

## **INVENTORY CONTROL A KEY COMPONENT OF LOSS PREVENTION**

Vendor frauds, shipping mistakes, distraction thefts, diamond switching and internal theft are of some of the areas that can cause inventory nightmares. Proper inventory control policies and procedures are methods that reduce these losses.

Lets deal with an area that nobody wants to think about, employee theft. Retail industry experts say 10 per cent of employees will never steal from their employers, 10 per cent will steal inventory, time, or supplies at any opportunity, and 80 per cent are influenced by POLICIES, PROCEDURES, and SUPERVISION. These numbers are apocryphal and have no hard data source that can be found. Most use them to illustrate the fact that the vast majority of employees can be tempted to steal when a company does not have workable policies, procedures, or adequate supervision. The doors of opportunity are left wide open. The deviant behaviour requires motivation to steal, access and opportunity.

The reality is stores with good policies, procedures, and supervisors have very little employee theft. Because the doors of opportunity are kept closed and if theft does occur, it can be quickly identified.

In a perfect world, employee theft would never happen. Policies and procedures need to be put in place to minimize the damage. Understanding how to recognize and deal with this type of deviant employee also helps with the behaviour of other employees when they suspect dishonesty. A good inventory case count program that is adhered to by all will go a long way to deter this type of theft. Employees will quickly realize the loss will be found almost immediately and the chances of them being caught are much greater. It reduces the opportunity and motivation for such deviant behaviour.

One of the first steps to prevent inventory loss through employee theft is to know your employees and the history of potential employees. The best way to prevent staff from stealing is not to hire a dishonest people. This means better attention should be paid to hiring procedures. For example, most loss prevention experts recommend that employers run background checks for criminal records and credit reports, as well as checking references with previous employers. Most thieves have stolen from their last employers prior to discovery. Therefore, it is important to detect anything questionable. If time is an issue, or if an employer does not have the people to dedicate to this task an employer can outsource background checks to a company that specializes in this service.

Shipping and receiving errors can cause inventory shortages. Many jewellers have shipped merchandise to another store, vendor or repair house only to have the receiving company call and tell them not all the items listed on a manifest are in the package. This always ends with one person stating, "I put the item in" and the other insisting it was not in the package when it was opened. Both sides should have systems in place to verify their positions. The company shipping should have all items shipped verified by a second person. The person receiving merchandise should also have a second verification. Either another person or the opening of packages is recorded on video. This video should clearly

show items being removed from the package. The receiving or shipping area should be isolated away from any other activity. Employees completing the shipping process should check off each and every piece to ensure they are receiving the proper item they have been charged for. As an example if they were shipped 20 items from a vendor and they physically counted 20 that does not mean they received the item they have been charged for. Instead of a one-carat diamond they have been charged for they may have been sent a half-carat.

There have been many reported incidents where courier or postal employees have slit a package open, removed an item and re-sealed the package. When receiving a package the box or envelope should always be checked for tampering.

A case in point: a JVC member in Ottawa was shipping a large amount of merchandise back to a vendor by way of a major courier company. When the package arrived the vendor opened the box and checked off the merchandise against a manifest that was included. \$36,000 in product listed on the manifest was not in the package. The vendor contacted the jeweller and advised them of the discrepancies. The jeweller was adamant that they had put that product into the box. When the empty box was recovered and examined it was found one end of the box had been slit open and then resealed.

Jewelers Mutual Insurance website [www.jewelersmutual.com](http://www.jewelersmutual.com) has very good detailed instructions on how to ship jewellery safely.