

Rotary
Club of
Charlotte



THIS WEEK'S PROGRAM

October 22, 2024

2024-2025 Board Members

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Tish Atkins Charles

Dena Diorio

Stuart Hair

Jesse Hite

Virginia Owen

Membership John Cantrell

Foundation Joe Morris

Programs Luther Moore



Andy Ellen, President and General Counsel, NC Retail Merchants Association

by **Susie Masotti**

Rotary member **Luther Moore** introduced this week's speaker – Andy Ellen, President of the North Carolina Retail Merchants Association. Andy came to the NCRMA as general counsel in 1998 and took on the role of President in 2012. He is responsible for the NCRMA and 12 affiliated companies. He is passionate about promoting a positive environment for the retail industry from all aspects – public, legislative and regulatory agencies to enhance his members' opportunities for success. Andy has been named to the Power List of Business NC for the past 3 years as well as one of the top five most effective lobbyists in NC by the NC Public Policy Institute many times. He has been recognized by the National Retail Federation, a recipient of the Triangle Business Journal's Corporate Counsel Awards. Andy is originally from Southern Pines, received his undergraduate degree from Elon University and his Juris Doctorate from Campbell University. He and his wife Tricia live in Wake Forest and have two daughters currently in college.

Andy thanked everyone for having him serve as speaker. The North Carolina Retail Merchants Association was founded in 1902 as a trade association and today represents 25,000 stores across the state whose business represent 75% of North Carolinas' retail sales volume. The

Association serves every type of retailer from multi-state chains to local small businesses.

NCRMA is very philanthropic, providing \$130,000 in college scholarships. In the past 2 weeks the entire NCRMA has been solely focused on disaster relief. The NCRMA does not just represent stores that “sell” goods and services, but also lobbies for their retailers to provide additional services – the NCRMA lobbied heavily for vaccines to be allowed to be provided in local pharmacies and led the charge for beer sales on Sundays.

For the past 2 years their focus has been on “Shop NC” which was specifically designed to restart in-store shopping following the Covid Pandemic. This has been heavily promoted via video and social media advertising.

The NCRMA is assisting our members that have been the victims of organized crime. One of the worst calls he has ever received was from the U.S. Attorney that needed him to get on a call with Homeland Security to explain the new dynamic of organized retail crime. In addition to this, the NCRMA works closely with the Carolinas Organized Retail Crime Alliance (CORCA) that brings together retailers, law enforcement officials (on the local, State and Federal level) to discuss these growing problems.

The new dynamic defines organized crime as two or more people working together to commit retail theft. The “Fence/King Pin” literally sends his people out with specific lists as a group, and they are very well planned and organized. They know the layout of the stores (where items are located, all possible exits, where security cameras are placed, etc.). They are responsible for billions of dollars in lost revenue and on average the individual consumer loses about \$500 a year.

Organized crime is not just limited to stealing, there is merchandise fraud (tampering with bar codes, returning items with changed bar codes to receive more cash back, etc.) but also credit card fraud, identify theft, cybercrime (such as closing e-mail addresses and having vulnerable consumers thinking they are receiving something legitimate from a trusted source). One of Andy’s members mistakenly clicked through a scam e-mail and ended up sending out a check for \$850,000. Thankfully, they thought better of it after sending it and were able to stop the payment when it was not a verifiable source.

Criminals are further ahead in technology than we are, but we are working to catch up. Originally you had to steal something valued at over \$1,000 for the charge to be a felony, so criminals would steal just under that amount and were willing to accept the misdemeanor charge. NCRMA worked with the NC Legislature to change the law that if you steal more than \$1,500 in a 30-day period it’s a felony. There are now increased penalties for any type of violence associated with theft (such as destruction of property, assault, etc.).

In King's Mountain there is a Homeland Security case that involves \$5,000,000 in organized retail theft. In Hendersonville gangs are conducting smash and grab sales that are then used to buy fentanyl. In some of these cases human trafficking has been involved. There is a case in North Carolina where multiple women from the middle east were forced to work 12 – 14 hours a day changing packaging for items to be shipped overseas. Homeland Security's Operation Boiling Point identified over 40,000 gift cards that were stolen from stores (blank, not yet activated), the thieves would then record the identifying serial number, and the cards were then returned to stores. When the cards are activated the thief's sophisticated technology would notify them and they would use the serial numbers to make purchase of items online (such as iPads, Apple watches, cell phones, etc.) then turn around and sell them.

Moreover, our retailers are genuinely concerned about employee safety and not putting them in danger. From top law enforcement officials to local police and sheriffs when it comes to the smash and grab type of operation, they are advised that it is better to allow the thieves to take what they want and then let law enforcement use their resources (in-store and parking lot cameras, street cameras, etc.) to try and track them down. Additionally, the legislature is easing the burden on our retailers regarding recovered items. Not so long-ago seized items might sit in a warehouse for years until a case is resolved. Today the legislature has passed legislation getting the retailer's property back in their hands to help minimize their losses.

Andy closed with a few statements. He honors his members who work with local enforcement and state legislators in trying to combat these types of crimes. He highly suggested that when you shop online to be aware than if it sounds too good it most likely stolen. Large tech companies such as eBay and Facebook Marketplace are beginning to recognize that they are being used in the commission of billions of dollars' worth of stolen dollars and are putting measures in place to help combat this problem. As consumers, Andy advised that as often as you can to buy from retailers you know and trust and preferably from North Carolina!

After concluding his remarks Andy took several questions from members:

He was asked about the data on loss prevention for the state and how does that affect the consumer. Andy's reply was that any loss affects consumer prices, but he feels that the legislature's work on returning seized stolen items getting returned is a big win for consumers.

One member asked about how NCRMA works to interface with large online retailers facing these mass thefts. Andy stated that his group works to interface license plate readers, security cameras inside and outside stores. Additionally, with the more organized groups, law enforcement is working across jurisdictional lines to map their routes hopefully leading to where the stolen goods are taken. In Emerald Isle one criminal was finally caught through the coordination of cell tower pinging. NCRMA also continually pushes Facebook Marketplace, eBay, and other online resellers to verify the legitimacy of their sales.

Another member asked with so much credit card fraud why is there not a 2nd ID requirement when using a credit card for a purchase. Andy advised that there are multiple issues with this including discrimination, family members (such as children or those caring for aging family members) are using someone else's credit card with permission.

One member followed up on the international women used as slave labor and wanted more information about this. Andy advised that Homeland Security is working hard on all aspects of human trafficking to run their businesses.

Andy was asked what priority the Attorney General places on the issue of organized crime. Andy replied that the State Bureau of Investigation is now a separate entity managing these types of crimes, but they are working closely with AG Stein on this issue as well as District Attorneys across the lines. The AG has helped, and Andy is hopeful a task force will be named specifically to focus on this issue.

Andy was asked if a solution to combat credit card fraud would be Apple Pay. Andy's reply was that large corporations have huge loss prevention departments that work on all aspects of theft. Smaller retailers may or may not accept Apple Pay but we are making progress.

When asked about juvenile involvement Andy sadly reports that 13 – 14-year-olds are now being recruited as their penalties are lesser. However, State Law has addressed that when violence is involved (juvenile or not) the penalties are higher.

Lastly, Andy was asked if there was anything he could do about the "tipping" screen. Andy replied that he is not involved in that aspect and that would be the North Carolina Restaurant Association but did state that a lot of retailers are now passing along credit card surcharges. One thing that no one realizes is that when retailers accept the use of a credit card, a fee is applied, and the retailer is then responsible not only for paying that fee (whether they pass it along to the consumer) but also for reporting and sending sales tax to the State of North Carolina. What this means is our retailers are paying out of their pocket to serve as a collection agency for the State of NC's sales tax. This is an issue that will need to be addressed.

Andy closed once again thanking everyone for having him speak.

A recording of the meeting can be found here: <https://vimeo.com/1022557578>
The presenter's introduction begins at approximately 24 minutes and 30 seconds.