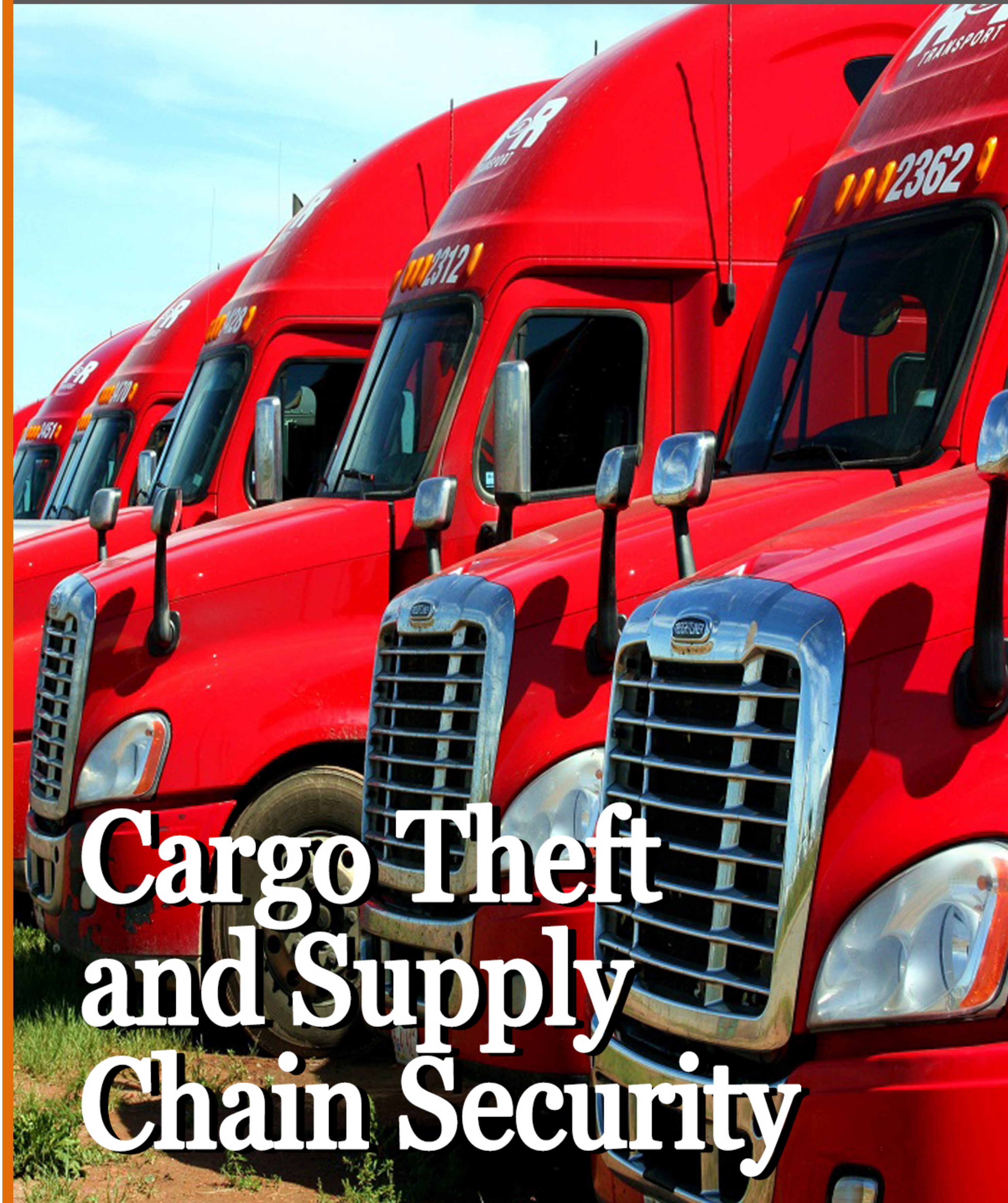
LPM SPECIAL REPORT



Cargo Theft and Supply Chain Security

Supply chain management encompasses the planning and management of the many activities involved in sourcing, procurement, conversion, and logistics management for a business. It involves planning and processing orders; handling, transporting and storing the products purchased, processed and/or distributed; and managing the inventory of goods in an efficient and coordinated manner. The primary objective is to fulfill business demands through the most efficient use of resources. By maintaining effective control over inventories and distribution, the supply chain seeks to match and manage supply with demand to reduce costs, improve sales, and enhance company profitability.

Efficient and effective supply chain networks are necessary to successfully compete in the global retail market. It then rests on the loss prevention professional to take the necessary steps to gain a better understanding of the overall supply chain process and how the process impacts the business so that he or she can effectively support shrink reduction and profit-enhancement efforts.

In terms of understanding, even the term "supply chain" can be viewed as a misnomer. This is not merely a seamless link of interconnected, proportional pieces that takes us from a point of origin and leads to a single ending destination. It is a sophisticated, interdependent network of positions, processes, facilities, functions, responsibilities, tasks, transport, and technology that all culminates with delivering products and services to our customers.

From a loss prevention management perspective, our attentions must focus on disruptive risk. As described by one industry leader, "Assuming the enterprise has taken the necessary precautions to ensure product quality, integrity, and safety, the primary risk to any organization posed by the supply network is disruption. Any disruption in production or delivery will result in potential lost sales, decreased revenue, margin erosion, and profit loss." These risks can exist at each origin location, at each intermediate location through which the product travels, and along each transportation link between points.

Companies must design operational plans that will serve to identify potential threats; evaluate how, when, and where they may occur; develop effective approaches to mitigate losses; and build programs that improve efficiency and business recovery. Theft is certainly a primary consideration, but specific risks will vary depending on a variety of factors specific to the unique supply chain network. Potential risks must be identified and analyzed at each point along the network, building the plan that serves as the cornerstone of supply chain resiliency.

The Transportation Process

Many retailers do not have their own transportation infrastructure, so they have to contract out transportation companies to move freight. One of the most costly services in business is transportation. Most companies will look for the most cost-effective way to move a box from the warehouse to the client.

This cost will vary greatly depending on several factors, including time it takes to deliver the package, the distance the package has to travel, and the method of delivery. Typically, the more convenient the process is for the customer, the higher the transportation cost will be for the retailer. As a result, most companies will look for a balanced approach that will satisfy both customer expectations and the costs associated with transporting the order.

This is where the choice of a transportation provider will come into play. Some providers have a large, global network with their own state-of-the-art warehouses and a comprehensive fleet comprised of both trucks and airplanes. These companies often have extensive loss prevention programs that include both personnel who can investigate loss and physical security that meets industry standards. Because this method can accommodate the convenience of all shipping requirements, costs are normally higher. In addition, the ability to negotiate claim payment if the package is lost or stolen can become more difficult. In essence, you're trusting that the package will transit through the network without a problem. If it is lost or stolen, there is little recourse for the retailer because such contracts are often worded in such a manner that ensures payment will not be pursued on claims unless a predetermined loss percentage threshold is met.

Because of the claim payment restrictions, a retailer may then consider contracting with a third-party logistics (3PL) transportation provider as an alternative method to collect the merchandise from the warehouse, consolidate with other freight throughout the client's network, and complete the delivery process. These carriers are generally regionalized using an independent contractor model for their driver base. This means that the drivers are not the transportation company's own employees, and in turn, they contract the route out to a route provider that works for them. That route owner, or "independent contract," then may have several contracted drivers working for them, covering multiple routes within the 3PL.

Taking it a step further, the company might subcontract all the routes to a fourth-party transportation company with a similar model, totally unbeknown to the retailer. These companies are designed to move freight at the parcel level and specialize in last-mile delivery to the customer.

The problem these carriers face is their operations rarely have any loss prevention personnel on the payroll. They lack basic security standards, such as CCTV, burglar alarm systems, key control, or criminal background checks completed on their contractors. They often lack basic inventory-control practices to monitor the retailer's freight within their network or when it's turned over to the driver.

This is a recipe for disaster when it comes to theft, and you will often find high-percentage losses when dealing with these carriers. While they are willing to pay loss claims to retailers, they rarely have methods to determine the root cause of the losses. Usually, the loss issue is only resolved after losses worth thousands of dollars have occurred and the carrier is threatened with losing the retailers' business. This is why it is so crucial for retail loss prevention to be involved in the transportation process from the beginning.

Risk versus Reward

The average value of a stolen shipment in-transit in 2013 was $300,000, according to FreightWatch International, a risk management service provider. Compare that figure to two other serious crimes—bank robbery, which, according to FBI statistics, nets roughly $2,000 per event, or a typical organized retail crime (ORC) that nets about $8,000. There's obviously a large disparity in the net profit out of each of these crimes. There is also a great disparity in the punishments if apprehended for each of these offenses.

Someone convicted of ORC can face up to three years imprisonment. A convicted bank robber typically receives a five- to ten-year prison sentence. An apprehended cargo thief, however, routinely faces very minimal incarceration and, more often than not, receives some form of probation...yes, probation. One example is a career cargo criminal from South Florida who operated out of New Jersey. This person was arrested nine times for full trailer-load thefts, but has served fewer than two years in prison—total—for all of these offenses.

In most cases, the cargo thief goes undetected in the commission of his or her crime and is rarely confronted by law enforcement personnel, who aren't made aware of what has occurred until long after the shipment is gone.

A key event that increased the popularity of this type of crime occurred in 1986, when the U.S. government passed the Anti-Drug Abuse Act. This law placed mandatory minimum sentencing guidelines in a continuing effort to fight the war on drugs. The guidelines were stiff, with long minimum prison terms if one were caught selling drugs. These stiff sentences forced certain criminal elements to find new revenue streams. With its low risk versus high reward, cargo theft presented a new business opportunity for these criminals.

Risks In-Transit

The temptation for thieves to attack goods in-transit dates back to the days of piracy and highwaymen. The reason is simple—goods in-transit are the most vulnerable to predation. Retail merchandise moves fairly anonymously across the nation's roads, rails and highways, through jurisdictions with varying resources and differing abilities and/or willingness to prosecute if and when individuals are apprehended. As a result, cargo theft incidents are often less likely to be given high priority when compared to other types of crimes.

Deterring these losses therefore mandates attention to security and loss prevention practices, strong operational controls, cooperation among participants in the supply chain, and a variety of investments in safeguarding cargo. But it also requires enhanced awareness. For retailers moving goods attractive to thieves, paying attention to in-transit product and loss prevention management should be a fundamental and daily part of doing business. This isn't as simple as "a box falling off the back of a truck," and shouldn't be perceived that way. Such incidents can be highly sophisticated operations that can be dangerous as well as financially devastating.

As the supply chain continues to grow more complex, so does the criminal element that leaches off of legitimate business. One of the biggest challenges involves organized retail crime and the potential disruption that can result. ORC incidents can occur at any point along the supply chain, whether at the point of manufacture, on loading docks, rail stations, distribution centers, or potentially anywhere along the transportation route. Thefts can range from smaller, subtle quantities that are part of larger shipments to aggressive, armed hijackings involving entire truckloads of merchandise.

ORC groups will take advantage of practically any opportunity to steal product that is vulnerable to theft and will potentially produce large profits. Thefts are often preplanned, highly coordinated, and well-executed. Many operations are managed to the point that they know exactly what they are targeting and have the ability to move, reload, and redistribute stolen goods within hours. The stolen goods may be moved quickly to a warehouse, off-loaded, repackaged, re-manifested, and placed on another vehicle—often before the theft is discovered by the company or reported to the appropriate authorities.

A Rising Trend

In recent years, cargo theft crimes have risen over 150 percent and are still climbing. The annual losses attributed to these thefts are estimated in the billions of dollars. The disparity in attention attributed to these numbers is tied directly to the common perception that these types of crimes are essentially "victimless."

The lack of formal reporting of cargo theft incidents has also been a significant hindrance in getting any assistance from the government. In 2006, as part of the Patriot Act renewal, an amendment was added that designated cargo theft as a Part 1 crime that must be reported within the Uniform Crime Report (UCR) system. Unfortunately, the FBI has still not completed the collection and dissemination processing of that data.

Although cargo theft occurs all over the country, there are higher than average concentrations centered in states that have major port activity, as many of these thieves desire access to as much freight as possible. It's important to understand that these criminals fall into two significantly different types. The first type of cargo thief is simply looking for the opportunity to steal virtually any load, while the second targets specific merchandise. Both illicit groups are professionals, yet they go about their trade using different methodology.

The opportunistic thief typically targets any loaded trailer left unattended in a relatively unsecure location. This could be a truck stop, mall parking lot, or even in or near a store or distribution center.

The thieves targeting specific merchandise operate differently. They will first decide, or be directed to, a particular desired product—a certain brand of cell phone, a specific pharmaceutical product or tobacco product, and so forth. They will conduct pre-trip research by looking into locations of associated distribution centers within a given geographic area. They will also look for proximity to interstate highway systems, weigh stations, and the locations of law enforcement facilities and activity.

There have actually been times when thieves have been caught with shopping lists, either on their person or in their vehicles. The lists describe specific items to steal, as well as where to find them. These same criminals have also been found with police scanners and other forms of cargo-theft tools.

The perpetrators will typically work in teams, conducting surveillance on both facilities and drivers to understand how those in the facility distribute shipments and how the drivers act when picking the loads up.

Sometimes the thieves will hit drivers on the road, following them in multiple surveillance vehicles and trailed by another tractor. The tractor will be utilized as a substitute once the rig has been stolen. This type of surveillance sometimes lasts for hundreds of miles, or until the driver needs to make a stop. Once the driver leaves the tractor-trailer unattended, it typically takes the thieves less than one minute to break into the locked cab, hotwire the unit, and drive off with the load.

In these scenarios, the thieves look to get rid of the original tractor as soon as possible, substituting it for the one they brought along. The original tractor is almost always recovered a few miles from the original theft location. All of this is done to better disguise the two-part unit as the getaway is being made, but also to attempt to evade any GPS tracking that may have been installed in or on the original tractor.

The thieves may do something similar with the trailer, also attempting to see if GPS tracking technology is being used to locate it. In many instances, they'll take the trailer to a remote location, place it under surveillance for several hours, and wait to see if someone comes for it. If no one does, their natural assumption is that there isn't any tracking technology either attached to the trailer or buried inside the shipment.

Leakage and Fictitious Pickups

Two other forms of theft have become much more common in recent years—leakage and fictitious pickups. Leakage occurs when a thief, who could even be one of your employees, gains unauthorized access to the contents of a trailer. There are countless methods for gaining access to a trailer's contents and still making it appear as if the trailer doors were never opened after being closed for delivery. The easiest is simply to break the seal on a trailer. More complicated, but not by much, is to bypass the seal. In bypassing a seal, thieves have been known to remove rivets on the locking hardware so that the handle assembly essentially remains intact and sealed, but no longer engaged as the entire assembly is removed. Thieves can also remove the trailer doors altogether, again maintaining seal integrity, but affording access to the trailer's contents.

One of the newest forms of theft, the fictitious pickup, is growing in popularity because in many instances it is unusually simple to execute. Would-be thieves target a load they are interested in via any of the thousands of electronic "load boards" used by the shipping industry to advertise loads available for tender. Once the thieves select a load for theft, they begin the process of illicitly obtaining the identity of a real certified carrier. These thieves will use disposable cell phones, create bogus email addresses, fabricate insurance paperwork, and ultimately represent themselves as the legitimate carrier. The unsuspecting victim assigns them a pickup time and location to obtain the shipment. All the thief then needs do is show up. The load is given directly to them. Only after the delivery has failed to reach the intended customer does the theft become realized.

International Security Concerns

Another primary point of risk is found when goods cross international borders. Customs is responsible for controlling the flow of goods into and out of a country. Generally speaking, imported goods may not legally enter the United States until Customs and Border Protection has authorized delivery of the goods.

Officers may inspect cargo before it is loaded onto vessels at a foreign port destined for the United States, while in transit, and at the first port of entry where the goods arrive. Inspectors may board ships, planes, rail cars, and trucks in order to thoroughly inspect shipments. The goal is to achieve a sufficient level of security without jeopardizing the efficient flow of legitimate commercial trade at the border.

Without debate, the process is critical for many reasons. However, there are several potential challenges that can result from the inspections process. Inspections can cause substantial delays, product damage, spoilage of perishable items, and compromised shipment integrity that may lead to other loss prevention concerns. Transportation costs can increase when containers sit at the ports waiting to be cleared. Regardless of the circumstances, there are costs, and risks, and protocols that must be managed. If the process is not managed properly, risks can increase, leading to shrink concerns, lost sales, lower profits, and customer service issues.

Distribution Centers

Distribution centers are often viewed as the foundation of the supply chain network, establishing a centralized location from which we can stock and distribute products to the stores or directly to our customers. While basic designs and functions may be similar, each facility is also vastly unique based on the organization, the types of products, and the special needs of the business. These complex operations can house volumes of merchandise, equipment, supplies, and employees in order to meet and maintain our primary business objectives.

While often viewed as simply a project-specific, labor-intensive venture, the actual mission of the distribution center operation is vitally strategic and tactically calculated. Coordinating the concurrent needs of the stores, our customers, suppliers, buyers, inventory control, transportation systems, and other services and service providers is a formidable task, but a necessary one: it keeps product moving efficiently and contributing to our companies' profits.

"Today's distribution center can house thousands of SKUs, with some of the larger facilities managing the inventory for several hundred stores in a single location," says one industry expert. "Teams must ensure the accountability of the freight at all times throughout the product cycle, to include accurate receiving protocols, proper storage of the freight in its designated location, cycle counting, and order pulling and shipping of merchandise to the correct location."

This isn't simply an exercise in moving boxes from one site to another. This is about product flow and speed to market, driving replenishment, maximizing sales, and maintaining quality customer service while minimizing losses, damage, and theft of goods. All of this requires cutting-edge loss prevention management, with progressive programs and proactive strategies that build on modern technologies and contemporary supply chain management strategies and design. Every function, every process, and every practice must be continuously reviewed and reevaluated to help control costs and maximize efficiency.

Depending on the particular company, a retailer may purchase and sell tens of thousands of products. Goods typically arrive in bulk and are stored in the distribution center until needed by the retail location. Products are then retrieved and assembled into shipments before being forwarded to stores or directly to customers. And throughout every stage of the process, there are opportunities for loss.

The efficient processing of goods through the distribution center plays an essential role for the entire business operation. Every facility must be specifically designed to provide for the safest, fastest, most secure, most efficient and cost-effective control and movement of our retail products, and our loss prevention efforts must complement the process. Vulnerabilities extend well beyond basic physical security measures and access controls, and we must show the same proactive, cooperative insights that have helped to build our success in other areas of the business.

Distribution Center Risks

Identifying the potential source of theft risks within a distribution facility is typically not hard to do. Access to the facility is managed. Activities within the facility are controlled. In stores, the public has access to the building. However, this is clearly not the case in the distribution center environment. In plain terms, the most likely way for theft activity to be successful in a distribution center is if employees are involved.

Often, the greatest opportunities for losses in the distribution center involve collusion between multiple parties, especially between drivers and the employees that load and unload trailers. Merchandise within the distribution center is at its greatest risk when trucks are being loaded and unloaded, which is a time frame that is particularly chaotic, with individuals largely concerned with loading or unloading the trailer and getting the truck away from the dock. With attentions focused on labor and speed, employee interest can be diverted, leading to enhanced risks and greater opportunity.

The possible infiltration of associates by organized criminal groups is also a threat within the distribution center environment. Perpetrators may gain access through temporary agencies when services are needed, such as during peak selling seasons. Employees with ORC ties may simply hire into the company in order to gain access to merchandise, information and opportunity. Existing employees may be recruited by ORC operations to participate in illicit activities. Individuals who hired in with honest intentions may also observe and exploit opportunity, and make poor life decisions as a result.

While the direct theft of merchandise is an ongoing concern, the theft or disclosure of information can be just as problematic. Shipment and product information, seals and seal sequences, delivery schedules, truck routes, and other relevant information can be divulged to assist with hijackings and similar operations. Blank forms may be pilfered to create fraudulent documents. Alarm information, closed-circuit television (CCTV) placement, internal layouts, rosters, schedules and shift changes, and other important operational information may be shared or exposed. Additional actions may include intentionally damaging or blocking CCTV or other security equipment, removing batteries from alarmed doors, leaving outside doors or security enclosures opened or unlocked, purposeful distractions, or simply "looking the other way" when the need arrives. Any and all opportunities may be exploited depending on the complexity and motivations of those involved.

C-TPAT

Unfortunately, some risks extend beyond product loss, theft, damage, or like issues, and carry the potential to create much more impactful considerations. The Customs-Trade Partnership Against Terrorism (C-TPAT) is a voluntary government-business initiative designed to build cooperative relationships that strengthen and improve both international supply chain and U.S. border security.

The C-TPAT initiative asks businesses to ensure the integrity of their security practices and communicate similar guidelines to their business partners throughout the international supply chain. These principles have been adopted by the World Customs Organization and the international trade community, and similar programs are being developed and implemented worldwide. All ultimately have the same primary goal—to stop abuses of commercial trading lanes by terrorists and others who seek to corrupt the process.

The premise of C-TPAT is fairly simple—if a company has well-conceived and appropriate internal controls in place, they can enhance the likelihood that their products will arrive on time, intact, and without dangerous or unwanted goods substituted for the products that they expected to receive. This requires stringent internal controls regarding facilities, personnel, supply chain procedures, computer systems, and other critical functions—not only at U.S. facilities, but all over the world. Importers are expected to partner with foreign suppliers and worldwide business partners to secure their supply chain and ensure that internal controls are adopted and implemented.

Impacts of a Cargo Loss

What are the impacts of a cargo loss, beyond just the loss of the merchandise? Consider the following:

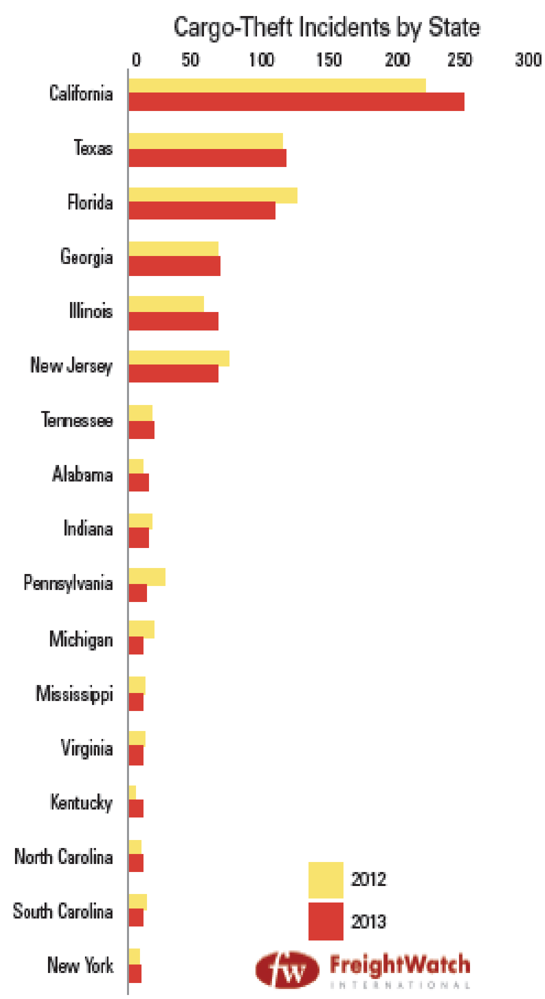
- *Cost of Replenishment*—A trailer load that is stolen and can't be delivered must be replaced rapidly. The costs associated with this, together with re-picking orders, transportation, and staffing costs, all affect bottom-line profits.
- *Customer Retention*—Losing an existing customer because product they desired has been stolen in-transit or in-storage can be even more damaging to a retail operation.
- *New Customers*—We live in a society that demands immediate satisfaction. If you do not have an item in stock because it's been stolen, a potential customer will likely not wait for your company to replenish inventory. They will simply shop somewhere else.
- *Lost Sales*—Stolen products are often reintroduced back into a secondary "gray market" supply chain, which erodes the chance for that same sale in a store.
- *Fraudulent Refunds*—Stolen merchandise often reappears in local stores in the form of fraudulent refunds that drag down same-store sales numbers.
- *Increased Insurance Premiums*—The cost to insure goods in-transit will obviously be passed on to customers. These higher insurance premiums will make a retailer less competitive on sheer price point.
- *Lost Margin*—The difference between the cost of the item and the retail value is not recovered by most insurance programs, as they usually are designed to protect the shipper at cost.
- *Loss of Brand Reputation*—Once your company is identified as an easy target, it is difficult to rebrand: not only does the bad guy see your company as an easy target, but the brand begins to be marginalized among your consumer base.

If you feel this is painting a pretty grim picture, then good, that is precisely what you should be feeling. However, there is light at the end of this tunnel.

Mitigating Programs

The thieves don't always have to win. There are several security layers that can be added into a supply chain to significantly reduce risk and, hence, exposure to loss.

One of the first things to understand is what the exposure to theft actually is. There are several cargo theft "hot spots" in the United States that include certain areas within the states of California, Texas, Georgia, Florida, Tennessee, Illinois, and New Jersey. A company that is moving or storing goods in any of these states has a much a higher probability of becoming a victim of a cargo theft.



Many retailers are moving away from maintaining their own transportation to focus more on their core business of retailing. Those that do maintain their own fleets, however, have a distinct advantage: from screening and hiring their own drivers, to making investments in security devices to add to their fleet of tractors and trailers, to establishing proprietary in-transit policies and procedures that specific drivers use while transporting shipments.

More often than not, however, companies contract out their transportation services and do not necessarily have direct control over their transportation providers. That being the case, there are many best practices that can be put into place contractually to ensure that exposure to potential theft is reduced. Some of these mandated best-practice policies for third-party providers should include the following:

- Requiring stringent background checks for all drivers and anyone who has visibility of critical shipment information
- Producing policy-and-procedure manuals that include security requirements and can be randomly audited
- Maintaining excellent DOT compliance and "out-of-service" records
- Requiring drivers to produce a valid driver license and vehicle registration, upon demand, before any shipment loading can take place
- Making drivers aware of, and signing off on, specific security requirements on each individual trip
- Ensuring that drivers know whom to contact in any emergency
- Obtaining drivers' contact information so that they can readily be reached at any time during a shipment trip
- Having drivers arrive with a fully fueled vehicle to minimize the number of stops necessary to make a delivery
- Ensuring drivers route themselves directly to the point of delivery, as safely and efficiently as possible, within lawful bounds and with a minimum number of stops
- Requiring that there are no stops made within the first two hundred miles of a delivery trip
- Installing GPS tracking technology on both tractors and trailers.
- Instructing drivers to lock any unattended tractor-trailer with the engine turned off
- Suggesting that trailers should be parked with their rear doors against a fixed object to prevent them from opening whenever possible
- Ensuring that loaded trailers are secured with a sufficient locking device at all times. If a loaded trailer must be "dropped," some form of approved locking device such as a king pin, glad handle, or landing gear lock should be deployed
- Giving store security the right to inspect the driver's tractor and trailer for stolen merchandise before the driver leaves

Let's not forget that professional drivers are our knights of the highways and should be recognized for their top-shelf efforts and incentivized for superior performance as well. Don't create an unbalanced program that focuses on the punitive without recognizing the positive.

GPS Technology

Many logistics-security professionals believe that cargo thieves literally have a manual of their own that could be entitled "Cargo Theft 101." Judging by the repetitive methodology used to commit these types of crimes, one of the chapters in this manual must cover the disabling of any visible GPS tracking technology on the tractor or the trailer.

Over a relatively short period of time, GPS tracking technology has become much more sophisticated. Although a layered approach to cargo theft prevention and detection is always recommended, GPS tracking capability is probably the single greatest asset that exists in investigating and ultimately recovering stolen cargo.

The accuracy of current GPS units is now at all-time highs—to within a hundred feet— which aids in the rapid location of a stolen shipment. If a transportation provider that does not offer GPS tracking of its tractors and trailers, it should definitely be mandated. It not only serves in the recovery of full trailer-load thefts, it also helps to identify potential acts of pilfering. Finally, it is invaluable in tracking driver behavior as well.

Devices no longer need to be installed or placed in visible areas to "see the sky" so to speak. Technology has advanced to the point where devices can be inserted either within the vehicle itself or within individual shipments being transported inside a truck or trailer.

Portable GPS tracking devices are now routinely used by retailers to ensure that their service providers are following proper procedures and to add an additional layer of security in the event of a theft. Some of these units are so small they can fit inside a hundred-count pill bottle and are easily rechargeable. The progress of shipments containing these devices can easily be monitored on a computer, tablet, or smartphone. Automatic alerts can also be configured for any of these devices if there is ever an unscheduled deviation from designated route.

Other Areas of Opportunity

It is important that loss prevention professionals work with distribution and store operations group to fully understand delivery schedules. It is noteworthy that thieves prefer to steal loads on Fridays, Saturdays, Sundays, and holidays, when drivers are often forced to leave loads unattended for long periods of time while they await delivery appointments. Thieves also use these weekend periods to steal shipments in the hope of delayed detection. Therefore, shipping Monday through Thursdays, with a contemporaneous delivery before the weekend period, greatly reduces a retailer's chance of being targeted by a cargo thief.

It is also critical to perform route risk analysis on individual lanes, particularly within areas that may be unfamiliar. There are now information resources available that can provide city-level risk mapping based on historical data that can be used to set up a driver's particular route. All that is required is to enter the pickup and delivery locations. The risk-management program will map out the driver's trip, highlighting areas that have been prone to cargo theft in the past. Using this type of analysis, it is possible to create "no-stop" zones based on the prior history of theft in that community. Many companies instruct drivers to not stop at least one hour before or one hour after these known hot spots.

Establishing a Culture

The supply chain network demands control to drive efficiency and productivity. Setting the tone early and often by maintaining direction and enforcing rules sends an important message and helps establish a culture of safety, control, and honesty. This is why the fundamental aspects of loss prevention provide such an important barometer of program success. Failure to control basic support functions is an indicator of greater opportunities, which in turn can significantly influence the scale of involvement throughout the entire network.

Creating and implementing policies, practices, and procedures that serve to establish workable controls is an important step. But this must be coupled with appropriate resources to support the control measures as necessary, to include adequate attention and staffing. Programs must be regularly reviewed and monitored to ensure effectiveness, efficiency, relevance and application. Most importantly, this must have the support of all levels of management to achieve implementation, maintenance, enforcement and resolution.

As an industry, we must improve our knowledge, awareness, and education regarding the entire supply chain network. Programs such as the supply chain course within the LPC certification coursework provide a tremendous resource. But we must also open more effective channels of communication with subject matter experts, especially those within our own organizations, to gain a more comprehensive understanding of this critical aspect of the retail business.

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As emphasized by one industry leader, "Within our industry, there is a tendency to place the roles of loss prevention in the stores and in the supply chain in very different buckets. However, closer inspection defiantly puts things into a different perspective, as these roles are often much more similar than they are different. I would encourage each of you to pause for a moment and reflect on some of your dealings with your fellow loss prevention peers who work in the supply chain. If you haven't already done so, take some time and get to learn more about this aspect of the business. If possible, look for opportunities to do some cross-training in these partner departments. Make the effort to expand your professional horizons. These lessons will go a long way in building relationships and adding value your organization and your future."

Changing of the Times

Ten years ago, it was relatively rare for transportation risk managers to interact with a retailer's supply chain LP representative—if they even had one. That has changed significantly over the past few years. Virtually all major retailers now have someone responsible for supply chain risk analysis and security who is responsible for ensuring safe and secure delivery of their respective merchandise.

States that have significant cargo theft activity typically have their own dedicated law enforcement team of seasoned cargo theft detectives and taskforces. These teams know who is operating in their areas, where the merchandise may be headed, and who to contact to assist in making a recovery. It is imperative that someone within an organization know and remain in perpetual contact with these important law enforcement entities. Most important is to maintain cell phone contact numbers with these men and women. Why? As previously stated, any of these thefts occur after business hours—at night or on a weekend—and you want to be able to reach out directly to the most seasoned cargo theft investigators as quickly as possible.

It is helpful to attend as many regional cargo-security meetings as possible. Numerous local and regional organizations are strategically located in the Northeast, Southeast, Southwest, and Western areas of the United States. Their meetings bring law enforcement, transportation providers, shippers, insurance companies and retailers together to discuss issues affecting their particular regions of the country. These meetings are invaluable for the information that is shared.

Kurt Duesterdick, chairman of the Eastern Region Transportation Security Council (ERTSC), explains: “The ERTSC is one of the oldest, if not the first transportation security council in the United States. It was started in the late ‘80s by a number of former members of law enforcement who had transitioned to transportation-security managers. These individuals discovered that they were all experiencing the same types of problems, yet had no way of sharing information. They made inquiries to one another and found there was a need to help one another out, as they all trying to safeguard the business of their respective companies.

“The original council consisted of only transportation security and law enforcement personnel. However, as cargo theft continued to increase, they saw the need to involve loss prevention professionals and investigators from the retail and shipping businesses to assist them in their endeavors by identifying stolen product, tracing serial numbers to specific losses, assisting in investigations and recoveries, and educating law enforcement in the movement of stolen goods.

“Today there are eight different private-sector councils located throughout the United States in the fight against both cargo theft and supply chain enterprise crime. Our council has changed over the years with members reporting thefts and hijackings, as well as providing educational opportunities in the transportation, manufacturing, shipping, retail, and cargo world. We have approximately 425 active members from both the private sector as well the law enforcement community. Our law enforcement partners include, but are not limited to, the state police from New Jersey, New York, Pennsylvania, Illinois, Louisiana, Virginia, Georgia, and Florida. In addition, we have participants from Customs, the FBI, the Waterfront Commission, and several local police departments. We share our intel with the other seven councils, essentially getting this information in the hands of thousands of people who work and investigate these types of crimes.”

Building a Proactive Plan

Following are some key steps that should be taken to build a proactive plan.

- Have a strong relationship with the transportation department and be a part of the carrier approval process.
- Develop a comprehensive security protocol that the carriers must adhere to, and ensure that protocol is added in the contract with the transportation provider.
- Visit some of the locations and conduct an audit of their operations. This should include evaluating their security and, more importantly, the operational controls in handling freight.
- Develop loss analytics that can identify trends before customer complaints about loss begin. These analytics should identify trends by carrier and driver route.
- Be proactive in meeting with the carrier’s facility management so they understand expectations, loss trending analytics and method of investigation.
- While visiting provider locations, see what other clients’ freight they are moving. If losses are occurring with your freight, they are probably occurring with other retailers’ freight as well. This allows a perfect opportunity to work a joint investigation with other loss prevention peers.

The supply chain can be a very confusing entity—and one that many loss prevention professionals avoid. But the more we learn, the easier the process is to manage. Rather than assuming that a package is safe once it leaves the confines of your four walls, get engaged in the process. You may be surprised to find that, with a little effort and some planning, your ability to identify these losses and work with the carriers that handle your freight is a relatively easy process. ■

Contributing authors to this special report include Jacque Brittain, John Tabor, and Glenn Master. Tabor and Master are members of the International Supply Chain Protection Organization (ISCPO). For more information about the organization, visit iscpo.org.