

# 2007 Organized Retail Crime Survey Results

In April 2007, the National Retail Federation conducted its third annual survey on organized retail crime. Ninety-nine senior loss prevention executives representing all segments of retail, including drug store, supermarket, mass merchant, home improvement, apparel, department and specialty stores were surveyed. This year clearly indicates organized retail crime continues to be a major problem and concern for retailers.

Organized retail crime is the theft of merchandise where multiple people working together steal large quantities of goods from retail stores. They often target several retailers in one day and turn around and resell the product on street corners, at flea markets, at pawn shops, and over the internet. Unlike traditional shoplifting, the merchandise is not for personal use but rather funds a larger criminal enterprise.

Over three-quarters (79%) of the retailers polled indicated their companies have been a victim of ORC activity (Figure 1) altogether, while 71% polled stated they have seen an increase during the past twelve months (Figure 2) - a significant increase from last year.

ORC activity is still a significant issue, with 60% of respondents rating their problem between important to severe, compared to 63% in the same period last year. Retailers reported that 55% of external theft incidents are caused by professional/organized crime groups. Fifty-two percent of retailers are allocating additional resources to address ORC this year (same as last year).

There is an overall shift in the amount allocated to combat the ORC issue. Figure 3 shows the additional allocation of financial resources is consistent with 2006; however, Figure 4 indicates a shift in the actual dollars spent. The shift is due in part to a change to the survey (eliminating 'no

Figure 1: Has your company been the victim of organized retail crime in the past 12 months?

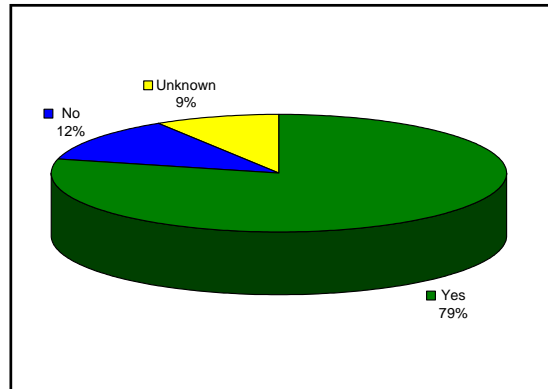


Figure 2: Have you seen an increase in organized retail crime activity in the past 12 months?

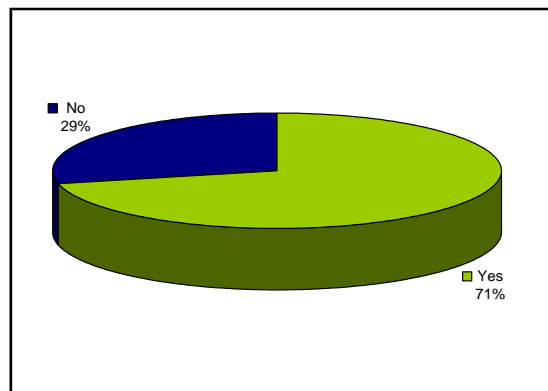
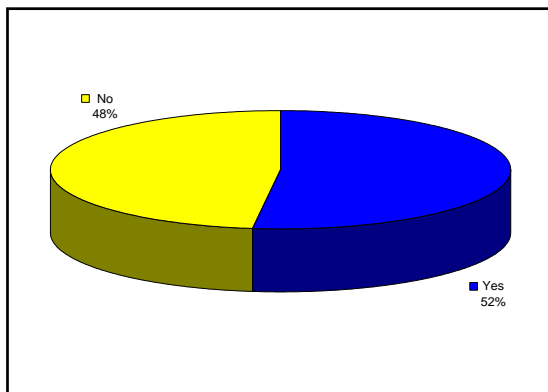


Figure 3: Are you allocating additional resources to address organized retail crime in your company?



**Figure 4:** From a financial standpoint, approximately how much money in labor is being allocated to combat the ORC problem in your company?

Dollars Allocated	2007	2006
\$1,000 - \$50,000	46%	33%
\$50,000 - \$100,000	7%	0%
\$100,000 - \$250,000	10%	4%
\$250,000 - \$500,000	5%	4%
\$500,000 - \$1,000,000	2%	4%
\$1,000,001 or more	9%	4%
Unknown	21%	40
No Answer	Not an option	11%

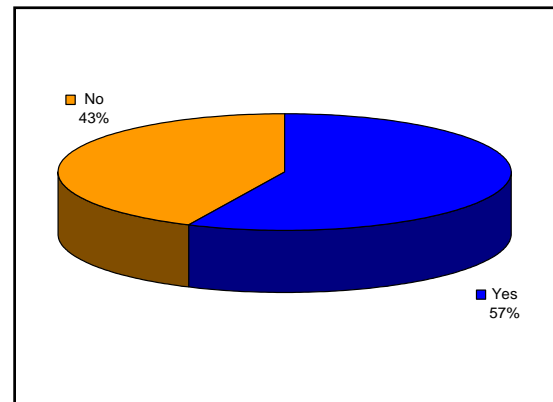
answer' as an option) and the significant increase in respondents. It could also be explained by the increase in awareness of from the executive staff. Figure 5 shows that senior loss prevention/asset protection executives are noticing a shift in top management. This year, 57% of the retailers indicated that their top management understands the issue (up from 41% in 2006).

In 2005 and 2006, retailers were surveyed on the need for a national database designed to track ORC. Eighty-nine percent of respondents in 2006 believed a database needed to be created and of that, 85% said they would or were likely to participate in such a system. To meet the needs of the industry, the National Retail Federation joined forces with the federal law enforcement and other national trade associations to create the Law Enforcement Retail Partnership Network (LERPnet), a national repository designed to track major criminal incidents occurring at retail locations nationwide.

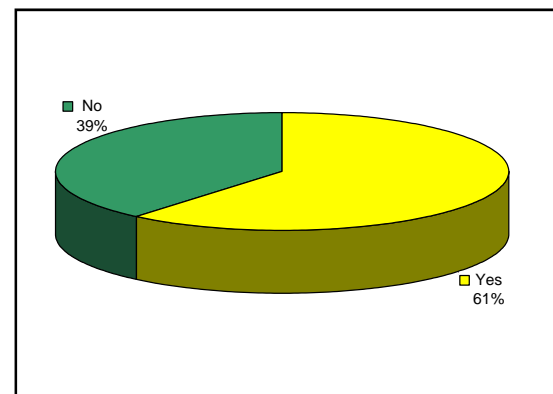
### Fencing and eFencing

In 2006, NRF's ORC Survey began tracking fencing and eFencing operations, which are goods sold at physical stores and through online auction sites. Figure 6 shows that 61% of respondents identified or recovered merchandise or gift cards from a physical fence operator (swap meet, flea market, makeshift store, etc.), compared to 59% last year. As the internet becomes more robust, illegitimate fence operations are also finding the internet to be a profitable venue for organized retail crime gangs. Nearly three-quarters (71%) of retailers recovered goods from eFencing operations last year. (Figure 7).

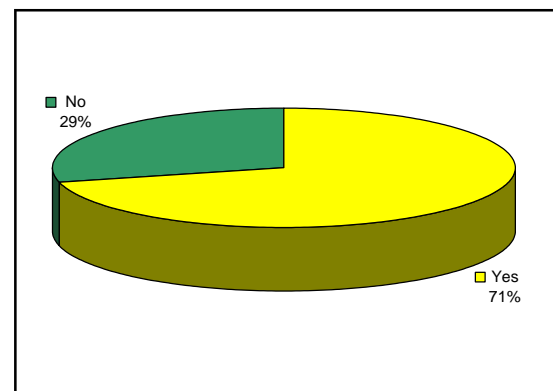
**Figure 5:** Do you believe top management understands the complexity and seriousness of organized retail crime?



**Figure 6:** Physical Fence - Have you identified or recovered stolen merchandise and/or gift cards from a fence location?



**Figure 7:** eFencing - Have you identified or recovered stolen merchandise and/or gift cards that were being eFenced?



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## Summary and Perspective

A majority of retailers nationwide have been victimized by Organized Retail Criminal rings in the past year. In 2006 and early 2007, federal legislation (H.R. 3402 and H.R. 32) and many state laws were introduced or passed around the country, paving the way for additional assistance this year.

The FBI has conducted two field office training seminars (Baltimore and Houston) and the relationships and joint operations with local law enforcement continue to yield successful results nationwide. Since April 9, 2007, the Law Enforcement Retail Partnership Network (LERPnet) is fully operational with 16,000 incidents reported and over 45 retail participants representing all segments of the retail industry.

LERPnet is a secure national database for the reporting of theft and serious criminal incidents occurring at retail locations nationwide. LERPnet allows retailers to share information with each other and law enforcement to fight back against illegal activity including organized retail crime, burglaries, robberies, counterfeiting, and online auction fraud. [www.lerpnet.com](http://www.lerpnet.com)

Functionalities of LERPnet include:

- three-level authentication process
- ability to enter retail crime incidents immediately after they occur or import incidents using existing case management software system
- full control over visibility of all information entered into the system (e.g. incidents, company name, etc.)
- reporting and analysis tools to track incidents by sector, product, geographic region and more

In addition to LERPnet, NRF also recognizes that the human capital at retailers also needs to be trained on how to combat organized retail crime. NRF has three unique committees consistently educating and informing retailers, the public, state/national legislators and other policymakers on the serious nature of ORC. The NRF Joint Organized Retail Crime Task Force, Investigator's Network and

Loss Prevention Legislative Committee are the three groups that involve senior LP executives, field investigators and government affairs staff within private and public organizations.

## About the Organized Retail Crime Survey

The Organized Retail Crime Survey is distributed each spring to senior loss prevention executives nationwide. The executives represent all segments of retail, including drug store, supermarket, mass merchant, home improvement, apparel, department, and specialty stores. The 2007 Organized Retail Crime Survey is the NRF's third annual survey.

## About the National Retail Federation

The National Retail Federation is the world's largest retail trade association, with membership that comprises all retail formats and channels of distribution including department, specialty, discount, catalog, Internet, independent stores, chain restaurants, drug stores and grocery stores as well as the industry's key trading partners of retail goods and services. NRF represents an industry with more than 1.6 million U.S. retail establishments, more than 24 million employees - about one in five American workers - and 2006 sales of \$4.7 trillion. As the industry umbrella group, NRF also represents more than 100 state, national and international retail associations. [www.nrf.com](http://www.nrf.com).



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