

New Cost-Cutting Strategies for Loss Prevention

Using Network Video to Curb Shrink Remotely

by Dr. Jumbi Edulbehram

The list of casualties in the current economic downturn is starting to read like a “Who’s Who in Modern Retailing.” Giants such as Circuit City, Linens ‘n Things, and Mervyns have declared bankruptcy. Starbucks, Pier One, and Office Depot are closing stores throughout the country. Such events are spurring retailers to pare operating costs to the bone and slash prices, hoping to lure customers to their stores. But sluggish sales are just part of the problem. History has shown that in a contracting economy, shrink inevitably expands.

And yet, in the face of economic uncertainty, the most common practice has been to freeze or cut budgets of cost centers, including loss prevention departments, and divert dollars to departments that generate sales. Despite the mandate to reduce headcount and make do with existing infrastructure, LP departments can prevent shoplifting and internal theft from spiraling out of control if they start thinking creatively about how to be more productive using the tools they already have at their disposal.

Foremost is the video surveillance system. Traditionally video surveillance systems have been limited in scope to in-store loss prevention. If LP departments make the video accessible over the network, management can use the information to enhance loss prevention operations throughout the entire retail enterprise.

Conducting Investigations Remotely

Retailers generally handle in-store investigations in one of two ways—in-store personnel take charge or regional investigators have to travel to stores to look into incidents. Both operating models have become too costly and inefficient to support in the face of shrinking security budgets. A smarter alternative is to do investigations remotely, monitoring and analyzing in-store video over the network.

The advantages are numerous. Dedicated loss prevention investigators who perform investigations remotely are professionally trained and more tightly focused than in-store staff. Loss prevention is their primary focus, not just one of many tasks they’re expected to handle during their shift. Eliminating the need for them to travel from store to store makes more cost-efficient use of their time and skills.

Furthermore, remote investigators are quicker to grasp patterns because they have access to every incident in the entire chain at once. Once trends are spotted, investigations can be rapidly shared across stores in a chain; a very effective weapon in the battle against organized retail crime (ORC).

Combating POS and Other Internal Theft

Remote investigators can view video clips of activity at the point of sale (POS) to determine the source of POS exceptions and discover incidents of sweethearting and fraudulent returns. When the video system is tied to the store’s POS system, remote investigators can reconcile receipts with time-stamped images of the scene. Network bandwidth to the stores doesn’t have to increase for this application since only a few video clips of POS



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events are sent over the network. Integration of the POS system with the video system and access to the information remotely becomes much easier if both systems are on the store network, which is an inherent design of IP video systems. For traditional analog DVR-based systems, the best way to achieve remote access is to use video encoders to digitize the transmission so that it can be sent over the network.

Remote investigators can also prevent product delivery theft, an often overlooked and untracked source of shrink. Merchandise commonly disappears in the process of being stocked, mysteriously “falling off the truck” at the restocking dock. Assigning store employees to the time-consuming and tedious task of monitoring the restocking process detracts from customer service and the opportunity to increase sales. A smarter alternative is to monitor the restocking remotely. Loss prevention improves further with the addition of audio communication during the process to remind employees and vendors that their actions are being monitored. Audio communication can be provided through a separate yet integrated intercom system, or retailers can deploy network cameras equipped with an integrated audio feature.



Preventing External Theft

In a bad economy shoplifting escalates because stores tend to operate with fewer in-store staff to keep an eye on customers. Tying remote video and audio alerts into electronic article surveillance (EAS) systems can help to significantly counter this trend. Video clips tagged to EAS alarms give remote investigators visual reports on all EAS events. They can quickly discover violations of store procedures, such as employees failing to stop customers (and potential shoplifters) who set off the EAS system.

Adding an automatic audio message that plays when the alarm is triggered also greatly increases the efficacy of an EAS

system. For instance, the message could inform the customer to “Please reenter the store and go to a store employee.”

It becomes much simpler to integrate the EAS system with the video system if both systems are on the store network. This is easiest to achieve with an IP-based video system. For traditional analog DVR-based systems, you would need to use video encoders to digitize the transmission so that it could be integrated with the EAS on the network.

Remotely monitoring high-theft items is another valuable strategy for preventing loss. It is very difficult for store personnel to keep a constant eye on high-theft items. Remote LP personnel, on the other hand, can simultaneously watch the shelves of at-risk items, such as iPods, across multiple stores. If they do observe any behavior that could be indicative of theft, they can immediately call the affected stores and alert designated in-store LP professionals or other employees to take appropriate action.

Reducing Surveillance System Maintenance Costs

The maintenance cost of video surveillance systems is a significant expense for LP departments. But through remote system management, much of that expense can be drastically reduced while actually improving system functionality. For instance, broken system components can be discovered instantly and replaced promptly, minimizing downtime that can result in the loss of critical video coverage.

Another avenue for savings is to turn infrastructure maintenance over to the IT department. Traditional analog systems were generally an anathema for IT because of their proprietary nature and difficulty to manage over a network. But with the advent of IP-based video surveillance systems that use standard IT components and protocols, the IT department can easily incorporate network video maintenance as part of its responsibilities and realize numerous synergies in maintaining service contracts.

A Smarter Model for LP

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