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Is Identification the Missing Piece in LP's War against ORC?

By Garrett Seivold, Contributing Writer

Last month, police officers from the Berkeley Police Department in California raided a house as part of an investigation into a retail theft ring and found stolen cosmetics and other goods totaling \$500,000, according to news reports. It was a major bust that was, nonetheless, fairly typical—reflecting just how extensive organized retail crime (ORC) has become. The raid was also the kind of score-one-for-the-good-guys story that gives retailers hope they are making progress against a stubborn enemy.

But the extent to which a feel-good police raid denotes a genuine victory largely depends on whether there is a way to identify where the stolen products originated. Without identification, prosecuting and disrupting fencing operations could be difficult and impracticable, victim retailers may not recover any products for resale, and the perpetrators of the crime or boosters will feel little lasting deterrence from returning to work.

"When you go to seize product, if there is no label and you can't identify where the product came from, then you don't have a victim. And you don't have a crime unless someone can take the stand and say 'this is mine,'" said Denny Dansak, who until April served as the head of Kroger's organized retail crime division for all 24 of its companies.

Kroger began labeling its high-theft products several years ago to take advantage of improvements in labeling technology made by Avery Dennison. Labels that, if removed, leave a residue or otherwise degrade the product. That technology advancement has created a new class of theft prevention solutions—one that costs just pennies.

"When people think about ORC, they tend to think the answer is expensive electronic solutions and EAS gates at the door. Those are a deterrent, but they may not always be the most cost-effective way to protect merchandise," explained Bob Glavin, vice president for innovation in Avery Dennison's Printer Solutions division. "A lot of our customers report really strong ROI through paying just a little more in label costs. They're reporting positive payback in a couple of months, rather than the years that it can take for more involved solutions."

Through its partnership with the Loss Prevention Research Council (LPRC), Avery Dennison has seen the impact of its identification solutions on theft. "Partnering with LPRC we know fences are forced to re-sell products at a lower cost if they're labeled, so it actually deters boosters from stealing them in the first place," said Glavin. "We're able to use this kind of knowledge to create solutions that will work, and manage the cost."

[Inexpensive, straightforward solutions are available to help deter crime, recover merchandise, prosecute crime rings, and improve sales.](#)

Avery Dennison Theft Deterrence and Recovery labels, which feature numerous types of face sheets and difficult to remove adhesives to work on different kinds of product material, are less expensive

than other LP tools. Labor costs are minimal when retailers target their use on high-theft items, or if stores are already affixing labels for other reasons, such as for pricing or promotions. And Avery Dennison's solutions extend beyond pre-printed store identification and allow retailers like Kroger to include variable information at the time of application to the product, such as store number, phone number, date, and whatever else LP finds useful for recovery. Thus, eliminating the need for hundreds of pre-prints that have to be ordered and warehoused. In addition, they can be combined with pricing or promotion labels and used to improve product appearance and enhance store branding.

Recovery is the most obvious value of product identification. If a retailer can show that they own products seized in an investigation—a pallet, for example, of Tide detergent—they can recover it and potentially make it available again for sale. However, even if products are consumable or otherwise unable to go back on store shelves, identification yields value by strengthening criminal cases against fencing operations, which cuts into ORC operations. "Cutting the head off the snake can put 40 to 60 boosters out of business," said Dansak, who added that ownership identification not only helps to secure convictions but can—for instance by demonstrating when stolen products have traveled over state lines—increase charges and penalties against fencing operators.

Identification can also help increase sales. Some major customers are reporting a sales uplift that they attribute to the recovery labels. "Because ORC thieves often clear out an entire section of merchandise—an entire shelf of teeth whitening products, for example—then when customers come in they can't purchase it because they're out of that item," explained Glavin. "This solution prevents that kind of issue."

Moreover, the value that theft recovery labels are providing from a loss prevention perspective is growing alongside the awareness of ORC rings. "We've had boosters cooperate with us, and they say that more and more fences are telling them not to bring them products with identification labels," said Dansak. "Now that you have labels where the adhesive is strong enough that they can't really be removed, then if retailers A, B, and C have labels, boosters will hit retailer D instead. We've seen that."

In addition to providing low-cost theft deterrence, labeling solutions also account for a hard truth about ORC—that 100 percent prevention isn't realistic. "The mentality of many boosters is that they're going to get the product they're after regardless of the theft deterrent in place," be it EAS, video surveillance, or some other prevention tool. However, even when criminals can't be deterred, identification labels—unlike many other LP solutions—still yield value by providing critical intelligence to retail investigators. For example, when a legitimate retailer finds itself with a labeled product and calls its 800 number and provides the store number from the label, investigators can trace their stolen product back to its original store.

Using information gathered from recovered products, retailers can: uncover the type of schemes they're falling victim to, such as a diversion issue or a refund issue; determine the extent of a fencing operation trafficking their products; and gather the information that law enforcement needs to pursue a case.

"It really helps investigations, especially with fences selling products online, and we've followed products from New York City to Phoenix to the Philippines," said Dansak. "I got a call from ICE in New Jersey saying, 'We have three pallets here with your labels being sent overseas,' and that was baby formula, which many retailers sell. I got the call because it had our labels. But what happens to all the others that don't have an identification label?"

Dansak says that his real-world experience coincides with recent data from the National Retail Federation that shows ORC poses a growing threat to retailers. And the motivation behind ORC makes it particularly difficult to combat. "It's is a not a crime of opportunity, but a crime of economics," he says.

The enormity of the challenge may be why retailers have reflexively looked first to intricate, expensive solutions when an inexpensive, straightforward tool is available to help deter crime, recover merchandise, prosecute crime rings, and improve sales. The value was obvious to Dansak, a former special agent in law enforcement. "When I first got to Kroger, after one month, I started asking, 'how do we identify our products from those of other retailers?' With me, it just seemed essential that we have something on there that identified our products. That's how it all starts. That's how you build a case."



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