



Link to Wall Street Journal Article

<https://www.wsj.com/articles/cvs-home-depot-theft-organized-crime-11630505851>

Link to \$50 Million Dollar Amazon ORC Case:

<https://sanfrancisco.cbslocal.com/2020/10/06/major-san-francisco-bay-area-retail-theft-ring-busted-five-suspects-arrested-8-million-in-stolen-merchandise-recovered/>

- The financial impact of ORC on retailers has increased from \$30 Billion in 2010 to \$45 Billion in 2021 due to the rapid escalation of ecommerce fraud.
- Pennsylvania retailers lose \$1 Billion dollars a year to Organized Retail Crime.
- The State of Pennsylvania loses approximately \$120 Million dollars in lost tax revenue to Organized Retail Crime.
- The average Pennsylvania family pays an additional \$600 a year for common household goods to offset the cost of Organized Retail Crime.
- At CVS, there is an ORC event reported from the stores every three minutes.
- CVS reported events have increased 300% since the onset of COVID19.
- CVS loses \$200 Million dollars a year to Organized Retail Crime
- At CVS, ORC events involving physical assaults or a weapon have doubled in 2021.
- Since 2017, Amazon has added 3500 new unregulated sellers every month. (146 per hour).

Mister Chairman, Distinguished Members of the Committee, thank you for the opportunity to appear before you today.

The sale of stolen goods online represents a serious threat to legitimate businesses like CVS and poses genuine harm to our employees. The problem has grown exponentially in the last year as record numbers of Americans have turned to online shopping and third-party marketplaces have grown in size and influence. Criminal networks have taken advantage of the COVID-19 pandemic and the rapid escalation of people buying their goods through marketplaces to peddle counterfeit, stolen, defective, harmful, and dangerous products to unsuspecting consumers.

These crimes are getting more sophisticated and more dangerous.

- CVS- Example of employee harm
- CVS- Example of ORC Criminal Organization.

This is just a small sample of what retailers are facing. I can tell you it is not exclusive to CVS, and it is not exclusive to any one category. As president of the Coalition of Law Enforcement and Retail (CLEAR), I can tell you without reservation that this problem impacts businesses of all sizes, and virtually every category—drug stores, grocers, home improvement, health and beauty, clothing and department stores—no Pennsylvania business is immune.

Retailers spend billions collectively on security and loss prevention, but we are being overwhelmed by criminal networks who know—who know—that they can quickly, easily, and relatively anonymously sell stolen products online for a huge profit. As one law enforcement official recently put it, Amazon may be the largest unregulated pawn shop on the face of the planet.

If that were not enough, these criminals are often also connected to major transnational criminal organizations. In the last year, I have worked with several state Attorneys General have come forward to discuss the link between sophisticated retail crime and other criminal operations. The International Criminal Police Organization, or INTERPOL, has said that there is a direct link between organized retail crime and human trafficking, drug trafficking, public corruption, and money laundering.

Labor Trafficking Example – “CVS name recognition in Honduras”

Law enforcement is aware of this problem and are working side by side with retailers to everyday. As I said before, retailers are investing billions in both technology and human capital to thwart theft and to track offenders. But the direction this problem is headed is in the wrong direction, and it all comes back to the ease of selling these goods quickly and anonymously online.

Online marketplaces stand in stark contrast to the leading practices of local retailers, who are accountable for the products they sell both off the shelf and on their websites. Retailers verify every product in advance so that there is no trademark or other intellectual property infringement. They weed out disreputable suppliers who violate safety standards or peddle counterfeit products. And if a customer buys a product at a local retail outlet or on a retail website and it's broken or otherwise defective, the consumer knows exactly who to contact. There is no accountability or product integrity.

Sensitive products such as baby formula or diabetic test strips go from the hands of criminals to the hands of consumers. Without regard for proper handling procedures or safety protocols.

We need the marketplaces to finally do their part, to join law enforcement and retailers in proactively stopping criminals from using their platform, or at the very least, not letting them operate in the shadows.

House Bill 1594 is a common-sense solution to a growing consumer safety and economic threat with a basic premise- make it harder to **anonymously** sell illicit products.

This is important. This bill doesn't stop anyone from building a business online. It doesn't stop a small local business from growing its footprint from storefront to global marketplace. It doesn't interfere with anyone's right to sell to Pennsylvania consumers, or for Pennsylvania businesses to sell to the rest of the world. What it does, is removes the ability to sell anonymously—to hide behind a screenname or a fake business—and sell millions of stolen products from the shadows.

HB 1594 actually helps small businesses to compete online by leveling the playing field on cost of goods. How can online seller paying manufacturers costs for goods compete with an illicit seller that sources stolen product for pennies on the dollar.

We believe that if you make it harder to sell stolen goods anonymously, you reduce the likelihood that someone is going to build a business selling stolen goods. It's as simple as that. Shine a light on the people selling stolen products, make it harder for them to evade law enforcement, make it harder for them to operate in the shadows. As someone who has

investigated and worked with law enforcement for 30 years, I can tell you that more than half the battle is identifying who these people are.

There will always be a criminal element. And there will always be retail theft, but what we're talking about is not tossing first time offenders in jail or chasing down petty theft.

At CVS, we do not investigate one specific individual for ORC. We focus on the large, organized rings and enterprises that have grown exponentially in the last decade because it's become easy to profit selling stolen goods online.

This year, the CVS ORC team will work with law enforcement to dismantle criminal organizations responsible for over \$60 Million dollars in theft. Approximately 25% (\$15 Million) of that theft occurred in CVS stores in Pennsylvania. We are actively working two dozen illicit online sellers operating in Reading, Philadelphia, Pittsburg, and Scranton. These Pennsylvania sellers list \$2.67 Million dollars in stolen product a month.

Online marketplaces need to stop making it easy on them. And the reality is, its going to take government to force Amazon, Facebook and other marketplaces to change their behavior. Respectfully, when left to their own devices, there is ample evidence that they are simply unwilling to change their business models voluntarily despite having immense financial resources at their disposal.

“Amazon claims to have invested \$700 Million dollars towards the problem and yet it has grown 30% since COVID. Perhaps its time to try something else.”

It is our hope the Pennsylvania legislature will set an example for other states and Congress to get serious about the threat this issue poses to local businesses and consumers.

This legislation will ensure legitimate businesses and consumers are better protected, requiring simple transparency and accountability of third-party marketplaces. Cutting off the market for stolen and counterfeit goods is the best way to stop organized criminal rings and fraudsters. Removing the anonymity allowed on these platforms and creating strong accountability measures will make it harder for bad actors to build a business selling stolen or counterfeit goods—and we'll see the tide turn on this illegal activity.

Thank you for your commitment to protecting Pennsylvania businesses and consumers. We look forward to working with you to pass the HB 1594 so that we can reverse the alarming trend of illicit goods sold online. I look forward to your questions.

Ben Dugan Bio

Ben Dugan, CFI, is the Director of ORC and Corporate Investigations at CVS Health. He is a Leading Retail Industry Expert on Organized Retail Crime and is credited with closing the largest cases ever recorded. Ben possesses over 30 years retail loss prevention experience ranging from Big Box, Catalog, Pharmacy and Specialty retailers. Ben is certified as an expert in Organized Retail Crime and Diversion by the U.S. Department of Justice and holds additional certifications as a Law Enforcement Instructor, Certified Forensic Interviewer (CFI) and in E-Commerce Investigative Methodologies.

Ben is currently the President of the National Coalition of Law Enforcement and Retail.