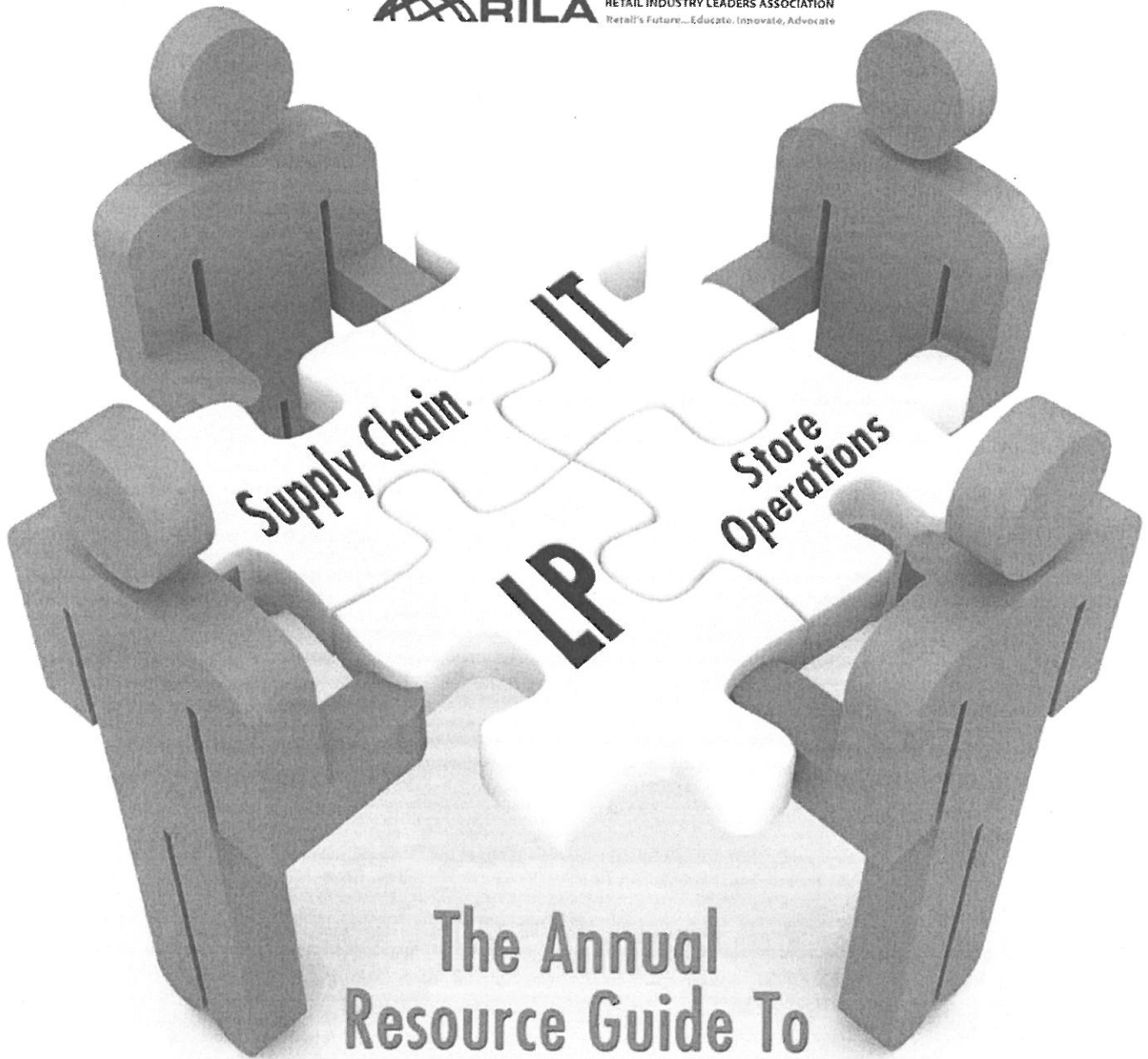


Integrated Solutions For **RETAILERS**

In Partnership With
 **RILA** RETAIL INDUSTRY LEADERS ASSOCIATION
Retail's Future... Educate, Innovate, Advocate



The Annual
Resource Guide To
LOSS PREVENTION

The Benefits Of Collaborative LP



RILA LPAS 2011

We're pleased to present the highlights and proceedings from the 2011 RILA LPAS (Retail Industry Leaders Association Loss Prevention, Auditing, And Safety) Conference, which featured best-in-class programs as well as insight from the loss prevention (LP) community.

Held April 11 - 14 at the Gaylord Palms Resort & Convention Center in Orlando, FL, RILA's 2011 LPAS conference saw record-breaking attendance with over a 10% increase in conference attendees for the second year running.

LP executives from across the country came to hear from thought leaders in the industry on the latest advancements in asset protection and to find solutions to the challenges they face. Filling the session rooms and the exhibit hall floor each day were retailer, product manufacturer, and service supplier

executives from the top names in the industry.

RILA delivered a well-rounded program, with distinguished speakers such as President and CEO Bill Rhodes of AutoZone; specialty retailer Executive VP and CFO Neil Watanabe of Anna's Linens; and the first African-American Paralympic ski medalist, amputee, and author of the book *Live Your Joy*, Bonnie St. John, on the program lineup.

Leading the event was industry veteran Lisa LaBruno, RILA's VP of loss protection and legal affairs. Acting as conference toastmaster, LaBruno kicked off each

Interviewing: Yesterday, Today, And Tomorrow

David E. Zulawski, CFI, CFE

David Zulawski, CFI, CFE, and senior partner at Wicklander-Zulawski, was back for another fantastic session on interviewing techniques. Zulawski took a look back at the history of many of today's interview styles and where they are headed next.

This session provided a powerful and insightful look into the future of one of the most important tools in an investigator's toolbox: the interview.

Imagine a time when retailers were prohibited from interviewing an employee suspected of theft. What are the most effective interviewing tools available in today's retail environment?

Will the common methods used by retail loss prevention professionals to detect deception become obsolete in the near future? What impact will technological innovation have on the interview process? A look back and a peek into the future were the foci of the session

titled "Interviewing: Yesterday, Today, and Tomorrow" in which Dave Zulawski chronicled the evolution of the employer-employee interview over the past 40 years.

In this dynamic and interactive session, Zulawski used the past to predict the future. Zulawski gave attendees a comprehensive history lesson on how societal changes, the evolving legal landscape, and other causal factors have altered the way loss prevention professionals have conducted interviews over the years. From this retrospective, Zulawski forecasted the future of the interview process, leaving the audience with a clear understanding of the challenges that may lie ahead.

Effective and acceptable interviewing strategies continue to change with the times. For LP professionals wanting to stay one step ahead of those changes, this session was a step in the right direction.



day of the conference by welcoming attendees and introducing many of the week's key speakers. She also was moderator of the widely attended executive panel that showcased Mike Lamb, VP of asset protection for The Home Depot; Monica Mullins, VP of asset protection and safety for Walmart; and Paul Stone, VP of asset protection for Best Buy.

Align LP Goals With Overall Retail Goals

The panel was an unprecedented moment for attend-

ees to hear from the talent, experience, and knowledge of three of the industry's most respected voices from some of the largest retailers in the world. Lamb, Mullins, and Stone delivered a strong performance, sharing insight on how they work diligently to not just improve their staff retention but to empower employees and help encourage their professional growth and development within the company. They also spoke about the importance of LP to not only succeed as its own individual unit, but to ensure that their goals and

The Legal Risks Of ORC

Jan Simonsen, director and officer for Carr Maloney P.C., discussed the legal risks associated with organized retail crime (ORC) investigations. The session covered safety concerns, privacy implications and constitutional requirements, licensing obligations, and other risks that need to be considered when conducting an investigation and developing in-house policies.

David Arnold, general counsel for Wonderlic, Inc., and Gary Hilt, VP of loss prevention and risk management for Blain's Farm & Flee of Dodgeville Inc., presented on how to screen job applicants for dishonesty and counterproductive behaviors.

Arnold's portion of the presentation focused on the following hiring processes and issues:

REFERENCE CHECKS

Reference checks can protect against negligent hiring charges. Unfortunately, reference checks are time-consuming to conduct. Also, employers often provide very little information for fear of defamation claims.

CRIMINAL BACKGROUND CHECKS

These checks can help determine whether a prospective employee will engage in workplace counterproductivity. While criminal background checks are useful in defending against negligent hiring, they exhibit a disparate impact — resulting in increased scrutiny by the EEOC (Equal Employment Opportunity Commission).

CREDIT CHECKS

Many legislatures have expressed concern about credit checks, and a handful of states

(e.g. Illinois, Washington) have enacted laws that restrict an employer's use of credit checks. Also, they tend to exhibit disparate impact.

INTERVIEWS

Interviews can be very useful when conducted by trained professionals. Interviews tend to be much better at uncovering previous problems, rather than predicting future counterproductivity.

DRUG TESTING

Drug testing is a good defense against negligent hiring actions. This process is also an effective means of identifying potentially counterproductive employees; however, it is expensive and most smart drug users tend to pass the test.

INTEGRITY TESTS

Integrity tests have been used by employers for more than 40 years. These tests have been developed to predict whether an applicant will take part in various forms of workplace counterproductivity (e.g. theft, turnover, illegal drug use). Integrity tests have been shown not to exhibit disparate impact and can be useful in defending against negligent hiring charges.

CONCLUSION

An employer's goals, concerns, and jobs will determine the choice of tools used in its hiring process. However, given the effectiveness and low cost of integrity tests, prudent retailers should strongly consider their implementation to help fight employee counterproductivity.

RILA LPAS

A Recap Of The Proceedings Of The 2011 Loss Prevention, Auditing, & Safety Conference



Executives discuss how to align LP and retail goals. Left to right: Lisa LaBruno, VP of LP and legal affairs, RILA; Monica Mullins, VP of asset protection & safety, Walmart; Mike Lamb, VP of asset protection, The Home Depot; Paul Stone, VP of asset protection, Best Buy.

progress also align with the overall goals and strategies of the entire organization so that they are all working together to move forward in the same direction.

According to LaBruno, it is under the direction of RILA's Loss Prevention Steering Committee (LPSC) — composed of executives from the most successful retailers and solutions providers in the country — that they are able to deliver best-in-class programming for what has been established as the most renowned educational event for loss prevention executives.

"This year's conference is far and away our best yet," says Stan Welch, VP of loss prevention for JCPenney and chair of RILA's Loss Prevention Steering Committee. "The steering committee put their best foot forward in putting together a program that aligns with the needs of retailers and solutions providers. The educational content is relevant and forward-thinking, and the speakers are experts in their fields."

What LaBruno calls "a dynamic and innovative program," starts out each year as merely a brainstorm, she noted. During the months and weeks leading up to the conference, LaBruno explained that great care and thought were put into the creation of each session and the selection of issues that will be covered in the program. These topics address what is top of mind for executives, such as trends to follow in technology, business intelligence, theft prevention methods, safety, and staff retention and development, as well as a look at where the industry is headed in the future. LaBruno says it's about creating a program with the

most current information that executives need while also facilitating innovative subject matter experts to share their insights and foster important discussions among attendees and providing valuable content that is sure to send executives home more knowledgeable and better-prepared than when they arrived.

Session Coverage

Throughout the three-day conference, attendees had the option to choose from several breakout session tracks, including investigations, workplace safety, audit, technology and innovation, strategy and planning, and development. Session topics included: developing a world class LP department within specialty retail, using IP video to improve security, reduce loss and drive productivity, OSHA 2011: overview of the latest developments and the effect on the retail industry, effective hiring tools, and incorporating audit results into training programs, just to name a few.

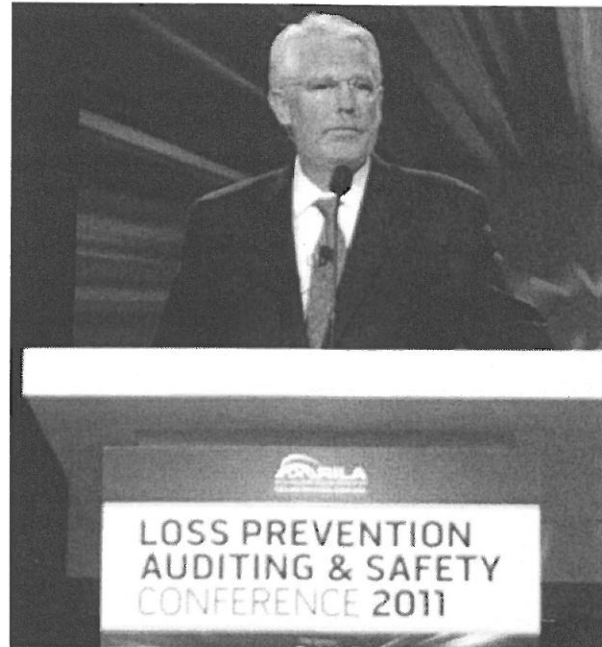
Several sessions at the conference also earned executives continuing professional education (CPE) credits. Through participation in the sessions, attendees can be eligible to earn certified forensic interviewer (CFI) continuing education units, CPE credits, and complete CPE credits for certified fraud examiner (CFE) designation.

In addition to the breakout sessions, attendees had the opportunity to participate in roundtable discussions facilitated by LP executives. These sessions pro-



“Loss prevention is much more than it was in the early days of retail.”

Bill Rhodes, president and CEO, AutoZone



vided retailers a rare occasion to sit around the table with their peers in the industry and discuss a number of the important topics affecting them. Executives rolled up their sleeves, taking a deep dive into a number of core issues and sharing their wisdom, lessons learned, and insight into how others in the industry are driving value in their organizations, building their teams, and troubleshooting the challenges they come up against.

If there is a theme that encompassed the three-day event, it is that LP is no longer just about “walking the beat,” or as Bill Rhodes put it so eloquently, *“Loss prevention is much more than it was in the early days of retail. I have seen this profession progress from being the ‘watchdog’ of the organization to becoming well-trained, highly skilled business professionals building collaborative relationships.”*

Keynote Addresses LP As A Critical Business Partner

In Rhodes’ keynote address, attendees had the opportunity to hear straight from the C-suite as Rhodes described LP as deeply ingrained in retail processes today as a revenue shield that also delivers a positive customer experience. Rhodes also gave an exclusive

glimpse into what has contributed to AutoZone’s success and the role that LP has played in helping to drive overall results for AutoZone.

What was clear, not just from the opening address by Rhodes but a large majority of the sessions at LPAS, is that LP departments have become a critical business partner in helping the retail organization identify areas for improvement and utilize insightful data to operate in a more effective manner to drive profit to the bottom line.

Neil Watanabe, executive VP and CFO for specialty retailer Anna’s Linens, provided executives with a road map to building a successful career. Watanabe started his retail career as a part-time floater and made several stops — including five years in LP — before eventually ascending to the position of CFO of several major retailers. Watanabe offered his unique perspective of what it takes for LP professionals to make it to the top and how LP can cost-justify resources and efforts and position itself to get credit for delivering results.

In his own words, Watanabe explained that *“being more well-rounded as a business manager in LP is critical. In addition to being an LP specialist, you need to be a business manager and understand all aspects of decisions regarding how*



you run your business unit because loss prevention is no different from any business within retail. Whether it is cost justification, whether it's planning, whether it's selling your program, you have to do that in a professional and business way, which will allow you to achieve those goals."

Bonnie St. John, the first African-American Paralympic ski medalist, amputee, and author of *Live Your Joy*, wrapped up the day. St. John shared her unbelievable story of success and tips for persevering in the face of seemingly insurmountable adversity. St. John was a source of inspiration and admiration to attendees. "I talked to them about perseverance and preserving in creative ways not just to 'stick to it and

do the same old thing,' but innovating and getting more help from other people and having more passion in what you do," St. John explained. St. John also acknowledged that by learning more about LP, she gained a great appreciation for the industry.

With law enforcement being a frequent partner with LP teams, the lunch session led by Craig Floyd, chairman and CEO with the National Law Enforcement Museum, was not only appropriate but incredibly touching. The moving sounds of the Orange County Sheriff Pipes & Drums band filled the hall as Floyd led the general session room in a tribute to all those men and women who have been lost in the line of

Putting Predictive Analytics To Work

Working with 11 leading U.S. retail chains, the LPRC (Loss Prevention Research Council) research team has been conducting statistical data analysis to identify stable loss-level predictors to enable loss prevention executives to better focus their efforts.

The team has so far uncovered important statistical relationships for retailers to use for asset protection planning. General and larceny CapIndex scores have been found to greatly improve trading area risk prediction, while employee turnover, employee theft, employee errors, apprehended employees, and employee hotline calls predict overall loss level. Operating audit scores, merchandise return rates, and the amount of discarded product packaging help predict loss while identifying theft causes like shoplifting. The manager implements LP, manages LP commitment and manager tenure, and the amount of time the DM spends on LP predict lower loss levels.

Building on these emerging results, participating retailers are working closely with the LPRC team to further focus future study variables and data collection for management factors, store morale, audit techniques, loss prevention tool selection, and deployment improvement opportunities.

Key Takeaways:

- High correlation between payroll cost and shrink (as payroll cost decreases, shrink increases)

- High correlation between uniformed guard service and shrink (as average weekly uniformed guards decrease, shrink increases)

- High correlation between full-time associates and shrink (as full-time associates decrease, shrink increases)

Findings So Far:

Results indicate retailers face different issues; retail locations are unique, which dictates risk and vulnerability dynamics.

Overlapping Themes:

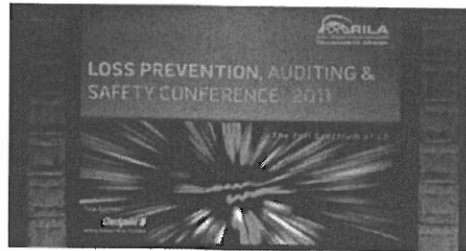
Employee theft, employee turnover, audit scores, return refunds, discarded packaging, external risk (CAP scores), and manager tenure.

Actions:

Employee research, manager, and more focused target areas including: manager tenure, education, employee morale, turnover, LP/AP (asset protection) knowledge and skill training, actual execution levels, incentive impact at varying levels, audit score and accuracy, and employee theft dynamics.

Next Steps:

Collect employee data and manager data.
Timing: Begin data collection: September 2011.



Save the date for RILA LPAS 2012, which will be held April 22-25, 2012, at the Gaylord Texan in Dallas.

duty. Entitled "Honoring America's Law Enforcement Officers," Floyd drove home the devotion and valor of America's law enforcement officers.

Floyd's presentation also focused on what his organization is doing to increase public support for law enforcement and improve officer safety. Floyd paid special tribute to a historic initiative to build the first-ever National Law Enforcement Museum in Washington, D.C.

Presenting on a national ORC investigation case study were experts from J.C.Penney Company and the Los Angeles Police Department. The thought-provoking case study covered a large-scale booster/fencing operation involving sophisticated booster crews in the Midwest and a multi-million dollar fencing operation based in Los Angeles.

Leading a roundtable on investigations was Stan Welch, VP of LP for J.C.Penney Company Inc., and Tim Shipman, director of corporate investigations and crisis management for Delhaize America LLC. Among many takeaways, Shipman shared new advancements in the use of growing social media tools and how they are using sites such as Facebook and Twitter to catch criminals.

Back this year by popular demand was Stan Walters, who shared his secrets for delivering a persuasive speech, helping LP executives who frequently have to engage in public speaking but can lack the necessary training. Walters offered tips for overcoming fears of public speaking, clearly communicating the desired message, and getting results.

The final day's breakfast session, "Putting Predictive

Analytics to Work," was a smash hit, with a packed session and standing room only. Read Hayes, Ph.D., director of the Loss Prevention Research Council; Daniel M. Downs, Ph.D., research coordinator for the Loss Prevention Research Council; Kevin Wolfe, VP of loss prevention for Big Lots Stores Inc.; and Dennis Wamsley, director of loss prevention for Publix Super Markets Inc., shared their unique perspectives regarding the role that emerging data analytics plays in their respective asset protection strategies.

Conference Wrap-Up

Other unique conference extras included the launch of RILA's LPAS student program. RILA and sponsoring companies awarded four scholarships to outstanding college undergraduate students who are interested in pursuing a career in retail loss prevention. Scholarship recipients worked with industry mentors to conduct research on pressing issues affecting the LP industry and presented their findings during the Future Retail Leaders session at this year's conference. Sponsors included Target, The Home Depot, Lowe's, Walmart, J.C.Penney, AutoZone, National Retail Systems, Walgreens, Publix Super Markets, and Big Lots.

New to the conference this year was the presence of the RILA video blog team. RILA staff members Kylee Coffman and Liz Jennings could interview thought leaders such as Walter Palmer of PCG Solutions, Cheryl Blake of Aspect Loss Prevention, Dennis Wamsley of Publix Super Markets, and general session speakers Neil Watanabe executive VP and CFO of Anna's Linens and Paralympic ski medalist Bonnie St.

RILA LPAS

A Recap Of The Proceedings Of The 2011 Loss Prevention, Auditing, & Safety Conference



John. According to LaBruno, the efforts by Coffman and Jennings are part of the new digital media initiatives RILA is undertaking.

Written blog posts were also featured at retailcheckout.org, and RILA shared daily conference insights through @RILAtweets, #RILALp, and the RILA Facebook page. Attendees also competed for the "MVP of LP," a digital scavenger hunt to win a free registration for the 2012 conference.

Attendees also had a fantastic LPAS Exhibit Hall experience. RILA prides itself on the balanced ratio of retailers to service suppliers and the diverse services provided by the suppliers who exhibit. Solutions providers had more time than ever before to showcase their products and services in the conference exhibit hall. The hall was packed on all three days, with energy and interaction from both retailers and service suppliers as they interacted thoughtfully to talk shop and also share a few laughs while participating in the match-a-badge contest.

What was even more interesting was the feedback from the "solutions providers only session." Held on day one, the session was led by executives from Advanced Auto Parts, IKEA, Abercrombie & Fitch, and Dick's Sporting Goods. Solutions providers were given insider tips from these executives on why and how they choose to buy solution systems and how to be a more effective seller in the LP space. Coming away from this session, solutions providers expressed



RILA staff members at the show. Left to right: Jenny Keehan, executive VP of members services; Rachel Dahl, coordinator of meetings; Erin Byrne, manager of marketing; Suzie Squier, senior VP of membership and marketing.

appreciation for the session and the pointers they received from the executives, describing the session as tremendously valuable.

Closing out this year's conference was a unique training opportunity with Tim Bos, instructor at LSI Laboratory for Scientific Interrogation, Inc. Bos offered attendees the chance to participate in a training seminar on the detection of deception by listening to language. More than 50 LP professionals stayed to attend this free training session.

"We are thrilled with this year's conference," said LaBruno. "We had record-breaking attendance, unprecedented educational content, topic expert speakers, and a busy trade show floor. Attendees are returning to their companies with valuable information, ideas, tools, and contacts that they didn't have when they arrived," LaBruno concludes.

LPAS 2012 will be held April 22-25 at the Gaylord Texan in Dallas. For more conference takeaways, visit <http://retailcheckout.org>.

2011 LPAS Charity Golf Outing Raises \$8,000

Seventy LP executives wrapped up their conference experience by participating in the LP Charity Golf Tournament, benefiting Help Now of Osceola, Inc. Help Now of Osceola is a domestic violence prevention program that provides safe shelter, counseling, case management, information and referral, court advocacy, and a 24-hour crisis line.

Through the generous donations from sponsors,

sales of raffle tickets, and a donation from RILA, the group raised nearly \$8,000 for Help Now of Osceola.

Special thanks to sponsors Se-Kure Controls, LP Innovations, Publix Supermarkets Charities, Stanley, Alpha, and Asurint for their support. The Mattress Firm donated three full beds to the organization to be used for the women starting out on their own.