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## The Value of an Outsourced Loss Prevention Team Solution

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Research on various cost containment strategies indicates that most companies provide adequate funding for asset protection and security functions although it is impossible to identify the exact level of security spending sufficient for a quality loss prevention process, as there are immense variables within any organization that influence this amount. An intermediary cost that simply includes a Director and two Field Agents, encompassing salary, fringe benefits, training, travel, memberships and other operational costs, could exceed an initial outlay over \$500,000 the first year. It has been said that loss prevention activities do not contribute to the bottom line and may just be part of the cost of doing business.

Numerous industry reports indicate that investing in loss prevention is imperative. Technology, training, and in-restaurant security are the key investments that companies have made to combat shrinkage; many have invested in all three areas. Additionally, a variety of corporate Quick Service, Fast Casual and Casual Dining have internal loss prevention teams. Some brands have internal loss prevention personnel who report to different departmental functions. Detail audits are conducted by loss prevention personnel using exception reporting analytics (eq. DTT Video Exception Reports) to identify suspicious financial activity. Other concepts have an outsourced program or a combination of both internal/outsourced where the loss prevention function is complimented by both parties. Concepts may also use outsourced assistance in conducting surveys to quickly reference loss prevention activity. Significant effort is made to balance the focus of the internal team with an external presence through resolution services. The organization may not have the internal manpower to cover every situation that arises; but with an external team, the operator has time to focus on the areas that are most critical, knowing that another group of loss prevention personnel will handle all other, potentially less urgent, investigations.

Loss prevention functions that deliver a correlation of internal department processes with an external loss prevention solution (eq. DTT Smart Audits/MYDTT) provide conventional wisdom in

dictating good budgetary sense. Cost effective solutions can provide a fixed subscription based cost per month that eliminates any surprises such as travel costs, added benefit costs, staff turnover, and time shortages due to internal organization manpower on vacation, etc. This saves valuable time and resources. This solution allows the external loss prevention team to direct its attention to the audit, investigation, and forensic interviewing process, all of which are necessary to reduce theft and shrinkage. Also, with this system in place, operators are able to address all other business concerns to maximize productivity and then focus on the information provided by the external loss prevention team. It presents the clarity of function, where the loss prevention team reviews the company standards and procedures and applies them to their understanding of criminal activity and behavior. The loss prevention expertise provides objective and unbiased insights along with strategic level auditing and consulting techniques.

Loss prevention can often be a reactive process; but a successful process is one that initiates a proactive strategy. Typically this is two-fold, focusing on awareness and enforcement. Awareness includes initiatives that drive a more honest and ethical culture, including training programs, posters, decals, alerts, whitepapers, etc. that give employees the opportunity to take ownership of their environment and report unethical behavior, etc. Enforcement is the process by which dishonest and unethical employees are ultimately discovered, investigated, interrogated and terminated. These results are driven by Smart Audit™, Video Exception Reports and remote video surveillance programs. This conveys the message that there is a zero tolerance policy for dishonest and unethical behavior. The driven results will help the organization establish programs focused on managing risk, cash losses, shrinkage, threats, and other criminal acts. It will help it develop and execute flawless steps, processes, procedures and action plans to address systemic opportunities. The programs should be objective and accountable. Objectivity provides an accurate picture of what transpires within the locations, and thus how to approach correcting the problems. Accountability promotes appropriate consequences and thus taking actions seriously.

A number of renowned security consultants have indicated that exception reporting is an important loss prevention tool. They suggest that strategic use of exception reports can improve overall efficiency since they address the problem (exception) that requires your attention. It does not require that the operator understand how and when things are operating

but rather when a problem exists. These consultants note that any form of exception report is valuable in identifying shortages. They formulate trends so a comparison of results may be focused upon to identify anomalies. They make the organization more productive by spending less time on process and achieving better results by addressing exceptions only.

Current trend studies that emphasize improved productivity indicate creativity in the area of loss prevention. A number of retail loss prevention executives have indicated that economic issues would force dramatic changes in the retail industry. We have seen increases in commodity prices, energy costs, shrinkage and other crises. The same has occurred within the QSR industry. One particular retail chain, Duane Reade, has reacted by implementing remote viewing video technology that allows their district and loss prevention team members to observe activity inside individual stores across the country. The Cheesecake Factory implemented a similar strategy. By reviewing remote video, operators eliminate the need to conduct additional store visits or on-site audits, or having to download video on-site, etc. Dollars saved on travel = ROI.

One can conclude that those who execute some form of auditing and exception reporting policy improve their loss prevention productivity. It eliminates time consumed analyzing excessive metrics and financial queries; it allows the loss prevention professional to provide hands on critical information and priority transactions designed to increase awareness, theft resolution, productivity and bottom line profit, which can be immediately addressed by the operations staff.