



Retail Sales Increase Brightens the Recovery Picture

US retail sales were unexpectedly strong in January, suggesting consumers are feeling more comfortable with spending, according to **Reuters** (the nationally recognized news and financial data source). This news raises realistic optimism for first-quarter economic growth.



According to the **US Department of Commerce**, retail sales rose **0.5%** as consumers increased spending not only on essential goods but luxury items as well.

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Organized Retail Crime: E-Fencing and Terrorists

Retailers know firsthand the impact organized retail crime has on their business. Organized retail crime rings, **boosters** (the individuals stealing from the stores) and **fences** (the larger operation for whom the boosters work) target multiple retailers during each day of operation as they move from state to state stealing

and re-selling merchandise. These criminals steal thousands of dollars worth of merchandise at one time utilizing flea markets or auctions with the intent to resell; as we know many fencing operations are linked to known terrorists or **terrorist activities**. The most popular items targeted by retail crime rings are: OTC medicines, infant formula, gift cards, batteries, electronic, razors, pregnancy tests and designer clothing.



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EFCA

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“After considerable hand-wringing about the underlying strength of retail sales in the past few months, this is a solid report. It indicates the recovery is on track,” said Brian Bethune, chief US financial economist at IHS Global Insight in Lexington, Massachusetts.

The Reuters/University of Michigan Survey of Consumers' **Sentiment** came in at **74%** for February, up significantly from **56%** for the same period last year.

Retail sales are closely monitored since they indicated if consumers can sustain the economy's recovery once government stimulus wanes.

While the report on consumer confidence showed **concern about unemployment**, results indicated a longer-term trend toward improvement. □

Source: Reuters

NC State Lottery Offering Commission to Retailers Selling Winning Tickets

The fun and excitement isn't just for ticket winners anymore! Now when your customers win big, you can too! Beginning in February, when a retailer sells a winning Powerball or Mega Millions jackpot ticket, the retailer will receive a **\$50,000*** incentive just for selling the winning ticket!



And there are even other ways to win. A retail location that sells a winning Powerball ticket with **Power Play** or a winning Mega Millions ticket with the **Megaplier** and five of five matching numbers will receive a **\$10,000 incentive**. The same winning ticket with five of five matching numbers, but without Power Play or the Megaplier will result in a **\$1,000** incentive to the retailer.

These extra ways to win continue with **Cash 5!** For Cash 5 there is a rolling incentive award. This incentive **starts at \$1,000** and **increases by \$1,000** for each drawing, if no winning jackpot ticket is sold. The incentive will continue to roll until it is won or until the **incentive reaches \$10,000**; the incentive caps at \$10,000. The retail location that sells the winning Cash 5 ticket will receive the incentive award. Retailers can “hit the jackpot” with these incentive rewards!

* If more than one North Carolina retail location sells the winning ticket, the incentives will be shared equally among the selling retailers. □

Source: North Carolina Education Lottery

Join the Battle and Fight ORC

NCRMA is an administrator and host for the Retail Loss Prevention Association of the Carolinas, which is a professional organization that provides those working in retail loss prevention from any NCRMA member company the opportunity for monthly networking in a forum to share case evidence, and to gain insight on loss prevention issues facing North and South Carolina retail companies.



RLPA meets four times a year throughout North and South Carolina. Its

members represent companies from **all sectors of retail** including grocery, pharmacy, home improvement, apparel, jewelry, variety and mass merchants. The membership is diverse with company vice-presidents, directors, regional supervisors, auditors and investigators.

Specific dates for the 2010 calendar and speakers is still in draft form. If you are interested in having a representative from your company **attend one of these meetings**, contact Kristin Hicks via e-mail: kristinh@ncrma.org or call **(919) 832-0811**. □

You Decide: Does it Make Sense?

Understanding a problem is the first step to solving it. So when we look at the overriding problem in the country today - the **recession** and the likelihood of a **slow recovery** - our initial task is to understand how we got here. Let me see if I can weave a story that makes sense.

The starting point is you and me - the consumer - for the simple reason that we drive the economy. Three decades ago our behavior in the economy began to change. First, our wealth started to rise. Driven by the good stock market in the 1980s and 1990s and then the booming housing market in the decade from 1997 to 2007, **average wealth per person** (after taking out inflation) **jumped 100 percent** from **1980 to 2007**. Never before were consumers so rich!



Simple economics dictated what happened next. With more **wealth at hand**, consumers were motivated to take on **more debt**. A big part of this debt came directly out of the rising value of our homes in the form of home equity loans. Consumers used this debt to purchase bigger homes, more vehicles and all the electronic gadgets that are so much a part of today's society.

Even with our greater borrowing, consumer debt rose at a slower rate than consumer wealth (75 percent versus 100 percent, again per person and adjusted for inflation). Furthermore, because interest rates on loans were falling after the early 1980s, consumers easily financed this additional borrowing from their budgets. Indeed, consumer debt payments as a percent of their income rose only 30 percent during the period - less than one-third as fast as wealth.

And because our wealth was rising from the booming stock and housing markets, we had less motivation to save money out of our paychecks. The **personal saving rate dropped** from 10% in 1980 to **almost nothing by the mid-2000s**.

So here's the situation for consumers in 2007: they had a record level of debt and were spending virtually everything from their paychecks. Yet it didn't matter because consumer wealth was also at a record high. In fact, on paper, consumers' financial situation looked very strong. Life was good!

Then, literally, the bottom fell out. Beginning in 2007 and continuing into 2008 and 2009, the **wheels fell off both the stock and housing markets**, causing an unprecedented (at least for modern times) **plunge in consumer wealth**. At the worst point, consumers **collectively lost \$13 trillion of wealth**, a full 20 percent of what they had before the recession.



*Dr. Mike Walden,
North Carolina Cooperative Extension*

With wealth down, consumers' high debt loads became exposed. The only way out of this situation was for consumers to spend less, save more and pay down on debt.

Lo and behold, this is exactly what consumers are doing. In the past two years, **consumers have paid down 7 percent of their debt** and have **increased their saving rate** from nothing to **almost 5 percent**. Debt payments as a percent of consumer income have also fallen by a full percentage point.

These individual actions are certainly good for consumers. It's a way for consumers to get their financial balance sheets back in order, and it's what any financial adviser would recommend. **But what's good for the individual**

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ORC

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Exacerbating the problem is the increased popularity of online shopping. With an ever-increasing number of consumers shopping on-line, crime rings can anonymously use online auction sites to sell stolen merchandise. This practice, called **e-fencing**, provides a national storefront to fencing operations to unload stolen goods.



Organized retail crime harms innocent consumers in numerous ways. First of all, stolen product may spoil or expire, yet after being repackaged, it is frequently sold to unsophisticated and unsuspecting buyers. Also, as stores continue to lose product due to theft, they are forced to increase prices to offset the loss, dealing another blow to law-abiding consumers.

State budgets are severely impacted by organized retail crime. It is estimated that state governments are losing (in the form of uncollected sales tax) **\$16 billion annually** as a result of this criminal activity. In 2004:

- North Carolina lost an estimated **\$36 million** in sales tax revenue, and
- South Carolina lost an estimated **\$19.5 million** in sales tax revenue.

The chart on page 6 shows 2008 estimates of lost sales tax revenue for the United States and individual states.

A recent survey conducted by the National Retail Federation revealed that **92%** of retailers last year reported that their companies were victims of organized retail crime activity; an **increase of 8%** over the previous year. The number of companies reported increased organized retail crime activity in the past 12 months was **73%**, which is **11% higher** than the previous year.

Despite the impact of the economic recession and decreased profits for most retailers around the country, **42%** of retailers are still forced to allocate additional resources to the fight against organized retail crime. Retailers responding to the survey report that on average they spend **\$215,000 per year** in labor costs to fight criminal gang activity at store level. A few retailers, **6%** spend more than **\$1 million annually** to fight retail crime in their stores.

It is apparent that organized retail crime is becoming **rampant and widespread**. As the activity increases, senior management officials have become more aware of the problem and are willing to invest additional resources to battle it. However, many Loss Prevention Executives still believe that there will not be real success without greater support from **local law enforcement**.

Retailers and coalitions formed to combat organized retail crime – like NCRMA’s **Prevent Organized Retail Theft (PORT)** – realize the need to educate local law enforcement officials, prosecutors, judges and legislators, and have scheduled appropriate presentations for early spring.

There are currently **three bills in Congress** that address Organized Retail Crime: S. 470, the Combating Organized Retail Crime Act of 2009; H.R. 1173, the Organized Retail Crime Act of 2009; and H.R. 1166, the e-fencing Enforcement Act of 2009. All three bills are moving through the legislative process.

The following charts display responses on key questions related to organized retail crime (ORC). □

**Source: National Retail Federation*



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Retailer Survey Responses About ORC

Figure 3. How has organized retail crime activity in the U.S. changed over the last three years?	
ORC activity has doubled	14%
ORC activity has increased by more than 50%	26%
ORC activity has increased by more than 25%	28%
ORC activity has increased by more than 10%	12%
ORC activity has increased more than 5%	8%
ORC activity has stayed the same	11%
ORC activity has declined more than 5%	0%
ORC activity has declined more than 10%	1%
ORC activity has declined more than 25%	1%
ORC activity has declined more than 50%	0%

Figure 4. On a scale of one to five, with five being severe, where would you rank ORC as a threat to your company?					
	2005	2006	2007	2008	2009
5 (severe)	7%	4%	6%	8%	4%
4 (significant)	22%	37%	18%	28%	25%
3 (important)	44%	22%	37%	30%	38%
2 (concerned)	22%	30%	34%	28%	24%
1 (non-issue)	5%	7%	5%	7%	11%
Average	3.04	3.01	2.86	3.02	2.87

Figure 7. Do you believe top management understands the complexity and seriousness of organized retail crime?					
	2005	2006	2007	2008	2009
Yes	39%	41%	57%	54%	49%
No	56%	59%	43%	46%	47%
No answer	5%	N/A	N/A	N/A	4%

Figure 8. Do you believe law enforcement understands the complexity and seriousness of organized retail crime?	
Yes	38%
No	61%
No answer	1%

Estimated Lost Sales Tax Revenue by State

	All Retail Store Sales (2008)	Estimated Amount of Merchandise ORC Gangs Stole by State	State Sales Tax Rates (2008)	Estimated Lost Sales Tax Revenue by State
United States	4,593,507,000,000	39,000,000,000	N/A	N/A
Alabama	70,059,000,000	597,000,000	4.00%	23,880,000
Arizona	40,183,000,000	342,000,000	5.60%	19,152,000
Arkansas	11,562,000,000	99,000,000	6.00%	5,940,000
California	562,603,000,000	4,746,000,000	7.25%	344,085,000
Colorado	79,338,000,000	679,000,000	2.90%	19,691,000
Connecticut	56,710,000,000	484,000,000	6.00%	29,040,000
District of Columbia	6,608,000,000	50,000,000	5.75%	2,875,000
Florida	309,065,000,000	2,637,000,000	6.00%	158,220,000
Georgia	142,167,000,000	1,208,000,000	4.00%	48,320,000
Hawaii	22,864,000,000	192,000,000	4.00%	7,680,000
Idaho	24,797,000,000	212,000,000	6.00%	12,720,000
Illinois	191,824,000,000	1,640,000,000	6.25%	102,500,000
Indiana	88,925,000,000	757,000,000	6.00%	45,420,000
Iowa	40,982,000,000	347,000,000	5.00%	17,350,000
Kansas	37,033,000,000	314,000,000	5.30%	16,642,000
Kentucky	57,876,000,000	491,000,000	6.00%	29,460,000
Louisiana	68,434,000,000	583,000,000	4.00%	23,320,000
Maine	23,039,000,000	194,000,000	5.00%	9,700,000
Maryland	88,991,000,000	759,000,000	6.00%	45,540,000
Massachusetts	99,088,000,000	846,000,000	6.00%	50,760,000
Michigan	133,535,000,000	1,134,000,000	6.00%	68,040,000
Minnesota	79,945,000,000	680,000,000	6.50%	44,200,000
Mississippi	141,172,000,000	350,000,000	7.00%	24,500,000
Missouri	89,498,000,000	761,000,000	4.225%	32,152,250
Nebraska	28,825,000,000	245,000,000	5.50%	13,475,000
Nevada	49,038,000,000	416,000,000	6.50%	27,040,000
New Jersey	139,811,000,000	1,188,000,000	7.00%	83,160,000
New Mexico	29,169,000,000	248,000,000	5.00%	12,400,000
New York	277,951,000,000	2,375,000,000	4.00%	95,000,000
North Carolina	136,348,000,000	1,162,000,000	6.00%	69,720,000
North Dakota	12,228,000,000	105,000,000	5.00%	5,250,000
Ohio	149,055,000,000	1,268,000,000	5.50%	69,740,000
Oklahoma	47,818,000,000	409,000,000	4.50%	18,405,000
Pennsylvania	180,945,000,000	1,540,000,000	6.00%	92,400,000
Rhode Island	15,070,000,000	127,000,000	7.00%	8,890,000
South Carolina	63,402,000,000	542,000,000	6.00%	32,520,000
South Dakota	14,948,000,000	127,000,000	4.00%	5,080,000
Tennessee	98,901,000,000	844,000,000	7.00%	59,080,000
Texas	349,238,000,000	2,977,000,000	6.25%	186,062,500
Utah	44,759,000,000	384,000,000	4.65%	17,856,000
Vermont	11,015,000,000	93,000,000	6.00%	5,580,000
Virginia	130,064,000,000	1,108,000,000	5.00%	55,400,000
Washington	104,065,000,000	888,000,000	6.50%	57,720,000
West Virginia	25,237,000,000	213,000,000	6.00%	12,780,000
Wisconsin	80,609,000,000	687,000,000	5.00%	34,350,000
Wyoming	9,968,000,000	84,000,000	4.00%	3,360,000

You Decide

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consumer may not be good for the overall economy.

Here's the issue. Spending by consumers still accounts for the majority of economic activity. If consumer spending is sluggish because people are spending less and saving more in order to reduce debt, then the economy will also be sluggish. A sluggish economy means jobs - even when they start to come back - will return very slowly.

This is why the majority of economists think the time period after the recession will continue to

be challenging. Although the stock market has regained some of its losses and housing values seem to have stabilized, **few forecast a return to pre-recessionary wealth levels any time soon.** This means the frugality consumers started during the recession will continue even after the recession - perhaps for several years.

Some say we lived high on the hog in the almost 30 years from 1980 to 2007, and now we must pay for that party by tightening our collective belts. I don't totally agree with this characterization because it implies consumers threw caution to the wind when they spent more and saved less. However, as I've tried to explain,

this high-spending and low-saving behavior made perfect sense when consumer wealth was rising.

Perhaps the **lesson here is to be cautious of your wealth.** We've certainly seen in the last three years that wealth can evaporate very quickly. Our wealth will increase again but probably at a slower pace. Yet maybe, you'll decide, this is a better way! □



Reminder: CFIC Supplier of the Year Nominations due April 2

The Carolinas Food Industry Council appreciates the suppliers to our industry. Suppliers support our grocery retailers with new technology, new systems, innovative new trends and extraordinary customer service. In addition, many of our supplier members are also unfailingly supportive of the association; they attend our convention, contribute product to the Snack Shack and are extremely generous as sponsors of both the summer convention and the fall golf tournament.

Many of our supplier members are tuned-in to the association's primary focus: legislative involvement. They demonstrate their support of our concern for involvement in legislative issues by reading our weekly Legislative Updates. When the General Assembly of North Carolina and South Carolina are in session, some of our suppliers make phone calls or write letters in support of our legislative positions and they support our Political Action Committee.

We are asking all retailers (unfortunately, the committee will not allow nominations made by suppliers) to consider carefully each of their DSD or Direct Manufactory company/ reps and send us (fax, email or snail mail) the name and other related information on the supplier you feel is most deserving of this award!

To nominate a supplier provide:

- **Supplier Company Name**
- **Nominating Retailer's Name, Company, Phone and E-mail**
- **Write a brief statement why the company should be considered for the award.**
Include examples illustrating **Innovation in Support of Retailers and Customer Service/Satisfaction**
- **Fax (919-832-0812) or e-mail nomination (frnp@ncrma.org), or**
Mail nomination to: **CFIC Supplier Nomination**
601 St. Mary's Street
Raleigh, NC 27601





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