

REDUCING TOTAL RETAIL LOSS BY INTEGRATING VIDEO WITH EXCEPTION-BASED REPORTING



The advancement in security, transaction and tracking technologies has led to retailers continuously needing/wanting to explore effective solutions for loss prevention and video surveillance systems that will capture events in real time. Many opportunities are available to harness crucial data with the potential to enhance the customer experience and decrease operating expenses.

The concept of ‘total retail loss’ can be ambiguous and holds different meanings for different segments of the retail industry. Within the industry, each retailer has specific needs depending on compliance with specific protocols and ethical business conduct. First, we need to establish and understand the variance in “pain points” that facilitates a better understanding of the difference between outcomes that are the costs of doing business, versus the outcomes that are regarded as losses.

Understanding a common equation to find out a business’s Key Performance Indicators (KPIs) can help determine whether or not a retailer is achieving its goals. However, because losses are often calculated based on an individual company’s formula, it’s difficult to create a universal baseline. Now, there are software and technologies available to help retailers stay ahead of their losses, and, most importantly, understand the differences – dependent upon the particular business – of losses, shrinkage and costs.



Exception-based Reporting and ROI

Exception-based reporting is a method of data analysis that compares an incoming stream of data to a pre-established set of data at the point-of-sale (POS) and flags items that don’t match up. A specific retailer can define and customize any number of ‘normal’ conditions for the incoming data to compare against and, then, these abnormalities will be flagged as suspicious activity. The goal of exception-based reporting is to enable these data streams to identify areas of loss more readily and efficiently than time-consuming inventory audits or in-store security personnel. Many times, single malicious users at the register can have a greater impact on shrinkage; thus, waiting for an inventory audit to be completed can allow for more malicious losses than readily available data streams.

A business rule (or normal condition) that can be set could include:

- the average number of returns in a day
- the average number of pieces in a single transaction
- the price per transaction.

Each of these can be given a number; for example, there are usually between 0-8 returns in a day at “ABC Retail Store.” Exception-based reporting will alert if there are nine or more returns because it goes against the normal condition that has been established. This can be accomplished based on the various sets of different rules.

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Another pain point that retailers are confronted with is whether the implementation costs of deploying exception-based reporting software are beneficial and worth the expense. Because developers have been unable to state how much money retailers can save by deploying exception-based reporting software at the POS, many are hesitant to invest. Currently, at the time of purchasing the software, the benefits are unseen, making it hard to justify the price. However, with the business rules and knowledge that integrators have in place and can provide to a wide variety of retailers such as fast food, department stores, etc. – it can far outweigh the cost of deployment.

Background: Non-Malicious vs. Malicious Losses

Non-malicious losses include:

Errors

- Not crime related
- Unknown
- Non-malicious losses as part of being in the industry

Accidental issues such as mispricing inventory, delivering damaged goods or having to markdown inventory are just part of everyday business.

Malicious losses include:

Pre-meditated and deliberate crime-related problems

- External or internal theft, burglary or criminal damage
- Loyalty card scams
- Customer frauds

These situations can negatively impact retail profitability and offer no contribution to generating income for the business, but, with the correct video and data analytics, crime-related losses can be uncovered.



Video-Enhanced Exception-Based Reporting

Although data analytics alone are beneficial, the combination of exception-based reporting with the integration of video recording adds unparalleled benefits to retail stores. Without video, there is no proof of where a malicious error or theft occurred. There are multiple pain points that can be relieved by these featured benefits when adding video to a traditional POS system.

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Video Supports Better Decision Making for Leadership Executives

Corporate retail executives want to see transparency across their companies. With the video feature, dashboards provide clear and easy-to-understand reporting values.

This can lead to real-time investigations via daily operations of process and inputs, as well as traffic, transaction and conversion rates examined over a 30-day period. In addition, it provides a snapshot of the entire company with the ability to drill down into regional or location-based reporting. This helps decision makers see multiple districts at the same time and make decisions on store behaviors.



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Video Can Help Catch Untrustworthy Employees Who Steal

Data can uncover broken processes that can reduce unknown theft where thieves often abuse retailers. Adding video surveillance to an exception-based reporting system helps your leadership team understand when and where employees look to steal during the day. One of the main pain points that store managers often have is visibility, especially when long lines at the point-of-sale may impact customer service levels. When you combine exception-based reporting and video surveillance, reporting can proactively help notify your staff of questionable employees. The benefit includes supporting corporate loss prevention with documentation for criminal conviction and potential recoveries.





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Video and Exception-based Reporting Decreases Operating Expenses Across the Enterprise

The advanced visualization of a combined video surveillance system and exception-based reporting increases efficiency where losses are seen most often. Busy stores mean more people to observe. Heat maps provide an immediate visual summary of where a high number of customers are gathering, managers can deploy employees where needed, which can decrease expenses by mitigating the probability of theft and decreasing other malicious operating expenses. Managers, whether working at a regional, district or individual store level, are given the most flexibility with real-time information and can focus on the bigger events that are affecting their business.

Final Thoughts

By effectively leveraging video and exception-based reporting, retailers – from the corner grocery to a big box chain can reduce both malicious and non-malicious losses. This type of integrated solution allows store managers and company executives to focus on their primary responsibility: successfully running their business.

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