



# The Hot Sheet

Stein Mart's Newsletter Dedicated to Shrinkage Awareness

Volume 14—First Quarter, 2002

## Joe's Corner

As 2001 comes to a close and we begin a new year, we here at the corporate office want to use this space to acknowledge the hard work and dedication of the many associates who contributed to the success of the LP program. While the 2001 shrinkage numbers are yet to be known, we believe that we have made great strides towards the goal of reducing that percentage.

First, we set out on the ambitious task of introducing a new LP structure to Region 7. In early 2001, Al Anderson was faced with the assignment to hire and train nine different area teams. Progress was somewhat uneven at first, but by the date of this issue the teams had gelled into extremely effective units, and were producing cases at a record pace. Many thanks are also due to the store management staffs and DDOs of Region 7, who were extremely supportive and gave valuable insight and observations, which helped to work out the "kinks" in the program. Of course, former RDO and current Senior Vice President-Operations, Mike Ray, played a pivotal role in the initial design of the plan, and current RDO, Jim Love, provided important leadership for the initiative in the region.

Regions 1 and 5 were also productive with standout districts, from a statistical standpoint, being in Atlanta, Nashville, Houston, Columbia and South Florida. These DLPs received valuable aid and support from their DDOs, store management and store LP associates.

We would be remiss without acknowledging the invaluable assistance of the Inventory Control Department, led by Lynda Harris, in our ongoing effort to reduce paperwork shrink, as well as Becky Steele, Kellie Miller and the rest of the HR Training and Development staff, for their tireless work in the rollout of the LP program in Region 7. Please take the time to read the accompanying articles that will further document the progress we have made.

As we move forward into 2002, we expect nothing less than to improve upon the results that we produced last year. Just as a merchant, we must always strive to be better and more productive at what we do. With all of your continued help, we believe that we will do just that.

Sincerely,

Vice President, Internal Audit, Safety and Security



## Receiving Initiative Pays **BIG** Dividends

Most of us know that a good deal of shrinkage, including shoplifting, freebagging, refund fraud, void fraud, etc., can be prevented. Following Stein Mart policies and procedures, as well as vigilant oversight by management can reduce the odds to those things happening. There is however, an area that is often overlooked—that of paperwork and receiving errors. Stein Mart is somewhat unique in the way we process our merchandise. Unlike the Wal-Marts and Targets of the world, who rely on distribution centers to receive and process the goods, we receive the vast majority of our merchandise directly from the vendor. While this system has its advantages, it also creates the opportunity for the increased receiving errors to occur.

With that in mind, a plan to help minimize the shrinkage caused by paperwork and receiving errors was begun in late 2000. These initial efforts resulted in almost \$1,200,000 in "paper" shrink being found by the DLPs and later corrected by Inventory Control. Armed with the knowledge of the previous year, the Company then embarked on an intensive and comprehensive program to find and correct these errors in 2001. Through the efforts of MIS, a program was developed to identify potential receiving errors in excess of \$200. The DLPs/ALPMs, working in conjunction with store management, have researched literally thousands of purchase orders. Through **September**, over **\$1,062,000** has been identified and corrected. Over 77% of all stores have had a correction, with total amounts corrected up to just over \$49,000 in a single store!!! With most of the busiest receiving months yet to be worked and adjusted, we believe that we could surpass \$1,500,000 for the year.

As we move forward into 2002, we expect to refine the program even further, but most of the improvements rest with store management and receiving associates. Here's what you can do:

### Store Management

- Review all receiving paperwork on a daily basis. Match the quantity on the VRL to the quantity on the vendor packing list. Research and correct any errors immediately.

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# PROFILE: Al Anderson



Al Anderson is Stein Mart's first Regional Loss Prevention Manager. THS recently posed several questions to Al concerning the implementation of the new LP structure in Region 7.

Q. Prior to your promotion, what was your background with the Company?

A. I began my career with Stein Mart as an Area Loss Prevention Manager in Dallas, Texas in March 1996.

Q. What were your expectations of the program when you were promoted to RLPM?

A. I expected that we would be able to better support the stores in terms of shrink, training, and auditing. We have a much better product, our team's knowledge of the issues is excellent and they have the commitment to lessen our overall dollar losses in every way possible.

Q. What challenges did you face starting the program from scratch?

A. My biggest challenge initially was to find the right personnel that could be effective in the Stein Mart environment. We also had to create partnerships on every level throughout the region. I'm extremely happy with how each level of management has responded, from the Regional Vice President, to the District Directors, and the Store Managers and their staffs. All are a huge part of the success we have experienced thus far.

Q. What can you say about the development of the area LP teams?

A. The teams have developed very well since the inception of the program, with the support of the Corporate Loss Prevention staff, Training and Development, and time to analyze how we could make an impact in each store. Our teams are breaking records monthly in terms of internal/external theft cases, receiving initiatives, training and auditing. I'm extremely happy with our accomplishments.

Q. Has the program been accepted by store management?

A. Store Managers and their staffs have been very supportive and embraced the talents of their respective teams. As their knowledge of the teams has increased, so has the partnership that they have developed. Each was very supportive of the audit program. Over the past nine months most of our stores have shown improvement in terms of overall operations.

Q. What have been the main accomplishments of the teams?

A. Our biggest accomplishment has been the increased efforts to apprehend dishonest associates. We have increased those cases by more than 70%. I believe we have been a great support to the stores, along with strong backing from Inventory Control, with our receiving initiative to reduce "paper shrink". While turnover has been minimal, we have replaced open positions with very qualified associates.

Q. Where do you see the future?

A. As we move forward to the inventories and beyond, I see the program continuing to impact the stores shrink efforts. The teams around the region will strive to improve their efforts as each month goes by. We will continue to tweak the program for even better results and continued impact on our bottom-line.

## Continued from front page...

- Make sure a qualified associate is completing the IE in a timely manner. Any questions should be posed to Inventory Control.

### Receiving Manager

- Make sure price tickets are being generated based on the quantities on the vendor packing list. If there is no packing list, a "dummy" receiver should be printed and the merchandise counted. Never make tickets based on the quantities "on order."
- Review and initial all adjustments prior to them being keyed.
- File your VRLs by division, by PO, by **month**.

## FIRST WINNER OF THE NEW YEAR!

Congratulations to **Jennifer Hawxhurst**, from Store #70, in **Houston, Texas**, whose name was chosen from a group of associates who correctly answered all ten questions correctly in the October 2001 edition of **The Hot Sheet**. Jennifer will receive a \$50 Panache card. Again, we thank all of you that participated in the contest. A special thanks goes to the stores that submitted multiple entries. Remember to fill out the new contest on the back page of this issue.

### Answers to October 2001 Contest

1. A person's actions should be the basis of whether they should be suspected of shoplifting.
2. Basing a decision on a person's race, color, sex, age or religion is called profiling.
3. There are five steps that must be followed before a person is detained or arrested.
4. All manually entered charge cards must be imprinted.
5. Customers keep us in business.
6. Every register till must be counted each day.
7. It is important that all Stein Mart policies and procedures are applied consistently to all customers.
8. All receiving paperwork should be filed monthly.
9. Management should not know every associate's password.
10. All accidents should be reported immediately.



# Loss Prevention Diaries



A shortage of \$350.00 was discovered on one of the front line registers. A review of the journal tape showed that only two transactions had been rung on that register the day before. The videotape showed that for the second transaction rung (a \$300.00 Baccarat crystal piece) there was no customer or merchandise present. Later that same day, another store in the area telephoned the DLPM to report that someone had just attempted to return a "fake" piece of crystal with a receipt from the store that had incurred the shortage. By the end of the day the DLPM had received calls from three other stores stating that someone was trying to return this piece of crystal. The subsequent investigation showed that a linens associate had stolen the piece of crystal from his store and later rung up the purchase on a register that is normally used for "price checks" only (under someone else's number), in order to obtain a cash receipt. The next day both he and his wife attempted to return the piece for cash. He admitted stealing the crystal piece and attempting to return the item for cash. He was arrested and promptly escorted to jail.



It was brought to the attention of the Area LP team by the Store Manager that she suspected the Agenda Consultant was using fraudulent Panache cards. Through the use of XBR as well as reviewing journal tapes and paid out slips, it was evident that the 18 Panache Cards, valued at \$310.00, and used by the consultant for her own purchases, were actually intended to be Agenda giveaways. The thefts had been taking place for approximately four years. During the interview, she also admitted to keeping miscellaneous Stein Mart merchandise from fashion shows. When the interview was complete, the associate admitted to taking \$528.97 worth of merchandise and the Panache Cards. The associate was terminated, and arrested for theft. She now awaits court proceedings.



One evening when the receiving crew had been working, the ASM noticed that a receiving associate had made several mistakes on adjustments with one particular order. When she asked the associate to verify what adjustments he had made on the order, he was reluctant to answer. Upon interviewing the associate, he admitted to tampering with adjustments when he worked evenings so he could take the merchandise. The ASM had made several rounds back to the receiving area to check on progress, which had foiled his opportunity. The associate later admitted to another associate helping him conceal merchandise in the fitting rooms and then leaving the store without paying for it. Both associates were arrested and prosecuted.



A Service Desk Associate was processing a sale when she noticed that the person using the e-credit was not the person to whom she had issued it originally. Upon further investigation by the LP team, it was discovered that several other associates had used the same e-credit. The associates were interviewed and admitted to having a friend come into the store and take merchandise and then return the items a few days later for an e-credit. The store associates used the e-credit and then claimed that it was from a "friend" that owed them money. By investigating all instances that an associate used an e-credit, the LP Team was able to prosecute all of the associates involved plus the original thief who had helped take the merchandise, along with the termination of another associate who had been involved.



A Loss Prevention Specialist was monitoring returns and noticed an associate had exchanged a \$100.00 pin from Accessories for clothing. The employee did not have a receipt for the pin. The Loss Prevention Specialist contacted the District Loss Prevention Manager and an investigation was started. The investigation showed the associate had previously attempted to return the merchandise at a Stein Mart other than the one she worked at. The associate was known at this location and said that her

boyfriend had given her the pin. The store advised her she needed to take the pin to her home location since she did not have a receipt. The associate did this and advised her home store that her aunt had given her the pin. She was permitted to exchange the pin for clothing. The associate then tried to return the clothing at the nearby Stein Mart where she previously attempted to return the pin. This location again advised the associate she would have to take the merchandise to her home store. The next day the associate told the Store Manager that her boyfriend's aunt had purchased the pin at a location about 1000 miles from her store. The DLPM, using XBR, determined that the far away Stein Mart store had never sold any of this particular pin. The DLPM also contacted the Planner at the corporate office and it was confirmed that the store had never even received the pin. It was also determined that this associate's home store was one piece short in their inventory of the pin in question. The associate was terminated from her position as well as prosecuted, and is awaiting trial for Breach of Trust.



Suspicion was aroused regarding an associate in the shoe department. It was decided that a camera would be placed over the department and the first day it showed that an associate was passing out shoes to her relatives. While waiting for a return call from the Director of Security for Nine West and the Region Supervisor, the Assistant Manager was captured on videotape placing four pair of shoes in a bag prior to opening and taking them out to her car. Both associates were interviewed and each confessed to their deeds.



An Assistant Manager was headed to the cash office, which was located behind the Service Desk, and noted that the cashier was completing a refund without a customer being present. She also noticed that the merchandise had a hold slip on it. She proceeded to the cash office and watched through the peephole. That night at closing, she saw that the same merchandise was still hanging there with the hold slip attached. When the journal tape was reviewed the next day, it was discovered that the name on the refund in question matched that of one rung earlier in the day. Also located in the trash can were several documents on which the ASMs name had been forged. The associate was arrested and book on charges of Theft of Property.



The Area Loss Prevention Manager had just conducted a meeting with this team when this incident happened. The Area LP Specialist was walking to his office when an Area Manager stopped him. The Area Manager pointed out that there was an off-duty associate getting ready to make a very large purchase at one of the registers. The Area Specialist walked on to his office, passing the register where the transaction was about to take place. He was able to catch the entire transaction on video, and upon review of the incident the conclusion was made that the cashier had voided out the entire transaction. In fact, the cashier voided out the transaction in the amount of \$699.34 and re-rung it for \$15.34. Both associates were arrested and the merchandise was recovered.



An Area Manager was conducting a bag/purse check. A dress was found in an associate's purse, who when asked, could not provide proof of having made the purchase. The Manager retained the merchandise in question and the Senior Loss Prevention Specialist interviewed the associate the following day. During the conversation the associate not only admitted to this attempted merchandise theft but to others as well. Another associate was implicated as a conspirator working in concert with this employee. At the time of the interview, the associate admitted having "staged" merchandise on the sales floor to steal that evening. The second associate was interviewed and admitted to the same dishonest activity. Both were terminated, charged with civil restitution as well as criminal prosecution.



# Safety Tips to Start the New Year Right

*Sheila Black, Stein Mart Loss Prevention Analyst*

*As we begin the New Year, we want to remind all associates that we are committed to maintaining a safe work environment in every store. This commitment and dedication to safety needs to be shared by everyone. Here are some quick tips regarding areas that have resulted in multiple injuries over the past year:*

## BACK SAFETY

- Keep lifted objects close to your body at waist level. Evenly balance loads with both arms.
- Get help if the load is too bulky/heavy to lift alone, or split it into smaller/lighter loads.
- Take rest breaks to stand up, change position and stretch. Break tasks into shorter segments.
- Avoid twisting, bending and reaching while lifting. Rotate entire body instead.
- If lifting or moving a load, bend with the knees, not the back.
- Maintain firm footing and wear comfortable, low-heeled, non-slip shoes.
- Report and work to eliminate any potential hazards in the workplace.
- If you see a doctor for a back injury or other illness, FOLLOW your doctor's treatment recommendations.

## USING LADDERS SAFELY

- Make sure your ladder is long enough for you to reach the job without standing on the top three steps or overextending your body.
- Check the ladder for cracks or weak spots before you use it. Metal ladders should have nonskid steps and footings.
- Make sure the soles of your shoes or boots are dry and have enough tread to prevent slipping.
- Always steady a ladder before climbing.
- Never place a ladder in front of a door that someone may open.
- Pay attention as you descend! Most accidents occur by missing that last step (or two).

*Our concern for your safety also extends beyond the walls of your store. Here are some safety & health tidbits to follow and share with friends and family:*

## SIX WAYS TO SAVE YOUR LIFE\*

You can contribute to your own longevity with these basic measures. In fact, it is almost impossible to maintain good health without following these rules.

- If you smoke tobacco, stop. If you don't, don't start. Smoking is the highest single cause of preventable illness in this country.
- Maintain a healthy weight. Excessive weight is linked to heart disease, high blood pressure, diabetes, back problems, and a host of other ailments. If you need to lose weight, don't go overboard; lose it gradually.
- Exercise. Inactivity puts you at risk for ailments ranging from heart disease to osteoporosis. The good news is that any activity, from walking to gardening, will help you get started.
- Avoid excessive consumption of alcohol and NEVER drink and drive.
- Fasten your seat belt every time you drive or ride in a car. Seat belts afford even more protection than air bags.

*\*Source: "Reader's Digest, Great Health Hints & Handy Tips."*

### Note to Managers:

Look for the new OSHA 300 Log and detailed instructions for completion in your mail soon! This new form will replace the 200 Log for reporting 2001 injuries.

## Check Acceptance/Return Program Saves \$500,000

Sometimes an idea that starts out small turns into something BIG. That's the best way to describe the Check Acceptance/Return Program, that started out as a small pilot project in four Memphis area stores in November 2000 and has blossomed into a program covering 131 stores. The program was initiated based on the extreme number of returned checks in the Memphis market. To give some perspective on the nature of the problem, those four area stores had \$287,627 in returned checks for the twelve-month period ending in October 2000. For the next twelve months following the institution of the program, the same four stores' check losses were reduced to \$77,447, a savings of \$210,180!!!

Due to the success in Memphis, the program was expanded to include 34 more stores in March 2001 and another 93 stores were added in October. All told, the program has had a total dollar savings to date of over \$473,000, with the month of December yet to report.

For those unfamiliar with the details of the program, the customer is asked to provide a second form of identification, such a charge card, employment or state-issued ID card, when writing a check. Managers are asked to pay increased attention to checks "referred" by SCAN and to carefully scrutinize IDs, particularly those used in the writing of large dollar amount checks. On the back end, returns of check purchases where the approving manager is unable to verify that the check had cleared (usually high dollar amounts), that manager has the authority to issue an RMCR.

A special thanks goes out to the Memphis area Store Managers - Tom Wagner, #2; Patricia Tarver, #21; Wayne Adams, #32 and Paul Daniels, #149, for their hard work and dedication to the program. They have proven that all of the above can be accomplished with professional and courteous customer service and that our "real" customers need not feel inconvenienced.

BE THE CLOSEST TO THE CORRECT ANSWER  
AND YOU COULD WIN A  
**\$50 GIFT CERTIFICATE**

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WHAT DO YOU PREDICT WILL BE THE  
FINAL DOLLAR AMOUNT RECOVERED IN  
RECEIVING ERRORS IN 2001?

\_\_\_\_\_

Hint: Read the article on the front page!!!



\$ \_\_\_\_\_

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Name \_\_\_\_\_ Store # \_\_\_\_\_

If more than one person answers the question correctly, a drawing will be made at the Corporate Office. The decision of the judges will be final. **Only one entry per person please. All entries should be sent to Ed Flanagan at the corporate office by January 31, 2002.**

**Stein Mart®**

## Customer Service: It Gets Them Every Time



*Congratulations are in order for Georgina Martinez, from Stein Mart #161 in Laredo, Texas, who stopped a "customer" from stealing fifteen items of Polo merchandise, totaling \$470.61. How did she do it? Good, old fashioned customer service, the kind that is close and personal. Remember: That's the last thing any potential shoplifter wants. She received an Exceptional Service Award. Terrific job, Georgina!*

## Record HOT AWARDS Presented in 2001

During 2001, a record 49 awards, totaling \$8,525, were presented to store associates. **The HOT AWARDS program pays cash to associates who provide information that leads to the termination and arrest of an associate for dishonesty.**

1-800-334-6915, ext.1476



*"Our new laser scanner is so powerful, it can zap a shoplifter from 20 feet away!"*

## Math 101: Bad Stops = High Liability

A Texas jury recently hit Wal-Mart with a \$13 million malicious prosecution verdict in a case that turned, in part, on a surveillance videotape that the retailer claimed existed but could not produce. A Houston woman was arrested and charged as being a part of the Mickey Mouse Gang, a group of professional shoplifters that had plagued Wal-Mart and other "big-box" retailers. The gang was so named after one of the members who had big ears. The gang's usual method was to have adults distract store employees while juveniles, who were likely to be punished less severely, stole merchandise from the store.

A Wal-Mart LP associate picked the woman out of a police photo lineup, claiming that she was among a group of four people who had stolen merchandise. As a result, the woman, who claimed that she was 200 miles away in her home at the time of the thefts, spent almost a month in jail before being able to post bond, and then spent another three months on home probation, wearing an electronic bracelet on her ankle, before prosecutors dismissed the charges.

Her attorney called the woman's mailman, who testified that he spoke to her on the day of the thefts. The jury found Wal-Mart and its LP associate guilty of malicious prosecution and intentional infliction of emotional distress. In addition, they held Wal-Mart liable for negligently hiring the LP associate. Wal-Mart argued that a surveillance videotape had been turned over to the police, but they could not produce an evidence receipt, and the police denied ever getting the tape.

The moral of the story: Bad stops can equal great liability for Stein Mart. Please ensure that you review the five steps necessary to make an apprehension. When in doubt, do not make the stop.

The *Hot Sheet* is produced by the Corporate Loss Prevention Office and the Advertising Department.

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