

7-1-2018

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Recommended Citation

Tabor, John. (2018). In-transit cargo crime impacting the retail supply chain. *Journal of Transportation Management*, 29(1), 27-34. doi: 10.22237/jotm/1530446580

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IN-TRANSIT CARGO CRIME IMPACTING THE RETAIL SUPPLY CHAIN

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ABSTRACT

Surveys of retail security directors show that almost half of those polled had been the victims of a supply-chain disruption directly related to cargo theft. This is a significant increase from just five years ago. In order to fully understand the issue of cargo theft, retailers need to know why it exists, who is perpetrating it, how risk can be reduced, and ultimately how to react to a loss. This article explores a number of dimensions of the issue, and offers several suggestions for mitigating the risk and dealing with theft after it occurs.

INTRODUCTION

Surveys of retail security directors showed that almost half of those polled had been the victims of a supply-chain disruption directly related to cargo theft. This is a significant increase from just five years ago.

Envision the following scenario. You are at home around 8:15 at night watching television with your wife or kids when the phone rings. The caller is one of your regional loss prevention managers in the Southeast. He tells you that you just had a tractor load of high-end apparel worth \$2,000,000 stolen in Florida while parked at a truck stop. The driver had gone in to use the facilities, and when he came out ten minutes later his tractor and trailer were gone. While no one ever wants to receive a call like this, you can be prepared for it.

In order to fully understand the issue of cargo theft, you need to know why it exists, who is perpetrating it, how you can reduce your risk, and ultimately how to react to a loss. Good loss prevention programs involve some form of a “layered” approach. Based on the exposure, some, if not all, of the following countermeasures may be employed—surveillance cameras, alarms, locks, lighting, EAS, safes, employee awareness training, and others. Loss prevention professionals would be remiss in their duties if they did not explore all of these attributes to secure their stores.

That said, remember that virtually 100 percent of the merchandise in retail stores is delivered by truck. In many cases the only two preventative measures put in place to secure that same merchandise in transit is a key to the tractor and a seal on the rear doors. On any given night there are hundreds of thousands of loads of merchandise parked in unsecured locations around the country. This is a well-known fact to various criminal elements, from organized Cuban and Eastern European cargo-theft crews to local gangs like MS-13.

SCOPE OF THE PROBLEM AND IMPACT

Risk vs. Reward

The average value of a stolen shipment in-transit last year was \$137,716 according to CargoNet, a risk management service provider. Compare that figure to two other serious crimes—bank robbery, which according to FBI statistics nets roughly \$2,500 - \$4,000 per event, or a typical organized retail crime (ORC) that nets about \$8,000. There’s obviously a large disparity in the net profit out of each of these crimes. There is also a great disparity in the punishments if apprehended for each of these offenses.

Someone convicted of ORC can face up to three years imprisonment. A convicted bank robber typically receives a five- to ten-year prison sentence. An apprehended cargo thief, however,

routinely faces very minimal incarceration and, more often than not, receives some form of probation...yes, probation. One example is a career cargo criminal from South Florida who operated out of New Jersey. This Hispanic male was arrested nine times for full trailer-load thefts but spent less than two years in prison...total, for all of these offenses.

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

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

A Rising Trend

In the past five years cargo-theft crimes have risen over 50 percent and are still climbing, much of which is attributed to better reporting of these types of crimes by transportation companies and law enforcement alike. The annual losses attributed to these thefts are estimated in the billions of dollars. The disparity in attention attributed these numbers is tied directly to the common perception that these types of crimes are essentially "victimless."

The lack of formal reporting of cargo-theft incidents has also been a significant hindrance in getting any assistance from the government. In 2006 as part of the Patriot Act renewal, an amendment was added that designated cargo theft as a Part 1 crime that must be reported within the Uniform Crime Report (UCR) system. Unfortunately, as we sit here thirteen

years later, the FBI has still not completed the collection and dissemination processing of that data.

Although cargo theft occurs all over the country, there are higher than average concentrations centered in states that have major port activity, as many of these thieves desire access to as much freight as possible. It's important to understand that these criminals fall into two significantly different types. The first type of cargo thief is simply looking for the opportunity to steal virtually any load; while the second targets specific merchandise. Both illicit groups are professionals, yet they go about their trade using different methodologies. The opportunistic thief typically targets any loaded trailer left unattended in a relatively unsecure location. This could be a truck stop, mall parking lot, or even in or near your store or distribution center.

However, the thieves targeting specific merchandise operate quite differently. They will first decide, or be directed to, a particular desired product—a certain brand of cell phone, a particular pharmaceutical product, tobacco products, and so forth. They will conduct pre-trip research looking into locations of associated distribution centers within a specific geographic area. They will also look for proximity to interstate highway systems, the locations of law enforcement facilities and activity, as well as weigh stations. There have actually been times when these particular thieves have been caught with shopping lists, either on their person or in their vehicles. The lists describe specific items to steal, as well as where to find them. These same criminals have also been found with police scanners and other forms of cargo-theft tools.

The perpetrators will typically work in teams, conducting surveillance on both facilities and drivers to understand how those in the facility distribute shipments and how the drivers act when picking the loads up. Sometimes the thieves will hit drivers on the road, following them in multiple surveillance vehicles and trailed by another tractor. The tractor will be utilized as a substitute once the rig has been stolen. This type of surveillance sometimes lasts for hundreds of miles, or until the driver needs to make

a stop. Once the driver leaves the tractor-trailer unattended, it typically takes the thieves less than one minute to break into the locked cab, hotwire the unit, and subsequently drive off with the load.

In these scenarios the thieves look to get rid of the original tractor as soon as possible, substituting it for the one they brought along. The original tractor is almost always recovered a few miles from the original theft location. All of this is done to better disguise the two-part unit as the getaway is being made, but also to attempt to evade any GPS tracking on the original tractor. The thieves may do something similar with the trailer, also attempting to see if GPS tracking technology is being used to locate it. In many instances they'll take the trailer to a remote location, place it under surveillance for several hours, and wait to see if someone comes for it. If no one does, their natural assumption is that there isn't any tracking technology either attached to the trailer or buried inside the shipment.

If the plan involves the burglary of a facility, as opposed to an in-transit theft, once the target location has been selected, a team of specialized criminals will attack it. Each member of the team will have a specialized talent, such as picking locks and defeating alarms and CCTV. They will have team members trained on operating material-handling equipment as well as general laborers to load the stolen goods.

Leakage and Fictitious Pickups

Two other forms of theft have become much more common in recent years—"leakage" and "fictitious pickups." Leakage occurs when a thief, which could even be one of your own employees, gains access to the contents of a trailer without your knowing about it. There are countless methods for gaining access to a trailer's contents and still making it appear as if the trailer doors were never opened after being closed for delivery. The easiest is simply to break the seal on a trailer. More complicated, but not by much, is to bypass the seal. In bypassing a seal, thieves have been known to remove rivets on

the locking hardware so that the handle assembly essentially remains intact and sealed, but no longer engaged as the entire assembly is removed. Thieves can also remove the trailer doors altogether, again maintaining seal integrity, but affording access to the trailer's contents.

One of the most prevalent forms of theft, the fictitious pickup, is growing in popularity because in many instances it is unusually simple to execute. Would-be thieves target a load they are interested in via any of the thousands of electronic "load boards" used by the shipping industry to advertise loads available for tender. Once the thieves select a load for theft, they begin the process of illicitly obtaining the identity of a real certified carrier. These thieves will use disposable cellphones, create bogus email addresses, fabricate insurance paperwork, and ultimately represent themselves as the legitimate carrier. The unsuspecting victim assigns them a pickup time and location to obtain the shipment. All the thief then needs do is show up. The load is given directly to them. Only after the delivery has failed to reach the intended customer does the theft become realized. These are typically Friday pick-ups that are not scheduled to be delivered until Monday or Tuesday, thus giving the thieves a 48 to 72 hour head start before anyone realizes the load has been stolen.

Impacts of a Cargo Loss

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

- **Cost of Replenishment**—A trailer load that is stolen and can't be delivered must be replaced rapidly. The costs associated with this, together with re-picking orders, transportation, and staffing costs, all affect bottom-line profits.
- **Customer Retention**—Losing an existing customer because product they desired has been stolen in-transit or in-storage can be even more damaging to a retail operation.

- **New Customers**—We essentially live in a society that demands immediate satisfaction. If you do not have an item in stock because it’s been stolen from you, that customer will likely not wait for you to replenish your inventory. They will simply shop somewhere else.
- **Lost Sales**—Often these stolen products are reintroduced back into a secondary, albeit, “grey market,” supply chain, which erodes the chance for that same sale in your store.
- **Fraudulent Refunds**—Stolen merchandise often reappears in local stores in the form of fraudulent refunds that drag down same-store sales numbers.
- **Increased Insurance Premiums**—The cost to insure your goods in-transit will obviously be passed on to customers. These higher insurance premiums will make a retailer less competitive on sheer price point.
- **Lost Margin**—The difference between the cost of the item and the retail value is not recovered by most insurance programs as

they usually are designed to protect the shipper at cost.

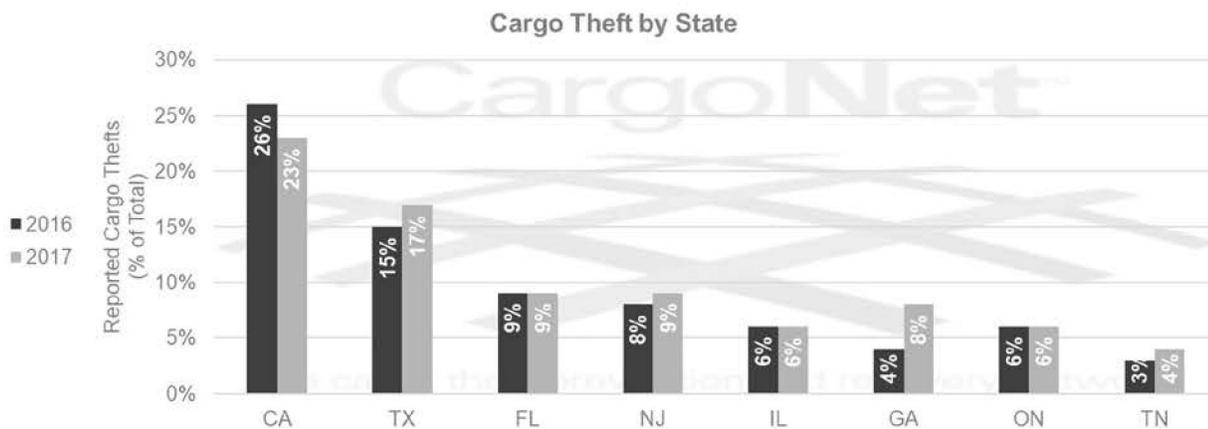
- **Loss of Brand Reputation**—Once you are identified as an easy target, it is difficult to rebrand yourself, and you may begin the downward spiral where, not only does the bad guy see you as an easy target, but your brand begins to be marginalized among your consumer base.

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

MITIGATING PROGRAMS

The thieves don’t always have to win. There are several security layers that can be added into a supply chain to significantly reduce risk and, hence, your exposure to loss. One of the first things to understand is what your exposure to theft actually is. For instance, in what areas of the country do you operate? There are several cargo theft “hot spots” in the United States that include certain areas within the states of California, Texas, Georgia, Florida,

**FIGURE 1
CARGO THEFT BY STATE**



Year	Sum	Average
2016	\$116,996,809.00	\$201,719
2017	\$81,595,769.00	\$167,893

Tennessee, Illinois, and New Jersey (see the graph above). If you move or store goods in any of these states, you have a much higher probability of becoming a victim of a cargo theft as opposed to other states in the country.

Do you control the delivery of your merchandise with an in-house proprietary trucking fleet? Many retailers are moving away from maintaining their own transportation to focus more on their core business of retailing. Those that do maintain their own fleets, however, have a distinct advantage; from screening and hiring their own drivers; to making investments in security devices to add to their fleet of tractors and trailers; to establishing proprietary in-transit policies and procedures that your specific drivers use while transporting shipments.

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

- Requiring stringent background checks for all drivers and anyone who has visibility of your critical shipment information.
- Producing policy-and-procedure manuals that include security requirements and can be randomly audited.
- Maintaining excellent DOT compliance records to ensure load confirmation is sent to the actual carrier retained to provide the service.
- Requiring drivers to produce a valid driver license and vehicle registration, upon demand, before any shipment loading can take place.
- Making drivers aware of, and signing off on, your specific security requirements on each individual trip.
- Ensuring that drivers know how to contact you in any emergency.

- Obtaining drivers' contact information so that you can readily reach them at any time during a shipment trip.
- Having drivers arrive with a fully fueled vehicle to minimize the number of stops necessary to make a delivery.
- Ensuring drivers route themselves directly to the point of delivery, as safely and efficiently as possible within lawful bounds and with a minimum number of stops.
- Requiring that there are no stops made within the first 200 miles of a delivery trip.
- Installing GPS tracking technology on both tractors and trailers.
- Instructing drivers to lock any unattended tractor-trailer with the engine turned off.
- Suggesting that trailers should be parked with their rear doors against a fixed object to prevent them from being opened whenever possible.
- Ensuring that loaded trailers are secured with a sufficient locking device at all times. If a loaded trailer must be "dropped," some form of approved locking device such as a king pin, glad handle, or landing gear lock should be deployed.
- Giving store security the right to inspect the driver's tractor and trailer for stolen merchandise before the driver leaves.
- Ensuring that name of pickup carrier is provided by broker and is reflected on equipment at time of tender.

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

Other Areas of Opportunity

It is important that you work with your distribution and store operations group to fully understand delivery schedules. It is noteworthy that thieves

prefer to steal loads on Fridays, Saturdays, Sundays, and holidays, when drivers are often forced to leave loads unattended for long periods of time while they await delivery appointments. Thieves also use these weekend periods to steal shipments in the hope of delayed detection. Therefore, shipping Monday through Thursdays, with a contemporaneous delivery before the weekend period greatly reduces a retailer's chance of being targeted by a cargo thief.

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

GPS Technology

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

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

The accuracy of current GPS units is now at all-time highs—to within a hundred feet—which aids

locating a stolen shipment fairly rapidly. As stated above in contractual best practices, if you have a transportation provider that does not offer GPS tracking of its tractors and trailers, you should definitely mandate it. It not only serves in the recovery of full trailer-load thefts, it also helps to identify potential acts of pilfering. Finally, it's invaluable in tracking driver behavior as well.

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

Portable GPS tracking devices are now routinely used by retailers to ensure that their service providers are following proper procedures and to add an additional layer of security in the event of a theft. Some of these units are so small they can fit inside a 100-count pill bottle and are easily rechargeable. The progress of shipments containing these devices can easily be monitored on a computer, tablet, or smartphone. Automatic alerts can also be configured for any of these devices if there is ever an unscheduled deviation from designated route.

CHANGING OF THE TIMES

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

Over many years in this profession, I've had the opportunity to speak on this topic at loss prevention, logistics, and law enforcement conferences. I try never to miss an opportunity to

meet with law enforcement entities who may someday be working a case when one of my trailers turns out to be missing.

The states noted earlier that have significant cargo-theft activity typically have their own dedicated law enforcement team of seasoned cargo-theft detectives and taskforces. These teams typically know who is operating in their areas, where the merchandise may be headed, and who to contact to assist in making a recovery. It is imperative that you or someone within your organization know and remain in perpetual contact with these important law enforcement entities.

Most important is to maintain cell phone contact numbers with these men and women. Why? As previously stated, many of these thefts occur after business hours—at night or on a weekend—and you want to be able to reach out directly to the most seasoned cargo-theft investigators as possible.

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

Kurt Duesterdick, chairman of the Eastern Region Transportation Security Council (ERTSC) explains:

“The ERTSC is one of the oldest, if not the first transportation security council in the U.S. It was started in the late ’80s by a number of former members of law enforcement who had transitioned to transportation-security managers. These individuals discovered that they were all experiencing the same types of problems, yet had no way of sharing information. They made inquiries to one another and found there was a need to help one another out, as

they all trying to safeguard the business of their respective companies.”

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

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

THE REST OF THE STORY

Now to finish the story from the beginning of this article. The case was not hypothetical. I had just received a call that we have lost a \$2,000,000-plus load of clothing. The driver claimed to have locked the tractor and had the truck keys in his possession. We immediately checked the tractor’s GPS unit, which indicated the truck was stationary approximately a mile and a half off the highway. I

called the local police who responded to find the tractor abandoned.

We then pulled up the GPS tracking data on the trailer, and it last showed the conveyance was only a few more miles further down the road. Law enforcement was sent to that location, but essentially found nothing.

We then contacted the customer's supply-chain security department and learned they had embedded a portable GPS device inside the shipment. Their GPS data supplier was able to call me with the last known location of that portable device. I notified a contact I had developed over the years with the Florida Highway Patrol. That officer dispatched several of his men to that last known

location, and within 45 minutes a full recovery was made of the stolen shipment.

This is a textbook case on how collaboration between a retailer, a transportation provider, and law enforcement led to a multimillion-dollar recovery.

While in-transit cargo theft is a significant issue, as industry professionals we are fortunate that the tools are there for us to combat this problem and significantly reduce our organization's potential for loss.

(Footnotes)

¹ This article has been updated from its original publication in Loss Prevention Magazine.

BIOGRAPHY

John Tabor is Senior Vice President of Supply Chain for National Retail Systems, Inc. National Retail Systems is the parent company of four unique operating entities that consolidate and deliver freight for many of the country's leading retailers and product manufacturers. In his role he has oversight of operations, loss prevention and safety for 30 facilities, 2500 employees 1000 trucks and 6000 trailers across the country. John also serves as President of 7Psolutions. 7P provides Global Visual Management to biopharma, high-value, high-theft risk cargoes around the world. Their technology is used to manage the critical importance of providing climate control and security monitoring and management for cargo, all while maintaining stringent regulatory compliance. John is a Board member of the Transported Asset Protection Association, Transportation Loss Prevention and Security Association and the National Cargo Security Council. John conducts regular training classes with Miami Dade PD, Memphis PD and the Illinois State PD and various industry associations on supply chain security best practices and conducting proper cargo theft investigations.