

## Surveillance Methods of Reducing Pilferage Problems in Foodservice Operation

Wan Nazriah Wan Nawawi, Antinjuleeyana Ishak, Norazilah Musa, Malina Hanum Mohd Kamal,  
Wan Nor Bayah Wan Kamarudin, Amanina Mat Ghani

Faculty of Hotel and Tourism Management  
University Teknologi MARA (Terengganu), 23000 Dungun, Terengganu, Malaysia

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### ABSTRACT

Foodservice operation could not escape from the occurrence of theft committed by workers at work known as pilferage problems. Nowadays, pilferage becomes one of the issues that is affecting in the foodservice establishment. One of the methods that can help to reduce pilferage problem is through surveillance. Therefore, the objectives of this study are to identify the effectiveness of surveillance methods in reducing pilferage problem in foodservice operation and to identify the most effective method of surveillance whether through Closed-Circuit Television (CCTV), supervision or perpetual inventory. In the discussion of this study, the researchers believe that CCTV is the most effective method of surveillance that can help to reduce pilferage problem in foodservice operation. This study perhaps could help the industry to choose the most effective method of surveillance for their inventory and cash-flow than reducing the employee theft. In addition, this study will create awareness among the students regarding the pilferage problems that happened in the foodservice operation.

**KEYWORDS:** Pilferage, Surveillance, Perpetual Inventory, Supervision, Foodservice Operation.

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### INTRODUCTION

Foodservice operations provide full environment opportunities for which employees to take advantage in stealing or pilferage business profits [8]. These can be seen where employee theft usually has typically cash-intensive, have high rates of labor turnover, inexperienced supervisors and deal in a commodity that is not traceable. According to the U.S. National Restaurant Association, almost 4% of all revenues are lost due to in-house theft. As supported in study of [19], employee theft contributes as the largest contributors to business losses.

Nowadays, pilferage becomes one of the issues that are affecting the foodservice establishment. One of the methods that can help to reduce pilferage problem is through surveillance. According to Advanced English Dictionary, surveillance is defined as “a close watch keeps on a person, especially someone suspected of criminal activities”. This means, surveillance is the continuous monitoring of an individual under supervision. In the food service industry, the employee theft frequently occurred and it gives bad effect to this industry [8]. So, the surveillance is very important in order to reduce employee theft and it can be done using the technology or by humans.

In this study, surveillance is divided into two methods which are surveillance through a technology installation of Close-Circuit Television (CCTV) and the supervision by management. According to [6], CCTV is only a tool, but not as something that can solve the problems. A surveillance camera can operate non-stop, without a time limit which do not have holidays, leave or sick [4]. Supervision is another factor that can be used as a tool in the surveillance. Supervision is for people who work with people that can reflect with the practice. This is based on the assumption which reflects the work review to do it better and creatively [1, 9, 13]. Supervision is an experiential learning that reflects with the action which gives influence from the past to the future. According to [2], supervision will lead to the communities of practice automatically through the action that comprises learning of individuals which working together to help each other in providing better service. Thus, this team of supervision also can become a learning community and a network in learning to the development of work [20].

### PROBLEM STATEMENT

In [12] found that about 95% of all business involve in employee theft shows that, food service sector also includes in this statistic of employee theft. Employee theft is one of the caused in the pilferage problem. In a foodservice industry, employee theft is the most often criminal that occurred. Employees have the greatest chance to steal because they can access to the assets and they know very well with the operation of the restaurant [8]. There are some factors that the employees are stealing which include the lack of supervision and motivation

that make workers feel underpaid [3]. The factor lack of motivation that can cause pilferage problem include the workers feel they are underpaid when they are doing too much work and they also feel mistreated by the owners or the members of the management [10].

Other than that, younger workers are also seemed to contribute to the pilferage problem because of the low morale and ethical standards [8]. According to [18], there are many different tactics taken by an employee concerning theft, such as the free food items will pass along to friends and family or the items tossed out with the trash. Besides that, the employees also will steal raw food, packaged or canned items finish meals [19]. According to [16], employee theft contributes to 42.7%. The cost involves with employee theft in the restaurant industry are estimated \$3 to \$6 billion [5]. Usually, there are two types of employee theft, which are “shrinkage” that is less inventory and “larceny” that is the loss of cash or merchandise [8]. Employee theft can occur in any industry. In the United States, the Checkpoint Systems' website reported that 1.5 percent of shrinkage occurs in any business in the 2012. According to [17], the total of the larceny or theft is about 6327 cases. These two types of employee theft show a big statistic and if this crime is not being controlled, it will cause more loss to the organization that involved.

According to [14], the employee theft account about 75% of the restaurant's items loss, same value with the loss of over 3% of annual sales. This will give the chance to employees, which can take advantage to steal the business profit because the restaurant itself gives the opportunities to steal. There are many different ways that can be categorized for the employee theft. According to [7], there are three categories different act of theft, which is personal property deviance, altruistic property deviance and lastly, production deviance. For the act of taking money, items, equipment or supplies for personal use, it is called as personal property deviance. For the altruistic property deviance, the employee theft will give away company property or assets to their friends or family at no charge or at the discounted rate. Lastly, for the production deviance, it refers to the loss of time and productivity in the workplace. Thus, the objectives of this study are to identify the effectiveness of surveillance methods in reducing pilferage problem in foodservice operation and to identify the effective method of surveillance whether through CCTV, supervision or perpetual inventory that can help to reduce pilferage problem.

## DISCUSSION

Based from the first research objective, the study proposed to identify the effectiveness of surveillance methods in reducing pilferage problem in foodservice operation. From reviewing of the past studies, CCTV, inventory control and supervisions were the methods that being used in reducing pilferage problem. In other sectors, they are also using these surveillance methods in order to control the problems that related to pilferage problem and their employees. The increase of foodservice sectors will require a high turnover of employees. The impact of this data, the owner tries to find the solution to overcome this problem.

In the foodservice industry, most of the owners only focus to place the CCTV only in certain area for examples, at the counter for payment and the entrance of the store. The implementation of CCTV only can be installed at the certain important place only due to the high cost if the implementation. Although the installation of CCTV needs a higher cost, the owners still take into consideration to install the CCTV in the workplace to prevent any problems and damages occurred. Based on the previous research, after the installation of the CCTV at the counter, it shows that the revenue of the restaurant had increased. The employees feel that they are always being monitored throughout when doing the work, so, they are afraid to do pilferage problems. According to [11], about 7% of the sales revenue in the restaurant had increased after the installation of the CCTV.

The usage of the CCTV can also be applied in the storage area. The installations of the CCTV usually were installed at the entrance of the storage room to control in and out of the stocks and to prevent the pilferage problems from occurring among the employees. The installation of this CCTV that include with the signage shows that the CCTV is being operated and from this signage, it will notify the employees that they are being observed by the CCTV. Thus, the researchers believe that CCTV is one of the effective surveillance methods in reducing pilferage problem in foodservice operation.

Supervision is where the managers will review and looks around of their area to do it better [2]. The supervision is also important in the storage area whereby it is to control the quantity of the inventory. The implementation of supervision in the storage area is cheaper than the installation of the CCTV. The organization just needs to hire employees to monitor the operation of the workplace and pay according to its salary. The method of supervision also helps the manager to identify the behavior of the employees in doing the job given and then, the manager will encourage them by giving some motivation to work well. For the negative side of this situation, the surveillance by supervision cannot be done for 24 hour operation because the supervisor only does the job only during working hour. More than that, the behaviors of the supervisor can be changed and sometimes, they can also do the pilferage problems. Due to the pilferage problem done by the supervisor, the organization may bear the high cost of lost from the pilferage problem.

From the view of supervision method, the supervisor of the department can manage their employees by monitoring to see whether their employees are doing their work or not. However, supervision method has some pros and cons. The pros of the supervision are supervisor can help to change the behavior of their employees to

be more motivated in doing the job, where the supervision that done by the manager is at a near distance. By motivating the employees, they can work well to achieve the target sales of the restaurants. For the cons of supervision, the employees feel less confident to perform their job because they are afraid and always feel that they are being monitored at a close distance by their leader. This situation will make the employees feel the manager do not trust them in doing the work. Thus, the researchers believe that supervision is less effective as surveillance methods in reducing pilferage problem in foodservice operation.

The perpetual inventory system is used because it records the items in the store. It is different within a physical inventory which only records the items that is being on the shelves. Perpetual inventory systems are also using human as the controller to control in and out inventory in the storage area. There are manual system and also based on computer. All of these systems will help the supervisor to do work more accurate and inventory is easier to control. This system also will make their work in a very systematic way and inefficient way in which close monitoring is involved through the perpetual inventory system that can prevent food spoilage from progressing uncontrolled in the storage. The perpetual inventory system usually will be used for expensive menu items such as meat, fish, specialty foods, shellfish and expensive spices because it tells that these items are being watched so, the employees cannot do the pilferage problems. There will be some problems if once the system is broken down, they will face difficulties in doing their job. The system that they have done through computer system will need them to do manually. This will make their work become late and can cause more delay in work if it is done properly. Thus, the researchers believe that perpetual inventory may effective as surveillance methods in reducing pilferage problem in foodservice operation when all employees cooperate and honest in doing the inventory record.

The second objective is to identify the most effective method of surveillance, whether through CCTV, inventory control or supervision that can help to reduce pilferage problem in foodservice operation. The researchers agree that the most effective method of surveillance which is CCTV, the employees would think twice before do the pilferage problem [12] where they feel that they are being watched. As the result, they are afraid to do pilferage problem whereby it will affect their job performance by showing the negative behavior of the top level management. Too much money in the cash register also can give a chance for employees to steal. So, the owner of the restaurants can control this situation by keeping the low money change in the drawers only a small amount of cash. From this situation, it will reduce the employee theft to take the risk of getting caught and going to jail.

In the retail industry, the implementation of CCTV also has been widely used. By using the CCTV, the decreasing of shrinkage in retail has been reduced about 7% since 1993 until 2000. After that, each year, the declining is about 2% until now. Declining of pilferage problem due to technology that has been implemented is CCTV. In the UK, the use of video surveillance in retail sector has been accepted widely. About 91% retailers agreed to use video surveillance as the purpose of security and also to monitor their workers' behavior.

The implementation of CCTV can reduce the theft among customers and also give the security to the customers. There are two types of CCTV that are analogue CCTV and also network video. The retailers nowadays more believe with the sophisticated of the network video. This is because by using the network video, they can get better image, better in storage matter and also reducing in technical problems. By using the network CCTV, the retailers can get better evidence if there is having theft at their store. Although the price of CCTV is expensive but, for retailers is worthy to invest in this device because the result after the implementing of CCTV is very good. Other than that, the retailers also can save in terms of power consumption, reduce cabling and many more.

In the foodservice industry, after the installing of CCTV, managers are able to monitor and track all the transaction being made and also managers can detect the suspicious patterns by their employee [11]. As the result of installing the CCTV, the revenue per restaurant in the U.S. has increased about 7% [15]. The installation of CCTV has given an impact to the employees where knowing that they are being watched, they are not able to do pilferage problems and they will change their behavior to put more effort in raising the revenues of the restaurant. The implementation of this CCTV can ensure the security of the workers and ensure the effectiveness of their workers while doing their work. The employer can do other works after the implementation of CCTV. They do not have to be on their premises all the time and it can save time of the employer. Thus, the researchers believe that CCTV is the most effective method of surveillance that can help to reduce pilferage problems in foodservice operation.

## CONCLUSION

In conclusion, this research paper is based on the secondary data which involved gaining the data from the previous study by the other researcher. This study consists of three methods used in surveillance to reduce the pilferage problem which is the usage of CCTV, inventory control and supervision. From this research, the suitable method can be used to reduce the pilferage problems is the implementations of CCTV in the foodservice industry. This method of CCTV has been chosen because of the effectiveness in the implementation of CCTV can be seen through the increasing of revenue of the restaurants and make the employees to work harder [15].

This study perhaps could help all the managers of the foodservice industry can use this research as the guideline in managing their establishments. Nowadays, the foodservice industries are facing rapid growth and this will lead the organizations to hire many employees. From this situation, there are many problems occurred including pilferage problems as the biggest problems in the foodservice industry which affect 4% of food cost loss [14]. The managers can use this study to keep secure in their establishments and property from being stolen by the staff. The managers also need to be more cautious with the important area such as storage area and the counter of payments in the restaurants because it will affect the gross profits of the restaurants itself. From the academic perspective, this implication of this study will improve and increase the awareness of students that the existing of this problem in the foodservice industry. The academicians can also use this research in solving the problems in any case studies related to the foodservice industry.

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