie)	CA - Sacramento	CA - San Diego	FL - Ft. Lauderdale WA - Seattle

Methodology

The 2022 NRF NRSS and ORC Survey Research was distributed during May and June of 2022. The survey was distributed via email to senior loss prevention and security executives using the NRF and LPRC's combined email distribution lists. We encouraged retailers to participate in the survey with multiple follow-up emails.

Given that many retailers have teams of investigators that are dedicated to addressing organized retail crime, we gave the executives the opportunity to delegate the ORC portion of the survey to their director of ORC investigations. Several companies took advantage of this opportunity; when retailers chose to delegate the ORC portion, we sent an email with a link to the ORC section of the survey to the appropriate party.

Sample

A total of 63 retailers participated in the study. As the results in this section show, the respondents represent a broad swath of the retail industry and operate thousands of stores throughout the United States. We began the survey with several firmographic questions related to participating retailers' retail sector, sales volume, retail channels, number of store locations and areas served. This information provides the foundation for the rest of the study and establishes the generalizability of the results. For example, we might not expect smaller retailers or local retailers to have LP teams that are as large as the ones described in this report.

Figure 41. Participating Retailers by Retail Sector

Sector	Percentage of Respondents
Drug store, pharmacy, health, beauty and personal care	6.4%
Department stores	7.9%
Discount, mass merchandise or super center	12.7%
Grocery and supermarkets	11.1%
Household furnishings and housewares	6.4%
Jewelry, watches and accessories	7.9%
Shoes and footwear	6.4%
Specialty men's, women's and/or children's apparel	20.6%
Other	20.6%

Note: The "Other" category included retailers from office supplies and stationery; pets and animals; convenience and fuel; sporting goods and recreational; furniture; and consumer electronics, computers and appliances sectors.

Nearly all retailers operate at least one bricks-and-mortar location. As of January 31, 2022, 26.7% operated fewer than 200 stores; 33.3% operated between 201 and 1,000 stores; 28.6 operated between 1,001 and 2,000 stores; and 11.2% operated more than 2,000 stores. Furthermore, the participating retailers operate stores in every U.S. Census Division throughout the United States; for example, approximately 73% of the participating retailers served the New England Division; 77.8% served the Pacific Division; and 87.3% served the South Atlantic Division.

Among participating retailers, the average sales volume was approximately $13.6 billion; however, the median sales volume was $2.5 billion. The sales volumes of the participants are summarized in Figure 42.

Figure 42. Participating Retailers' Sales Volumes for Fiscal Year 2021

Sales Volume Range	Percentage of Respondents
$99 million or less	0%
$100 million to $499 million	4.9%
$500 million to $999 million	19.7%
$1 billion to $2.49 billion	27.9%
$2.5 billion to $4.9 billion	8.2%
$5 billion to $9.9 billion	19.7%
$10 billion to $24.9 billion	6.6%
$25 billion to $49.9 billion	3.3%
$50 billion or more	9.8%

The proliferation of new sales, transaction and delivery channels has also resulted in new areas for retail risk. The largest percentage of respondents indicated that they offered traditional checkouts. However, 87.3% reported offering "buy online, pick up in store" (BOPIS) services; 79.4% reported offering "buy online, return in store" (BORIS) services; and 63.5% reported offering "buy online, pick up at curbside" (BOPAC) services.

Figure 43. Sales, Delivery and Transaction Channels Offered by Participating Retailers

Sales, Transaction or Delivery Channel	Percentage of Respondents
Traditional checkout	96.8%
Buy online, pick up in store (BOPIS)	87.3%
Buy online, return in store (BORIS)	79.4%
Ecommerce sales delivered by USPS or other carrier	77.8%
Buy online, pick up at curbside (BOPAC)	63.5%
Third-party app, order picking and delivery	34.9%
Self-checkout at POS	30.2%
Ecommerce sales delivered by internal delivery service	19.1%
Self-checkout via mobile device	15.9%
Grab-and-go/automated checkout	4.8%

The large percentage of retailers offering these relatively new services reflects the ongoing omni-channel revolution that was accelerated by the COVID-19 pandemic. However, as we will see in subsequent chapters, these retail channels come with new risks, threats and vulnerabilities.

Analytic Approach

Quantitative Analysis

Most of the analyses contained in this report are quantitative, and nearly all statistics contained are either univariate or bivariate statistics.

We summarize the results of the survey using a few different approaches. In many cases, we summarize the data by providing the percentage of retailers that selected a response. In other cases, we summarize the data according to the average and median. While both statistics describe the "typical" response, they have important differences in their calculation and interpretation. The average is calculated by summing all of the responses and dividing the resulting sum by the number of responses; alternatively, the median is calculated by arranging all of the responses in order from smallest to largest and selecting the "middle" value in the series. Averages are useful, but they may be misleading if there are outliers (i.e., extreme values) in the data; the median is useful because it is less sensitive to outliers.

Outliers are another challenge in a study like this – as the results show, there is considerable variation in loss prevention and security programs as well as variation in risk throughout the retail industry. This includes retailers in sectors as varied as grocery, luxury goods, convenience and fuel, department store and discount throughout the United States. Nevertheless, in some cases, retailers reported values that were extreme outliers; these were either removed from the analysis, or we contacted the retailers, discussed the causes of the extreme values and explained them in the report.

When possible, we have presented bivariate results in the report. For example, in the ORC chapter of the report, we report the average ORC case values for retailers with an ORC team and those without an ORC team; similarly, we provided the average shrink percentage according to retail sector. However, we have limited sector-specific breakdowns only to the sectors of retail with the greatest number of respondents.

Qualitative Analysis

Throughout the survey, we also asked several open-ended questions; for these questions, respondents were asked to type their responses in text boxes. While these types of questions add richness to the data and the resulting report, the responses must be analyzed and summarized using a different approach.

Throughout the report, we have summarized the open-ended responses by first conducting a thematic analysis; that is, we reviewed each of the responses for a given question and identified common themes among the responses. Next, we categorized each of the responses according to whether they contained a given theme. Finally, we summarized the responses by listing the number of retailers whose response included a specific theme.

In the case of open-ended questions, we summarized the responses according to the most specific theme; this ensured that the results provided as much context as possible. For example, we asked all of the respondents about their top loss prevention priorities – some respondents said "workplace safety," others said "violence" and others mentioned "active assailants." In this case, we categorized all these separately, because there is an important distinction between concerns about workplace safety, violence in general and violence involving active assailants.