



by Casey C. Chroust

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Raising the Bar for Loss Prevention A Case Study in Supply Chain for the Transformation of LP

The loss prevention discipline has come a long way from its early days, and its stature within the retail enterprise continues to grow. It has evolved from its early chase-and-catch tactics into a progressive practice that combines technology, science, and strategy with highly skilled professionals. Internal awareness of this important function continues to grow, and as it does, the decisions LP executives make related to strategic investments will shape the future of loss prevention.

LP's growth and ascent in the retail enterprise is not unlike the emergence of supply-chain management within the retail enterprise. The redheaded stepchild to merchandising, retail's golden opal, supply-chain management was commonly associated with truck drivers and warehouse employees. A modest piece of the retail business, it didn't hold much status. However, the explosion of global sourcing and the realization of cost savings through careful management of supply-chain operations elevated the goods-movement practice to its now prominent position. Today, successful supply-chain management is the cornerstone of a successful retail business.

LP's direct line of sight to retail's bottom line continues to present the discipline with its clearest path forward.

Strategic Importance to the Organization

In the second half of the 20th century, the retail industry's rapidly evolving business model began to shift towards global sourcing. Sourcing products from locations far from customers presented supply-chain managers with countless complicated challenges. But in time, the efficiency with which these challenges were met began to differentiate winners from losers. New supply-chain models and operational strategies propelled the industry forward. It was then that the tactical importance of supply-chain management became the competitive tool that it is today.

Like supply chain, LP is on a path to further exposure and status in the company. Although LP began as a tactical discipline, today the direct financial impact of LP to the bottom line is evident, and its strategic importance has grown tremendously. Retailers understand the intrinsic value that efforts toward shrink reduction, safety, and crisis management can provide. Reduced accruals, for example, have allowed retailers to increase their profits simply by reducing the number of workplace safety lawsuits. Brand integrity, profit protection, and customer and

employee safety are all LP responsibilities and all at the heart of the modern retail business.

Evolution in Skills and Technology

In the past, top supply-chain executives started in a warehouse or drove a truck. They slowly worked their way up through the department. Today, many top executives are recruited from other departments and other industries for their management and problem-solving skills. Most of these executives now have advanced degrees and certifications, such as a master's in supply-chain management, MBA, or an APICS certification in operations and inventory management. Without a doubt, the modern supply-chain executive has a broader base of experience and a deeper trained skill set than their predecessors.

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Top LP executives share the rich history of their supply-chain peers. Many began as investigators or other entry-level LP staff, and through hard work and strong performance have moved to the top of their discipline. This great achievement cannot be understated. However, signs point to LP following a similar track as supply chain. LP executives are increasingly expected to understand and react to changes across the retail enterprise. This requires an increased knowledge of the business and the broader industry.

Today, LP professionals are expected to manage more people, develop talent, seek out and invest in new technology, and develop and execute strategy. They are coming in with higher levels of education, transitioning in at different degrees of experience, and their future choices outside of LP are much more diverse.

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