The Evolving Perception of Value within Loss Prevention Departments

A Research Study to Determine the Current Status of the Industry

By Jacque Brittain, LPC, LPM Editorial Director

Introduction

Loss prevention departments across the country—and across the globe have gone through a powerful evolution over the past several decades. Once viewed as merely a security force intended to apprehend retail thieves and provide a physical presence to deter theft and other criminal activity, loss prevention has both witnessed and been part of a transformation as teams have grown and developed to become partners in the business of retail.

What is the true value of loss prevention? What may seem to be a relatively simple question often takes on a life of its own as various functions, philosophies, tasks, and responsibilities are debated by the loss prevention community, those that loss prevention serves, those that support loss prevention in meeting goals, and those outside the retail circle that draw their own conclusions based on what they see, hear, and experience.

Often the dialogue can more accurately be described as discussions focused on the variables that distinguish a specific approach to the role, such as the methodologies of a particular retailer. Other times we fall back on the common calling card, "The real value of loss prevention lies in reducing losses/ shrink." But even this falls short of truly describing what loss prevention is really all about and doesn't accurately portray how far the industry has come.

More succinctly, the value of loss prevention activities is enhancing the profitability of our companies—just like every other role in retail. Indeed, reducing losses and shrink was, is, and will always be a critical aspect of that role. But as the industry has continued to evolve, our role continues to develop as well, taking the industry down a more global path with broader responsibilities and higher expectations.

Today, many loss prevention professionals are seen as active and valued members of leadership as they have adapted to the retail culture and taken a seat at the table, balancing the concepts of shrink reduction and profit enhancement to best meet the needs of the business.

But every business is different. Retailers have different products, venues, customers, and cultures. This also leads to different needs, approaches, and expectations for the loss prevention/asset protection department. As a result, these variations will impact the way that a program evolves and matures. The tools necessary to accomplish goals, the methods used to achieve productive outcomes, and the strategies that bring it all together are relative to the needs of the business. Differences are expected. However, the most successful programs are always looking for ways to get even better.

Executive Summary

This study aims to measure perceived value and maturity amongst loss prevention teams in four categories: perceptions, process, technology, and metrics for measuring success. These four categories were chosen to highlight how far the industry has come but also to show how much progress still needs to be made. 97 loss prevention professionals operating in various industries, within LP teams of various sizes, anonymously filled out a 35-question survey with both qualitative (open text) and quantitative (multiple choice) responses. Survey questions were crafted to measure the full spectrum of departmental maturity in these categories, from those still operating with older conventional methods to innovators ahead of the curve and everything in-between to get a comprehensive view of where the industry stands.

The results of this research confirm that there has been a significant evolution in how loss prevention professionals view their role and their value to the business. Many departments have taken on responsibilities outside of traditional loss prevention activities and this has been reflected in a greater focus on proactive processes, increased demand for technological improvements, including integrated data streams and more holistic metrics to measure success including profits added to the business' bottom line. Departmental leadership (directors, VPs and above), in particular, seem to have embraced these changes and believe that their teams are viewed as subject matter experts and operational partners for their respective businesses.

Key Findings

There is a clear disparity between how LP leadership and those in the field believe LP is viewed by the rest of the organization and how success is measured.

Questions in the perceptions and measuring success sections show the biggest divide and indicate that leadership should clearly communicate the ways that LP teams are impacting and being respected by other business functions. 80 percent of those who self-identified as store management agree that percentage of closed cases is the primary metric used to measure the success of LP efforts, while 77 percent of director level and 72 percent of VP-level or higher professionals disagree with this statement. Similarly, 45 percent of total respondents agreed that LP is viewed as a "necessary evil...whose primary objective is to catch thieves and fraudsters" by the rest of the company, but only 7 percent of VP-level professionals or higher shared the sentiment.

LP departments have growing responsibilities that many expect to continue to grow and evolve.

81 percent of respondents agree that the LP team is often or always the go-to resource for fast, accurate reports about any operational issue and drives a culture of revenue optimization by finding opportunities in other departments for positive impacts on the business' bottom line. Some of the responsibilities expected to be absorbed by LP in the coming years include eCommerce fraud (51 percent), Cybercrimes (39 percent), and Risk (39 percent).

The vast majority of LP departments operate and are respected as key operational partners to the business and their success is measured as such.

88 percent of respondents agree that the LP team holds a stake in creating and optimizing policies, processes, technologies that directly link to business decisions across the organization. 95 percent of respondents agree that they track actual financial impact of LP efforts to the business' bottom line and 95 percent report that those impacts extend beyond traditional LP responsibilities like fraud and theft.

Research Methodology

The survey consisted of 33 multiple choice questions with room for clarifying comments as well as two questions with open responses. There were 25 of the multiple-choice questions measured on a 6-point Likert scale.

Responses were collected in April 2021 and over 100 professionals in loss prevention filled out the survey anonymously. Because not all surveys were fully completed, 97 survey results were included in the analysis.

The purpose of the survey was to measure the extent that the loss prevention space has changed in four key categories: Perceptions, Process, Technology, and Measuring Success.

Perceptions—The perceptions section of this research aims to explore how the loss prevention team or department is viewed by the rest of the organization and how valued their expertise is considered.

Process—The process section of this research aims to explore the evolving responsibilities of LP teams as well as exploring how formalized LP processes and polices are, and whether this information is properly communicated throughout the business.

Technology—The technology section of this research aims to explore the various tools and technologies being utilized by loss prevention teams.
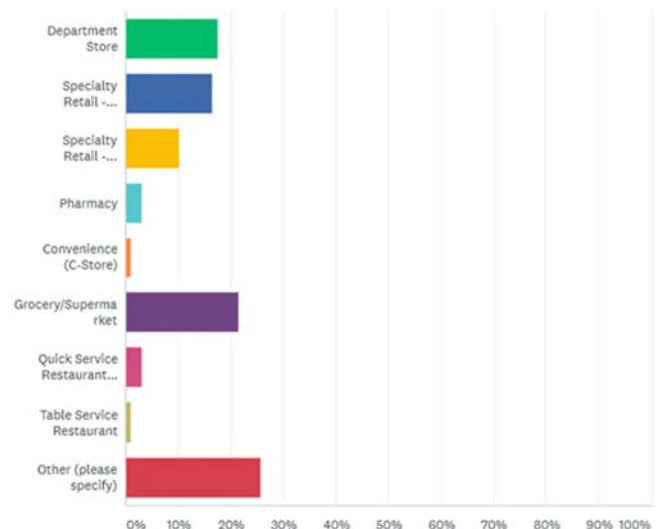
Measuring Success—The measuring success section of this research aims to explore exactly how loss prevention teams gauge their performance.

Respondent demographics

Industry—Survey results showed a fairly balanced response from across the different types of retail businesses.
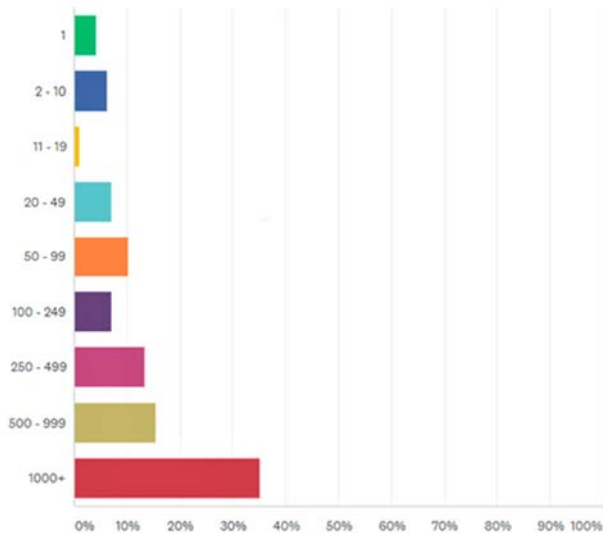
"Other" responses included e-commerce/online marketplaces, distribution/supply chain, furniture, and luxury goods among other segments.

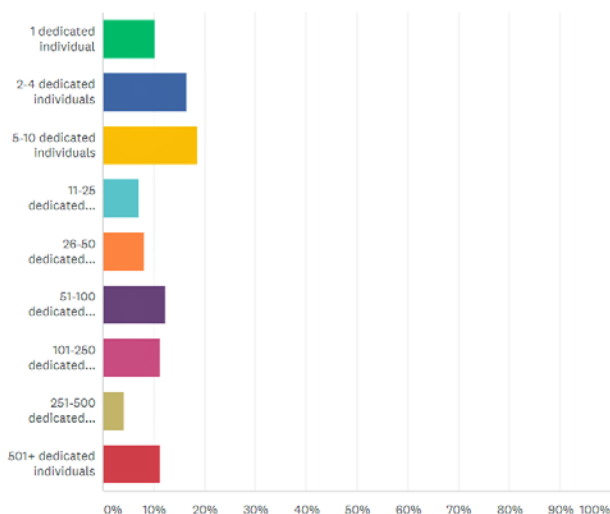What industry best describes your business?

Locations—While respondents represented companies operating from one to a thousand or more stores, 79 percent of respondents worked in companies with 100 or more stores.

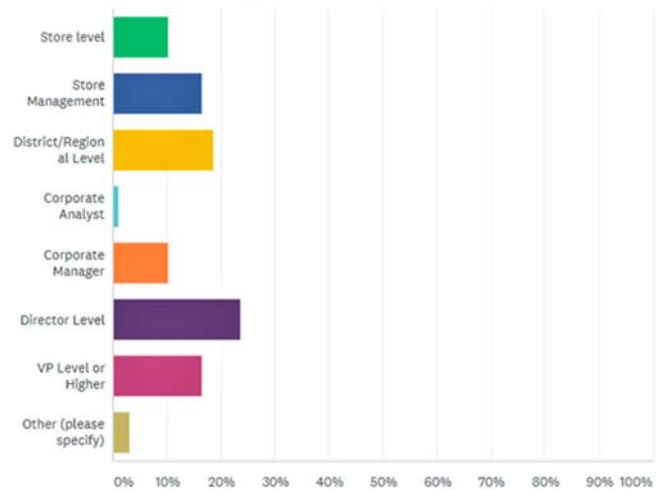How many store locations does your business operate?

Current Professional Level—The respondents were roughly split equally between those working in store and field-level positions versus corporate management positions.

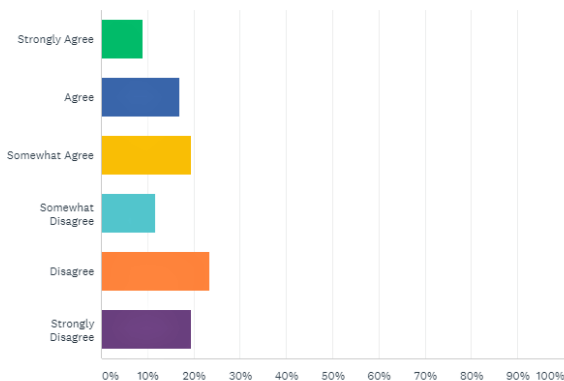Which best describes your current position?

Size of the Department—The respondents represented a wide range of department sizes from only one dedicated LP professional to departments with over 500 members.

What is the current size of your Loss Prevention/Asset Protection department?

Perceptions of Loss Prevention

Still viewed as a necessary evil?

Respondents had a very mixed response to this question, with 45 percent agreeing that the rest of the company views LP as a necessary evil, while 55 percent disagree with this perception.

However, looking at the top-level decision makers paints a much different picture. 81 percent of director-level and 93 percent of VP-level or higher LP professionals disagree that the rest of the organization simply views the loss prevention department as a "necessary evil."

The rest of the company views LP as a necessary evil, a team whose primary objective is to catch thieves and fraudsters.

The comments further exemplify this divide.

"Can say after 30 years in LP this remains true."

"Even though we have gone away from that and tried to impact the organization in different ways, I think most people still associate our value with catching the bad guys. The only saving grace of late is the increased desire for better physical security (riots, civil unrest, vandalism) and fraud detection/ prevention."

"This has been the case over the years, we see in some instances that LP has been playing a bigger part in business development."

"Changing this perspective is as much about the LP person as the OPs person. The well-informed LP professional knows that providing enlightening operations information is a sure way to solidify a positive relationship."

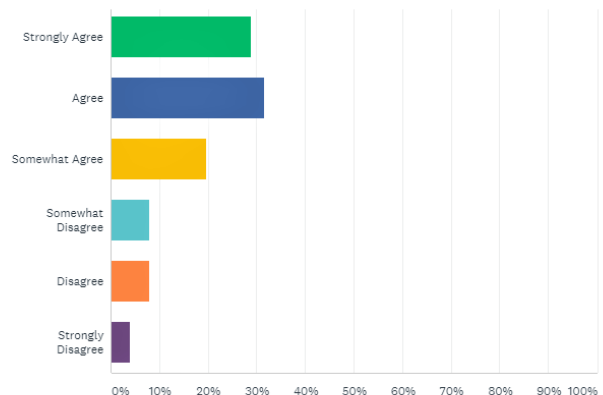*"We are a partner and have been for a long time."*

"We are a strategic business partner that is critical to profit protection, brand protection, and company growth."

"This is becoming less of a perception and the idea of AP as an integral business partner is growing."

LP as data experts and operations partners

The survey found that 81 percent of respondents agree that the LP team is often or always the go-to resource for fast, accurate reports about any operational issue and/or the LP team drives a culture of revenue optimization by finding opportunities in other departments for positive impacts on the business' bottom line.
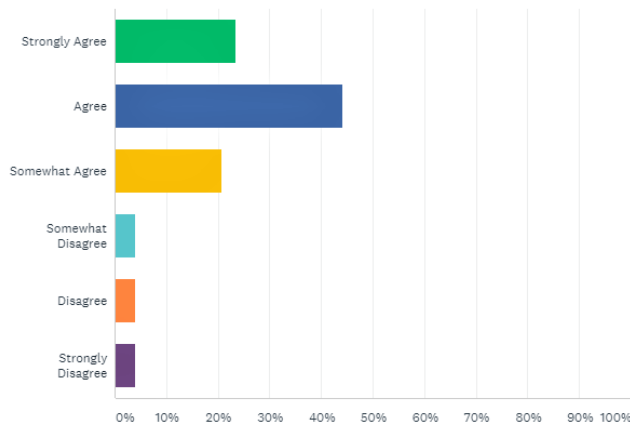
The LP team is often or always the go-to resource for fast, accurate reports about any operational issue and/or the LP team drives a culture of revenue optimization by finding opportunities in other departments for positive impacts on the business' bottom line.

Seat at the table for policy, process creation

A large majority (88%) of respondents agree that the LP team holds a stake in creating and optimizing policies, processes, technologies that directly link to business decisions across the organization.

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While the responses seem overwhelmingly positive, the comments show that there is still some discrepancies.

"Corporate operations create policies and LP is a contributor but does not hold a stake in them."

"This is very specific to each organization. If LP/AP has a 'seat at the table' and carries a respected opinion, they can significantly increase the perception and implied organizational impact from their department. However, it needs the right LP/AP leader to affect change and the right organizational leadership to embrace it. A lot of LP/AP departments are still being left on the outside looking in."

"We have a seat at the table and risk is often top of mind for all stakeholders and functional teams."

"We are the last to know and the least important until there is a loss. Then we either get blame or negative attention. The only time we get praise is when we save someone's bonus."

"This is a work in progress, many programs were launched without input from LP. We had to deal with the reality of decisions in stores. We pointed out what the impact is and how to correct. This could have been avoided if we had a seat at the table prior to launch."

"It is key. We even have asset protection leaders who sit on our Company Diversity, Equity, and Inclusion Council."
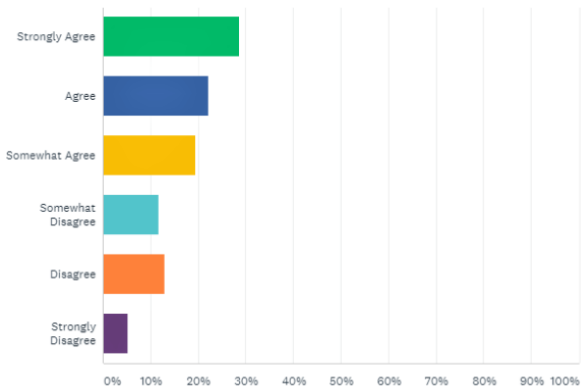
"Allows AP to be less reactive."

Loss Prevention Processes

Documented LP awareness program

70 percent of respondents agreed that their company has a full documented LP awareness program in place, offering everyone a clear understanding of loss prevention and how it fits within the organization.

The company has a full documented LP awareness program in place, offering everyone a clear understanding of LP and how it fits within the organization.

A few offered interesting comments highlighting why this is important.

"We have required training on the 5 steps, all managers and supervisors must take annually, and other employees can take it optionally. Since it rolled out a few years ago our bad stops have dramatically decreased almost to none."

"If LP is discussed during a new-hire onboarding session or in other training environments alongside other similar departments like HR or Safety, it communicates the importance of the department. Store-level employees gain awareness and senior leadership doesn't forget about us."

"Allows us to touch everyone, sell our programs and solutions and be viewed as a proactive business partner."

"All success starts with a solid foundation. This is the solid foundation and sets expectations."
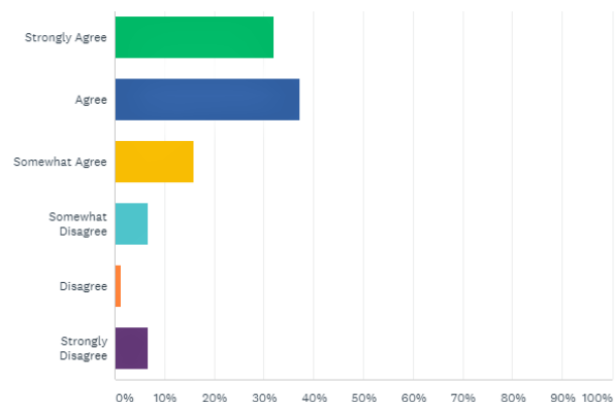
Reactive vs. Proactive

Overall, 91 percent of respondents indicated that their LP team operates in a proactive, rather than a reactive, manner. However, when we took a deeper look, 95 percent of director-level respondents and 100 percent of VP-Level or higher respondents indicated that their LP team operates in a proactive, rather than a reactive, manner

Focused on innovation

Overall, 85 percent of respondents agree that beyond routine measurements and monitoring, LP focuses on innovation and experimentation. However, those numbers increase when looking at the department decision makers, with 95 percent of director-level respondents and 100 percent of VP or higher-level respondents stating that loss prevention focuses on innovation and experimentation beyond routine measurements and monitoring.

Beyond routine measurements and monitoring, LP focuses on innovation and experimentation (for example: new technology, improving policies; expanded usage and adoption; finding new ways to drive revenue/sales).
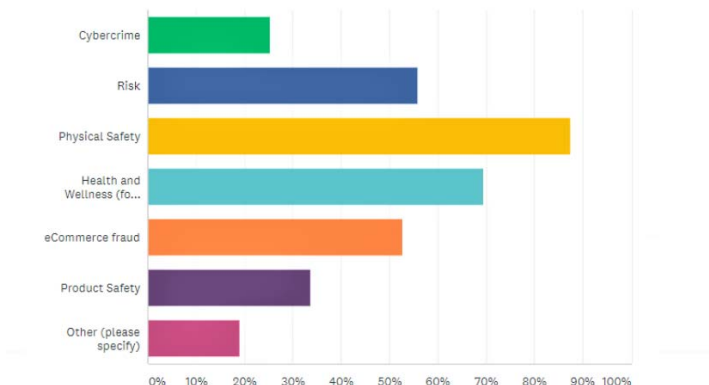
What are LP departments currently responsible for?

Today's loss prevention departments have many additional responsibilities beyond the traditional loss prevention role. Among the most common identified by survey respondents include:

- Physical Safety (87%),
- Health and Wellness—often related to the COVID-19 response (69%),
- Risk (56%), and
- E-commerce Fraud (53%).

Responses in the "Other" category include cargo/supply chain issues, emergency/crisis management, business continuity, claims management, and brand protection.

Which additional responsibilities is your AP/LP team responsible for? (Select all that apply)
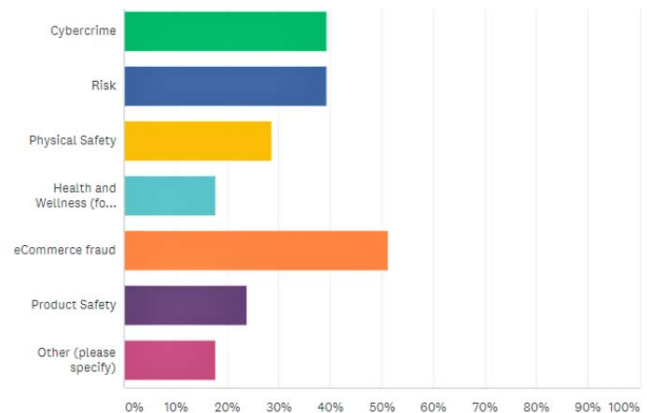

What will LP departments be responsible for in the next 5 years?

Respondents believe that loss prevention departments will continue to take on additional responsibilities in the coming years, with the most anticipated growth areas in E-commerce Fraud (51%), Cybercrimes (39%), and Risk (39%).

"Other" category responses included cyber protection, supply chain, BOPIS (Buy Online, Pickup in Store), and insurance.

Which additional responsibilities do you foresee your LP team taking on in the next 5 years? (Select all that apply)
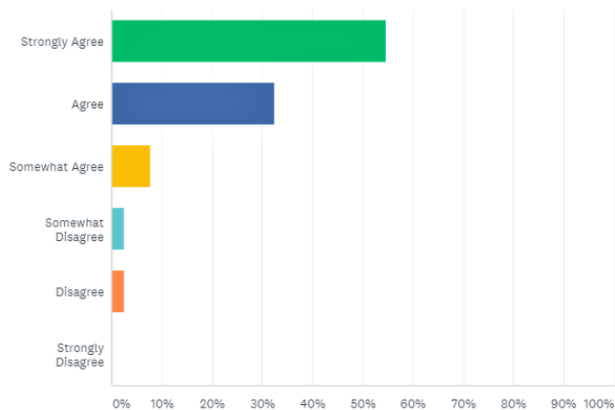
Loss Prevention Technologies

CCTV and physical security

95 percent of respondents agree that physical security measures such as CCTV, restricted access to storage and warehouse areas, rigorous and cash handling protocols are key components in the success of the LP program.
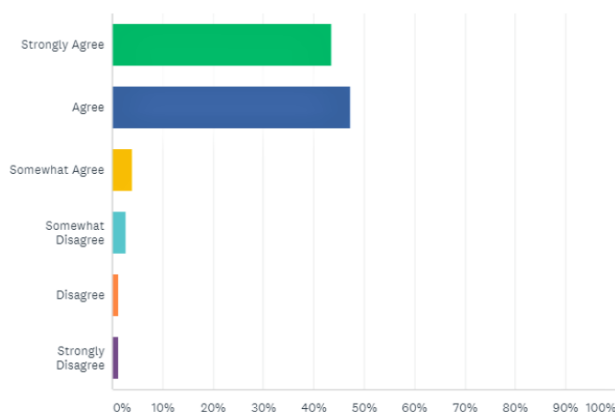
Physical security measures are key to the LP program: CCTV, restricted access to storage/warehouse areas, rigorous cash handling protocols, etc.

Exception-based reporting

95 percent of respondents agree that exception-based reporting may represent loss cases within their organization.
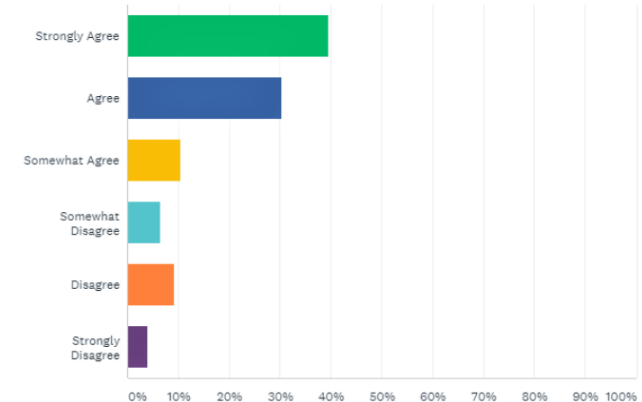
EBR (exception-based reporting) or analytics detects and flags exceptions that may represent loss cases.

Current integrations

Most respondents (81%) state that they integrate their LP analytics tools with data streams from other departments within the organization to maximize their return on investment on the solution.

LP analytics tools integrate with data streams from other departments to deliver insights about business functions beyond fraud and theft (ex: optimizing digital sales, identifying training opportunities, promotional analysis).

There were a few comments worth noting.

"I don't think this is being widely embraced. Some organizations may recognize the contributions LP/AP can make in these areas, but not many. I once tried pitching utilizing video analytics & heat mapping to provide insights into customer behavior to our merchandising department, so that aisles and endcaps can be better laid out. I was met with a hard and fast 'stay in your lane' type response."

"They should. But we do not have that ability currently."

"Since rolling out the solution, our store operations, inventory control, internal audit, legal, workers compensation, and over the past year, our COVID-19 Core Committee, have and are using the platform almost as much as asset protection."
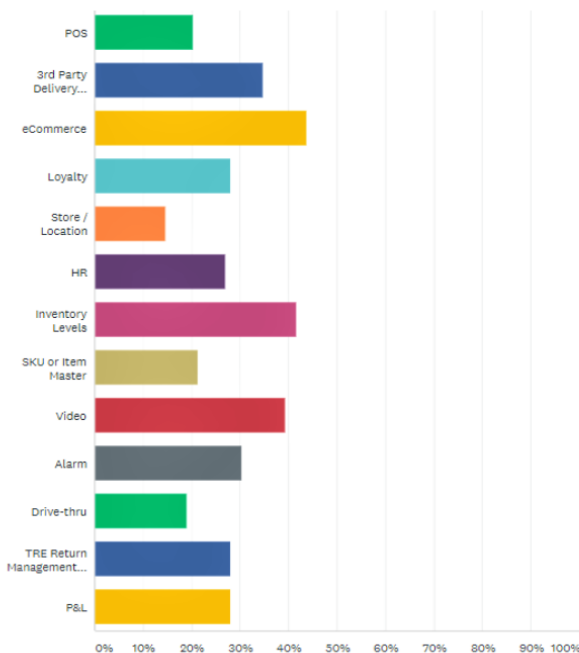
"I see this as a tremendous area of opportunity."

Future integrations

Comparing and matching data analytics solutions that companies currently carry with those that respondents feel that their LP programs will need over the next 5 years, it's clear that most programs feel that analytics solutions will maintain a growing area of need within their programs, with the most pressing needs reported involving ecommerce, inventory, and video platforms.

For example, respondents indicated that 43 percent of their programs currently carry ecommerce-related analytics (Question 5), and 44 percent that don't currently these analytics will need them in the next 5 years (Question 6). Simple math tells us that 87 percent of respondents either have or feel they need ecommerce analytics solutions to help support their loss prevention needs. Similar analysis points to related results for other solution categories.
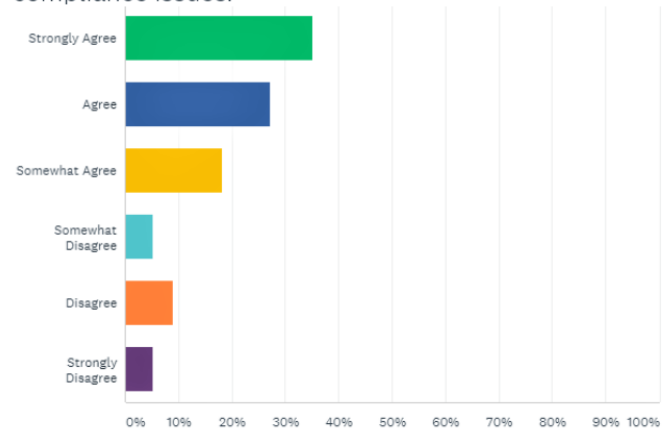
Which data sources does your Exception-Based Reporting (EBR) or Data Analytics solution (used by the LP team) NOT integrate with currently but you think you'll need in the next 5 years? (Select all that apply)

Insights to action—alerting the field

80 percent of respondents state that LP reporting automatically pushes actionable alerts to the field so that any issues or concerns can be appropriately addressed.

LP reporting automatically pushes actionable alerts to the field to be addressed appropriately, e.g., potentially fraudulent transactions, inventory fluctuations, potential compliance issues.
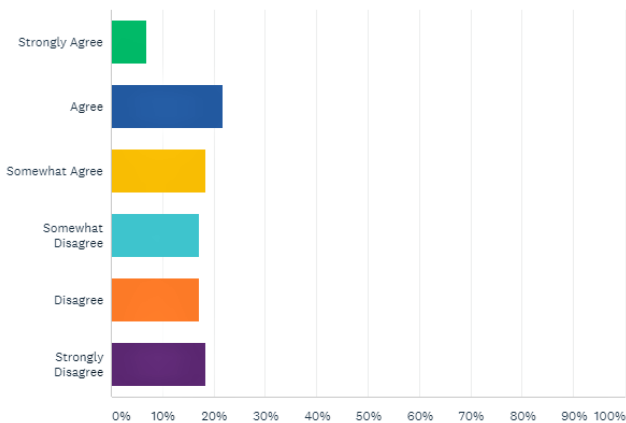

However, when asked what percentage of stores receive automated alerts there were significant variances. 21 percent of companies receive alerts at 91–100 percent of their locations, while 33 percent of companies do not receive automated alerts at any of their locations.

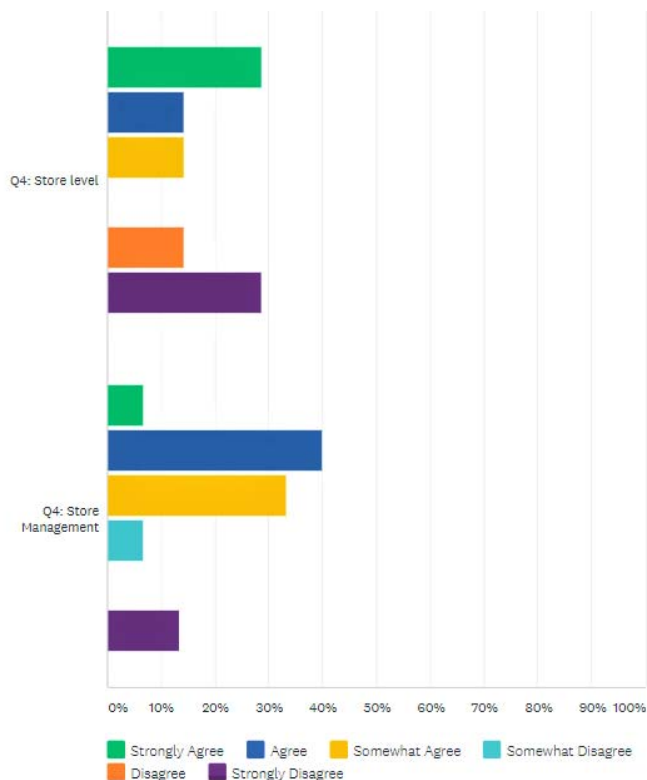| ANSWER CHOICES	RESPONSES
0%	33.33%
1% - 10%	4.00%
11% - 20&	1.33%
21% - 30%	4.00%
31% 40%	5.33%
41% - 50%	8.00%
51% - 60%	4.00%
61% - 70%	1.33%
71% - 80%	1.33%
81% - 90%	8.00%
91% - 100%	21.33%
Not Sure	8.00%

Measuring Success of LP Efforts

Are cases still the primary metric of success?

Percentage of closed cases is the primary metric used to measure the success of the loss prevention program.
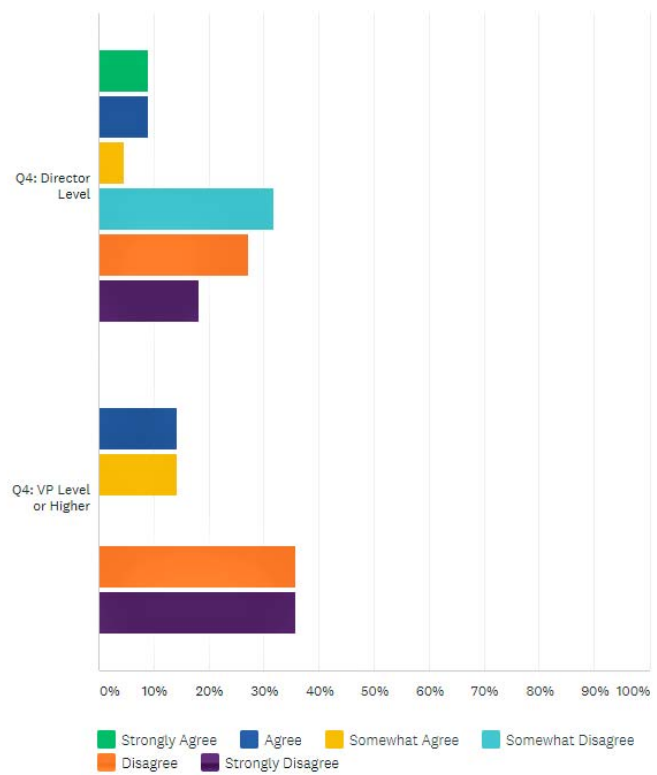

This question showed some interesting results based primarily on the position that respondents held within the organization.

As shown in the chart on the lower left, 57 percent of store-level loss prevention professionals agreed that percentage of closed cases is the primary metric used to measure the success of the LP program. Additionally, 80 percent of store management agree percentage of closed cases is the primary metric, and 56 percent of field-level LP professionals agree.

In contrast, 77 percent of director-level LP professionals and 72 percent of VP-level or higher disagree that percentage of closed cases is the primary metric used to measure the success of the loss prevention program.

Most loss prevention professionals, as they gain more experience and mature into their positions of leadership, understand that the role of loss prevention is to enhance the profitability of the organization. Comments to this question are shown on the next page.

Here is a sampling of the comments from respondents.

"Back in the day a lot of organizations used employee theft and shoplifting numbers as the key metric to determine LP/AP success and worth. Now, with the policies shifting on shoplift apprehension and companies placing more value on the 'prevention' part of 'loss prevention,' that's no longer the case. These statistics have been shifting to operational/fresh shrink reduction, burglary/robbery prevention, employee safety & physical security."

"Forward thinking retailers would never measure the success of an AP/LP program by closed case metrics. Overall, the industry thinking around this metric needs to change and is archaic and low level."
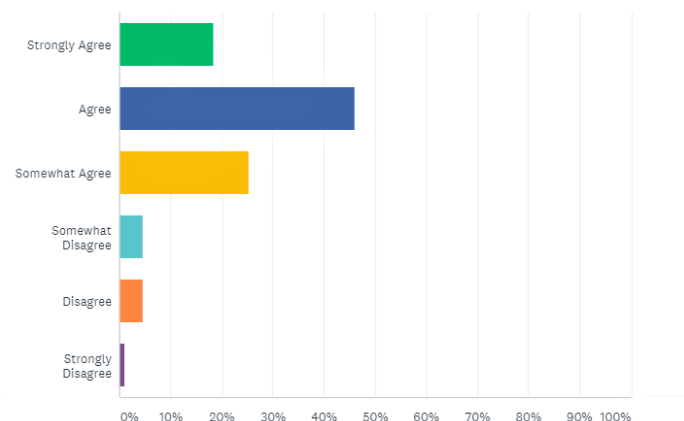
"We moved away from this years ago."

"With resources being at a premium, the prioritization and strategy behind cases has become more important in going after the most ROI."

Reporting used to measure efficiency, value

90 percent of respondents agree that reporting mechanisms are in place to measure the value and efficiency of the controls LP has put in place.
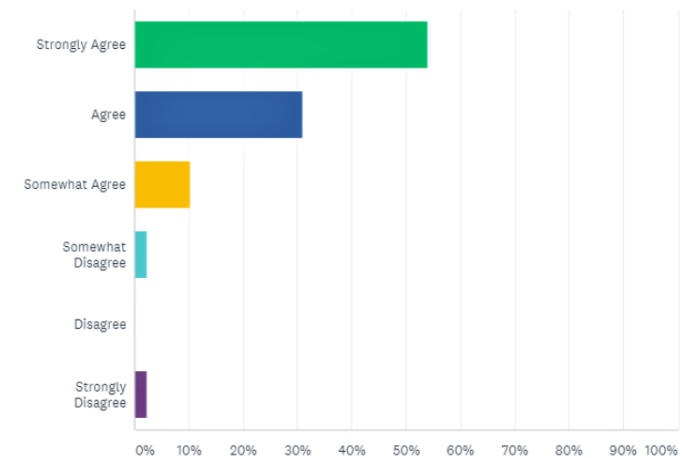
Reporting mechanisms are in place to measure the value and efficiency of the controls LP has put in place, such as false positives vs. actionable.

Beyond fraud and theft to maximize impact

95 percent of respondents agree that loss prevention analysis and reporting yield insights beyond theft and fraud, identifying savings opportunities across operational areas.

LP analysis and reporting yield insights beyond theft and fraud, identifying savings opportunities across operational areas.

Here are some of the comments.

"We become business partners with an expertise in loss prevention = total loss."

"Our ability to function as a partner with Operations helping to resolve shrink and GP issues has helped us to be perceived in a more positive light."

"AP is recognized as a full-fledged operations partner."

Dollar impact is measured on LP efforts

95 percent of respondents agree that LP analysis and reporting tracks actual financial impact attributed to LP controls within their organizations.

Many comments indicated that this is a point of interest. Following on the next page is a small sampling.
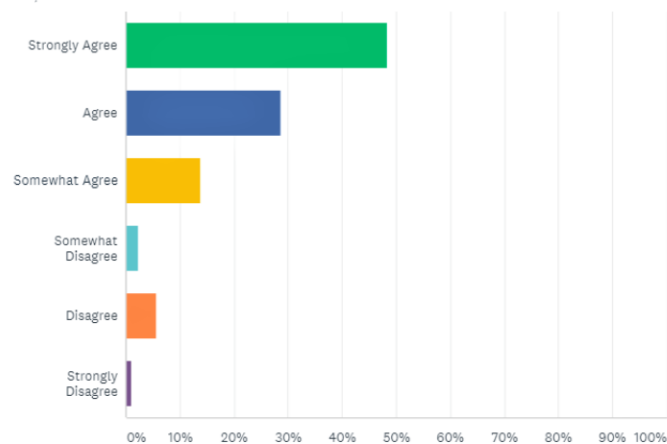
"Our focus is on this point but we are not where we need to be. We are manual at this point in our tracking process so we don't always get the credit for what we add to the bottom line."

"It should, we just not there yet."

"Prevention is difficult to quantify and assign to a specific area. Many other departments often claim the credit for moving the needle."

"This is an opportunity we are addressing."

LP analysis and reporting tracks actual financial impact attributed to LP controls, such as the impact on the business' bottom line.

Estimated dollar impact of LP efforts

Overall, 25 percent of respondents estimate that the amount of profit improvement their companies realized was between $1 – $5 million, 11 percent estimate between $5 – $10 million, and 20 percent estimate profit improvement to be greater than $10 million.

However, those numbers are more impressive when looking at the department decision makers. In this group, 30 percent of director-level respondents estimate that the amount of

profit improvement their companies realized was between $1 – $5 million, 10 percent estimate between $5 – $10 million, and 25 percent estimate profit improvement to be greater than $10 million.

Additionally, 29 percent of VP or higher-Level respondents estimate that the amount of profit improvement their companies realized was between $1 – $5 million, 21 percent estimate between $5 – $10 million, and 29 percent estimate profit improvement to be greater than $10 million.

What solution improvements do LP teams need to make?

System integration between platforms is an area where many respondents feel there is an opportunity for continuing growth and development, along with expanded use of analytics and the use of new technologies.

Here is a sampling of responses.

"Harnessing AI and automation to augment the LP team. Understanding the solutions and how they will be used in the enterprise as to identify and mitigate new horizon risk."

"Just having systems speak to each other."

"Integrated solutions that examine dot com trends and issues, centralized investigative hubs, internal social communication platforms, video and alerting capabilities for store teams."

"Better video and POS integration, IOT integration with Video and EBR."

"Expand the use of management programs and exception programs to different company departments."

"1) Increase investment in IP camera technology; 2) A.I. and process automation; 3) situational awareness intelligence solutions and incident management systems for crisis management application."

Conclusion

This research shows that there has undoubtedly been a significant shift in the loss prevention industry over the years. As the value of loss prevention has matured and responsibilities have expanded, so have the perceptions, processes, technology, and metrics used to measure success.

Loss prevention and asset protection teams are being asked to take on more and more responsibilities, especially within the past few years, and this isn't expected to slow down anytime soon. Over time, this has changed the perceptions of loss prevention professionals who used to be viewed as "bad guy catchers," a "necessary evil," or simply a security force. The overwhelming majority of LP teams are viewed as a go-to resource for fast, accurate reporting on operational issues and drivers of a culture of revenue optimization for the business. Almost 9 out of 10 loss prevention teams have been given a seat at the table and hold a stake in the creation and optimization of policies, processes, and technologies impacting decision-making across the business.

As loss prevention takes on more responsibilities and are increasingly embraced as key operational partners, it only makes sense that their metrics for measuring success have changed as well. While shrink reduction is still a prevalent Key Performance Indicator (KPI), a growing number of teams are tracking actual financial impact on the business' bottom line.

While those in leadership positions have generally embraced these changes, their enthusiasm hasn't necessarily trickled down to those in the field. There are many possible explanations for this disparity. Perhaps leaders need to better communicate departmental philosophies and value to their teams. Or maybe those with a more mature, holistic, and business-minded mentality are more likely to be elevated to leadership positions in the first place. No matter the reason, the industry as a whole must continue to push the envelope and clearly communicate that the real value of loss prevention is profit improvement including, but not limited to, reducing shrink and identifying instances of fraud and theft. ■