

COSTCO THEFT PREVENTION REPORT

David Cheung

Angela Ignacio
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**COSTCO VANCOUVER'S THEFT PREVENTION: AN ANALYSIS OF
CURRENT PROCEDURE AND RECOMMENDATIONS**

LETTER OF TRANSMITTAL

David Cheung

Member Service Assistant

Ms. Angela Ignacio

Assistant Manager

Costco Wholesale

Vancouver, BC

Dear Ms. Ignacio

I am submitting this report titled "COSTCO THEFT PREVENTION REPORT".

The purpose of this report is to examine and improve upon existing theft prevention measures at Costco Vancouver regarding the police at the door and flatbeds.

Clearly these issues need to be addressed. Should you have any questions about this report or its contents, feel free to ask me in person or via email at dbhcheung@gmail.com

Sincerely,

David Cheung

Enclosure: COSTCO THEFT PREVENTION REPORT

ABSTRACT

This report examines the causes of the loss of goods and flatbeds from theft at Costco Vancouver, and proposes possible solutions for preventing losses on Costco Vancouver Property.

INTRODUCTION

Location and Layout

Costco Vancouver, a warehouse owned and operated by Costco Wholesale, is unique in its location and layout. Unlike most other Costco warehouses in Canada, Costco Vancouver is located in a downtown core (Warehouses By Province). What sets Costco Vancouver's location apart from those of other Costco warehouses are the stadiums located across the street. Directly across Expo Boulevard, the street running in front of Costco Vancouver, is Rogers Arena, a stadium that hosts NHL hockey games and concerts as well as other major events.

Griffiths Way separates Rogers Arena from BC Place, another stadium that hosts major league sporting events and other major events. Costco Vancouver is well serviced by public transit with Stadium Chinatown Skytrain Station being located next door. Because of its location, Costco Vancouver services diverse neighborhoods ranging from Yaletown to the Vancouver downtown eastside.

Whereas other warehouses in Canada which are surrounded by vast above ground parking lots, most of Costco Vancouver's parking is located in a multi-level underground parking lot. A loading zone is located beside the food court across from Stadium Chinatown Skytrain Station. More parking is available along Expo Boulevard. The pedestrian entrance to the underground parking lot blocks sight of part of the road side parking to employees (see figure 1).



Figure 1. The pedestrian entrance to the underground parking lot (Cheung).



Figure 2. Buggies abandoned on Expo Boulevard beyond the sight of employees (Cheung).

Costco Vancouver is the only Costco warehouse in Canada where the general public can access the food court. Because of this, the clientele buying a famously inexpensive Costco hotdog at Costco Vancouver is diverse. Since the start of the pandemic, the Costco Vancouver food court no longer accepts cash as a form of payment. The customers of the food court lack access to a restroom unless they are members.

With the exception of accessing the pharmacy or optometrist, a prospective customer needs to purchase a membership from the membership desk (see figure 3) for roughly 63 Canadian dollars to enter the store. Going through the entrance door, a customer can see the pharmacy in the far

back of the store although it is obstructed by columns and shelving. To the left of the entrance door is the aisle leading to the optometrist's office.

Upon obtaining a membership, a member is free to enter the store and shop for goods ranging from flat screen TVs to cat litter. When a member leaves Costco, a member services employee checks the member for purchases, and for mistakes on the member's receipt at the exit door. For moving larger goods, such as a refrigerator, a member can use a cart with a low profile called a flatbed. Members who park their vehicles next to Expo Boulevard often leave their flatbeds along the sidewalk when they leave. Unlike regular shopping carts, the wheels of a flatbed do not lock if pushed beyond a certain point.

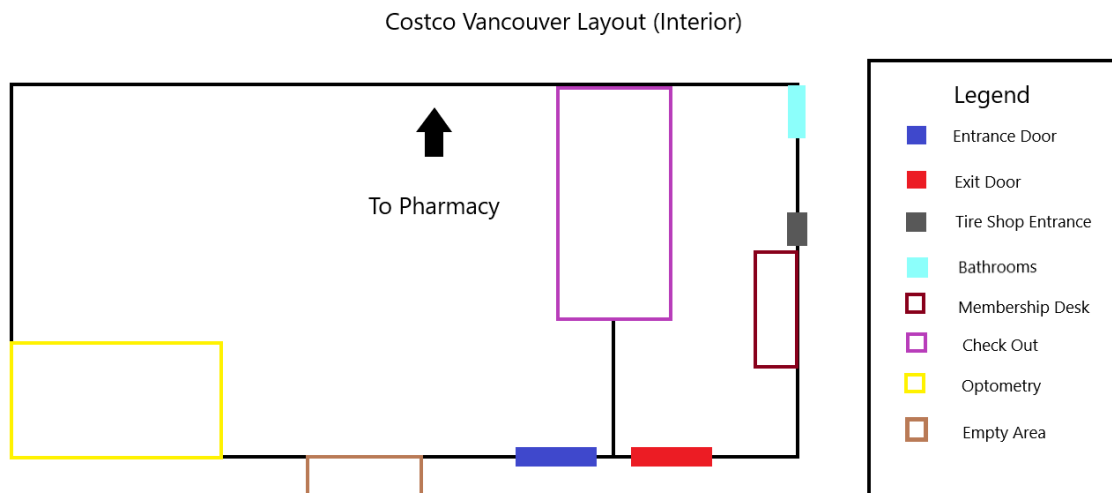


Figure 3. Relevant parts of the interior of Costco Vancouver (Cheung).

Relevant Parts of the Costco Code of Ethics and Statement of Problem

According to the Costco Employee Agreement:

- Costco employees are expected to take care of our members through:
 - creating a pleasant shopping environment for our members
 - providing the best customer service possible (*Employee Agreement, 6*)
- Costco employees are also to reward shareholders through:
 - helping improve Costco Wholesale's bottom line (*Employee Agreement, 8*).

Due to Costco Vancouver's proximity to a Skytrain station and the Downtown Eastside, thieves target the store due to the ability to move stolen goods quickly. Non-members often enter the store using the loophole of accessing the pharmacy or optometrist. Non-members also attempt to enter Costco with the excuse of using the bathroom, which is not public, or claim to be entering the building to get a membership, only to run past the desk, or bathroom to enter the area where merchandize is located. People often try to enter the store to pay for food court products with cash.

Non-members also tend to sneaking in through the exit door with members or they attempt to do so via following members through the entrance door. This happens most often when there is an event across the street in one of the stadiums or during weekends when there is a higher volume of members in the building. Preventing non-members from entering the store will improve Costco's bottom line through preventing loses of merchandize.

The figure above does not include the amount incurred from the theft of flatbeds (each flatbed costs about 500 dollars). As laid out in the employee contract, Costco employees are to provide excellent service to our members and to reward Costco shareholders. The theft of flatbeds results in the inability to meet either goal via the cost incurred to Costco shareholders and the inconvenience incurred on Costco members.

Purpose and Methods

This report seeks to examine:

- Current anti-theft techniques and their effectiveness
- Methods of improving anti-theft measures

Five members of the Costco Vancouver staff in departments relevant to the topic at hand responded to a short survey analyzing the effectiveness of Costco's current procedure to prevent theft as well as give input on how current measures to prevent thief at Costco could be improved.

Secondary sources used in this report include the Costco website and the Costco employee contract.

Scope

This report covers two overarching topics regarding to theft prevention at Costco Vancouver: how non-members attempt to enter the store and the removal of flatbeds from Costco Vancouver's property. This report will address problems resulting from Costco Vancouver being the only warehouse located in an urban downtown core in Canada. Due to Costco Vancouver's unique layout, the findings of this report cannot be applied to other Costco warehouses. Although loopholes that create an opportunity to enter Costco Vancouver without a membership, they are loopholes that can only be closed by Costco corporate office in Issaquah, Washington.

DATA SECTION

Survey Results

Q1 - Are the current procedures for theft prevention within the building satisfactory?

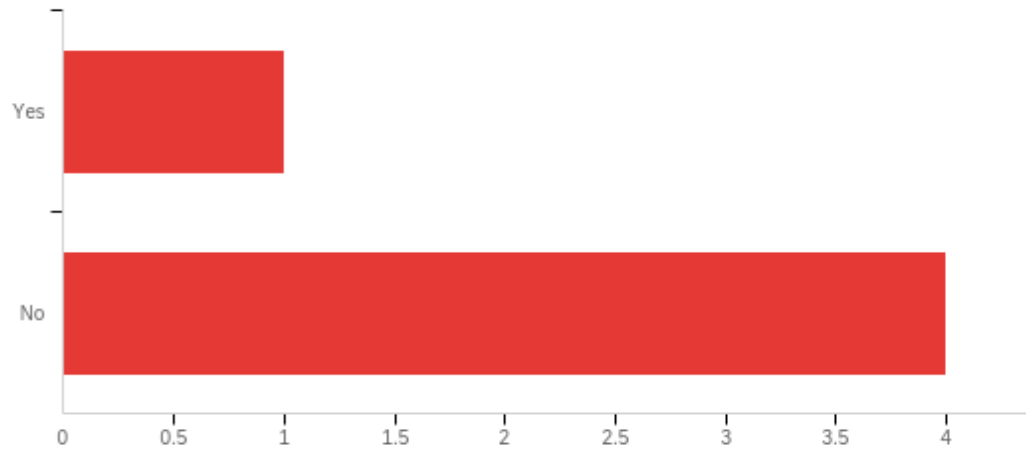


Figure 4. Four of five respondents think theft prevention procedures can be improved (Cheung).

Q 2- What is the reaction of members when flatbeds are unavailable?

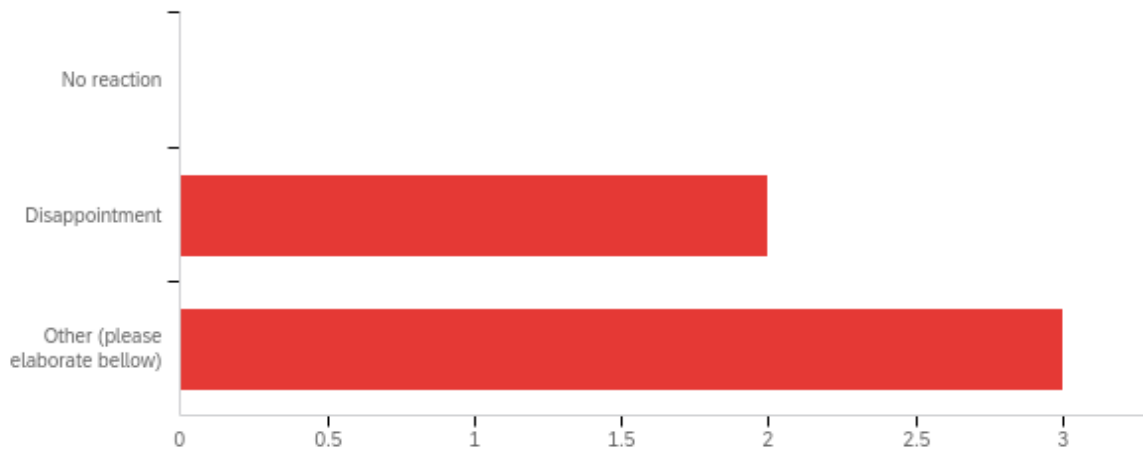


Figure 5. Three out of five respondents say that members had a negative reaction from flatbeds being unavailable (Cheung).

Q5 - On average, finding a flatbed in the parking lot takes:

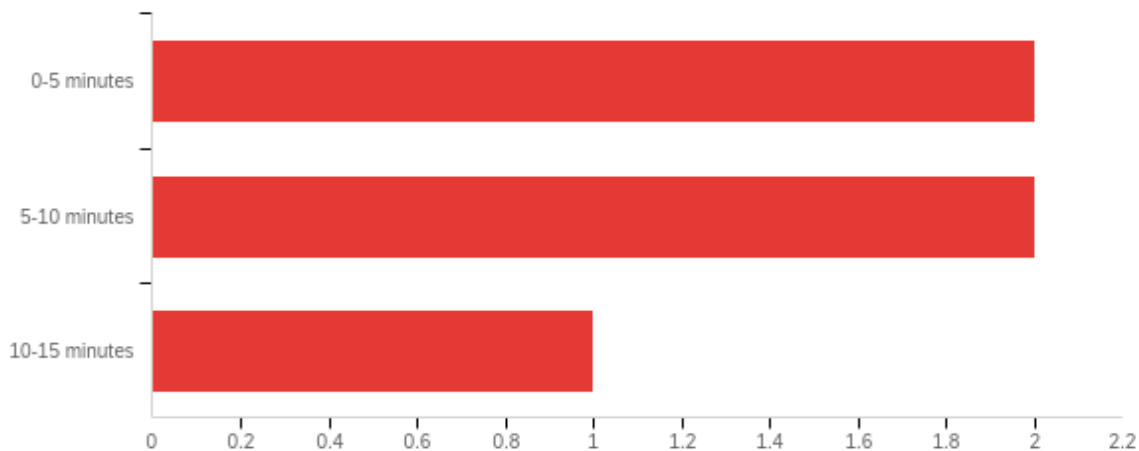


Figure 6. The longer it takes to find a flatbed, the fewer Costco Vancouver has available for member use (Cheung).

Q6 - Have flatbeds been located beyond the property of Costco Vancouver?

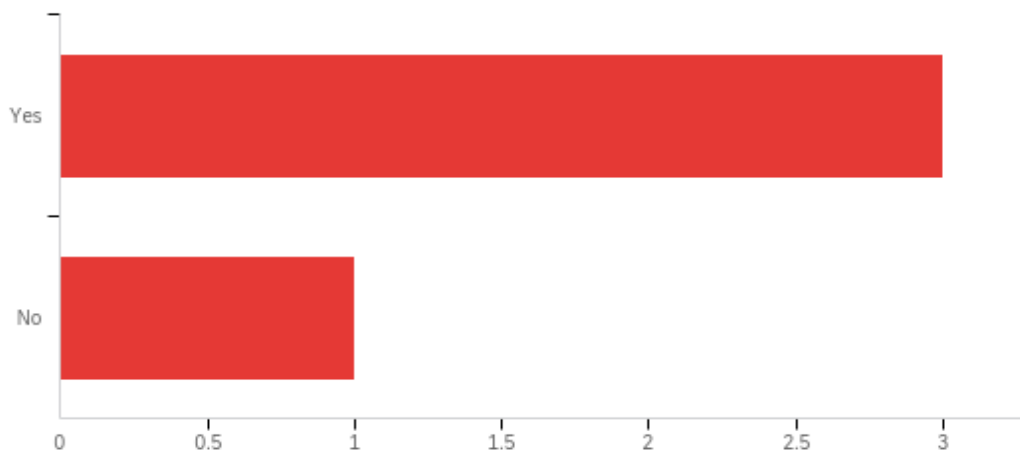


Figure 7. Four of five respondents state that flatbeds have been located beyond Costco Vancouver property with most responding that most of these are in the Vancouver downtown eastside (Cheung).

Current procedure at the door and measures to prevent theft

Currently, staff posted to the entrance door:

- Check memberships
- Allow non-members to access the pharmacy or optometry
 - Prevent non-members access if they are not accessing the pharmacy or optometry
- Prevent unpaid items from exiting the store via the entrance door
- Report suspicious behavior to the relevant authorities.

Currently, staff posted to the exit door:

- Check receipts for discrepancies
 - Report discrepancies to relevant authorities to be corrected
 - Prevent people from walking out of the store with unpaid merchandise
- Check bags for any Costco merchandise (Membership Conditions & Regulations, and Privacy Policy)
- Allow members through the exit door
 - Direct members to their desired destination
- Direct non-members to the membership counter
 - Prevent non-members from venturing further than the membership counter
 - Report any non-members who walk past the membership counter
 - The exception to this being for children, accompanied by their parents, needing to use the bathroom and the handicapped

Although the current system works with customer volumes of 700-800 people per hour, it becomes more difficult to implement as the number of people entering the store increases beyond

the number above(Figure 4). This is especially true when there is an event at one or both of the stadiums across the street during the weekend. This situation affects the staff members posted at the exit door because of the difficulty of trying to check the memberships of all the people entering the store while checking for discrepancies on receipts.

Flatbeds

Difference between Flatbeds and Shopping Carts

Although this report focuses on the thief of flatbeds as being the problem that needs to be addressed when it comes to thief outside the building, thieves also target shopping carts. The loss of flatbeds is more pronounced because there are many more shopping carts than there are flatbeds. It also takes time for thieves to make Costco shopping carts usable outside of Costco property, giving time for employees to uncover the attempted theft.

At the moment there are ten flatbeds available out of sixty a year prior. It takes about half a year for a new shipment of flatbeds to arrive exacerbating the problem of having a lack of flatbeds. Although it can be assumed that Costco Vancouver's flatbeds have mostly been moved to the Vancouver downtown eastside, Costco Vancouver cannot retrieve these flatbeds. A shopping cart with a wheel lock costs about 300 dollar versus the 500 dollars of a flatbed. Costco members also have negative reactions when there are no flatbeds available or if they have to wait too long to access one (Figure 5 & 6).

Due to the cost incurred by the losses of flatbeds, installing a wheel lock on flatbeds would make them harder to steal and would be more cost effective than having to order new flatbeds every year. This solution may, however, require permission from Costco Canada's head office because

Costco wants all Costco warehouses to be as uniform as possible. In addition to this, members can borrow flatbeds to move their purchases to where they are needed off of the property. To make this possible, Costco Vancouver will need to have some flatbeds that lack a wheel lock.

Location of Flatbeds

Flatbeds are located throughout the two floors of the parking lot. These flatbeds are much harder to steal because anyone who would want to steal a flatbed would have to wheel it out of the parking lot via the ramp into the parking lot which is used by cars. Alternatively, thieves can attempt to take a flatbed above ground via the elevator or ramp. However, this puts any would be thief into the sight of Costco staff who will stop them. Flatbeds are also left on the sidewalk between Costco and Expo Boulevard, and in the loading area next to the tire shop garage doors. Inside Costco, flatbeds are usually in an empty area (see figure 3) although they are used by various departments and can be found throughout the store.

Causes of theft of Flatbeds

Downtown eastside: The survey conducted notes that homeless people spread throughout downtown are responsible for moving flatbeds off Costco property resulting in the current lack of flat beds (Figure 7). Much like how a member uses a flatbed to transport a large amount of goods, the homeless people in the downtown eastside use flatbeds they steal from Costco to transport their belongings. Other Costco warehouses do not lose flatbeds at the same rate as Costco Vancouver. Other Costco warehouses are also in a position to be able to retrieve their flatbeds. Costco Vancouver cannot do this because of a lack of staff with the necessary skills to retrieve flatbeds from those who take flatbeds off of Costco Vancouver's property. Doing this may also be hazardous.

Shopping Events in nearby stadiums: Whenever there are major shopping events in the area (usually in Rogers Arena or BC Place) opportunistic shoppers from said events will steal flatbeds to do their shopping at the event and abandon the flatbeds in the general area.

Where flatbeds are lost: According to respondents of the survey, the majority of flatbeds are lost in front of the parking lot access and in the loading area next to the tire shop.

CONCLUSION

Summary and Overall Interpretation of Findings

The theft of Costco property is a problem at Costco Vancouver. Although the current system at the entrance door and exit door are appropriate under normal hourly entrance door counts of seven to eight hundred, larger volumes of people make it hard to ensure all those who are entering are doing so with valid reasons. Moreover, it becomes more difficult for employees of the exit door to ensure that those entering through the exit door are doing so with valid reason when it is busy. Due to blind spots in the vision of staff posted at the door, flatbeds are abandoned and then taken off the property by opportunistic individuals.

Recommendations for improving anti-theft measures inside the building

Although the current system at the door works with customer volumes of 700-800 people per hour, it requires more staff posted at the door to be implemented consistently when there is an event at one or both of the stadiums across the street especially during weekends. This report recommends:

- Posting extra staff to the exit door if they are available to check for memberships and prevent non-members uninterested in buying a membership from entering the store with the exception listed above.
- Checking the bags of suspicious individuals

Recommendations for preventing the theft of flatbeds

Although it can be assumed that Costco Vancouver's flatbeds have mostly been moved to the Vancouver downtown eastside, Costco Vancouver cannot retrieve these flatbeds. This report recommends:

- Putting locking mechanisms on flatbeds
- Having employees move flatbeds into the building
- Having employees check the areas where flatbeds go missing and moving any flatbeds they find
- Storing the flatbeds in the area in front of the entrance and exit doors so members can more easily access them and so that employees can watch over them

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