

Employee Security Screening, Loss Prevention for today's Distribution and Fulfilment Centres

A Whitepaper from Thruvision



Visualizing theft ▼ Protect employees ▼ Change culture

Employee Security Screening, Loss Prevention for today's Distribution and Fulfilment Centres

A Whitepaper from Thruvision

Executive Summary

Distribution Centers (DCs) are at the heart of modern retail operations. They drive successful omni-channel strategies adopted by leading retailers around the world, and are essential in delivering an efficient service to meet customer needs and expectations.

This whitepaper details the key risk management challenges within a retailer's DC network and offers new insights on strategies and best practice in this rapidly evolving environment.

Rise of the DC in an omni-channel environment

The nature of how consumers shop is rapidly changing the face of retailing. No longer do consumers visit traditional stores to buy the latest goods, nor is it the sole objective of a retailer to provide personal in-store customer service. Shoppers now expect a branded retail experience at their personal convenience. Retailers need to meet these growing expectations with 24 hour availability and efficient service and delivery.

These developments have put the DC at the forefront of modern retail in a variety of different ways:

1.) The importance of a DC's ability to deliver the right goods to customers on time, every time.

The aim of modern retail is to build ongoing trusted relationships with customers and meet their expectations and needs on a round-the-clock basis. DCs are ultimately the 'engine room' in this regard. They are responsible for delivering on a retailer's promise and maintaining trust with customers. A single "miss" in supply caused through theft, operations or any other reason can lose a customer to a competitor.

2.) DC ability to process returned goods - 50% of goods shipped will be returned.

Modern retail marketing strategies emphasise the ease with which customers can return goods that do not meet their tastes, needs or expectations. As a result, DCs must handle at least 50% of dispatched goods as 'returns'. This requires an efficient process for items to be received, identified, checked, repackaged and returned into stock. This increase in handling volumes facilitates increased opportunity for inventory shrinkage whether by means of criminal act, accidental loss or administrative error.

3.) DCs are now a key part of the 'Customer Experience'.

The role of the DC is to make good on a retailer's promise to deliver the right goods, at the right time to the right place. Failing to meet any one of these key aims will negatively impact the retailer's brand. Customers expect the item they click-on at the point of purchase to be the same item that arrives at their doorstep. Retailers require precise, real-time co-ordination with their DCs to ensure items appearing online are in stock and available for purchase.

4.) The proliferation of the 'Buy, Try and Return' culture.

Over-ordering of multiple items with the intent not to keep everything is an emerging consumer practice. It is crucial that DCs can handle both the initial delivery of goods, and cost-effectively process returns into stock ready for shipment to other customers.

5.) The profitability of multi-channel sales is starting to eclipse store results.

Sales metrics confirm that customers frequently using a retailer's omni-channel services are rapidly becoming more important than customers using traditional "bricks and mortar" stores only. Investment in new technologies to enhance and optimise DC performance is now at, or higher than, investment in retail stores.

As DCs become more important, what are the challenges?

As DCs continue to grow in size and sophistication so do the risk management challenges associated with operating them. These challenges can be summarised in five key areas:

1.) Prevention of internal theft.

Internal theft, or theft by employees, is a well-known and significant source of loss to retailers. In DCs it is particularly prevalent and is understood to be a rapidly growing problem as the size of DCs, and the number of staff needed to operate them, both increase. This presents many opportunities for employees to steal, and minimizing these opportunities using new technologies and revised security processes is paramount.

2.) Prevention of theft by non-employees.

DCs are significant operations with many non-employees, such as contractors, vendors and maintenance staff, coming and going every day. Data on the level and cost of non-employee theft in DCs does not seem to exist, but industry experts speculate it is a growing problem. As with employees, using new technologies to deter theft is crucial.

3.) Difficulty of detecting non-metallics.

Modern DCs handle hundreds of thousands of line items. Small high-value items are easily concealed in clothing and items made with non-metallics, such as plastic, fabric or organic material, cannot be found with metal detectors. Of particular note are items that are not themselves valuable but which have significant intellectual property (IP) importance. These include new clothing lines, footwear design, software, video games, movies or other digital products, the theft of which would cause significant loss to the IP's creator. A key challenge is how to screen staff for all these non-metallics in a fast, safe and effective way.

4.) Organized Retail Crime.

DCs are increasingly being targeted by Organized Retail Crime (ORC) groups. These groups seek to exploit a DC's security weaknesses and systematically steal significant amounts of high value product. Furthermore, as difficult as it is to prevent theft, it is equally difficult to prevent illicit items (such as weapons or drugs) from being brought into DCs by such groups where they can lead to violence and other types of crime.

5.) Health & Safety.

There are a growing number of Health & Safety considerations. Many DCs prohibit employees from bringing in jewelry, cigarette lighters and mobile phones. Lighters are restricted due to fire safety and non-smoking regulations. Phones are prohibited to reduce distractions whilst working and to prevent unauthorized videoing or photography of sensitive operations or information.



A key challenge is how to screen staff for non-metallics in a fast, safe and effective way.

New factors affecting the DC that risk managers must consider

In addition to the general, and well known, risk management challenges in the retail sector, modern DCs also face new very specific issues that have not historically been experienced by retailers. These primarily revolve around recruiting and retaining large numbers of employees.

1.) Ensuring compliance of a large and dynamic workforce.

As both the size and number of DCs continue to increase so does the need for the staff to operate them. Historically, an average DC needed to employ 600-700 staff to successfully run operations – now up to 2,500 are needed to run operations on a 24/7 basis. Ensuring compliance of so many workers is challenging and this is made harder during the pre-Christmas period, when additional temporary workers are needed to cope with peak demand.

2.) Need for an environment conducive to staff retention.

Retaining staff is a critical and on-going challenge for DCs. Overly onerous security procedures are known to act as a serious disincentive to work in a particular DC. The implementation of new and updated security procedures requires DC management to work alongside HR, unions and other employee representative organisations to create acceptable and efficient terms for implementation.

3.) Avoidance of legal disputes in respect of the search process.

In order to avoid potentially costly and distracting legal and HR disputes, employers must be very careful to ensure concise, written HR policies have been agreed and are in effect that allow an employee to be searched. Such policies must be issued to all staff and define the reasons why searches will be conducted, which individuals are authorised to perform searches, where searches will take place and the consequences of employees refusing to be searched. Equally, all persons authorized to carry out searches must be properly trained to ensure search methods are conducted in a manner consistent with the policy.

4.) Tax investigations into effective rates of pay.

In the UK, tax authorities monitor employer compliance with minimum pay legislation very closely. The retail industry has been identified as a primary target of such investigations. Given that time taken to security screen at the end of the shift may be deemed to be 'working time' it is crucial that this screening time is minimised.



*Visualise theft of items
safe and harmlessly,
protect employees from
inappropriate and invasive
screenings, change
organisational culture and
improve efficiencies.*

So what should profit protection professionals be focusing on regarding their DC network?

- 1.) Effective DCs are now a critical part of a successful retailer's strategy – and they are growing in importance as the retailing industry continues to evolve and change.
- 2.) DCs present a significantly different and growing challenge to profit protection professionals given their physical size, the number of employees and other personnel who work in them, and the presence of organised crime gangs.
- 3.) DCs have a number of specific compliance challenges related to recruiting and retaining large numbers of staff.
- 4.) Investing in new security technology for DCs needs to balance hard 'Return on Investment' measures based on detecting and deterring theft, with softer factors such as improving the employee experience, increasing employee retention and loyalty, and reducing employee disputes in respect of search and disciplinary action.



Thruvision Passive Terahertz
People Screening System

With 10 leading retailers now users, Thruvision has established itself as the market leader for employee security screening in DCs because;

- 1.) **Fast** – Thruvision can screen employees quickly, resulting in many more employees being screened at the end of each shift, dramatically increasing theft detection and deterrence.
- 2.) **Safe** – Thruvision is a passive sensing technology and is completely safe for employees and security staff to use.
- 3.) **Respectful** – Thruvision eliminates the need to physically search employees, allowing them to be treated with dignity and respect.
- 4.) **Effective** – Thruvision detects metallic and non-metallic items. It is therefore effective in detecting and deterring the theft of all types of items.

Acknowledgement

This white paper is based on original work undertaken by Mark Emmott of Really Effective Marketing Limited under contract to Thruvision.

About Thruvision

Thruvision is a global security technology firm with offices in Oxford, Washington DC and Sydney. To learn more, visit www.thruvision.com.

Key Contacts

Colin Evans, Chief Executive, Thruvision Group PLC

colin.evans@thruvision.com

Alex Brundle, Vice President Loss Prevention

alex.brundle@thruvision.com

THRUVISION

info@thruvision.com
thruvision.com

UK t: +44 (0) 1235 436180
US t: +1 (540) 878-4844
AUS t: +61 447 330 004

June 2019 v1.1