

BRC RETAIL CRIME SURVEY 2015



ABOUT THE BRC

The British Retail Consortium is the go-to trade association for all UK retailers, delighting our members, promoting the story of retail, shaping debates, and influencing the issues and opportunities that matter to the industry.

Our mission is to make a positive difference to the retail industry and the customers it serves.

<http://www.brc.org.uk>

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1. FOREWORD

When you consider the multitude of issues currently facing our retail industry, crime may not be the first thing which comes to mind. However, it remains a persistent problem for businesses, whether in the form of theft, violence against shop staff or cyber-based threats.

The BRC's 2015 Retail Crime Survey has revealed that the direct cost of crime to the UK retail industry was £613 million in 2014-15, up 2 per cent on last year.

Unsurprisingly, theft remains the greatest challenge in volume terms for retailers. This year's survey reveals that the financial impact of customer theft increased by 35 per cent in 2014-15, reaching the highest average value recorded since 2004-05. In recent years, our survey has indicated that retailers are increasingly targets for theft by organised, criminal groups, which is driving up the impact of this offence. This year's results continue to provide evidence of this trend, with almost one third of these incidents reported to be perpetrated by an organised criminal gang. Ensuring that theft receives an appropriate response from the police remains an important priority for businesses.

Fraud and cyber crime are finally starting to get the attention they deserve from the Government. In 2014-15, fraud suffered by our members increased for another

consecutive year, up 55 per cent compared to the previous year.

We hope that the next year will see the introduction of a new fit-for-purpose Action Fraud reporting system for retailers. Overall, however, there remains a worrying lack of capacity across law enforcement to respond effectively to the fraud threat facing both businesses and the public. In fact, 89% of respondents reported no improvement in the service that their businesses receive from the police once a fraud has been reported. This makes prevention all the more vital, and we would like to see a comprehensive, national fraud awareness campaign form a central part of the Home Office's new Crime Prevention Strategy.

Our 2015 survey revealed that thefts by employees cost on average £788 more than each customer theft. Such 'insider' threats are often overlooked, yet the impact of malicious insider activity by an employee such as theft of stock, or a complex fraud, can be significant. This is

why the BRC recently published some new guidelines to help retailers of all sizes minimise these threats from within.

Retailers are keen to work in partnership to reduce retail crime and their support for some innovative partnership initiatives demonstrates this commitment. The MOPAC Business Crime strategy in London continues to act as an example of best practice which we would like to see adopted elsewhere. And there are other interesting projects in development, such as The Co-operative's agreement with Nottinghamshire police, which adopts the 'primary authority' model for how crime affecting the business can be dealt with nationally by all forces.

Tightening police budgets inevitably presents difficult choices about policing resources and priorities. This makes the case for police and businesses to tackle retail crime together even stronger.

Helen Dickinson,
Chief Executive

2. KEY FINDINGS

Total offences & cost of crime

£613m

The direct cost of retail crime was £613m in 2014-15, up 2 per cent on 2013-14.

An estimated **4.1m** offences across the industry
There were 750,144 offences resulting in loss or damage to property last year. Extrapolation across the industry as a whole means there were an estimated 4.1m such offences against the UK retail industry.

Customer theft

Customer theft in volume terms decreased by 2 per cent in 2014-15.

35%

increase in average cost of customer theft

The average cost of customer theft increased by 35 per cent, to £325 per incident: a record high.

Fraud

Fraud accounted for 36 per cent of the total cost of crime in 2014-15. The number of incidents increased significantly compared to last year, a rise of 55%.

The number of incidents of fraud increased **55%** in 2014-15

Cyber security

The majority of retailers reported that the number of cyber-attacks had either increased or remained unchanged in 2014-15 and that they pose a critical to substantial threat to their business.

100% said they would report a cyber attack to the police.

Crime prevention

£3.1m

per retailer

The median spend on crime and loss prevention was £3.1m per retailer in 2014-15.

Insider threats

Employee theft cost an average of

£1,114

per incident in 2014-15

Theft by employees accounted for 6 per cent of all retail crime by value.

Respondents reported they had suffered other types of malicious insider activity too, including leaking of sensitive information and fraud.

Robbery

Each robbery cost on average **£1,433**

Robbery increased by 6 per cent in 2014-15 to 5 robberies per 100 stores. The average cost per incident increased by 12 per cent.

Burglary and criminal damage

The number of burglaries increased by 13 per cent compared to last year. The average cost per crime was £2,008.

4% increase in criminal damage

The average cost per incident of criminal damage was £802 in 2014-15. The number of offences was up 4 per cent from last year.

Violence against staff

In 2014-15, there were 41 incidents of violence and abuse per 1,000 employees, up from 32 last year.

Most were cases of non-physical abuse or aggressive behaviour, but 21 incidents per 1,000 staff were violent.

41 incidents of violence per 1,000 staff.

3. KEY MESSAGES AND RECOMMENDATIONS

Partnership Working

- A **partnership approach** to tackling crime which affects retailers delivers benefits to both businesses and law enforcement. Retailers should be consulted when crime-fighting priorities are agreed, whether at a national or local level.
- The **National Retail Crime Steering Group**, co-chaired by the BRC and the Home Office Minister responsible for crime prevention, is a valuable forum for strategic-level partnership working.

Government and Law Enforcement

- Proper measurement of retail crime is crucial to tackling it effectively. We call on all police forces to adopt the **national definition of business crime**, so that data on crime affecting businesses can be collected, analysed and used operationally.
- Police and Crime Commissioners (PCCs) should consider developing **dedicated business crime strategies**, along the lines of The Mayor's Office for Policing and Crime (MOPAC) Business Crime Strategy in London.
- More needs to be done at a cross-border level between police forces to identify and **disrupt organised criminal gangs** which are targeting retailers.
- There needs to be a single, high profile **national fraud prevention campaign**, which industry could support, to increase public awareness about how to keep personal data safe.
- The new Action Fraud IT system expected in 2016 must deliver a vastly improved service for retailers, including the ability to **report fraud in bulk**.
- We would like there to be greater transparency about police fraud performance, with **fraud detection rates published** for each police force.
- The Government should consider how it can support police forces in enhancing their knowledge, skills and capacity to **investigate and prosecute fraud** and cyber offences. A greater proportion of reported fraud cases must result in action being taken.
- There should be an agreed national process and single point of contact for businesses to **report significant cyber attacks** to law enforcement, whether this is via the National Crime Agency or another route.

- There needs to be **greater consistency** in how retail crime is dealt with by police around the UK, in particular theft. We will work with others to identify and promote best practice in this area, such as from The Co-op's 'primary authority' agreement with Nottinghamshire police.

Retail Industry

- We can share more cyber security best practice within the industry. We encourage retailers to join the Government's **Cyber Security Information Sharing Partnership (CISP)**, to share more cyber threat information.
- Insider threats should be treated as a corporate risk like any other. The **BRC's new Tackling Insider Threats Guidelines** can help retailers to assess and mitigate threats to their business from the inside.
- Businesses should ensure they have adequate measures in place to protect staff from **violence and abuse** on the shop floor. The BRC's Tackling Violence Against Shop Staff Guidelines are there to help businesses.

WHY TACKLE CRIME AFFECTING BUSINESSES



The community is safer for all employees and consumers – and our local economies are more vibrant.



Tackling offenders who target businesses helps to identify and reduce associated criminal activity.



The cost of doing business is reduced, both in terms of the direct financial losses and indirect drain on time and resources.



Offences such as shop theft can act as a stepping stone for an offender to graduate to more serious, prolific criminality.



Working in partnership with businesses can deliver more effective, targeted action to fight crime.



Building businesses' trust and confidence in the police further strengthens local partnerships.

4. SURVEY OVERVIEW

4.1 Introduction

Key facts about retail in the UK

- 3 million people work in retail in the UK.
- Retail sales amount to 20 per cent of GDP and contribute 5 per cent of Gross Value Added.
- There are almost 300,000 retail outlets in the UK.

The BRC's annual Retail Crime Survey provides valuable evidence about the impact of crime on the UK retail industry.

Retail crime has wide-reaching consequences for businesses, their employees and customers. Offending on our high streets

creates negative perceptions of the local community and criminals who target businesses also commit other types of criminal activity. Crimes committed in cyber space are also increasingly having an impact on businesses of all kinds. A series of high profile data breaches, such as that suffered by US retailer Target, demonstrate the huge financial and reputational damage which can be inflicted by this kind of crime.

At present official police statistics do not offer a comprehensive picture of crime against businesses, which is why surveys such as this one are so important. Hopefully our understanding of the scale and impact of business crime will significantly improve once the national definition of business crime, approved by the Association of

Chief Police Officers in early 2014, is implemented by all police forces. This will allow reported offences tagged as 'business crimes' to be analysed and the data used to inform operational activity.

Survey coverage

This year the BRC Retail Crime Survey sample covered 51 per cent of the retail industry by turnover and accounted for 1.4 million employees.

A broad range of retailers participated in the Survey, from large multiples to smaller retailers, including pure online retailers. The sample included regular participants and new respondents, together providing a representative cross-section of UK retailing.

FIGURE 1:
NUMBER OF OUTLETS BY
RETAIL CATEGORY

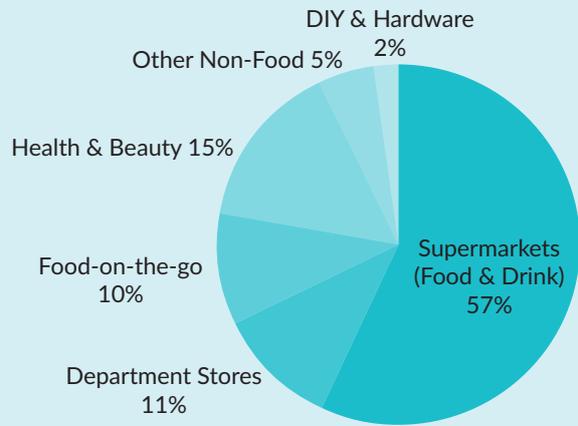


FIGURE 2:
SALES AREA BY RETAIL
CATEGORY

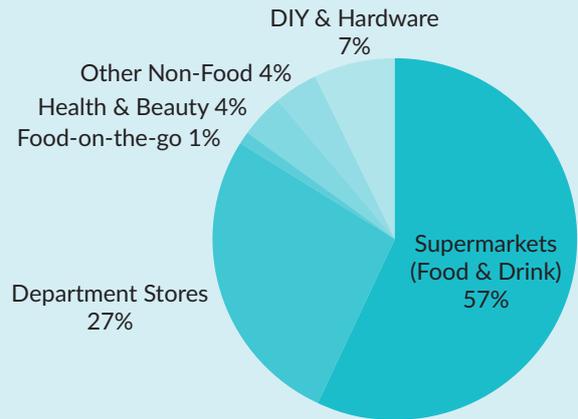
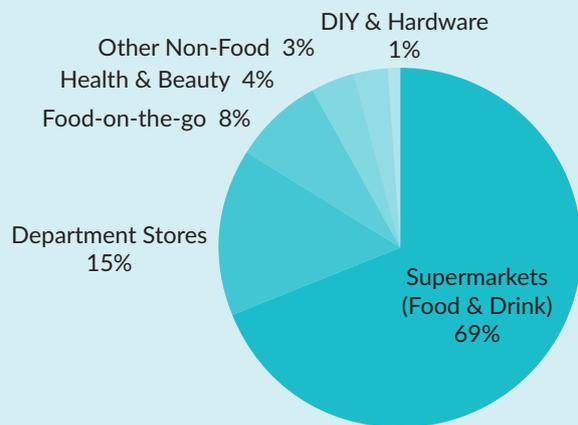


FIGURE 3:
NUMBER OF EMPLOYEES
BY RETAIL CATEGORY



4.2 Summary of survey results

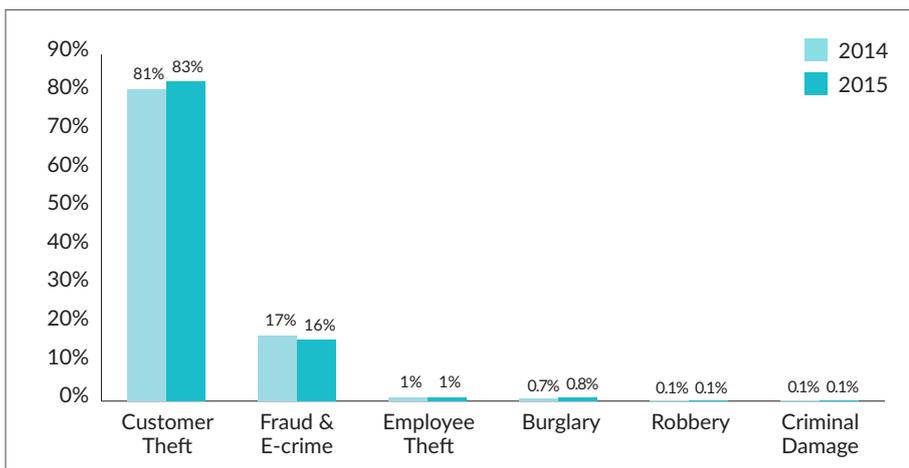
In 2014-15, our survey sample recorded 750,144 offences against retailers resulting in loss or damage to property. Extrapolation of the results from our sample to the whole retail industry suggests that there were an estimated 4.1 million crimes committed against the industry last year. This does not include cyber attacks, violence suffered by shop staff or other criminal activity which is outside the six key offence categories below. Therefore the level of crime against the retail industry is, in reality, much higher.

TABLE 1: INCIDENTS OF RETAIL CRIME, 2014-15

| Offence | Number of crimes reported in 2014-15 BRC survey | | Approximate number of crimes experienced by the UK retail industry | |
|-----------------------------|---|---------|--|-----------|
| | 2014 | 2015 | 2014 | 2015 |
| Customer theft ¹ | 552,069 | 521,351 | 2,505,251 | 3,401,948 |
| Employee theft | 4,166 | 5,077 | 34,335 | 40,332 |
| Robbery | 737 | 1,247 | 1,749 | 2,962 |
| Burglary | 1,311 | 1,622 | 3,109 | 3,831 |
| Criminal damage | 8,217 | 11,000 | 22,458 | 31,399 |
| Fraud | 135,814 | 209,847 | 523,498 | 639,924 |
| TOTAL | 702,314 | 750,144 | 3,090,400 | 4,120,395 |

Customer theft accounts for the majority of incidents of retail crime, contributing 83 per cent of the total.

FIGURE 4: RETAIL CRIME BY NUMBER OF INCIDENTS, 2013-14 and 2014-15

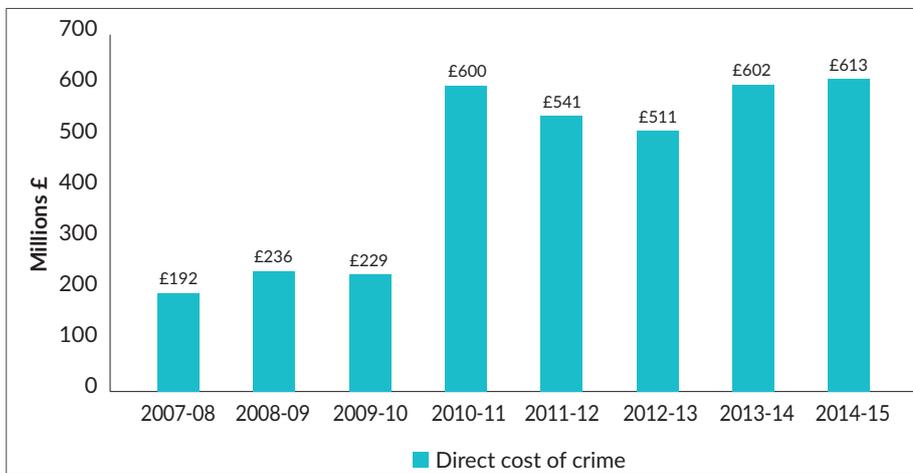


¹ Due to changes in sample size this year, reported incidents of customer theft fell while that of the retail industry increased.

Our survey suggests that the direct cost of crime suffered by the retail industry was £613 million in 2014-15, a 2 per cent increase compared with the previous year's £602 million². This cost represents the combined losses from the six key offences above and is equivalent to 50,224 jobs in retail³.

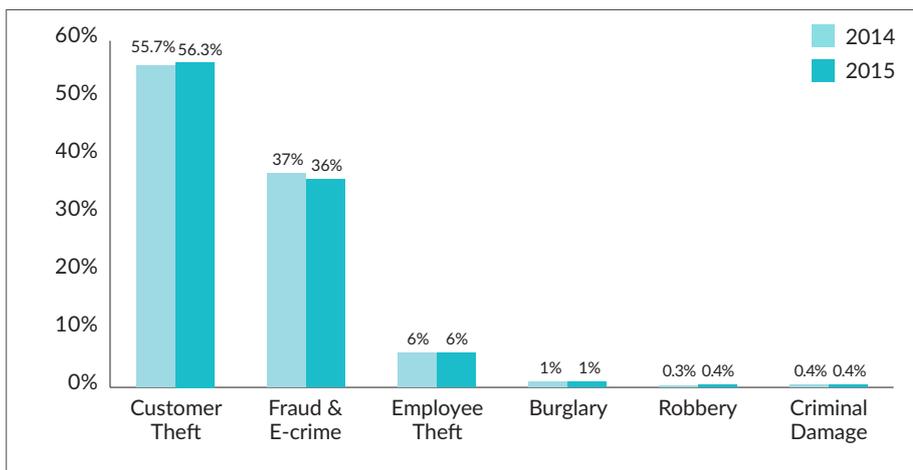
The direct cost of crime is now at its highest level on record and is more than three times higher than in 2007-08.

FIGURE 5: DIRECT COST OF RETAIL CRIME, 2007-08 to 2014-15



Customer theft and fraud together account for the majority of the cost of retail crime, contributing 92 per cent of the total.

FIGURE 6: RETAIL CRIME BY DIRECT COST, 2013-14 and 2014-15



The impact of crime on a business goes far beyond the direct financial cost. Last year we asked respondents about the other ways in which crime affects them. Retailers told us that loss of staff time and distraction from business purpose, as well as damage to brand reputation, were the most significant indirect impacts of crime. Damage to employee morale, a consequence which is often overlooked, also ranked highly.

² The direct cost of crime for 2013-14 has been revised to £602m from £603m due to an improvement in data provided for criminal damage in 2013-14.

³ This is the gross annual salary of retail employees according to the ONS Annual Survey of Hours and Earnings (ASHE) 2014 measure for retail trade, except of motor vehicles and motorcycles. It is comprised of retail employees earning the adult rate of National Minimum Wage and who have been in the same job for more than a year

Trends in offending

Theft

This year's survey revealed a new high in terms of the cost to retailers of shop theft. In 2014-15 the average value of an incident of customer theft⁴ was £325, even higher than the increase reported last year. The upward trend in the value of these offences is thought to be due to the continued impact of organised gangs stealing higher value items to sell on. These groups are often engaged in a range of other criminal activity.

Businesses told us that they would like to see better police collaboration for the investigation of crime that crosses police force borders. This organised criminal activity can 'fall into the gap' left between police forces at a local level and the remit of the National Crime Agency, which is focused on the most serious threats to the UK. Although there are now regional police organised crime units, there remains a concern around the capability of law enforcement to respond to offending that crosses police force borders.

Fraud and cyber security

This year's survey revealed another significant increase in fraud, up 55 per cent compared to 2013-14 and retailers remain concerned about the capacity of law enforcement to respond effectively. At present, only a tiny proportion of fraud

reported to the police results in any action being taken, which in turn acts as a disincentive to report fraud offences in future. There needs to be a step change improvement in the end-to-end response to fraud, from the reporting process to investigation and prosecution.

Ultimately however, the scale of the challenge is such that only prevention will help to tackle fraud in the long term. Educating people about how to keep their personal details safe, particularly online, is a fundamental area to address.

The majority of retailers were victims of some form of cyber attack in 2014-15. Respondents told us that the number of cyber security breaches suffered by their business is increasing or remaining the same but, on a positive note, 65 per cent felt that their business was in a 'good to excellent' position to prevent and respond to cyber attacks. Better sharing of intelligence, information and cyber security best practice would help the industry as a whole to defend itself against cyber threats.

Insider threats

The scale of the insider threat is inherently hard to quantify as it can take so many differing forms, from theft and cyber-attacks to sabotage of goods or the leaking of confidential information. The BRC's survey data suggests that an incident of employee theft cost a retailer on average

more than 3 times as much as theft by a customer. 55 per cent of respondents reported seeing an increase in malicious insider activity in the last two years.

Robbery, burglary and criminal damage

This year's survey revealed increases in robbery, burglary and criminal damage in contrast to the previous year. The increase in these offences is a real concern given their impact, as the average cost of such incidents show. The number of burglaries per 100 stores reported by our sample increased by 13 per cent from last year and each incident cost on average 10 per cent more than last year, at £2,008 in 2014-15. Meanwhile, the average cost per incident of robbery and criminal damage increased by 12 per cent and 16 per cent, respectively.

Violence and abuse

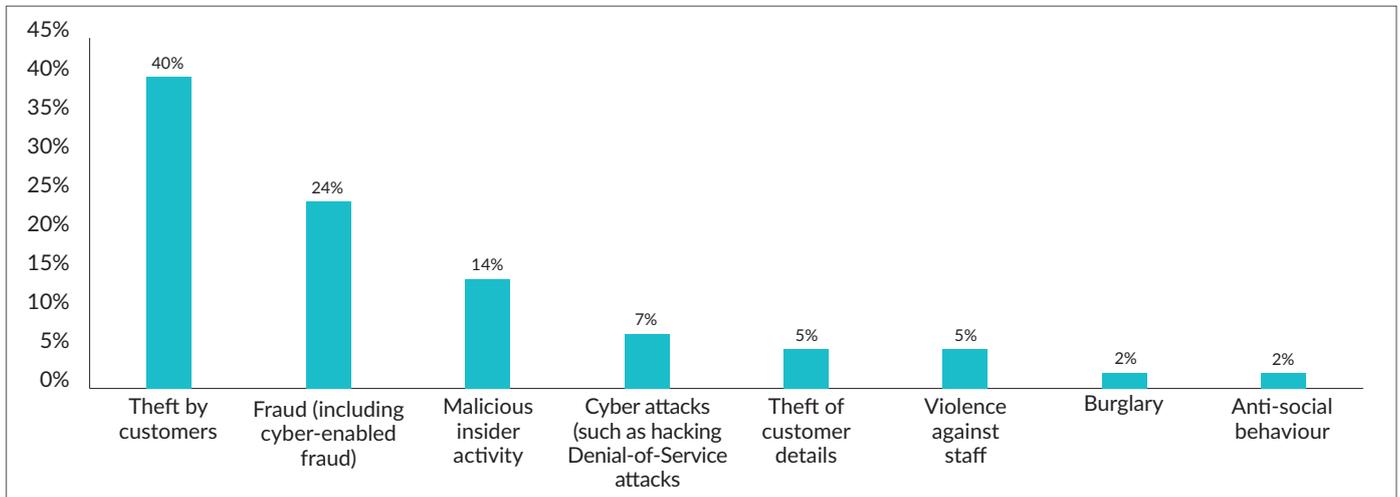
Retail staff continue to suffer an unacceptable level of violence and abuse at work. In 2014-15, there were 41 incidents of violence and abuse per 1,000 employees. 21 of these were violent. The retail industry's three million employees need to have confidence that they will receive the same response from police when they are a victim of violence in the workplace as other victims of violent crime.

⁴ See the Glossary for a definition of offences.

Forward look

This year we asked retailers again what they thought would be the top two crime-related threats to their business over the next two years. Retailers warned that theft by customers would be the most significant threat. Fraud was cited as the second most significant threat.

FIGURE 7: TOP 2 MOST SIGNIFICANT THREAT OVER NEXT 2 YEARS, BY PROPORTION OF RESPONDENTS



Crime prevention and partnerships

Retailers continue to invest heavily in loss prevention and, in 2014-15, expenditure totalled almost £200m with an average spend of £3.1m per retailer.

The BRC has long emphasised the value of partnership working to tackle retail crime. At a strategic level, we co-chair the National Retail Crime Steering Group with the Home Office Minister responsible for crime prevention, which brings a range of government and industry partners together.

The benefits of partnership work are also apparent at a local level. The MOPAC Business Crime Strategy in London provides an example of best practice in terms of effective engagement between police and businesses to agree a plan to improve the response to crime affecting businesses.

We know from last year’s survey that there is overwhelming support amongst respondents for dedicated business crime strategies elsewhere. We would like Police and Crime Commissioners around the country to work with retailers more closely and consider whether they could also develop a dedicated strategy along the lines of MOPAC’s approach.

5. DETAILED RESULTS

5.1 Customer theft

Customer theft remains the single biggest component of retail crime, accounting for 83 per cent of all incidents by volume and 56 per cent of the total direct cost of retail crime.

35% increase in average cost of customer theft.

The 2015 survey revealed that the impact of theft on UK retailers in terms of value has reached its highest level in over a decade. In 2014-15, the average value of customer theft per incident was £325, compared to £241 in 2013-14. This represents a 35 per cent increase and has kept pace with the 36 per cent rise in the average cost over the last 5 years.

In volume terms, our respondents reported 521,351 incidents of customer theft⁵ in 2014-15, which is a marginal decrease compared to last year. Per 100 stores, the number of thefts fell to 4,444, down just 2 per cent on the previous year. On average, retailers in our sample estimated that over two fifths of customer thefts went undetected, so the actual number of incidents is likely to be far higher.

Retailers reported that they are being targeted by more organised, sophisticated criminals who steal high value items. Almost one third of customer theft was attributed to organised criminal gangs, many of whom operate around the country. The capability of law enforcement to respond to this kind of offending which crosses police force borders presents a significant challenge, but is one which must be met.

Our survey revealed that mixed retailers and department stores suffered from the

FIGURE 8: AVERAGE COST OF CUSTOMER THEFT, 2008-09 to 2014-15

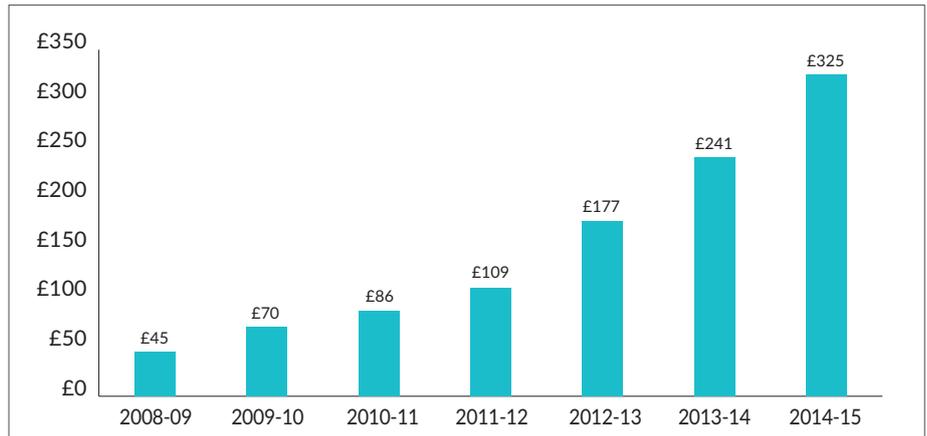


FIGURE 9: CUSTOMER THEFTS PER 100 STORES, 2008-09 to 2014-15



highest average value of thefts, pushing up the overall average. We know that items most frequently targeted for theft are high value items such as branded electrical goods, designer clothing, power tools and premium branded alcohol

and cosmetics. Around half of customer theft remains unreported, an indication that despite partnership work, businesses continue to lack confidence in the police response to customer theft.

⁵ See the Glossary for a definition of offences.

TABLE 2: CUSTOMER THEFT

| | 2008 -09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | Per cent change 2014-15 | Compound Av. growth rate (CAGR) 2010-15 ⁶ | Average 2010-15 |
|--------------------------------|----------|---------|---------|---------|---------|---------|---------|-------------------------|--|-----------------|
| Customer thefts per 100 stores | 3,902 | 3,490 | 2,833 | 4,495 | 4,725 | 4,540 | 4,444 | -2.1% | 9.4% | 4,207 |
| Cost per incident | £45 | £70 | £86 | £109 | £177 | £241 | £325 | 35.1% | 30.6% | £188 |

5.2 Fraud and cyber security

The scale of the threat posed by fraud is again laid bare in this year’s survey. Retailers reported 209,847 incidents of fraud in 2014-15, up 55 per cent on last year.

55% increase in fraud reported by retailers

Fraud accounted for 16 per cent of the total number of incidents and 36 per cent of the total cost of crime in 2014-15. When the retail industry as a whole is taken into account, fraud cost retailers £222 million in 2014-15.

Over the past 12 months, credit and debit card fraud⁷ accounted for 86 per cent of fraud by volume and 57 per cent by cost. This is followed by refund fraud which represented 7 per cent of fraud incidents and 36 per cent of the cost, highlighting that in 2014-15 retailers suffered from a high cost per incident for this particular type of fraud.

Retailers invest considerably in fraud protection and use a range of tools to combat fraud. We know from previous surveys that the vast majority of respondents employ third party specialists to protect against online-enabled fraud, which highlights the commitment retailers have made to tackling this type of crime.

Respondents to our survey reported 50,118 incidents of attempted fraud in 2014-15, which would have cost retailers in our sample £57 million had the attempts been successful. This shows the value of the robust controls put in place by retailers to stop such crime.

FIGURE 10: FRAUD INCIDENTS BY TYPE, 2014-15

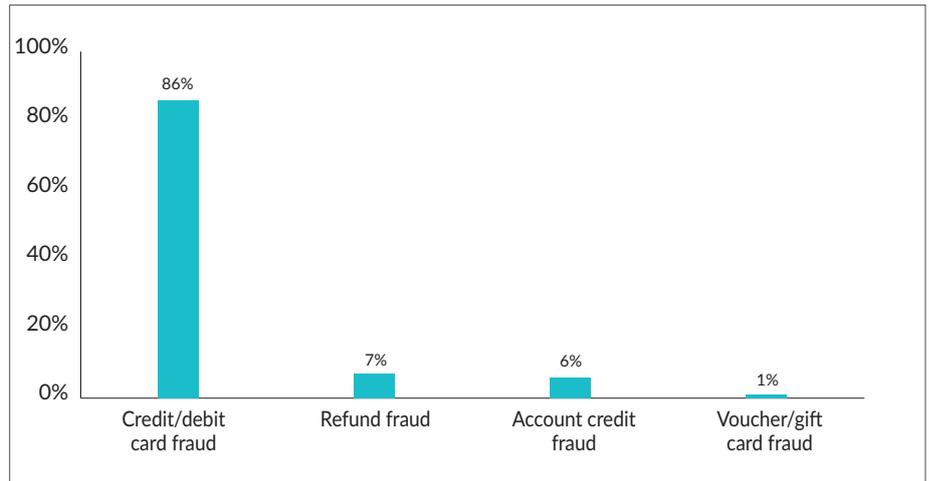


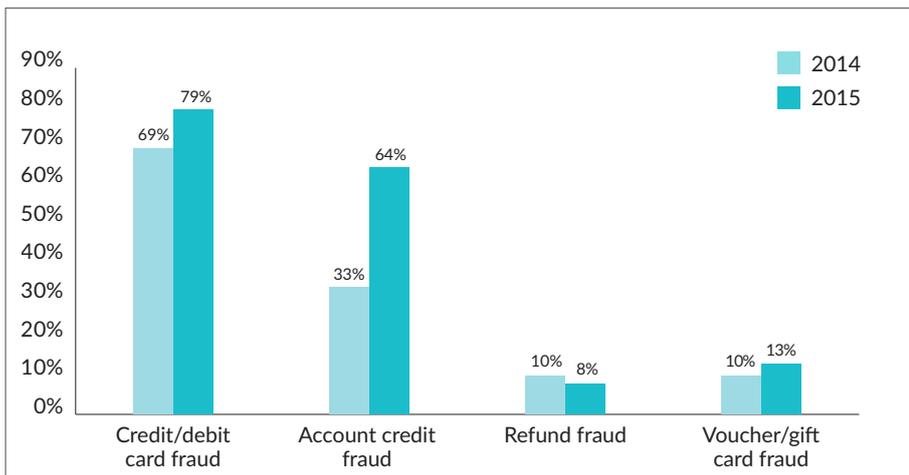
FIGURE 11: FRAUD COST BY TYPE, 2014-15



⁶ The Compound Annual Growth Rate (CAGR) is the year-on-year percentage change at which a variable would have grown if it grew at a steady rate over a specific period of time. As it accounts for fluctuations, it is a useful tool for determining the annual growth rate for a variable whose value has fluctuated over the time period. When compared to this year’s results, it provides a useful means to put the latest figures into better perspective.

⁷ See the Glossary for a definition of offences.

FIGURE 12: PROPORTION OF FRAUD INCIDENTS COMMITTED ONLINE



A large proportion of fraud is committed online. Retailers identified that the vast majority of credit/debit card fraud and almost two thirds of account credit fraud were committed online.

The scale of the challenge we are facing in terms of tackling fraud demonstrates the value of prevention and the need to further educate people about the importance of protecting their personal information. Retailers told us that theft of 'generic' passwords enables fraudsters to access consumers' online shopping accounts across multiple retail websites. We would like the Government to consider conducting a high-profile national fraud awareness campaign, perhaps as part of the new Crime Prevention Strategy proposed by the Home Office. Whilst there is already a range of guidance and consumer awareness material in existence, this is at present relatively piecemeal in nature, which limits its impact.

A significant proportion of fraud suffered by businesses is not reported to police due to a lack of confidence in the law enforcement response. As noted elsewhere in this report, this is an area in which there needs to be fundamental reform.

The introduction of Action Fraud in April 2013, created a single, central fraud reporting centre. Action Fraud feeds reports of fraud into the National Fraud Intelligence Bureau (NFIB) for further analysis, which then sends cases out to local police forces for further action. The current Action Fraud reporting system is not fit-for-purpose for businesses, particularly as it does not allow 'bulk reporting' of a large number of fraud reports.

Next year, a new reporting and case management IT platform for Action Fraud is due to be implemented. We hope that this delivers a significantly improved service for businesses, including bulk reporting capability.

However, even when fraud is reported, there is also a lack of capacity, skills and knowledge within local police forces to progress fraud investigations received from the NFIB, meaning that many fraud reports do not result in any enforcement action being taken. We would like to see fraud detection rate figures for each police force published on a regular basis, to increase transparency and accountability around fraud performance.

The Metropolitan Police has been open about the need for improvement and now has a dedicated team to tackle online fraud and cyber crime, called Falcon. The BRC welcomed the creation of this dedicated new resource in London.

Cyber security

Making the UK more resilient to cyber attacks is crucial to ensuring we remain a world leader in terms of e-commerce and a good place to do business online.

This year's survey revealed that the level of cyber attacks suffered by the vast majority of respondents either increased or remained unchanged in 2014-15. The majority of retailers said cyber-attacks posed a critical to substantial threat to their business. Theft of data and hacking were considered to pose the most critical threats.

94 per cent of respondents reported that the overall number of cyber security breaches suffered by their business is either increasing or remaining the same.

There is a range of government activity relating to cyber security, but this is currently spread across departments and policing agencies. It needs to be fully co-ordinated and comprehensive to address the risk that cyber crime poses to the UK.

Businesses need to play their part too, by having effective cyber security in place. 65 per cent of businesses told us that they felt their business had a good or excellent capability to prevent cyber attacks, which is positive.

There are also opportunities for greater information sharing. This is why, for example, the BRC supports the Government's Cyber Security Information Sharing Partnership (CISP), a free online forum for the industry to share cyber threat information with each other.

While all surveyed retailers said they would report a significant cyber attack to the police, they also told us that the police appear to be taking less action in terms of actively investigating reported incidents of crime against retailers. 89 per cent of respondents reported no improvement in the service they receive from the police once a fraud has been reported.

There is no clear process or agreed point of contact for cyber reporting. We would like there to be a central point nationally, where businesses can report and seek assistance in the case of major cyber incidents.

FIGURE 13: THREAT POSED BY CYBER ATTACKS, BY PROPORTION OF RESPONDENTS

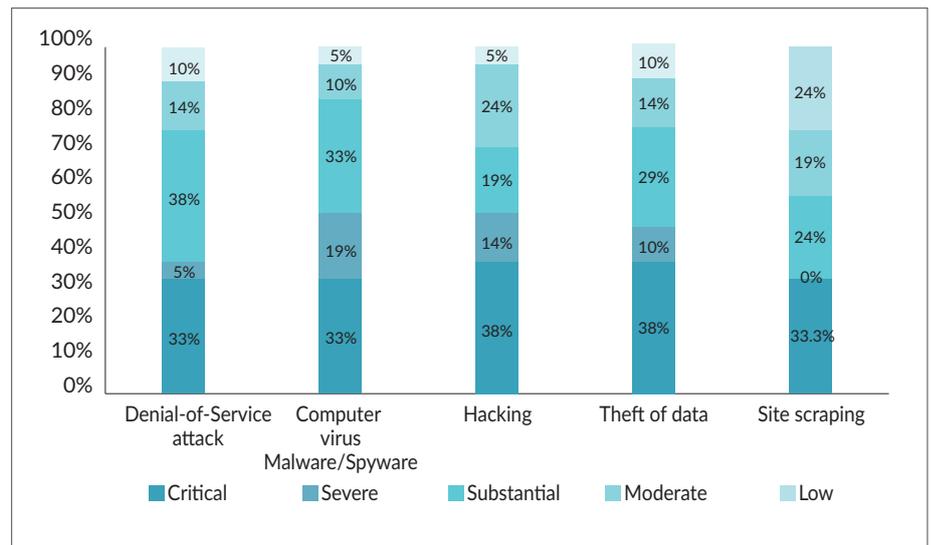


FIGURE 14: WOULD YOU REPORT A SIGNIFICANT CYBER ATTACK TO THE POLICE?

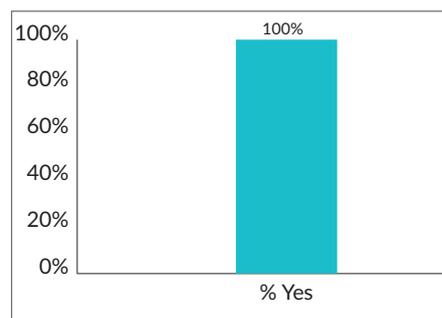
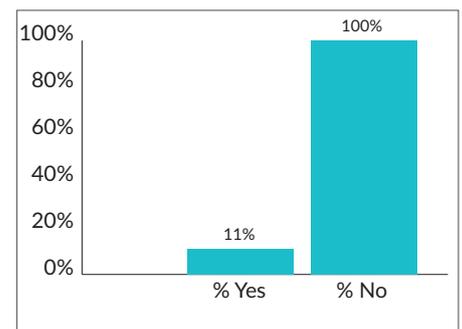


FIGURE 15: DO YOU THINK THERE HAS BEEN ANY IMPROVEMENT IN THE SERVICE YOUR BUSINESS RECEIVES FROM THE POLICE ONCE A FRAUD HAS BEEN REPORTED?



5.3 Insider threats

The crime and security challenges facing retailers are not limited to external threats. Occasionally a member of staff, a contractor or a supplier with inside access to the business, can also betray the trust placed in them. The impact of an insider incident on a business can be significant, going beyond the obvious financial losses to undermine the brand's reputation among customers and damage staff morale.

Theft is one way in which the insider threat manifests itself. In 2014-15 there were 5,077 incidents of employee theft recorded in this year's survey, up 22 per cent compared to last year. There were around 9 incidents of employee theft per 1,000 employees, relatively in line with last year.

Employee theft posed an average cost of £1,114 per incident in 2014-15. On average, each theft committed by an employee cost a retailer 3 times more than theft by a customer. Given both the loss of trust involved in employee theft and the relatively high value of theft, it is surprising that fewer than 50 per cent of such thefts were reported to the police last year.

FIGURE 16: EMPLOYEE THEFT PER 1,000 EMPLOYEES, 2008-09 to 2014-15

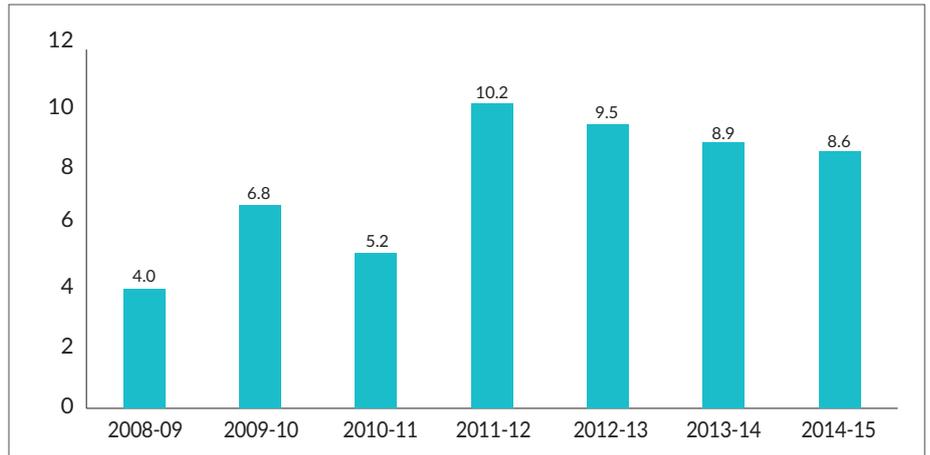


FIGURE 17: AVERAGE COST OF EMPLOYEE THEFT PER INCIDENT, 2008-09 to 2014-15

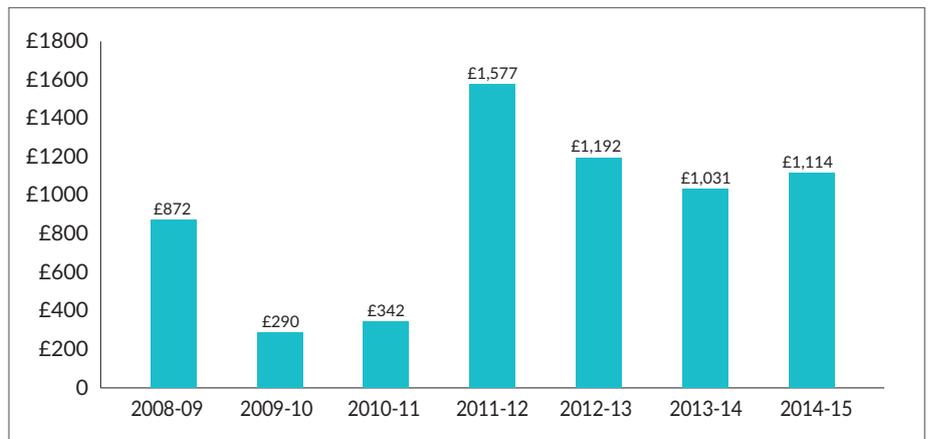
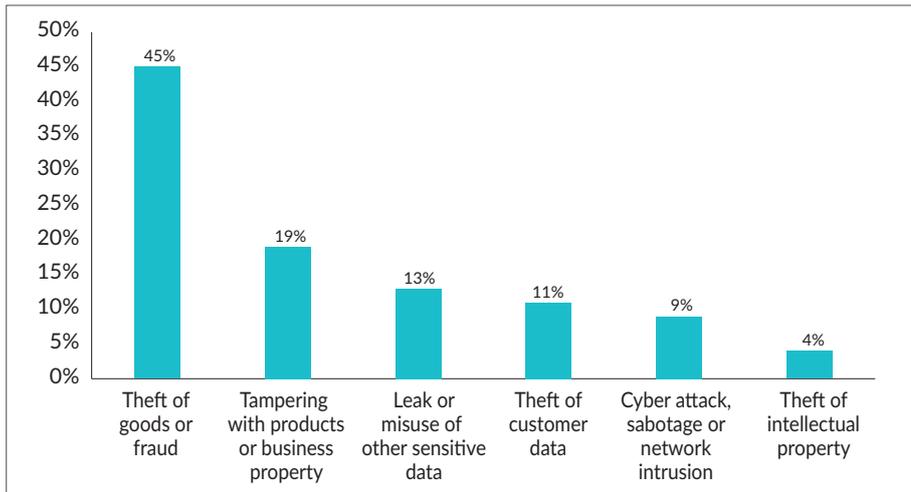


FIGURE 18: MALICIOUS INSIDER ACTIVITY SUFFERED IN 2014-15 AT THE HANDS OF EMPLOYEES, SUPPLIERS, CONTRACTORS OR OTHERS WITH INSIDE ACCESS:



We asked retailers about a broad range of malicious insider activity suffered by their business. Theft of goods or fraud was the most widespread threat, followed by tampering with products or business property and theft of customer data. 55 per cent of businesses reported an increasing level of malicious insider incidents.

The BRC has recently published new Guidelines⁸ to help retail businesses minimise their vulnerability to insider threats. These set out some simple steps to help businesses put an effective strategy in place, such as through conducting a comprehensive risk assessment, identifying the most critical assets the business has, and ensuring there are robust internal physical and cyber security policies in place to protect them. The ease with which sensitive business information can now be accessed and transferred electronically means that this is an area of particular vulnerability for any business.

TABLE 3: EMPLOYEE THEFT

| | 2008 -09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | Per cent change 2014-15 | Compound Av. growth rate (CAGR) 2010-15 | Average 2010-15 |
|-------------------------------------|----------|---------|---------|---------|---------|---------|---------|-------------------------|---|-----------------|
| Employee thefts per 1,000 employees | 4.0 | 6.8 | 5.2 | 10.2 | 9.5 | 8.9 | 8.6 | -3.3% | 10.6% | 8.5 |
| Cost per incident | £872 | £290 | £342 | £1,577 | £1,192 | £1,031 | £1,114 | 8.0% | 26.6% | £1,051 |

⁸ BRC, Tackling The Insider Threat: Best Practice Guidelines for Retailers, 2015 http://www.brc.org.uk/brc_news_detail.asp?id=2865&kCat=&kData=1

5.4 Robbery

There were 5 robberies per 100 stores in 2014-15, an increase of 6 per cent compared to the previous year. Robberies accounted for 0.4 per cent of crimes by cost and 0.1 per cent of crimes in terms of the number of incidents.

This year's increase in the average number of robberies per 100 stores is ahead of the 2 per cent growth seen over the last 5 years. This is a worrying rise in what is inherently a violent crime. It is a serious concern given the potentially long term impact such a crime has on the employees or customers exposed to it.

The cost per robbery has risen 12 per cent, from £1,280 per incident in 2013-14 to £1,433 per incident in 2014-15. This increase is ahead of the 8 per cent rise in the average cost of a robbery over the last 5 years, highlighting the significance of this year's pick-up. This survey showed that retailers report 98 per cent of robberies to the police.

A few years ago Cash and Valuables in Transit (CVIT) robberies emerged as an increasing threat to the industry. The partnership work to tackle CVIT robberies, the numbers of which have reduced, is a good example of the benefits of retailers, the police and other partners working together. The CVIT industry made a considerable investment to combat this crime, ranging from new technology and training for couriers to deployment of surveillance vehicles in high risk areas. Working with the Government, police and the security industry, the BRC produced best practice guidelines in 2012 to help retailers prevent CVIT robberies.⁹ Combined, this work proved to be extremely effective in helping to reduce CVIT robberies and improve detection rates.

FIGURE 19: ROBBERY INCIDENTS PER 100 STORES, 2008-09 to 2014-15

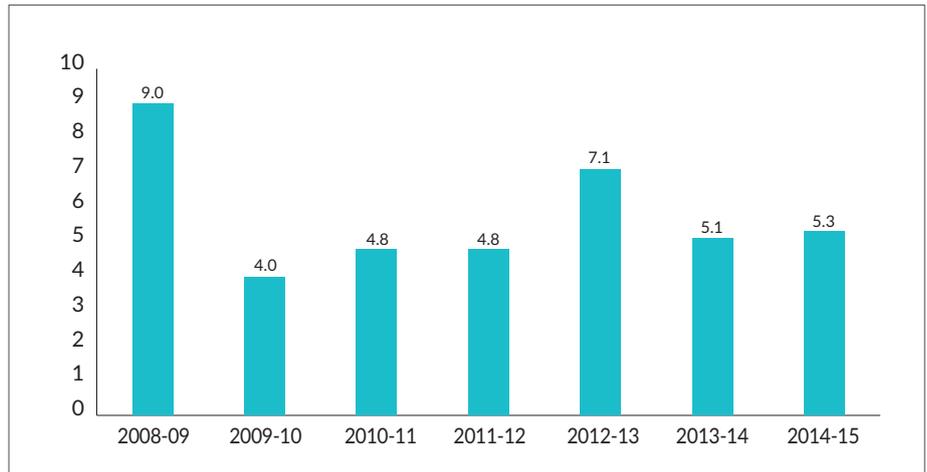
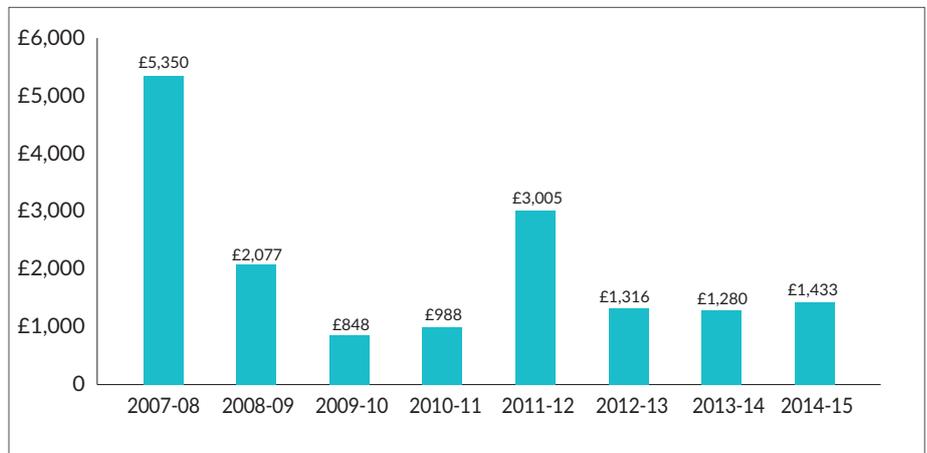


FIGURE 20: AVERAGE COST OF ROBBERY PER INCIDENT, 2008-09 to 2014-15



⁹ BRC, Cash and Valuables in Transit: Best Practice Guidelines for Retailers 2012. http://www.brc.org.uk/brc_show_document.asp?id=4363&moid=7694

TABLE 4: ROBBERY

| | 2008 -09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | Per cent change 2014-15 | Compound Av. growth rate (CAGR) 2010-15 | Average 2010-15 |
|--------------------------|----------|---------|---------|---------|---------|---------|---------|-------------------------|---|-----------------|
| Robberies per 100 stores | 9.0 | 4.0 | 4.8 | 4.8 | 7.1 | 5.1 | 5.3 | 5.9% | 2.2% | 5.4 |
| Cost per incident | £2,077 | £848 | £988 | £3,005 | £1,316 | £1,280 | £1,433 | 11.9% | 7.7% | £1,604 |

5.5 Burglary

There were 1,622 burglaries reported in the survey in 2014-15. The number of burglaries per 100 stores increased to 9 from 8 in the previous year, a 13 per cent rise. Burglary accounted for 0.1 per cent of total crime incidents while representing 1 per cent of the total cost of crime in 2014-15.

£2,008 is the average cost of a burglary

Retailers continue to invest heavily in security to protect their premises and 'design out' this kind of crime. Despite the increase in reported offences this year, the long-term trend has seen reductions in this offence, declining at an average rate of 7 per cent over the last eight years. This is in part likely to be indicative of a shift in criminal behaviour towards online fraud for example, which is perceived to be lower risk in terms of getting caught.

The average cost of each burglary increased by 10 per cent to £2,008 in 2014-15, a growth rate notably ahead of the 1 per cent decline seen over the last 5 years. However, the average cost per incident is now in line with the £1,945 average over the last 5 years.

While the vast majority of burglaries – an average of 97 per cent – were reported to the police last year, an improvement on the 85 per cent in 2013-14, it is still concerning that some burglaries are not reported.

FIGURE 21: BURGLARY INCIDENTS PER 100 STORES, 2008-09 to 2014-15

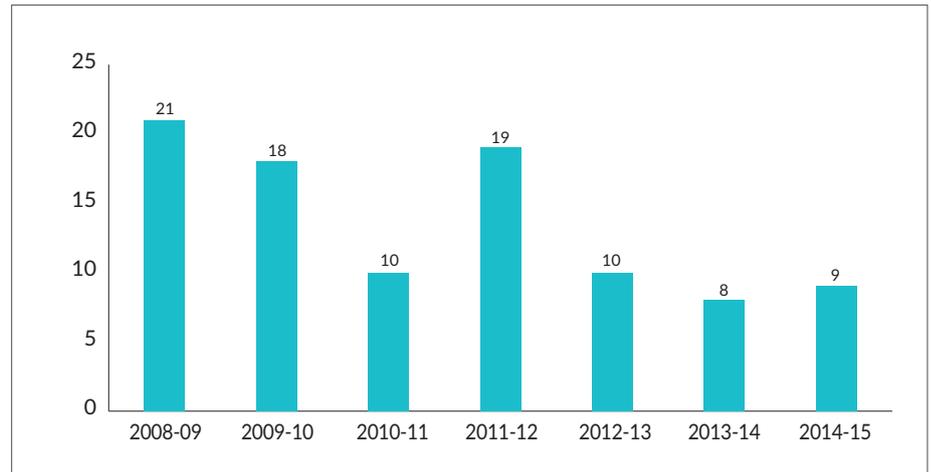


FIGURE 22: AVERAGE COST OF BURGLARY PER INCIDENT, 2008-09 to 2014-15



TABLE 5: BURGLARY

| | 2008 -09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | Per cent change 2014-15 | Compound Av. growth rate (CAGR) 2010-15 | Average 2010-15 |
|---------------------------|----------|---------|---------|---------|---------|---------|---------|-------------------------|---|-----------------|
| Burglaries per 100 stores | 21.0 | 17.5 | 10.2 | 19.4 | 9.9 | 7.7 | 8.7 | 13.0% | -3.2% | 11.2 |
| Cost per incident | £1,887 | £1,147 | £2,093 | £1,730 | £2,067 | £1,825 | £2,008 | 10.0% | -0.8% | £1,945 |

5.6 Criminal damage

Retailers in this year's survey suffered 11,000 incidents of criminal damage, which accounted for 1 per cent of total incidents and 0.4 per cent of the total cost of crime in 2014-15. Incidents of criminal damage increased by 4 per cent per 100 stores, rising to 45 incidents from 43 last year.

There was also an increase in the cost per incident of criminal damage to £802, a 16 per cent rise from last year's survey and ahead of the average cost of £733 over the last 7 seven years, although this remains lower than the peak of £2,062 recorded in 2012-13.

FIGURE 23: CRIMINAL DAMAGE INCIDENTS PER 100 OUTLETS, 2007-08 to 2014-15

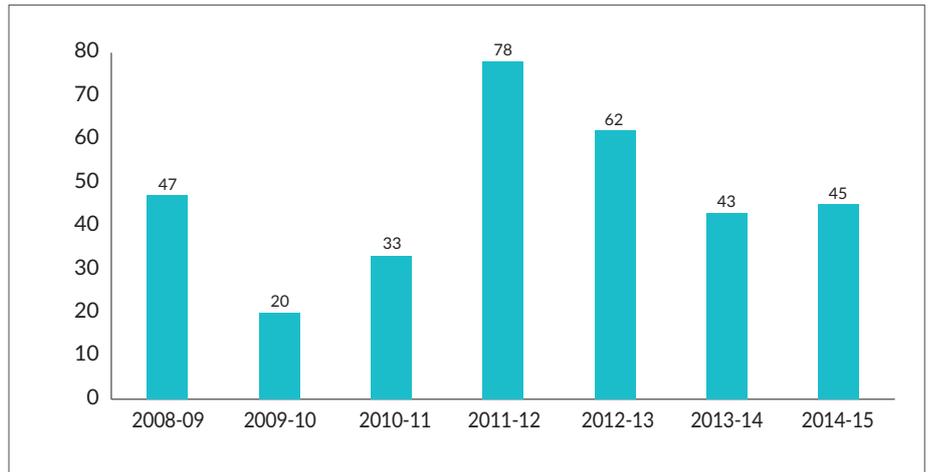


FIGURE 24: AVERAGE COST OF CRIMINAL DAMAGE PER INCIDENT, 2008-09 to 2014-15

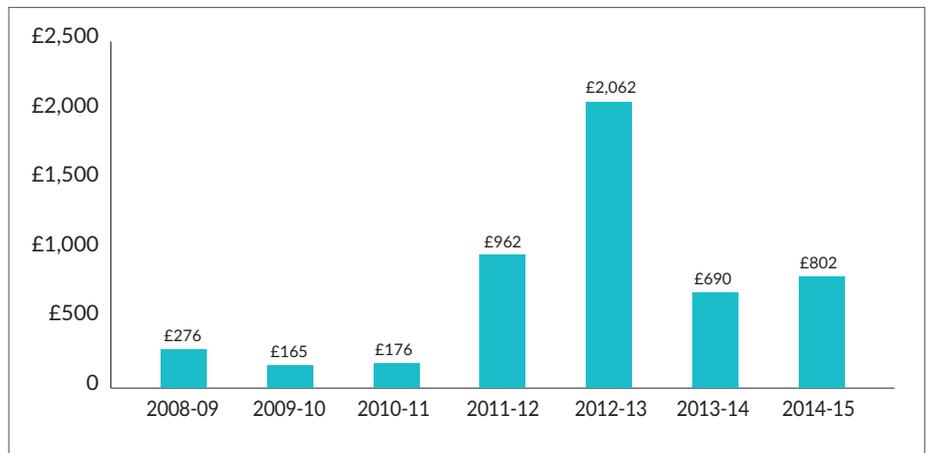


TABLE 6: CRIMINAL DAMAGE

| | 2008 -09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | Per cent change 2014-15 | Compound Av. growth rate (CAGR) 2010-15 | Average 2010-15 |
|--------------------------------|----------|---------|---------|---------|---------|---------|---------|-------------------------|---|-----------------|
| Criminal damage per 100 stores | 47 | 20 | 33 | 78 | 62 | 43 | 45 | 3.6% | 6.5% | 52 |
| Cost per incident | £276 | £165 | £176 | £962 | £2,062 | £690 | £802 | 16.2% | 35.4% | £938 |

5.7 Violence and abuse

Retail staff continue to suffer an unacceptable level of violence and abuse at work. In 2014-15, staff suffered a reported 48,530 such incidents in stores.

41 violent incidents per 1,000 staff

There were 41 incidents of violence and abuse per 1,000 employees, compared to 32 in 2014-15. Abusive or aggressive behaviour, rather than physical violence, accounted for most of these incidents. However, there were 2 violent incidents per 1,000 staff, in line with the level reported last year. Violence without injury experienced a notable increase, with incident levels per 1,000 staff almost in line with that of abusive or aggressive behaviour.

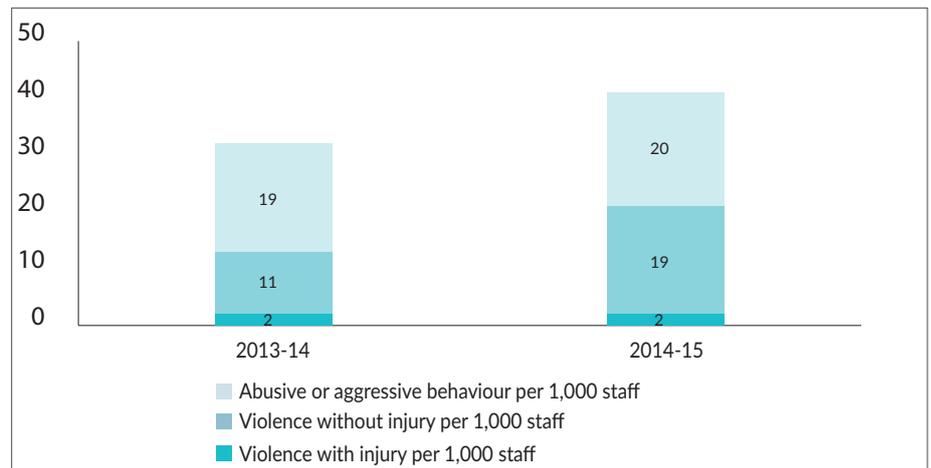
We know from previous surveys that there are instances in which the offender threatens a member of staff with a weapon, such as a knife or gun. Retailers told us that violence and abuse that does not involve physical violence is typically underreported, meaning that incident levels are likely to be much higher.

Retailers tell us that there are particular triggers for the majority of violence and abuse incidents, such as when staff members challenge customers suspected of theft, when asking for proof of age, in relation to a store ban, or if customers are being detained on suspicion of an offence.

Businesses take the safety of their staff very seriously and deploy a range of security measures such as CCTV surveillance and security guards. It is also important that police support retailers so that shop staff who suffer violence at the hands of a customer receive the same response as other victims of violent crime. The BRC has guidelines to help tackle violence against retail staff, which sets out good practice in this area¹⁰.

¹⁰ BRC, Tackling Violence Against Staff, Best Practice Guidelines for Retailers, Second Edition, 2014. http://www.brc.org.uk/brc_show_document.asp?id=4443&moid=8102

FIGURE 25: VIOLENCE AND ABUSE AGAINST STAFF-INCIDENTS PER 1,000 EMPLOYEES



5.8 Crime prevention and partnerships

Expenditure on crime and loss prevention totalled £172 million in 2013-14, with a median spend on crime prevention per retailer of £3.1 million.

3.1m average spend on crime prevention

In this year's survey we asked about staff training, an important strand of any crime prevention strategy. We asked what kind of regular security training was provided for staff, in areas such as cyber security

and theft prevention. The vast majority of businesses provided regular training on managing and diffusing violence and preventing and identifying shop floor theft and fraud. Although slightly fewer respondents regularly trained staff on cyber security and identifying suspicious insider activity, perhaps highlighting this as an area for businesses to address, over two thirds of retailers regularly provide their staff with this training.

FIGURE 26: STAFF TRAINING



Most retailers are members of business crime reduction partnerships and participate in a range of local policing and crime prevention initiatives. It is positive that, overall, 57 per cent of Survey respondents felt that the police response to retail crime was either fair or good. Although, the remaining 43 per cent felt police perform a poor to very poor job at tackling the crime they experience, with no retailers reporting the police response to be excellent.

The vast majority of retailers would like to see police forces develop dedicated business crime strategies, akin to the flagship MOPAC Business Crime Strategy in London. We would like Police and Crime Commissioners around the country to consider working with retailers and other local businesses to set out a clear plan to tackle crime affecting them, with agreed objectives, outcomes and measures of success.

BRC members continue to explore new ways to collaborate with the police and other partners. One such example is the pilot 'Primary Partnership' initiative between The Co-op and Nottinghamshire Police.

Through the work of the Home Office National Retail Crime Steering Group, we will be able to share the insights from this project and consider how they could potentially be applied elsewhere.

Case Study: Police Primary Partnership Agreement

In 2013 The Co-operative Group entered into a national 'Primary Partnership' Agreement with Nottinghamshire Police, to improve how crime experienced in The Co-Op's 5,000 retail outlets in the UK is dealt with. The Agreement is the first of its kind and is based on the principles of the established 'Primary Authority' scheme, which allows businesses to form a nationally recognised partnership with a single local authority for regulatory compliance.

Although it has no statutory basis, The Co-op's Agreement with Nottinghamshire adopts this principle to set out the policy and processes for responding to crime in their stores around the UK. This means for example that:

- The business receives consistent and reliable advice from the police, applicable to all Co-op Group premises.
- Both partners benefit from standardised policies and paperwork.
- There are minimum requirements for crime reporting and guidance for store staff about preparing evidence packs for the police. This means that the police receive higher-quality evidence packs to support prosecutions.
- New policing initiatives are based on clear evidence of success. Any proposed new initiatives affecting the business may first be subject to a pilot in Nottinghamshire (or another nominated Force feeding into Nottinghamshire), to assess their impact, before being applied nationally.

GLOSSARY

Burglary is defined as entry into any building on the premises without permission with the intent to steal.

Criminal damage is deliberate damage or destruction of property, including arson.

Fraud:

Credit/debit card fraud is the use of lost, stolen or counterfeit credit or debit cards or the personal information from them in order to obtain goods fraudulently.

Card-Not-Present fraud is where neither the card nor card holder is present at the point of sale.

Account credit fraud is either account takeover, where an existing customer's account is hijacked, or use of an individual's

identity to open a new account to make unauthorised transactions.

Refund fraud is fraudulent refunds such as denying receipt of the goods or returning different goods than those dispatched.

Voucher/gift card fraud is use of fraudulent gift vouchers to obtain goods.

Robbery is where force or the threat of force is used either during or immediately prior to a theft or attempted theft.

Theft:

Theft by customers is an offence where money, goods, company property or services are stolen from the business at that premises.

Theft by employees covers theft of money, services or property owned by the business which are committed by employees.

Violence:

Violence with injury includes assaults and robberies where injury was sustained.

Violence without injury includes assaults or robberies where no physical injury was sustained.

Other abusive or aggressive behaviour refers to instances of non-physical aggressive, intimidating or abusive behaviour towards staff.

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