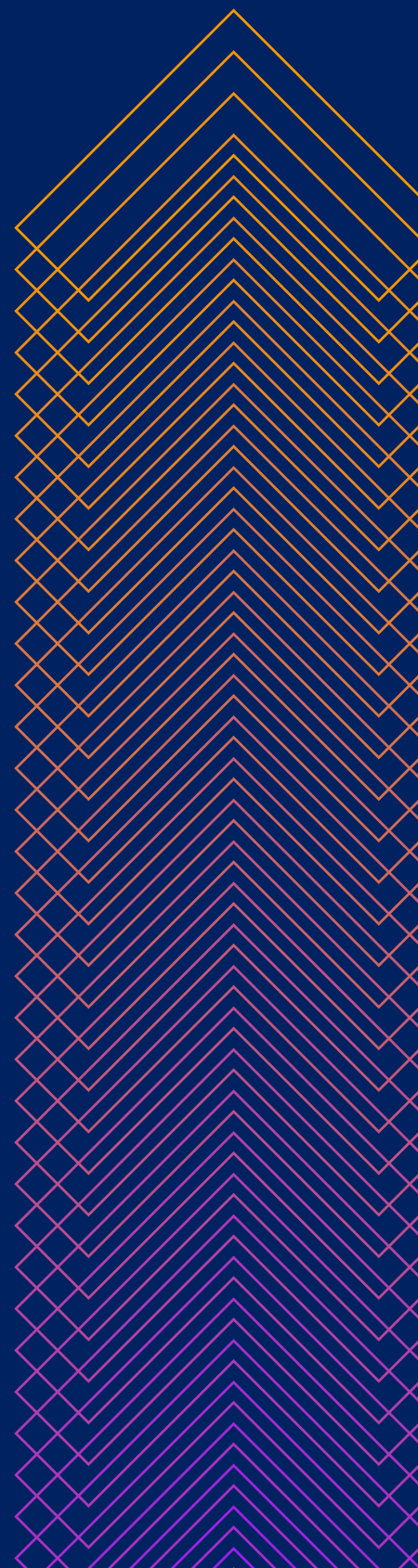


# ONE TECHNOLOGY THAT CAN HELP BETTER IDENTIFY SHRINK ACTIVITY

**Shrink now costs U.S.  
retailers over \$100 billion  
annually—and it's still rising.**

With inventory losses mounting at a record rate, more  
retailers are assessing how to leverage RFID-based solutions.



Despite the millions of dollars being invested to root out shoplifters, organized retail crime (ORC) and internal bad actors, billions of dollars-worth of inventory is disappearing off shelves—if it even makes it there in the first place.

**According to the National Retail Federation (NRF)**, retail shrink rose to \$112.1 billion in 2022, up significantly from \$93.9 billion the year prior. Retailers now estimate that if current trends continue, losses will exceed \$134 billion by 2025. This surge in shrink is placing unprecedented pressure on retailers across all sectors—from national chains to specialty and discount stores.

# \$112.1B WAS LOST TO SHRINK IN 2022. PROJECTED TO TOP \$134B BY 2025.



Organized retail crime (ORC) is a leading driver. Retailers report more frequent and aggressive incidents, often involving coordinated groups targeting high-demand items. In fact, 67% of retailers saw a rise in ORC-related violence and theft. **Average losses now exceed \$720,000 per \$1 billion in sales**—a steep rise from years past.

But not all shrink is criminal. Administrative errors and internal theft account for over half of total losses. The NRF attributes 25% of shrink to operational mistakes, up from 20%, including receiving errors, pricing overrides, and poor returns tracking. One major retailer noted that over 80% of returns are made without receipts, creating major fraud risks.

Retailers are now shifting from traditional surveillance to real-time visibility tools like RFID. These technologies not only detect when inventory bypasses the point of sale, but the serialized data carrier from a 2D barcode or RFID tag, can be used to verify a legitimate return versus a fraudulent return while identifying suspicious patterns more easily.

In a landscape where \$100B+ vanishes each year, retailers need more than just cameras. They need technology that closes the gap between what's missing—and why.

RETAILERS DON'T ALWAYS KNOW

# WHAT THEY'RE MISSING—OR WHY SOMETHING IS MISSING

Though traditional theft and fraud scams are still running rampant, retailers say more people are attempting to return stolen merchandise for store credit, which is usually issued in the form of gift cards that are then sold for cash. In fact, one global apparel retailer was just telling me that **80% of its return transactions are completed without the customer presenting a receipt due to its very loose return policy.** That's why it has been looking into ways in which technology can be used to trace and confirm the product's origin. Unless the retailer can say with complete certainty that the returned item wasn't purchased in any of its stores, law enforcement is limited in its ability to investigate and prosecute suspected fraud incidents.

Of course, some shrinkage can be attributed to oversights during receiving and reporting, especially right now. Everyone is moving fast to replenish shelves, and products are being taken straight from the loading dock to the store floor at a higher-than-normal rate. Supplier miscounts and delivery shortages aren't being caught before pallets are broken down and individual items dispersed, so retailers are starting off at a deficit. And there is always a chance that "missing inventory" is due to misreporting by store associates.







ACCORDING TO ONE NRF REPORT,

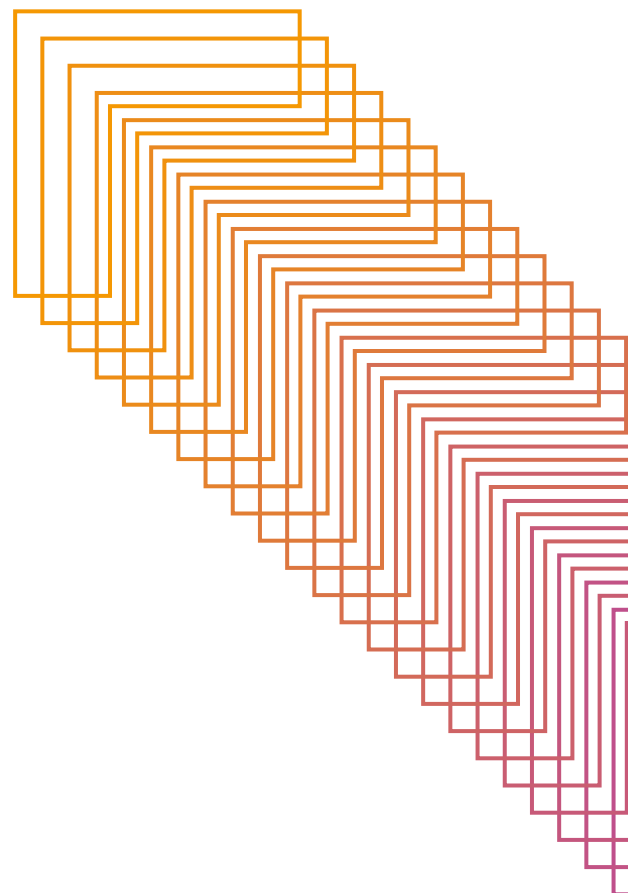
**APPROXIMATELY  
25% OF SHRINKAGE**

**IS DUE TO ADMINISTRATIVE AND OPERATIONAL ERRORS.**

In some cases, associates are taking damaged goods out of inventory as they should but failing to code them properly in the system. In other instances, item pricing isn't being properly updated on the shelf tag when promotional discount periods end, forcing cashiers and managers to override the current (full) price at checkout to keep customers happy and close sales. Honoring a \$.50 markdown one extra day may not seem like a big deal in a multi-billion-dollar industry, but these little issues can lead to big losses.

Fortunately, **administrative losses are among the easiest to mitigate**. Focused training and process re-engineering can help associates become more diligent in completing each step in receiving, inspection, quality control, reporting and shelf management workflows. And **increased utilization of enterprise mobility and automation tools can help improve task accuracy** during peak demand periods when associates must move fast and furiously to fill online orders, restock store shelves and prevent long checkout queues from building.

But catching intentional acts of theft or fraud while in progress has proven a nearly impossible task.



# TIME IS NOT ON RETAILERS' SIDE.

THAT'S WHY IT'S TIME TO LOOK CLOSER AT ADVANCED TECHNOLOGY TOOLS.

Most retailers are fast to react when theft or fraud incidents are identified. Yet, they'll admit that uncovering such issues has historically been a slow process. The lack of "live location" asset visibility makes it difficult to know if a missing item has just been misplaced or if it's walked out, **even if they have a way to quickly narrow down the source of certain losses** (i.e., the department or checkout lane). Further investigation is often needed to see if the actions leading to inventory and accounting system discrepancies are accidental or intentional. **For example:**

- Did the cashier mistype the SKU for produce?
- Did the cashier trust that the customer properly weighed self-bagged items from the bulk bins?
- Did they intentionally charge the lower non-organic price for an organic produce item to help a friend?

Honest mistakes like erroneous pricing inputs and mis-scans happen, but it's hard to confirm intentions based on system data alone. And you can't be completely certain if it's an employee or consumer stealing merchandise off a truck or shelf unless you see it happen. This is putting retailers in a tough position.





No one wants to accuse a valued team member or customer of theft or fraud without proof. Yet, the evidence doesn't always lead LP teams toward the right individual(s)—at least not right away. Patterns generated via the prescriptive analytics system can help pinpoint potential employee fraud almost instantly, especially at the point of sale (POS). Unless investigators are tipped off to a particular individual or group in other fraud and theft incidents, it can take a long time—we're talking several hours of video review followed by weeks of interviews—to confidently identify and charge the right suspect(s). In the meantime, the inventory, labor and financial losses continue to add up:

- Associates that could be assisting with revenue-generating activities such as order fulfillment and shelf replenishment end up wasting time hunting for missing inventory that's showing in stock in the system—often to no avail
- Customers that walk or drive away empty handed because an "in stock" item can't be located may not come back in the future
- Asset protection teams may find themselves chasing the wrong leads or shadowing the wrong "suspect" in store) due to their lack of historical or real-time operational visibility

That's why more retailers are investigating the ways in which advanced technologies such as radio frequency identification (RFID) can improve inventory track and trace to help streamline incident investigations and, hopefully, prevent criminal losses from occurring in the first place.



# IT TAKES MORE THAN CAMERAS

**TO STOP WALKOUTS AND SHUT DOWN ORGANIZED RETAIL CRIME (ORC) RINGS.**

LP teams can't be in all places at once, and even the best camera systems have blind spots. Wired alarms on high-value merchandise aren't failproof either, mainly because high-value goods aren't always the ones with the highest shrink rates. For example, retailers may see more umbrellas than usual walk out of a store during a torrential rain event. These aren't items that would normally be tagged but, in this instance, they should be—at least temporarily.

**Overhead RFID systems such as Zebra SmartLens® automatically alert asset protection (AP) teams to what's happening at key points of loss in real time:**



## AT THE RECEIVING DOCK

If inventory is sourced with RFID tags, you'll know as soon as each pallet crosses the threshold of your dock doors whether the delivery count is correct per your order. The RFID system will automatically read and count the tags so associates don't have to worry about conducting a manual count—and you don't have to worry that they'll forget to count. The data can then be validated against the bill of goods via the prescriptive analytics solution to help identify shipping shortages or confirm that all items were in your store at some point in time.



## ON THE FLOOR AND AT ALL DOORS

If an item goes missing from the stockroom or a shelf, you'll know. RFID readers located at all entry and exit points—both in the front and back of the store—will read tagged items and send that data to the SmartLens system. SmartLens will then verify if the item was purchased or otherwise authorized to leave the store and alert you if the POS was bypassed and theft needs to be investigated. If an item registered as high value or high shrink starts moving within the four walls, the system can alert your LP team so it can monitor the item's movements and intervene if someone attempts to walk out with the item. In fact, some customers report their POS bypass visibility has increased by up to 96% since implementing SmartLens.



## AT THE REGISTER

Prescriptive analytics can work in tandem with SmartLens to identify potential fraud events, including intentional mis-scans, tag switches and POS bypass.



## AT THE RETURN DESK

Should the LP team be unavailable to intervene while a theft is in progress and an item makes it out the door, the risk of it being fraudulently returned shrinks significantly.

Unlike the typical barcode-only product tag, which can only identify an item's SKU or category, an RFID label contains unique data about the item that can't be duplicated. This includes the item's purchase history. If someone tries to return a pair of stolen jeans, for example, **a simple scan of an RFID tag will alert the associate**, who can then call in the AP team. The AP team will be able to identify within seconds or minutes the store from which that item was stolen, as well as the exact time the item left the store. Video footage can then be pulled up to see if the person returning the item is the same person who stole it or if this is an accomplice.

In fact, a Zebra customer who is currently using SmartLens in its stores says that the productivity rate of its AP team is 8x higher than it was before deploying the technology solution because it now has more precise data and visibility into how the criminal activity was executed. It has also been able to more effectively track the movements and trends of organized theft rings to the benefit of all retailers.



**When used in conjunction with prescriptive analytics, RFID track and trace solutions can also help to:**



## **IDENTIFY PATTERNS AND REPEAT OFFENDERS MORE QUICKLY**

The evidence gathered via the technology systems helps to strengthen retailers' cases when collaborating with law enforcement to disrupt ORC. In fact, SmartLens features patented technology that enables retailers to completely retrace shrink events. AP/LP teams can log in to understand when, where and how a theft was initiated inside the store and the path that was taken as the suspect and (eventually) item moved through the store—up to and including the store exit.



## **INFORM POLICY AND PROCESS CHANGES**

Because SmartLens provides the data points needed to retrace shrink events, retailers can easily retrieve video footage to visually study the crime. Once they understand how theft and fraud is transpiring within their four walls, it becomes easier to develop and execute offensive and defensive strategies. For example, the apparel retailer that was struggling with return fraud is now reexamining its return policies and driving change based on data provided by the SmartLens system in recent months. It is also creating new anti-theft processes based on identified shoplifting patterns, some of which make it easier for associates to interrupt acts of fraud and theft.



## **RESOLVE ADMINISTRATIVE SHRINK ISSUES AT THE POINT OF OCCURRENCE**

There are a number of data input errors and workflow oversights that can lead to discrepancies between shelf inventory and back-end system counts. SmartLens and prescriptive analytics are just two more data sources and behavior recognition tools that retailers can tap into when seeking answers. (You can read more about the role intelligent automation plays [here](#).)



## **REDUCE WASTE IN ASSET PROTECTION WORKFLOWS**

This technology eliminates the need for workers to conduct daily counts of high-value and/or high-shrink items. It also enables AP teams to open a new case log in under 10 minutes, which is something that used to take over an hour according to feedback we've received from customers.

# WHAT I WANT YOU TO WALK AWAY WITH

As store traffic increases and criminal tactics evolve, retailers must modernize their loss prevention strategies.

Traditional tools like Electronic Article Surveillance (EAS) have been widely used, but they impact the customer experience and lack the item-level insight needed today. That's why many are moving to RFID-based solutions, which enable real-time tracking, fraud detection, and return verification.

The most effective approach combines RFID with prescriptive analytics, automation, cameras, and other edge technologies—giving you full visibility across the store and the insights needed to:

- Validate transactions
- Root out internal and external offenders
- Explain shortages
- Stop theft and fraud in progress
- Recoup losses when needed
- Effectively prosecute for all incidents

If you'd like to learn more about how Zebra Technologies **Prescriptive Analytics** and **SmartLens** solutions can help you combat fraud and theft and account for other losses in your stores, you can contact my team [here](#).

**REQUEST YOUR CONSULTATION**

