



2019

Organized **RETAIL** Crime Report

The toll from ORC continues to be a serious problem for retailers, with the average loss topping \$700,000 per \$1 billion in sales. NRF's Organized Retail Crime survey helps retailers measure the impact of ORC and understand evolving tactics to fight the ongoing challenge.

ORC'S impact on the retail industry

Organized retail crime continues to present a serious challenge to the retail industry. Every year, the vast majority of retailers surveyed report being a victim of ORC, and 2019 is no different. This year, **97%** said they've been victimized in the past 12 months. Despite retailers' best efforts, the industry has yet to see a meaningful reduction in the impact of these crimes.

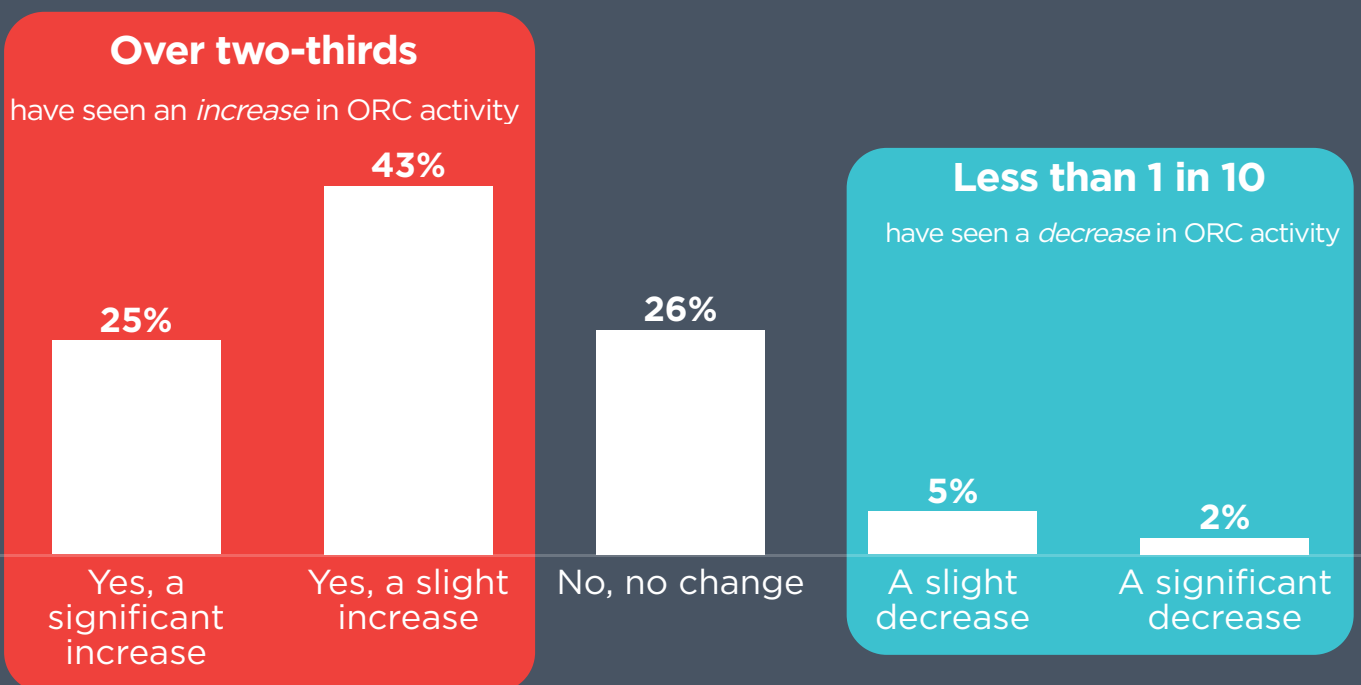
This represents a significant cost for retailers. Respondents report losing **\$703,320** per \$1 billion in annual sales volume due to ORC activity in the past 12 months. While it can vary from year to year, this is the fourth year in a row it has topped \$700K.

\$703,320

Average loss per \$1 billion in sales due to organized retail crime in the past 12 months

Many factors play into this, including rising felony thresholds that reduce risk for ORC criminals. In addition, respondents say ORC gangs are becoming more violent.

*Have you seen an increase in ORC activity in the past 12 months at your company?
(Only among ORC victims)*



Evolving efforts to fight crime

ORC is a growing issue among the wide range of risks faced by retailers' loss prevention teams. **Nearly two-thirds (65%)** say ORC is more of a priority for their organization now compared with five years ago, and this is driving new strategic initiatives.

About a quarter of respondents said their companies have made changes to address ORC or plan to do so, including changes to point-of-sale policies and return policies. And **roughly half** are allocating additional technology resources and increasing their LP budgets to address risk overall.

How retailers are fighting risk



65%

prioritizing ORC more now than 5 years ago



56%

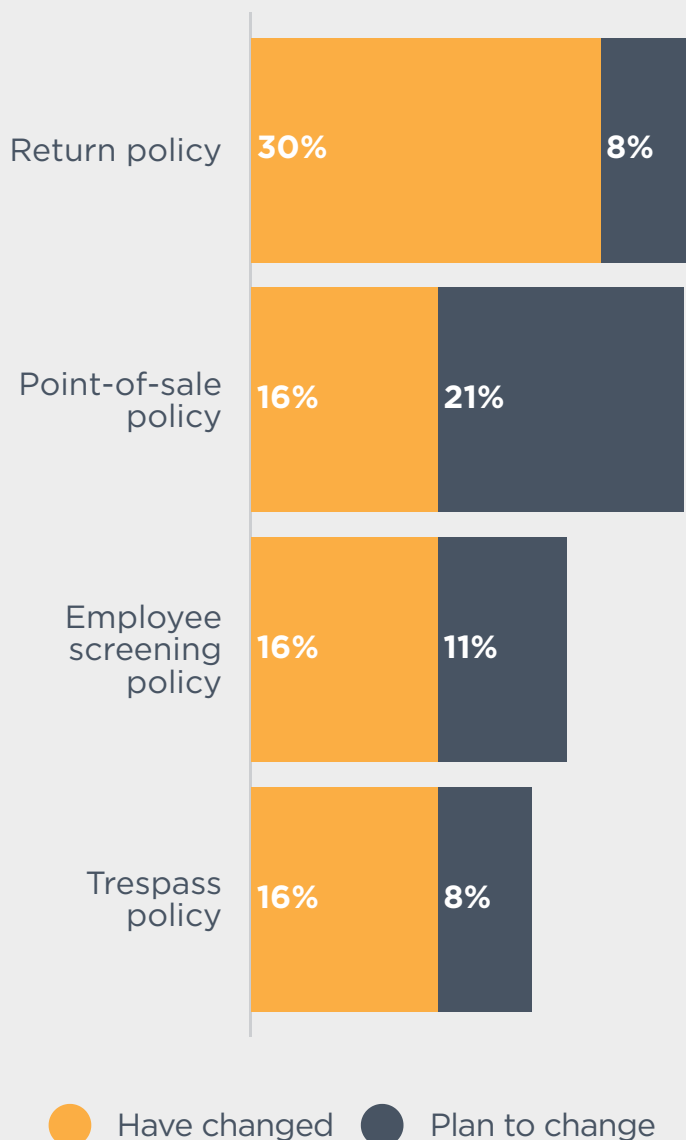
allocating additional technology resources to fight risk



44%

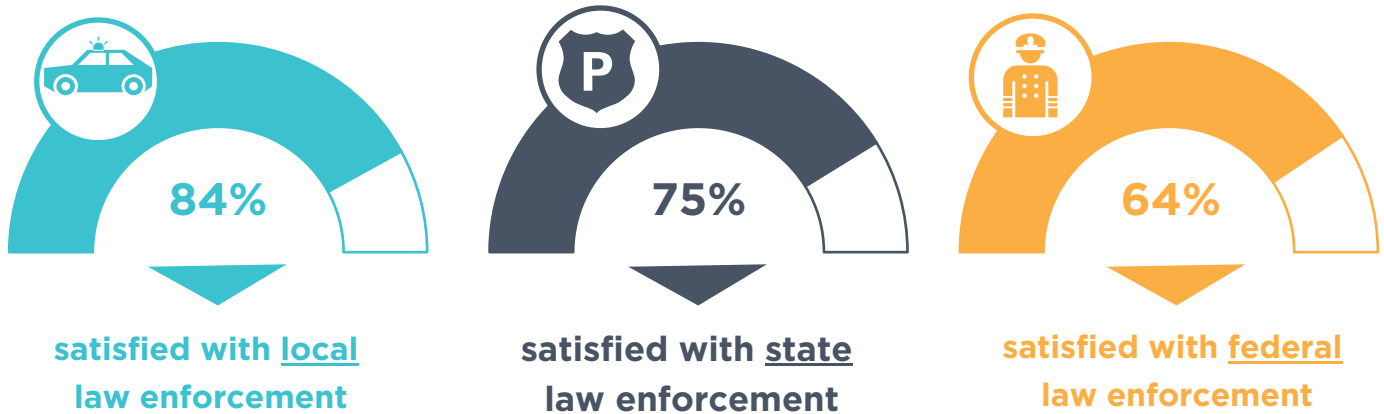
increasing their loss prevention budgets

Changing policies



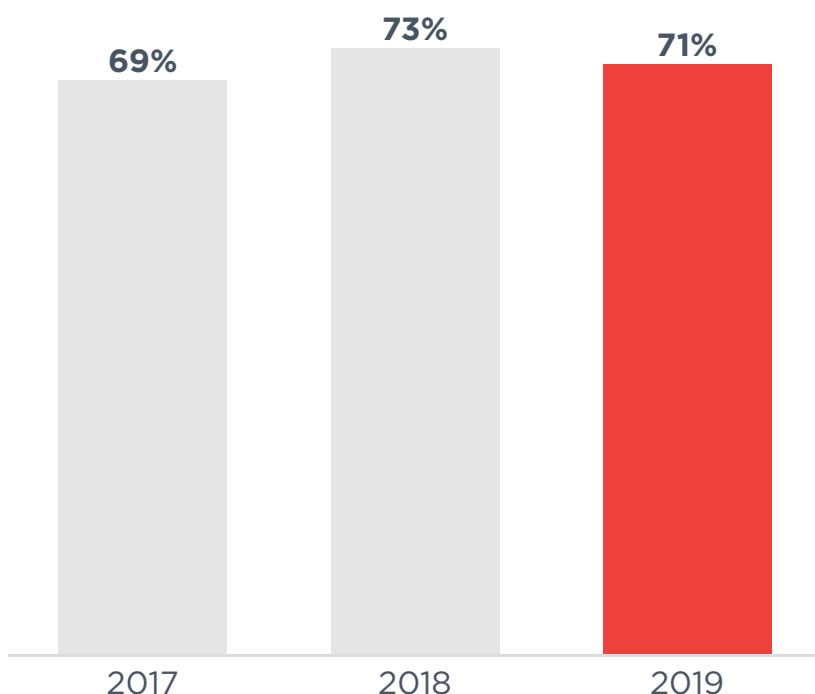
Retailers are looking for help

While they receive support from local and state law enforcement, retailers are particularly in need of additional federal help to successfully combat organized retail crime. Those in states with state-level ORC laws are happy with help they've received from state and local law enforcement, but they are less satisfied with support from the federal level.



Over 7 in 10 say a federal law is needed to effectively fight this issue.

Overall, do you believe a federal ORC law is needed to effectively combat this issue?



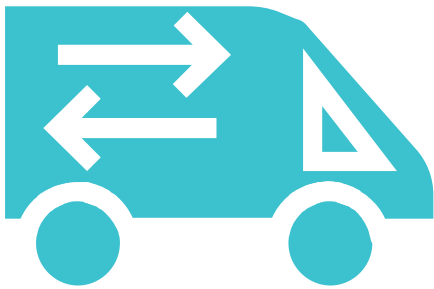
”
*[A federal law is needed]
to reduce overall crime
and to reduce losses
for retailers and
customers.*

-retail loss prevention executive-

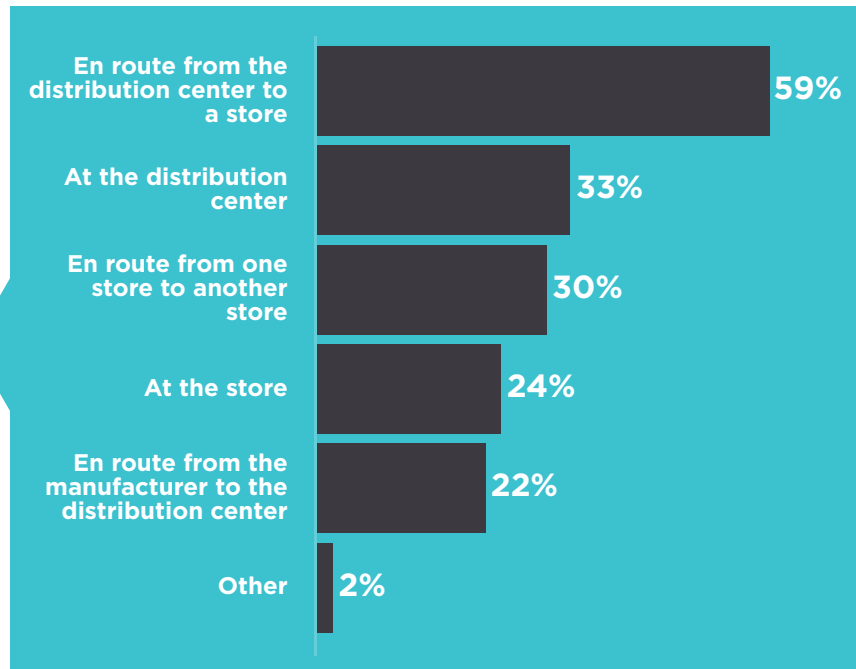
Types of organized retail crime

Retail supply chains offer ORC gangs the chance to steal merchandise in large quantities, often before it even reaches the store. And exchanging stolen merchandise for gift cards helps them launder the stolen goods. A majority of retailers surveyed (**73%**) said they've been a victim of cargo theft in the past year. En route from distribution center to store is the most common place for cargo theft to occur.

Within the past 12 months, where has your company been the victim of cargo theft?

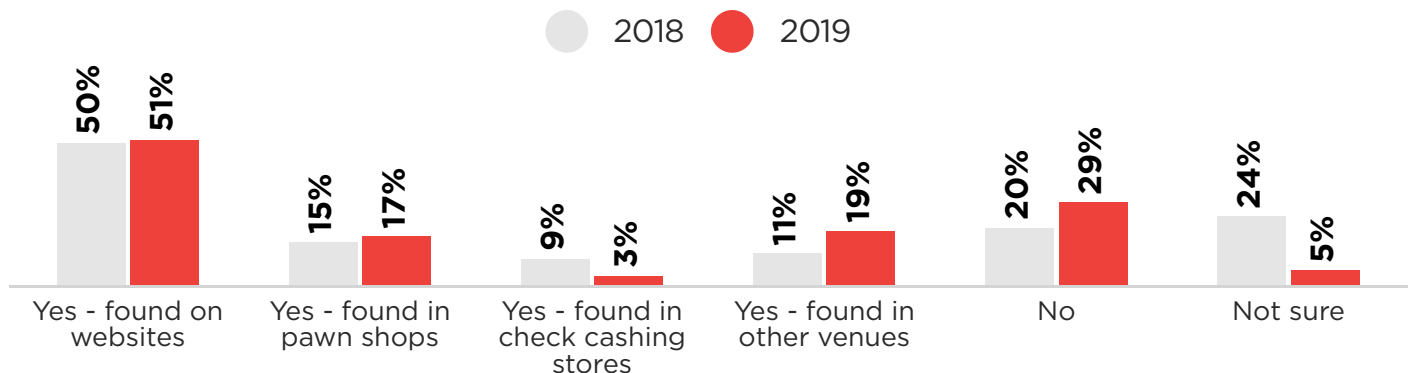


Over 7 in 10
have been a victim
of cargo theft in the
past 12 months



One popular strategy for ORC gangs is to steal merchandise, then return it for a refund in the form of merchandise credit or gift cards. They then sell these credits for cash in a variety of venues. Loss prevention teams are most commonly recovering this type of theft on websites.

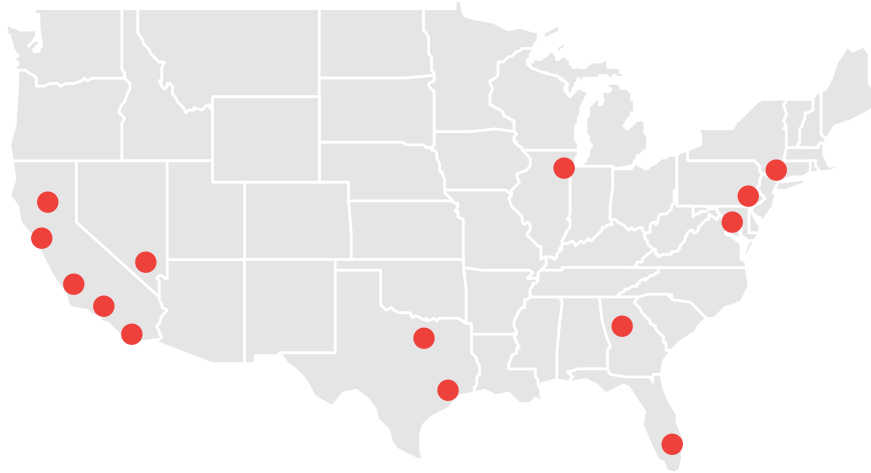
Within the past 12 months, has your company experienced boosters stealing merchandise, returning it for merchandise credit/gift cards, then selling the merchandise credit/cards to secondary market buyers/sellers for cash?



Organized retail crime by location

As always, larger cities and regions see more ORC activity. Los Angeles returns to first place this year, swapping places with New York City, while Houston, Chicago and Miami round out the top five. There were ties for sixth and seventh place, and Sacramento, Las Vegas and San Diego join the Top 10 for the first time.

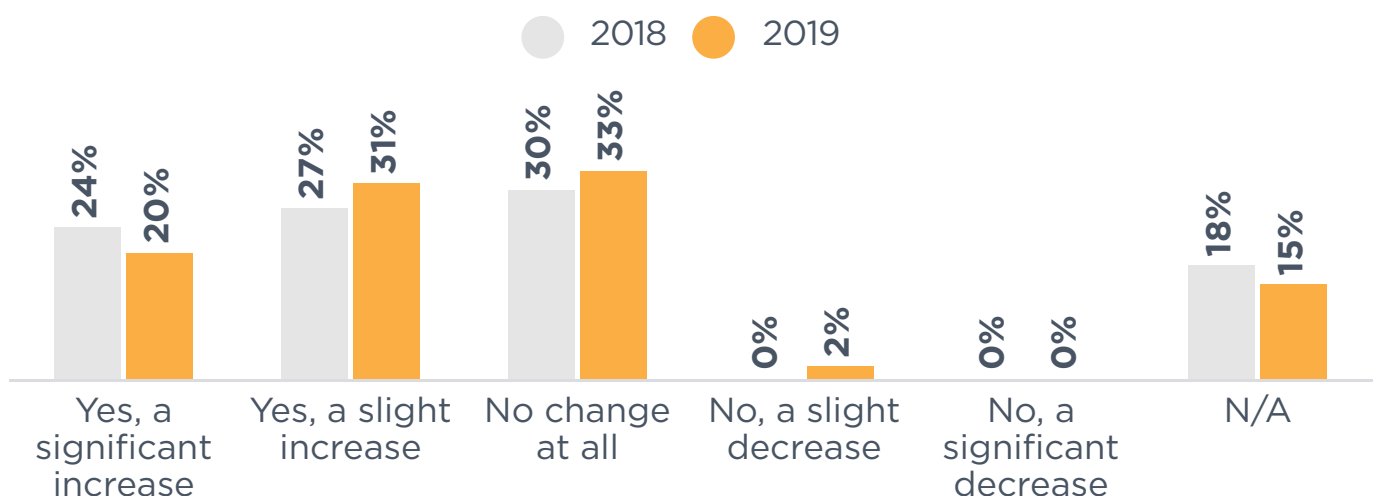
Top cities affected by ORC



1. Los Angeles
2. New York
3. Houston
4. Chicago
5. Miami
6. San Francisco/Oakland, Atlanta
7. Baltimore, Philadelphia, Arlington/Dallas/Fort Worth
8. Sacramento
9. Orange County, Las Vegas
10. San Diego

Raising the dollar threshold for felonies has unintended consequences because it means ORC gangs can steal increased amounts of merchandise without running the risk of a felony conviction rather than a misdemeanor conviction. In states where the threshold has been raised, **the majority of retailers** report a corresponding rise in average ORC case value.

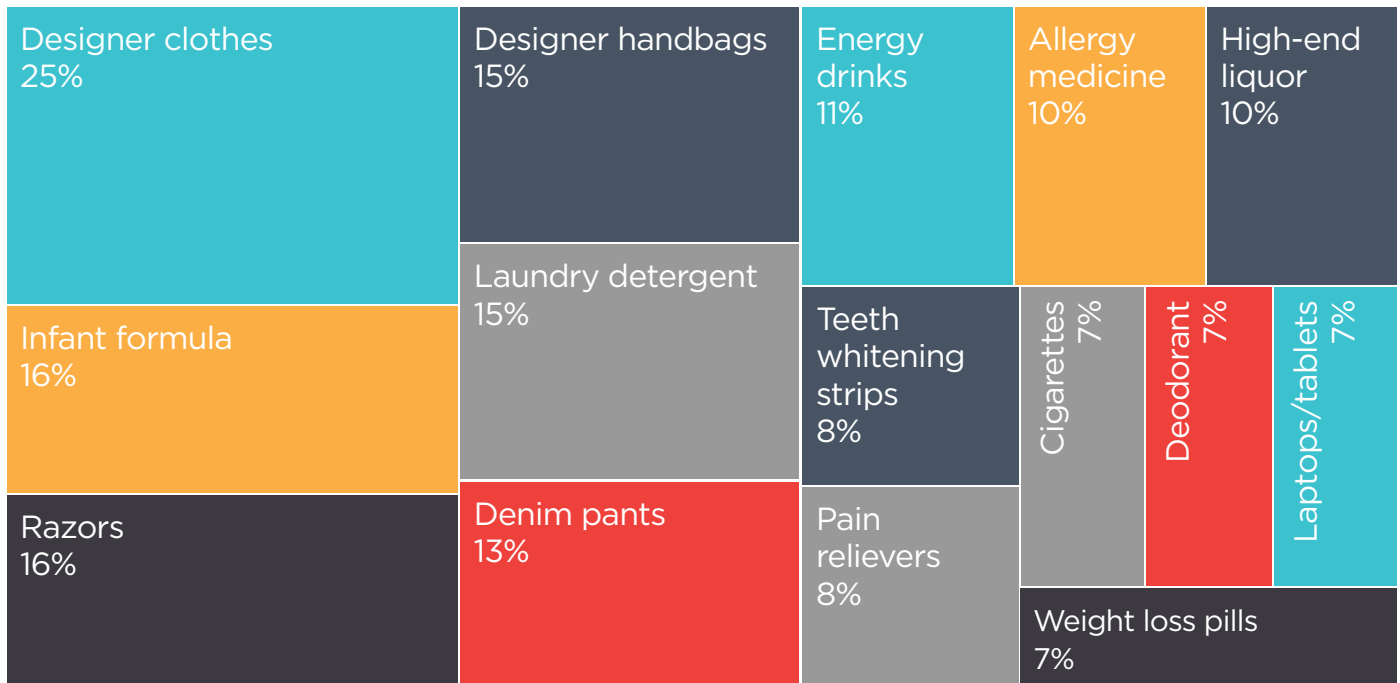
In states where the felony threshold has increased, have you noticed an increase in the average ORC case value in that state?



Top items and increased violence

ORC criminals seem to have a set preference when deciding which products to steal, typically a mix of high-end designer goods and more expensive everyday necessities.

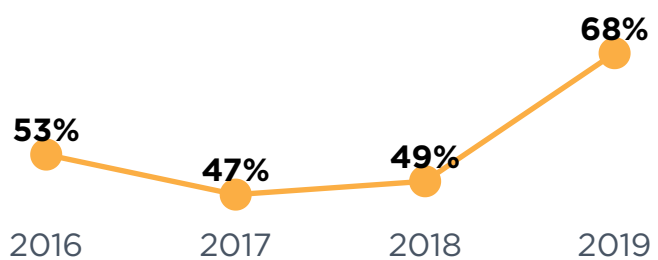
What are the top stolen items by ORC gangs?



In addition to the financial impact felt from ORC, retailers continue to see rising violence and aggression from ORC gangs.

The number of respondents who report that ORC gangs are exhibiting more aggression continues to rise. This year, **over two-thirds** said this, compared with half in 2018.

Percent who feel ORC gangs have shown increased aggression



About the survey

The 2019 Organized Retail Crime survey includes information from 63 retailers who participated anonymously. Findings are directional only. All findings are among the responding companies and have not been scaled as a reflection on the retail industry as a whole.

About NRF

The National Retail Federation, the world's largest retail trade association, passionately advocates for the people, brands, policies and ideas that help retail thrive. From its headquarters in Washington, D.C., NRF empowers the industry that powers the economy. Retail is the nation's largest private-sector employer, contributing \$2.6 trillion to annual GDP and supporting one in four U.S. jobs — 42 million working Americans. For over a century, NRF has been a voice for every retailer and every retail job, educating, inspiring and communicating the powerful impact retail has on local communities and global economies.