A MARCH NETWORKS WHITEPAPER

Driving Profitability in the Specialty Retail Sector

Get a complete view of your business with video-based business intelligence
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Introduction

The retail industry has always been a highly competitive environment, particularly in the specialty retail sector where competition from retail outlets, department stores, big box stores and catalog and online retailers is intense. The sale of apparel, electronics, automotive gear, office supplies, books, home improvement items, sporting equipment and other focused retail goods often depends on factors outside of a retailer’s control. These factors include GDP, disposable income and consumer spending, all of which put specialty retailers under even more pressure.

Brand plays an important role too, particularly when economic times are less favorable. Consumer loyalty is heavily influenced by the reputation of, and trust in, a particular manufacturer or company. Unquestionably, brand loyalty is tied to the appearance and design of stores, the level of customer service received and the perceived overall shopping experience. Specialty retailers work harder than anyone to build and protect their brand, as well as compete on the quality and design of merchandise.

Managers and store owners can notably improve and maintain the in-store experience through the use of a company-wide, advanced video surveillance system. More importantly, by linking high-quality video to next-generation business intelligence, they can reduce losses from fraud and theft, enhance operations and increase profits significantly.

This whitepaper outlines some of the challenges that specialty retailers face and describes effective methods for resolving them through the use of retail-focused video surveillance solutions that incorporate innovative business intelligence tools.

Proactive Instead of Reactive

Global retail losses, also referred to as shrink, amounted to an estimated $128 billion in 2013, according to the Global Retail Theft Barometer, with about 35 percent of those losses occurring in the specialty sector. Retailers know that targeted investments in technology can help curb this troubling trend, particularly as employee theft remains a growing problem for U.S. retailers, up 6.5 percent in 2013 according to the 26th Annual Retail Theft Survey. In fact, according to the same survey, a full 13 percent of retailers report that their loss prevention (LP) case burden has increased by 10 percent or more enterprise-wide, with one out of every 39.5 associates stealing. Reportedly, dishonest associates steal approximately 5.4 times more in value than shoplifters.

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One tool in the battle to protect profits is the video surveillance system, which was traditionally installed to provide evidence after the fact. Spending tedious hours searching for a particular incident long after it occurred meant that investigations were nearly always reactive. Such systems were standalone, usually not even locally networked, and generally cobbled together with mostly disparate and sometimes unreliable devices.

Those times have clearly changed for the better. Next-generation video surveillance solutions are now fully networked and remotely accessible. Many integrate easily with other systems — primarily point-of-sale (POS) and access control — to provide real-time data and faster investigation tools to owners, investigators and store managers across an entire retail chain.

**Loss Prevention Investigations**

Crystal-clear video combined with POS exception reporting means that an LP expert can quickly zero-in on potentially fraudulent transactions and take the necessary corrective action. Newer browser-based client software enables instant notification to anyone, anywhere, and the investigation can be started with just a few clicks. The software is so easy to use that staff need minimal training and adoption rates are much higher. More importantly, overall time-savings with these integrated solutions is substantial compared to a more typical LP investigation where investigators either have to travel to the store location to pull video evidence, or conduct remote investigations store-by-store to build a case and compile a detailed report.

**March Networks® Searchlight™ for Retail** sends alerts, provides integrated evidence and allows users to assemble reports in a few simple steps. A dashboard contains all the features required to navigate to precisely the information needed. For example, if your LP team is focusing on coupon redemptions for a seasonal sales campaign, Searchlight can provide direct links to those specific transactions, along with the ability to drill-down to store and associate level and review the video records for visual confirmation. Similarly, frequently used searches on higher-risk transactions such as voids, no-sales, deleted items, or associate discounts can be included in daily exception reports, enabling LP managers to quickly verify whether a purchase was legitimate or suspect. The software is fast, simple and effective, and enables specialty retailers to cut investigation times by as much as 75 percent.

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An immediate benefit of much faster investigations is the ability to deal with incidents as they occur, and to respond to lower case value events that might not normally qualify for further investigation because of a lack of resources. Experience has shown that sales associates realize quickly that management means business, and losses are often reduced dramatically as a direct consequence. For example, a store owner using the system for 15 to 20 minutes each day could reduce losses by 50 percent and realize a correspondingly larger profit margin.

While fraudulent activity at the POS is often a primary LP focus, other significant losses can occur elsewhere in a store due to inventory shrinkage, shoplifting or internal theft. Video systems armed with security analytics provide important information on potentially suspicious events such as unauthorized access and loitering. By running activity reports with associated video, a store manager or LP investigator can quickly determine what is really happening. A virtual tripwire placed across a backdoor exit or the manager’s office door, for example, will trigger an alert every time it is crossed. Similarly, a loitering analytic will initiate an alert when a person is detected moving in a defined area beyond a set period of time, which might suggest someone up to no good or a customer who needs help with a product choice.

Interestingly, the latter analytic is also used to detect a lack of movement, for example, no customer present at a POS device when an associate completes a transaction. If the associate is correcting an error then further training may be necessary, otherwise further investigation may be needed.

When evidence is required to review a more serious situation, such as systematic internal theft or sweethearting, Searchlight for Retail delivers data and high-quality images, compiling and formatting them into an easy-to-review report. It is worth noting that few such cases proceed to court because the evidence is generally so convincing that perpetrators often admit their guilt and pay any retribution due. The increased recovery rates can translate into thousands of dollars in annual savings.

For example, the 25th Annual Retail Theft Survey revealed that in 2012 retailers recovered over $50 million from associates, significantly more than in 2011. If legal action is unavoidable and a case proceeds to court, the evidence trail from March Networks video recorders and data sources is invaluable.
Store Audit Watch-Lists

Store owners and managers know that reinforcing best practices can go a long way toward improving store performance. Searchlight’s customized ‘watch-lists’ provide a straightforward and fast method of keeping an eye on operations: Are all your stores opening and closing on time? How clean and organized do they appear? Are product displays, promotions and signage consistent across your operations?

Using store audit features, managers can quickly scan through automated daily reports complete with exact times, dates, receipt data, and video images captured by surveillance cameras in each store. There is no need to sort through complex software or select cameras; simply run the reports and begin reviewing that particular location for compliance.

Taking the top performing stores and duplicating their success organization-wide can yield significant gains in productivity. And using video images to positively reinforce outstanding associate performance is another way of raising the bar further still.

While video surveillance systems are still needed to capture evidence of slips and falls, thefts and other incidents, owners may find themselves turning to today’s advanced video solutions more for operational and store auditing purposes than for any other reason. The personal touch — periodic, on-site supervision — cannot be dispensed with entirely, but remote auditing does provide a much more comprehensive oversight of stores than time-consuming visits alone would achieve.

In addition, remote auditing allows store owners to more accurately gauge what’s going on under “normal circumstances,” as employees tend to be on their best behavior when they know a supervisor is on-site (which can lead to a less than accurate portrayal of day-to-day performance and routine).

Proven Technology

The reliability of video appliances is still sometimes regarded with a degree of skepticism, a legacy of earlier, less stable systems. The latest networked video recorders (NVRs), however, are so robust that such concerns have been largely put aside.

The more critical factors of storage and connectivity are monitored constantly, both onboard and remotely, and built-in redundancy practically ensures that video is never lost. Furthermore, state-of-the-art IP cameras that include onboard storage and patented Shadow Archive™ technology, continue recording without interruption, even when a network outage occurs.

A broad range of hybrid NVRs, supporting four to as many as 32 channels, enables considerable system design flexibility. Better yet, the hybrid capability leverages investments in existing analog cameras and cabling while permitting a straightforward upgrade path to high-definition IP cameras later on. For system administrators, the architecture facilitates seamless firmware and software upgrades via the network, so that centralized management and health monitoring of even widely distributed systems is exceptionally efficient.

“We have approximately 2,500 March Networks NVRs deployed across the country and only one or two of them have failed in the last couple of years.”

— Darin Crofts, LP Manager, Woolworths Ltd.
One of the largest retail video surveillance deployments in the world — consisting of some 30,000 March Networks recorders — underscores this outstanding central management capability. A small team working out of a single location handles system administration and maintenance through a managed service plan, another option open to retailers who would rather leave the day-to-day operation of the system to the experts.

Fully networked technologies provide another benefit. Corporate growth in specialty retail is often driven by the opening of new stores in more widely-dispersed locations. Network traffic increases proportionately, as does the need to retrieve and store data securely in a central database via the corporate network. In this instance, the transmission of bandwidth-friendly video images prevents network congestion and maintains data speeds for all other corporate users.

If a video network component does fail, the system immediately alerts administrators, who can then take remedial action by applying a software fix remotely, or by replacing faulty hardware. Inadvertent or intentional tampering — such as a blocked or misaligned camera, or a disconnected or cut cable — will also trigger an alert, all of which add up to peace of mind when critical evidence is needed.

“We needed an end-to-end solution that was reliable, easy to use and would help us aggressively reduce losses from internal and external fraud. It was also very important that we could quickly review archived video with minimal impact on our network. That’s why we selected March Networks and its integrated Searchlight video intelligence software, which really stands apart from other systems we evaluated.”

— Mark Anderson,
Director of Loss Prevention, Tommy Bahama Group

Central POS Integration

There’s no question that an important part of case evidence is provided by POS data/video integration, which permits the synchronized playback of register data alongside video. Accessing the POS data via a direct but secured feed from a central server alleviates the need for hundreds of individual connections to each POS across the enterprise. This centralized capability enables supervisors, managers and franchisees to resolve customer disputes, identify associate theft and search for repeat incidents across all stores simultaneously. Compare that with a more traditional CCTV system that requires staff to analyze lengthy receipt tapes and then manually search for associated video clips, and it is evident that a centralized system with POS integration leaves retail owners and managers free to spend far more time running a profitable business. Transaction data converters can be developed for practically any POS server, and output customization delivers exactly the transaction details that corporate managers and store owners wish to pursue.
Capture Vital Business Analytics

The ability to uncover customer trends and key performance indicators (KPIs) is a valuable advantage to retailers, and can provide an opportunity to drive more efficient store operations and make critical staffing decisions. Business analytics enable these decision-making opportunities by communicating relevant statistics about key customer activity and trends.

For example, by comparing the overall number of customers that entered a store with the transaction data for that store, Searchlight for Retail can reveal that store’s conversion rate—essentially disclosing how many shoppers in that particular store ultimately became buyers. Being able to compare these trends over time, or among stores, or between different days/shifts, can help to establish effective KPIs for a retail business.

Business analytics can also disclose how many customers are in the store at any given time, and what percentage of those customers remain in a specific area for a length of time. This can help to gauge a myriad of assessments—from the requirement for more or fewer associates, to the success of a particular endcap or promotion.

The ability to identify the average number of people waiting in a queue, the average amount of time they waited, and the time or day that most people are waiting in line can go a long way in ensuring customer service and implementing the necessary staffing changes.

Marketing and More

Retailers are embracing their new surveillance systems for more than just LP and operations. Marketing, human resources, and health and safety staff are turning to video to review and compare situations in different locations without actually traveling there. Any privacy concerns that may arise are largely addressed by strictly limiting access to authorized staff only, and, further still, to very specific cameras. If required, partial views can be blanked out as well.

Monitoring a product campaign from afar to compare how customers react to a new display provides immediate feedback on its effectiveness. Checking an upsell stand at the cash register for opportunistic buying patterns, or assessing the impact of new store signage on sales levels, are both of considerable interest to marketers.

Health and safety experts can quickly check if staff are wearing protective clothing, whether store exits are free of obstruction and if fire extinguishers are in place. If a customer is somehow injured in a store, they can also quickly turn to the video records to verify events leading up to the reported injury.

In addition, video evidence can provide valuable insights when dealing with customer service complaints. The ability to record audio along with the video further clarifies incidents—often to the benefit of the associate involved.
Conclusions

Video installations have transitioned from being reactionary administrative systems to proactive business tools delivering real-time intelligence that reduces losses and boosts profits.

Using a browser-based client that is fast and intuitive, LP, operations, marketing, and health and safety managers can:

- Increase revenues by 10 percent or more
- Reduce investigation times by 75 percent
- Audit stores in minutes
- Compile secure evidence quickly

Offering a bird’s eye view into tens or hundreds of stores, March Networks solutions deliver the analysis and planning tools that enable specialty retailers to make key decisions and run their businesses more profitably.

About March Networks

March Networks is a leading provider of intelligent IP video solutions used by retailers worldwide to enhance security, improve store operations and reduce shrink significantly. The company’s Retail Solutions include centralized video management, high-performance hybrid NVRs, IP cameras, video analytics, and powerful Searchlight for Retail software applications purpose-built to help retailers increase profits. Learn more at www.marchnetworks.com.