Total Security Integration
For Small & Medium Retailers

A Talon DVR White Paper

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Introduction

An increased emphasis is being placed on retail store security. High-profile restaurant & retail chains are experiencing losses that make national news. Small & medium retailers need a manageable approach that can mitigate risk and improve revenue.

Challenges for Retailers

Small & medium retailers often do not have dedicated loss prevention and security personnel. Business owners and managers are often tasked to handle security and loss prevention themselves, with varying degrees of success. Many retailers see shrink, or the loss of inventory and money due to theft, as an unavoidable "cost of doing business". While shrink may be unavoidable, the percentage of shrink can vary widely based on the programs that are put in place to address it, so the degree of shrink is certainly controllable.

Smaller businesses can be undercapitalized and underinsured making them ill-equipped to weather the loss associated with a large theft. This combined with the lack of professional loss prevention can create a high risk situation for business owners.

Risks for Retail Businesses

Retailers often see "shoplifting" or other kinds of outside theft as a main source of shrink. In fact, employee theft is often a larger source of loss. Occurrences of inside theft can involve larger amounts of money and can be more frequent than other types of

theft. Even retailers that don't feel that they have a problem need to consider prevention and detection systems to address shrink since there is a high level of risk associated with it.

A growing emphasis is being placed on all retailers to address security issues. Risks such as credit card number theft can negatively impact the store's reputation and can attract sizeable penalties. Business owners need to take additional steps to ensure that their store is perceived as a safe place to do business.

Common issues associated with security & loss prevention:

- Employee Theft
- Shoplifting & Larceny
- Armed Robbery & Assault
- Accidents
- Fraud including Check Fraud, Credit Card Fraud & Returns Fraud
- Alarm Verification (both for site alarm systems and EAS)
- Data / Information Theft

Security Methodology

These general security tactics can be applied to structure retail security programs.

1. Prevention: Take appropriate steps to prevent risk of loss

2. Detection: Have the appropriate audit systems in place to detect a loss when it occurs. In many cases, the sooner you detect an incident, the greater chance you have of recovering the asset or preventing further loss.

3. Investigation: Have systems in place to determine the source of a loss. For instance, in cases of employee theft, it may be difficult to determine the associate that was responsible. Detection systems and audit procedures should be in place to pinpoint loss incidents.

4. Resolution: Resolve the loss. In an employee theft incident, this may be the termination of the employee.

5. Recovery: Determine if any company assets are recoverable.

The Role of POS Systems

Point of Sale systems are implemented to improve accuracy, service and efficiency in any retail operation. They are also used to provide a security and audit trail for inventory and monetary payments. Point of sale systems are a key part of a retailers overall security and loss prevention strategy.

The point of sale installation needs to follow best practices for data security including Internet security, physical security for data servers and virus protection. Further, compliance must be achieved for the storage of customer credit card information by using PCI compliant processing software and practices.

Beyond POS Systems

POS Systems can be invaluable in the detection of inventory or monetary shrink by providing accurate reporting but at times the POS system does little to prevent the incident and can provide inconclusive information when investigating the cause of the loss.

For example, a cashier that provides "sweetheart" discounts to friends and family members can go undetected by the POS system. This can be done when the cashier fails to ring one or several items or if the cashier rings a less expensive item than the one purchased. In both cases, the POS system would provide an audit trail because the inventory level of the items would be off. The POS system, however, does little to help investigate the source of the loss.

In a restaurant environment, the bar tender could ring a soft drink and deliver a mixed drink as another

example of a "sweetheart" discount. Since "pours" cannot be as closely measured by an inventory system, this type of shrink can go virtually undetected by the POS system alone.

Another common shrink area that can go beyond regular detection is an employee "skim" theft. A cashier can increase the amount of cash in the drawer by ringing in too few items and collecting the full amount or by providing incorrect change to the customer. At the same time, the cashier keeps a running total of the dollars they have gained. At the end of the shift, the employee will skim the extra money from the drawer. This is often detected when the cash totals in the drawer are not correct, but a point of sale system alone my not provide all of the information necessary to investigate and find the source of the problem.

Integrating Video Security

Video security, when integrated with other technologies, can be extremely useful in reducing store loss risk. While video security alone is normally only useful as an investigative tool when loss is already detected, integrated video security can enhance other systems and provide real prevention and detection.
When video security is integrated with POS system data, the combined

systems can provide audit trails that are backed by video's superior evidentiary record. This allows owners and managers to not only detect loss, but also gives them the tools to investigate and resolve the issue quickly giving them a higher chance of recovery and preventing future loss.

Going back to the shrink types that where hard to detect and difficult to investigate with the POS system alone, we can look at the same loss types with the tools that integrated video security provide.

In a retail environment where cashiers are scanning items, the integrated video and POS systems data would give a method of detection & investigation for a cashier that was not scanning all of the items in a "sweetheart" discount. A manager can review video data with POS systems data integrated and see that all of the items are not being entered. This type of shrink would probably not be detected if either of these systems was not integrated.

Owners and managers can also scan integrated video data for common transaction types associated with "skim" loss. By searching the video data for "No Sale" transactions, discounts, voids, refunds and overrides, the owner or manager has a great detection and

investigative tool to find and resolve issues. For example, if an employee is shown on video ringing a refund but no customer is present, this could be an indication of a "skim" loss and should be investigated further.

Total Security Approach

While the integration of video security and POS systems can provide superior results, the most benefits can be realized when they are integrated into a total security and loss prevention approach.

Integrated Loss Prevention & Security
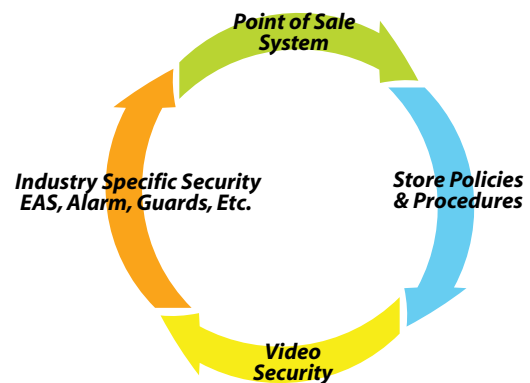
The total security and loss prevention approach brings together POS systems, video security, industry specific security and store policies. By looking at these systems as a whole and by integrating compatible technologies, retailers can greatly reduce the risks associated with retail businesses.

Industry specific security will vary by the type of retail business that the owner is in. In a bar or nightclub, the industry specific security may be a guard. In a retail store, it may be an EAS system that helps detect shoplifting.

Just as industry specific security will vary, so will store policies and procedures. In a jewelry store, the policy may be to allow only two items out of the display at once. In a clothing store the policy may be to allow only a few items in a dressing room. For a restaurant, the kitchen may only be allowed to cook items that come with a POS system created order.

As an example of an integrated security approach, a restaurant may have a policy against employees leaving through a back door. The fire door is protected by an industry specific security system, which is a door alarm. By integrating a video system to this policy and industry specific security, owners can be remotely notified when an employee is exiting the door. Once notified, the owner has detected a possible risk and has video as an evidentiary record of the event.

Further investigation can determine if the door was opened because a vendor inadvertently tried to exit or if an employee was walking out with a box of steaks from the refrigerator. The store policy and the industry specific alarm may not always be enough to keep the loss from happening. Only the three systems together can provide prevention, detection and investigation that can lead to resolution and recovery.

Another example of an integrated security approach is a store that uses an EAS system as an industry specific security device. EAS systems can be prone to frequent false alarms, but retail store policy should be developed so that alarms are investigated by store employees. This will ensure that shoplifting is minimized and that paying customers are not leaving with a non-removable EAS sensor attached to their items. By integrating video security to this policy and industry specific device, the store owner can periodically review video to determine the response level from the employees to see if they are responding to alarms or ignoring them. In the event of a shoplifting loss, the video system also provides a superior evidentiary record for investigators.

Each part of the total security approach can fail on its own, but the integration of these parts can provide a system that really works to reduce risk and improve revenue.

Video Audit Trail

While video alone is most useful as a deterrent or investigative tool, integrated video systems can be used as a loss detection tool. The following are some examples of video being used as a detection and audit tool.

- Physical Security: Use video search to determine all entries into a secure area. An example is an employee accessing a computer file server that contains credit card information.

- Alarm Verification: Use video to view response to an industry specific alarm. Also can use remote view to avoid the charges associated with a police response to a building false-alarm.

- POS Systems Policy: Search video with integrated POS data to find common risk transactions and find out why they occurred. Examples of these transactions are voids, discounts, "no-sales", refunds and manager overrides.

- Investigate Consumer Fraud: Video gives a superior record of fraud events including check fraud, credit card fraud & returns fraud. Video goes beyond a bad check file to provide a picture of the customer for employees and law enforcement.

- Remote Monitoring: Stand-alone video is only a deterrent when someone is watching. With digital video, owners and managers can access video information over the web and can periodically check for irregularities.

- Age Verification Sales: Video search can show video instances of transactions that require age verification. Owners and managers can audit for legal compliance avoiding costly fines and damage to the company's reputation.

Ancillary Benefits of Video

Video can also provide benefits in other areas of management and risk avoidance.

- Review Staffing Levels

- Review Customer Service Processes

- Look at Traffic Patterns & Layout

- Mitigate customer lawsuits for injury on premises

- Resolve vendor disputes. For example, video could show if a direct vendor delivery was short.

Differences in Video Systems

Big box retailers are offering D.I.Y. video systems that are attractive to

retailers because they have a low initial cost. The potential for poor installation combined with the lack of integration with other parts of the security equation, make these systems less effective at protecting inventory, funds and employees. A point of sale systems reseller that is familiar with both retail operations and store security can provide a system that is both effective and affordable.

The digital video recorder or DVR is the key to advanced functionality in the video system. The DVR has features such as web access, recording & real time viewing of multiple video streams and POS system data integration.

DVR servers need to be purpose-built and dedicated to the task of continuous processing and recording of digital video signals. Desktop personal computers and non-dedicate file servers are not suitable for the demands that are placed on these systems.

The Talon DVR Solution

Talon DVR Video Systems are integrated through a network of professional point of sale resellers. Since they are POS experts, they can integrate your video solution with the POS system providing the most benefit for your retail store.

The hardware for Talon DVR is retail hardened and purpose-built for 24/7 operation in your retail business. Systems are built secure to require minimal maintenance.

Talon DVR has the advanced features to help you implement your total security solution including Web View, providing remote monitoring, and Smart Search, allowing POS data integrated with digital video to be searched.

Summary

Utilizing a total security approach, shrink can be managed and greatly reduced improving revenue and mitigating risk to the retail store owner. Even small retail owners and managers can take steps to improve security and loss prevention systems, processes and procedures.