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Business owners and entrepreneurs share a commonality in attitude - they are in business for themselves because they don't want to be told what to do. This is both their cornerstone for success and their greatest risk. The goal of these Standards and Practices is to provide each owner with information, processes, and suggestions that they can adapt to their own operations and employ with their own business style.

The program will provide you with the industry’s “best practices.” These are proven and effective practices and processes used by the retail industry to prevent and reduce the risk of loss. Each section provides an overview that explains “why” a particular practice is necessary. In this manner, the owner can decide the importance to their particular work environment and prioritize the implementation of each suggestion. It should be noted that all of the practices work together, so ultimately all of the practices should be implemented to some degree. In example, you use scissors to cut hair, but having a comb in the process makes things a little better. So think of these items as a complete set of tools to achieve your loss prevention goals. Start with the most important, cater to your own style, but set your goal to have a complete tool box.

In general, the Standards and Practices focus on the three elements of loss prevention - Attitudes, Behaviors and Structure or ABS.

Attitudes refer to the thoughts and beliefs of your associates. Our goal is to help them to understand and to embrace the protection against loss in your salon. We want and need their help in creating a culture of integrity and loss prevention. In order to get there, however, we need to provide training and awareness in order to achieve understanding. Throughout the manual will be suggestions on how a particular process or policy helps to reinforce the right attitude.

Behaviors are the things that associates do. While we cannot necessarily see “attitudes,” behaviors are easy to observe, monitor, and correct. Most of our focus will be on the implementation of standards and practices that ensure loss-preventing behaviors. One of the best
methods to evaluating business behavior is through auditing. Your program includes a self-audit and this S&P includes a section that discusses the benefits of a regular auditing practice.

The third element is Structure. Structure is fairly easy to build and employ as it includes things like security systems and written policy. Some of the structural elements are built into each section and others will be discussed as stand alones. Your Standards and Practices include several “policy” examples for critical areas such as High Risk Transactions. These policies appear as semi-generic to allow you to modify them as suits your business operation.

Your Standards and Practices also include information on associate theft and theft detection. This information should be protected from distribution to your associates for two reasons. The first is that your honest associates (which are probably 99% of your staff) may feel as if you don’t trust them. The second is that a dishonest associate will have your playbook and be better prepared to avoid detection. Our suggestion is that you maintain your Standards and Practices in a secure location (preferably off-site) and share only what is necessary with your associates. If you choose to utilize certain written policies, the code of conduct or the Crisis Manual, then it is best to make copies of these items and place them in a separate store binder.

In order to help guide you in the best way to modify the contents of these Standards and Practices, there is a Basic Elements section that details the components of an effective loss prevention program. Use these elements to ensure that if you modify that you do not remove important components from the program.
Overview of Industry Findings

A study by the U.S. Department of Commerce found that 1 in 3 businesses fail as the result of associate theft. The same study contends that approximately 75% of all associates steal at least once from their employer. A study that appeared in the Journal of Marketing reported that 67% of guests and associates admitted that they had been involved in “sweethearting” at least once. “Sweethearting” is a nice way of saying “stealing.”

The dollars lost from dishonesty in business range from thirty six billion to over two hundred billion a year depending on the particular study and the particular industries included in the calculations. Whatever we believe about the integrity of our associates, clearly a part of our success is reliant on our ability to prevent losses. Often small business owners operate under the assumptions that either (a.) none of their associates would steal from them or (b.) that the business owners “presence” in the day to day operations is enough to deter loss.

The first assumption of an honest staff may be valid. But think of honesty as a perfect haircut - overtime it grows, it changes and to keep it perfect we have to do certain things - like wash it, comb it, and cut it again. Our associates are no less changing than the hair they cut. We have turnover, we adjust payroll hours, things change in people’s personal lives. That is not to argue that all or even one of your associates is dishonest. The reason we call certain actions “loss prevention,” is that our goal is to conduct activities that “prevent” possible losses from occurring in the first place. Loss Prevention is not a “policing action” although there are times when that may be necessary. Loss Prevention is a processes whereby we build a culture of mutual respect and integrity that acts through processes and procedures to protect our people, our product, our services, and our brand.

The second assumption is perhaps the most dangerous to an owner’s business. Security professionals, and specifically those who work in retail, have thousands upon thousands of recorded
video that shows associates stealing...in full view of cameras. If a cashier (or thousands of cashiers) will steal money, merchandise, and services in view of a camera and with the knowledge that their company associates hundreds of security professionals, then how can the presence of a single and often busy owner possibly deter dishonesty? It can’t and it won’t.

Of course, internal dishonesty is not the only cause of loss. Mistakes and errors cost companies billions of dollars each year. A loss prevention program must also attend to these potential issues through policies that create clarity, provide verifiable processes, and that fit into our normal daily operations. An effective loss prevention program is not just reactive. In fact, if executed properly, the program builds proactive elements that reduce the incidents of reaction. And that is our goal in these Standards and Practices. We want to employ small easy to implement steps that help us build an effective loss prevention program.

Is it worth your time to invest in the implementation of a loss prevention program? Consider that dishonesty and associate errors cause 70% of all of your losses. Consider that an effective loss prevention program reduces thirty or forty percent of those losses in the first year and then ten to twenty percent in subsequent years. For most owners that is a substantial increase in profits because these dollars come right back to their bottom line. If, however, you don’t know what your yearly losses are from theft and error...well then a loss prevention program is a critical place to start.
Assessing Risk

When most small business owners think about “loss prevention” they are really thinking about “security” - things like alarms and cameras, locks and keys. Loss Prevention, however is a much larger topic that addresses the overall profitability of a business operation in terms of behaviors that causes losses to cash, product and profit. Sometimes, in the absence of a direct or recognizable loss, such as cash, it may seem as if a business doesn’t have a “loss prevention problem.” The truth, however, is that most businesses that operate with just the minimum security features lose between six to twelve percent of their revenue to theft and error. Often these unseen losses are assumed the result of poor sales or low guest traffic. The implementation of a loss prevention program could mean an increase of both revenue and profit without any increase in your current client base.

The first step in evaluating your loss prevention efforts is to answer these basic questions:

1. Is it working – are you controlling your losses? As you answer this question, consider if your sales are down or profits are off. Do you seem to have the same traffic as before but are making less money? The cause may be either error or theft.

2. Do you have processes in place that identify when losses occur?

3. If a loss occurred today, do you have a process in place that would help identify who or what caused the loss?

4. Do your associates know how to help you protect your assets

5. Are you putting the right resources into your target problem?

6. Are you properly screening potential associates for criminal background and credit?

If you answered “no” to two or more of these questions, your business will benefit from efforts to develop and implement a loss prevention program.

The obvious challenge is time and resources. As a business owner, both are probably limited,
but loss prevention doesn’t require as much as you might imagine. Start by practicing what we call the “Big 7.”

• Account for inventory, supplies and cash on a regular basis to recognize the problem

• Develop practices that minimize your exposure (policy and procedure)

• Merchandise/Store in a way to protect the assets (most expensive stuff)

• Educate yourself and associates on the causes of loss

• Understand your issue – why are losses occurring, what is your exposure – Review POS activity

• Implement solutions, even hard ones, to address exposure

• Hire smart

In the next section, we’ll review the basic elements of an effective loss prevention program, but first take the Risk Test provided to score your efforts:
Risk Evaluation Check List

Circle the number that corresponds to your yes or no answer. Add the totals and compare to the risk chart below

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have a key control log for all business keys</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>We change locks when a key is lost or stolen</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>We have an alarm system</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Each associate has their own alarm code</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>We do not allow non-associate in the salon outside of operating hours (posted hours)</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Non associates are not allowed in offices or stock areas</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Register (POS) keys are kept in a sealed and secured location</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Associates have individual ID’s and Passcodes to the POS</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Only Managers/Supervisors can conduct “high risk” transactions on the POS</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>We change passcodes every six months</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>We conduct cash register audits three times per day</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>We have a shortage/overage log for our register</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>We self audit daily paperwork</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>We look at monthly POS activity by associate</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>We don’t allow phones at the POS or Workstations</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>We have small shortages and overages throughout the month</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>We monitor shift sales by associate</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>We conduct monthly inventory counts</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>We have a camera/recording system over the POS</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>
We have a camera/recording system in the stock area | 0 | 1
---|---|---
We promote the business abuse line and open door policy | 0 | 1
---|---|---
We have regular discussions on loss prevention | 0 | 2
---|---|---
We conduct criminal background checks on new associates | 0 | 2
---|---|---
We have a written code of conduct issued to each associate | 0 | 3
---|---|---
We have written policies for loss prevention | 0 | 3
---|---|---

If you scored less than twelve congratulations on minimizing your exposure to risk. You should consider the questions that you answered “no” and determine if it might be beneficial to include these in your program.

If you scored between twelve and twenty four points you have a moderate exposure to risk. It is likely that if a loss occurred you would not have a mechanism in which to identify the individual responsible. You should consider the questions you answered “no” and begin a process of improvement.

If you scored greater than twenty-four points you have a high exposure of risk. It is likely that if you employ a dishonest person that they will be tempted to steal and that you will not have a mechanism to quickly identify their behavior.
Basic Elements of an Effective Loss Prevention Program

1. Security - A basic component of an effective loss prevention program is security features that control the access and egress of associates and guests. The more “restricted” or “limited” the access, the less likely that people will be tempted to dishonesty. Most businesses operate with at least a minimum amount of security features. You no doubt have a lock on your front and back doors. Your cash probably resides in a closed cash register rather than an open shoebox on the counter. There are however, other basic features, which should be components of your program. Access to the POS system should be restricted. That doesn’t mean just a closed drawer, it means that access requires a specific “code” and that “back up” keys are restricted to management use only. Access in and out of the salon during non-business hours should also be limited to associates who are on-duty that particular day. Our goal with security features related to access is to ensure we minimize our exposure and that in the event of a loss, we have a limited number of potential suspects. In evaluating your security features review the subsequent checklist and refer to the basic access policies related to keys, stockrooms and access and egress to the salon.

2. Monitoring - The higher the monitoring of actions and behaviors the more likely people are to act with integrity. In psychology, this is called the “halo” effect whereas when people know or believe their behavior is being observed they tend to act in a manner consistent with social norms. In short, I’m nicer to the guests if the owner is watching me and I won’t take shortcuts when you are observing my work. Monitoring of business behaviors is an important element to an effective program. There are three ways in which to include a monitoring element to your program. The first is through direct observation of actions. While this is the most effective and allows for immediate correction, it is not feasible to “always” be around and therefore the least effective for two reasons. The first is that we know that in direct observation, we may not be witnessing “regular” behavior (the Halo Effect) and the second is that associates will know if we are “out” and therefore may
behave differently in our absence. The second method is through a camera system. This is an effective method in which to observe behaviors or specific incidents in our absence, but again we are limited to the number of cameras and the amount of time we have to review recorded video. The third method is through an “audit” process. This is an effective way in which to review critical process behavior and ensure that polices are followed. It can be completed both regularly and at our convenience. We will discuss the more specific benefits of auditing in the Audit section of this manual.

3. Written Policy - In order to ensure that everyone follows the rules, we need to write the rules and then communicate them to our associates. Imagine the confusion and the guest issues if we didn’t post our hours of operation or our service prices. The same pertains to our associates. Without written policy, they have no method to clarify process questions and we have no way to hold them accountable to those processes. Without written policy there is a lot of “misunderstandings” and “mistakes.” This does not mean that we need to put everything in writing. Some things are dictated by common sense. However, many owners are surprised to find that without a policy against “borrowing” register funds, how often it will happen.

4. Identification - An effective loss prevention program implements processes and procedures that assist in the identification of “what was done,” “when it was done,” and “who did it.” Think of loss prevention identification in terms of an associate time card. The card has a name on it, there are a series of logged entries, and these entries tell you when they came and when they went. Identification can come in terms of written signatures, logbooks, electronic access codes and even key control. As you evaluate your own program, think in terms of “if something went wrong with X would I know who handled it last?” This can extend to building entry, shipment receiving, POS access and POS functions. The fewer identifiers you have the greater the improbability that you will be able to resolve who was responsible for a loss.
5. Training and Communication - “When associates know better they do better.” In subsequent sections, we will discuss the three types of associates that cause loss, but for now it is critical that you get a sense as to whether or not you are training your associates to avoid loss contributing behaviors. Further, are you communicating your expectations concerning acceptable and unacceptable behavior? It may seem like common sense that “theft is not allowed,” but owners are often surprised at the stealing committed that associates don’t consider as stealing - “I just borrowed the money,” “I just gave my friend a discount” “I was going to pay for those supplies” “Well it really was MY guest since they always came to see me.” If there are things that we have not trained and discussed with our associates, the odds are they don’t understand the impact of those things.

The Cause of Loss

Loss Prevention is easy. That may seem a little simplistic a statement when one considers the billions of dollars lost in business. Yet it is true. While there may be small variations in the exact cause of a specific loss, overall there are only three ways in which loss occurs in a retail enterprise. Internal theft, external theft and errors. In your business the risk from external theft (shoplifting, burglary, and robbery) is very small and very manageable. That means that a Supercuts business owner only needs to focus on the two remaining methods in order to deter or eliminate loss.

These Standards and Practices will guide you towards processes and policies that will help reduce the opportunities for loss through either theft or error. The first step in that process is in understanding that whether it is theft or error, associates create both, and both are 100% preventable (the same cannot be said for shoplifting and robbery). The second step in the process is to identify risks and create processes to reduce or eliminate them.
To return to our first step, three associates cause all of business losses. They are:

Mrs. I don’t know

Mrs. I don’t care

Mrs. you’ll wish you were here

The first associate makes mistakes and causes losses because they don’t know the correct way in which to do things. They may throw away product without logging it, they may accept a shipment without ensuring it contains the correct products, they may unwittingly undercharge a guest, or give back in correct change or they may not be diligent in the acceptance of a credit card. For these associates we need to monitor their actions, identify their knowledge gaps, and train them in the proper procedures.

The second associate is a little more of a challenge. They understand the correct methods but out of either apathy or laziness, they choose to take shortcuts. They just aren’t very concerned with your business or your profits. They want to get from A to B in the easiest manner possible and collect their paycheck. For these individuals you still need to monitor and identify their behaviors, but you’ll also need to provide more of the accepted practices in writing. Only in writing can you hold them accountable for doing things in the correct way. A written set of policies will help you deliver the necessary corrective actions to either get them to play by the rules or get them promoted to guest.

The third associate is, of course, the greatest danger to your business or at least your profits. They know the proper methods, they may even be a “great” associate, but they are stealing from you. The number of dishonest associates who, prior to apprehension, received accolades for their work is astounding. In order to identify these dishonest individuals you need to employ a higher level of loss prevention. Training and policy alone will not be effective. You will also need an audit
Policy & Procedure for Loss Prevention

Policy and procedure serves as a foundation for protection against profit erosion. Equally important, however, is that it sets the groundwork for the critical elements of a sound loss prevention program. Although the majority of associates most likely “know” how to complete their daily responsibilities, it is critical that the most important, if not all, our policies are in writing. As the saying goes, “a verbal policy isn’t worth the paper it’s written on.”

A written policy serves a number of purposes:

1. It provides clear and exact guidelines on the proper process (Awareness)
2. It allows us to measure the activities to the prescribed manner of the activities (Auditing)
3. It serves as a training manual for associates
4. It provides a clear document of record when an associate does not comply (Indicators)
5. It sets the “base” line for when an associate’s activities are outside of the norm (Investigation)

In short, a set of written policies means we can expect all associates to conduct business by the same sets of standards and rules. When associates do not operate in a manner consistent with policy, it provides a “flag” that they either need training, a performance improvement plan, or that
they may be acting in a dishonest manner. In order to effectively determine if a person’s behavior is dishonest, we must have written policies to refer otherwise it is just as likely that an associate’s behavior is the result of misunderstanding. At the most extreme, failure to follow written policy is an acceptable reason to terminate an associate.

*It is important to note that written policy is a required element in issues of associate privacy rights. Courts have ruled that the presence and distribution of a written policy is all that is required to validate the level of privacy expectations in business. For example, a policy that states a business conducts “bag checks” notifies the associate that there is not expected right to privacy concerning bags entering the business. Of course in order for the policy to be valid, such practices must also be consistent and not selective.*

In addition, errors and mistakes cost businesses billions in losses each year. Industry professionals estimate that paperwork and procedural errors cause retail businesses over four billion dollars in losses each year. These are the types of losses caused by not accounting for damaged or discarded goods, inventory losses due to poor shipment procedures, and POS keying errors.

**The four major sources of paperwork errors are:**

1. Improper damage mark outs
2. Improper shipment reconciliation
3. Transfer errors
4. Register keying and product ticketing errors

Errors and mistakes account for about fifteen percent of annual business losses. The majority, if not all, losses due to mistake and error can be avoided with proper procedure, tracking and training.
The basic formula for correction is:


B. Enforce Compliance – Don’t let associates take shortcuts.

C. Provide Training – A well-educated staff makes fewer errors.

D. Demand Accuracy – Check, double check and don’t rush.

Your manual contains several example policies that are the most important for your business. The policies provide some basic guidelines to creating additional written policies or for adapting the policies to fit your particular work environment.
Auditing

“Auditing” is the most important function in your loss prevention program. The time and effort placed on creating and implementing policy and training only has value if your associates follow the procedures. Auditing serves the function of evaluating compliance to the rules and guidelines you’ve established for your business operations. Your loss prevention program includes an example audit to assist you. For some of the questions you may not have a “policy” or “procedure” in place as this audit suggests the “best practices” from businesses that excel in the minimization of loss. Consider adopting these practices for your own business.

The question often arises “how often should I audit?” The answer is dependent on many things, but we suggest a minimum of two audits per year, but many businesses audit every month. In a study conducted by the Global Barometer, it was reported that the companies with the best loss prevention conducted an average of three audits per year. Remember the purpose of the audit is to identify compliance issues and then address and correct them. Some things may take longer to correct, while others can be rectified immediately.

In order for an audit to be effective, it must be objective. To that end an owner should give careful consideration to “who” conducts the audit. As the saying goes, “you don’t put the fox in charge of the hen house.” While it may be “okay” to allow your salon manager to self-audit, this process will not be objective if there are certain processes the manager “doesn’t want to follow” or if your manager turns out not to be as honest as you believed. The best auditor is someone not involved in the daily operations who can conduct a fair and objective evaluation of the results.

Not all audit questions provide parameters for the depth of a questions evaluation. For example, how many weeks of refunds should be audited? The answer is again dependent on both the question and the level of business activity. If for example, your business only receives one shipment per month then you’ll need to review several months of shipment paperwork to get a
sense of compliance to the process. If your salon has several refunds a day then a two week review may be enough to evaluate compliance. In general, audit enough to ensure you have a significant snapshot of activity.

Findings will uncover one of three problems - training issues, compliance issues or theft. It may not be immediately apparent as to which you are observing. If you have created written policies, shared those with associates, and ensured they have proper training then you are in a good position to assume they are either taking shortcuts or that they are breaking policy for the purpose of theft. The ultimate decision will be yours as to how to proceed. If you believe that what you have uncovered is the result of theft, then you should use the investigative section of this manual to proceed. For all other situations, you should use the audit results to address the issue and retrain if necessary.

It is to this last paragraph that auditing can provide an effective means to reduce losses. When associates observe that a regular audit or inspection occurs, when the compliance issues are addressed, and they recognize that you regularly “inspect what you expect,” the honest associates will improve their performance and the dishonest ones will likely find another place for employment.

**Audit Guidelines**

1. Establish Policy, Practice and Procedure
2. Train Staff
3. Audit/Inspect Behaviors
4. Review Exceptions (non-compliance) with associates
5. Establish a plan for correction
6. Re-audit
Inventory Controls

In a service industry, the greatest focus tends to be placed on services while less attention is paid to the products that are for either direct sale or those that support our services. It makes sense to be most concerned with the area that provides our largest revenue source. Inventory control practices, however, provide an opportunity to control losses and provide a critical performance indicator to recognize behaviors related to loss. Creating and maintaining these standards is not difficult and in the long run delivers critical information about your salon.

<table>
<thead>
<tr>
<th># Purchased</th>
<th>COGS</th>
<th># Stolen</th>
<th># Sold</th>
<th>Revenue</th>
<th>Profit</th>
<th>Profit per item</th>
<th>Cost per Item Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>$1.00</td>
<td>0</td>
<td>2</td>
<td>$2.00</td>
<td>$1.00</td>
<td>$.50</td>
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<tr>
<td>102</td>
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<td>101</td>
<td>$101.00</td>
<td>$</td>
<td>$50.00</td>
<td>$0.50</td>
</tr>
</tbody>
</table>
From the chart, we can see that for every item lost, we must sell approximately one hundred more items to return to our original costs! This chart purposefully uses a small dollar amount to demonstrate this effect. In your own salon, you can calculate using any combination of numbers but the result will only change if your markup is greater than 100%. If your markup is less than 100% then you need to sell even more items than demonstrated to achieve your original costs. Hopefully, what you have gained from this demonstration is that there really is not “acceptable” loss.

It may be impossible to prevent a loss from occurring, but it is not impossible to “know” with 100% accuracy “how much” loss had occurred and there may be methods to offset these losses through tax treatments.

The first step in developing an inventory control process is to ensure that an item inspection is conducted for all incoming shipments. Vendors suffer all the same business issues as your salon. Associates make mistakes, associates can be negligent and associates steal. The National Retail Security Survey reports that vendor theft and error account for 5 to 10 percent of all of the losses in retail. Based on these statistics in makes sense to take a “trust but verify” approach in your vendor relationships. A simple method is to verify each bill of lading or shipping manifest to the actual product received. Once this practice is established it may be possible over time to move from an inspecting every shipment to inspecting a random selection.

The second step is the storage of merchandise and the inclusion of a “mark out of stock” or “damages” policy. Ensure you have a plan-o-gram for product storage that prevents damage to that product and ensures that product use is based on “first in and first out.” A damage policy should include placing damaged merchandise on a form. It should include product name, SKU, retail price and reason for damage. Review these sheets each month and look for any pattern of damage. For example if most of the damages are due to “product container broke,” you’ll want to determine if that is the result of your storage methods or if the product line is defective. Damaged items should
also be held in a specific and marked area of your stockroom for inspection. Often dishonest associates will use “Damages” as a method to mask theft or personal use of products.

The third step is vital to your salon environment. Products are used for both services and for retail sales. Your greatest exposure lies in “service” use. By using an inventory control sheet you can match the inventory levels to services. This is really the development of “yield” and is a key KPI (Key Performance Indicator) used in many industries including restaurants. As an operator you should have a sense of “how many washes” a single bottle of shampoo provides or “how many waxes” a single container delivers. It is suggested that any product used for services be noted on a Product Service Log. It is also helpful to identify the product container in some manner. One suggestion is to apply a yellow sticker to the bottom of the product and inscribe the date it was removed from inventory. This provides an easy visual manner to inspect the in-service products on the salon floor.

The final step of inventory control is to conduct periodic counts of the physical merchandise. These counts are then compared to your “book inventory” records. Book Inventory Records list the products received minus those sold/used/damaged. A comparison of book inventory to actual inventory will reveal any product loss. You may want to conduct one or two inventories a year, but it may be easier to manage if your simply conduct weekly or monthly inventories of certain categories.

A solid inventory control process can improve your profitability without increasing sales. It can also help you identify mistakes and negligence in the treatment and care of your merchandise. Most importantly, if you have employed a dishonest associate, these records can reveal trends in loss and help identify that a problem exists.
**General Security**

The most basic component of loss prevention is “security.” Security refers to the physical devices and barriers used to protect our business assets. These general suggested practices help build a foundation on which to apply more advanced processes. Owners should refer to the policy and procedure section for ideas on implementing “behavioral” controls on access and egress to and within the building. In addition, directly following this section is information on selecting the proper vendor to assist in your security needs.

**Keys & Locks:** Owners should ensure key control for all locks. A log should be maintained to ensure an account of all keys for the building, safes and register systems. The number of keys should be limited to authorized key holders. Additional keys should be maintained in a safe and secure location. At times it may be prudent to keep “extra” keys on site in the event of an emergency. Whereas this is the case, the keys should be secured in a sealed envelope with the owner’s signature across the seal. The envelope should be inspected regularly to ensure it has not been opened or tampered. In the event, the keys are needed and the seal is broken, a new envelope should be used after the event and said envelope returned to the secure area.

**Alarm Systems:** Many business owners employ the use of an alarm system. Owners should ensure that the system is of a quality construction and appropriate to their needs. The system should be regularly inspected and batteries changed as prescribed in the operating instructions. The system should also allow for “code” changes. Alarm codes should be changed whenever there is a change in operating managers and at a minimum of two times per year. If the alarm system is monitored, the owner should understand how such system might be defeated e.g. cut phone wires and if the alarm company employs a method of determining such an occurrence. (Some alarm companies use a “ping” process to ensure communication with the system). The owner should also inquire if there are available alarm reports that show the daily activation and deactivation of the system. If such
reports are available; these reports should be reviewed on a monthly basis.

**Emergency Exits:** If your location is equipped with an emergency exit as required by local or state ordinance, this exit should be inspected on a monthly basis. The inspection should be used to ensure proper operation and security of the door. It is often useful to local alarm emergency exits. These local alarms, often called “detex” units allow the door to remain locked at all times but allow egress through a “push bar” or other device. Upon opening, a local alarm sounds on the unit that can only be disarmed with a key. These units provide the benefit of adhering to safety standards while maintaining proper security of the building.

**Emergency Lights:** If your salon is equipped with emergency lights, the batteries and units should be inspected twice per year to ensure proper function.

**Safes:** Safes provide a secure manner to house monetary funds in the salon. Owners should determine if the purpose of the safe is to provide protection from associate theft, burglary or both. Based on the proposed purpose, Owners should ensure that the safe meets the standards of protection for which it is employed. At a minimum, safes should have either a core (lock) which can be changed or a combination, which can be changed. Safes used to protect funds over night should be secured to a concrete surface so that they cannot be removed (easily) from the building.

**Cash Registers:** Register or POS systems should employ either a physical lock (key) or an electronic lock (password) to ensure control of fund access. Passwords and keys should be controlled and passwords changed on a regular basis.

**CCTV:** Owners who employ or install camera systems should ensure the use of a recording device. The recording device should have adequate video storage space (48 hour minimum), be regularly inspected for proper operation, and video should be regularly reviewed.

**Fire Suppression System:** If your salon has a fire suppression system, Owners should understand their responsibility (if any) in the inspection and maintenance of its operation. Owners
should ensure that the storage of inventory or placement of signage or materials does not impede
the operation of the system. Such actions may create liability on the part of the salon operator in the
event of a fire.
Security Vendor Selection

Security is a big business and every vendor has their own financial motivation in suggesting that “their product” is the most important element of your security product selection. In other words, alarm companies suggest alarms, camera companies suggest cameras, and security guard companies suggest…guards. All or any of these may be the solution to your particular problem, but of course, your problem dictates the solution. An alarm system will not prevent internal theft and a security guard is the least cost effective manner to protect your store overnight.

In addition to the broad selections, there appear an endless number of products you can purchase to “protect” your business. The most effective manner to go about such selection is to first define your “issue” and then find the product that best helps you resolve the issue. Owners should be cautious in both their product and vendor selection. Although it is nice to save a few bucks, in the end a substandard product or an out of business vendor may be more costly. On the other side is over investing in a security product. When considering an alarm system, a safe or CCTV focus on how it will be used and if you really need the “top of the line” model with a lot of whistles and bells that you won’t use (or be able to figure out how to use).

Vendor selection is probably the most important part of the process. A reputable vendor looks for a long-term relationship and will work to sell you what you “need” and what will help you with your concerns. In other words, a great vendor partner will not up sell you a bunch of things you don’t really need or will use.

The following is a quick guide to security vendor selection:

What specific traits and services should retailers look for in a third party LP Provider?

1. Size and Time: Are they large enough to provide technical support if something breaks? Have they been in business long enough so you can trust that they will be around next year to service your product?
2. Experience: do they have experience enough to provide your type of business with helpful solutions. Maybe not in your exact sector, but they should understand “small business” challenges.

3. Consultation: Are they spending time really evaluating your business so that they understand the specific needs and the potential causes of your problem or are they just trying to sell you something. If you consult with an alarm company they’ll suggest an alarm, if you consult with a camera company they’ll suggest camera’s and if you consult with police they’ll suggest a guard. You need someone who looks at the big picture both operationally and in terms of security.

4. Solutions: Can they share evidence of how they have helped other businesses, do they provide solutions that work for your budget and resources.

What kind of equipment should I purchase?

1. Electronics change quickly. Today’s “best” is tomorrows old news. The important aspect of selection is to choose a “brand” that has a history and won’t be discontinued. Cameras are specifically tricky and should not be purchased at a retailer as they are not designed for the hours and length of use a business intends. Spend a little more and stick to “national” brands of technology sold through professional and licensed CCTV providers.

2. Universal is important. By that we mean, products that work with any products. As an example ADT is one of the largest alarm providers, but their control pads cannot be used by another company. So if you decide you don’t want to use ADT, you have to replace your entire system. Many security products are like that, so always ask - and get in writing - if the product will work with any other product.

3. Just what you need. Don’t over purchase on security equipment. If you are buying a recording device (DVR) don’t buy more storage space than you need or buy one that allows you to connect twenty cameras when you will never have more than four.
Investigations Overview

Although this section is titled “Investigations,” it is important to recognize that investigations are the last step in your loss prevention program. It is tempting to “forget” all the rest and just “get to the thieves.” In the loss prevention industry we call that a policy of “putting out fires” and it never works. Yes, you will remove some of the dishonest people from your business and yes that may prevent future losses. Unfortunately, you will find yourself in a circle of hiring - detecting - terminating. It is time consuming and it disrupts regular business practices. That disruption of your time and efforts, of hiring, and being in cycles of “short staffing,” do little to improve profitability. In fact, that cycle can ultimately kill your business.

Investigations and termination for theft is a high liability activity. That may sound counter-intuitive. How can an owner get in legal difficulties terminating someone who has stolen from them? The answer is a number of ways. First you might terminate a person based on circumstantial rather than actual evidence. You may not be able to support the termination with evidence that stands in court. You may not be able to demonstrate a consistency in your investigation. You may use techniques that violate an associate’s rights. Professional investigators have years of training and experience. They follow practices and techniques tested in the court of law and the court of public opinion. They research and document their investigations to ensure that there is a file of record facts and evidence. Most importantly, they are trained to conduct interviews that do not breach the rights of associates. It is a lot to consider. This does not suggest that as an owner you should not have a process for deterrence, detection, and resolution. It does suggest that you move cautiously, that you apply actions consistently, and that you seek professional advice as required. In truth, it would be impossible in the context of this manual to fully train an owner to be an expert investigator. What we can do, however, is to provide the basic outline, steps and tracking methods to help you recognize when an issue exists and to help build a foundation for the discovery of the person(s)
potentially involved.

If deterrence is our first and primary goal, then it is worth reiterating the purpose of the first section of your manual. A good investigation is formed from the basics of our operations. In other words, the better our basic security and loss prevention elements, the better our investigation. This is for a number of reasons.

The first is that the majority of theft is discovered because of a compliance issue. Dishonest associates are usually not so bold as to take $100 from the register. They don’t want to be caught and in fact prefer that the owner is unaware of the loss. Consequently, they devise their own plans and methods to mask their activities. This is easy to do if there is no written policy as they can claim their actions were a misunderstanding or an error. Having policy and auditing that policy helps us identify areas where someone may be “gaming” the system. Remember our inventory control suggestions? A dishonest associate may want to use your product for their “at home” business. If no one is tracking product, then they can be fairly confident that no one will notice when something is missing. So in this way a policy and auditing that policy will help us identify that something is missing.

The second reason is that it is much easier to discover “what is wrong” if we have a defined process of “right.” Policy Myth is most prevalent when we rely on “culture” and “verbal” communication alone to train our associates. Policy Myth is the belief that because “everyone” does something in a certain manner, that is the “way” it is supposed to be done. By establishing policy and practice, by auditing it and correcting the issues through direction and training we can get everyone of the same page. It becomes easier and more efficient then to discover those who are not on the same page and use investigations to determine “why” they are off script.

The third and most critical reason is consistency in practice. If there are twelve different methods employed in task completion then it is difficult to determine that a person’s behavior was
intentional. Cash loss is an excellent example. What if an associate takes money from the register and then replaces it a week later? Did they steal? What if you catch them before they replace it? Can’t they still claim that they “intended” to replace it? Can’t they claim that others do the same? We can apply the same to product. An associate can claim that they were “going to pay for it later.” If a policy exists that states no borrowing, then clearly such a claim by the associate is if not theft at least a policy violation. We can terminate associates for violating policy and practices. An owner does not want to sit before a labor board or unemployment magistrate trying to explain unwritten rules of their business.

The point is that before an owner embarks on a investigation they should ensure that they have developed, implemented and inspected the basic foundations of their loss prevention programs. As a final note, investigations may resolve dishonesty, but they seldom recover all of the losses that resulted from that dishonesty. On average, a dishonest person will steal ten times before apprehension and steals approximately two thousand dollars. An investigation will reduce future losses but can’t recapture previous losses. Deterrence programs can prevent these losses from occurring and of course, that is our primary goal.

**Associate Dishonesty**

Although the majority of associates are honest, a single dishonest associate can have a detrimental effect on your business. Left unchecked, dishonesty can siphon away all of your profits and make an otherwise successful business close its doors. At least fifty percent of all business losses are the result of associate theft and dishonesty. Dishonesty is also contagious. Often the actions of a single associate can affect how other associates, especially those who are new, view acceptable behaviors. While we don’t want to create a “police state,” it is critical that we understand dishonesty and place our efforts into deterring, identifying and eliminating it from the work place.
The vast majority of people who steal from their employer do not see it as such. They rationalize their behaviors in a number of ways and seldom consider themselves criminals. While an associate may have a number of reasons for theft, the greatest cause of their behavior is simply “opportunity.” That is, whatever their reasons or needs, they ultimately acted on the temptation because they saw an opportunity and believed that they would not be caught. This is a critical point to consider for our program. If we can reduce the opportunities for dishonesty and if we can employ practices that increase the likelihood of identification then we can deter all but the most desperate or hardened criminals.

The purpose of this section is not to create an environment of mistrust and nor is it to suggest that you spend your valuable time as an investigator. Instead, our goal is to assist you in understanding associate dishonesty so that you can create business processes that reduce opportunity and help identify those who engage in dishonest activities.

**Dishonesty Deterrence**

Deterrence of dishonesty is better than detection. Once an associate steals, those monies or profits are gone. It is much more efficient to deter the dishonesty than to spend time and resources identifying and removing a problem. Although it is impossible to prevent all losses, deterrence is the difference between a few issues and many issues - between the loss of five dollars and the loss of five hundred dollars.

These are the steps to deterrence and many of them are laid out in greater detail throughout this manual:

1. Hire Right - the best way to avoid a dishonest associate is not to hire one. Today’s business owner should carefully consider criminal background screening as a part of their hiring processes. Although not all dishonest associates have a criminal record, it is prudent to not hire
those that do. The costs of these screenings are around $35 dollars so they are a cost effective first step to deterrence.

2. Create Written Policies - written policy ensures that there is a set of rules for everyone to follow. Through posting, training and review you can be certain that those who break policy either don’t care or are potentially engaged in dishonesty. In the final section of this manual there are several generic policies for your use.

3. Audit - It is critical that you “trust but verify.” A regular process of audit inspection provides opportunities to grade associate compliance to operational policy and procedures. It also provides opportunity to train those who need training, to address those who ignore policy, and to identify potential dishonesty. An audit program demonstrates to associates that the small details of the business are regularly inspected which raises their attention to compliance.

4. Code of Conduct - Associates should be aware of and have a complete understanding of your expectation of their conduct. As a part of every new hire orientation and even for existing associates they should be required to read and sign off on the Code of Conduct. While many of these things may seem common sense, often it is valuable to get their agreement that “borrowing company money is not allowed.” A sample code of conduct is provided in the next section. Ensure a signed copy is maintained in the associate’s file.

5. Business Abuse Line - Associates aren’t always certain what you know and don’t know about your business. Consequently they may not report damaging behaviors because they assume you “own the place, so you must know that Sally is stealing.” The Business Abuse Line should be prominent, its purpose fully explained, and the associates should be reminded on a regular basis to call it, if they have any suspicions of business abuse.

6. Question the Questionable - Salon meetings both group and individual should be used to discuss any activities that require correction. If a self-audit results in a low score, address the salon
associates on the findings, on how to correct the issues and your expectations for improvement. If a POS review shows high frequency of high risk transactions address it with the associate and find the cause (unless you believe they’re stealing). If you see something “good” or “bad” on the CCTV system discuss it with the associates. All of these conversations send a very clear message that even in your absence you are aware of salon activities. This will not only improve the performance of good associates (HALO effect) but it will dissuade the dishonest ones from stealing - remember they steal when they don’t believe they’ll be caught.

**Internal Theft Identification - Red Flags**

There are a number of methods from which to identify internal theft short of direct observation. If you wait to “see it to believe it”, chances are your business will be in financial straits long before you figure out the cause. Some of the indicators are more subtle and thus loss prevention professional suggest on-going processes of checks and balances that allow for the observation of emerging patterns.

“**Patterns**” of activity are the best way to identify issues. In example, a single cash loss may mean error or theft, but by tracking a pattern of losses, you can identify the issue, its frequency of occurrence, potentially who is responsible, and whether the activity is increasing in frequency or volume. In this section, we will review the identifiers and then in the next provide processes for tracking and identification.

**Cash Shortages** - the most obvious sign is a series of cash shorts on the register. Remember not all dishonest associates are trying to buy a new car or pay the rent through theft. Many will maintain smaller “benefit” levels such as gas money, bus fare, lunch or beverage money. These dollar amounts might span from as little as a few dollars to as much as five or ten. Even the most novice criminal understands that shortages over ten dollars are going to garner attention and
suspicion. There are two additional considerations when you employ an individual who steals cash. First, many dishonest individuals begin small to observe the owner’s reaction. They will test different dollar amounts to see the level of tolerance to missing money. This is also true of product and service theft. The second is that once the behavior begins, the thief tends to become reliant on the extra income so that the dishonesty continues, (even though most dishonest associates “intend” to stop). At some point, the behavior escalates to something larger than small amounts. It is not uncommon for a dishonest associate to later admit that before they stole the deposit they engaged in smaller thefts.

**Cash Overages** - it may seem paradoxical that an overage can mean dishonesty. Do thieves put money back in the register? In some cases, they have tried to payback money or product they have stolen. However, more often than not the overage is the result of their “estimating” or “rounding” the dollar amount that they steal. For example if a person conducts a fake refund for a service or product and the total comes to $10.50, they may just take a ten dollar bill. The result is a fifty cent overage in the register. The lesson here is that any variance in the register amount should be suspect and tracked.

**Missing Product/Empty Containers** - inventory fluctuations and empty containers is a good indicator of dishonesty and theft.

**Unexplained Drawer Openings** - functions such as voids and no sales should be carefully monitored on the POS system. These high-risk transactions can be an indicator of POS manipulations.

**Margin Issues** - Whenever sales or margins fall, a business owner should be concerned that it may not be the economy but dishonesty. A stylist who engages in “dropped sales” will often have less “traffic” than other stylists. Additionally, when traffic appears normal and profits are falling it could be the result of discounting, under ringing or an increase in ordering to replenish stolen
supplies.

**Robbery and Burglary** - An alarming number of robberies and burglaries involve an associate. They are not necessarily involved in the incident itself, but they have provided access or information to others. If either has occurred in your business in the past year, you should conduct a close and careful inspection of all operational details of your business and your associates.

**Personal Property Theft** - While the majority of dishonest associates target the owner’s profits some will steal from other associates. A theft of associate property provides certainty that the responsible individual is also stealing from the salon. In the hierarchy of theft, there is a certain “honor among thieves.” Dishonest associates will discount services before products, they give away services before products, they will take products before money, they’ll take money from the register before the deposit, and they’ll do most all of these before they steal from another associate.

**Client Theft** - The most detrimental loss and perhaps the hardest to avoid is the theft of your client base. Salons of all structures and types (paid stylists, rented chairs, revenue sharing) all suffer from this loss. Stylists form professional relationships with their clients whereas the client builds a loyalty to the stylist and not the banner under which they work. Many stylists build a client base, take those clients to another salon or a home based business, go to the next salon and repeat the process. The challenge is that often the owner is not aware of the client base loss until after the stylist has moved on. This particular problem is unique in that you can only see patterns of probability rather than have actual confirmation of the “theft.” One particular sign to observe for is a stylist who records guest information either on paper or in their smart phone.

**Salon Theft Methods**

You operate in a unique environment in terms of the services and products you provide. Associate dishonesty, however is not unique and many of the methods used by a dishonest stylist are the same as in any other business model. This section will provide you with an overview of the
different methods of theft that might be used in your salon. While there may be a number of creative modifications made by a stylist (or receptionist) dishonest associates tend to stick to the basics because by their nature they want “easy.”

**Product Theft:** It doesn’t matter if you offer discounted prices on products. A dishonest person wants a 100% discount. Product theft may not be your greatest concern, but consider that these stolen products may be used to service “at home” guests. Product theft can be a good indication that an associate has embarked on building their own business with your supplies.

**Service Theft:** An associate may use your business to provide “free” services to their family and friends. While in their minds this is not theft, they seldom consider that the salon is paying them while they give that free hair service. Another method used, especially by the stylist who understands their actions are not completely appropriate, may be to provide coupons or “do overs” to friends and family. In this manner they can mask the “free” service and rationalize their behavior.

**Discount Abuse:** Any discount applied to product or service, not authorized by the owner or through the manipulation of policy (as in giving an associate discount to a friend) is a loss to that owner. Actions like a “Color for the price of a cut,” and charging an adult the price of a “child’s” cut are examples of discount abuse.

**Theft of Cash:** The taking of money from the register or deposit.

**Refund Fraud:** Creating a false refund in the POS system and taking the money or applying it to their own credit or debit card.

**Dropped Sales:** Providing a service to a legitimate guest and not entering the sale into the POS

**Client Theft:** Servicing Salon clients at the associate’s home or soliciting those clients to a new salon.
Internal Theft Tracking Methods

One method of tracking and capturing dishonesty is using video cameras. While this is an excellent method, it can present a few challenges. First, it can be a costly proposition. Video equipment has become very affordable, however it still requires a capital investment, and not one every owner is prepared to make. The second is that the regular review of video is time consuming. Running a business takes a lot of work and the addition of hours of video review can be difficult. The most effective way in which to use video recording is to use the “flags” in our tracking tools to direct us to specific events to review. The third is that dishonest associates are often smart enough to conduct their “business” out of the cameras view, so unless you invest in one hundred percent video coverage you may still miss dishonest activity.

Fortunately, other methods to employ will allow you to recognize potential problematic behaviors. This list is not all-inclusive but provides the basic methods that should point you in the correct direction if a problem arises. In the appendix section of the manual are example forms you can use to track these activities.

Register Audits - Owners should ensure that at least three to four register audits are conducted each day. These audits include both a cash count and a count of all media to ensure nothing has been lost or purposefully discarded. In addition, the manager in charge should review “high risk” transactions. A high-risk transaction is one by its nature, represents an opportunity to mask theft. These high risks include refunds, do overs, guest promos, discounts, loyalty cards, no sales and voids. The audits should occur at the start of the day (to ensure the closing count was correct and that the day starts with a balanced till), two more throughout the day (early afternoon and early evening) and a closing count. If shortages or overages occur this will allow you to pinpoint the potential suspects or associates in need of training.

Short/Over Logs - any variances should be listed on a log. The log should include the date,
day, the hour period (based on the audits), the amount (or the missing media) and the people on
shift at the time. The log should be removed weekly and then reviewed by the owner on a monthly
basis for any patterns.

**Inventory Count Log** - logs should be used to account for all incoming and outgoing
inventory. This includes any product removed from the shipment box and placed for sale or use.
There are a number of methods for inventory control and the topic is treated in the inventory
control section in greater detail. The owner should also keep a known loss log on which any open
empty containers are tracked. A regular sweep of the stock area, bathrooms, and under ceiling tiles
should be made to search for empty discarded product containers.

**High Risk Transactions** - Refunds, voids, no sales and discounts should be tracked
through the POS system on a regular basis and at a minimum monthly. The review should evaluate
the frequency of transaction by associate and that frequency should be compared to the number of
hours they work and the overall number of transactions they process.

**Sales by hour/by day** - One of the best methods for identifying “dropped sales” is to track
associate sales by day and shift. Often when revenue or profits are down it can be the result of a
single stylist not ringing in sales or discounting services. By tracking this information and by rotating
schedules often a pattern surfaces. In example, an owner might recognize that Sales of Y on
Thursdays drop to X when Sally works Thursdays but go back to Y whenever someone else is on
that shift.

**Time In/Time Out**: Conduct a weekly or monthly review of “service time.” Low service
times may be a function of forgetfulness whereas the stylist “forgets” to put the guest into the POS
until after the service. It can also help identify under ring activity. If a stylist is conducting a “color”
service but ringing it as a “cut” we would likely see an issue with “time.” To effectively use this
tracking device an owner needs to have some established estimates of “how much time” each type
of service requires. It is helpful to build and review average times by each employed stylist. We can
in this manner establish what is normal for each stylist and look for specific events that are outside
their “normal” range.

**Alarm Opening/Closing Report** - If your salon has an alarm system and the alarm
company can provide open/close reports they are worth a review. A series or patterns of late to
open or early or late closes may be an indication of dishonesty and/or performance issue. A store
that regularly closes early may be turning away guests or locking the doors early.

While we cannot cover training and explanation for every type of tracking employed in loss
prevention, at the end of this section are four key areas with greater instructions.
**Investigations Overview**

Investigations are a high liability activity that should be approached with caution. Termination of an associate for theft can carry the burden of proof in a court of law or labor/employment hearing. “Common Sense” does not prevail as the required level of evidence. In order to prove that an associate has stolen, clear documentation is required and a written admission is the best minimum level of evidence.

The material contained herein is to assist you in some of the investigative techniques and process employed by professional investigators. You should understand that the use of these techniques does not guarantee a positive outcome, that a poor investigation can create high liability for the owner, and that you are using these techniques and processes at your own risk. In the matter of investigations or terminations, owners should consult their state laws, an attorney, or a licensed professional to minimize financial risk and exposure.

In general, an investigation is about collecting a set of facts that support through evidence that an individual has committed a theft. No single fact however may necessarily substantiate a theft and even video that seems “perfectly obvious” to you, may be dismissed by a law enforcement officer or a court. This is why written policy is so important. Many times, it is easier and more cost effective to simply terminate an associate for the policy violation of “borrowing money,” than to terminate or prosecute them for theft. It may seem common sense that “stealing is not allowed,” but most often the “suspect” associate will have a manner to “explain” their actions in a way that avoids admitting theft.

The most common error in investigations is a jump to a particular conclusion as to what happened and who was responsible. An investigation is much like an audit in that objectivity is the key to success. If you have put policies and procedures in place it will be much easier to determine “who” is responsible for a loss and far easier to remain objective. In investigations we form theories,
but it is critical that theories are supported by facts and that we do not choose just the facts that support our theory.

There are six basic steps to the completion of an investigation. Each “type” of investigation however will require different types of research. For the purpose of this manual we are focusing our discussion on “theft” investigations.

**Step 1: Gather the Facts**

Establish these 4 W's of the investigation:

- What happened/What is missing?
- When did it happen/What time frame
- Where did it happen?
- Who may be involved/who may have witnessed it/Who may have important information?

Collect as much physical proof in the form of video, media and tracking logs. Ensure this vital information is secured. Use this information to establish patterns. A rule of investigations is to attempt to “prove honesty.” If our efforts to prove someone is not involved through the use of facts fails, then we have a viable suspect. Remember facts not feelings.

**Step 2: Form a Theory**

Review these 4 W’s:

- Who do you think did it?
- Why do you believe it is this person?
- Who didn’t do it? Why?
- How do you think they did it?
- When do you think they did it?

The most important part of our “theory” development is to support each of these questions
with facts related to the case. “I Don’t Like Her” may be a fact of preference but it is not a fact of law.

**Step 3: Facts Not Feelings Make Good Theories**

Gut feeling is an important lead to the “who”.

Use the facts to make your suspect list.

If they had access and opportunity they are on the list – even if you really, really like them.

**Step 4: Control the Gossip**

Nice to know and Need to know - do not over share information and ensure your manager does the same. Everyone trusts someone and someone in the salon “trusts” the person responsible. Many investigations go unresolved because the dishonest person knows everything the investigator knows and doesn’t know.

You have no idea who you are talking to - always consider that anyone with access may be responsible - even your trusted manager

**Step 5: Statements**

A written statement is an important part of resolving the issue. While it may seem enough when an associate “admits” they did it, it is critical for your own protection that they provide a short and direct written statement of what they did, how they did it, and how they’d like to resolve the issue.

Details are critical in a written statement. Don’t allow them to leave it at “I did it” or “I took the money.” Instead have them be specific as in “Last Tuesday, the 12th I took forty dollars from the till at the end of my shift because I needed gas money. I would like to pay back the money to XXX.”

Always review the statement they wrote and make sure that what they “said” is what they
“wrote.” If possible have a second person read the statement and then ask the associate if everything in it is “true.” At the end, have the associate sign and date the statement.

**Step 6: The pitfalls of early questioning**

Do not ask questions until you have almost all the answers. When a loss occurs there is often an emotional reaction on the part of the victim. A desire to jump in and resolve the issue. An investigation takes time because it requires research. The more we know, the better positioned we are to resolve the issue. In most cases there will be two, three or several possible associates who may have been responsible for the loss. Upon the initial report of a loss, the dishonest associate has more information than we do and therefore we want to delay any conversation until our research and document review has leveled the playing field.

Remember at the start of an investigation a dishonest associate knows some things but does not know others. We can use this situation to our advantage in the resolution of the issue.

**The Dishonest Person Knows:**

1. Who did it
2. When it happened
3. How it was done

**The Dishonest Person does not Know:**

1. What mistakes they made
2. The evidence left behind
3. What you know and don’t know
Research & Investigative Considerations

Research is a critical part of an investigation. Every shortcut or overlooked fact can result in a wrong conclusion. While it is not possible to cover every aspect of investigative research, this guideline will provide some basic things to consider in the process. Research is critical for all the investigations we perform. Often crucial evidence is discovered during the research phase that was previously unknown. The results of your research can often be the deciding factor as to whether a case can be prosecuted or employment can be terminated.

When you are preparing for an investigation, the following things must be considered:

What to Research

In all investigations, it is important to understand the allegations. Take time to talk with the contact person (usually your manager) to fully understand the nature of the case. This will help direct you towards what type of research is needed. Many times depending on the nature of the investigation, the contact person can gather research for you and have a layout of what you need when you arrive.

Who is being investigated. It is important to understand the individual you are going to interview. Research personnel records. Review tenure, previous employment, and anything that will help to know the individual before an interview. Understanding the individuals’ background, may also help to determine a possible motive or determine the types of rationalizations they might employ.

Depending on the type of investigation issue, (refunds, voids, cash, merchandise, etc), it is important to research daily paperwork, receipts, time archives, inventory on-hands, deposit logs, daily cash, CCTV, etc. Some associates steal through a number of different methods, so it is important to review all their areas of opportunity. In loss prevention investigations it is not uncommon to investigate an associate for merchandise theft only to discover they were also
involved in other forms of dishonesty.

Depending on the nature of the investigation you should research all avenues of theft related to the specific case, many times this research will lead to other suspects involved.

**Evaluation & Theory**

Regardless of what your initial research indicates, investigation evaluation and theory is an on-going process. It prevents blind alleys, bias, and the illogical treatment of facts and evidence.

1. What happened? What is the actual event?

   Ex. Money stolen or missing? Hearsay or Factual? Policy or Gross misconduct?

   You may receive a call from your manager who states, “Mary stole money from the register.” In establishing the validity of the claim we have to ask, “why do you think money was stolen?” “why do you think Mary is responsible?” “who have you discussed the loss with?” Many times the manager’s “conclusion” is not supported by the initial facts, “well she was on all day and she said she needed to make more money.”

2. Checklist of Possible Evidence – what might exist?

   Make a checklist of all the facts you can collect based on your systems in place. This checklist may grow and it is important to continue to refer to it throughout the process to ensure you don’t miss anything vital. Associates have been interviewed for involvement only to find during the discussion that they weren’t on duty that day. A fact easily discovered if the time cards had been reviewed. Remember there is an emotional element to loss and those emotions can cloud our investigation.

3. What methods or techniques could allow this to happen?

   Think like a thief. Consider “how” an associate could steal if they wanted to. Most dishonest associates are not very creative but it is helpful to consider the event from their point of view. In
practice, we should do this prior to an actual loss. It will help us build safeguards and deterrents into our business.

4. Who are my suspects and who are my witnesses (participants)?

Remember the golden rule - if they had access and opportunity, then they are a suspect. Beyond a list of who might be involved, we should also consider who may have helped or who may have witnessed the event. Often witnesses are not aware that anything happened, but they may be able to help establish time lines and general activities. The converse is also true - witness testimony is the most inaccurate. Any information given by a witness should be validated with facts.

5. What is the most likely level of resolution?

An investigation takes time and it takes resources. It can be a distraction to business and if conducted improperly it can erode associate morale. At the start of the investigation and throughout, you need to consider the “best case” scenario for resolution. In other words, what are the odds that this event can be resolved? Will there be enough evidence to terminate a suspect that doesn’t admit to theft? What was the level of loss and what kind of response effort should it receive? To this last question, are we considering interviewing the entire staff for a five-dollar loss? Sometimes it makes sense to note the event, to record the facts and to wait to see if it is repeated.

Truth, Facts and Evidence

In a perfect world, the “truth” of the matter would suffice. In the world of investigations, we don’t always know the complete “truth.” The “truth” for us is a summation of all the facts and factors that provide an account of “what” happened. A Fact is a thing that “everyone” can see or touch and reach the same conclusion. Evidence is a collection of “Facts” that support a particular “Truth.” Facts are indisputable, Evidence is arguable, and the Truth is a matter of opinion and preponderance of Facts and Evidence

These fine points become clearer as we look at the difference between an “assumptive”
investigation and a “researched” investigation.

**An Assumptive Investigation**

The deposit is missing

Mary’s signature is on the deposit log

Mary took the deposit out of the building

The deposit did not make it to the bank

Mary stole it

**A Researched Investigation**

The Deposit is missing – Fact supported by bank records

Mary’s signature is on the deposit log - Fact supported by signature log or refuted by possible forgery

Mary took the deposit out of the building - Evidence supported by deposit policy/witness or

Mary may refute it

The deposit did not make it to the bank - Fact of absence but not evidence of theft or

responsibility

Notice that in the last we have not added the conclusion that “Mary stole it.” Instead, we

reach our conclusion through a review and preponderance of the evidence.

**Review**

Is it true that Mary stole the deposit? Does the evidence support that Mary stole the deposit?

Answer: It provides strong reasons to consider her as the “primary” suspect.

What evidence do we have, other than that it’s a bank, that it is not a bank error?

Did Mary actually confirm that it was her signature?
How do we know Mary took the deposit to the bank? Her statement? A witness?

Did someone go with her to the bank? Did she drop it? Is it still in her car? Is she the only one with access and opportunity? Does she have motive?

**RESEARCH** is a collection of all the facts whereby we look to draw no conclusion until we can ponder all of the evidence. Research is not for the purpose of discovering truth it is for the purpose of discovering and collecting facts.

**EVIDENCE** should be secured. NOTHING should be assumed.

**FACTS & EVIDENCE** are a part of the **INVESTIGATION** but not the entirety of the **INVESTIGATION**
Preliminary Considerations for Interviewing

As an employer, you have the legal right to discuss matters related to the business with your associates. Your associates have an obligation to attend such meetings related to performance concerns. In that manner, a discussion to determine an associate’s potential involvement in a loss is not unreasonable. You cannot force an associate to speak to you and you cannot force them to meet with you. In other words, an associate cannot be restrained or otherwise prevented from leaving the meeting. Of course, refusal to cooperate in such a discussion is cause to terminate their employment. This is not legal advice. States, especially California have various rules regarding associate-employer rights and you should seek advice on these matters.

In general, however, you can “interview” your associates. In most cases this is the second to last step in the resolution of a loss. The final step being a written documentation of causes and securing and storing any evidence. A professional and experienced loss prevention interviewer often operates with the minimal evidence. Without that experience or training, an interviewer should have significant evidence if their interview is going to include any accusation of the associate’s involvement. If substantial evidence does not exist, these interview conversations should be limited to fact collection and discussions related to performance (policy violations that caused the loss). A direct accusation like, “did you steal the money?” is almost always answered “no” regardless of whether the associate did or did not steal the money. It is therefore counterproductive and potentially liable to even ask the question. A professional interviewer never asks a direct question unless they are certain they will receive an honest answer.

The purpose of this section is to simply give you an outline for such discussions. A manner to arrange your discussions that will yield the best results. If you are interested in learning “how” to conduct a professional interview, you should consider the Wicklander and Zulawski seminar and seek certification.
The best approach to an interview involves a certain element of surprise. In the interview of honest associates timing, knowledge and the order of interviews are not a factor. With regards to dishonest associates these elements are "key." The more knowledge a dishonest associate has on "what" we know and don't know, the less likely we are to obtain an admission. Additionally, pre-knowledge of an interview gives them the opportunity to rehearse their "story."

The best approach to associate interviews is to:

1. Determine the list of "who" had opportunity and "what" that opportunity was.

2. Rank the list from "most likely" to "least likely." This is based on opportunity, motive and historical information about the associates.

3. Note which associates may be family, friends or roommates - this will aid in determining associates that may discuss the interview with each other.

4. From the factors in 1-3 decide the order in which the interviews will be conducted. The goal is to speak with those associates who are most likely involved or most likely to have information on who was involved.

5. An important consideration in this list is item 3. It is best to minimize two associates’ opportunity to speak to each other in between interviews. For example, if Jane and Mary are roommates we would want to speak to them one after the other so that Jane does not call Mary and tell her about the interview and the questions asked.

6. While it is important to conduct as many interviews on the same day to minimize inter-associate communication, we must weigh this against providing pre-knowledge of the interview by changing schedules. An effective way to accommodate both concerns is to choose a day when your "top listed" associates are already scheduled. The other associates can then be brought in by telling them "we are having several meetings to discuss inventory and loss prevention training issues." This
statement is fairly accurate and while it somewhat announces our intentions it does not imply a dishonesty investigation.

7. The Owner should be the only individual that knows the process and the intention of the meetings. Managers tend to have a mental "list" of who they trust and may share the process with those s/he "believes" weren't involved or "couldn't" be involved. Further, because the manager is "just as surprised" as the rest of the associates, s/he will not be placed in a position where s/he might feel uncomfortable after the investigation is completed. We find this works better for store morale after an LP Investigation.

While this is the "best practice," each investigation and incident is unique and may require a somewhat different approach. In the case of missing money most associates, if not all, are aware of the incident and have an expectation that some form of investigation will occur. We still want to follow the steps as outlined above to minimize the responsible individuals’ knowledge of what we know and don't know. We would never want to make the statement "we are missing 2,000 dollars and are conducting an investigation". This implies that we "don't know" anything yet. Instead we would want to state, "We are aware of the on-going issues in this store and will wrap up our investigation shortly." This implies that we have been investigating the issue for a period of time before this incident and announces that we must know "something" since we are "wrapping it up." The technique works because dishonest employs have usually done more than “one thing” and because people who steal generally believe that others are also stealing.

In the next section is a cover sheet you should complete for each interview. The sheet includes all the important facts and points to consider before the interview.
Interview Check List

Interviews serve an important role in assisting in determining causes of loss and associates responsible for losses. While a certain amount of success can be achieved with little or no information, making informed decisions on “who” to interview increases not only the likelihood of success, but also the amount and type of information we obtain. Below is a pre-interview profile that should be completed for each store associate. The profile helps Loss Prevention professionals determine “who” to interview, “what” areas to cover, and the most effective order to conduct interviews. Interviewing is a skill acquired through training, experience, and certification. An owner should consider their own skill level in conducting an interview.

Associate’s name:_______________________________ Length of Service_________

Current Position:_____________________ Previous Position______________________

Full / Part time  Does this associate normally work (circle all that apply):

Days  Eve  Wknds

Previous Employer:________________________ Is associate under 18? Yes  No

Who is associate related to in the store?______________ Position______________

Does the associate have a relationship with any other associate (friends, roommates)?

If yes, who?______________  ____________  _____________
Has the associate received any correctives? Yes  No   For What?_____________________

Date:______ What was his/her reaction to the write up?_________________________

Is the associate on any exception reports? (shortages, missing item audit, manual check in’s, returns)  Y / N

Explain:______________________________________________________________

Date:_______________________

Do you have any suspicions concerning this associate? Yes  No

Details:_________________________________________________________________

________________________________________________________________________

General Incidents: Note any incidents that have occurred involving this associate concerning lifestyle changes such as interpersonal issues, fights with associate’s, change in employment status or hours. If this is a single incident investigation, note the associates schedule on the day of the loss.

Investigative Processes
This section covers three of the most critical loss investigative processes for detection and discovery. They can of course be expanded to include tracking forms, key performance indicator reports, exception based reporting systems and video monitoring. The purpose of this information, however, is to provide some basic investigative elements that do not require resources beyond your time and effort. If you have employed written policies, conduct audits and use the provided tracking sheets, then the investigative processes will be much more effective. In short, you will have a more focused use of these techniques.

The four areas of concentration are cash losses, refunds and voids, and general investigative observations.

**Cash Shortage Investigations**

There are two types of missing cash investigations. The first is whereby a single, substantial dollar amount is missing. These types are usually immediately noticed and often conclude with an associate who does not return to work. The second type of incident is whereby a pattern of small dollar amounts disappear over time. Both types of incidents can be deterred using daily register audits. The fact that the drawer is audited will deter most associates from taking money because they will understand that the loss will be noticed sooner rather than later. By keeping an over/short log an owner can recognize patterns in loss and prevent before it leads to substantial cash loss. Please refer to the cash variance log in the Tracking Sheet Sample portion of this manual.

In the event of a large loss or a series of losses, the first step is to establish if a pattern exists that point to a particular individual. The manner to make this determination is to create a spreadsheet with each day of loss as recorded on the individual cash variance sheets. Your spreadsheet should look as such:
As you analyze your sheet, you are observing for certain patterns. The most obvious is any pattern of a particular associate or manager on duty when the loss occurs. There are a couple of things to consider in this pattern detection. First, in many incidents an associate steals when they are working with someone relatively new. Human psychology dictates that the “new girl” is the most likely suspect and dishonest associates will often use this to their advantage. Second, often the person responsible may not “sign in” on the day of the loss. They purposely avoid being “on” the register in order to mask their actions. If no pattern exists, it can be helpful to look at schedules to see who was in the salon, but not necessarily “ringing” on that day.

Another pattern to look for is the date. Many bills such as rent and car payments are due at the same time each month. Consequently, we want to observe for patterns that occur on the 1st, the 15th, the 30th or any specific and repeating date.

Our third pattern is the day of the week. If the majority of our losses occur on a certain day then it is more likely the result of theft. Consider that an associate may need money for the weekend or may steal on Monday because they spent too much over the weekend. Another consideration if shortage occurs on a manager’s day off.

A final consideration is a pattern of shorts followed by overages. Sometimes an associate steals money and then pays a portion of it back. You may see two shortages followed by an overage and then repeated in the same pattern. This can indicate a “payback” by the associate.

Remember that not all of the shortages will be the result of dishonesty, so you may not have a perfect pattern. A dishonest associate may be on shift for four of six because the other two were legitimate mistakes.
Refunds

Refund review is primarily identifying patterns. A high refund amount or average may indicate a high number of refund transactions or high dollar amounts on single transactions. To properly identify patterns the review should include at least two weeks of refund transactions processed by the associate. Although this section is specific to refunds, it can be used for any type of POS transaction.

1. Set all cash refunds out on a table in chronological order. This helps establish if refunds are spread evenly over the month, are increasing, or decreasing in frequency or if they occur more on a particular day of the week. Refund fraud tends to increase in frequency as the individual becomes more comfortable with the theft. In some cases, associates steal on a certain day or at a certain time during the month. Other patterns may exist and many times an interview reveals a specific reason, such as a car payment or rent due on a certain day. If there is a pattern for a particular day or day of the week, cross-reference this to the schedule. Is there a pattern of associates on the schedule?

2. Look for refunds with incomplete information. Many times dishonest associates do not make up phone numbers when creating a false return.

3. Look for patterns in addresses or phone numbers. This process requires laying out all of the refunds in a line and comparing each. Although information on false returns is “made up” it is not possible for people to choose “random” information. Over a period, they will repeat certain information, especially numbers. Look for patterns in addresses, last names or numbers within the address or phone number. Example: 23 Wood St., 23 May St., 32 Bay St.. Digit repeats in phone numbers may be as small as two digits. Example: 741-9547, 878-5466, 213-8954. Call some of these numbers to establish the guest and the return. How many calls net no answer or “not in service”?
4. Look for refunds where the second signature is the same person. Dishonest associates know which “manager” is easiest to have sign their returns. They may choose to conduct refund fraud only when that person is on. If this pattern appears, check the schedule to see if that manager was actually on during those times they signed the returns. Also, note the time of the returns. Are any before opening or after closing?

5. Look for Multiple same SKU information on returns. In a dishonest refund it is easier and time saving if the associates scans one ticket multiple times. A question to ask is “does it seem likely that a guest would have purchased multiples of that particular SKU?”

6. Look at original transaction information. If it exists, then verify that the product on the original transaction matches the items returned. Many times an associate will “make up” original transaction number to give the appearance of legitimacy.

7. Look at the original receipt if it is attached to the return. When was the transaction originally rung? Which cashier rang the transaction? Dishonest associates have saved receipts from transactions and used them to create false returns.

8. Compare handwriting on each return. Although it takes “graphologists” years to perfect this skill, it is still possible for the untrained eye to detect patterns. Look for letters the associate makes that are unique and their general handwriting. Review their application, this is a writing sample where they wrote (usually) in a careful manner, which is much the same manner used for a false return.

9. If your store currently uses a Guest Return Form, consult these for a larger handwriting sample and to determine if the refunds in question are missing from this file.

10. Check the Daily Cash and Sales Report to assure that all returns for each day are present. Many times a dishonest associate will process the return but discard the evidence.

* Be sure to set all refunds, you find suspect, in a safe place. These documents can
be used for prosecution purposes in most states.

Voids

Voids or “voids during” do not provide any paper at completion. This information is captured and can be found in the store reports. Voids of this nature do not open the drawer, but still may be an indicator of theft, training issues or ticketing problems. Prior to addressing the issue, it may be beneficial to discount the possibility of dishonesty by first reviewing the associates’ other types of transactions including how their sales compare to associates working an equal number of hours. Low sales and a high number of ‘void during’ may be an indicator of theft.

Post Voids

Post voids follow many of the same patterns as refund fraud. The major difference is that a dishonest associate must “wait” for a guest to make a purchase in order to “void” it and take the money. These are the basic steps to follow when reviewing post voids.

1. Separate out “cash” post voids for review.

2. Look for double signatures and patterns in the second signature.

3. Look for post voids where the original receipt is not attached. This should never occur, but may be an indicator that the guest bought additional merchandise and kept their receipt.

4. Review the original transaction number. It should not be more than two or three transactions from the post void (i.e. 6678 and 6680). Post voids rang hours later may be in indicator or dishonesty.

5. Look at the “reason code.” Does it make sense? If the reason is decided to pay by credit card or used coupon, was the transaction actually re-rung in this manner? “Guest changed mind” should be suspect.
Be sure to set all post voids, you find suspect, in a safe place. These documents can be used for prosecution purposes in most states.

**Closing Observations**

The best way to determine potential dishonest or harmful activity is to observe associates when they don’t realize that they are being observed. A closing observation is a form of surveillance used to meet that need. Although you may wish to use this only when you suspect an issue, a proactive approach is to schedule regular observations throughout the year. In addition to helping you identify harmful behaviors, the closing observation builds a belief in associates that you may show up at any time and that the proper operation of the business is important to you.

Below is a sample procedure and checklist for your use. You may want to modify or adjust it to add to your particular concerns or business needs.

**Procedure:**

1. Determine the night of the closing observation and have a copy of the scheduled associates
2. Arrive outside the store thirty minutes to an hour prior to closing.
3. Observe activity in the store from a distance that prevents detection by the store staff.
4. Make notes of the following:
   a. Associate location – are they spending prolonged periods off the selling floor or leaving guests unattended?
   b. Note how many guests enter and leave the store.
   c. Note if the guest is being approached within a reasonable time
   d. Note any sales (as observed by register activity)
   e. Note the time associates reconcile till
f. Note the time associates lock the front door.

5. After associate(s) have closed the store and are locking the door, approach the associate(s) and greet them.

6. Explain that you are conducting a closing audit and reenter the store after the alarm has set up.

7. Call alarm company and let them know you have reentered the store to conduct an audit and will be rearming in approximately twenty to thirty minutes.

8. With the associate, review the following:
   a. Conduct a parcel/bag check – an owner must have a written policy or notice that states that bags are subject to inspection to avoid “privacy rights” violations.
   b. Review the closing media – refunds, voids etc – ensure all documents are signed and accounted for -also check the POS to verify your observed guest count to sales.
   c. Review the deposit and verify that it was processed correctly.
   d. Count the closing till and ensure proper set up.
   e. Review the sales floor and stockroom for cleanliness and merchandising standards.

9. Once complete, review all issues with associate and have them sign the observation form.

10. Notify the alarm company that you are re-arming the store and close as per procedure.

11. In any instance where dishonesty is detected (e.g. bag check, deposit, refund, missing cash) use the following procedures:
   a. Ask the associate if they have a receipt for the merchandise.
   b. In the absence of a receipt, inform the associate that you will need to hold the merchandise until their purchase can be verified.
   c. If the associate admits to theft – request their keys and inform them that they are
on “administrative leave.”

d. If they do not admit to theft – allow them to leave but secure the merchandise in the stockroom for further verification.

e. Review all associate purchases to determine if the items were purchased.

g. If the issue indicates theft, plan to interview the associate on their next shift.
Store Closing Observation Audit (EXAMPLE FORM)

Store#___________ Location(City/State):_____________________

Date-of-observation:__________________________ Mgr:________________________

Associate-Observed:________________________ Position_________

Additional-Associate:__________________________ Position_______

Start Time of observation: __________

Finish Time (when observation complete)_________

1. How many associates were on?________
   1a. Percentage of time associate was off floor: _______%

2. Was stockroom door left open while associate was on floor? __________

3. How many guests entered the store?________

4. Were guests greeted directly (approached) within 15 seconds of entering?________

5. What percentage of time did associate spend behind the register?
   _______%

6. Note times that sales occurred - __________ __________ __________
   __________ __________ __________ __________ __________
   __________ __________

7. What time did associate begin closing the register?________________

8. Was store closed prior to register reconciliation? ________

9. Did associates appear to perform store merchandise recovery prior to leaving?
   ______

10. Did associates exit with any parcels (other than handbags)? __________
Store Audit

Start time:___________ p.m.    Finish Time: ____________ p.m.

1. Conduct a bag check.

2. Where all media records properly completed and accounted for?______
   Notes:

3. Was deposit properly reconciled and did it match the closing amounts?___________ Notes:

4. Did cash drawer balance? _______________ Notes:__________________

5. Was store properly recovered e.g cleaned, straightened?____________

6. Other-observations:
   __________________________________________________________________

Associate-Signature:________________________________________

Manager’s-Signature:_______________________________________

Date and Time

*** Ensure associates time cards reflect additional time spent for the audit
Conduct Policies Overview

A set of Conduct policies can be of great assistance in both sharing your expectations of behavior and in setting the groundwork for terminating associates through cause. Often many of these “conduct” items appear to be “common sense” – Everyone knows stealing is wrong? While that may be true, people by nature put a vast amount of energy into “rationalizing” their actions. The best defense to the “little stories” we tell ourselves is to ensure clarity in expectation.

The items in this section are limited to the most critical conduct policies. It does not include a “Harassment” policy but each owner should research such as they are an important aspect of your Human Resources programs. The conduct policies were created to function as general examples used by retailers. You may want to modify these examples to fit your particular needs and environment.
Code of Conduct (EXAMPLE)

A Code of Conduct has been established to ensure that all associates understand the expectations of SUPERCUTS in regards to their behavior and conduct. The Code of Conduct describes actions and behaviors considered inappropriate and details the consequences for such actions. Every associate is required to adhere to the SUPERCUTS Code of Conduct.

SUPERCUTS recognizes that acts of deliberate misconduct deteriorate the quality of our work environment and can create significant loss that impacts the all of our associates. SUPERCUTS is committed to ensuring a positive work environment and a culture of integrity. Supercuts maintains a Zero Tolerance approach towards deliberate misconduct and unethical behaviors.

Zero Tolerance means that actions deemed unethical, dishonest or in violation of SUPERCUTS policy will not be tolerated. SUPERCUTS will take immediate action against these types of unethical and/or unproductive behaviors. There will be no exceptions in the enforcement of these SUPERCUTS standards.

Expectations/Consequences

SUPERCUTS expects all associates to conduct themselves in a professional and ethical manner.

Dishonesty and/or theft will not be tolerated. These behaviors include (but are not limited to):

• Borrowing or theft of SUPERCUTS funds, money or merchandise.
• Giving away, trading or under-ringing merchandise or services.
• Falsifying Refunds, Voids, Paid-Outs or any other fraudulent POS activity.
• Falsification of any SUPERCUTS information, document, or signature.
• Giving unauthorized discounts or giving away unauthorized merchandise.
• Collection and/or removal of guest information regardless of the intent of use for that information.

The above actions will result in immediate termination and prosecution to the fullest extent of the law.

SUPERCUTS does not tolerate behaviors that result in the violation of SUPERCUTS policy or contribute to loss. These behaviors include (but are not limited to):

• Failure to safeguard SUPERCUTS money or merchandise.
• Consistent cash shortages.
• Consistent violation of SUPERCUTS policies.
• Unauthorized use of the SUPERCUTS telephone, equipment, or property.
• Granting access to a store, office, or storage area to unauthorized persons.
• Failure to properly protect SUPERCUTS money, assets, or proprietary information.
• Ringing one’s own purchases.
• Failure to ring in sales immediately.
• Harassment, threats, violence, lack of respect, and other disruptive behaviors.

The above actions may result in disciplinary action up to and including termination.

Associates Name:__________________________________________________

Signature:___________________________ Date:__________
Discount Policy & Abuse

SUPERCUTS shows appreciation to its associates by providing them with an associate discount on product. A requirement for receiving the associate discount, associates must maintain strict adherence to discount policy and procedure. As a reminder, an overview of the discount is provided here, but associates should refer to (insert Corporate policy # here _______) for a complete description:

Associates are reminded that discount abuse, whereas one provides their associate discount or any unauthorized discount to a non-qualified guest, is considered theft and may result in disciplinary action up to and including termination.

In processing the associate discount, associates may not:

1. Ring their own sale
2. Return any item without a receipt
3. Use another associates number in processing the sale
4. Falsify any authorization signature
5. Purchase merchandise on behalf of family, friends or acquaintances
6. Return merchandise to another location without notifying the store of their employment status
7. Allow others to return merchandise at full price that was purchased with a discount
Signatures, Sign-offs and Verification

Each associate, regardless of position, should understand the implications of affixing their signature or initials to Supercuts documents. Your signature or initials indicate that you have verified the document, witnessed the procedure and affirm that it is valid.

For example:

• Your signature on a refund means that you have witnessed the guest make a legitimate return or that you have verified the presence of the merchandise that was returned.

• Your signature or initials on a deposit slip that you have verified that all funds have been placed in the deposit bag.

• Your signature on the deposit log means that you have either taken the deposit to the depository or that you have witnessed the deposit being removed from the store by another associate.

• Your signature on an associate purchase means that you have witnessed the transaction and can verify that the person making the purchase is authorized to receive the discount.

Any time you are required to sign, initial or otherwise verify a process you must be certain that the process occurred, that you witnessed it and that you understand that your signature makes you responsible for the outcome of that process.
Privacy and Inspection of Parcels

Any bag or parcel entering or leaving the Salon is subject to inspection. Associates are required to bring their bag or parcels to the manager on duty prior to exiting the Salon. Failure to do so may result in disciplinary action up to and including termination. Associates should leave personal items they do not want inspected at home or in their vehicles. In addition, any lockers or storage areas provided by Supercuts are considered public areas and may be inspected periodically without associate knowledge. Associates should assume no privacy in public areas including stockrooms, office, and storage areas. Supercuts monitors all areas with the exception of restrooms and/or private changing areas through the use of Closed Circuit Video Systems. From time to time, Supercuts owners, their managers, or third party agents may conduct conversations related to loss, performance, and/or violations of policy. Associates are required as a part of their employment to participate in these discussions or meetings. Failure to cooperate will result in disciplinary action up to and including termination.

SPECIAL NOTE TO OWNERS: This optional policy is not required, although many larger retailers use such. It is important to understand that IF you plan to use cameras, conduct bag checks, or locker inspections you NEED such a policy in place. In its absence, such inspections could be dismissed as an invasion of privacy. This especially true in the state of California.
Identity Theft

Identity theft costs consumers billions of dollars each year. In order to maintain the highest standards of protection for our associates and guests, SUPERCUTS has the following policy

1. Associates may not record guest information in any manner other than through the Point of Sale system.

2. Associates may not remove guest information including names, addresses or phone numbers from the salon.

3. Associates may not record guest information in any personal device including mobile phones, tablets or other electronic devices.

4. Associates may not record or store guest credit card information, nor remove any document with that information from the Salon.

SUPERCUTS has a responsibility to its guests to protect their personal information. Consequently, the recording or removal of guest information by an associate will be considered the potential for identity theft and be reported to law enforcement as appropriate, and may result in corrective action up to and including termination.
Communication & the Business Abuse Line

The best way to resolve issues harmful to our business it to respond to these issues in a timely manner. Each associate is expected to take responsibility for the protection of SUPERCUTS assets.

Consequently, SUPERCUTS relies on its associates to communicate concerns and observations. Associates should never assume that “someone else will take care of it” or “it’s not my job”. We understand that communication of suspicions can create a certain amount of discomfort or anxiety for our associates. To assist with the process and to allow associates to communicate anonymously, SUPERCUTS provides associates with access to the Business Abuse Line.

The Business Abuse Line is a 24 hour – 7 day a week toll free number or associate may use the website. When calling the Business Abuse Line associates are connected to an operator that will talk them through the reporting process. Associates never have to give their name and the calls are never recorded.

All information is treated as confidential and the report is sent directly to the SFA corporate office. Each call is taken seriously and a thorough investigation is completed to resolve the issue. For more information, associates should review the Business Abuse poster.

In some situations, the associate should contact their Owner/Manager directly. These situations include:

• Guest Issues
• Guest Complaints
• Store physical safety issues
• Explained cash shortages

*** The Business Abuse Line is not intended for emergency calls
Basic Policies Overview

The following section provides basic policy outlines for your use.

Opening and Closing Practices

Store opening and closing procedures serve to not only protect Supercuts assets and merchandise but also to safeguard the welfare of our associates. All store associates must adhere to these practices or receive prior authorization from their Owner for exceptions. Exceptions are granted on a one-time basis and all future occurrences must receive additional authorization.

Opening:

• Associates should never enter the store if suspicious persons are in the general area of the store
• Associates should never enter the store if there are signs of forced entry
• Associates should inspect the salon floor and stockroom at opening
• The store gate/door must remain closed and locked prior to opening
• Register funds should be secured in drawer prior to opening
• MOD should inspect safe and contents at opening – safe should be locked after inspection
• Non-associates are not allowed in store prior to opening (including children and relatives)

Closing:

• Doors must remain locked after closing.
• Prior to closing, management should inspect all locations in the store to ensure that all guests have left.
• The closing associate on duty must inspect all doors to ensure that they are locked prior to exiting.
• Cash funds should not be reconciled until all guests have left the store and the doors have been locked.
• Friends and relatives are not allowed in the store after closing.

• Prior to leaving the building, the closing associate should visually inspect the outside area for suspicious activities or individuals.

• Management should notify security or the police of any activities that appear suspicious or may endanger themselves or associates.

• Associates should leave the store together and proceed directly to their cars or other transportation.

• Associates are not allowed to loiter outside the store.

• The closing manager on duty should be sure that each associate has transportation prior to departing. Management should not leave any associate “waiting” for a ride.

• Associate may not re-enter the store alone
Stockroom Access Control

• Stock room access is only granted to associates of SUPERCUTS or authorized vendors when the proper identification is furnished and with owner authorization.

• No other individuals may be granted permission to enter the stockroom including but not limited to friends, family, spouse, or children.

• The stockroom door must remain closed during normal operating hours and may not be propped open for any purpose including stock processing.

• All personal items in the stockroom should be secured in a file cabinet or placed out of sight to avoid theft.

• The purpose of these policies is to avoid non-associate injury, theft of merchandise, cash, associate property or proprietary business information.

• Associates are reminded that SUPERCUTS is not responsible for unattended personal items left in the stock room or unsecured areas.
Key Control

• It is the policy of SUPERCUTS that members of management maintain the security and control of all Supercuts keys.

• Lost or stolen keys can result in theft and/or the added cost of changing locks. In order to reduce this risk strict key control guidelines are in place.

• A current Key Control Log must be maintained and secured. The log should list all available keys and their current location (manager, safe, etc.).

• The store manager/owner is responsible for all changes and updates to the Key Control Log.

• Extra store or register keys must be locked in a secured location.

• Associates must keep store keys on their person at all times. Keys should not be left on desks, in purses or in coats.

• In the event keys are lost or stolen, the Owner should be notified immediately.

• Upon termination of any key-holders, keys should be collected immediately and compared to the Key Control Log.

• In situations of involuntary termination or “no show” terminations, the locks for all outer access doors must be changed.
**Safe Access**

- It is the policy of SUPERCUTS to ensure that each member of management guards the safe funds through adherence to these policies and through the accurate verification of the contents.
- In order to ensure that safe contents remain secure management and key holders are held accountable for the contents during their assigned shifts.

In addition, stores must adhere to the following:

1. The store safe must remain locked at all times. “Day-lock” function on combination safes must not be used.
2. Only authorized members of management may enter the safe. The Manager on Duty may not authorize non-keyholders to enter the safe at anytime
3. Providing the combination or keys to non-authorized personnel will result in disciplinary action.
4. All safe funds (change, petty cash, unused register setups) must be verified and logged at opening and at closing.
5. Shortages to funds must be reported to the Owner immediately.
6. Extra keys maintained in the safe must be placed in a sealed envelope and signed by the store manager.
7. Upon involuntary termination of any member of management the owner. should be notified to discuss a change in the safe combination

**Safety**

Associate safety is a top priority at SUPERCUTS. Safety concerns can arise both inside and outside of the store. While SUPERCUTS cannot mandate practices or behaviors of its associates
after they leave the store, each associate should consider the following:

- Keep doors locked prior to opening and after closing to prevent entry by non-associates
- Never count funds in the presence of guests to avoid the temptation of robbery
- Keep access to emergency exits clear to allow easy exit in an emergency
- Use safe practices when working with box cutters or ladders
- Exit the store as a group
- Try to organize one area of the mall to park so that associates proceed to the same general area at closing.
- Do not leave associates alone awaiting transportation
- If you rely on others for transportation ensure they show up on time
- Review the Crisis Management Guidelines
Proper Cash Handling Policy

Every associate that rings on a register is responsible for ensuring that those funds are protected. Cash variances are not acceptable and can be completely avoided through attention to process.

Associates should use the following standards for ensuring the protection of cash:

• Verify through a count, the startup amount in each register

• Audit and verify that the drawer balances periodically throughout the day and at each shift change

• Attach a calculator tape or hand written count sheet of each verification

• Ensure large bills are only placed under the register till within the drawer

• Sign off the register when leaving the cash wrap area

• At the end of the day double count all funds prior to processing the deposit

• Prior to sealing the deposit verify that register startup funds are accurate

• Do not maintain any store “slush” funds – place all extra funds in the deposit – loose change should be placed in the startup fund until the total reaches a dollar and then placed in the deposit.

• Notify your Owner immediately of any cash discrepancies.

*Associates may not borrow register funds at any time, nor place cash in any areas other than the store safe, the register till or the area directly below the register till but within the drawer.*
Deposit Procedures

*(NOTE: This Policy is retail “best practice” adapt to meet your franchise environment)*

SUPERCUTS maintains strict standards on the preparation and delivery of Supercuts funds. Management is responsible for strict adherence to this policy. Associates responsible for the preparation and delivery of deposits must ensure that funds are processed in a manner to ensure their safeguarding.

The following procedure should be utilized without exception:
1. Utilizing the register tender reports determine the amount of cash and checks to be deposited.
2. Count the available funds and have a second associate recount in your presence.
3. Complete the deposit slip.
4. Write the security bag number on the deposit slip.
5. Fill out the deposit log.
6. Place the contents in the security bag and fill out the bag information in the witness of a second associate.
7. Prior to sealing bag, verify that all register startup funds are correct. Do Not Leave Deposit Unattended.
8. Seal the bag.
9. Complete the deposit log with all information:
   - Deposits must be made at the end of the day or in compliance with the P&P Manual.
   - If possible, deposits should be transported to the bank by two associates.
   - If it is unsafe to make deposit or you are unable, notify Owner and secure deposit in safe.
   - Keep a copy of the deposit slip and “secure” bag tag with daily paperwork.
   - Collect validations weekly, verify to deposit log and attach to log.
   - For deposit housed in safe overnight or on weekends – verify their presence at opening and closing and initial the deposit log entry.
   - Notify Owner immediately of any discrepancies in deposit.
Avoiding Guest Theft at Register

Shoplifting is not the only form of external theft that retailers fall victim to. Certain dishonest people specifically target the cashier. Some of the most common forms of register crimes are:

• Quick Change – guest attempts to confuse cashier by requesting various forms of change for large bills – e.g. change for a $50 or $100.
• Flim Flam – like the Quick Change artist, the Flim Flamer attempts to get physical access to the register to remove funds.
• Bad Checks – guest uses fake checks to purchase items.
• Fake Credit Cards – guest uses a fake credit card to purchase items.
• Counterfeit Currency – Guest uses fake currency to make purchase
• Counterfeit or Foreign Travelers Checks – Guest use fake of foreign travelers checks to make purchases.

To prevent losses from these methods cashiers should employ the following procedures:

• When a guest makes payment in cash, place the money on the till ledge until the transaction is complete.
  • Always count back the change into the guest’s hand
  • Close the till drawer once the transaction is complete
  • Do not make change for non-purchasing guests or after a transaction is complete
  • Never allow a guest to reach over the counter – immediately close the register drawer
  • Ensure you follow check cashing procedures
  • If a credit card cannot be scanned, ensure you imprint the card
  • Do not process credit cards until verification codes have been resolved with the bank
  • Verify that the Credit Card is signed – American Express can only be used by the card
holder whose name appears on the card

• Never accept foreign currency or traveler's checks drawn on non-U.S. banks
Credit Card Controls

Credit card purchases represent a substantial portion of our sales. While this has many benefits including less cash in our stores, the increase of credit card related fraud has dramatically increased in recent years and this requires special attention by SUPERCUTS associates.

Credit card purchases are honored by the issuing bank provide the following conditions are met:

1. The card is electronically scanned at the register
2. No authorization codes were by-passed
3. The guest has signed the credit card receipt

At times a credit card may not successfully scan in our system. There are five reasons for this:

1. The magnetic strip (the black line) on the back of the card has worn off or lost functionality
2. Your magnetic strip reader is malfunctioning
3. The strip has been disabled for reasons of fraud – the card is stolen
4. The card is fake and no strip was programmed
5. The card is a debit card that requires a pin code and your register does not accept these types of cards

It is impossible for a cashier to determine, in most cases, the exact cause of the malfunction. While we should treat each guest with respect, cashiers should take the following steps to ensure the store will receive payment from the credit card processor.
1. Attempt to rescan the card twice.

2. Look at the front of the card for the visa or MasterCard logo with the word “debit”. If the letter “ATM” or “debit” appears in the absence of the visa/MasterCard word or symbol the guest cannot use the card at the register unless you have a pin keypad.

3. If the card still cannot be scanned, manually enter the credit card number

4. Ensure the expiration date has not passed

5. Take an imprint of the card and ask the guest for identification

6. Ensure the guest signs the imprinted copy along with the register credit card receipt.

7. Keep all imprinted copies with the store register paperwork
   - Never accept credit card numbers in the absence of a credit card
   - Never keep copies of credit card numbers except those on the manually imprinted slip
   - Place all credit cards left behind by guests in the register until the end of the day – at close of business cut credit card in half and notify the issuing bank.
Inventory Control - Product Use Policy

To ensure the proper use of service products each associate must adhere to the following practices concerning product use:

• When a particular product is required for a service, ensure that an open product is not already available prior to selecting an unopened product.

• Select product and write details on the in-service product log

• Place a yellow “Shop Use” sticker on the product and write the date opened and associates initials on the sticker.

• Place all damaged, expired, or no longer usable products on the damage shelf in the stock area

• Complete the damage log including the product name, reason for damage, date and your initials and retail price if applicable.
Damages

Policy: It is the responsibility of store management to separate, document and process damages and Return To Vendor (RTV) items in a timely manner and in accordance with this policy.

Purpose: Improper documentation of damages and RTV can result in inventory losses. These guidelines are provided to establish a clear and consistent manner to reduce this risk.

Procedure:

1. Only a member of management may approve an item as “damaged”.
2. The Store manager is responsible for verifying all damages prior to their removal from the building.
3. Damages must be stored in a separate area of the store that is clearly marked.
4. Damages must be tagged with the SKU, price and date.
5. All damages must be entered onto the damage log prior to being placed on the shelf. A manager’s initials must be present on the damage log.
6. RTV (Return to Vendor) must be maintained in a separate area.
7. All other information for RTV’s follows the same guidelines as Damages.
Merchandise Protection Standards

Policy: It is the responsibility of all store associates to adhere to standards that provide a safe working environment and that protect Supercuts assets.

Purpose: To provide guidelines for general merchandise protection and safety.

Procedure:

1. Merchandise should never be stored or stacked in a manner that may cause injury to guests or associates.
2. Merchandise should never be stored or stacked in a manner that may result in damage to the product.
3. Merchandise must not be stacked within 18” of the ceiling. This practice renders the sprinkler system ineffective.
4. Leaking merchandise should be removed from the salon floor to reduce the risk of injury.
5. Management should maintain fixture standards that provide a safe working and shopping environment.
6. Merchandise should never be placed so as to block egress to doorways.
7. Merchandise cartons from shipments should be inspected immediately for any visible damage.
8. Food and beverages should not be stored or consumed near merchandise.
CRISIS MANUAL GENERAL STATEMENT

It is the policy of SUPERCUTS to provide for the safety and welfare of our guests, associates, and vendors, and to provide for the protection and preservation of company property, equipment, merchandise, and reputation.

SUPERCUTS has provided a Crisis Manual for each location. Although this manual seeks to provide clear direction for Supercuts associates it is understood that each situation is unique. The Crisis Manual provides “guidelines” for each store. This material should be reviewed by management and communicated to all associates. Questions or concerns should be addressed to the Corporate Office or District Manager for clarification.

While this manual will provide you with the common steps to follow in a crisis it should not replace common sense or consideration of special circumstances in a situation. The most important step that a store can take is that of “prevention”. By following policy and procedure many crisis circumstances can be avoided. The second step is that of familiarity and preparation. Continue to review the manual periodically, retrain, and remind associates as necessary.

In preparation for a crisis, stores should maintain four standards:

• Posted and available emergency numbers for police, fire, ambulance, security, and contractors.

• Operational flashlights at the register and in the office.

• An adequately supplied first aid kit.

• Familiarity with the Supercuts Crisis Manual.

SUPERCUTS is committed to the safety of its associates. Associates should utilize the “open door” policy to report any incidents or conditions that may endanger associates, guests, or
company property.

**GENERAL PREPARATION**

Although each crisis can be unique, there are certain steps that Store Managers can implement and maintain to assure control of crises.

The success of this manual rests on a combination of familiarity with the protocol and store level preparation. Several points of preparation are suggested. These items should be maintained in your store and reviewed periodically.

**Preparation Steps:**

1. Maintain familiarity with this manual and incorporate it into key associates’ training program.

2. Place copies of this manual in key areas of the store. (Office and Cash Wrap)

3. Post all emergency contact numbers in key locations of the store.

4. Assure that emergency flashlights are placed in key areas.

5. Assure that fire extinguishers are properly placed and charged and that team members are familiar with their use.

6. Maintain clear paths to emergency exits.

7. Test emergency flashlights monthly.

8. Review Crisis manual and clarify assignments on at least a quarterly basis.

**National/Regional Crisis Protocol**

Unfortunately, since 2001 there have been an increased number of both national and regional emergencies due to terrorism and natural disaster. While we cannot predict the next event or the nature of such events, it is important for associates to have the ability to send and receive
information when normal lines of communication have been disrupted.

The following guidelines should be reviewed and understood by each associate prior to the occurrence of any emergency. In the event that a national, state or regional event severs communication associates should:

1. Follow instructions of local government or FEMA and ensure the associate’s first priority is safety including preparation or evacuation from an area.
2. Leave a voicemail at XXX-XXX-XXX at the corporate office to ensure we know where you are evacuating.
3. Attempt to contact your owner as soon as possible after the event.
4. In the event that you cannot reach either because of long distance restrictions, use the business abuse line to get an emailed message to the corporate office.
5. After an emergency, get further instructions/information from your Owner/Manager prior to returning to your salon.

Robbery

Policy: It is SUPERCUTS policy to take all steps necessary to ensure the safety and well-being of all guests, associates and contractors in any robbery situation, as well as to summons local law enforcement.

Objective: To provide all associates with written guidelines that will assist in reducing and eliminating any harm or injury to any guest or associate. Supercuts objective is to allow the robber(s) to leave the environment so that no injury will befall any guest, associate, contractor, or vendor.

Procedure: The primary issue is the safety of all those involved.

1. If you are the victim of an armed robbery, do exactly as you are told. Do not hesitate.
2. Provide the suspect(s) with all requested cash or merchandise. Do not attempt to hold out
any funds from suspect(s).

3. Remain calm. Try to observe suspects’ eyes, ears, nose, eyelids and eyebrows first. Next observe height, weight and finally clothing. Do not stare at the weapon. Do not stare at the robber(s). Causal observation is always the best and safest technique.

4. Notify local police immediately. Provide as much information as possible and stay on your phone if you are in a location that has been secured. If security services are available at your location, they should only be notified after law enforcement and at their direction.

5. Lock down the registers and temporarily close the store

6. If there are any injuries, advise police and request an ambulance. Provide first aid for any injured if appropriate. Do not move injured if possible.

7. If a guest victim will not wait for the police, attempt to get a name and address or at least a physical description of the witness(s), for the police.

8. Provide assistance to local law enforcement agency if required.

9. Notify Corporate at (insert Corporate telephone number here ____________________)

10. A complete statement should be made to police, if requested. No other statements should be given. Do not quote losses until verification has been conducted

11. All requests for information from any media representative should be directed to the police department or the Owner.

12. Under no circumstances should any manager or associate provide an interview to any outside agency.

**Burglary**

Concern: Burglaries occur during hours when the store is closed. For the purpose of these guidelines, a burglary should not be confused with a robbery or shoplifting incident.
Implications: Burglaries result in loss of goods and are usually accompanied by damage to the building. Proper steps should be taken to assure the safety of the staff, a proper accounting of goods lost and a timely reopening of the store.

Two types of incidents may occur. This section is divided into two parts to help you establish the best course of action.

A. Mall or Police Notification of Break-In.

1. When notified by one of the above-mentioned groups establish that the police will meet you at the store. Take down the caller’s number and call them back to ensure it is a legitimate call.

2. Inform the notifying party your estimated time of arrival.

3. Upon arrival, do not enter the store until the police have checked the building first.

4. Do not provide “estimates” of lost merchandise. Tell the police the company will inventory the store and notify them of the items stolen.

5. At the conclusion of their investigation, ask the police for a case number.

6. Contact the corporate office and relay the estimated loss and extent of building damage.

7. Contact proper vendors to fix and replace broken glass, doors, or displays.

8. Contact district manager/corporate office to determine when store will open for business.

9. Contact mall management if store opening is to be delayed.

B. Burglary noted upon store opening.

1. If a burglary is noticed upon store opening do not enter the store.

2. Immediately contact mall security and the police.
3. Await police arrival before entering the building.

4. Follow steps 4-9 under situation “A”.

*Although mall security may wish to enter the building do not allow them access until police arrive. Security personnel are not trained in burglary investigation and cannot provide protection to associates if suspects are still on the premises. Such entry may impede police investigation or destroy valuable evidence.
Fire

Concern: In situations involving fire and smoke, responses need to be organized and conducted in a calm and expedient manner.

Implications: Fire and smoke can result in loss of life, injury and extensive property damage. The top priority in these situations is the safe and quick evacuation of all guests and associates.

Preparation: Ensure that a designated meeting location is established and all associates are informed.

General Building Fire

1. Notify Emergency Services immediately.
2. Announce to Guests, “Due to an electrical problem we must evacuate the store immediately. Please move to the nearest exit and evacuate the store.”
3. Announce to associates to assist guests and then proceed to the designated meeting point.
4. Move associates and guests to the exits.
5. Ensure that store is properly secured.
6. At designated meeting point, ensure that an associate accounting takes place.
7. Do Not Reenter the Building until cleared by Fire Officials!
8. Contact Corporate Office and provide with detailed information.
9. If building is “cleared” by fire officials allow associates to reenter the building.
10. Assess any damage and contact the Corporate Office prior to reopening the store to guests.
11. Never discuss any estimated loss with anyone other than the Corporate Staff.

NOTE: In the event the store cannot be reentered, assign an associate to maintain roll call, dismiss associates, and assure that each associate has transportation and safely leaves the area.
**Bomb Threat**

**Concern:** The majority of bomb threats made to retail establishments are false. The purpose is to create an inconvenience to the store and disrupt business. In the interest of safety, every threat must be treated seriously. Evacuation is the priority.

**Implications:** Injury to staff and guests.

When a caller claims there is a bomb in the store do the following:

1. Ask them to repeat their claim. Note their voice (male/female, adult juvenile). Try to make out any background noise.
2. Ask them when the bomb will go off.
3. Ask them why there is a bomb in the building.
4. Ask them where they have placed it.
5. Have all associates and guests exit the store. State to guests “due to an emergency electrical problem the store needs to close.”
6. Lock the front door and immediately go to a phone to notify the police and then mall security.
7. Wait for police to arrive before entering the store.
8. If possible, have another associate contact the Owner from outside the store.
9. Do not reopen the store until the police have searched the store.

**If the caller states that a bomb will explode “in the next few minutes”, “soon” or does not respond** – immediately proceed with evacuation and contact police from another location.
**Guest Injury**

Concern: Medical emergencies for guests and associates can take many forms. Store personnel must be able to evaluate the situation quickly to determine the best course of action. In many cases dialing 911, first, is the greatest priority. This section contains general guidelines to follow, but management must determine the exact nature of the injury to determine the best course of action. If in doubt call 9-1-1 immediately.

Implications: Do Not Provide Medical Assistance Unless You are Trained and Certified! Mishandled emergencies can result in further injury, complications and death.

1. Lock down the register
2. Determine if the emergency is an injury (slip/fall, laceration, trauma etc.) or if it is medical (heart attack, sickness, dizzy spell).
3. Assure individual is comfortable. Ask if they want medical assistance.
4. If individual is unconscious, bleeding, having difficulty breathing or complains of chest pains call 9-1-1.
5. In the event medical assistance is necessary, stay with the individual until medics arrive.
6. If medical assistance is not necessary or after individual has been treated, call the Owner immediately.
7. Ensure that a detailed accident report is completed and comprise a list of witnesses.
8. Conduct the accident investigation. Below is a list of the information that should be gathered.

   • The cause of the accident, looking for an unsafe act or condition.
   • Personal factors that may have contributed to the incident.
   • Equipment, object, substance or individual causing injury.
   • Corrective actions that can be taken to prevent a similar incident (signs or visual...
While most injuries and medical needs are legitimate, such events have been staged for the purpose of lawsuits or to provide the opportunity for theft. Personnel should be aware of this and maintain proper observation of other guest activities during the emergency.

Personnel should never make statements indicating “fault” on the part of the store or store conditions.

Once you have compiled all of the above information, immediately contact the Owner or Corporate.
Inclement Weather

Concern: Most serious weather conditions are forecasted or predicted in advance. It is always recommended that you stay current with local weather conditions.

Implications: Inclement weather can cause significant business interruptions as well as the potential for personal injury.

General Guidelines

1. Plan and practice store evacuations.

2. Listen to local radio and television.

3. Ensure that the company complies with all local, state or federal emergency management and government directives.

4. If you are instructed to close the store or feel that our staff or you could be in serious danger, contact your District or Regional Manager as soon as possible.

5. If you are advised that inclement weather is approaching fast, it may be appropriate to stay in the mall/store. If so, contact mall management and the Owner to inform them of your decision.

Hurricane Watch - A hurricane watch is usually when there is a threat of hurricane conditions within 24-36 hours.

Warning - Is usually issued when hurricane condition (winds of 74 miles per hour or greater, or dangerously high water and rough seas) are expected in 24 hours or less.

• If closing due to weather, contact appropriate mall and the owner.

• Secure store, ensuring that alarm system (if applicable) is armed, exterior windows are protected and product is removed from outside windows.
Blizzard/Ice Storm

Winter Storm Watch – Be alert, a storm is likely

Winter Storm Warning – Take action, the storm is in or entering the area.

Blizzard Warning – Snow and strong winds combined will produce blinding snow, near zero visibility, deep drifts, and life-threatening wind chill – seek refuge.

• If closing due to weather, contact appropriate management.

• Secure store

• Ensure all associates have transportation, do not leave anyone behind.
**Power Outage**

Concern: The loss of electricity can result in several potential problems. A well-organized plan protects both people and products while providing a smooth transition through the situation.

Implications: Loss of electricity can result in injury to guests and staff. It can also result in the loss of product.

1. Have associates obtain emergency flashlights.
2. Post associate at exit.
3. Announce to guests, “Due to an electrical problem, we need to evacuate the store. All guests are asked to please exit the store until the problem is resolved.”
4. Assist guests to the exit.
5. Have all associates assemble at the storefront.
6. Store Manager/lead should “sweep” the store to assure all guests and associates have proceeded to the front.
7. Contact the Utility Company to determine the extent of problem and estimated time of outage.
8. Contact the Owner for further direction.
**Outside Inquiries**

**Concern:** This guideline was developed to assist you when a questionable inquiry is made regarding the store, staff or company.

**Implications:** In an effort to comply with all aspects of the law as well as ensuring that unauthorized individuals are not permitted access to our salon, the following procedure must be followed.

**State or Federal Regulatory Agency**

- Immediately ask for identification, ensuring the validity.
- Have the individual(s) wait in the common area of the salon
- Contact the Owner immediately.
- Wait for further instructions.

In the event that someone arrives during the evening or the owner cannot be contacted, inform them that you must receive approval from the corporate office. Then request the representatives name, agency and phone number and forward that information to the owner immediately for appropriate action.

**Police**

If the police are requesting information or access to our salon and it is related to an active investigation, only allow access with the approval of the Owner. The owner must approve all other requests, unless law enforcement has a warrant.

- **Media Inquiry**
- All media inquiries must be directed to the Owner.
- **Insurance**
- The Owner must approve insurance inspections or inquiries.
**Disorderly Conduct**

Disorderly conduct can come in many forms. The safety of stylist and guests is paramount. The guideline recommended here are for those situations where there is a physical threat to associates and/or guests, danger to store merchandise or a fear of violent escalation.

These guidelines are not intended for dealing with a disgruntled guest or associate, unless said individual is posing a threat to people or product in the store.

**Harassment**

1. If an individual is verbally or is physically harassing another in the store, politely ask that individual to leave.
2. If they refuse, contact police, explain the situation, and ask them to come to the store.
3. Contact the owner/manager with the details of the event.

**Fighting**

1. If a physical fight occurs, contact the police immediately.
2. Do not attempt to get involved.
3. When police arrive give a statement of the events.
4. Provide a list of any damage done to the store or merchandise during the fight.
5. Contact the Owner/Manager immediately following or if the police ask if the store wants to "press charges."

**Intoxication-guests**

1. Guests who enter the store who are obviously chemically impaired pose a hazard to
themselves and others. The store should discreetly contact police and ask that they come observe the individual.

2. If the guest becomes verbally loud, abusive, the store should politely ask them to leave.
3. If they refuse, refer the situation to police and afterwards contact the Owner/Manager.

**Physical Threats from Guest**

It is the practice and policy of SUPERCUTS to protect our associates from physical or verbal attacks from guests. Most situations can be defused by employing a calm and rational approach to disgruntled or emotionally upset guests. Associates should attempt to resolve issues by:

- Speaking in a calm and even tone with the guest – do not raise your voice or use profane or inflammatory language
- Listen to the guest and try when possible to address their compliant or issue
- Apologize for any inconvenience the guest may have suffered

In the event that these techniques do not resolve the issue or it appears that the guest is becoming or threatening to become physical, an associate should:

- Move a safe distance from the guest
- Politely ask the guest to leave the store and return when they calm down

If these techniques do not work, the associate should:

- Contact police and request immediate assistance with an aggressive guest
- If the guest makes physical contact, the associate should notify the police.
- Associates may defend themselves in the event of a physical attack, but should not initiate any physical contact with a guest.
• All incidents regardless of outcome should be reported to the Owner/Manager for further instructions.

**Inappropriate or Stalking Behavior**

SUPERCUTS takes a firm stand in protecting our associates from inappropriate or stalking behaviors by store visitors.

All incidents of inappropriate or sexual behavior should be reported immediately to mall security, the police and the Manager/Owner.

Stalking behavior, which includes but is not limited to:

• Continued visits or calls to the salon

• Observing an associate from inside or outside the salon on several occasions

• Following associates to and from the salon

• Having personal information about the associate

• Verbal or written comments that suggest a relationship between the perpetrator and the associate or unwanted statements that suggest an interest in having a relationship

• The associate should verbally state to the individual that they are not interested and request the individual leave them alone.

• All incidents should be reported to mall security/police and the associate should fill out a police report.

• All such issues should be reported to the owner for review

**Guest Complaint Escalation**

SUPERCUTS commitment to quality extends to the manner in which we treat our guest’s concerns. Our goal is to provide every guest with products that meet their needs and service that
exceeds their expectations, both during and after the sale.

Unfortunately, we may not hit this mark every time. Our mission is to view every guest complaint as an opportunity to create a positive, lifelong business relationship with that individual. In order to achieve this, we must be prepared to deal with a variety of guest concerns in a manner that assures respect and provides a positive experience for the consumer. The escalation procedure is designed to assist stores in handling complaints and to provide clear guidelines for expediting the process of guest satisfaction.

1. Listen to the guest. Do not argue or become defensive. Do not contradict their claims or concerns.

2. Remain professional and polite. Ask the guest what specifically they are unhappy with.

3. Repeat their complaint back to them to assure you understood why they are not satisfied. Always repeat it in the context that demonstrates their feelings not yours. For example, “Mrs. Jones do I understand correctly that you believe the quality of the service is not satisfactory?”

4. Demonstrate concern by acknowledging their complaint. Again this should be done in the context of their feelings while avoiding any admission of guilt. For example, “Mrs. Jones I am sorry that you were not satisfied.” Or, “Mrs. Jones I am sorry that you feel you were not treated properly.”

5. Offer to correct the issue (when possible). Do not immediately anticipate that the guest wants their money returned/does not want to pay for the service. If it is a guest service complaint, offer to personally attend to them on their next visit.

6. If it does not appear that these steps will satisfy the guest or if the guest asks for something beyond your authority, offer to have your “supervisor” contact them.

7. Do not offer to have the “Owner” contact them. This escalation may cause the guest to
believe that they should make greater claims. It may also make it difficult for a manager to resolve the issue if the guest believes there is a “higher authority.” Most importantly it may hinder the resolution of the complaint.

8. Take the caller’s name and contact number. If the guest refuses and wishes to call the Owner/Manager directly (fill in the directions).

9. Thank the guest and after they leave immediately contact your owner/manager and provide them with the information so that they are prepared for the call or to make the call.

If a guest jokes about, insinuates or directly states that they are going to sue, retain legal counsel or take us to court, it is imperative that you stop the conversation and forward all relevant information to your Owner/Manager.