

## SALES &amp; MARKETING

# The Price of Playing Retail

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## AT A GLANCE

- Retail, America's second-largest industry, is tied as security contractors' No. 1 business source
- Retail is a unique environment in which cash, inventory and people must be safeguarded
- It is essential for salespeople to fully comprehend the principles of retailing and loss prevention
- Remote video, EAS, RFID and POS systems — as well as CCTV, access control, fire and intrusion — are big sellers in retail

**R**etail establishments are among the leading customers for security dealers and systems integrators. In fact, according to Security Sales & Integration's 2004 Installation Business Report, installing contractors serving the commercial/industrial marketplace realize 24 percent of their business from the retail sector. That calculates out to more than \$3.57 billion annually.

Indeed, the retail market is tailor-made for electronic security as these businesses are also predicated on safeguarding money, inventory and people.

"Retail theft is one of the largest and most costly crimes in the United States, costing retailers, and ultimately consumers, more than \$32 billion a year," says ADT Security Services Retail National Accounts Marketing Manager Lee Pernice. "Systems must protect merchandise, profits and people, while not being obtrusive or prohibitive."



Photo courtesy of Vector Security

In terms of both the number of locations and employees, retail is America's second-largest industry. It accounts for 13 percent of all U.S. business establishments and generates more than \$3.8 trillion in annual sales.

Retail outlets are not only excellent prospects for installing contractors to sell intrusion, fire, CCTV and access control systems to, but also prime targets for marketing environmental (e.g. water and temperature sensors), managerial (e.g. remote video) and inventory loss-prevention (e.g. POS, EAS, RFID) controls.

Supplying security, fire/life-safety and loss-prevention systems to retailers is huge business — if you are up to the challenge. Helping these customers manage the daily demands of safeguarding money, goods and people requires security contractors have a firm grasp of retailing concepts and a commitment to unrivaled service.



Security providers and retailers are continuing to discover new applications for today's rapidly advancing technology all the time. Combine a strong demand with fresh solutions and you have a market bursting with opportunity. Such is the case with retail.

Much like Wal-Mart and a few others dominate the retailer universe, a handful of large security companies rule the retail roost, particularly when it comes to nationwide chains. However, there remains a sizeable chunk available for smaller operators. In fact, single-store businesses comprise

more than 95 percent of all U.S. retailers. Understanding the needs of this market and delivering exceptional customer service can open up retailer doors for just about any size security practitioner.

#### **Cash, Products, People Make Retail a Challenging Environment**

Retail establishments are unique animals among the many types of environments served by security systems contractors. As such, they present many special challenges. Larger operations can be like worlds unto themselves.

Retail stores typically encompass an ever-changing flow of customers; the handling and exchanging of large amounts of cash; and plentiful, often valuable merchandise. Additionally, they tend to have high employee turnover, require daily management of facilities and parking lots, and face the threat of personal injury liability. As if that was not complicated enough, every one of these factors includes dozens of related sub-issues.

"The main difference from other industries is with retail we invite customers into stores," says Mark Doyle,

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vice president of Jack L. Hayes Int'l, a Fruitland Park, Fla.-based consulting firm. "Therefore, the whole issue of shoplifting, refund fraud, etc. is more prevalent. Whenever you have merchandise or money, you are bound to have losses."

With all that to contend with, the last thing owners and managers of retail outlets need to be concerned about is whether their electronic security and management systems are functioning as advertised. Retailers need expert, professional partners that are going to internalize their needs and improve and simplify their lives.

"A retailer's expectations are easy to understand. No matter what happens, no matter whose fault it is and no matter when it happened, things have to be right for opening day," says Joseph English, general manager, National Accounts Division for Vector Security in Manassas, Va. "While most security companies may feel that is demanding, anyone serving the retail industry takes it in stride."

As Warren Magness, corporate security manager for Manhattan Beach, Calif.-based Skechers USA, replies when asked what would convince him to hire a security contractor, "Service, service, service!" He also says retailers should exercise due diligence when selecting a security provider. "Do your research. The largest companies are not always the best," cautions Magness.

#### Sales, Installation People Require Thorough Understanding of Market

The retail market is at once exciting and exacting. Its wide range of needs and expectations coupled with high employee turnover can place a heavy burden on security companies' sales and installation teams.

"If you want to be in retail, you have to specialize in it," contends English. "Your entire business and service model needs to comply with the expectations of retailers and they are much different from any other market group."

Salespeople must consider every possible offering within their portfolios and possess a thorough comprehension of loss prevention in order to best serve retail customers — all the while making certain they do not promise more than can be delivered. Meanwhile, installers must back up

#### RETAIL FAST FACTS

- U.S. retail industry generates **\$3.8 trillion** in annual sales, or approximately **\$11,690** per capita
- Wal-Mart is world's largest retailer with more than **\$256 billion** in annual sales
- Retail trade accounts for about **13 percent** of all U.S. businesses
- Single-store businesses comprise more than **95 percent** of all U.S. retailers
- Chain businesses generate more than **50 percent** of all retail revenue

the anticipated high standards put forth by sales. Both must engage in the ongoing training of customer staffing.

"Do not take advantage and oversell a client," advises Doyle. "We see this happen all the time. The supplier makes a quick buck, but in the long run its reputation is tarnished and long-term profitability is jeopardized."

Some security providers appoint sales and installation personnel as retail market specialists.

"Each of our national accounts managers located throughout the country specialize only in retail and the entire scope of their training exclusively involves retail applications of a number of loss-prevention technologies," says Michael Rohm, sales manager for Vector Security's National Accounts Division. "They also focus on the relationship-building efforts required to relate in this highly specialized market."

Vector entered the retail field in 1992 and today serves more than 50 of the most recognized consumer names. The types of stores it services include general and high end; basic consumables; food services; specialty shops; craft centers; eyewear; electronics; office products; home improvement; and jewelry.

Similarly, ADT Security Services also has dedicated staffers who are experts in the retail sector. Retail is ADT's largest commercial market, composing more than half of its national account business.

"ADT has had a presence in retail almost from the beginning of its 130-year history," says Pernice. "We have a dedicated sales

force of seasoned professionals who understand retail security and loss-prevention issues. We also have dedicated training and service organizations.”

Of course, it is not entirely necessary to designate staff specifically for retail. In fact, for midsize and smaller companies, it may not even be practical. However, it is essential those selling, marketing and interacting at any level of this market are well educated about its uniqueness.

Leigh Johnson, CEO of Rochester, Minn.'s Custom Alarm, says the only difference among his salespeople is that those assigned to retail are “better looking!” He continues, “We really don't market differently from other types of business, except we stress the importance of service.”

Custom's ability to provide local service is an important ingredient to its success. The company, which, according to Johnson, has been working in the retail sector “since the earth cooled,” now handles about 500-800 retail accounts.

#### Remote Video, EAS, RFID, POS Systems Offer What Retailers Want

So what products and systems are retailers clamoring for the most? Typically, they are attracted to whatever most effectively helps them mitigate the loss of inventory and money while bringing them the greatest return on investment (ROI).

“First, they want to know where their losses are coming from. Then, they usually look for assistance with the equipment purchases of CCTV, access/egress control systems, POS exception reporting software and, to a lesser degree, alarm systems,” explains Doyle, who has been in the consulting business for more than 26 years.

Video, especially since the introduction of digital recording and all its inherent advantages, is also of great interest to store owners and managers. Potentially, retailers can use video to monitor customers, employees, inventory, merchandise displays, warehouses — seemingly just about anything imaginable.

“Remote video monitoring is quickly gaining support. It is most effective

for single employee coverage locations such as gas stations and convenience stores,” continues Doyle. “Video guard tours can also be very effective and reduce the need for on-site guard patrol, while two-way interactive video monitoring is a good tool for communication, security and safety.”

However, some of these services and technologies have been a bit slow to catch on. A major reason is reluctance on the part of many security dealers to bone up on the technology and to put muscle behind marketing it. Another issue stems from end users being properly trained on operating these new products and systems.

“The value of a video system is completely dependent upon its ability to reduce employee theft and shoplifting,” contends Jim Rao, director of video technologies for Vector's National Accounts. “To do that, however, retailers and their staffs need to take a proactive role in managing these technologies. Without consistent and repetitive training, the value of video can be diminished.”

Electronic article surveillance (EAS) and radio frequency identification (RFID) are two other loss-prevention technologies retailers find

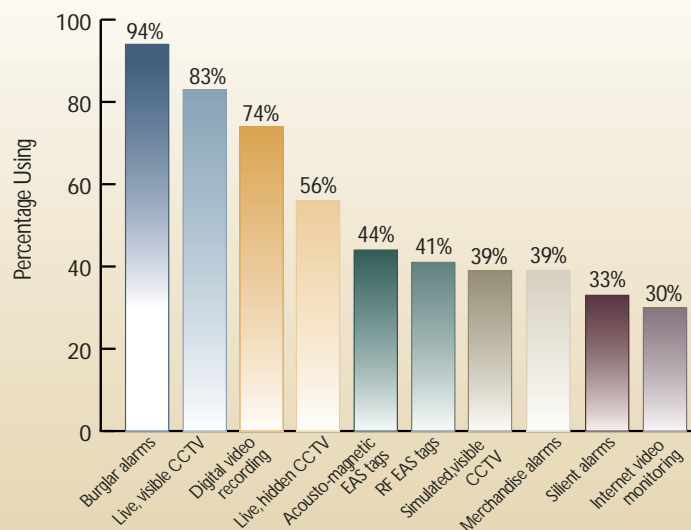
appealing. However, they are more specialized than CCTV and offered by fewer security contractors. EAS is geared toward catching shoplifters, while RFID is used principally for keeping track of inventory.

Fire and life-safety systems are usually mandated by code and consequently provide much opportunity to those dealers and integrators that install them. Although not required, intrusion or burglar alarm systems would also seem to be a no-brainer in terms of retailer desire and usage. However, management sometimes becomes distracted by other concerns.

Says Jim Shepherd, operations director for Vector's National Accounts, “Most retailers concentrate their efforts on reducing the highest levels of loss, which remain employee theft and shoplifting. Sometimes, that means the security system takes a backseat to other shrink reduction technologies. This can be a big mistake.”

For those retailers that do make the most of their intrusion detection, one of the most popular services is the monitoring of openings and closings. This requires central monitoring facilities handle a high volume of signals, adhere to proven anti-false

### Use of 10 Selected Retail Loss-Prevention Systems



**Burglar alarms, CCTV systems and merchandise tagging are the hottest electronic security deterrents within the retail industry. Retail stores average 1.7 percent shrinkage annually, with auto parts (5.2 percent) and specialty apparel (3.7 percent) topping the list.**

Source: 2003 National Retail Security Survey, University of Florida

## WHAT'S IN STORE AT RETAIL



Photo courtesy of ADT Security Services

Electronic article surveillance (EAS) is one of the most popular loss-prevention systems ADT Security Services markets to retailers. About 80 percent of all stores use some form of EAS.

alarm dispatch techniques and always keep abreast of store hours, which tend to be quite changeable.

"Openings and closings, especially nonscheduled ones, are among the leading fears of retailers," confirms Custom Alarm's Johnson. "Is the system armed? Did anyone come back after it was armed? There seems to be the most problems at closing time."

Maintenance and upgrades offer more chances at increasing income and are a great way to keep in communication with retail clients. As a result, these customers tend to be more satisfied with their security provider and will likely look no further when they are ready to make a substantial purchase in the future.

"In terms of security and fire detection services, store renovation projects provide a lot of opportunity," notes Vector's Shepherd. His associates, Rao and English, add that there are great possibilities for upgrading video — because the technology is progressing quickly and retailers respect its value — and monitoring, if it reduces internal management time.

#### Shrinkage Continues to Rise, Which Bodes Well for Security

When it comes down to it, the overriding influencers to gaining retail security business are strong marketing and unsurpassed service.

One of the biggest keys in effective marketing is making sure your message is delivered to the right people — the decision-makers. In the case of larger retailers, there may be separate security directors/managers for physical securi-

ty, investigations and operations. In smaller retail operations, the vice president or director of loss prevention/security will wear all of those hats.

Whoever those key people are, there are myriad channels with which to reach out to them. "We market our services through a number of ways, including direct client presentations by our national account managers, retail loss-prevention shows and expositions, magazine advertising, support of retail advocacy groups and our newsletter, *Vector News*," reveals Rohm.

As far as service, first-rate customer treatment is only achieved if the right people with the appropriate attitude and aptitude are placed in key positions. In addition, these people must remain up to speed on technology and trends as well as be afforded the authority to make decisions on their own.

"Specialized training and experience are key to serving the retail industry. You need a program that emphasizes involvement in it and understanding of the problems and goals," recommends Michael Grady, senior vice president of Vector Security. "Security suppliers can't just play a casual role. They need to become real partners with retailers." ■

### Retailer Blames Alarm Companies in Rash of Robberies

The security services provided to Sound Advice in Aurora, Colo., are an example of what *not* to do when selling to the retail market. According to its owner, the car audio, security and accessories company incurred both mental and fiscal damage from the botched efforts of two local electronic security contractors.

"My experience involved incompetent installers who looked and acted in an unprofessional manner," contends Avi Ancel, president of Sound Advice. "They said and made promises that were not factual, but I believed them and ended up with a false sense of security."

Ancel's store was besieged by seven robberies during the course of a few months. Apparently, he was up against a particularly savvy and determined ring of thieves.

One time, the alarm went off and he raced to the store, arriving in less than five minutes along with the police. Just then a car parked behind a nearby building sped away. It seems they were timing how long they had after the alarm was triggered. Once, the criminals knocked out power to his entire building.

On another occasion, Ancel planted a 170-pound Rottweiler inside the store as an added deterrent. So as not to set off the

burglar alarm, the motion detectors were deactivated. The next morning, Ancel discovered he had again been targeted, this time for a whopping \$550,000! He found the dog terrified and trembling in a corner. The crooks had gotten in through a broken window. Unbeknownst to Ancel, deactivating the motions also defeated the glassbreak sensors. Ancel has hired an attorney and filed a lawsuit against the alarm company.

Ancel has learned about retail security the hard way: through trial and personal loss. He says he will always be very involved with anything related to securing his building from now on. He has fortified his system with cellular backup and has also placed iron bars over all the windows and entry points. Ancel has become a crusader of sorts who advises others to be careful about who they hire to design and install an alarm system.

"I recommend a security expert, separate from the alarm company, designs the system. This person would also inspect the system once it is up and running," he says. "I would also speak with random customers of the alarm company for references. Finally, I would take it upon myself to do the homework and not completely rely on other people's opinions."