

American Apparel's EAS Audit Surprises

EAS audit and training programs allow American Apparel to reduce external theft exposure up to 70%.

by Bob Johns



On The Web:
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Like most retailers today, American Apparel is always concerned with external shrink. The company had implemented an EAS system, but, like many retailers, its shrink numbers were still growing. Finding a real solution to its in-stock position issues, discrepancies in the back room and sales floor inventories, and external theft issues became a priority for American Apparel's new director of asset protection, Blue Montez, and his team.

American Apparel is a garment manufacturer and retailer operating in 20 different countries with more than \$500 million in annual revenue. Montez joined the asset protection team early in 2011 and aided in its effort to uncover the root of the retailer's shrink issue. First, the team had to find a way to enhance the accountability of the current EAS system for a company that has more than 10,000 employees in 251 worldwide locations. Indeed, they needed to determine if the store associates were using the existing EAS system properly.

EAS Is In Place; Let's Make It Work

American Apparel utilizes a Sensormatic EAS system from ADT Commercial Security, a Tyco International Company. Tags supplied by ADT are distributed to each store, and each garment is tagged by store-level associates prior to the garment hitting the sales floor. The asset protection team devised an audit program requiring the store managers to conduct a physical count of at least 150 items in a section of the sales floor. Each item was verified by style code, description, price, and whether it was tagged for the EAS system. This information was relayed back to the asset protection team and compared with other stores and the company standard. To the team's surprise, the stores were averaging less than 80% tagging compliance. "With today's sophisticated shoplifters, it would take only a minute for an individual or organized retail crime team to go through the racks, identify which items were not tagged, and take them. In some stores the store manager would have no idea that the merchandise protection standards were compromised. As a result, inventory is off and in-stock position seriously jeopardized," Montez notes.

The existing EAS system was functioning properly. It was just a matter of utilization. The asset protection team felt that there was a need to improve awareness, knowledge, and account-

ability when it came to EAS. "There wasn't enough guidance or auditing to analyze the EAS system's use, weaknesses, or frequency of alarms," Montez notes. Although associates understood the use of the system, they were not being 100% compliant in the implementation of tagging and reporting of information. To enhance associate training, the asset protection team contacted ADT Commercial Security to conduct additional in-store training, especially in terms of educating associates and management on how beneficial EAS can be when fully integrated with standard anti-theft procedures.

EAS Compliance Reduces Shrink Risk

Within two weeks of the call, ADT sent a team to select stores to train associates on the EAS system. The trainers explained the importance of the system, how it can improve the store's inventory and in-stock positions, as well as how it can reduce both internal and external theft. "Getting the associates to realize the value of the EAS system was monumental," Montez says. With American Apparel's associates being the retailer's greatest asset, having them fully invested in reducing external shrink and working with the existing EAS system led the team to enjoy up to a 70% audited risk reduction relating to theft.

The asset protection team shared store-level EAS data to create a competition determining which store had the highest compliance percentage. Montez states, "We are now 97% compliant with more than 200,000 items counted in the United States alone." The asset protection team also worked directly with the operations and IT departments to streamline the EAS reports and reduce the amount of paperwork needed for reporting.

The retailer is currently looking at combining its RFID and EAS systems with a Sensormatic dual-technology system to allow the RFID inventory system to integrate fully with the EAS system. This will allow management to know immediately what item has left the store and when. American Apparel also has

plans to implement the Sensormatic Local Device Manager (LDM), which enables the retailer to monitor, gather, and relay information on alarms, the EAS system, and customer counts directly to the LP team. ■



American Apparel is now 97% compliant with its EAS implementation.

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