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THE TOP 8 TACTICS TO STOP LOSS AND PROTECT PROFITABILITY

by Carlos Perez, Envysion

Welcome to the third article in this three-part guest series, presented by Envysion, which focuses on using video-driven business intelligence™ to improve decision making and drive profitability. Read on to learn the tactical steps leading retailers are taking to improve the effectiveness and efficiency of their loss prevention, risk management, and operations teams and how these efforts translate to significant profit impact.

No matter how much a retailer sells or how large the revenue, profitability can take a major hit due to inefficiency, liability claims, and loss. Theft is only one factor that reduces profitability. To understand and manage all store-level issues that impact the bottom line leading retailers are implementing video-driven business intelligence™, which combines key data systems with video in an enterprise system.

Protecting the bottom line is typically a combined effort by the operations, loss prevention, and risk management departments, but corporate functions such as marketing and HR can also impact store efficiency and profitability. By integrating video with business systems data, retailers can quickly identify costly inefficiencies and waste in operations. For example, retailers leverage video-driven business intelligence™ to establish benchmarks and improvement tactics for one of the most critical areas of operating efficiency — the checkout line. Not wanting to scare customers away with long lines, retailers are combining video analytics and POS data with video to report on stores' line time performance and to understand the underlying problems creating long lines. A variety of factors affect line time, and retailers must pinpoint the root cause before they can shorten overall line time. Did marketing issue a new coupon, but forget to add a valid coupon code in the POS? Is the store understaffed? Or does HR need to retrain an insufficiently trained employee on using the POS terminal?

In addition to measuring line time, video analytics in the video-driven business intelligence™ platform provides traffic count information to assist store managers with staffing. Overstaffing leads to waste and excess labor costs; however, understaffing can also greatly impact profitability. Traditional staffing models budget labor as a percentage of sales, but fail to take into account the number of people entering the store — all of which could potentially make a purchase and should be treated as sales opportunities. If a customer enters the store but cannot find an associate to help her find what she's looking for, she's likely to leave without making her intended purchase. Not to mention all of the customers who come to the store to browse, feel, and try products and then buy elsewhere. If the store is properly staffed to provide consistent, engaging customer service then these potential purchases could be converted to sales in the store. Video-driven business intelligence™ provides both traffic count and sales data so managers can optimally staff the store.

Another potential area of inefficiency is the time clock, and store managers can use video driven-business intelligence™ to prevent time clock abuse from employees trying to receive extra paycheck dollars for hours not

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worked by abusing the time clock policy. By integrating your time and attendance system into the video-driven business intelligence™ platform, time clock abuse can be relatively easy to spot. Leading retailer managers look for employees working long hours that do not match the amount of time they are scheduled to work. Then managers review video of the clock in and clock outs to determine if the employees showed up early to clock in, but then left, or vice versa, or if other associates are clocking in or out on behalf of the employee.

By guarding for more innocuous sources of loss, operations enables loss prevention to devote their attention to blatant theft. Most loss prevention professionals are not strangers to using video for incident investigation into robberies and vandalism, but loss prevention teams at leading retailers are using video-driven business intelligence™ to proactively stop and prevent loss. These loss prevention teams know that internal theft can be much more damaging to profitability than external theft because employees know how to disguise their ongoing theft in the POS as legitimate transactions, which can go undetected, in some cases, for decades. Realizing that exception reporting data alone can only provide trends and correlations that take time to develop, at which point the company may have already suffered substantial losses, leading retailers are utilizing video-driven business intelligence™ solutions to quickly identify internal theft, while also achieving a strong deterrent to external theft.

Video-driven business intelligence™ enables retailers to instantly validate suspicious looking transactions with video, increasing the likelihood of catching employee theft early on. In taking a proactive approach, leading retailers can quickly eradicate sweethearting by looking for employees with an above average number of a particular discount, a high frequency of employee discounts, or high value discounts. Video enables quick validation that the customer receiving the discount really was a senior citizen or that the employee really did purchase four TVs. In addition to sweethearting indicators, leading retailers are auditing other high risk transactions, such as voids, no sales, and cash refunds. In cases of theft using these POS codes, the employee manipulates the POS system in order to pocket the proceeds after a customer has purchased and left with the merchandise. Video provides a quick way to look at the time leading up to the transaction to see if the customer walked away with purchased items.

Of course voids, discounts, and no sales do occur in the normal course of business, and when randomly looking at any one high risk transaction, there may be a perfectly logical explanation for it. To hone their efforts, leading loss prevention professionals compare and rank employees or stores relatively by looking for deviations from the norm. Leading retailers increase loss prevention effectiveness by focusing first on employees in the wrong tail of the normal distribution curve — employees who, for example, consistently have more voided transactions or who give more discounts.

Outside of inefficiency, theft, and fraud, the profitability of a retailer can be significantly reduced by unexpected risk. For example, unfounded liability claims, even if determined in the retailer's favor, devour profit with lawyer fees and court costs. Video and audio evidence of the incident is essential to nullifying or reducing the retailer's liability in court, but can also be leveraged to mitigate or stop potential claims early on, avoiding costly legal proceedings entirely. The ability to quickly recall video of an incident in question, such as a staged slip and fall accident, can deter unscrupulous would-be-defendants from filing a claim in the first place.

Like loss prevention, risk management teams at leading retailers can also use video-driven business™ intelligence to improve effectiveness and efficiency. These risk managers take a proactive approach to evaluating and minimizing the retailer's risk in the store, performing virtual risk audits of the most susceptible store areas. Risk managers then use the results of the audits to train store managers about risk and outline changes that need to be made in the store, after which the risk manager can visually verify that the store has made all necessary changes.

By taking a holistic, proactive approach to managing the issues that impact the bottom line, leading retailers retain more revenue and are more profitable. On average these retailers realize a 1% to 2% improvement in profit as a percent of net sales from increased efficiency and reduced loss, fraud, and risk.

ABOUT THE AUTHOR

Carlos Perez is the VP of Product and Marketing of Envysion, the leading MVaaS provider, where he is responsible for charting the direction of Envysion's market leading managed video services and manages Envysion's strategic and tactical marketing to targeted segments and customers. To learn more about video-driven business intelligence™ contact Carlos at cperez@envysion.com or visit Envysion at booth #306 during the NRF Loss Prevention Conference on June 20-21, 2012.