

# The 2022 Australia & New Zealand Retail Crime Study

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*Report for the Profit Protection Future Forum*

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# Foreword

The 2022 Australia and New Zealand Retail Crime Study is the second overview produced by the Profit Protection Future Forum into the ANZ retail crime landscape. The first study (published in 2019) provided needed regionally relevant intelligence into hot products, popular offending methods, and sector-level estimates of loss types. This second study not only continues this focus and considers changes during the intervening period. As everyone is aware, the last four years have witnessed considerable and unpredictable changes. COVID-19 disruptions, staff shortages, strained supply chains, and greater online transaction volumes have all shaped the opportunity surface for the commission of criminal activity, be it organised retail crime groups or impulsive amateurs.

We are indebted to our members for providing their information, data, knowledge, and valuable insights. As the leading industry consortium on profit protection across Australia and New Zealand, we are committed to establishing and sharing evidence-based practices in retail profit protection.

The average reported crime-related losses for the period 1st July 2021 to 30th June 2022 was 0.88%. This amounts to AU \$4.3 billion for the entire sector.

Customer theft remains the largest source of loss across the sector. The most common tactics employed by offenders are unsophisticated in nature and do not require much in the way of preparation or specialised knowledge or equipment.

Violence and abuse experienced by frontline staff is on the rise, although this is unevenly experienced by category. Respondents from apparel and pharmacy report no change in levels of violence and abuse, whereas supermarkets, department and discount department stores have reported an increase in violence and abuse.

With regards to formal law enforcement, 51% of respondents felt that they are receiving sufficient support to tackle retail crime. This is a sizable improvement from 2019 when only 20% of respondents felt supported by law enforcement. However, the situation in the aggregate obscures the substantial variation at the state level.

The Profit Protection Future Forum (PPFF) is the only not-for-profit organisation in the region focused purely on helping loss prevention professionals.

The PPFF is committed to supporting the industry to identify and respond to crime-related activity impacting their business and we welcome this report as a valuable tool to begin thinking about regionally specific solutions. As an industry, we need to better leverage actionable and relevant information to properly assess performance, identify risks, pre-empt emerging trends and implement evidence-based tools and solutions.

***The Profit Protection Future Forum Steering Committee 2023.***

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## Executive Summary

- The ANZ Retail Crime Study is based on findings from companies operating more than 8,900 stores with an annual turnover of approximately AUD 136 billion in the last financial year, representing almost one-third of the industry in Australia and New Zealand.
- The average reported crime-related losses from 1 July 2021 to 30 June 2022 was 0.88% of revenue, corresponding to an estimated AUD 4.29 billion for the entire ANZ sector.
- Customer theft was the largest category of crime-related loss (53%), followed by employee theft (24%), customer fraud (14%) and vendor fraud (8%).

### COVID-19

- 80% of respondents deemed staff shortages related to COVID created severe disruption. Two-thirds of the sample reported COVID restrictions resulted in periods of non-trading greater than 30 days.
- Respondents reported mixed experiences in changes to loss types because of COVID. Half the sample reported no difference in internal loss (attributed to COVID), and 45% reported an increase in external loss. However, a sizable fraction reported decreases in external loss.

### External Theft

- Our total external theft cost estimate is AUD 2.29 billion in 2021—22. On average, an individual external theft incident comprised between two and five items for an estimated \$415.
- The most frequently cited methods of external theft were methods that required little planning or specialised knowledge.
- The use of distraction techniques appears to have increased in frequency across most retail categories since the 2019 Retail Crime Survey.
- Techniques requiring planning and preparation were concentrated among particular retail categories. Booster bags were most common in pharmacies, followed by apparel and fashion retailers; additionally, barcode scams featured at hardware stores and discount department stores at far higher rates than other categories.

## Internal Theft

- Internal theft incidents appear to be less frequent than external theft incidents but have an average higher value of \$1,200.
- Theft of stock and discounting problems were the most frequently cited types of internal theft.

## Fraud

- Card-not-present (CNP) fraud was the most common fraud type experienced in the online retail space. Refund fraud was the most cited fraud type experienced in physical stores.

## Violence and Verbal Abuse

- Discount department stores, sports and recreation stores, and hardware stores consistently reported the highest frequency of violent or aggressive behaviour.
- Apparel and fashion and pharmacy categories appear not to have experienced significant changes in the frequency of violence and abuse over the last four years.
- Supermarkets and department stores (and discount department stores) have reported increased violence without injury.
- Abuse and aggression have increased considerably in discount department stores but declined modestly in supermarkets.
- Robbery has seen sustained reductions, and there appears to be a shift from armed robbery to unarmed robbery in the last four years.

## LP Team composition and reporting structures

- Almost all respondents indicated that recruiting LP staff with relevant experience and expertise was somewhat difficult or extremely difficult (94%). Surprisingly, nearly 1/3 of businesses in the sample have a one-person LP team

## Relationship with law enforcement

- New South Wales and both islands of New Zealand received the highest rating of support.
- 51% of respondents indicated they received sufficient support across their operating regions, a dramatic improvement from four year ago when only 20% respondents indicated they were satisfied with the support provided.

# Introduction to the 2022 ANZ Retail Crime Study

This report provides a comprehensive overview of the crime risks faced by the retail sector of Australia and New Zealand (ANZ) in two distinct ways. The first is to describe major dimensions of theft, fraud, and violence as experienced by ANZ retailers. These descriptions allow businesses to benchmark their performance against peers in a more objective way than other approaches. These insights should result in more focused business plans, evidence-based strategies and improved profitability.

A second way this report provides insight is to capture trends in retail crime. By capitalising on previous studies [1, 2], the findings from this study can be situated within historical rates of retail crime – such insight is crucial for strategic planning. Understanding long-term trends allow organisations to "skate to where the puck is going, not where it is".

While not a central focus of this study, we reflect on the divergent experiences of different retailers during the global pandemic and the ongoing impacts to their operating context.

## *Context of the retail economies of ANZ*

According to national statistics, the size of the retail economies of the ANZ region across the 2021—22 financial year is approximately AUD 487.5 billion, comprising over 184,000 businesses [3, 4, 5, 6], an increase of AUD 97.4 billion (25%) and 23,822 businesses (14.7%) compared to 2017—18 levels. Business formation growth predominantly occurred in Australia, with an increase of 16%, compared to just under 6% growth in New Zealand. However, revenue growth has been similar between the two countries, with New Zealand recording a 6% year-on-year growth rate and Australia at 5.7% year-on-year.

From the Australian Bureau of Statistics (ABS) retail data, there has also been rapid growth in online sales, with an average yearly growth rate of 30.5% between 2017—18 and 2021—22 financial years, representing an increase of AUD 7.45 billion year-on-year [6]. However, this growth has not been linear, accelerating during the height of the pandemic at an annual growth rate of 42%.

The global pandemic has severely impacted the retail sector in this intervening period, with public health directives and lockdowns affecting business operations, the labour force and suppliers. Some businesses could trade uninterrupted, albeit with restrictions such as store density and social distancing. In contrast, others were unable to open stores for extended periods. Regardless of experience, many businesses reported that a combination of weak supply chains and labour shortages had made the most recent trading periods some of the most challenging environments in memory.

## *Methodology*

This study used a mixed-methods approach, drawing on qualitative and quantitative data to provide richer and more insightful coverage. For our purposes, three distinct types of data were collected: an online survey, one-on-one interviews, and police-recorded crime data. This research received ethical approval from Griffith University's Human Ethics Review Committee on 18 August 2022 (GU Ref No: 2022/596).

*Online survey.* We approached Loss Prevention (LP) managers of major retailers to participate in an online survey, alongside additional recruitment conducted on the LinkedIn social network. The survey was closed-answer question format focusing on the operational impacts of COVID; major characteristics of types of loss, violence and abuse and fraud. We also asked about the current and planned use of security solutions and experiences with law enforcement. The survey was opened in September 2022 and focused on the previous financial year (July 2021 – June 2022).

*One-on-one interviews.* We invited a subset of survey participants to have one-on-one interviews with the research team. These interviews allowed a deeper exploration of key issues relating to COVID experiences, law enforcement engagement and expectations about the operational landscape in the near term.

*Police recorded crime.* We sourced recorded crime data collated by the Australian Bureau of Statistics (ABS) to provide additional context for retailers' views. Theft from shops and store robbery were the crime types most consistently recorded in a way useful for this study. For instance, burglary was often reported without specifying a location type, making it impossible to partition commercial burglaries from burglaries at other locations. Equivalent data from New Zealand were collated, but differences in counting and reporting made this extremely challenging to include comparably.

In the sections below, we report results for the entire sector and some questions by category (apparel, department store, etc.). Exposure to retail crime varies substantially by category, so it is essential to control for this where appropriate. However, some categories had a relatively low response rate, undermining the generalisability of their results. Our approach has been to report on categories with a sample size sufficient to be reasonably confident the results are robust and representative.

For this report, retail crime is calculated as the aggregate of external loss, internal loss and vendor fraud because they are widely accepted concepts across the sector and are routinely measured. We report levels of admin loss at points in this report but do not provide detailed analysis as this is not the report's focus and individual businesses have idiosyncratic approaches to this loss category, making comparisons somewhat fruitless.

We exclude violence and abuse from our calculation of crime costs. While there has been a growing acknowledgment in recent years that violence (i.e., customer aggression and robbery) substantially impacts businesses (morale, staff turnover), the reporting and measurement of violent incidents are different to other types of loss. As such, the total costs of crime reported in this report will necessarily be an underestimate of the full economic cost of retail crime in the ANZ region.

We also compare the results of the online survey with the findings from previous studies. The Global Theft Barometer was published in 2015 and used the 2014 calendar year as its reporting period (i.e. estimates of loss and revenue correspond to the 2014 trading period). The 2019 ANZ Retail Crime Survey covered the 2017—18 financial year.

Unless otherwise stated all monetary values are in Australian dollars. For NZ retailers, domestic dollar amounts were converted into AUD based on the exchange rate on 1 July 2022.

## Findings

Survey respondents comprised some of ANZ's largest retailers across all major categories. Our sample represent an aggregate of AUD 136 billion in annual revenue, constituting roughly one-third of the retail economies of both countries. In terms of workforce, our sample comprises 450,000 personnel across more than 8,900 individual stores. The Australian respondents represent 10 of the top 25 retailers by revenue [7].



The 2021—22 sample encompasses a greater proportion of ANZ’s retail sector than the 2017—18 sample (one third vs one quarter), arguably increasing the generalisability of the results presented here.

The average reported crime-related losses for 1 July 2021 to 30 June 2022 was 0.88% of revenue, amounting to an estimated AUD 1.2 billion (considering just the participating businesses). Extrapolating to the entire sector, crime-related losses for the ANZ retail sector amount to AUD 4.3 billion. In absolute terms, this represents a 28% increase in crime-related loss since 2017—18 (AUD 3.37B). External loss continues to be the central concern for the vast majority of retailers, primarily driven by the activity of organised retail crime groups.

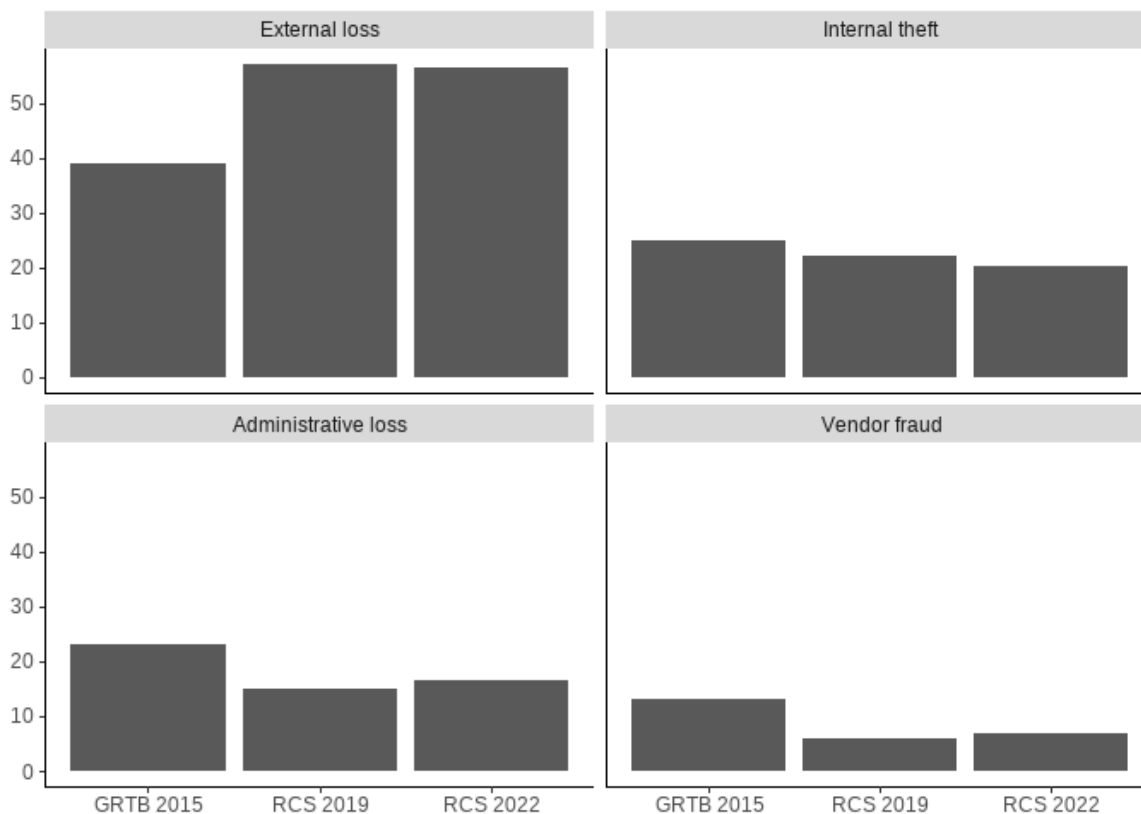
Revenues for the sector have increased by 25% between 2017—18 and 2021—22, translating to retail crime accounting for a lower proportion of revenue now compared to four years ago (0.88% vs 0.92%).

## Retail Crime: Context and Trends

The cost of retail crime to ANZ	\$ AUD
External theft	\$2,292 million
External fraud	\$612 million
Total External Loss	\$2,904 million
Internal theft	\$1,044 million
Vendor fraud	\$350 million
TOTAL crime-related loss	\$4,298 million

The relative proportions of loss types reported in 2021—22 were similar to historic levels. External loss (theft and fraud) was the largest single category at 56.5% of shrink, a slight decrease from 2017—18 estimates. Internal theft was the next most prevalent loss type, with a slight but consistent reduction between time periods. Administration loss followed and accounted for just over 15% of shrinkage (on average, in our sample). Vendor fraud has consistently been the smallest loss type across all three waves of data and was about 7% in the 2021—22 period.

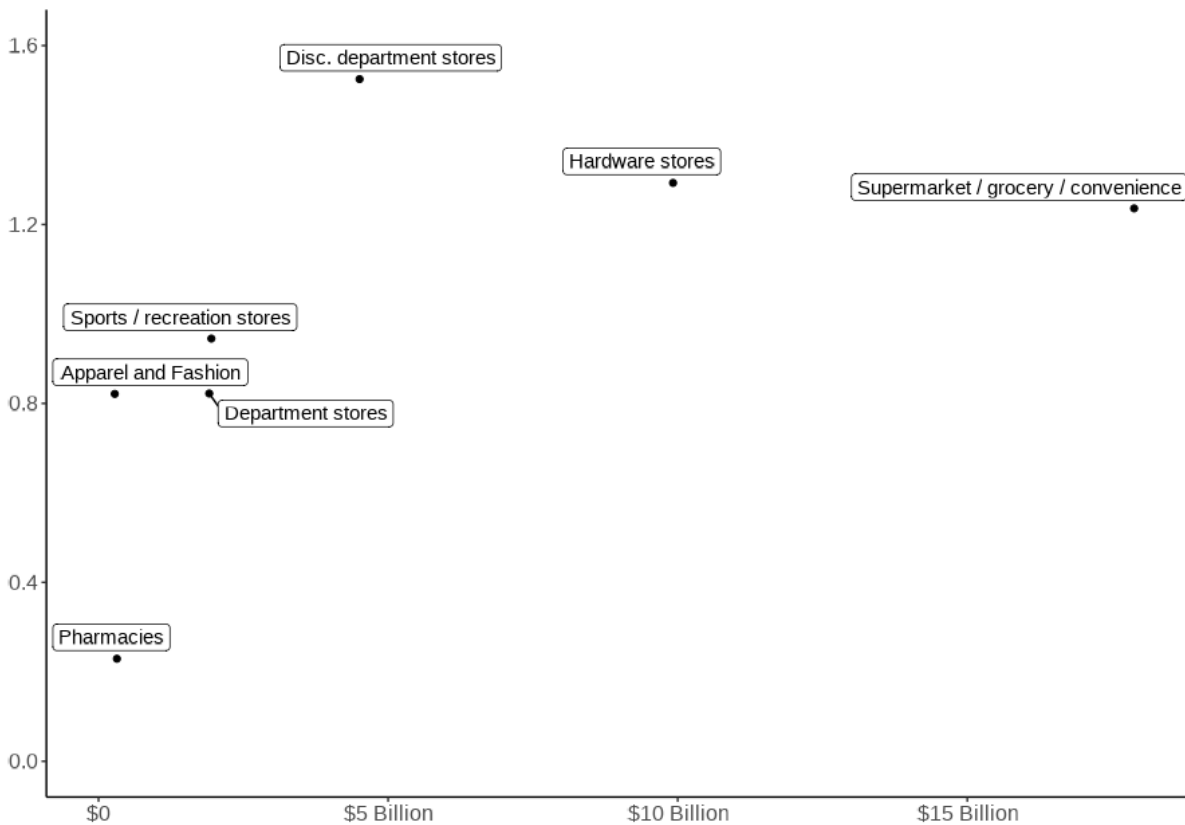
Figure 1 Trends in Percent Mix of Loss Types: Global Retail Theft Barometer 2015, ANZ Retail Crime Survey 2019, 2022 ANZ Retail Crime Study



Note: External Loss is calculated as the sum of External Theft and External Fraud

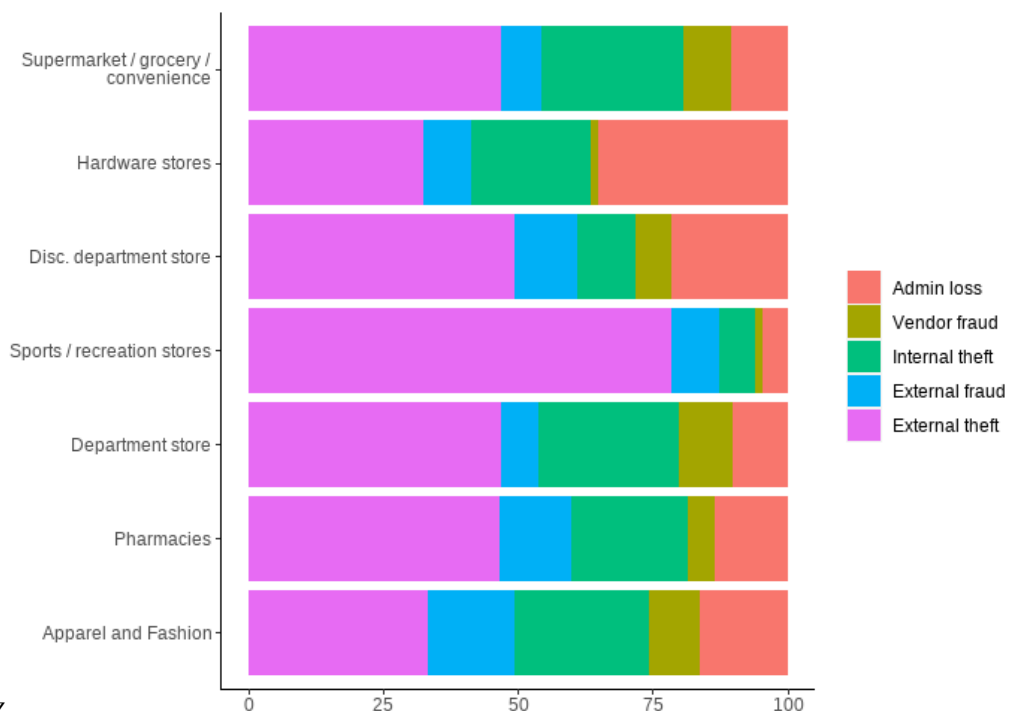
Business size can influence the amount of shrink experienced. Here we look at the relationship between annual revenue and shrink estimates for different retail categories. Note, we report here category averages and shrink as a percentage of revenue. There appear to be three observable clusters: high shrink/high revenue group (grocery, hardware and discount department stores), average shrink/moderate revenue group (sports/recreation, apparel, and department stores) and low shrink/modest revenue (pharmacies).

Figure 2 Average Retail Category Shrinkage Percentage by Revenue: 2022 ANZ Retail Crime Study



To provide more insight, here we show the composition of loss and fraud by category. There are considerable differences between retail categories in the composition of loss types. For instance, sports and recreation stores report the largest ratio of external theft to aggregate loss than any other category, but they have the smallest ratio for internal theft of all categories. In contrast, the apparel and fashion category had an almost even split between internal and external theft (as well as having one of the highest external fraud percentages). While not the central focus of this report, there is considerable variation in admin loss across retail categories.

Figure 3 Average Retail Category Percentage of Loss Type: 2022 ANZ Retail Crime Study



# COVID-19

In the first half of 2020, the governments of Australia and New Zealand undertook unprecedented action to restrict community transmission of COVID-19. Directives impacted categories differently; some “essential” businesses could trade continuously, whereas others needed to suspend trading or move wholly online. Regardless, complying with health directives required posting signage, establishing and policing instore density limits, altering entrance and exit points, establishing electronic check-in and QR codes, erecting Perspex screens to shield personnel and developing contactless processes, among many other changes to operations. Alongside these changes were panic buying, supply chain disruption, lockdowns and personnel shortages.

A study [8] conducted in the middle of 2020 concluded that the retail environment will most likely remain volatile for a considerable time and that LP Teams will need to continue to display resilience and adaptability to protect their business’ profits and personnel.

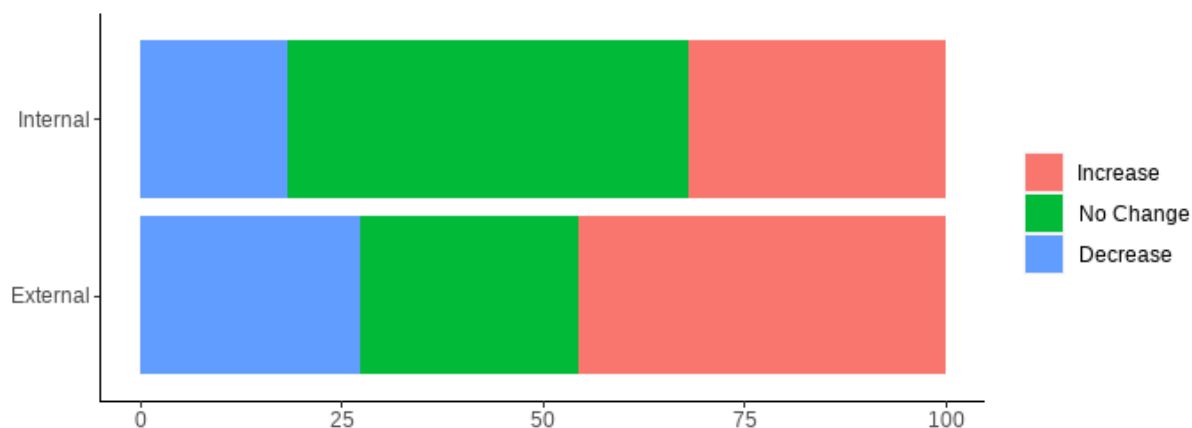
Survey respondents were asked about the impact of COVID, having now experienced two financial years of operating. Unsurprisingly, 80% of respondents deemed the staff shortages related to COVID-created disruption considered “severe” or “somewhat severe”. 15% felt staff impacts were minor but manageable. Two-thirds of the sample reported more than 30 days of not trading during 2021—2022 due to COVID restrictions, with the other third having no interruptions to trading.

*Supply chain [was] a major problem. Suppliers can’t actually fill orders, and then problems with [they] invoice me for it, but it wasn’t in the actual box...and that is compounded by the fact that we don’t have experienced people [due to staffing issues] doing the stock receiving. The supplier has also got supply chain problems, they’ve got staffing problems...suppliers were in lockdown and don’t meet the definition of a firm that’s allowed to actually open [their] doors and supply [the business].*

[Loss Prevention professional discussing the way staff shortages related to COVID impacted the whole supply chain]

Respondents reported mixed experiences in changes to loss types because of COVID. Half the sample reported no difference in internal loss (attributed to COVID), and 45% reported an increase in external loss. However, a sizable fraction report decreases in external loss, which is most likely a second-order effect of public health directives (electronic check-ins, guards on entry/exit points) aimed at reducing the number of customers in the store at any point in time.

Figure 4 Percentage of Sample Reporting Changes in External and Internal Loss: 2022 ANZ Retail Crime Study



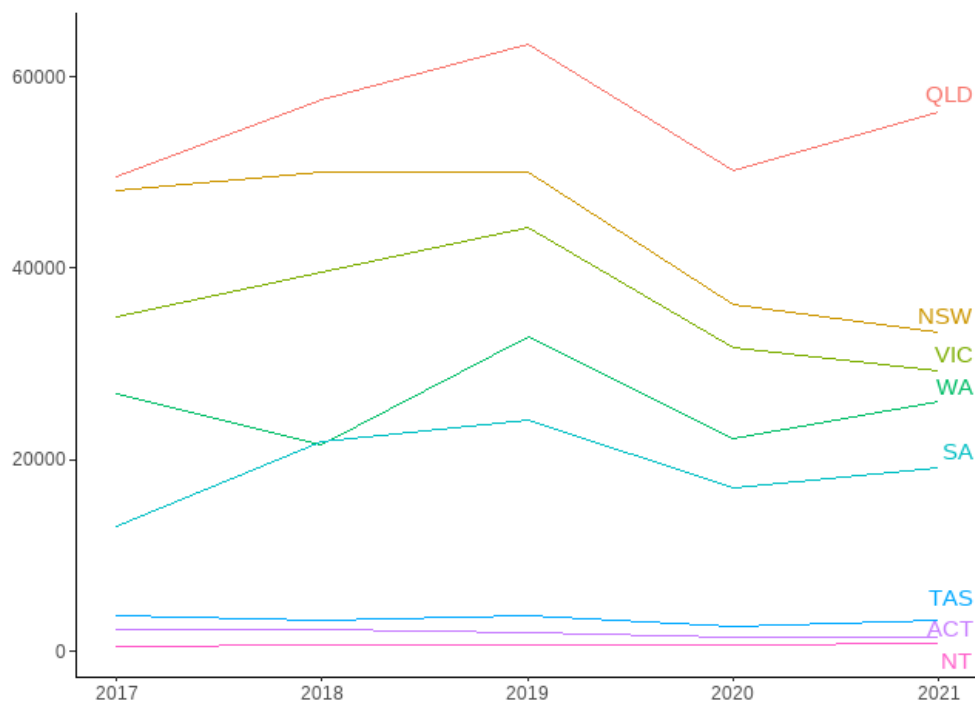
Further support for the relationship between the implementation of public health directives and observed crime-related loss can be found looking at those business experiencing more than 30 days of non-trading in the last financial year. This group reported decreases in both internal and external loss at much higher rates than the businesses who traded continuously.

Analysis at the category level produced mixed results and no clear patterns, suggesting the observed changes may be the result of distinctive differences between businesses more than anything. For this reason and the eventual normalisation and relaxation of public health directives, we anticipate that the sector will eventually revert to the long-term mix of internal and external loss.

Police-recorded crime is an alternative measure of retail crime, though it is not without limitations. Issues can often arise in how the data is recorded, the location an offence is attributed to, and even whether an offence is reported to the police. Despite these and other shortcomings, official crime statistics still represent one of the largest and most consistent sources of information on the occurrence of crime.

The ABS publishes Victims of Crime [9] data annually, incorporating police-recorded crime data from every state and territory in Australia<sup>1</sup>. From 2017 to 2019, the average increase in ‘other theft – retail setting’ offences by state was approximately 10% per year. COVID impacted many aspects of life, and crime was no exception. In Australia, the total number of ‘other theft’ incidents in a retail setting decreased by almost 27% from the 2019 to 2020 calendar years, dropping from 220,954 to 162,079.

Figure 5 Police Recorded Other Theft Incidents in a Retail Location for each Australian State and Territory: ABS Victims of Crime 2017-2022



For the five most populous states, there was an evident reduction in retail theft (recorded by police) in 2020. Three demonstrate a return to long-term trends in 2021, whereas NSW and Victoria managed to maintain these reductions into 2021. As the two most populous states in Australia, NSW and

Victoria witnessed multiple and protracted COVID lockdowns that clearly impacted retail trading and would have played a role the commission of retail crime.

<sup>1</sup> In 2019, South Australia Police (SAPOL) recorded crime data was not included, however, a total was available for crimes occurring in ‘Other’ locations (of which retail locations are part). We imputed the missing values based on the percentage change relative to previous years and other states and territories.

# What items were the most stolen?

We asked retailers to identify up to five items most targeted for theft.

## **Supermarket/grocery/convenience**

- 1) Fresh meat
- 2) Facial creams
- 3) Tobacco

## **Sports and recreation stores**

- 1) Sports-related clothing
- 2) Smartwatch/fitness trackers
- 3) Footwear

## **Pharmacies**

- 1) Perfumes and fragrances
- 2) Facial creams
- 3) Make-up products

## **Hardware stores**

- 1) Power tools
- 2) Non-powered hand tools
- 3) Batteries

## **Apparel and fashion**

- 1) Denim
- 2) Everyday basics
- 3) Fashion accessories tied with lingerie / intimate apparel

## **Department store**

- 1) Make-up products
- 2) Perfumes and fragrances
- 3) Sports-related clothing
- 4) Denim
- 5) Facial creams

## **Discount department store**

- 1) Make-up products
- 2) Tablets / iPad
- 3) Sports-related clothing
- 4) Connection devices (e.g. Bluetooth etc.)
- 5) Fashion accessories

# Offenders

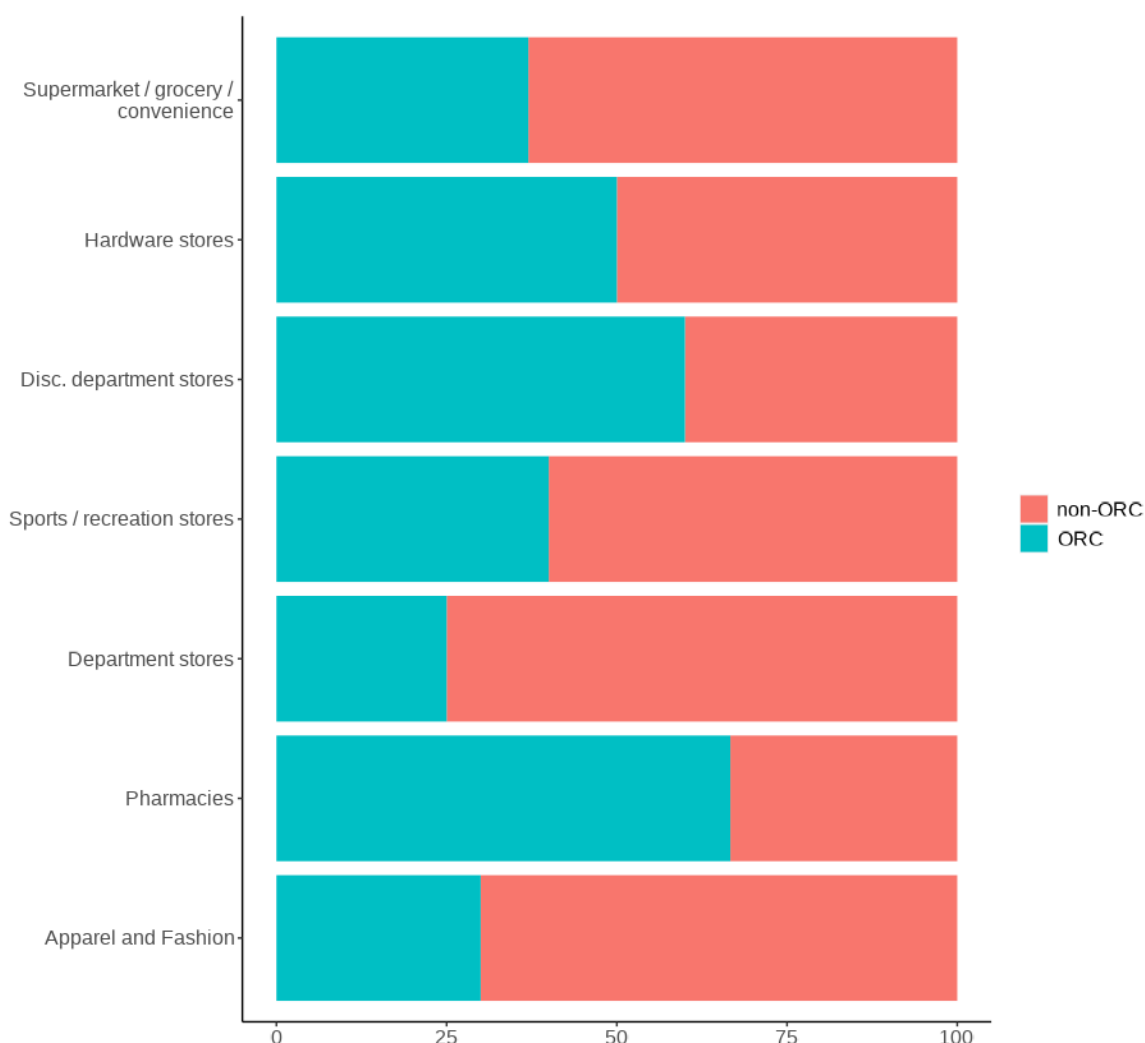
The distinction between organised criminals and opportunistic individuals can sometimes be opaque, and how different retailers distinguish between them varies. Businesses might focus on the techniques used (professionals making use of tools or evidence of pre-planning), whether thieves are working as a group with specific roles (an individual distracting staff while others conceal items), or the perceived motivation (whether stolen for on-sale or personal use).

*People who repeat with thought and intent with the plan to on sale. So we really look for that receiver element to class as organised retail crime.*

[Loss Prevention professional on how their organisation defines ORC]

Survey respondents were asked to estimate the proportion of customer theft in their business thought to be related to Organised Retail Crime (ORC) groups. Hardware stores, discount department stores and pharmacies reported at least half of customer theft incidents could be attributed to ORC. In follow up interviews, one retailer stated that for their business ORC did account for a smaller proportion of incidents, but in revenue terms ORC accounted for a far greater share of loss.

Figure 6 Composition of Offender Types Targeting Retail Categories: 2022 ANZ Retail Crime Study

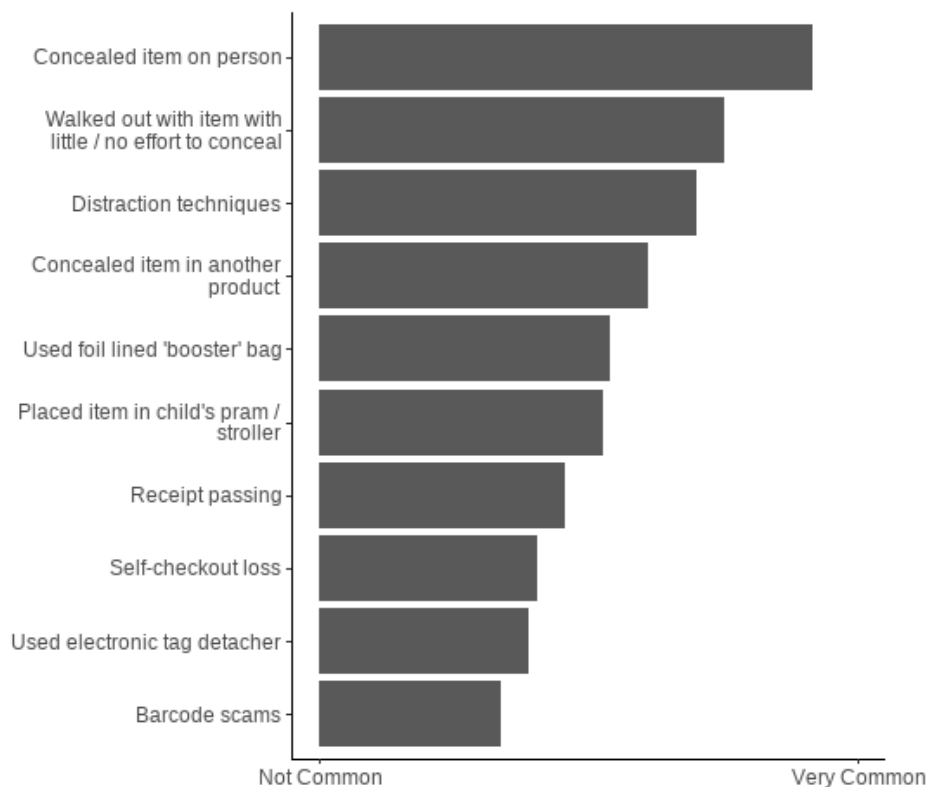


# External Theft

On average, external theft accounted for nearly 45% of total reported shrinkage for the retailers surveyed. Applied to the ANZ retail sector, the cost of external theft is estimated at AUD 2.29 billion in 2021—22. On average, the value of an individual external theft incident was estimated at between \$100 and \$500 by 43% of retailers surveyed, while an additional 38% estimated the value between \$50.01 and \$100. The majority (76%) of retailers indicated that, on average, there were between two and five items stolen per incident. Approximately half of the respondents provided the number of external theft apprehensions and the value of these. These values varied substantially, but the median value of a customer theft apprehension was \$415.

We asked respondents to rate how common different theft methods were employed against their business in physical stores.

Figure 7 Customer theft methods experienced in stores: 2022 ANZ Retail Crime Study



Thieves employ an extensive range of methods, with new techniques evolving to circumvent each improvement in store and product security. Despite the variety of methods available, the most frequently cited theft methods were “low sophistication” methods, such as concealing an item on their person, distracting staff while the item is taken or concealed, or simply walking straight out of the store. None of these require specialised knowledge, equipment or even experience.

*The average theft amount has increased significantly; people are being a lot more brazen.*

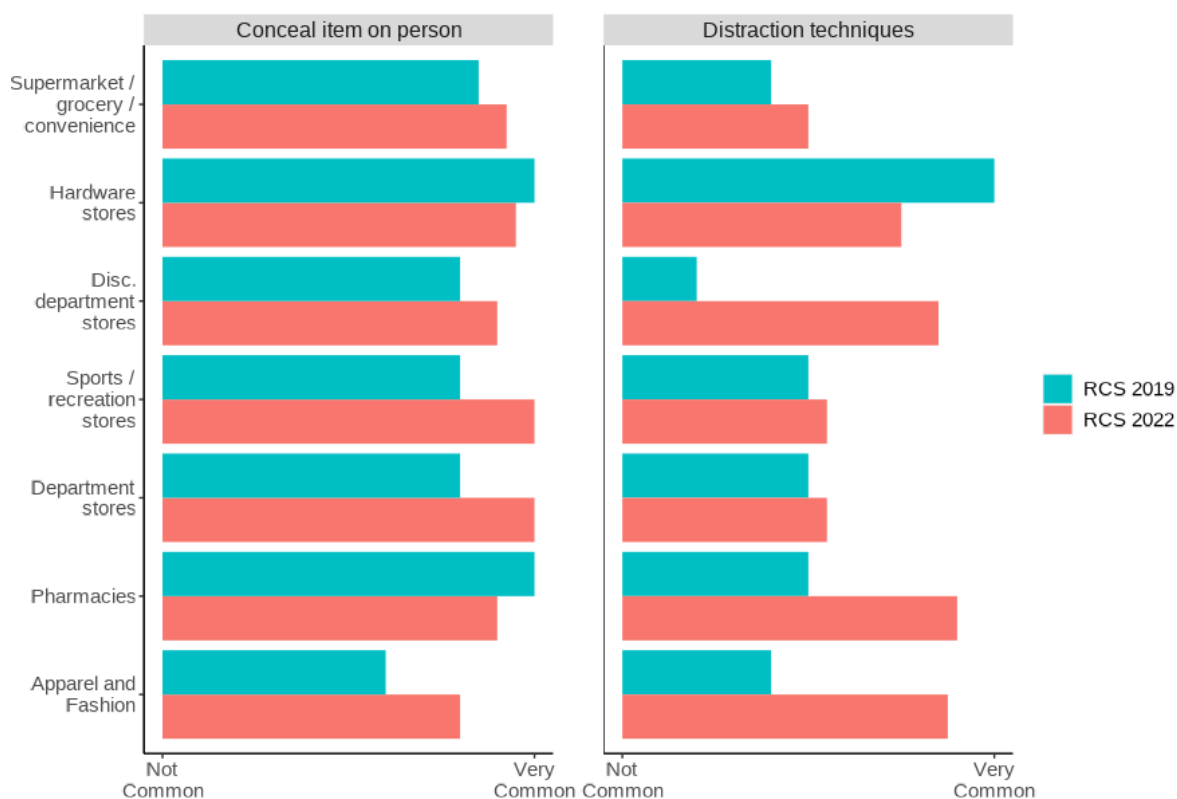
[Loss Prevention professional on changes to retail crime in the last few years]

It is interesting to compare the prevalence of these “low sophistication” methods across time and category. Concealing items in their person was considered a fairly common method across all the



retail categories surveyed, and comparisons to the 2019 ANZ Retail Crime Survey suggest a small increase in frequency, though this could simply be due to differences in the surveyed retailers.

Figure 8 Changes in Low Sophistication Methods of Customer Theft: ANZ Retail Crime Survey 2019, 2022 ANZ Retail Crime Study

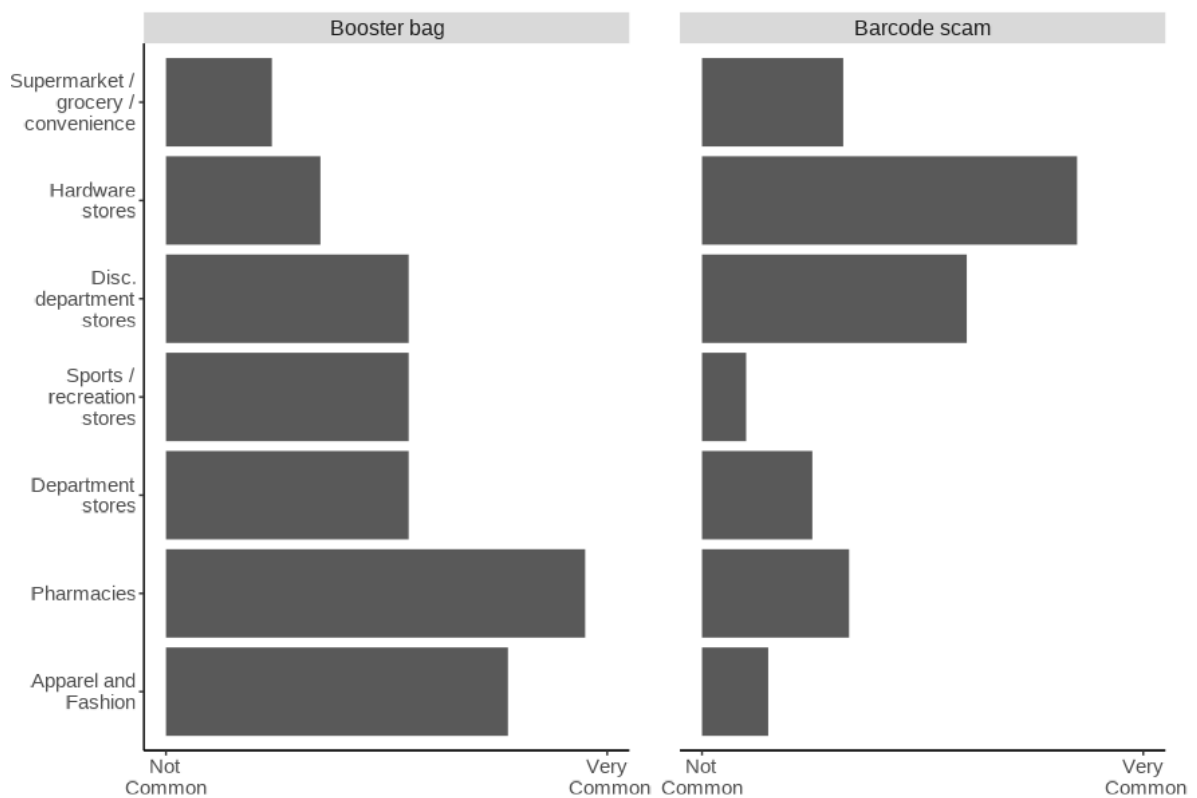


The use of distraction techniques also appears to have increased in frequency across most retail categories since the 2019 Retail Crime Survey. This increase is particularly noticeable in apparel and fashion retailers, discount department stores, and pharmacies. Hardware stores were the only category that did not experience an increase in this method.

While “low sophistication” methods such as these did not show substantial differences in frequency across different types of retailers, techniques that required planning and preparation displayed very different patterns. For instance, booster bags were most common in pharmacies, followed by apparel and fashion retailers, whereas other retailers reported this method at much lower frequencies. Additionally, hardware stores, and to a lesser extent, discount department stores, were subjected to barcode scams at far higher rates than other categories<sup>2</sup>.

<sup>2</sup> It is interesting to observe that department stores report barcode scams far less than discount department stores. Possible explanations for this disparity include the differential use of self checkouts at discounters (making it harder for retail staff to detect at POS) or the tendency in discounters for high shelving that would greatly reduce the line of sight, thereby reducing the opportunity for surveillance relative to conventional department store layout.

Figure 9 The specialisation of methods requiring preparation and planning: 2022 ANZ Retail Crime Study



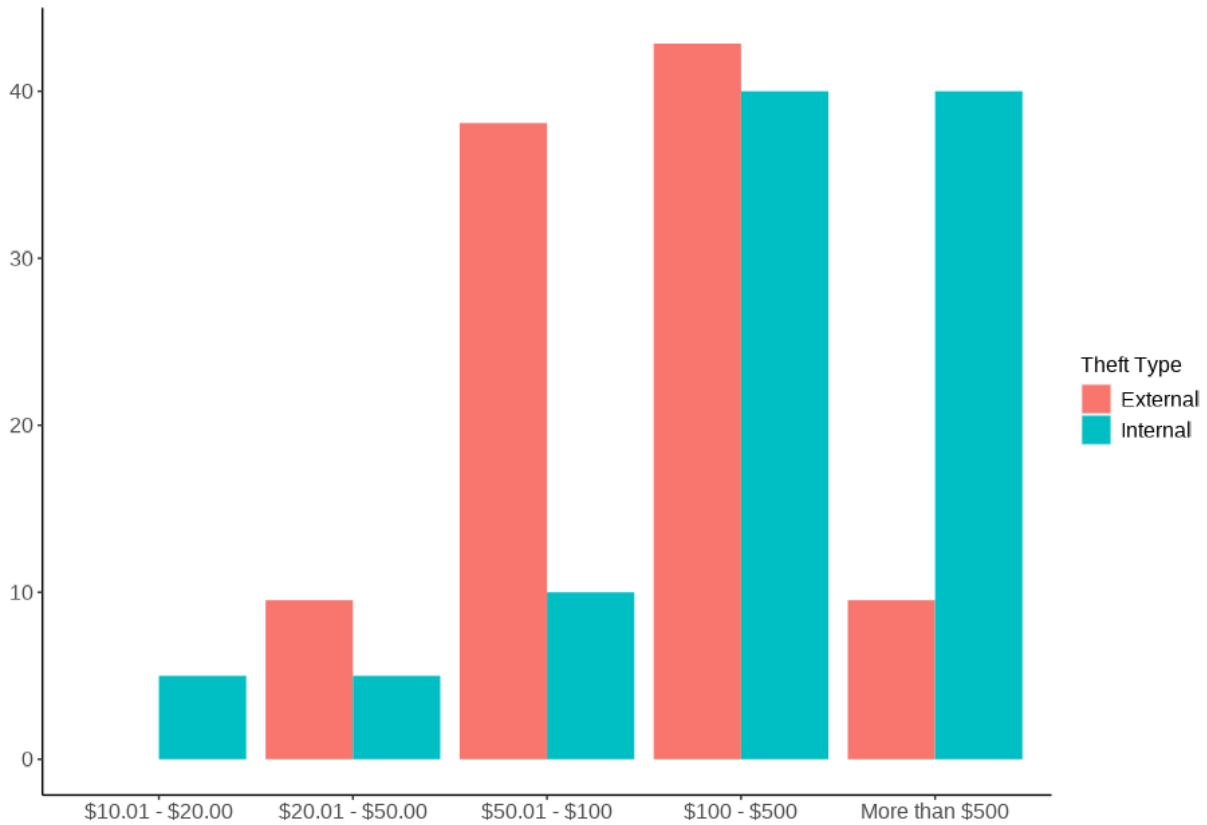
## Internal Theft

While the dollar value of internal theft is roughly half that of external theft, it still represents the second-highest source of shrink reported by retailers at roughly 20%. While internal theft incidents appear less frequent than external theft incidents, retailers deemed that the average value of an internal theft incident was higher. Forty per cent of retailers said the average internal theft incident had a value of more than \$500, and an additional 40% stated it was between \$100 and \$500. Half of the retailers surveyed provided the number of internal investigations that resulted in dismissal and the total value of these, with a median value for each apprehension of \$1,200.

*I think it's tough economic times, it's also staff turnover. Typically a lot of the offences are people who have been with us a lesser amount of time, so they're trying to test the system and thinking they can get away with it. That turnover both in team members and also in management in stores to.*

[Loss Prevention professional explaining motivations for internal theft]

Figure 10 Percentage of Sample Reporting Average Value of External Compared to Internal Theft Incidents: 2022 ANZ Retail Crime Study

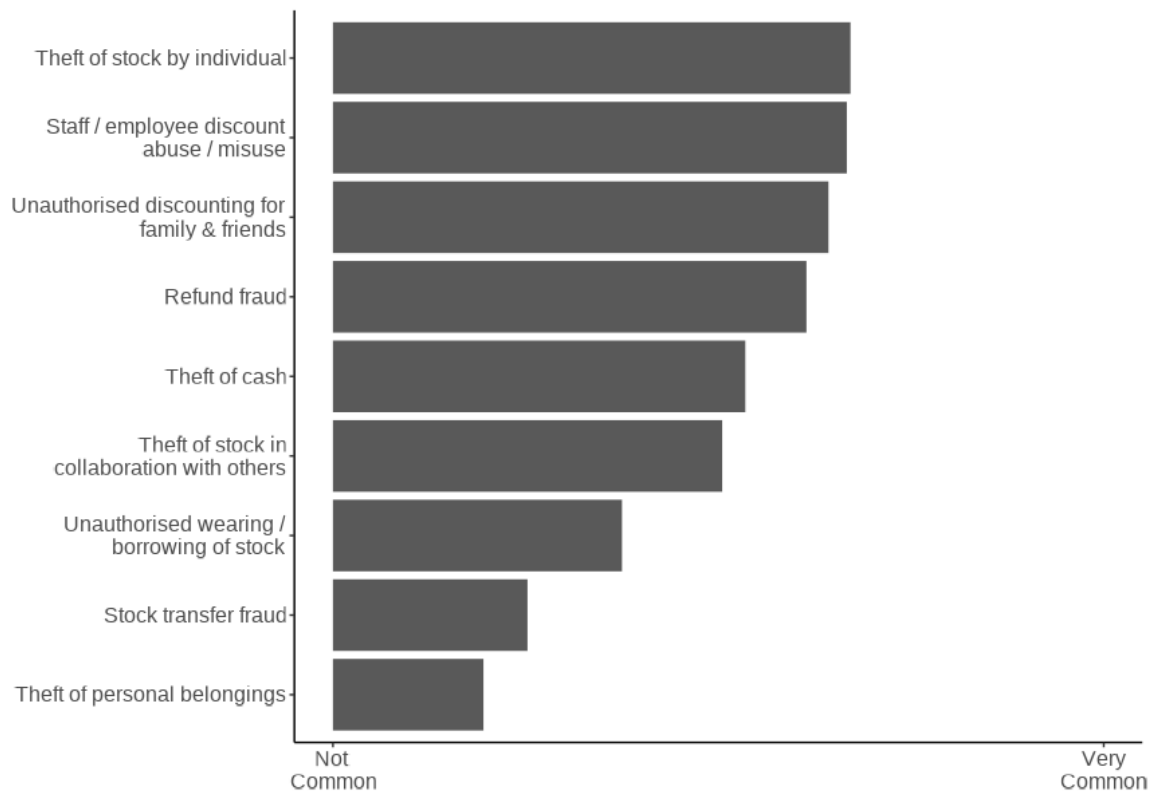


*We're seeing a lot more fraud in regard to discount abuse and loyalty scheme abuse internally, and a bit of refund fraud as well.*

[Loss Prevention professional on changes to internal loss in the last 2-3 years]

We asked respondents to rate how common different theft methods were employed against their business in physical stores.

Figure 11 Prevalence of employee theft methods: 2022 ANZ Retail Crime Study



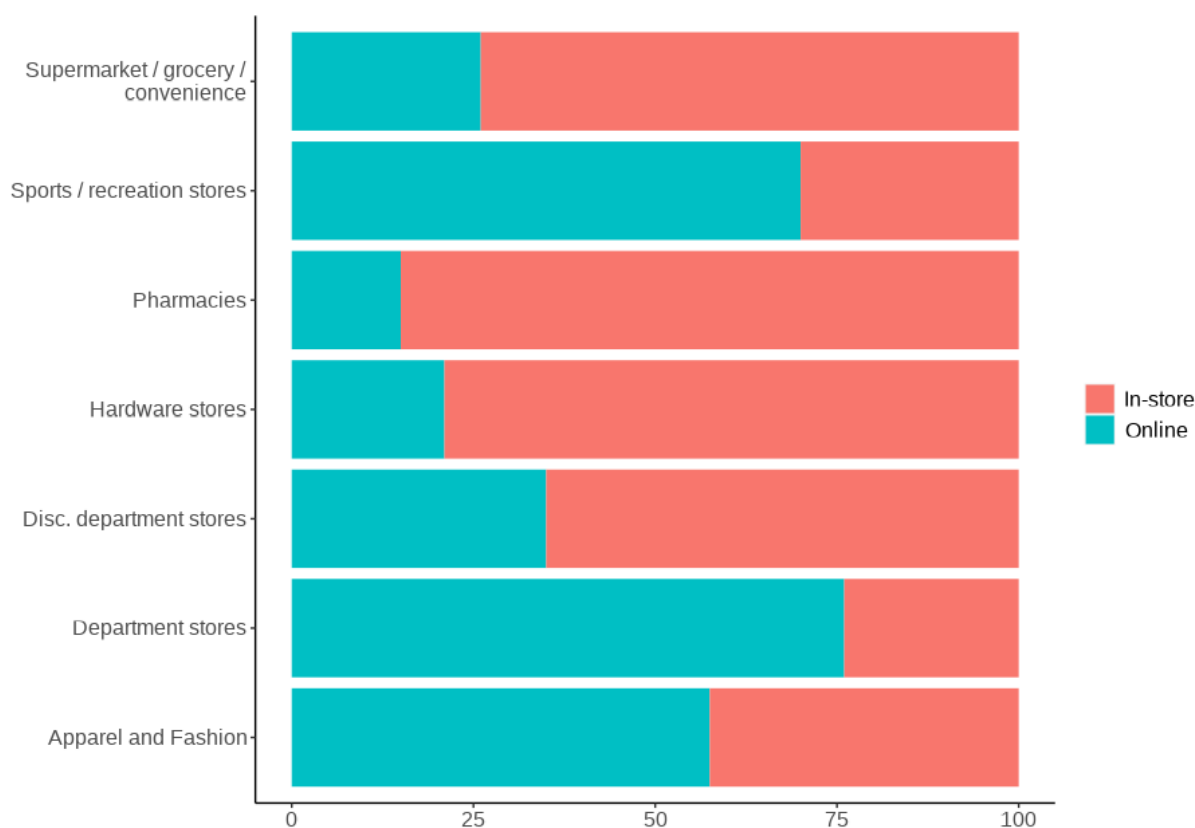
Theft of stock and discounting problems were the most frequently cited types of internal theft, however, there was quite a substantial variation across and within retail categories. For example, discount misuse had an average frequency of 7.5 (on a 10-point scale) in the apparel and fashion category, with scores ranging from six to nine, suggesting this estimate to be consistent within the category. However, in the supermarket/grocery/convenience category, the average frequency was four for discount misuse, but individual retailer scores ranged from one to nine.

This level of variation could be the result of several factors; an inherently higher level of randomness of the problem itself (i.e. the decision-making of dishonest employees), diverse processes, inventory differences, variability of investigation capacity or detection outcomes or a combination of the above. Regardless, this seems to require a greater understanding, particularly given the higher aggregate value this loss type represents.

# Fraud

The potential for fraud to impact retailers increases in line with their online presence. While most businesses surveyed reported that most frauds take place in-store, the average cost of an online fraud incident was higher. The loss value of in-store fraud incidents was estimated at between \$50.01 - \$100 by 37% of retailers and between \$100 - \$500 by 26%. In contrast, the average online fraud incident was estimated to have a value between \$100 - \$500 for 74% of respondents. While the value differed, the number of items targeted was similar across both channels, with most retailers indicating offenders targeted between 2 – 5 items in an average incident. While the scale of these losses is still a fraction of the overall crime-related loss, this represents a growing vector of loss that is increasingly being exploited by organised crime groups, with an average reported cost of AUD 7.4 million per business in 2021--22, and a maximum estimate of AUD 50 million.

Figure 12 The mix of fraud costs by channel for each retail category: 2022 ANZ Retail Crime Study

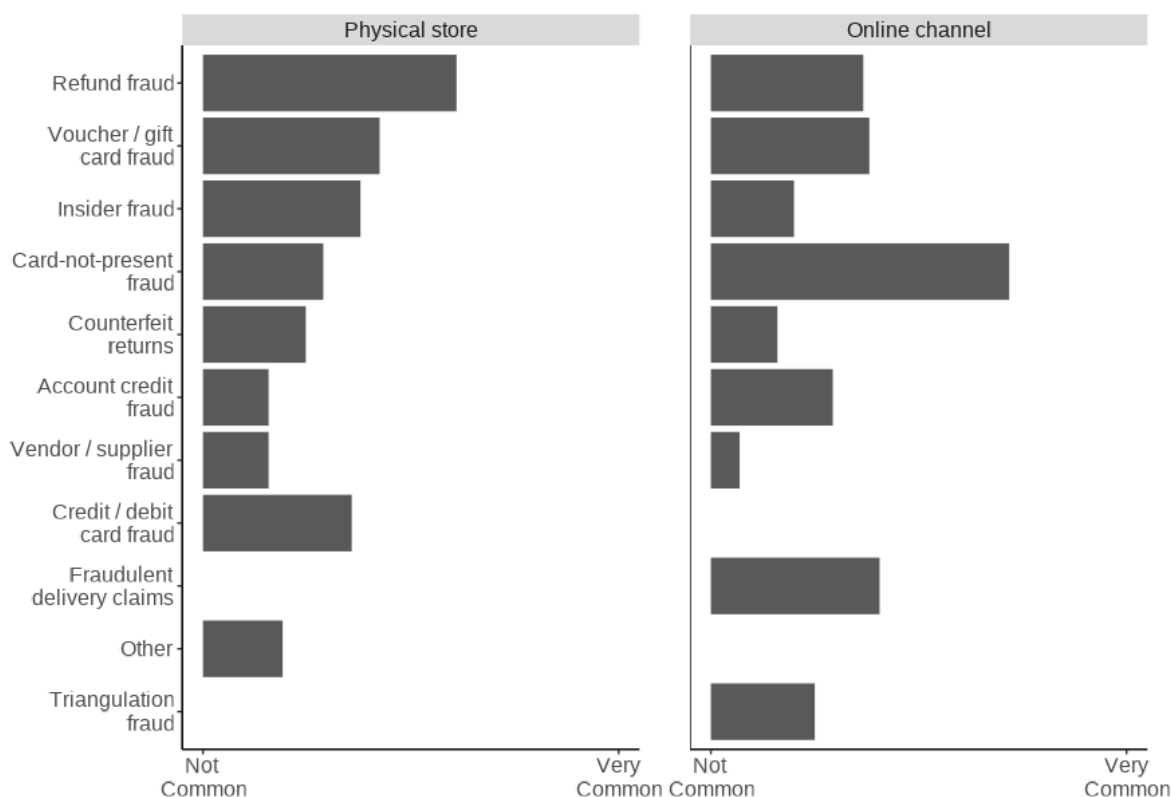


Fraud methods vary substantially depending on the type of business, the store policies and procedures, the type of products targeted, the suite of detection solutions employed, and whether the fraud is committed in-store or online. Certain types of fraud can only be committed via a particular retail channel. For instance, fraudulent delivery claims and triangulation fraud are primarily online phenomena. In contrast, credit / debit card fraud only occurs in physical stores (this would be card-not-present fraud when online).

Card-not-present (CNP) fraud was the most common fraud type experienced in the online retail space. CNP fraud, the unauthorised use of credit card payment details in which the retailer does not see the

physical credit card, has been a growing problem over the last decade [10]. Refund fraud was the most cited fraud type experienced in physical stores. This fraud type covers a broad array of scenarios in which a refund is provided that was not warranted and can involve exploiting loopholes in refund policies or returning stolen goods for a refund.

Figure 13 Prevalence of customer fraud methods by channel: 2022 ANZ Retail Crime Study



The three fraud types of most significant concern for retailers for the next 12 months are card-not-present fraud, refund fraud, and credit / debit card fraud.

## Violence and Verbal Abuse

Customer aggression has been a growing concern for the retail sector for years and it is widely acknowledged that this trend has accelerated since the pandemic began. During the height of COVID, retail businesses reported an increase in customer aggression and violence incidents.

*Threatening situations, abusive customer or dysfunctional customer behaviour is not a new problem for retail at all, or it's not a new problem to any frontline worker, however the severity and frequency of those events escalated*

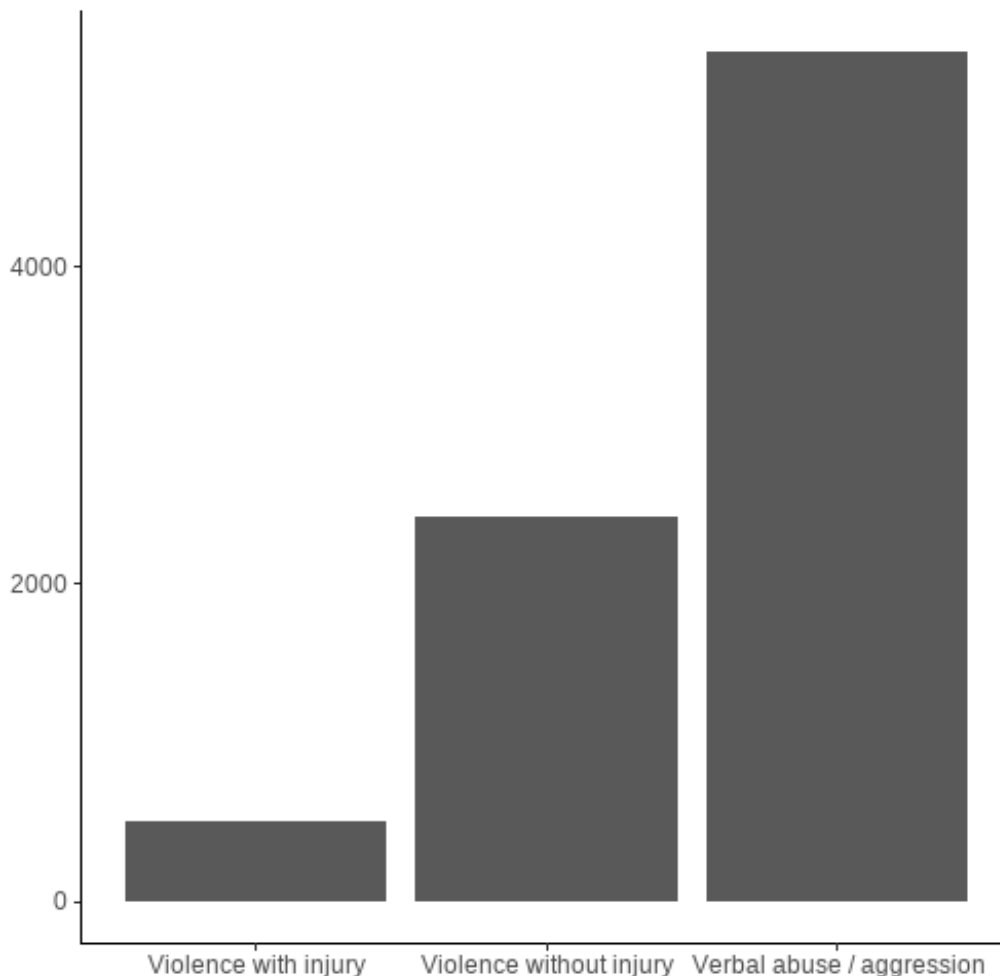
[Loss Prevention professional on customer aggression during COVID]

*They've tipped over gondolas, they've assaulted staff, they've spit at staff, they've yelled and screamed that it's all a great conspiracy.*

[Loss Prevention professional on customer aggression in response to health guidelines and mask mandates during COVID]

We asked survey respondents about violence and abuse in two ways. First, we queried the number of incidents annually for their business of violence (with or without injury) and abuse or aggression. Next, we asked about how frequent each of these behaviours was in their business on a 10-point scale. This second measure is important as it allows comparisons with previous studies, establishing if this growth is increasing.

Figure 14 Annual volume of violence and abuse experienced by ANZ retail sector employees: 2022 ANZ Retail Crime Study

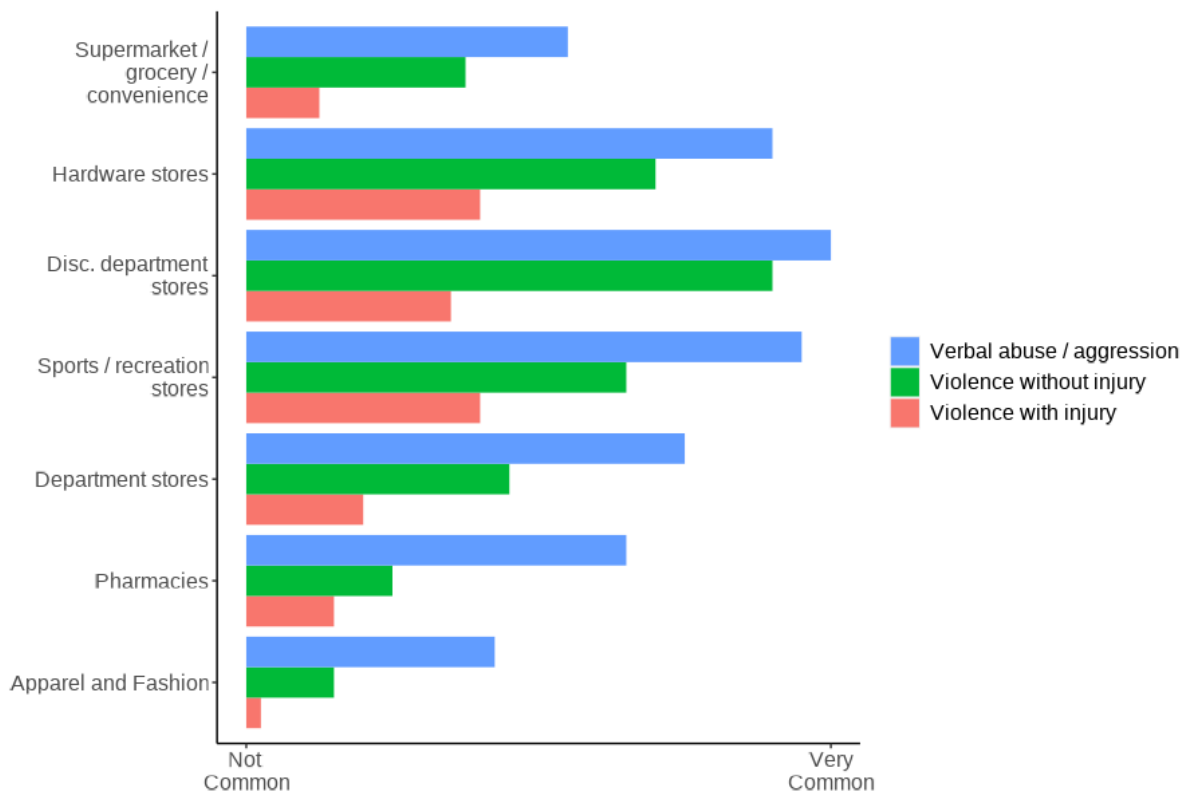


The figures here are the counts from the survey responses, representing about one-third of the ANZ retail sector by revenue. To put these figures in context, the number of violent and abuse incidents reported by the respondents annually is equivalent to about two months of police-recorded assaults in Queensland [11] (or six months if extrapolated to the entire ANZ retail sector).

Experience suggests that violence without injury and verbal abuse are likely to be underreported and thus undercounted. Incidents of verbal abuse accounted for approximately two-thirds of all violent or aggressive occurrences, and while some individual incidents may be trivial, the cumulative impact can be significant. For instance, some estimates suggest 88% of retail workers have experienced abuse or aggression [12].

In comparing categories, we asked respondents how frequently (on a 10-point scale) different types of violence and abuse were experienced by personnel. Instead of incident counts, this measure allows statistically valid comparisons between businesses and categories, as the size of businesses cannot distort the results.

Figure 15 Frequency of types of violence and abuse experienced by ANZ retail sector employees by category: 2022 ANZ Retail Crime Study

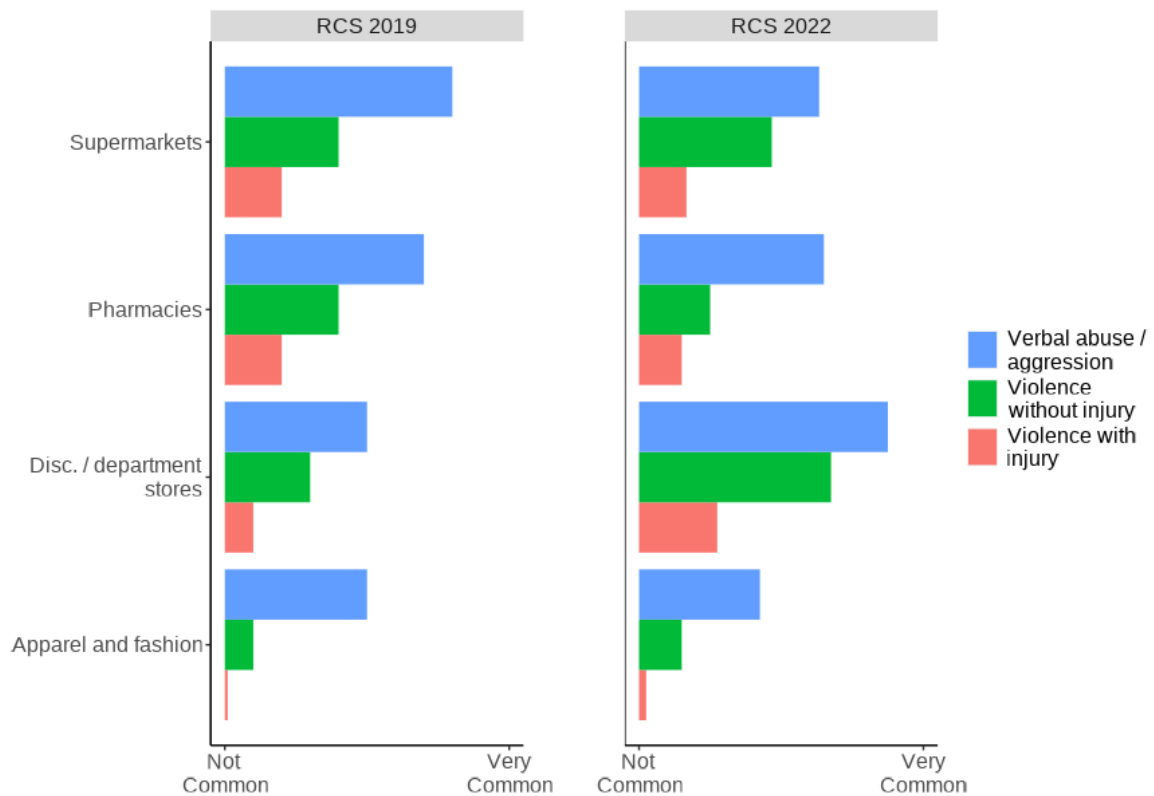


When looking at the frequency of each type of incident across the different retail categories surveyed, discount department stores, sports and recreation stores, and hardware stores consistently reported the highest violent or aggressive behaviour towards personnel. Notably, for these categories, violence without injury is far more common relative to other categories, so much so that in some cases, it is nearly as frequent as verbal abuse.

As noted above, many retailers felt that violence and abuse increased during the pandemic. Here, we look at results from the 2019 ANZ Retail Crime Survey to compare the results from 2021—22. Only a subset of categories was reported in the 2019 study for violence and abuse, so we have only included those categories here. Note, department stores and discount department stores were combined to create a single category in the 2019 study.



Figure 16 Changes in frequency of violence and abuse by category: ANZ Retail Crime Survey 2019, 2022 ANZ Retail Crime Study



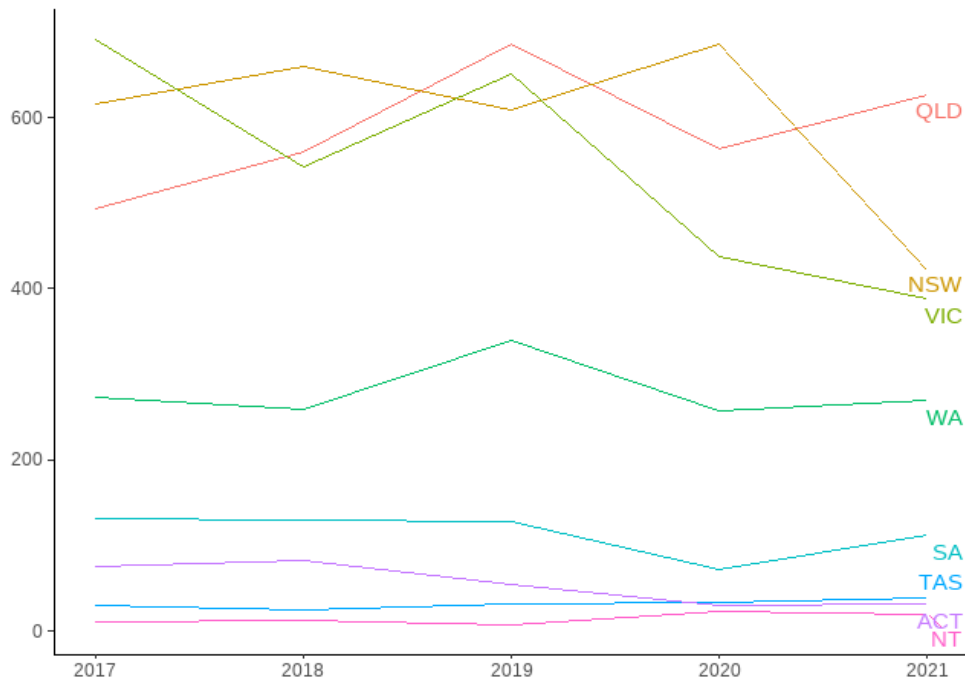
Note: Discount department stores and department stores have been combined into a single category in this figure, to allow a more direct comparison to the ANZ Retail Crime Survey 2019.

Apparel and fashion and pharmacy categories appear not to have experienced significant changes in frequency of violence and abuse over the last four years. However, supermarkets, along with department stores (and discount department stores), have reported increases in violence without injury. Abuse and aggression have increased considerably in discount department stores but declined modestly in supermarkets.

Violence and aggressive behaviour can also occur in the commission of other crimes, either as part of the crime itself (robbery) or to escape apprehension. ABS Victims of Crime data [9] shows that in the years preceding COVID total robbery offences in retail locations were relatively stable, with minor fluctuations around 2,300 recorded occurrences (nationally). In 2020 this figure decreased by 11% to 2,101 and an additional 9% in 2021 to 1,907 recorded incidents.

The reduction is likely due to the various lockdowns, restrictions, and health directives that retailers adopted during the pandemic. Supporting this explanation is that the most significant reduction in the number of recorded incidents from 2019 to 2020 occurred in Victoria, which arguably experienced larger disruptions to retail trading than other states in Australia. Queensland and Western Australia also saw large reductions in robbery offences in retail settings.

Figure 17 Police Recorded Robbery Offences in Retail Locations from 2017 to 2021 for Australian States and Territories: ABS Victims of Crime 2018-2022



NSW was the only state reporting an increase in robbery at retail stores, although a substantial decline in the following year accompanied this, which, again, is probably linked to public health directives and trading patterns.

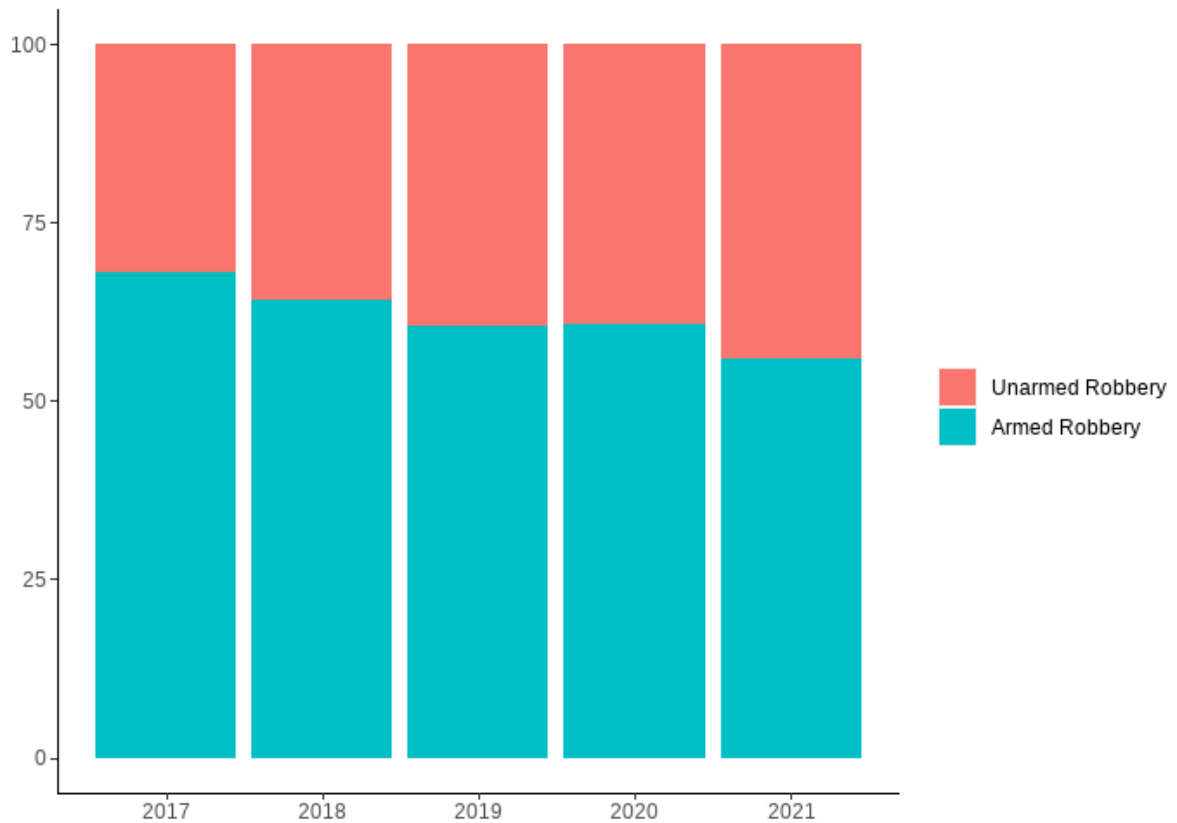
The nature of robbery offences in retail locations appears to have changed since 2017. Armed robbery offences have decreased yearly, from 1,585 in 2017 to 1,070 in 2021. In contrast, between 2017 and 2019, unarmed robbery increased yearly, from 741 to 958 offences.

In 2020 unarmed robbery decreased to 821, presumably due to COVID disruptions, before increasing a small amount in 2021 to 841 offences. This shift in the distribution of armed and unarmed robbery could result from police operations, retail security measures, or policy changes.

One potential explanation could be the increased focus retail organisations are putting on employee safety in these situations and training staff not to put themselves at risk of harm to prevent offenders from getting away. With this increased focus on minimising the risk of harm, there is less need for robbery offenders to rely on having a weapon or being armed in some way.

If this is the case, rather than preventing armed robbery offences, this represents a displacement to unarmed robbery (which carries a less severe sentence for offenders).

Figure 18 Relative Percentage of Police Recorded Armed and Unarmed Robbery Offences in Retail Locations from 2017 to 2021 for Australia: ABS Victims of Crime 2018-2022



## Crime Prevention

Retailers are in the business of selling desirable goods that meet customers' needs. Therefore, it is a safe assumption that effective retailers will attract the attention of individuals with criminal motivation.

Crime is the result of motivation and opportunity, and it is the latter component that retailers typically focus on to prevent crime. Individuals with weak or time-limited motivation can be demotivated through adjustments to the environment (a reminder they are being watched, say). Committed offenders can be disrupted by making opportunities more challenging to exploit (or their removal altogether).

LP typically operate under a model of opportunity reduction known as *situational crime prevention* [13]. Its central premise is that the root cause of crime is easy opportunities, so designing the retail environment to make opportunities less attractive or accessible should result in fewer crimes.

There are five main dimensions to Situational Crime Prevention:

1. **increase the perceived risk.** The probability of apprehension or detection is critical in evaluating a criminal opportunity. Examples include cameras on self-checkout screens and EAS alarms.

2. **increase the perceived effort.** Measures that increase the amount of time or energy an offender must invest in exploiting a criminal opportunity successfully can be an effective deterrent. Examples include spider wraps and loop alarms.

3. **reduce the reward.** The other side of the decision process for a crime is the perceived reward relative to the corresponding risk and effort. If the potential benefits of the crime can be reduced, the criminal opportunity becomes far less attractive. Examples include hard tags and ink tags.

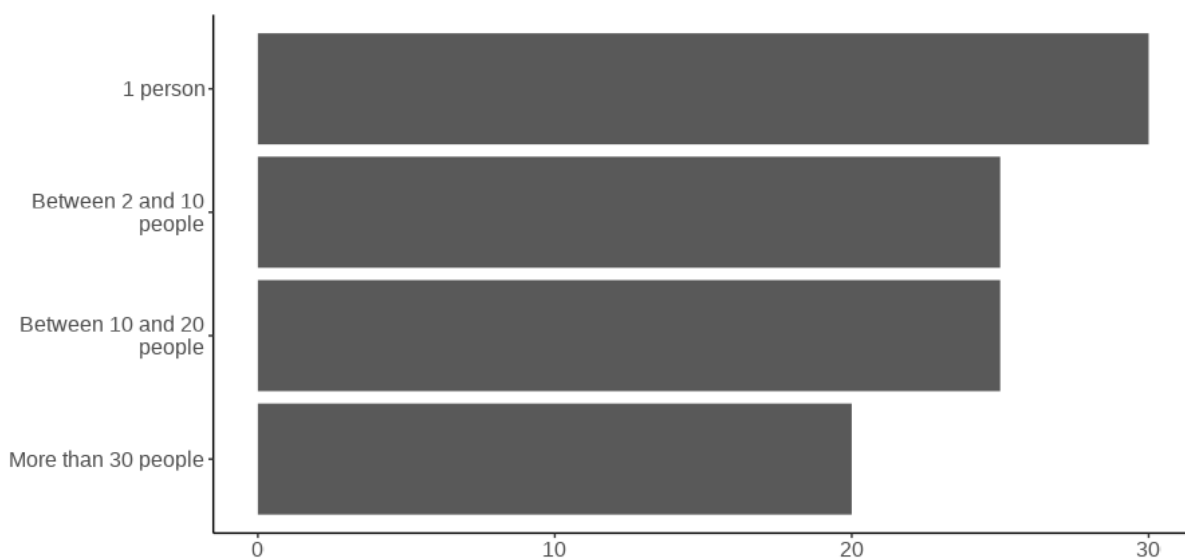
4. **remove the excuse.** Offenders often justify committing a crime (“they are a huge company; they won’t miss a few t-shirts”). Pre-empting these self-justifications can reduce the likelihood of offences occurring. Examples include clear signage.

5. **reduce provocations.** Frustration with a process can escalate to violence or aggression, often resulting from a misunderstanding or perceived failure to meet expectations. Examples include refund policies written in plain language and lengths of queues.

## LP Team composition and reporting structures

The reported size of loss prevention teams was evenly split across four size ranges. Interviews suggested the frequency of 1-person LP teams in our sample was the continuation of a trend of downsizing and consolidation, coupled with the pandemic-instigated restructuring experienced by many businesses.

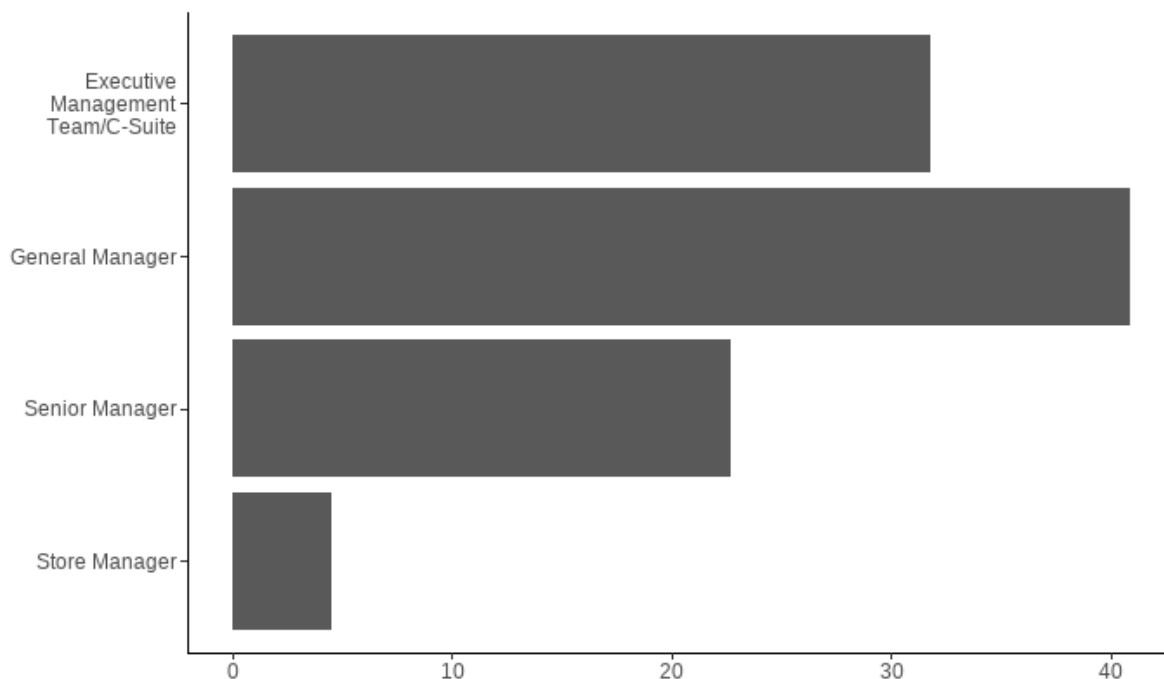
Figure 19 Per cent of Respondents by LP Team Size: 2022 ANZ Retail Crime Study



Note: No respondents indicated a team size between 20 and 30 people

Regarding reporting lines, survey respondents indicated that General Manager was the most common line manager (40% of the sample), followed closely by a member of the Executive Management Team (30%).

Figure 20 Reporting Lines of LP Managers: 2022 ANZ Retail Crime Study

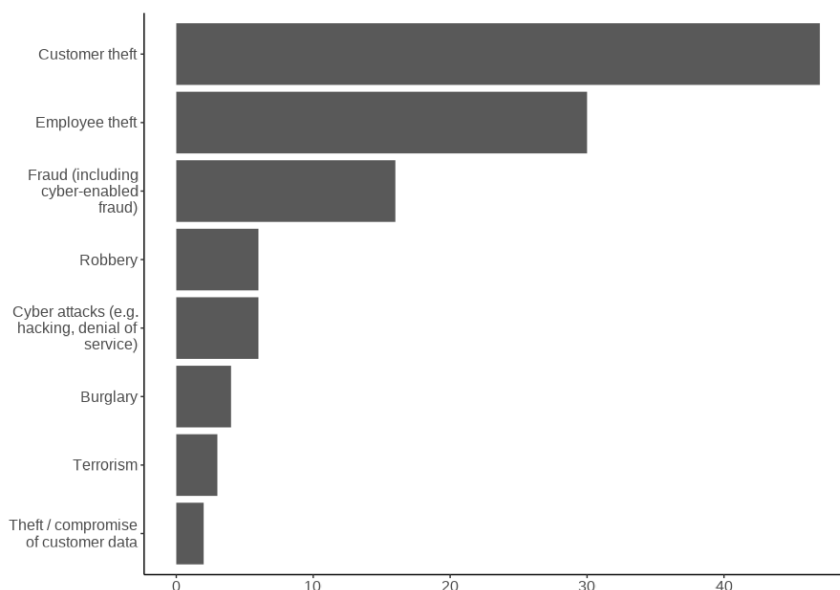


Almost all respondents indicated that recruiting LP staff with relevant experience and expertise was somewhat difficult or extremely difficult (94%). Just over half of the retailers indicated an expectation that LP budgets would increase in the next couple of years, while 26% believed their budget would stay the same. Of the retailers who indicated their LP spending, the average per cent of total revenue was 0.32%.

Only 5% of respondents indicated that cyber security was part of their LP role. Despite the growth of online sales and threats in the online space, this suggests that cyber security and loss prevention remain distinct and separate roles for most ANZ retailers.

When asked about their expectations about the most significant threats facing their business over the next 12 months, respondents indicated customer theft, employee theft and fraud as the top three. These are the largest areas of crime-related loss historically.

Figure 21 Biggest threat in next 12 months: 2022 ANZ Retail Crime Study



# Product-level protection measures/solutions

Respondents reported employing an average of three merchandise protection methods, with a maximum number of six reported by a small number of retailers. The most used methods were Electronic Article Surveillance (EAS) labels (70% of the sample), spider wraps and security keepers (50% of the sample), and software analytics for internal theft (45% of the sample). 60 per cent of respondents reported EAS use. RFID technology was mentioned by 25% of the sample, although we did not probe at what level of adoption was deployed<sup>3</sup>.

# Store-level protection measures/solutions

A greater number of store-level protection solutions were used than product solutions, presumably as they enable more comprehensive protection. For example, an average of five methods were reported for the sample, while a small number of businesses reported using up to eight or nine different measures or solutions. Closed-circuit television (CCTV) was the most common solution (95% of respondents), followed by alarm monitoring (90% of respondents). Other widely adopted solutions included security guards and point of sale (POS) exception-based reporting (EBR). Advanced technological solutions such as robotics, drones, and RFID had low adoption rates, but this may increase as the technology develops and the associated costs decrease.

# Relationship with law enforcement

We asked retailers to rate their experiences with law enforcement. First, we asked them to rate, on a ten-point scale (zero = extremely bad, ten = extremely good), their experiences of routine interactions. In aggregate, retailers provided relatively low ratings. The average score for responding to calls for assistance was four; for apprehending criminals was just over three; while following up on submitted intelligence scored an average of 2.6. However, interviewees provided more positive impressions.

In interviews, respondents praised the response of police at the height of the pandemic, particularly to incidents involving violence or abuse. More generally, there seemed to be evidence of strong partnerships at individual stores. When probed about these, interviewees felt it resulted from effective relationships between store managers and local police.

Respondents readily acknowledged that police were under-resourced but felt that retail crime was a lower priority for police. For instance, many mentioned their use of the recording and reporting capabilities of the Auror platform to be highly constructive in submitting reports to police services. Still, several said the police did not consistently utilise this.

*We've got some really highly capable investigators within our team, but also our reporting platform and being able to connect the dots, 70% of our theft related loss comes from organised or recidivist individuals.*

[Loss Prevention professional on the benefits of dedicated internal investigations teams combined with a strong reporting platform to understand loss]

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<sup>3</sup> For example, percentage of SKU with RFID, integration with POS/gates, tagged at source, etc.  
The 2022 Australia & New Zealand Retail Crime Study  
[www.profitprotection.co](http://www.profitprotection.co)

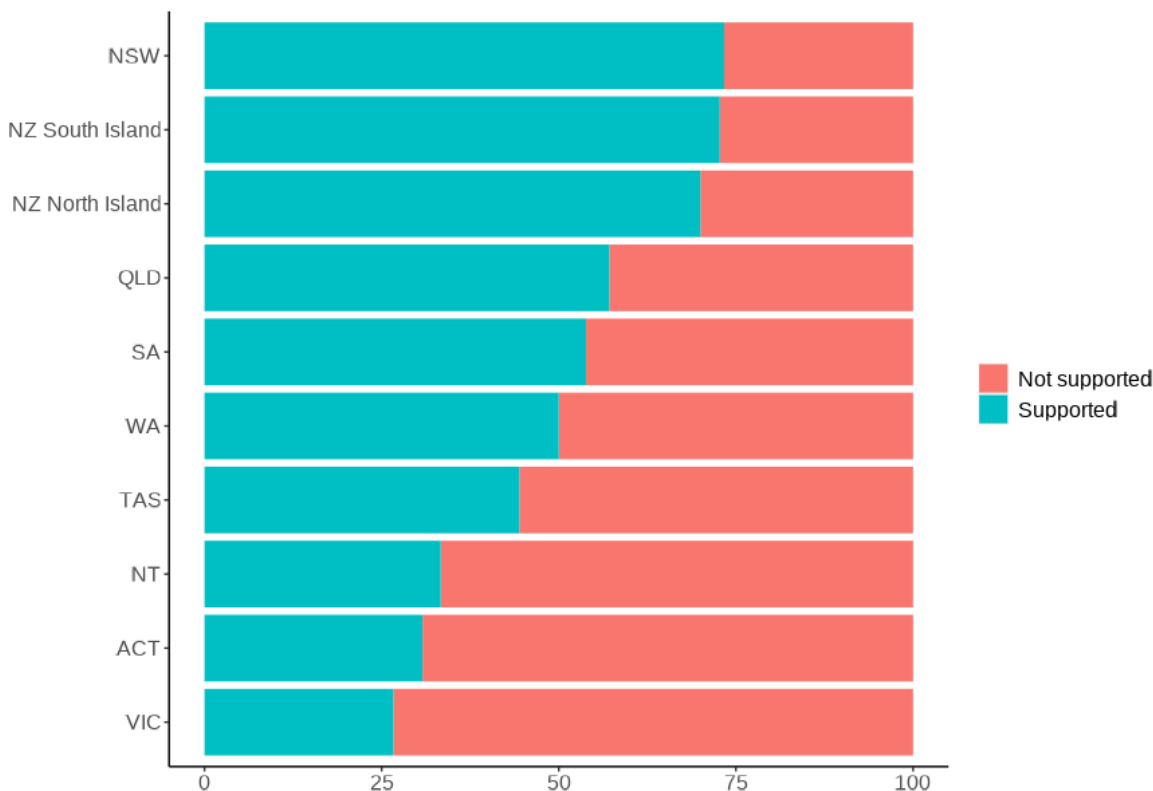
*[Our] ORC team has really worked well so we've been able to plate up some very significant briefs for the police...and gone, here you go, here's eight individuals identified as an ORC group. [Other instance] No police wanted to pick it up because it was crossing [police] districts. We continued with the investigation, put in surveillance, we hired a PI, did a lot of extra operational work to ensure when we laid the complaint...it was taken straight to the next level [by the police]. And with Police involvement, it was a great outcome for the community.*

[Loss Prevention professional providing an example of the difficulties addressing ORC networks that cross police jurisdictions]

One respondent stated there is a “National opportunity in State based reporting to accept Auror reporting as part of crime statistics and [to] help define policy priorities”.

Because most of our respondents have a national footprint, we also asked whether they felt they received sufficient support from law enforcement to tackle retail crime (i.e. a ‘Yes’ or ‘No’ response). Perceptions of support varied considerably.

Figure 22 Percentage of respondents who felt supported by law enforcement by jurisdiction



New South Wales and both islands of New Zealand received the highest rating of support. It is worth noting that the New Zealand police have a dedicated retail crime unit, and the NZ police were mentioned several times as highly engaged in working with retailers. South Australia Police have recently created a retail crime unit. As this matures and gains traction, retailers operating in SA will likely report improvements in their satisfaction with authorities.

*New Zealand's the gold star standard...level of engagement around retail crime. They really understand that [retail LP incident reporting] is a feeder for other serious crimes. The Retail Crime Unit tells me that if we can get our retailers reporting really well, they get great visibility of what is occurring and can connect the dots, they actually get served up really great cases.*

[Loss Prevention professional comparing law enforcement engagement experiences in Australia and New Zealand]

Victoria received the lowest rating from our respondents. Many interviews singled out Victoria as an area with unrealised potential to impact retail crime.

*In Victoria, we're continually trying to strengthen that relationship as best we can through recognition and providing the most data lead, accurate briefs you possibly can before we hand it over the desk.*

[Loss Prevention professional on the challenges facilitating follow through on retail crime intelligence provided to Victoria police]

*In the case of Victoria police there's only one person in their intelligence branch looking at retail...when you look at all the retailers in Victoria...one person cannot be sufficient.*

[Loss Prevention professional giving an example of where more support from law enforcement would be beneficial]

Overall, this does represent an improvement in retailers' satisfaction. In the 2019 ANZ Retail Crime Survey, only 20% of all survey respondents indicated they were satisfied with the support provided. For our most recent sample, 51% indicated they received sufficient support across their operating regions.

## Acknowledgements

The authors would like to express gratitude to the survey respondents and interviewees for the time and diligence required to contribute to this study. Any insights gleaned from this report are directly due to their involvement.

The Profit Protection Future Forum steering committee (Mark Boyd, Veronica Denner, Matt Dick, Glenn Forrester, Josh Gatt, Mark Gentle, Neil Redfern and Nicole Smith) guided the development of the study and assisted in recruiting respondents and feedback on drafts.



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