

# Shoplifting eats into retailers' margins

## Article

**The trend: Retail theft is on the rise** and eating into retailers' margins.

- **Macy's, Ulta, TJX, and Five Below** are among the retailers that have recently warned about the uptick in shoplifting hurting their bottom lines.
- The impact ranged from about 30 basis points at Five Below to 110 basis points at TJX.
- While 2022 data are not yet out, **retail theft cost retailers \$95 billion in 2021**, a 4% increase from the previous year, [per](#) an annual survey by the National Retail Federation. And 54% of

small business owners reported an uptick in shoplifting activity in 2021, [according](#) to a Business.org survey.

- The problem worsened last year due to two main factors: the return to in-store shopping combined with a rise in organized retail crime rings in several areas of the country, said Macy's CEO [Jeff Gennette](#) during the retailer's earnings call.

**Addressing the problem:** Several retailers are seeking to address the issue by putting more inventory in locked cases.

- [Ulta](#), for example, aims to have 75% of its stores featuring fragrance in locked cases by the end of the year.
- But locked cases also increase friction because a shopper has to find an associate to open them. That takes time and hinders the [customer experience](#)—especially when many stores are [understaffed](#).
- Perhaps it shouldn't be a surprise that **locked cases may cause sales to drop 15% to 25%**, [Joe Budano](#), CEO of anti-theft technology company [Indyme](#), [told](#) Axios.

**Other retailers are tackling the problem by placing security guards and cameras in stores, and implementing facial recognition software to help identify repeat offenders**, according to The Wall Street Journal. Macy's, for example, uses radio frequency identification tags to keep daily counts on its inventory. It has also hired additional security personnel in stores and secured high-end products with locked cables and sensors.

**Increasing the cost of theft:** Spurred on by retailers' lobbying efforts, there has been significant movement to address the issue at both the federal and state levels.

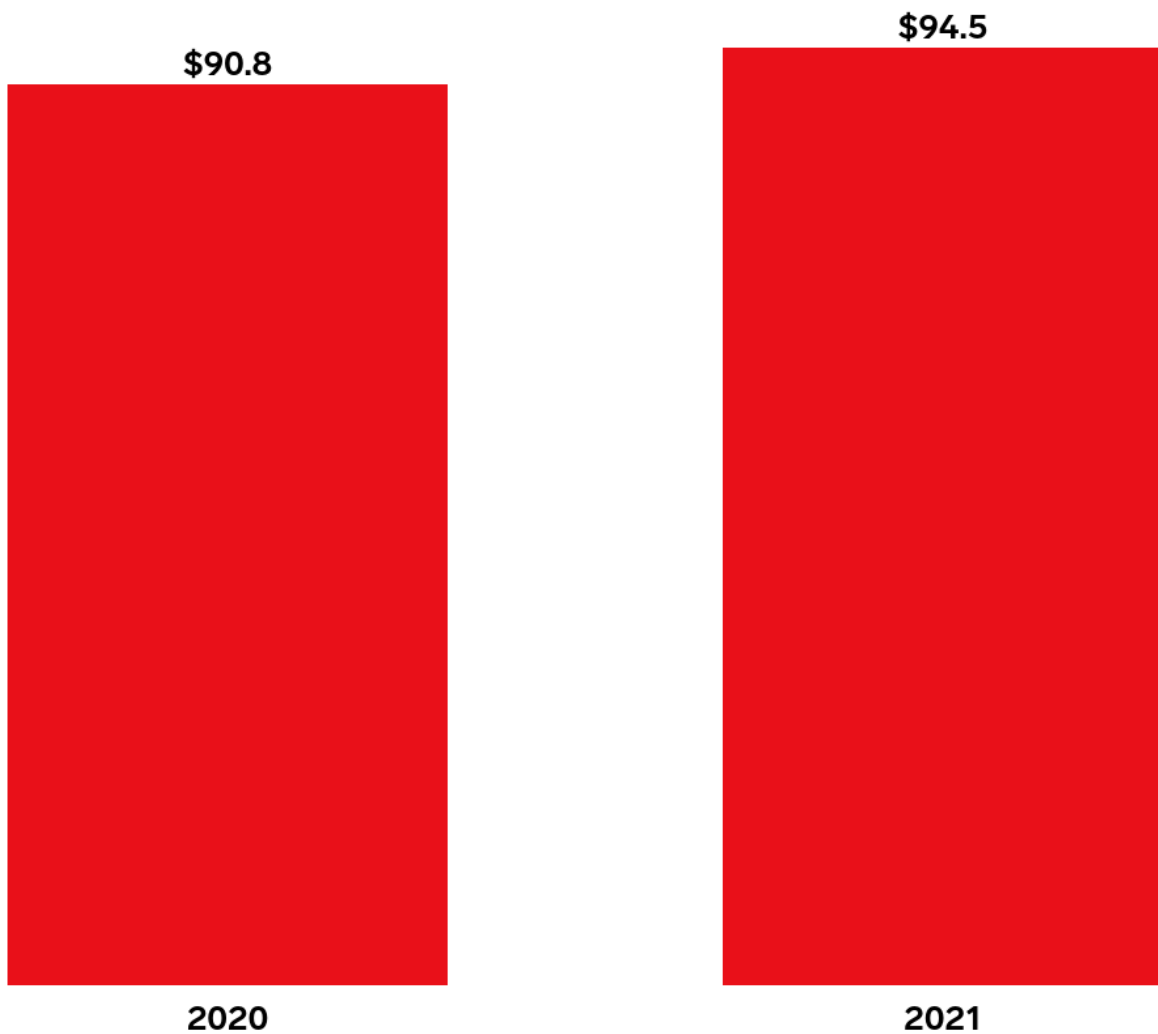
- The federal [Inform Consumers Act](#) is designed to make it harder for thieves to resell stolen goods on online marketplaces, and the [Combating Organized Retail Crime Act of 2023](#)—which has not yet passed—looks to help prosecute criminals and recover stolen goods.
- Meanwhile, legislators in California, Florida, Louisiana, and North Carolina increased penalties for stealing from stores, including new language to target people who work together or steal from multiple stores, [per](#) The Marshall Project. Lawmakers in at least 11 states are currently considering legislation that would increase penalties for people who steal from stores with the intent to resell merchandise.

**The big takeaway:** With retail theft weighing on merchants' bottom lines, new efforts to combat the associated losses are critical.

- But as retailers put mitigation measures in place, they need to ensure that the medicine isn't worse than the cure.

## Retail Shrink, 2020-2021

billions



Source: National Retail Federation (NRF) "National Retail Security Survey, September 2022"

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