

Retail risk - and how you can meet the challenges and win

Retail Risk 2008, a retail security conference jointly hosted by The Consumer Goods Council (CGC) South Africa and Technews Publishing, takes place in Cape Town on 26 February, in Durban on 28 February and in Johannesburg on 4 March. This article is published with permission of [Hi-Tech Security Solutions](#).

The speakers at the conference come from a variety of companies that service the retail sector, and bring with them a wealth of expertise and market knowledge. Their presentations will provide attendees with real knowledge they can immediately apply in their organisations.

Retail Risk 2008 will provide delegates with a strategic overview of retail risk trends globally and in South Africa. It will also cover global best practices in dealing practically with retail risk and security, while examining a real-world implementation of security technologies, solutions and services.

Hi-Tech Security Solutions caught up with Michael Broughton, director of the CGC Crime Prevention Program, and Keith Alexander, risk manager of retail operations at Spar group SA, to get their views on threats to the retail industry and also to find out what those attending Retail Risk 2008 can expect...

"One of the problems that we face in our game is security, and my goal for 2008 is to move away from security to risk and loss prevention," says Broughton. "We also need to understand the difference between safety and security. Safety is the fact that my daughter in London can get on the underground at 11pm and go home not worried about anything happening to her because she is safe. I can get in my bullet-proof car, drive home into my gated suburb behind high walls with electric fencing and burglar proofing and I am secure.

"Technology plays a huge role in loss prevention and less of a role currently in security. Security is preventing armed robbers coming in and we can't actually prevent them coming in.

Taking cash out of the equation

"The main target of robberies in the retail sector is cash and we are looking at various ways and technologies to take the cash out of the equation. If people had a proper safe and they processed their cash properly, the money would be in a safe, where it is not accessible, so they can reduce the chance of being robbed. I am not saying they won't.

"The ultimate solution, of course, would be to just go 'plastic', for stores to stop using cash, but we are a cash society so it is not a feasible dream but we do use technology to get rid of the cash as a preventative measure for our problems.

"There are other technologies that look at making a target harder, such as spikes in the road and booms. CCTV is no

longer the preventive measure it was, because there is a very low level of prosecutions based on CCTV footage. It does help in the investigations but it is not really a very effective preventative measure.

"Where technology does come in to play a huge role is in risk and loss prevention and loss of product, so we are using technology and we are investigating a lot of technologies to protect high value products. These technologies include electronic article surveillance (EAS) for items like clothing and CDs. Another technology we are investigating here at the CGC is RFID technology. Its major drive is in an electronic product barcode that doesn't require line of sight to be read, the item can just be swiped past the reader and the chip will be picked up. The industry is looking at it from a logistics efficiency point of view, but it is a huge technology for crime prevention because now each tin of cool drink or packet of cigarettes or bottle of water or box of soap can be identified because each one will have a unique number. Therefore, when the customer gets to the till it is going to ring up everything that passes the reader. Once an item has been read, it will be taken off the shop's stock list and because the number is unique, it cannot be read again or it will be read as "bought", or "not from this stock" if the item had been purchased from another dealer.

"Giving every single item a different bar code is a massive project and this technology won't be seen in action in the near future, but it is in the pipeline.

Yes, you *can* do something!

"Our message, and why we are doing this conference, is to go out there and say, 'Hang on. There are things you can do about shop lifting, about shrinkage about theft, about robbery, about cash loss. There are processes that you can adopt; you don't have to spend massive amounts of money.'

"We took a store in the Northern Suburbs of Johannesburg that was robbed three times in six weeks and all we did, we went there after the second time and we changed his processes. He didn't have time to implement the new processes and were robbed again. After the third robbery, he changed the way the processes worked - sweeping the tills, taking the cash out, putting it in a safe. Changing his business processes, using a bit of technology, for instance paying his staff electronically as opposed to keeping the cash and giving it to them every Friday afternoon, make a lot of sense. Likewise, paying his suppliers electronically instead of when they bring the bread or they bring the vegetables in, giving them cash, is sensible. This is because staff knows... people know... that the money is kept in a bank bag, and as you open the safe to take money out to pay for the bread delivery you turn around and it is not the bread delivery man there but some guy with an AK-47...

"So even in that small way technology can play a role and that is what we are really trying to say, 'Look, this is the 21st Century. You have to look at how you do business and how you did business in the 1950's needs to change. Change your processes, change your approach. Yes, put CCTV in but just don't put up one huge camera, nowadays you get small "spy" cameras and they are cheap and they work.'

"We want to communicate to people, we want to go out and educate our stakeholders, our audience, as to what they can do in their business because that is what it is all about. We want the Retail Risk 2008 attendees to walk away with at least four or five or six or seven things that he or she can go and do in their business. Whether it is screening their staff properly or psychometric testing their staff or learning about cash management and safes and things like that. It will be a one-day training course on what can I do about crime in my business as opposed to a conference or seminar on specific products."

The greatest threat

Alexander sees the greatest threat to the retail industry as violent crime. "It overshadows everything. We are very concerned about the fact that our retailers are extremely exposed, and in fact with the Spar Group in particular, where we are very reliant on our independent retailers out there, most of our stores are owner-managed, and often when a store is hit by crime, the owners leave the industry, and go elsewhere. We basically are distributors, so we would be placed in a very difficult position if we didn't have competent retailers to run our stores.

Standing together

"In 2000, Shoprite Checkers CEO Whitey Basson realised that unless the retail industry stood together and did something about crime in general, and violent crime in particular, eventually we would all be out of business. So after a number of meetings with the CEOs, he got them together and they put together a Memorandum of Understanding, and part of that was that each group, each retail group, had to appoint a champion to serve at the Consumer Goods Council, and to provide continuity and to put preventive strategies in place.

"Part of the initial mandate was to establish the Incident Management System, which is a national system, at the Consumer Goods Council, and then also the Employers Reference Side (ERS) to ensure that the right people are in place because most robberies in particular, are orchestrated from within. It's always inside information, you know it is not opportunistic stuff, these guys don't arrive at 30 at a time and just take the store apart, they are well versed in what's going down. They have intimate knowledge of the store systems and procedures, especially in terms of cash management.

"Once those things were in place and we started accumulating data etc, it became quite clear that the repeat robberies, and specifically armed robberies, were as a result of poor cash management. The retailers generally, and even the big corporates, were not placing enough emphasis on cash management in their businesses. We found that large volumes of cash were being allowed to accumulate in the stores, they weren't using their drop safes, our independent retailers, in a lot of cases, were actually moving their own cash to the banks, especially in the smaller towns, and this was creating an opportunity which the robbers were taking advantage of.

"Five years ago the average Spar robbery would net anything from a R150 000 to R200 000. Today if they go into one of our smaller stores, you'll find that if they get away with R10 000 it is a lot, and even that is too much, so store owners have learnt the hard way that you need to manage your cash very effectively.

"The Consumer Goods Council took that up, because we don't want to go the route of fighting fire with fire, you cannot win, you find that these groups are extremely well organised, they are heavily armed, so if you are going to fight fire with fire, you are going to lose.

The key is to manage the cash

"So, our preaching around the country and the policy that we've adopted at the CGC in particular, is that we ensure that our cash is very, very well managed, and there we have to bring top technology into play to do so. For example, there are systems by which the cash is dropped into a safe facility, normally a drop safe, and from there the retailer gets immediate value in the bank, so he is able to benefit from that, cash flow is greatly improved and white-collar crime, fraud and shortages are reduced.

"In 2005/2006 there was a 73%, from a Spar perspective, decrease in the number of violent attacks on the stores – and that was a direct result of the Spar group taking a very plain, a very active role, in encouraging our retailers to manage their cash.

"As far as the customers are concerned, we know we have to offer a very accessible shopping experience, but by the same token the main mission statement of our program at the CGC is to create a safer shopping environment. We're very aware of that, and one of the things that we are doing is working together with the Shopping Centre Council and various other role players, because we find that in a lot of cases, the shopping malls are not safe shopping environments. One of the things that we need to deal with is the 'brooming' of cash across trading floor during trading hours. It mustn't be done!

Don't stint on the hardware

"The other thing that is hugely important in terms of technology is CCTV, but we are talking high quality, high resolution CCTV with cameras appropriately placed. What we do is, we encourage people to install covert cameras in their entrances at face height, to get proper facial recognition of people; you need the highest possible quality inputs as evidence in order

to do effective investigations in cases of criminal activity.

"Number-plate recognition systems also help to identify perpetrators. The CGC has given undertakings and provided funding so that this technology can be more widely deployed at shopping malls. A pilot project is currently underway at Melrose Arch.

"The aim of Retail Risk 2008 is to educate the retailers on what's available by way of technologies and expertise, to assist them in creating a safer, more secure shopping environment."

A Frost & Sullivan report carried out in February last year on North American IP video surveillance storage markets predicted that the IP video surveillance market will grow at a compounded annual growth rate (CAGR) of 47% to \$2.07 billion in 2009. And the American retail market are said to be seeing the value of network security and intelligent video surveillance systems and reaping the benefits of such systems, not only in the prevention of loss from theft, fraud and shrinkage, but much more as a result of new developments in network security and moves to intelligent video. They are also realising that the benefits far outweigh the challenges and costs of implementation and adoption of IP network security.

These systems can now be seen as tools to maximise efficiency. An intelligent video management platform that harnesses sophisticated analytic capabilities can help an organisation increase operational efficiency while still preventing losses and securing assets and safety across the facilities.

Advanced analytics applications such as people counting, queue management and traffic flow analysis add to the benefits retailers can experience from the technology.

Konrad Weinert, Roy Alves and Kevin Monk are among the speakers at Retail Risk 2008 who will be looking at the role of IP video solutions in the retail environment to assist in the improvement of security, customer experiences, staff productivity, sales and profits.

<http://www.retailrisk.co.za>

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