

Finding a Perfect Fit

U.S. Retailers' Guide to Security and Loss Prevention in Canada



Intelligent security *tailored for you.*SM

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Finding a Perfect Fit: U.S. Retailers' Guide to Security and Loss Prevention in Canada

1. Executive Summary

Canada's healthy economy and cultural connections make it a primary destination for U.S. multi-site retailers with international expansion plans. Although the U.S. and Canada share a continent, the two countries are not always of similar minds when it comes to the legal and jurisdictional aspects of retail security and loss prevention.

While it's unlikely that these compliance issues are expansion deal breakers, a well-informed retailer can prevent unfamiliar laws from becoming time-to-market roadblocks – whether the plan is to expand from the U.S. into Canada or from Canada into the U.S.

2. Good Reasons Why Canadian Expansion is on a Retailer's Radar

U.S. multi-site retailers see promising signs in Canada that they haven't seen for several years at home. Canada's lower unemployment rates (7.0% as of February 2013, compared to 7.7% in the U.S.¹) signify a higher percentage of shoppers with disposable income.

A strong Canadian dollar often results in more sales per square foot in Canadian shopping malls than malls in the U.S. Audit, tax and advisory firm KPMG reported in 2012 that based on sales-per-square-foot estimates, nine of the 15 top-performing malls in North America are in Canada.²

And MasterCard's SpendingPulse report indicates that December 2012 department store sales in Canada were higher than any other December – even pre-recession – in absolute dollars.³

It all adds up to a significant economic impact. The retail industry is the country's largest employer, according to the Retail Council of Canada (RCC) 2012 Security Survey.⁴

Beyond the statistics, geographic proximity and mutual good will make Canada a good fit for U.S. retailers. Business is brisk for the two countries that comprise the world's largest bi-lateral trading relationship:

**Top U.S. Trade Partners Ranked by 2012 U.S. Total Export Value for Goods
(In millions of U.S. dollars)**

Rank	Country	Exports			Imports		
		2011	2012	% Change	2011	2012	% Change
1	Canada	280,890	292,443	4.1%	315,347	324,326	2.8%
2	Mexico	198,378	216,331	9.1%	262,864	277,653	5.6%
3	China	103,939	110,590	6.4%	399,362	425,644	6.9%

Figure one, Source: U.S. Department of Commerce, Census Bureau, Foreign Trade Division.

3. Expansion Myth Busting from a Security and Loss Prevention Perspective

U.S. multi-site retailers will consider numerous operational drivers – including distribution and logistics, information technology, supply chain, talent acquisition and real estate – involved with expansion into Canada.

Often, organizations will call upon consultants and other business partners to help them assess their level of readiness to expand. Based on nearly 20 years of experience helping U.S. retail customers complete their successful Canadian expansions, Vector Security identifies common concerns that, once identified and managed, will expedite expansion – and in many cases, improve overall business performance.

John Mihalic, Director Loss Prevention & Safety for Lowe's Companies Canada ULC comments that, "Over the past several years, Vector (Security) has provided me with good quality install, monitoring and customer service. My expectation of my security vendor is to support my business needs, and assist me by keeping me in the loop about current security technologies and practices. Vector (Security) has done a good job in meeting those expectations."

In fact, when it comes to setting up an effective security and loss prevention operation in a new country, there are myths that Vector Security is happy to bust.

3.1 Security Myth 1: International Expansion Means Sweeping Change

Retailers that have transacted business exclusively in the U.S. may experience an over-abundance of caution within the ranks to expand into unfamiliar territory.

Legalities, language, increased costs (and a staff perceived to be inexperienced to deal with international compliance issues) are all concerns that Vector Security has heard from retail executives responsible for Risk Management, IT or Loss Prevention.

However, experience shows that the security expertise that brings customers to the dance can work very well in Canada, once everyone understands that "nuance" is the operative word.

Joanna Valeriani, a Canadian security expert who has worked with Vector Security for over a decade, uses this example: A retail operation that is successful in expanding from state to state in the U.S. will be successful expanding into Canada.

"Alarm, fire alarm, CCTV, compliance – it's essentially the same checklist," Valeriani explains.

"Of course, there are compliance issues that are different in Canada than they are in the U.S.," she added. "But the key for me is to prepare and do the research for each province the same way I would research differences between U.S. state laws. Although there are no big surprises, there will be numerous small ones. However, they are certainly nothing to deter a company from proceeding."

Keith D'Sa, National Accounts Manager for network video solutions provider Axis Communications, works with Vector Security as a technical service partner on CCTV installations at retail locations throughout Canada. He agrees that U.S. and Canadian authorities take a similar approach to most issues, for example, the exclusion of CCTV cameras in changing rooms and restrooms to maintain customer and employee privacy.

However, D'Sa advises that U.S. retailers and their security consultants must be mindful of Canada's Personal Information Protection and Electronic Documents Act (PIPEDA), which legislates how private sector organizations (including retailers) collect, use or disclose personal information in the course of commercial activities.⁵

The Office of the Privacy Commissioner of Canada notes that PIPEDA “governs the collection, use and disclosure of information about an identifiable individual. In the private sector, surveillance through a video camera is subject to privacy laws.”⁶

Further, the Office of the Privacy Commissioner advises that, “In keeping with Principle 4.3 of PIPEDA, all retail organizations using video surveillance in their stores must give patrons clear and sufficient notice about the collection of their personal information. The notice should, moreover, be posted at the entrance, so that customers can exercise their right to withhold consent by not entering the premises.”⁷

If the CCTV feed includes audio, involved parties must be advised (typically with posted signage) that the interaction is being recorded, D’Sa added.

He also explained that a security consultant may encounter compliance issues during system installation. “Some provinces require that an individual with security certification is present during the install,” D’Sa said. “In addition, insurers require that plenum cabling is installed in accordance with fire safety regulations, which may vary by location. An experienced security consultant will work with the insurance carrier and local authorities to make sure that their customer’s installation is compliant.”

Jim Simons, Vector Security National Compliance Officer, recalls that when Vector Security started to do business in Canada several years ago, “we followed our customers’ teams north of the border and got to work researching national and provincial laws.”

“In one way, it’s simple,” he added. “They have laws. Instead of trying to skirt them, abide by them.”

Simple to say, but in practice, how is it done?

According to Simons, it’s all about commitment. Once the initial installation is complete, how committed is a U.S.-based security vendor to establishing a network of technical service providers in each province?

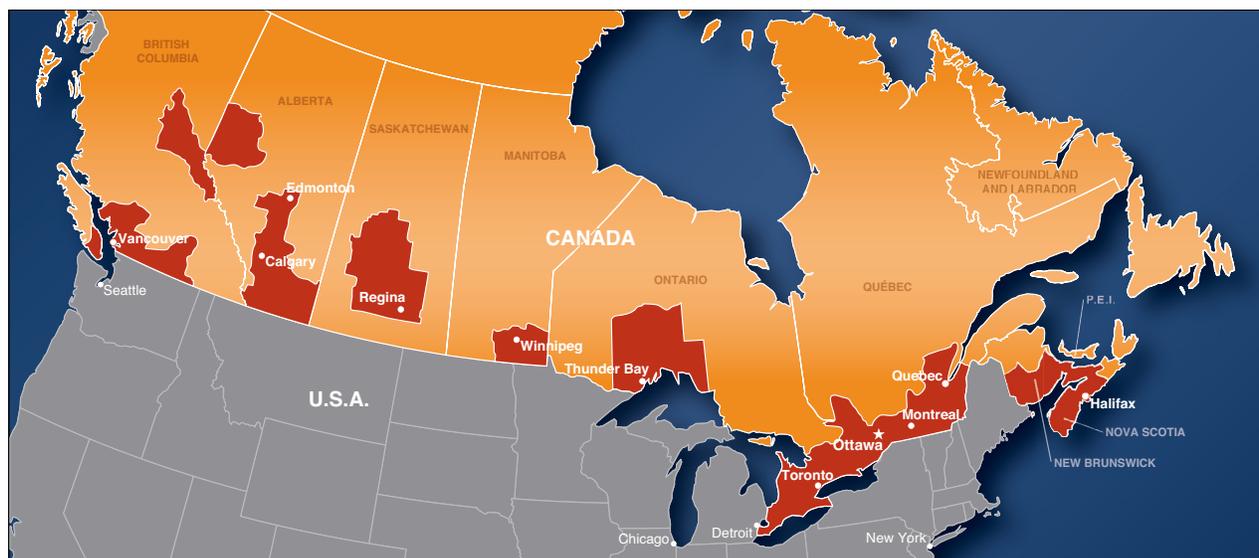


Figure two: An established security and loss prevention consultant should have a field installation and technical support network in place throughout Canada.

How committed is a U.S. vendor to 100% compliance with Underwriters Laboratories of Canada (ULC) fire inspection certification for its central monitoring station?

Finally, how committed is a U.S. vendor to understand and help set policy through active participation in industry groups, including the Retail Council of Canada (RCC); the False Alarm Reduction Association for North America (FARA); and the Canadian Security Association (CANASA)?

Simons explained that participation in association-sponsored programs gives Vector Security project managers insights into those all-important nuances that can help an installation continue without delay.

“Sometimes I’m sitting on Ways and Means committees for these organizations, and I’m the only U.S. representative there,” Simons said. “I’m baffled by that. From a customer service perspective, it’s worthwhile to be there.”

In addition, Vector Security routinely invites U.S. law enforcement to its National Service Center in Gainesville, Virginia, to educate associates about what happens after police and fire departments respond to an alarm, as well as discuss the effects of false alarms on first responders.

“Police departments ultimately set the rules for dispatching,” Simons explains. “Understanding and working closely with them helps to reduce the pressure on their resources, as well as reduce the number of jurisdictions that adopt no-response policies.”

“As a part of our commitment to the Canadian market, I’m developing a similar workshop with the Toronto Police Service and CANASA members to better connect the two groups.”

3.2 Security Myth 2: It’s Too Difficult for U.S. Retailers to Open up Shop in Québec

Complete myth, Simons maintains. “For our customers to take us seriously, Vector Security has to operate in Québec, so we’ve become successful there. And it’s not too difficult. But it didn’t happen overnight,” he said.

Canada’s largest province by area (and second largest by population) legislates that French is the official language, which means that every component of a security system, from product labels and manuals to instructional signs and verbal communications, must be compliant with Québec law. Other legislation mandates that security companies obtain a license to operate in the province.

“Of course, security companies vary in their approach to comply with Québec law,” Valeriani said. “Some companies acquire Québec-based security companies to become compliant. Vector Security’s approach was to contact the Bureau de la Sécurité privée (BSP), explain what their intentions were to do business in the province, and learn what was required to become compliant. In other words, focus on transparency and knock on the bureau’s front door.”

Until Vector Security obtained its license, “frankly, we turned business down,” Simons explained. “Ultimately, I believe we gained respect from customers and BSP because BSP understood what we wanted to do – and appreciated our desire to comply.”

3.3 Security Myth 3: Product Availability Issues Increase Cost of Ownership

In fact, there is a good chance that many of the products listed on a project’s bill of materials may be sourced in Canada, Valeriani said. It’s all about knowing where to look.

For example, a couple of Silicon Valley-based companies manufacture video surveillance IP cameras that are popular because they’re reliable and they’re priced right. However, duties and tariffs may add up to 30% to the cost of each camera. If a project requires several cameras, it pays to find an alternative, which Valeriani has, with a Canadian-manufactured camera that has comparable features for a lower price tag.

“Some of the systems – for example, digital video recording systems – are likely to be shipped from the U.S., so the price tag may be a higher than a retailer is accustomed to,” Valeriani said. “But if the specifications are flexible and not necessarily product-specific, there are similar (and often, better) options available from Canadian suppliers.”

3.4 Security Myth 4: Canada is Not the Place for a U.S. Retailer to Invest in a Leading Edge, Networked Security System

According to Vector Security Senior Network Sales Engineer Ray Masavage, “Canada is at least equal to (if not further along than) the U.S. when it comes to transition of legacy T1 circuits to next-generation wired broadband – fiber, cable, or DSL over copper networks. That also applies to Canadian cellular carriers’ buildout of HSPA and 4G LTE data services. A substantial infrastructure is in place that is now in the portfolio of leading U.S. managed network services (MNS) providers.”

Masavage explains that even DSL, which the U.S. recognizes to be the low end of wired broadband, is far more optimized in Canada. Canada’s DSL is typically asymmetric (ADSL) technology with speeds that are usually no less than 1.5 Mbps – and can be as high as 25 Mbps. This is a dramatic difference compared to the U.S., which DSL deployments are usually well under 1.5 Mbps.

Masavage added that Canada can be more progressive than the U.S. in rural markets, where there tend to be more broadband-over-WiFi product offerings.

As in the U.S., pricing on wired broadband in Canada is usually not capped or billed on a data plan. Cellular data and Wi-Fi are billed on a plan – but typically at lower rates than U.S. customers pay.

Given favorable pricing and available bandwidth, what can access to a high-performance network mean to a retailer expanding into Canada?

“Cost effective, leading edge IP networks are as easy – or even easier – to deploy in Canada as they are in the U.S.,” Masavage said. “This enables the retailer to achieve an important loss prevention objective, which is to have high quality, remote CCTV video access any time, from any store and from many locations, including mobile,” he added.

In fact, to facilitate new store operation applications, a retailer may want to consider implementing a high-performance network as a separate solution that’s independent from the corporate, legacy IT network. This separate network can include physical security and point-of-sale systems integrated with video surveillance, life safety, alarms, customer WiFi, interactive distance learning for training purposes, digital signage and building automation. Additionally, it is an enterprise solution that can also serve as a back-up to the primary legacy IT network.

The ability to drive operational efficiencies can be substantial – especially if the network includes distribution centers, headquarters and manufacturing in addition to retail locations.

Ultimately, the key to success with larger retailer implementations that span the U.S. and Canada may be to work with an MNS provider that maintains relationships with geographic last-mile service providers in both countries. The good news is that today, there are several MNS companies in both countries that can meet this requirement.

The bottom line? Contrary to taking a bare bones approach, Risk Management and IT leadership may find that expansion into Canada is the ideal opportunity to invest in a fresh, new or separate network deployment that can become a security and operational best practice for the entire organization.

4. Canadian Retailers Expanding in the U.S.

U.S. retailers are not the only ones with expansion in mind. Flush with cash and ready to expand, numerous Canadian retailers have set their sights on the U.S.

From a security and loss prevention perspective, the same considerations apply. Who can identify the devil in the details and separate myth from reality? The most important decision may be to partner with a security solution provider that has a true North American presence, along with comprehensive knowledge of how a successful security operation works in the U.S. and in Canada – and the differences between the two.

5. About Vector Security

For more than 40 years, Vector Security, Inc. (www.vectorsecurity.com) has been a premier provider of intelligent security solutions tailored to the needs of the customer. Headquartered in Pittsburgh, the company offers a full suite of electronic security services for residential, business and multi-site retail customers across North America and the Caribbean through a network of branches and authorized dealers. Vector Security is a sister company of the Philadelphia Contributorship, a private insurance company founded in 1752, and currently provides cost effective, technology-based security solutions to more than 260,000 homes and businesses. For more information about the services that Vector provides to national, multi-site retailers, please visit www.vectorsecurity.com/National-Accounts.

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