

RETAIL CRIME REPORT 2023



"Retail crime is the worst it's ever been, we have families who own local stores who're really worried about the safety of their teams and their customers. We've got a responsibility to keep everyone safe in our stores and that's something we take very seriously. Repeat offenders commit over a third of all reported retail crime, we have to acknowledge the issue is real and look at every possible tool and technology available to help solve it."

Chris Quin, Chief Executive, Foodstuffs North Island

Introduction

Retail crime presents an increasing health and safety risk to employees and customers and to the financial sustainability of retail businesses.

The \$2.6 billion cost of retail crime flows through from retailers to customers to the New Zealand economy.

This report presents the results of the Retail Crime Survey 2023 undertaken by Retail NZ, six years since the last survey in 2017.

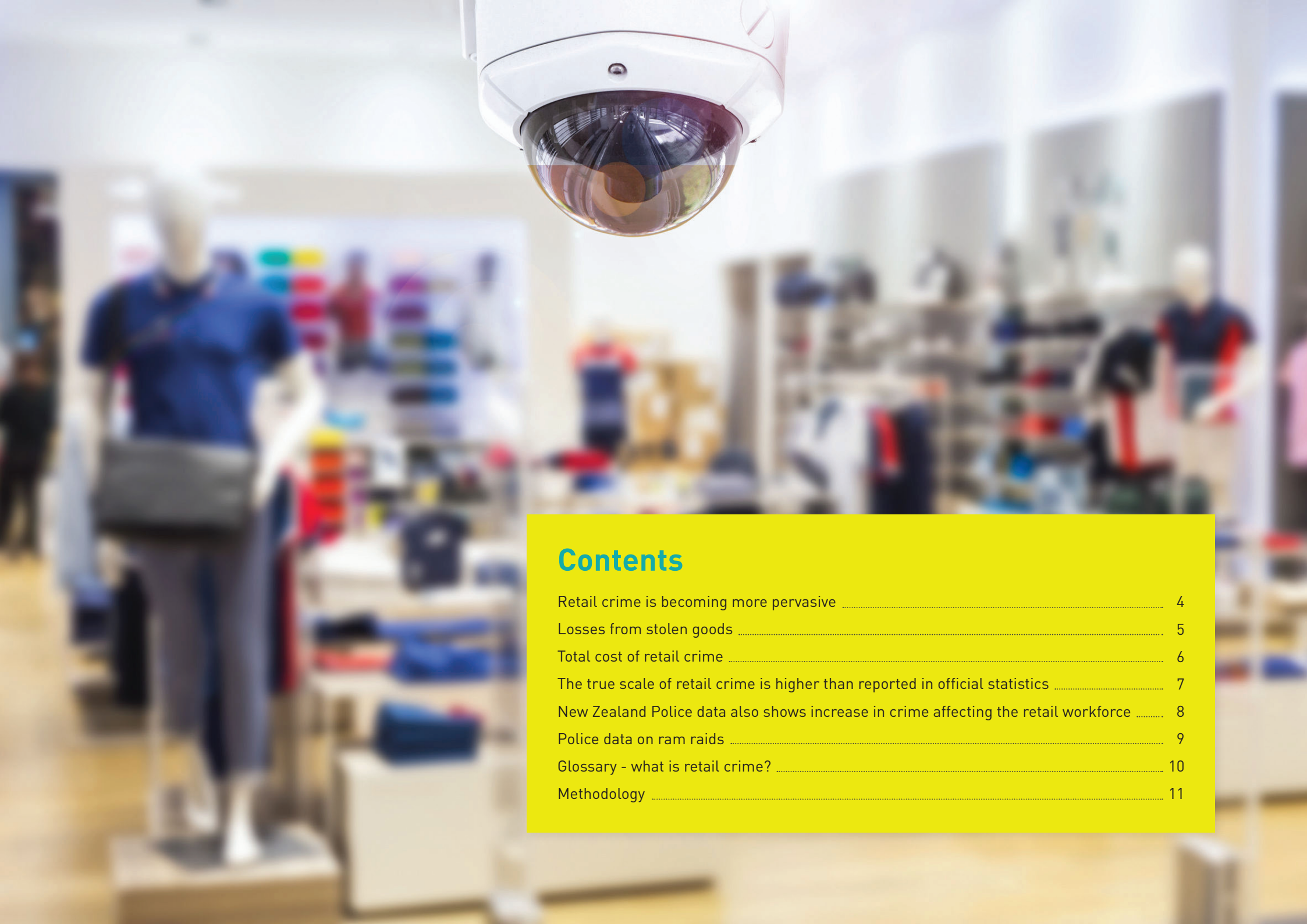
In recent years it appeared that the prevalence of violent and brazen attacks had increased. Retailers and the public become concerned when high profile incidents occur and they receive media attention, but there was a lack of evidence to understand the current issue and the size of the problem.

Our survey sought to quantify the full scale and cost of retail crime. We counted the wellbeing costs that result from the impact of crime on retail workers, the direct costs of crime and loss prevention, and the cost of stock losses. From the survey we estimate the overall cost of retail crime to be just over \$2.6 billion for the 12 months to August 2023.

Retail crime at this level has a significant social and economic impact on New Zealand, and it takes a real toll on the people and communities who face it. We will use the information in this report when working with local and central Government, Police, retailers, and their employees, to help reduce the crime rates faced by the retail sector.

Carolyn Young
Chief Executive, Retail NZ
September 2023





Contents

Retail crime is becoming more pervasive	4
Losses from stolen goods	5
Total cost of retail crime	6
The true scale of retail crime is higher than reported in official statistics	7
New Zealand Police data also shows increase in crime affecting the retail workforce	8
Police data on ram raids	9
Glossary - what is retail crime?	10
Methodology	11

Retail crime is becoming more pervasive

Retail crime is a significant and pervasive issue affecting almost all retailers in 2023.

92% of retailers who responded to our survey had experienced some form of retail crime in the past 12 months. Just 8% of retailers were not knowingly affected by retail crime. This is a significant increase on when we last undertook this survey in 2017; at that time 81% of retailers had experienced some form of crime over the past 12 months.

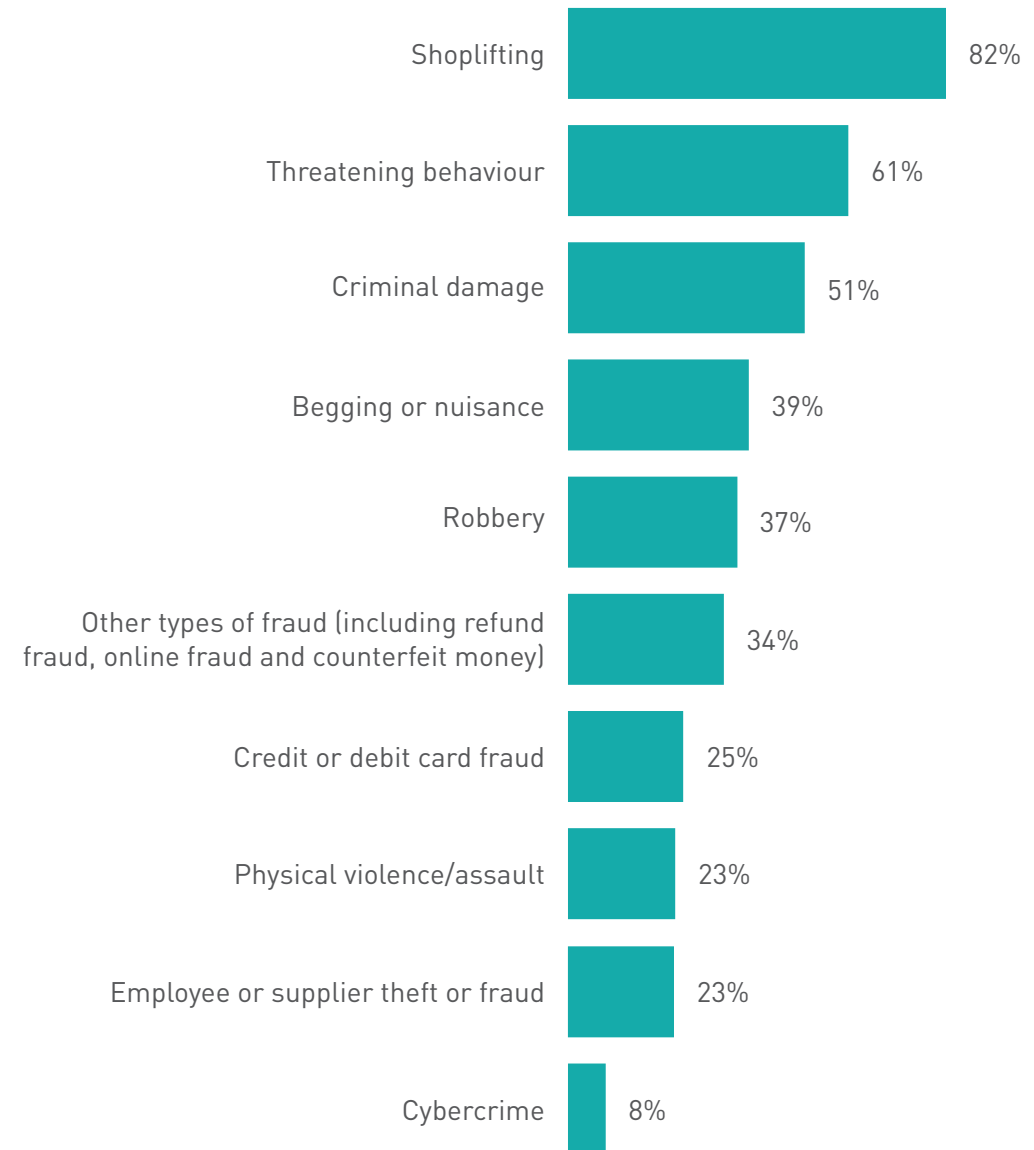
RETAIL CRIME OVER 12 MONTHS, AUGUST 2023



- Affected by crime (92%)
- Not knowingly affected by crime (8%)

Shoplifting is the most prevalent form of retail crime with 82% of retailers affected over the past 12 months. Threatening behaviour towards staff or other customers is also very common with around 61% of retailers impacted. In terms of violent crime, 37% experienced a robbery and 23% of retailers experienced physical assault of staff or customers.

TYPES OF RETAIL CRIME EXPERIENCED IN THE PAST 12 MONTHS



**For definitions of these types of retail crime, refer to page 10.*

"Our excess has lifted from \$5,000 to \$100,000 per claim due to the heightened risk profile, so we are absorbing significant cost to the business with each robbery."

National retailer



Losses from stolen goods

Respondents were asked to estimate the total shrinkage for their business over the past 12 months as a proportion of total sales.

Shrinkage is defined as stock losses and takings shortages caused by theft/fraud or by administrative errors/mistakes. For larger retailers, this number is better known and understood, and is also able to be better managed.

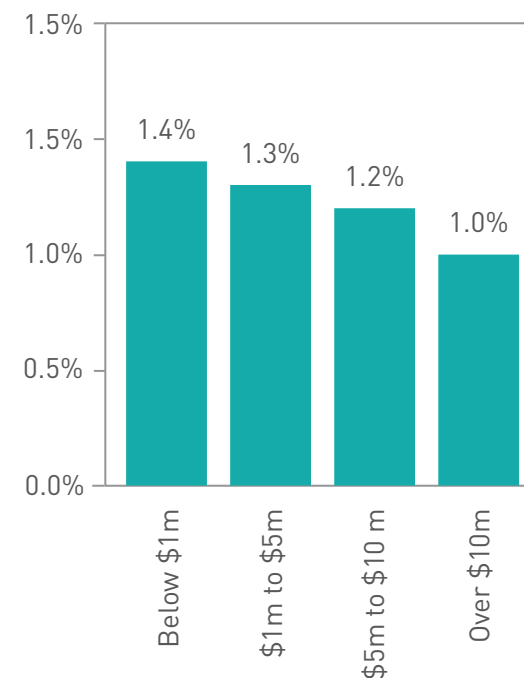
Smaller retailers, who often do not have sophisticated stock management systems and who often undertake less regular stock takes, may have a less detailed knowledge of shrinkage levels. However, the technology available today means that most retailers can accurately identify gaps in the value of stock held which cannot be explained by errors and must therefore be attributable to crime.

Average shrinkage attributed to crime can be used to estimate the total cost of stock lost to retail crime across the sector. In 2023 we found this to be an estimated \$1.35 billion in losses, up from just over \$1 billion in 2017.

Concerningly, 57% of retailers expect shrinkage to rise over the next 12 months. The average predicted change in shrinkage levels over the next 12 months is a 5.7% increase. We can therefore expect losses from crime to grow to 1.4% of retail sales or \$1.4 billion over the next 12 months.

Reasons given by retailers for the predicted increase include the lack of adequate deterrents and the cost of living. Many retailers who sell tobacco also cited the imminent regulatory changes and the high cost of cigarettes as a predicted cause for increases in crime.

AVERAGE SHRINKAGE FROM CRIME BY BUSINESS SIZE



COST OF STOCK LOST TO RETAIL CRIME	2017 SURVEY		2023 SURVEY	
	External crime (shoplifting, burglary, etc.)	\$836 million	77%	\$1,100 million
Internal crime (employee or supplier theft or fraud)	\$249 million	23%	\$250 million	18%
TOTAL COST OF CRIME	\$1,085 million		\$1,350 million	

“As a result of crime and violence in our stores, our staff tenure has reduced from 5 ½ years to 2 ½ years in Auckland, which is a significant cost to the business.”

National retailer

The total cost of retail crime

The full cost of crime to retailers is more than the cost of stock lost to retail crime.

Additional costs come from the serious impact of retail crime on the wellbeing of employees. Our survey asked about the costs of employee training, employee assistance programs or counselling for those affected by crime. We also asked respondents to estimate the cost of losing employees due to crime, and the cost of sick/other leave that could be attributed to a crime incident. These costs can be hard for retailers to quantify but we estimate these workforce-related costs to be around \$73 million across the sector.

Retailers also make significant investment into responding to crime and loss prevention, including equipment such as security cameras, dedicated loss prevention personnel, insurances, and repairing damage to property. We estimate the direct costs of crime and loss prevention to be \$1,138 million, taking into account any reimbursements from government grants, reparations, and successful insurance claims. While costly, the size and seriousness of the retail crime problem suggests that retailers should continue to invest in loss prevention.

THE TOTAL COST OF RETAIL CRIME



- Crime related wellbeing costs
3% (\$73 million)
- Direct costs of crime and loss prevention
44% (\$1,138 million)
- Losses from stolen goods
53% (\$1,350 million)

Government response to the growing retail crime problem

In mid-2022, in response to the growing problem of retail crime, the government introduced support for affected small retailers to improve loss prevention measures, using revenue collected by the Proceeds of Crime Fund.

The *Retail Crime Prevention Programme* assists victims of ram raids or aggravated robberies to access protective equipment and crime prevention advice. Alongside this the Ministry of Business, Innovation and Employment introduced a *Fog Cannon Subsidy Scheme* in December 2022, where smaller retailers can access up to \$4,000 to install this crime protection and deterrence tool. While a fog cannon on its own will not prevent crime, retailers can use this as deterrence alongside other tools.

The true scale of retail crime is higher than reported in official statistics

Violent crime is almost always reported to Police, but our survey has exposed significant levels of under-reporting for most other types of crime that affect retailers. Reasons for this might include concerns about the time it takes to report crime, and Police’s ability to respond, especially if there is no clear evidence or proof.

On average, we estimate that 37% of all retail crime is reported directly to the Police (compared to 32% in 2017). Robbery and physical violence are most reported (92 and 78%), but reporting is significantly lower for fraud.

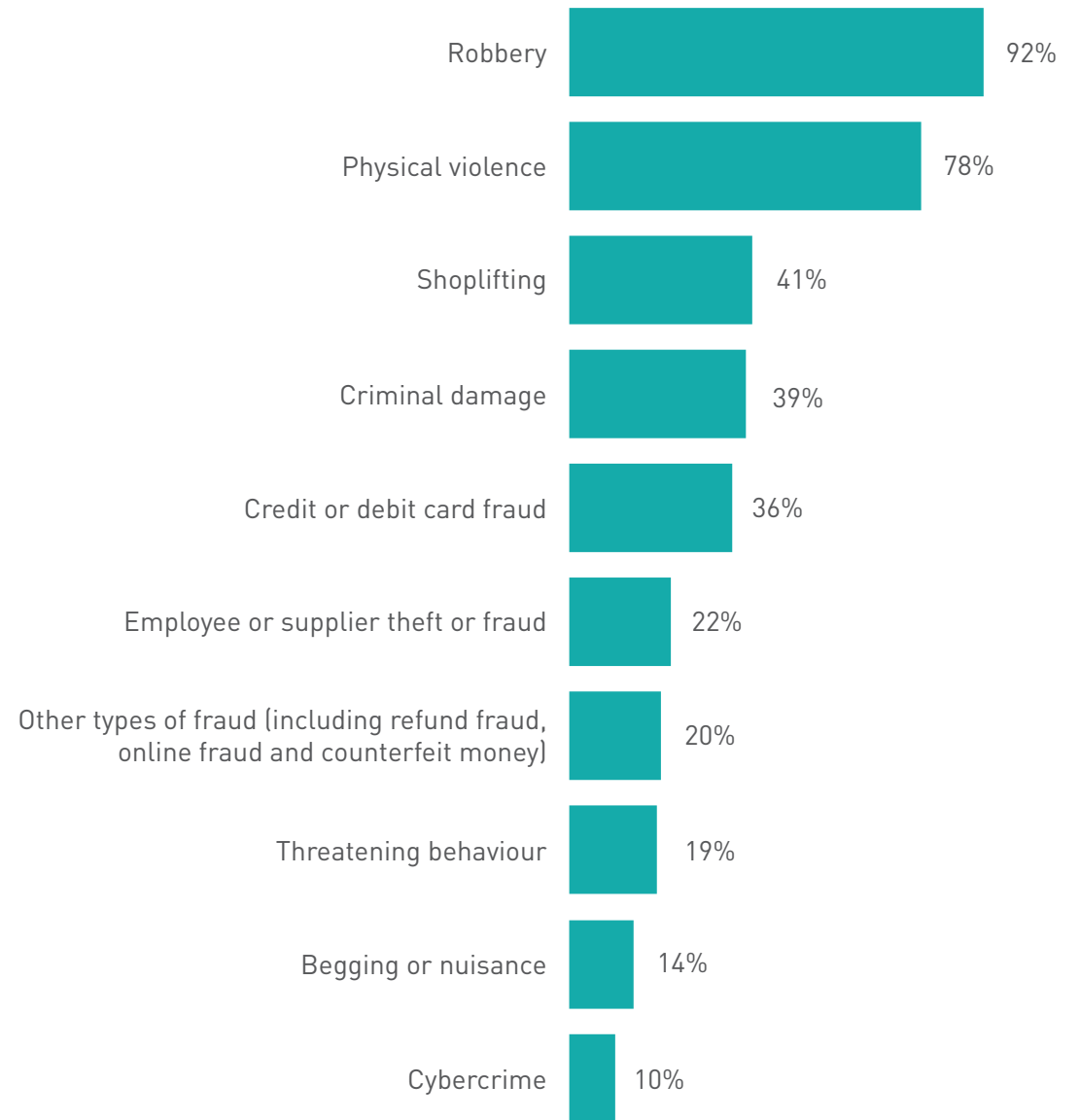
However, Retail NZ strongly recommends that all crime incidents are reported to the Police, regardless of the scale of the offending or the relationship to the alleged offender. This is essential to enable us to track the full extent of retail crime, and ensure that Police can assign appropriate resources and keep track of repeat offenders. Additionally, full reporting enables policy makers and government to see the full scale of retail crime, and implement appropriate policies and support to the sector.

We acknowledge that there may be some retailers who have classified the types of crime that they have experienced differently from the legal terminology. For reference we have included some definitions on page 10 of this report.

"Shoplifting is at epidemic levels now. Police are understaffed and do not prioritise retail crime. There is little in the way of deterrent as the crime is considered minor now."

City Centre clothing retailer

PROPORTION OF CRIME INCIDENTS THAT ARE REPORTED TO POLICE



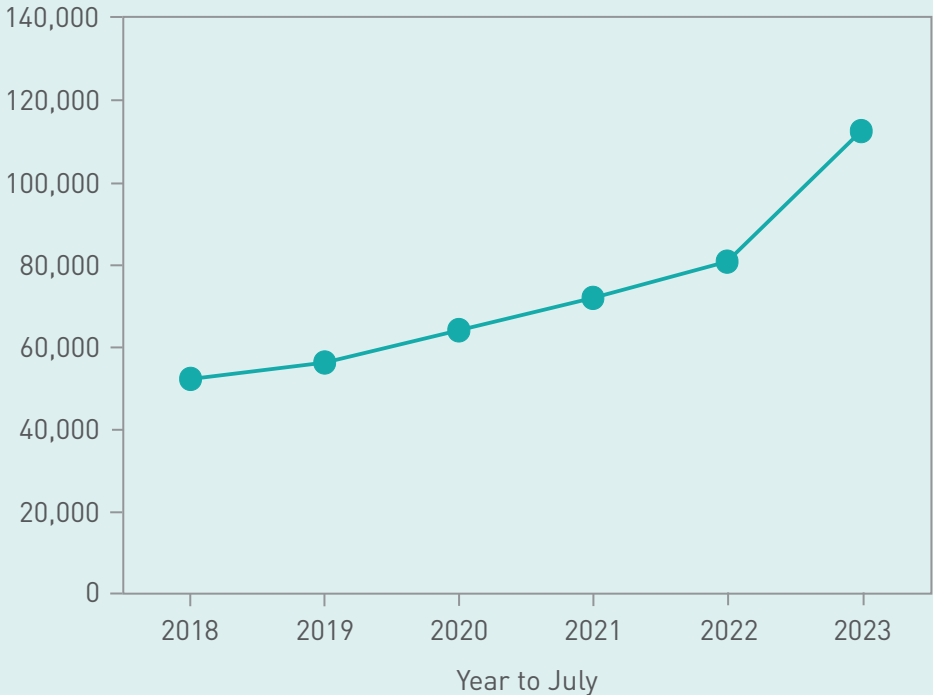


New Zealand Police data also shows increase in crime affecting the retail workforce

Police data shows an increase in the number of people - employees and retailers - who are victimised by retail crime.

The data records the location where crime takes place and shows an increase of 115% over six years for any crime that happened at a retail location or service station. This data only includes crimes that are reported, and we know from our research that there is a significant under-reporting problem for retail crime, however it does indicate the increasing trend.

TOTAL CRIME 'VICTIMISATIONS' RECORDED BY POLICE AT RETAIL PREMISES



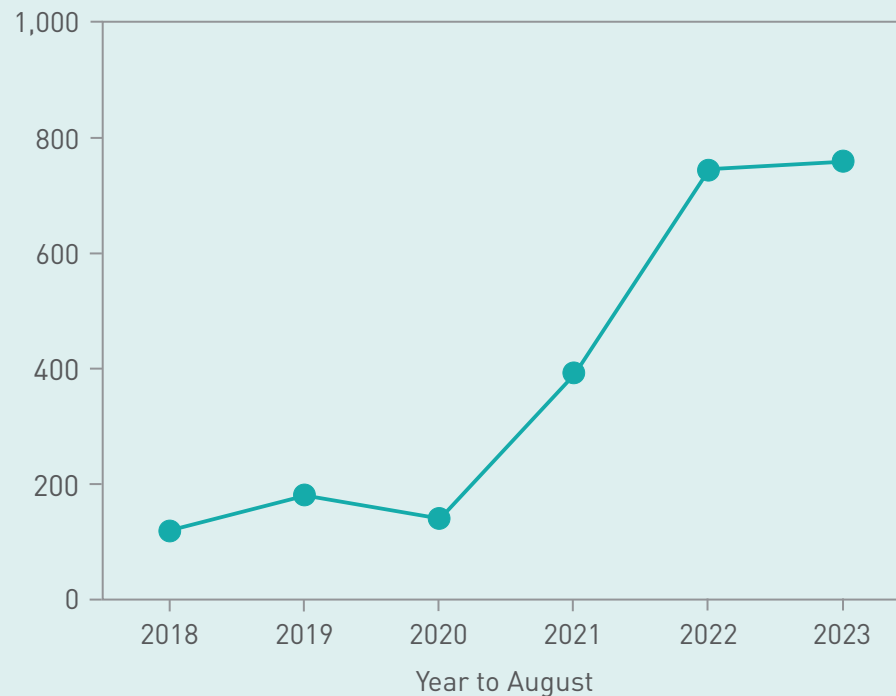


Police data on ram raids

Ram raids are included under the broader umbrella of robbery. A ram raid is defined as entry or attempted entry into a commercial premise with a vehicle. Police data on reported ram raids, for the twelve months to August 2023 saw 760 ram raids reported to Police, a more than sixfold increase on six years ago.

However, Police are putting significant resources into this area, with funding from the *Proceeds of Crime Fund*, and latest monthly data showed a decrease in ram raids on retail premises in August 2023.

TOTAL NUMBER OF RAM RAIDS



Glossary - what is retail crime?

Retail crime covers a broad range of criminal activities. Retailers' exposure to crime, and the types of crime that retailers experience, is influenced by the business size, location, format, and what they sell.

Almost all retailers with a physical store front are susceptible to **shoplifting**, where shoppers might pocket or conceal items and leave the store without paying. Shoplifting is not always by stealth, theft can be brazen, where criminals walk out with a trolley of groceries, or drive off without paying for fuel. This type of crime also includes adjusting down the ticket price so that items are purchased at significant discount.

Threatening behavior towards staff or other customers is another common form of retail crime, this can range from obnoxious to frightening, and not something that business owners and employees should have to put up with in any profession. **Begging or nuisance** can also affect retailers, especially in larger city centers. While at the more minor end of criminal offending, it has a serious affect a retailer's ability to look after employees and customers, and successfully run their business.

Retailers' premises and property can be subjected to **criminal damage** including graffiti, vandalism, arson, or any intentional or willful damage to premises, property, or stock.

Robbery is theft accompanied by violence, or the threat of violence, to people or property. For retailers this is a real and serious risk. Violent robbery includes ram raids and the use of weapons or firearms.

Physical violence is violence to people in a retail store that does not include theft.

Employee and supplier theft is also a major area of vulnerability for retailers which can be difficult to identify until significant cash or stock has been lost. This can include removing cash from the till, taking home stock, discounting to friends, colluding with others (turning a blind eye), fictitious 'supplier accounts' and fictitious petty cash purchases.

Fraud affecting retailers can include 'return fraud' when a person returns a product to a retailer or an online store, claiming it is damaged, defective, or unsatisfactory, even though the product is in good condition, or has been used or tampered with. Online fraud happens when a person purchases a product online, has it delivered, and upon receipt, claims that they never received it. Credit or debit card fraud is when someone obtains a card or card data for fraudulent use. **Counterfeit money** is also an issue that retailers must be vigilant against.

Like most business owners, retailers are also vulnerable to **cybercrime**, which includes unlawful access to computer information or systems, malicious software, ransomware.

"Since the beginning of the Covid-19 pandemic we have seen a significant increase in aggressive, threatening, and brazen behaviour in our stores and particularly targeted towards our team. This is unacceptable, and keeping our team safe from violence and aggression is a key priority for our business."

National retailer

Methodology

The New Zealand Survey of Retail Theft and Security was first run by the University of Otago and Retail NZ in 1996. It was repeated in 1999, 2003 and 2017. The survey for this report was based on this previous work with additional questions added to understand recent trends. Where possible, comparisons have been made to show how the retail crime problem has changed over time.

The Retail Crime Survey 2023 was in the field for two months from mid-July until mid-September 2023. Responses from a broad range of retailers were sought, including from Retail NZ's members and members of the New Zealand Association of Convenience Stores. In total 297 responses were received; many respondents have multiple stores. The respondents' combined turnover accounts for 15% of retail sales, excluding the hospitality related 'accommodation' and 'food and beverage services' categories, to June 2023 (Statistics NZ, Retail Trade Survey).



"We already have a number of different measures in place in our stores including specific team training for dealing with these types of situations, store design initiatives, push to talk radios and use of CCTV, and we'll be rolling out more of these measures in the coming months. It's also critical that we continue to build strong relationships with both local and national Police, community groups and other retailers - and we're prioritising doing this."

National retailer



Published by Retail NZ in September 2023
PO Box 12-086, Wellington

Freephone: 0800 472 472
Email: advocacy@retail.kiwi
Website: www.retail.kiwi



Retail 