

Organized Retail Crime

AN ASSESSMENT OF A PERSISTENT AND GROWING THREAT

NRF National
Retail
Federation

K2 Integrity

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PREFACE

Organized retail crime has been a high-priority concern for the retail industry for decades, having a harmful economic impact on retail companies and endangering store employees and customers. These concerns have grown in recent years, as criminal groups have become more brazen and violent in their tactics and have utilized new channels to resell stolen goods.

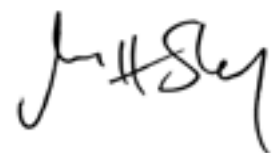
The National Retail Federation plays a variety of roles in leading the retail industry in its fight against ORC. Through the NRF Loss Prevention Council, the ORC Investigators' Network, and its NRF PROTECT conference, it convenes retail practitioners to share their insights and best practices in combating retail crime. It advocates for federal and state legislation to counter ORC, and engages with federal, state and local law enforcement partners. And it publishes the annual National Retail Security Survey report, a frequently cited report that assesses broad trends with respect to retail crime.

Building on this record of engagement, in early 2022 NRF commissioned K2 Integrity to lead a study that would examine gaps in our understanding of organized retail crime and provide new information on ORC threats and trends that would inform the public debate and be useful to retail practitioners. While the National Retail Security Survey provides a solid set of quantitative benchmarks about organized retail crime, it does not provide detailed insights about the groups engaging in ORC and their tactics and techniques for theft and resale. This report provides a detailed assessment of these issues that fills in our understanding of the ORC threat.

Over the past year, the K2 Integrity team has interviewed dozens of retail security and law enforcement professionals, examined the details of more than 130 ORC cases, and conducted in-depth research to develop this report. The report provides a clear set of findings about organized retail crime activity in the United States today, including with respect to the types of retailers and products targeted by ORC groups; the evolving tactics of ORC groups to resell and monetize stolen goods; and the links that ORC groups have to broader organized criminal activities.

The report also identifies gaps and ambiguities in our broader understanding of ORC. In our assessment, these gaps are in part due to the lack of formal mechanisms for federal, state and local law enforcement agencies and the private sector to coordinate with each other and share information on ORC threats. The Combating Organized Retail Crime Act, introduced in early 2023 on a bipartisan basis in the U.S. Senate and the House of Representatives, would establish a federal ORC coordination center that would help to address these gaps and provide a clearer picture on the scope of organized retail criminal activity. This coordination will ultimately increase the likelihood that the leaders of organized retail criminal groups will be arrested, prosecuted, and held accountable for their criminal actions.

NRF thanks the K2 Integrity team for its work on this study, and appreciates the willingness of retail security leaders, law enforcement professionals and other practitioners to engage with the K2 team and share the insights that have informed this report.



Matthew Shay

President and CEO, National Retail Federation

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Introduction

This assessment examines the current state and impact of organized retail crime, also referred to as organized retail theft.

This study defines ORC as the systematic large-scale theft of retail goods from manufacturers, logistics and transportation providers, distributors, or retailers and the subsequent resale of stolen goods for financial gain to wholesalers, retailers, or individual consumers, typically for a fraction of the retail cost. ORC operations feature typical criminal methods such as shoplifting, fraud, burglary, robbery, or the use of complicit insiders to steal or fraudulently obtain merchandise.

Although the above general definition of ORC is widely accepted, there is a lack of consensus among retailers, law enforcement officials and researchers on various aspects of crimes that constitute ORC (Appendix 1).¹

ORC has three key features that make it distinct from amateur theft. First, whereas amateur shoplifters or thieves steal merchandise for personal consumption, the explicit aim of ORC is to resell stolen goods for profit. Second, unlike amateur theft, ORC features a division of labor and specialization among perpetrators to handle the greater complexity of ORC operations, which includes inventory management, marketing, sales fulfillment, payment processing and money laundering. Lastly, ORC operations often feature careful planning, deliberate targeting, and high-level coordination among perpetrators, whereas amateur shoplifters largely conduct spontaneous crimes of opportunity that feature minimal or no premeditation.

This paper discusses the persistent and growing threat of ORC and examines the ORC cycle and its perpetrators, and the core elements of ORC operations. The paper then explores the impact of ORC on retailers and consumers and the potential outlook for ORC operations. It concludes with an overview of key information gaps on ORC that could be filled with improved data collection.

1.1.

SOURCES AND METHODOLOGY

This assessment is based on K2 Integrity's extensive experience and expertise in intelligence, law enforcement, investigations and prosecution. In addition to reviewing publicly available court files, industry and academic publications, and media reporting, we conducted source interviews with a wide range of federal, state, and local law enforcement officials, loss prevention executives, retail industry associations, state-level ORC associations, academics, journalists and representatives from online marketplaces. Materials provided by NRF including policy documents, threat reports, and NRF's annual National Retail Security Survey from 2017 through 2022 provided additional context and statistics.

In the effort to further build understanding of ORC resale operations, we contacted suspected ORC fences on online retail platforms in the guise of potential buyers for their merchandise. We also

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searched the dark web — including areas of the internet that require specific software and authorizations to access — to assess the use of this technology by ORC perpetrators.

Research for this study delivered key findings and insights but also revealed significant information gaps on ORC, as highlighted in the final section of this paper. Federal law enforcement officials consulted for this project noted that ORC presents an intelligence problem for authorities and retailers, and they highlighted the need for significant improvements in data collection to build clarity on the nature and scale of the issue.

As part of this study, K2 Integrity built a database of 132 distinct ORC groups to aid analysis of the nature of ORC operations. This database — referred to in this paper as “the ORC database” — is based on public information contained in hundreds of court cases and media reports pertaining to ORC, largely from the past decade. A more detailed description of the ORC database is included in Appendix 3.



Key Findings

ORC is a persistent and growing problem in the United States that available evidence suggests is growing in its scope and complexity.

The key distinguishing features of ORC are centralized coordination of operations and a division of labor and specialization across the myriad steps of the ORC cycle – from the theft of goods through the laundering of proceeds generated from the resale of stolen merchandise. ORC groups range in size from informal groups of a few individuals to more complex enterprises that involve many perpetrators working on defined ORC tasks within an established organizational hierarchy, with the clearest delineation between theft operations and all other ORC activities.

We assess ORC groups largely operate in isolation from one another, and any direct links between groups are likely to stem from local social ties among perpetrators, judging from court filings and media reports on ORC incidents. Our research did not reveal the existence of broad national networks of ORC groups.

We assess ORC groups are discerning in their selection of targets and primarily favor large national retailers and big-box retailers, and cargo shipments for booster operations, though ORC groups target all nodes in the retail supply and distribution chain for pilferage, judging from interviews with law enforcement officials and loss prevention executives, industry publications, court files and a large body of media reporting.

We assess ORC groups largely target everyday consumer goods – which offer a favorable balance between ease of theft, monetary value and ease of resale – based on analysis of 116 ORC groups that found 81% of these groups exclusively stole general consumer goods.

- Only 11% of the ORC groups included in the ORC database targeted luxury goods. This is likely due to reasons that include these goods being sold in stores with enhanced security measures.
- Electronic goods were the most frequently targeted items among ORC perpetrators that conducted cargo theft, according to a cargo industry publication,² and about 9% of ORC groups included in the ORC database targeted electronics.

ORC groups rely on advance planning to ensure the success of booster operations. This includes studying store layouts and camera and exit locations, understanding the types of anti-theft precautions taken by different retailers, and knowing the different store policies for stopping suspected thieves or reporting stolen items.

We assess the median retail value of merchandise a booster steals prior to arrest is about \$5,000, based on data on 150 boosters included in the ORC database.

We assess most booster operations rely on subterfuge and are nonviolent, though recent entrants to ORC may be more inclined to use violent tactics such as smash-and-grab during theft operations, judging from analysis of the ORC database, interviews with loss prevention professionals and industry reporting. Analysis of 132 ORC groups that conducted booster operations between 2014 and 2022 found that 16% used at least one violent tactic – defined as smash-and-grab, use of firearms or other weapons, battery, flash mob tactics, or threats of violence against store employees or customers – according to the ORC database.

Fifteen of the 21 violent ORC groups analyzed for this study began operations in 2021, according to the ORC database, which suggests the uptick in the use of violent tactics during theft operations is a recent development – a claim also made by the executive at a loss prevention management software company.

ORC fencing operations vary in scale and sophistication. Some ORC groups integrate fencing with booster operations in-house to achieve higher operational efficiency and profitability, while others may utilize external fences for reasons related to convenience, an interest in quick monetization, or lack of fencing expertise or resources. We assess the median ORC fencing operation handles about \$250,000 in stolen merchandise prior to disruption by law enforcement authorities, based on analysis of 46 ORC fencing operations included in the ORC database.

- ORC fencing operations rely on online marketplaces as a resale channel. About 45% of ORC groups included in the ORC database

and for which fencing information was available used online marketplaces for resale operations, according to the ORC database. The actual proportion may be higher given that online ORC fencing operations are more difficult for authorities to detect compared with physical resale channels.

- ORC fences that conduct online resale operations appear to be shifting their activities away from third-party online sellers and toward peer-to-peer venues that rely on direct engagement among buyers and sellers to complete transactions.
- Searches on the dark web for keyword terms typically associated with ORC goods – NWT (“new with tag”) and BNWT (“brand new with tag”) – revealed few relevant results, which suggests ORC groups generally do not utilize the dark web for resale operations.

ORC has a parasitic relationship to the economy and society, and its effects extend beyond direct financial costs to the retail industry and the public sector, as ORC presents potential public health and security risks to consumers and communities across the United States.

Publicly available information regarding the involvement of traditional transnational organized crime groups (e.g., those involved in drug trafficking, weapons smuggling, trafficking in persons, cybercrime or corruption networks) or transnational terrorist organizations in ORC is speculative and lacks specificity. That said, it is plausible some of these groups are involved in ORC given their operational sophistication and the potentially lucrative income stream ORC offers, according to a federal law enforcement investigator and an investigative journalist.

ORC groups will be likely to expand the scale of their operations in response to sustained inflation or an economic slowdown that causes an uptick in underemployment and unemployment. Increased economic hardship would present ORC groups with a larger pool of individuals potentially susceptible to recruitment for booster operations, thus providing ORC groups with the labor required to scale operations to serve potential growth.

Demand for ORC goods may also be sustained by a segment of youth who champion an emergent booster subculture that espouses a vague anti-capitalist ideology. Videos tagged with terms related to shoplifting have accumulated millions of views on social media platforms such as TikTok, and broader social acceptance of retail theft or indifference about purchasing stolen goods suggests ORC perpetrators could face relatively less public shame than other criminals if ORC practices gain greater cultural resonance.

Mastery of ecommerce operations will likely be a key differentiator among the most successful ORC groups. In the coming years, we expect some ORC groups probably will seek to increase utilization of technology to enhance the sophistication and efficacy of their operations.

The dark web could present a viable venue for wholesale ORC fencing operations, though the low adoption of the dark web technologies by the vast majority of internet users suggests the clear web will remain the dominant location for online sales of ORC goods to consumers.

There are significant deficiencies in the availability of consistent and consolidated data regarding ORC. The fragmentary and disorganized state of data on ORC across national, state and local authorities, and the lack of standard centralized information on ORC from the retail industry, present difficulties to building a nuanced understanding of ORC's national and regional prevalence, and operational trends.

- The lack of quality data has stymied efforts to raise public awareness about the scale and consequences of ORC, according to a former law enforcement official, who noted that ORC presents an intelligence problem for law enforcement authorities and retailers.
- Efforts to standardize and increase data collection on ORC would help build understanding of key information gaps about ORC that existing primary and secondary sources are unable to fill.



The Current State of Organized Retail Crime

ORC is a persistent and endemic problem in the United States that appears to be growing. The majority of retailers that participated in the National Retail Federation's Retail Security Survey between 2020 and 2022 reported annual increases in ORC activity at their stores,^{3 4 5} and retailers reported the number of ORC incidents increased by an average of 26.5% in 2021.⁶

About 70% of retailers believed the threat of ORC had increased during the past five years, according to the 2022 National Retail Security Survey,⁷ and several loss prevention executives and retail industry stakeholders noted that ORC had become more prevalent since 2020.

- About one-third of retailers had separate loss prevention and asset protection teams dedicated to combating ORC because of the perceived scale of the problem, according to the same 2022 NRF survey.⁸ Ninety-seven percent of retailers surveyed by NRF in 2019 reported being targeted by ORC in the previous year, according to NRF survey data.⁹
- Between 2019 and 2021, incidents of cargo theft increased 84%, according to CargoNet, a cargo theft prevention and recovery network that spans the United States and Canada.^{10 11} In 2021, California accounted for the highest proportion of cargo thefts — 21% of the 1,285 cargo theft incidents reported that year — followed by Texas and Florida, according to

CargoNet.^{12 13} In 2021, the Union Pacific Railroad Company reported a 160% annual increase in rail thefts,¹⁴ and a majority of the retailers surveyed by NRF in 2019 and 2020 reported being victims of cargo theft.^{15 16}

- National crime data on ORC does not exist, and most law enforcement authorities do not specifically track ORC as a specific category of crime. Although imprecise proxies for the prevalence of ORC, statistics for certain crimes that overlap with ORC activities — including shoplifting, larceny, theft, robbery, and commercial burglary — from 14 out of 15 mid-size and large metropolitan areas of the United States examined for this study indicated year-over-year increases as of late 2022.^{17 18 19 20 21 22 23 24 25 26 27 28 29 30 31}

70%

Retailers that believe the threat of ORC had increased during the past five years

The ORC Cycle and Its Perpetrators

The key distinguishing features of ORC are centralized coordination of operations, and division of labor and specialization across the various steps of the ORC cycle (Figure 1) — from the theft of goods through the laundering of proceeds generated from the resale of stolen merchandise.

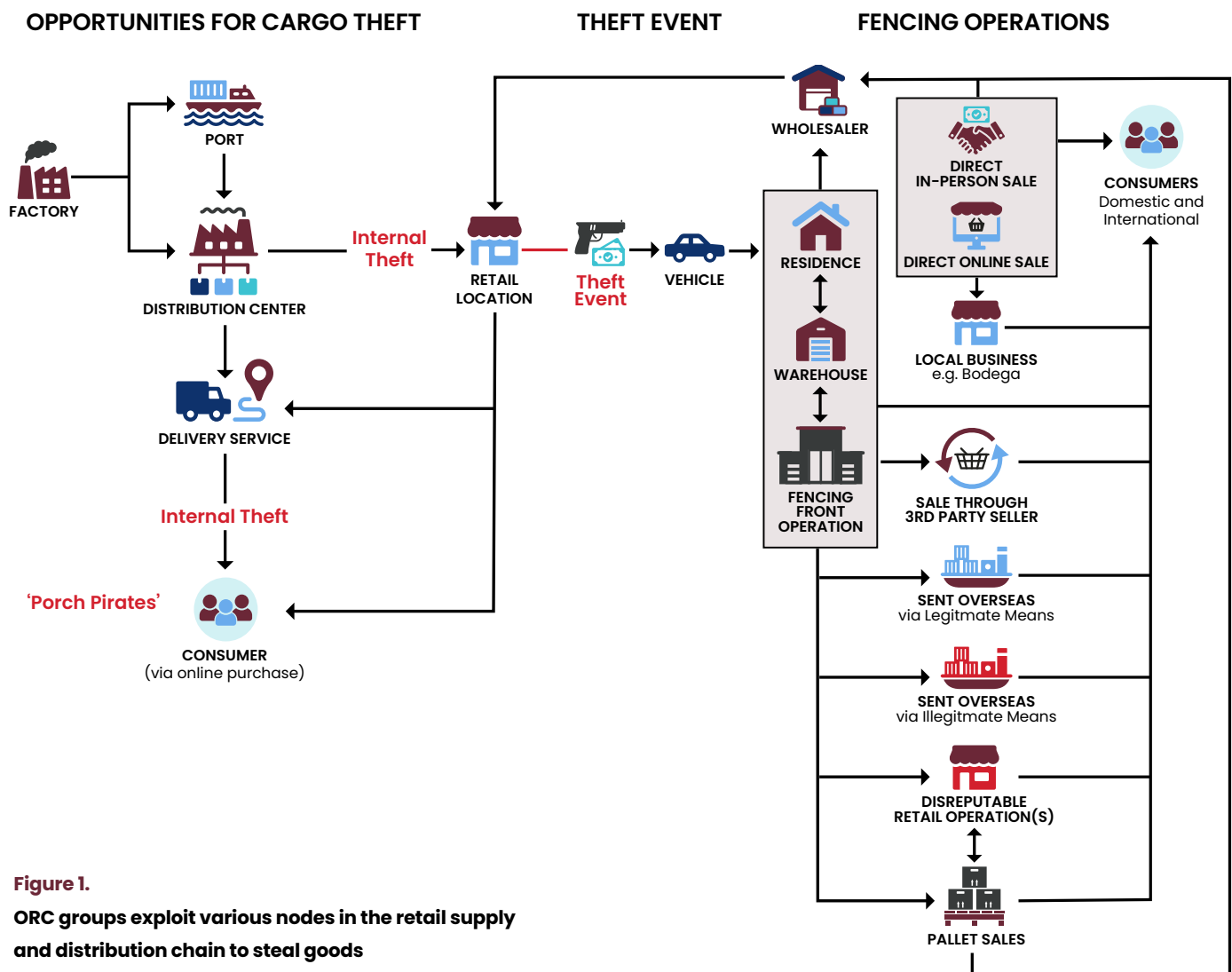


Figure 1.
ORC groups exploit various nodes in the retail supply and distribution chain to steal goods

ORC groups range in size from informal groups of a few individuals to more complex enterprises that involve many perpetrators working on defined ORC tasks within an established organizational hierarchy (Appendix 2: Case Studies 1 and 3), with the clearest delineation between theft operations and all other ORC activities. Law enforcement officials describe ORC groups as similar in structure to organized crime and racketeering enterprises that have a person at the helm orchestrating operations. Most ORC groups typically have between four to eight members, based on analysis of 132 ORC groups included in the ORC database.



Home Depot Retail Theft: Courtesy of Simi Valley Police Department

Source: <https://www.cbsnews.com/losangeles/news/2-men-arrested-simi-valley-police-detectives-uncover-social-theft-ring-targeting-home-depot-stores>

4.1. ORC ROLES

Boosters

Boosters are professional thieves who steal merchandise — either working alone or in groups — and earn a fraction of the retail price for the goods they steal. ORC groups often recruit individuals with economic or social vulnerabilities such as the homeless or those with substance abuse issues to work as boosters. ORC groups also recruit individuals seeking to generate quick income, such as young people (Case Study 5) or those experiencing poverty.³² Public information on ORC booster recruitment methods is sparse, though ORC orchestrators probably use their personal social networks and peer-to-peer SMS or encrypted messages to identify and coordinate with potential recruits. Searches of cybercriminal venues on the dark web and surface web between June and November 2022 did not reveal the presence of ORC booster recruiters.

Fences

Fences purchase stolen merchandise and resell it either to other fences, or to witting or unwitting consumers or businesses. ORC fencing operations range in size and sophistication, and ORC groups can access a diverse ecosystem of third-party fences to help monetize their stolen merchandise through physical or online distribution channels.

- **Low-level fences**, also known as “street fences,” typically handle small volumes of stolen goods and may specialize in certain items or resale methods. Low-level fences resell stolen goods to mid-level fences in the ORC supply chain, or directly to the public via flea markets, swap meets, or ecommerce platforms.³³
- **Mid-level fences** either use their own fencing operations to resell stolen goods to the public via similar channels used by low-level fences, or they resell merchandise to high-level fences — depending on the type, condition, and volume of stolen goods that need monetization.

- **High-level fences** operate legitimate businesses that can handle and resell large volumes of stolen goods in transactions that can amount to millions of dollars per year (Appendix 2: Case Studies 1, 2, and 7). Typical front businesses operated by high-level fences include pawn shops, secondhand stores, convenience stores, repair shops, salvage yards, or warehouse liquidators, all of which enable fences to intermingle stolen goods with licit merchandise.



Images courtesy of DHS
– Homeland Security
Investigations

Cleaners

Cleaners remove security devices or other features associated with stolen goods. Depending on resale requirements, cleaners may remove or leave attached store tags, or repackage stolen merchandise to give the appearance that the goods originated from the manufacturer. Some cleaners operate mid-level fencing operations located in warehouses or storage facilities and have relationships with high-level fences.

Money launderers

Money launderers process the illicit proceeds from the resale of stolen merchandise through a series of transactions designed to “clean” the funds so they appear to be the proceeds of legal activities.³⁴ To achieve this goal, money launderers often attempt to conceal the identity of the parties involved in a transaction, as well as the source and ultimate destination of the funds.

Ringleaders

Ringleaders direct the activities of ORC groups, including the development of merchandise lists and target locations for boosters, booster payout amounts, and resale pricing. ORC ringleaders also identify fences and decide on various other operational decisions, such as whether to utilize the services of cleaners or professional money launderers.

ORC Operations

We assess ORC groups largely operate in isolation from one another, and any links between groups are likely to stem from local social ties among perpetrators, judging from court filings and media reports on ORC incidents. Our research did not reveal the existence of broad national networks of ORC groups.

We assess ORC groups are discerning in their selection of targets and primarily favor large national retailers and big-box retailers, and cargo shipments for booster operations, judging from interviews with law enforcement officials and loss prevention executives, industry publications, court files and a large body of media reporting, though ORC groups target all nodes in the retail supply and distribution chain for pilferage. National retailers – including major department stores, and grocery and pharmacy chains – and big-box stores are attractive for ORC because they contain brand name products that are easy for ORC groups to resell, according to loss prevention executives from two large national retailers.

- Large stores and big-box retailers also present particularly attractive targets for ORC because most items are not secured, and the high number of customers relative to the number of staff provides cover for theft operations, according to a loss prevention executive for a big-box retailer.³⁵
- Ports, rail hubs, truck stops, warehouses or any location at which cargo is stationary during transit present opportunities for ORC boosters to steal merchandise in bulk, often on pallets, because thieves can conduct operations at night when they are less likely to encounter witnesses, according to law

enforcement officials, media, and industry experts (**Image 1**).^{36 37 38 39} Of the four modes of cargo shipment – air, road, rail and sea – cargo in transit via ship is least vulnerable to ORC theft because ports feature highly secured environments, according to law enforcement officials from a major port in the United States.⁴⁰



Image 1: Aftermath of cargo theft against a parked train in downtown Los Angeles.¹³³

We assess ORC groups largely target everyday consumer goods — which offer a favorable balance between ease of theft, monetary value and ease of resale — based on analysis of 116 ORC groups that found 81% of these groups exclusively stole general consumer goods. Everyday consumer goods such as cosmetics, personal care items, and over-the-counter medications typically lack security tags because the cost of these security measures is high relative to the retail value of these goods, according to the president of a technology company that provides ORC incident tracking and reporting software.⁴¹ Several retail industry sources noted most consumer products lack unique identifiers or serial numbers, thus making it more difficult to link specific items to a theft event and giving thieves greater anonymity during fencing operations.

- The items most commonly targeted for theft have generally remained the same during the past decade and include apparel, health and beauty products, infant products, accessories, housewares, home improvement products, eyewear, office supplies, toys and laundry products, according to interviews with loss prevention specialists and NRF’s annual National Retail Security Surveys from 2019 to 2022. Brand name items are more popular targets for theft compared with generics, according to a loss prevention executive for a big-box retailer.
- Goods targeted for ORC align with the six criteria loss prevention experts use to evaluate the relative attractiveness of a product for theft: concealability; removability; availability; value; enjoyability; and disposability.⁴² Although these criteria provide a useful framework for understanding ORC theft, ORC groups may assign different weights to each, or may not consciously consider these at all.

- Only 11% of the ORC groups included in the ORC database targeted luxury goods. These items are sold in stores with enhanced security measures, making them more difficult to steal. Luxury goods present the additional challenge of not being available in bulk quantities and are more noticeable in resale venues, according to the same technology company president, which may further reduce the attractiveness of these goods for ORC groups that seek to do business in high volume and without attracting scrutiny.
- Electronic goods were the most frequently targeted items among ORC perpetrators that conducted cargo theft, according to a cargo industry publication,⁴³ and about 9% of ORC groups included in the ORC database targeted electronics. Relatively few ORC groups steal high-value items that are large or heavy such as televisions or appliances. These types of goods often have serial numbers, and are difficult to steal and handle in bulk, according to loss prevention sources and a retail crime researcher, thus making them less attractive targets for theft.

5.1. BOOSTER OPERATIONS

ORC groups rely on advance planning to help ensure the success of booster operations. ORC groups that target physical stores build intimate knowledge of store layouts, and some ORC groups exploit the largely similar layouts of national chain stores to develop replicable booster operations across multiple store locations, according to a prosecutor in California. In some cases, ORC groups plan operations that cover a large area and employ booster crews to travel long distances

to conduct thefts.⁴⁴ We assess the median retail value of merchandise a booster steals prior to arrest is about \$5,000, based on data on 150 boosters included in the ORC database.

- ORC groups often provide boosters with lists of items to steal based on perceived market demand, according to court filings (Appendix 2: Case Studies 1 and 4).⁴⁵ In some instances, ORC groups secured advance purchase orders for stolen goods from small retail shops prior to booster operations at large chain stores, according to a prosecutor in a major U.S. city.⁴⁶
- Collusion among ORC groups and retail store employees accounts for only a small share of ORC operations, according to retailers and law enforcement officials. Most insider involvement in ORC involves support for cargo theft — particularly within the trucking industry — because of the need for specialized information about freight contents, delivery locations and schedules, and security measures, according to an executive at a loss prevention management software company.⁴⁷
- Some ORC groups involved in cargo theft employ spotters trained to analyze certain features of shipping containers — such as the types of locks or seals used — that may identify the manufacturer of the contents or the retailer destined to receive the goods, according to a state attorney general investigator located in the Midwest.⁴⁸ Some ORC groups employ boosters that can drive semi-trailer trucks to steal entire loads, according to cargo industry experts.

We assess most booster operations rely on subterfuge and are nonviolent, though recent

entrants to ORC may be more inclined to use violent tactics such as smash-and-grab during theft operations, judging from analysis of the ORC database, interviews with loss prevention professionals, and industry reporting. Analysis of 132 ORC groups that conducted booster operations between 2014 and 2022 found that 16% used at least one violent tactic — defined as smash-and-grab, use of firearms or other weapons, battery, flash mob tactics or threats of violence against store employees or customers — according to the ORC database.

- Fifteen of the 21 violent ORC groups analyzed for this study began operations in 2021, according to the ORC database, which suggests the uptick in the use of violent tactics during theft operations is a recent development — a claim also made by the executive at a loss prevention management software company.
- Eight in 10 retailers that participated in NRF's 2022 National Retail Security Survey reported violence and aggression associated with ORC incidents increased in the past year, and a majority of the respondents to surveys conducted in 2020 and 2019 reported that ORC gangs exhibited more aggression and violence compared with the prior year.⁴⁹
- The director of ORC and special investigations at a large national pharmacy chain claimed professional ORC boosters were generally nonviolent because they sought to avoid detection, and the uptick in violent tactics such as smash-and-grab in retail theft was attributable to young or inexperienced thieves, some of whom may have mental health issues or other problems, according to an interview published in a loss prevention industry publication.

Selective Retailer Reporting, Media Coverage Probably Skewing Perceptions of ORC Violence

Selective reporting of retail theft incidents by retailers and skewed media coverage of retail theft has fostered misperceptions regarding the overall role of violence in ORC operations. Some retailers have policies to call the police only in response to theft incidents that involve violence or pose a physical safety threat because of concerns that reporting all thefts would cause reputational damage, according to a loss prevention executive for a national apparel company. Media coverage of retail theft tended to focus on sensational incidents that feature violence or brazen daytime theft operations, according to an executive at a loss prevention management software company.

41%

Between 2017 and 2022, approximately 41% of media reports about retail theft incidents mentioned violence, according to analysis of 41,920 media reports published in the United States.

- Prior knowledge of retailer loss prevention policies and procedures may reduce the need for most ORC boosters to use violence during thefts. ORC groups are aware that some retailers instruct their employees to avoid apprehending shoplifters, and professional retail thieves are unfazed by the visible presence of security guards, according to several loss prevention executives.

ORC boosters typically learn their craft from firsthand experience gained during operations and from publicly available information about retail theft on the surface web. Some social media platforms and mainstream websites host public forums dedicated to retail theft that contain shoplifting tips, information about retailer loss prevention procedures during encounters with thieves, and details about store layouts, including the location of merchandise, security cameras and exits. Searches of the dark web did not reveal discussion of booster tactics or techniques, likely because much of this information is readily available on the surface internet.

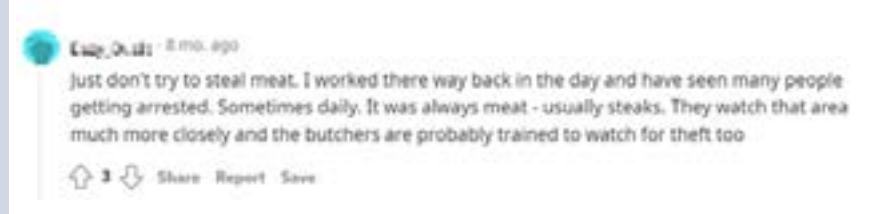
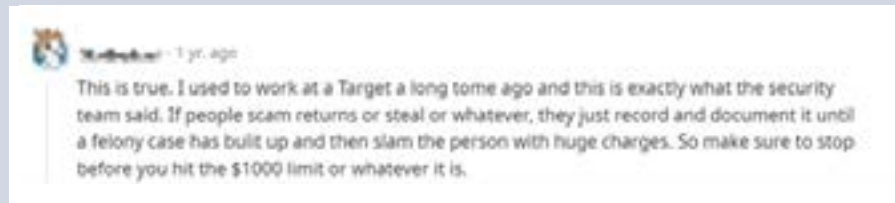
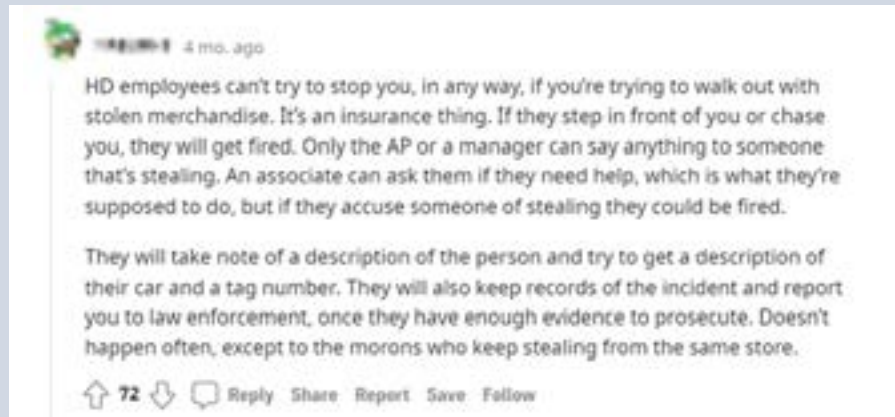
The popular surface web discussion site Reddit hosts several user-run communities dedicated to discussions of retail crime tactics and best practices (**Exhibit 1**). As of November 2022, a subcommunity on Reddit contained discussions about retail theft best practices, retailer loss prevention strategies, and tips on the circumvention of anti-theft technologies.⁵⁰

As of December 2020, the social media site Pastebin made available a detailed guide posted by a user that described best practices for conducting retail crime at specific named retailers.⁵¹

Exhibit 1:

Social Media Posts About Retailer Security Practices Benefit ORC Booster Operations

These screenshots from the popular social media website Reddit indicate thieves are aware of retailer security practices. Although posts such as these are generally aimed at amateur shoplifters, ORC booster operations also benefit from the availability of this information.^{52 53}



5.2.

FENCING OPERATIONS

ORC fencing operations vary in scale and sophistication. Some ORC groups integrate fencing with booster operations in-house to achieve higher operational efficiency and profitability, while others may utilize external fences for reasons related to convenience, an interest in quick monetization, or lack of fencing expertise or resources. ORC groups consider fencing plans during advance preparations for booster operations, according to law enforcement officers and prosecutors,^{54 55 56} and each ORC group approaches fencing operations based on the skills and resources required, and the type, condition,⁵⁷ and volume of stolen goods they seek to resell. We assess the median ORC fencing operation handles about \$250,000 in stolen merchandise prior to disruption by law enforcement authorities, based on analysis of 46 ORC fencing operations included in the ORC database.

- Fences are knowledgeable about market demand for merchandise and typically pay a fraction⁵⁸ of the retail price for stolen goods, though amounts will often vary depending on the item and geographic location. A New York pawn shop owner accused in May 2022 of operating an ORC group allegedly paid between 6% and 8% of the retail price for designer clothing, and between \$1 and \$2 for cosmetics and over-the-counter pharmaceuticals, depending on the brand.⁵⁹ Between 2018 and early 2022, the head of an ORC group based in Oklahoma City typically received half the retail value of each product she sold to fences.

- Several loss prevention executives and law enforcement officials, and a corporate investigations manager for a regional grocery chain, suspected that some sophisticated high-level ORC fences operate illicit wholesale businesses that resell stolen products back to the retailers from which they were stolen.

ORC fencing operations rely on online marketplaces as a resale channel. About 45% percent of ORC groups included in the ORC database and for which fencing information was available used online marketplaces for resale operations, according to the ORC database, though the actual proportion may be higher given that online ORC fencing operations are more difficult for authorities to detect compared with physical resale channels. The large number of legitimate sellers on popular online marketplaces provides greater anonymity and better cover for action to resell ORC goods compared with physical retail venues, which involve face-to-face interactions with customers who may recognize the illicit origin of goods.⁶⁰

User-friendly online marketplaces significantly reduce barriers to entry for sellers, including ORC fences, who are able to access prospective buyers across the United States and in many overseas markets, according to a former federal law enforcement official⁶¹ and a retail crime researcher.⁶²

ORC fences that conduct online resale operations are probably shifting their activities away from third-party online sellers and toward peer-to-peer venues that rely on direct engagement among buyers and sellers to complete transactions.

In anticipation of the adoption of federal legislation that was enacted in December 2022,^{63 64} some major third-party online sellers have implemented policies to collect and verify basic identification and banking information for high-volume third-party sellers. Nonetheless, ORC groups can circumvent these measures by using trusted intermediaries to open and operate seller accounts, or through the resale of stolen goods to disreputable or unwitting merchants that then resell stolen goods on these platforms.

- Many peer-to-peer ecommerce sites have weak identification policies for sellers and disregard the threat ORC fencing operations pose to the integrity and reputation of their platforms, according to an executive at a loss prevention management software company and a former ORC investigator for a national retailer. As of November 2022, many popular peer-to-peer platforms that provide local online classified advertisements made little or no effort to collect and verify the identities of sellers on their sites, according to research findings and law enforcement officials. This may be because in large part these platforms do not process financial transactions on behalf of buyers or sellers.
- As of December 2021, the online auctioneer eBay required sellers to provide personally identifying information such as a name, address and telephone number,⁶⁵ and some sellers were required to provide tax identification numbers and images of official identification.⁶⁶ By the end of 2021, 100% of new sellers to Amazon were required to pass in-person verification, if they wanted to sell in stores serving the U.S., EU member countries, and several other major markets. This process was further bolstered through verification of the seller’s physical location and payment instruments.⁶⁷

- Searches on the dark web for keyword terms typically associated with ORC goods — NWT (“new with tag”) and BNWT (“brand new with tag”) — revealed few relevant results. Postings on the dark web and clear web suggest ORC fencing operations largely utilize online marketplaces on the surface web or other resale methods. Several channels on the encrypted chat messaging service Telegram featured bids to purchase or offers to sell stolen goods.⁶⁸

ORC Goods Readily Available on Peer-to-Peer Ecommerce Platforms

ORC fences use the two popular peer-to-peer platforms Craigslist and Facebook Marketplace for resale operations, based on analysis of 8,821 listings on both websites across 21 locations¹³⁴ that found about 25% of search results for typical ORC goods or keywords had elements associated with ORC.¹³⁵ These findings are consistent with information provided by law enforcement and loss prevention professionals.

- The highest proportion of listings on both Craigslist and Facebook Marketplace that appeared to be ORC goods were for Tide laundry detergent pods, cosmetics and baby formula ([Table 1](#)).
- Los Angeles, Houston, and Miami/Fort Lauderdale had the highest proportion of listings that appeared to be for ORC goods. Locations with smaller populations generally featured a lower proportion of listings for suspected ORC goods ([Table 2](#)).

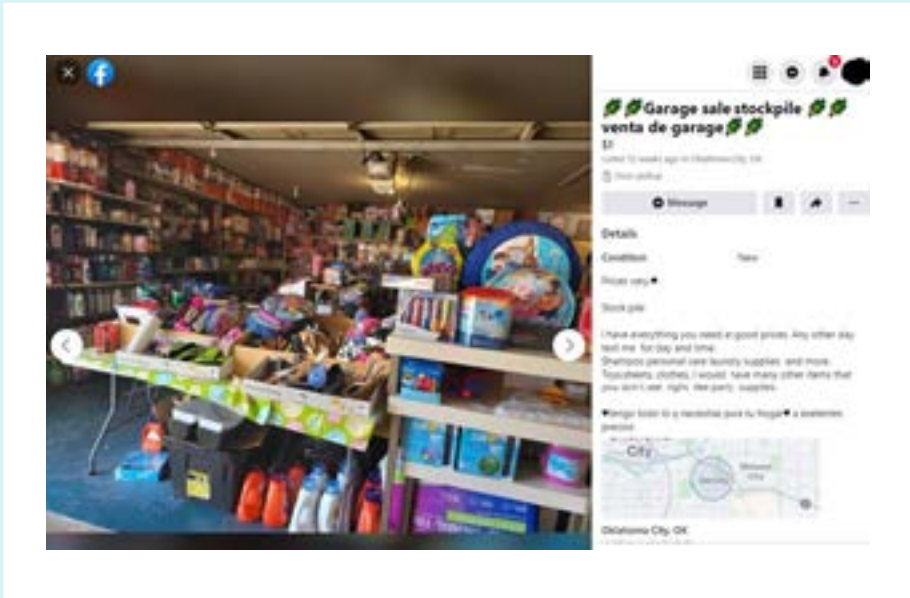
Search Keyword	New With Tag	Tide Pods	Diaper	Makeup	Designer NWT	Baby Formula	Total Search Results
Craigslist							
Search Results	1,150	25	637	211	70	467	2,560
% of Search Results Suspected ORC	15%	92%	20%	40%	21%	34%	23%
Facebook Marketplace							
Search Results	2,208	617	1,134	1,131	845	326	6,261
% of Search Results Suspected ORC	12%	76%	17%	40%	15%	43%	26%
Overall							
Search Results	3,358	642	1,771	1,342	915	793	8,821
% of Search Results Suspected ORC	13%	77%	18%	40%	15%	37%	25%

Table 1: Analysis of search results for typical ORC goods on Craigslist and Facebook Marketplace (November–December 2022)

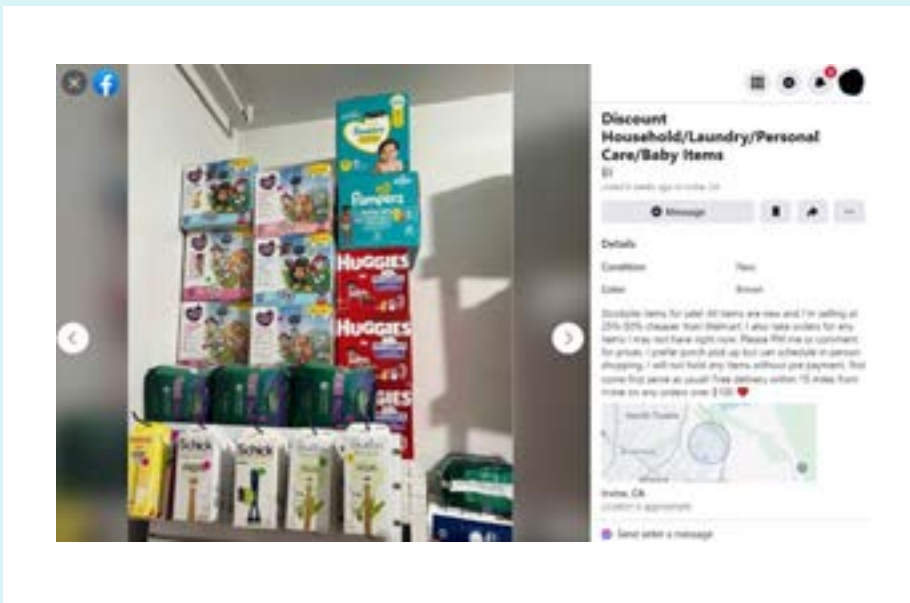
Location	Total Search Results (Craigslist and Facebook Marketplace)	% of Listings Suspected ORC
Los Angeles, CA	744	35%
Houston, TX	348	34%
Miami/Fort Lauderdale, FL	413	34%
Philadelphia, PA	175	29%
Boston, MA	419	29%
Tampa, FL	357	28%
Atlanta, GA	370	26%
Austin, TX	431	26%
New York, NY	785	26%
Chicago, IL	477	26%
Phoenix, AZ	403	26%
Omaha, NE	134	25%
St. Louis, MO	409	24%
Denver, CO	371	23%
Louisville, KY	287	22%
Portland, OR	428	21%
Nashville, TN	361	20%
San Francisco (Bay Area), CA	967	19%
Albuquerque, NM	305	19%
Valdosta, GA	114	18%
Minneapolis, MN	523	16%
Total	8,821	25%

Table 2: About 25% of search results on Craigslist and Facebook Marketplace for typical ORC keywords appeared linked to ORC (November–December 2022)

Facebook Marketplace

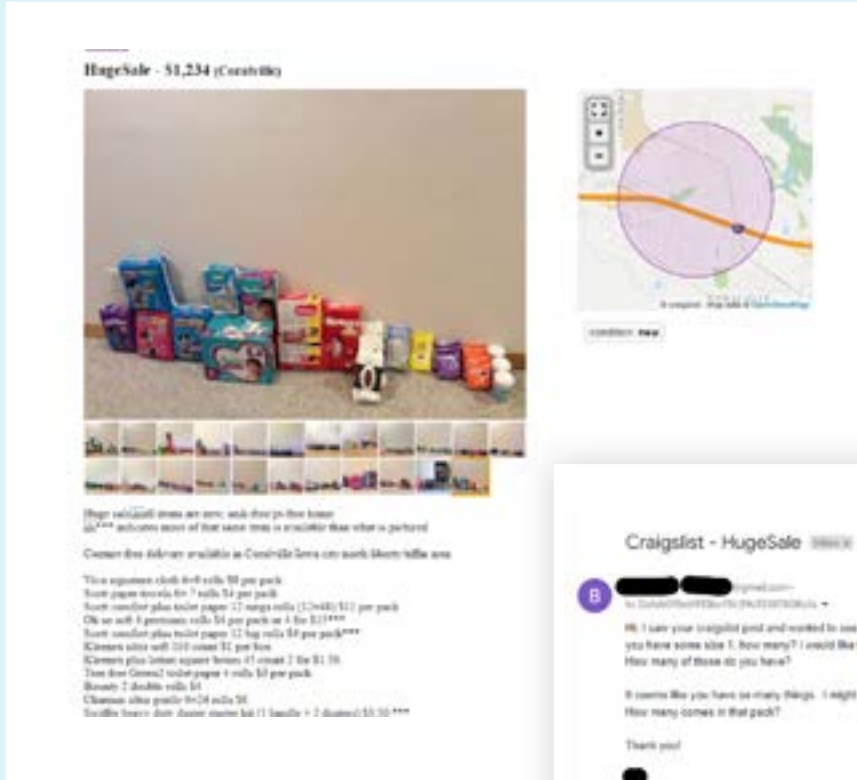


Facebook Marketplace listing of a suspected ORC fencing operation located at a private residence.



Facebook Marketplace listings for suspected ORC goods highlighting prices significantly lower than retail.

Craigslist



Correspondence with a suspected ORC fence located in Iowa found on Craigslist revealed the seller had baby care and laundry items in quantities that exceed typical personal use.



Evident International Nexus to ORC, Though Scale and Prevalence is Unclear

Some ORC groups fence stolen goods in foreign countries to take advantage of relatively higher demand in overseas markets for certain goods that are readily available in the United States, though the overall share of ORC activity that involves an international nexus is unclear because of fragmentary data. Federal and state law enforcement officials noted criminal enterprises based in foreign countries send trained and highly organized theft groups to plan and conduct ORC operations in the United States, and these groups exhibited a good understanding of demand for various products in overseas markets.^{136 137}

- As of late 2022, ORC groups with operations in the western United States, particularly in California, had links to theft groups located in China, Eastern Europe and South America, according to the U.S. Department of Homeland Security.¹³⁸ In 2011, the Federal Bureau of Investigation cited the involvement of these and other international theft groups in ORC, though the FBI did not publish statistics or evidence to support this claim.¹³⁹
- A district attorney in Southern California who successfully prosecuted several theft groups with links to Chile and Colombia noted members of these ORC rings were well trained, rarely used weapons, and exhibited more sophistication and coordination in their operations compared with ORC groups in the past.
- ORC groups can take advantage of the relative ease of movement across the borders of the United States with Canada and Mexico. Between 2005 and 2017, a highly structured ORC ring conducted theft operations at upscale shopping malls across the United States, particularly in the San Diego area, and drove the stolen merchandise to Tijuana, Mexico, for resale at a local boutique (Appendix 2: Case Study 3).¹⁴⁰
- In 2020, federal prosecutors charged two brothers who owned a cell phone wholesaler based in Texas for collaborating in an ORC ring that exported stolen cell phones for resale in Dubai and Hong Kong.^{141 142}

ORC: An Economic and Social Parasite

ORC has a parasitic relationship to the economy and society, and its effects extend beyond direct financial costs to the retail industry and the public sector, as ORC presents potential public health and security risks to consumers and communities across the United States.

6.1. ECONOMIC COSTS

ORC imposes direct financial costs on retailers in terms of forgone revenue and higher operational costs associated with security and loss prevention measures. Total annual retail shrink — the reduction in physical inventory caused by theft or various other causes — was \$94.5 billion in 2021, according to NRF survey data.^{69 70 71 72} Notably, although the overall shrink rate in 2021 was similar to the previous five years at around 1.4% of annual sales, the share of shrink attributable to ORC likely increased in 2021 compared with 2020, given that retailers reported ORC incidents increased an average of 26.5 percent during the same period.⁷³

- Estimates of losses from cargo theft in the United States range between \$15 billion to \$30 billion annually,⁷⁴ though estimates of losses from cargo theft are imprecise because of data collection challenges.⁷⁵
- ORC operations that employ violence or result in visible property damage can cause temporary dips in revenue at targeted stores as widespread media coverage of these incidents reduces the number of customer visits because of physical safety concerns.
- ORC also costs retailers potential sales because of security measures at physical stores that increase purchase friction. For example, the use of lockboxes to protect items that are popular targets for ORC reportedly dissuades some customers from making purchases because of the inconvenience and delay these measures introduce to the shopping experience, particularly in stores that have a low ratio of employees to customers.
- ORC negatively affects retailer operating expenses through increased expenditures on security and insurance, and higher labor costs to compensate workers at stores that experience elevated levels of ORC because of perceived safety risks, according to an industry study on the impact of ORC on retailers.⁷⁶

6.2

PUBLIC SECURITY THREAT

ORC theft incidents that use smash-and-grab methods or morph into violent crime present a public security threat and have a negative effect on perceptions of safety and the prevalence of crime in targeted areas.^{77 78} Stores that experience frequent visible ORC incidents, particularly those that involve threats or assault against retail personnel, may experience reduced employee morale or high staff turnover because of workplace safety concerns. Media reports and anecdotal accounts of confrontational or violent ORC operations may also make it difficult for retailers to recruit staff at targeted stores. Further, violence targeting customers can deter them from shopping at that retailer or store location again.

Between 2009 and 2012, boosters in an ORC group based in San Diego engaged in dangerous or violent conduct during thefts, including reckless driving and several instances of physical assault against customers (Appendix 2: Case Study 3).

6.3

PUBLIC HEALTH AND PRODUCT SAFETY RISK

ORC poses public health risks when perishable consumables, such as infant formula, medication, or other health and beauty products, are improperly stored or mishandled prior to resale to consumers. ORC cleaning operations also present safety issues when ORC cleaners alter or remove expiration dates on spoiled or expired perishable goods, or tamper

with goods during repackaging.⁷⁹ Stolen medication or health products that are repackaged and resold without accompanying product safety information may also pose safety concerns. ORC also presents the potential second order effect of reputational risk to retailers or brands, as consumers who experience adverse health effects from spoiled or expired perishable goods that were subject to ORC may lose trust in the retailer or brand associated with such products.

6.4

LINKS TO OTHER ILLICIT ACTIVITIES

ORC can be associated with other illicit activities or serve as a source of funding for criminals, according to court filings, and interviews with law enforcement officials and various retail industry stakeholders.

- **Gangs and informal criminal networks.** ORC can serve as a source of income for street gangs, which often compel juveniles to serve as boosters as part of gang initiations, according to an investigator. Between 2014 and 2016, a senior member of a street gang in Southern California orchestrated a series of smash-and-grab robberies that netted watches and jewelry valued at about \$6 million (Appendix 2: Case Study 5). Individuals with gang associations or criminal backgrounds also form informal partnerships to conduct ORC operations outside the scope of their gang activities.

- **Illicit drug trade.** Drug gangs have also been found to engage in ORC as a parallel activity, according to a federal law enforcement official, who referenced an investigation that revealed a particular drug gang earned more money from ORC than the sale of illegal narcotics. ORC also provides indirect financial benefits to drug gangs because ORC groups often employ people with drug dependencies to conduct theft operations and pay these boosters either with drugs or money that is then used to purchase narcotics, according to an ORC researcher in New England and a federal court filing.⁸⁰
- **Trafficking in persons.** Large, sophisticated ORC groups provide a source of demand for trafficked persons from Central and South America for use in booster operations, according to a report jointly published by the Homeland Security Investigations branch of U.S. Immigration and Customs Enforcement and the Association of Certified Anti-Money Laundering Specialists. According to this report, trafficked individuals work as boosters to repay debts owed to human smugglers – an arrangement that meets the definition of forced labor.⁸¹ In some instances trafficked boosters will continue their involvement in ORC after they have paid their debts to earn an income, according to a federal law enforcement official. There have also been cases of ORC groups exploiting runaway minors in booster operations, according to a former prosecutor who founded the National Child Protection Task Force.⁸²

- **Petty crime.** ORC groups are often linked to other crimes in their community, according to a seasoned law enforcement official. In a case from 2022, law enforcement officials in North Carolina discovered a large criminal operation dealing in stolen vehicles during the investigation of a woman and her son who had both been arrested for boosting tools from national hardware store chains.⁸³

Publicly available information regarding the involvement of traditional transnational **organized crime groups** – such as those involved in drug trafficking, weapons smuggling, trafficking in persons, cybercrime, or corruption networks – **or transnational terrorist organizations** in ORC is speculative and lacks specificity. That said, it is plausible some of these groups may have some involvement in ORC given their operational sophistication and the potentially lucrative income stream ORC offers, according to a federal law enforcement investigator and an investigative journalist.



Dept. of Homeland Security, HSI, courtesy of LP Magazine

Source: losspreventionmedia.com/carolina-hsi-busts-orc-gang

ORC Likely to Expand in Scale, Sophistication

ORC groups will be likely to expand the scale of their operations in response to sustained inflation or an economic slowdown that causes an uptick in underemployment and unemployment.

As a growing number of highly price-sensitive shoppers seek bargains to offset their reduced purchasing power, ORC groups will likely see increased demand for their illicit goods, the origin of which will probably receive less scrutiny from unwitting buyers attracted by the favorable prices of ORC merchandise compared with licit retail goods.

Increased economic hardship would present ORC groups with a larger pool of individuals potentially susceptible to recruitment for booster operations, thus providing the labor required to scale operations to serve potential growth. A significant proportion of boosters are typically addicted to opioids or other hard drugs, are homeless, or are experiencing both conditions, and they use money earned from retail theft to meet their basic needs or support a drug habit, according to law enforcement sources, retail loss prevention professionals, and retail trade associations.

Historically, economic downturns have been linked to increased rates of homelessness and substance abuse.^{84 85 86}

Demand for ORC goods may also be sustained by a segment of youth who champion an emergent booster subculture that promotes anti-capitalist views. Videos tagged with terms related to shoplifting have accumulated millions of views on TikTok, and broader social acceptance of retail theft or indifference about purchasing stolen goods suggests ORC perpetrators could face relatively less public opprobrium than other criminals if ORC practices gain greater cultural resonance. ORC groups would also benefit from increased public acceptance of arguments that ORC is a victimless crime or that large national retailers are profitable enough to absorb the costs of ORC.⁸⁷

Mastery of ecommerce operations will be a key differentiator among the most successful ORC groups. Savvy ORC groups that can take advantage of commercial data analytics and geolocation tools to expand their understanding of supply and demand in offline and online marketplaces and tailor booster operations will be likely to develop a competitive edge relative to ORC groups that use instinctual or ad hoc approaches.

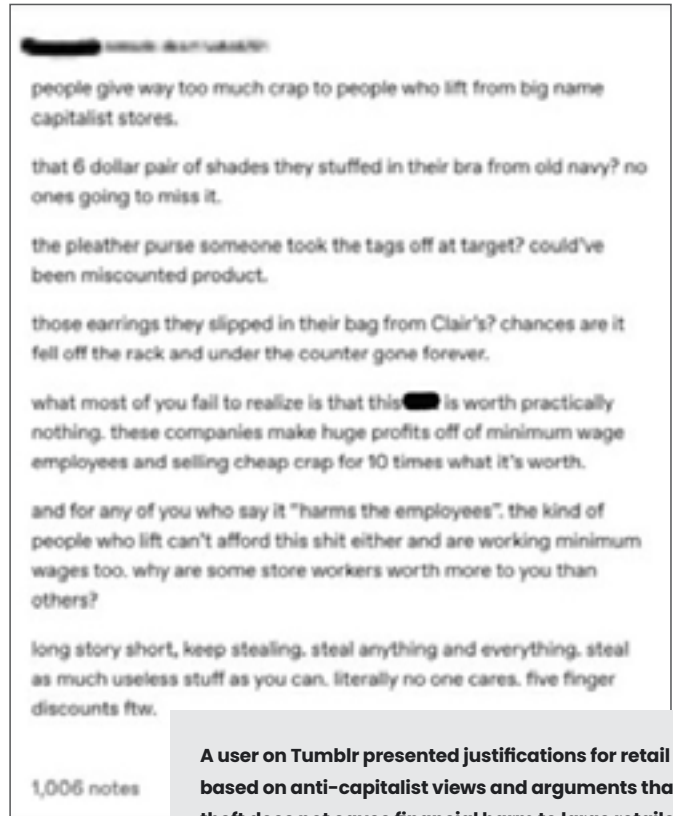
ORC LIKELY TO EXPAND IN SCALE, SOPHISTICATION

- Consumers have become more comfortable shopping online in recent years, and ecommerce is projected to account for about 25% of total retail sales by 2030 – a significant increase from its share of 15% in 2021 – based on analysis of ecommerce retail sales data published by the Federal Reserve Bank of St. Louis.⁸⁸ This growth is likely to be accompanied by the further expansion and proliferation of online marketplaces that ORC groups can exploit to monetize stolen goods.

In the coming years, we expect some ORC groups probably will seek to increase utilization of technology to enhance the sophistication and efficacy of their operations.

Examples of publicly available technologies that may benefit ORC operations are described below.

- **Indoor positioning systems (IPS)** enable location pinpointing of people or assets inside a building using smartphones, mobile devices, tracking tags or other devices, and underpin retailer apps that provide in-store maps and product locators to consumers. Technically savvy ORC groups could exploit IPS technologies to build tailored apps to support operational planning and real-time coordination among boosters during thefts. ORC groups that leverage IPS would have less need to conduct regular physical visits to stores to verify product locations, given the dynamic nature of information available via IPS.^{89 90}



A user on Tumblr presented justifications for retail theft based on anti-capitalist views and arguments that theft does not cause financial harm to large retailers.



The title "Tips for borrow from stores" on TikTok that discusses shoplifting tips had nearly 8 million views as of late 2022.

- **Encrypted mobile communication applications** can enable ORC groups to instill tight discipline and coordination among boosters and conduct simultaneous large-scale theft operations across multiples locations, thus enabling groups to quickly build large inventories and drive revenue growth in shorter timeframes.
- **Virtual reality technologies** may offer a way to train new boosters to help them quickly attain maximum productivity and avoid typical shoplifting pitfalls that would degrade the efficiency of ORC operations — just as numerous police departments and law enforcement academies in the United States use virtual reality simulators to enable officers and cadets to experience real-life scenarios in a safe, controlled environment.⁹¹
- **Bots** could enable savvy ORC fences to create and manage a large number of seemingly independent seller accounts within and across various online marketplaces and potentially take market share from other fences that rely on human-driven resale operations. Tech-savvy fences may also use automated tools to manage online seller account activity to help ensure few if any are flagged as high-volume sellers and subjected to potential regulatory reporting requirements.

The dark web could present a viable venue for wholesale ORC fencing operations, though the low adoption of the dark web technologies by the

vast majority of internet users suggests the clear web will remain the dominant location for online sales of ORC goods to consumers. At present, evidence of ORC activity on the dark web is sparse, and as of September 2022, posts related to ORC on the dark web and clear web suggested most ORC fencing occurs via online marketplaces and among local small business retailers. Between July and September 2022, searches on the dark web for key ORC fencing terms such as “NWT” (“new with tag”), “WST” (“with store tag”) and “BNWT” (“brand new with tag”) resulted in only a handful of relevant results.

The potential volume of ORC fencing transactions on the dark web will probably remain a small fraction of that which occurs via the clear web and in point-to-point resale to small local retailers because of the relatively small size⁹² of the dark web and the fact that most consumers and businesses do not interact with it.

We assess a significant increase in the visibility or lethality of ORC activities would be likely to spur increased public pressure on legislators and law enforcement authorities to crack down on ORC, judging from polling data that indicates growing levels of public concern about overall crime and violence since 2016.⁹³ An increase in the number of ORC incidents that involve violence, particularly in crowded stores or highly visible urban areas, or that result in loss of life or serious injuries, would be likely to promote broad support for a national crackdown against ORC groups.

ORC Information Gaps

There are significant deficiencies in the availability of consistent and consolidated data on ORC. The fragmentary and disorganized state of data on ORC across national, state, and local authorities, and the lack of standard centralized information on ORC from the retail industry, present difficulties to building a nuanced understanding of ORC's national and regional prevalence, and operational trends.

The lack of quality data has stymied efforts to raise public awareness about the scale and consequences of ORC, according to a former law enforcement official, who noted that ORC presented an intelligence problem for law enforcement authorities and retailers.

- Several sources contend ORC incidents are underreported by retailers, potentially by as much as 50%, thus further compounding the problem of data availability and quality.^{94 95 96 97}
- Articles published in two prominent national periodicals in December 2021 specifically cited inconsistent statistics and the lack of quality data on ORC as reasons for skepticism about claims by retailers, law enforcement officials, and crime researchers that ORC is a growing problem.^{98 99}
- There is an inconsistent understanding of the distinction between ORC and ordinary retail theft, based on reviews of case files and media reporting that revealed conflation of these two distinct activities, thus presenting a further challenge to the collection of reliable data on ORC.

Efforts to standardize and increase data collection on ORC would help build understanding of key information gaps about ORC that existing primary and secondary sources are unable to fill.

Prevalence

- o How is the overall prevalence of ORC changing at the national, state and local levels?
- o How is the geographic distribution of ORC incidents in the United States changing?

ORC perpetrators

- o What is the median and average number of members of ORC groups? What is the trend for the size of ORC groups? How does ORC group size vary across regions?
- o What proportion of ORC incidents are perpetrated by local criminal networks or gangs?
- o What is the median and average age of boosters? How does this compare with the median and average age of ordinary shoplifters?
- o What proportion of ORC perpetrators have a prior criminal background in crimes other than ORC?

Targets

- o What is the distribution of ORC targets (manufacturers; cargo and logistics providers; and retail stores), and how has this changed over time?
- o How do the types of ORC targets vary across regions?
- o What is the median and average number of ORC incidents per store for retailers? How does this vary based on the size of the retailer?
- o How do the goods stolen by ORC groups vary across regions?

Operations

- o What is the median and average annual retail value of goods stolen by ORC groups? How does this vary across regions?
- o What is the median and average annual revenue per member for ORC groups of differing sizes?
- o What is the median and average turnover of the offline front businesses most frequently exploited by ORC targets?
- o What are the “fence prices” for various stolen goods? How do these prices compare across regions? What factors influence the prices fences are willing to pay, and that boosters are willing to accept, for stolen goods?
- o How do resale prices vary among various offline and online resale venues?
- o Which ecommerce platforms do ORC fences most frequently use?

- o What proportion of ORC groups conduct booster and fencing operations intrastate versus out-of-state?
- o What proportion of ORC goods are stolen for resale in international markets? What are the most common international destinations for ORC goods sourced from the United States?
- o What differences exist between the types of ORC goods resold domestically versus those exported to international markets for resale?
- o Which offline front businesses are most frequently exploited by ORC fences? How does this vary by region?

Nature of ORC incidents

- o How is the use of violence or weapons in ORC incidents changing? How does the use of violence or weapons in ORC incidents vary across regions?

Impact

- o What is the financial cost of ORC to local and regional retailers, compared with large national chains? How do these costs vary across the country?
- o What is the latent financial effect on stores that experience ORC incidents that involve violence or weapons?

Further Research Needed on Effects of Higher Felony Thresholds and Bail Reform on Larceny Crime Rates

Further research is necessary to corroborate anecdotal claims by some prosecutors, law enforcement officers, and retail loss specialists that higher state felony theft thresholds or bail reforms have caused an increase in ORC incidents. The most recent non-partisan studies we found that analyzed the effect of felony thresholds on the prevalence of larceny crimes were published prior to the post-pandemic uptick in crime rates.¹⁴³ Given about two-thirds of the ORC incidents in K2 Integrity's ORC database took place after Jan. 1, 2020, this suggests existing research on the relationship between felony thresholds and bail reform on larceny crimes may be less relevant.

- A study published by the Federal Reserve Bank of Boston in early 2020 found that higher felony theft thresholds did not result in increases in larceny crimes.¹⁴⁴ Studies published by the Pew Charitable Trusts in 2017 and 2018 similarly found that raising felony theft thresholds had no impact on overall property crime or larceny rates, and states that increased their thresholds reported roughly the same average decrease in crime as states that did not change their theft laws.^{145 146}
- State felony thresholds range from \$200 in New Jersey to \$2,500 in Texas and Wisconsin, with the median felony threshold set at \$1,000 in 22 states and the District of Columbia.
- The impact of the elimination of monetary bail requirements on overall crime rates is unclear, judging from conflicting academic studies on the topic.^{147 148} We assess claims of causal links between cash bail reforms and increased rates of ORC are anecdotal and subjective interpretations of events, based on the need for rigorous non-partisan research using more recent data.¹⁴⁹

APPENDIX 1:

Key Definitions

9.1

**ORGANIZED
RETAIL CRIME**

This study defines ORC as the systematic large-scale theft of retail goods from manufacturers, logistics and transportation providers, distributors, or retailers, and the subsequent resale of stolen goods for financial gain to wholesalers, retailers, or individual consumers, usually for a fraction of the retail cost. ORC operations feature typical criminal methods such as shoplifting, fraud, burglary, robbery, or complicit insiders to steal or fraudulently obtain merchandise, including through cargo theft.

This description of ORC builds on the definition of “organized retail theft” in legislation adopted by the United States Congress in 2006 that aimed to promote data collection on the issue:

1. The violation of a state prohibition on retail merchandise theft or shoplifting, if the violation consists of the theft of quantities of items that would not normally be purchased for personal use or consumption and for the purpose of reselling the items or for reentering the items into commerce;
2. The receipt, possession, concealment, bartering, sale, transport, or disposal of any property that is know[n] or should be known to have been taken in violation of paragraph (1); or

3. The coordination, organization, or recruitment of persons to undertake the conduct described in paragraph (1) or (2).^{100 101}
4. Although all definitions of ORC are consistent with the above congressional definition, they vary through specification of: a minimum number of participants,^{102 103} theft incidents,¹⁰⁴ or jurisdictions in which perpetrators conduct theft incidents;¹⁰⁵ inclusion of items beyond merchandise (e.g., cash or financial instruments);¹⁰⁶ types of criminal activities included within the scope of ORC such as fraud (e.g., return fraud or gift card fraud);^{107 108} the classification of cargo theft as distinct from ORC;¹⁰⁹ a formal organizational hierarchy or criminal enterprise.^{110 111 112}

9.2

OTHER TERMS**Dark Web**

This is a portion of the internet that is only accessible using special software, making it more anonymous than the internet as it is typically experienced on the surface web. Dark web content is not indexed by any search engines and can only be accessed with the use of specialized browsers via onion routing (the process of anonymizing a user’s IP address by “jumping” to servers located throughout the world and encrypting internet traffic along the way).

Online marketplace

Online marketplace refers to a business that operates on the surface web (see below) to enable the sale or resale of merchandise. This paper refers to two general types of online marketplaces:

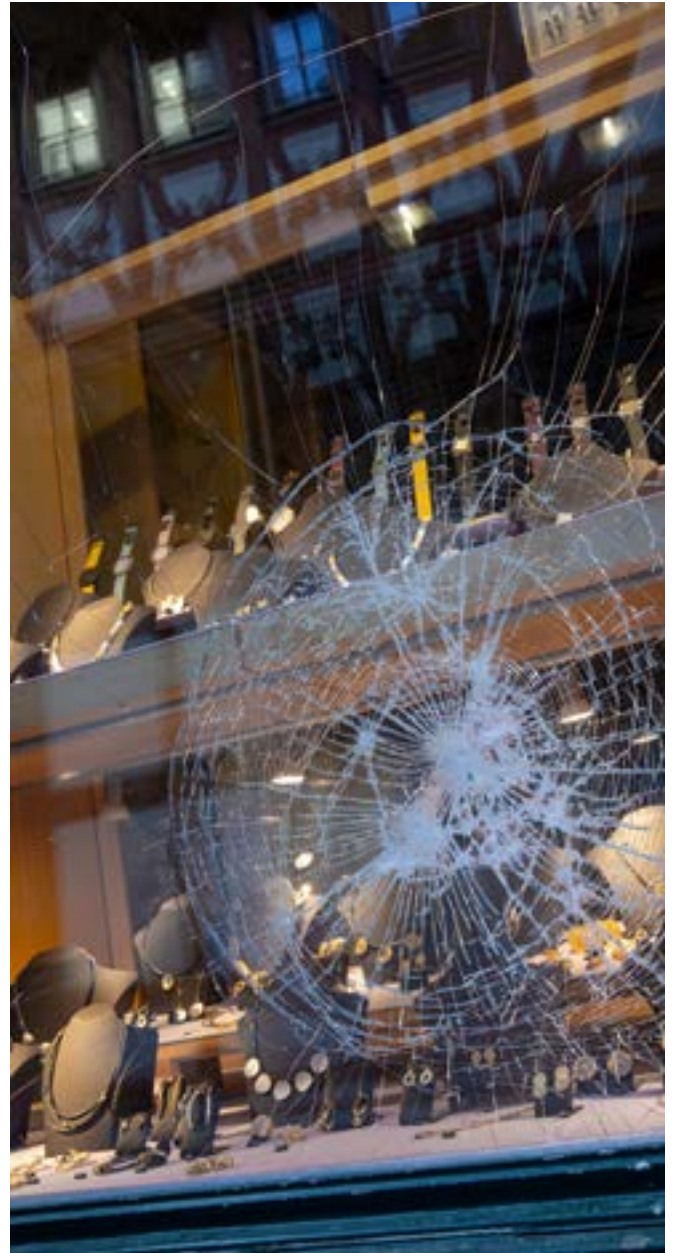
- *Third-party online* sellers are ecommerce platforms that serve as the central facilitation node for purchases, payments, storage, shipping, and delivery of products to consumers, such as Amazon or eBay.
- *Peer-to-peer websites* such as Craigslist, OfferUp, and Facebook Marketplace provide the platform interface that enables buyers and sellers to interact directly to negotiate and agree to transactions, though these platforms are not involved in any aspects of the aspects of these transactions, such as payment or delivery of goods.

Smash-and-grab

This describes the violent tactic of smashing or destroying windows, display cases, or other barriers in retail stores to conduct quick large-scale thefts. These incidents entail advance planning and coordination among a group of thieves.

Surface web

Sometimes referred to as the “clear web” or the “open internet,” this is the top layer of content on the internet. Surface web content is available through traditional web browsers, search engines and applications.



APPENDIX 2:

Case Studies

This study entailed the review of dozens of court cases and hundreds of media reports on ORC spanning the previous decade. The following case studies were drawn from these sources and illustrate the varying nature and scale of ORC operations.

10.1

Case Study I:

PAWN SHOP FENCING OPERATION

In May 2022, an ORC ringleader and 40 other individuals were indicted in the Supreme Court of the State of New York for operating an ORC ring that generated about \$4 million in illicit proceeds over a period of approximately five years.¹¹³ The leader of this ORC group was alleged to have used a pawn shop and jewelry store he owned in Midtown Manhattan as fronts to purchase stolen goods from boosters, fence them on eBay, and launder the proceeds of illicit sales through the bank accounts of these legitimate

businesses. The ORC operation involved thirty boosters, and the ringleader employed an in-house sales and marketing specialist to manage ecommerce fencing, analyze online sales, and recommend products to target for booster operations at high-end department stores such as Bloomingdale's and Neiman Marcus, and pharmacy chains such as Duane Reade. According to court documents:

- The ORC group included a staff of 10 people to handle various managerial and operational roles, such as meeting with boosters, transporting and storing stolen goods, and packaging and shipping items to fulfill online sales.¹¹⁴



Press Conference with NY State Attorney General Letitia James on May 26, 2022

Source: nypost.com/2022/05/26/nyc-pawnshop-owner-indicted-in-massive-fencing-scheme

- The ringleader was alleged to have paid about 6% to 8% of the retail price for designer clothes, and between \$1 and \$2 for cosmetics and over-the-counter pharmaceuticals. Fencing operations allegedly included the purchase of stolen gift cards, and about 550 gift and cash cards were seized by authorities as part of the bust – along with about \$300,000 in cash.
- According to the indictment, the ORC ringleader signed a lease for a large warehouse in December 2019 as part of an alleged plan to open a “department store” to resell stolen goods.¹¹⁵



Street View of Liberty Loans Pawn Shop – August 2021

Source: Google Street View, August 2021

10.2

Case Study 2:

ORC OPERATION INVOLVING PHYSICAL RETAIL AND ONLINE FENCING OPERATIONS

In 2021, Robert Whitley and his daughter Noni Whitley received prison sentences in Georgia for operating an ORC ring that utilized their legitimate business Closeout Express to fence about \$6 million in goods between 2011 and 2019.¹¹⁶ The Whitleys conducted fencing operations using a warehouse and physical retail store in southwest Atlanta, and through various ecommerce marketplaces and their own ecommerce websites.

- The Whitleys instructed boosters to steal specific household retail goods, including over-the-counter medications, razors, and health and beauty products from drug stores, supermarkets, and big-box retailers across Georgia.¹¹⁷ The Whitleys paid boosters cash for stolen goods.



Closeout Express promo video, published on YouTube by Robert Whitley in September 2021

Source: www.youtube.com/watch?v=66XTZAIJgBg



- Robert Whitley was sentenced to five years, 10 months in prison followed by three years of supervised release, while Noni Whitley was sentenced to five years in prison followed by three years of supervised release.¹¹⁸ The Whitleys were also ordered to pay \$4.3 million in restitution to several retailers, including Target, Publix and CVS.

Screengrabs of Closeout Express Atlanta LLC’s Facebook profile, including images posted by the company

Source: www.facebook.com/closeoutexpress/photos

10.3

Case Study 3:

INTERSTATE BOOSTER OPERATIONS WITH FENCING NEXUS TO MEXICO

For about a decade until the indictment of its members in 2017, a sophisticated ORC group primarily based in the San Diego metropolitan area stole about \$20 million in merchandise from across the United States and sold to a fence in Tijuana, Mexico, for resale to Mexican consumers at lower prices.¹¹⁹ Twenty-two individuals were indicted for involvement in the ORC group, which federal prosecutors described as “highly organized” and “often violent.”¹²⁰

- The group targeted high-end clothing, shoes, and other items for theft, and their booster operations featured advance planning and utilized bags lined with metal designed to defeat anti-theft sensors. Each member of the group’s booster team had a specific role in theft operations. Leaders targeted and scouted stores, boosters stole merchandise, and others served as “blockers” to shield ongoing thefts from visual detection or physical intervention by store employees.



CBS8 news coverage of arrest of Sara Portilla and others on September 6, 2017

Source: www.cbs8.com/article/news/suspects-in-20-million-theft-ring-appear-in-court/509-b9703b0f-9cc5-41bc-9040-4119455ac86b



Images provided by Homeland Security Investigations in Press Release

Source: www.ice.gov/news/releases/22-indicted-ice-led-probe-multimillion-dollar-theft-ring-targeted-upscale-shopping

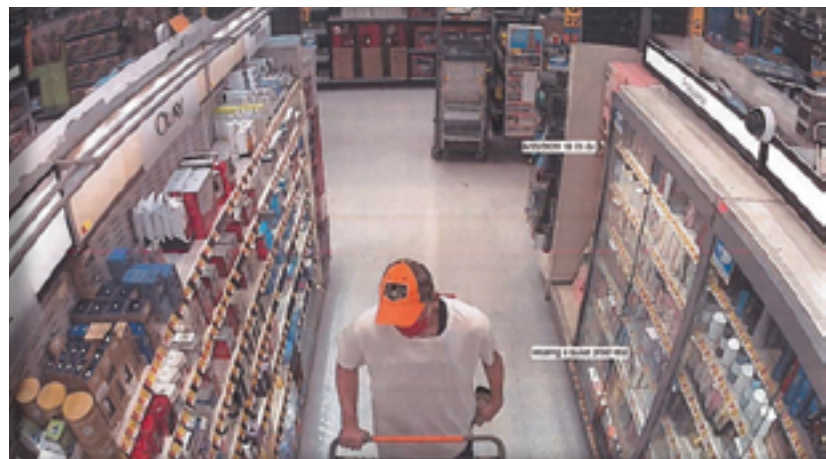
- In 2012, boosters in San Diego drove vehicles through a crowd of pedestrians while fleeing a theft incident from a Hollister store. During a theft incident at a Hollister store in Illinois in 2009, a booster toppled a stroller carrying an infant and injured the child’s father in an effort to avoid arrest after the robbery.
- In October 2018, the Mexican fence pleaded guilty to one count of conspiracy and was sentenced to 17 months in prison, followed by three years of supervised release at the end of her sentence. She was also ordered to pay \$550,000 in restitution.

Case Study 4:

10.4 LARGE-SCALE INTERSTATE ORC OPERATIONS

In late 2021, 29 people were charged in Oklahoma as part of an ORC ring that conducted booster and fencing operations in multiple states.¹²¹ ORC ringleader Linda Been, who operated the group with her son, provided boosters with lists of targets and products to steal, such as over-the-counter-medications,¹²² and paid expenses for theft teams to travel through multiple states to conduct booster operations.

- Been paid boosters about 25% of the retail value for stolen goods, and she used seller accounts on eBay to conduct resale operations. At times, Been shipped pallets of products to fences located outside Oklahoma.



Surveillance image of booster from the ORC ring included in the Affidavit of Probable Cause

Source: www.oag.ok.gov/sites/g/files/gmc766/t/pc_affidavit.pdf



- Been assigned high importance to operational secrecy and would post bond for boosters that were arrested to prevent them from providing information to authorities.
- In July 2022, Been pleaded guilty to charges of conspiracy, wire fraud and money laundering.¹²³



Images of Been’s residence showing over-the-counter medications and storage of stolen goods recovered in the investigation; image included in the Affidavit of Probable Cause

Source: www.oag.ok.gov/sites/g/files/gmc766/t/pc_affidavit.pdf

10.5

Case Study 5:

GANG MEMBER ORCHESTRATION OF SMASH-AND-GRAB ORC BOOSTER OPERATIONS



Surveillance footage still image from smash-and-grab robbery incident; photo provided by LAPD

Source: www.corrections1.com/arrests-and-sentencing/articles/robbery-ringleader-gets-55-years-for-6m-calif-heists-ut8pZb7ueQYEnuQ7

From August 2014 to April 2016, Keith Walton operated an ORC ring that conducted 14 daytime smash-and-grab robberies that targeted jewelry stores in Southern California – netting about \$6 million in merchandise.¹²⁴ Walton, a senior member of a street gang and a convicted felon, carefully selected targeted stores and provided boosters with detailed operational plans that included the location of specific items to steal in each store. During theft operations, boosters smashed glass display cases with hammers to steal watches, rings, earrings and bracelets, and sometimes threatened customers and store employees.¹²⁵ The group’s largest operation involved the theft of 36 watches valued at about \$1.6 million.¹²⁶

- Walton’s role was strictly limited to operational planning, and he recruited young men motivated by quick cash payments of between \$500 to \$1,000 to conduct robberies.¹²⁷ Walton supplied boosters with firearms, hammers, disguises, and getaway cars for use during theft operations, according to court documents.
- In 2018, Walton was sentenced to a prison sentence of 55 years.¹²⁸



Images admitted into evidence during United States v. Walton et al.

Source: www.gq.com/story/the-time-bandits-of-southern-california

10.6

Case Study 6:

ORC FENCE EXPLOITS DRUG ADDICTS TO CONDUCT BOOSTER OPERATIONS

In January 2022, Nedeltcho Vladimirov, a native of Bulgaria living in West Virginia, was sentenced to eight years and one month in federal prison and ordered to pay restitution for conducting fencing operations that generated \$500,000 from the resale of stolen goods using seller accounts on eBay.¹²⁹

According to court records, Vladimirov recruited people with substance abuse problems to conduct retail theft operations in West Virginia at stores such as Target, CVS and Kroger. Vladimirov often used mobile phone apps to scan barcodes of stolen items to determine approximate online resale prices and market demand for stolen merchandise,¹³⁰ and he would pay boosters an unspecified fraction of the resale value, according to investigators.¹³¹



Shoplifting scheme targeting major retail stores shut down; WSAZ 3 coverage of press conference

Source: www.wsaz.com/content/news/Major-Shoplifting-scheme-targeting-major-retail-stores-shut-down--567737571.html

10.7

Case Study 7:
HIGHLY STRUCTURED ORC OPERATION

Between 2012 and 2017, Richard Rimbaugh led a highly structured ORC group with 12 members based in New York City that stole \$12 million of electronics, ink cartridges, headphones and other items from Best Buy, Staples, Office Depot and other retailers. Rimbaugh conducted online fencing operations from his apartment in Manhattan and used seller accounts on Amazon and eBay to resell stolen merchandise.¹³²



Attorney General’s organizational chart of Rimbaugh’s organization, and map showing all locations impacted by the group’s thefts, displayed at press conference announcing charges on March 15, 2017

Source: nypost.com/2017/03/15/several-arrested-for-stealing-millions-in-printer-ink-electronics



Coverage of ‘Operation Sticky Fingers’ press conference by ABC 7 NY on March 15, 2017

Source: abc7ny.com/operation-sticky-fingers-retail-theft-crime-ring-new-york-city/1802277

- Rimbaugh, referred to as “the General” by his crew, structured his ORC ring into a strict hierarchy with military titles. Rimbaugh’s “Field Marshall” advised on targets, “Captains” managed booster crews of “Sergeants,” and “Lieutenants” served as lookouts during theft operations. Rimbaugh provided boosters with customized vests that had hidden pockets and devices to deactivate security alarms.
- In 2017, Rimbaugh pleaded guilty to charges of enterprise corruption, criminal possession of stolen property and money laundering. His deputy pleaded guilty to charges of attempted enterprise corruption, criminal possession of stolen property and money laundering.

APPENDIX 3:

About the Authors



National Retail Federation

As the world's largest retail trade association, the National Retail Federation passionately advocates for the people, brands, policies and ideas that help retail succeed. 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 \$3.9 trillion to annual GDP and supporting one in four U.S. jobs — 52 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.



K2 Integrity

K2 Integrity is the preeminent risk, compliance, investigations, and monitoring firm. K2 Integrity helps clients manage risk—whether that risk be investment, financial, regulatory, acquisition, new market entry, cyber, or reputational in nature—gathering intelligence to enhance critical decisions. K2 Integrity advises governments, companies, nonprofit organizations, and high-net-worth individuals. By leveraging our talent alongside our bespoke technology offerings, K2 Integrity is able to build dynamic, customized teams that can creatively address clients' issues today while arming them with tools they need to prepare for the future.

Headquartered in New York with offices in London, Washington, D.C., Abu Dhabi, Doha, Geneva, Los Angeles, Miami, and Chicago, K2 Integrity maintains expansive and diverse global networks.

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- 131 "W. Va. man convicted of using shoplifters for resale scheme," *The (Elkins, West Virginia) Inter-Mountain*, July 24, 2021
- 132 "Military-styled gang made over \$20M hawking stolen goods," *New York Post*, March 15, 2017.
- 133 "Sifting through the train thefts of Los Angeles," *The New York Times*, January 19, 2022.
See: www.nytimes.com/2022/01/19/us/la-train-tracks-cargo-thieves.html
- 134 Searches were for listings were conducted in late 2022 within a 40-mile radius of the following locations: Albuquerque, NM; Tampa, FL; Miami, FL; Valdosta, GA; St. Louis, MO; Nashville, TN; Austin, TX; Portland, OR; Louisville, KY; San Francisco/Bay Area, CA; Chicago, IL; Omaha, NB; New York, NY; and Philadelphia, PA.
- 135 Multiple listings for the same item; Clothes in multiple sizes; Multiple listings by one person for the same or similar items; Stock photos, no photo, or vague item descriptions; Sale located in warehouse or storage space; Different brands or types of baby formula offered for sale in a single listing; Bulk volumes of regular baby formula or baby diapers; Unopened packs of diapers in multiple sizes or brands; Yard sales featuring multiple numbers of household or baby items; and, Large amounts of laundry detergent offered for a cheap price.
- 136 Interview conducted November 16, 2022.
- 137 Interview with senior Homeland Security Investigations agents conducted October 20, 2022.
- 138 Interview with senior Homeland Security Investigations agents conducted October 20, 2022.
- 139 Organized Retail Theft — FBI
- 140 *United State of America v. Sara Portilla, et al.*, Case No. 17-CR-02511 in the U.S. District Court for the Southern District of California (San Diego), filed August 25, 2017.
- 141 *United States of America v. Saad Aziz and Maaz Aziz*, Appeal No. 21-40878 before the U.S. Court of Appeals for the Fifth Circuit, Judgment issued May 2, 2022.

- 142 *United States of America vs. Jerome Omega Boulden Jr., et al.*, Case No. 20-CR-00382 in the U.S. District Court for the Eastern District of Texas, Third Superseding Indictment filed on August 8, 2021.
- 143 The Impact of Felony Larceny Thresholds on Crime in New England - Federal Reserve Bank of Boston (www.bostonfed.org/publications/new-england-public-policy-center-research-report/2020/the-impact-of-felony-larceny-thresholds-on-crime-in-new-england.aspx)
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- 145 "The Effects of Changing Felony Theft Thresholds," Pew Research Center, April 12, 2017.
See: www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/04/the-effects-of-changing-felony-theft-thresholds
- 146 "South Carolina Reduced Theft Penalties While Safely Cutting Prison Population," Pew Research Center, April 4, 2018.
See: www.pewtrusts.org/en/research-and-analysis/issue-briefs/2018/04/south-carolina-reduced-theft-penalties-while-safely-cutting-prison-population
- 147 "Bail Reform in Chicago: Un-Solving Problems in Public Safety and Court Financing," The Manhattan Institute, November 2022.
- 148 "Does Bail Reform Increase Crime? An Empirical Assessment of the Public Safety Implications of Bail Reform in Cook County, Illinois" SJ Quinney College of Law, University of Utah, February 2020.
- 149 "Dollars and Sense in Cook County: Examining the Impact of General Order 18.8A on Felony Bond Court Decisions, Pretrial Release, and Crime" Loyola University Chicago, December 2020.

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