



The Future of Retail Loss Prevention

The world is changing rapidly: economies are shifting from local to global; transportation routes are expanding, with air transport experiencing explosive growth. The retail industry is also undergoing what may be termed the most radical transition since the establishment of the store and, along with it, major changes in retail loss prevention.

Everything is changing in the retail industry, from the way merchandise is delivered, stored and displayed, to the way people shop and pay for their purchases.

According to a recent article in the Economist: "... (consumers) are spending money in new ways to the benefit of other businesses...in particular Amazon." The numbers also paint a changing picture of American retail. In 2017, more than 8000 stores are expected to close; twice the number in 2016. Malls are also in continuing decline with department store giants collapsing all around.¹ New mall construction is at an all-time low, particularly compared to the heydays of the 1980s and 1990s²

But it's not all bad news. According to the same Economist article quoted above: "Not every mall or shop is dying. For now (2017), store-occupancy rates are healthy. Nor have consumers stopped shopping."

How does all this impact loss prevention?

Malls are evolving into multi-faceted entertainment centers, and stores are evolving into showrooms – changes that will significantly affect the loss vulnerability picture and the methods, skills and technologies used to mitigate against it. Stores, for example, will be smaller than they are today; but they will most likely have much larger open areas to improve visibility and safety; stores will have a much less "on-hand" stock (if any), removing a good deal of theft-related vulnerability; very little cash will change hands and/or be kept on premises; Points of Sale (POS) will be mobile; and there may very well be Secure "Lock up and Hide" areas to offer employees and customers extra safety in the event of terrorism or active shooter events.

Technology is also going to change: RFID will replace EAS; CCTV will continue to evolve into smart devices that will identify exceptions and predict incidents. Facial recognition will identify customers and their shopping patterns as well as known offenders. Stores will use tablet-like devices and holograms to communicate product information;

¹ <https://www.economist.com/news/briefing/21721900-love-affair-shopping-has-gone-online-decline-established-american-retailing>

² [malls.com](https://www.malls.com)

Contact Us:

TAL Global Worldwide Headquarters:

TAL Global Corporation, 1999 S. Bascom Ave., Suite 925, Campbell, CA 95008, USA

Tel: 408.993.1300, **Email:** info@talglobal.net, **Web:** talglobal.com





The Future of Retail Loss Prevention

self-check-out will expand and customers may not even have to take out their wallet- an in-store system will simply identify the merchandise selected by the customer and automatically charge their credit card.

Stores will become more of an experience. For example, a customer shopping for a shirt could select a fit, color, fabric and pattern while enjoying their favorite beverage. The store would communicate the selection to their Distribution Center and the item would be shipped directly to the customer arriving on their doorstep before they got home from the Mall.

And with the changes in topography and technology, it is quite likely that the nature of the job of the Loss Prevention professional will also change – from enforcement to analysis, detection to prevention and deterrence, and general to focused and specific.

Let's look into the details of some of the changes:

Stores Will Evolve Into Distribution Centers

With the decline of the "traditional" store, it is likely that more stores will evolve into distribution centers. They will become the center of apparel/hard line retail. These centers will hold most of the firm's merchandise, and from these centers, merchandise will be sent directly to customers after they conclude what will most likely be a virtual purchase.

Will Organized Retail Crime outfits target a company's trucks instead of their stores? If they do, what will their attack profile look like? Will they emphasize "outside" attacks or will they combine "outside" attacks with "inside" intelligence and collusion? Also, will ORC target smart devices (customers' and store employees' – both inside and outside the physical locations)?

Remote Will Become the New Present

It is most likely that remote monitoring will be a major component of store protection, replacing a lot of on-site presence. This will include a new generation of CCTV, panic buttons, audio monitoring technologies, proprietary burglar alarm systems, with direct connection to local law enforcement and video alarm verification capabilities.

Another central monitoring element will be Security Operations/BCP Command Center. It will include the following functions:

- ✓ Remote video monitoring
- ✓ Alarm monitoring

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- ✓ IT system monitoring
- ✓ Weather monitoring (e.g., hurricanes, tornadoes, earthquakes, fires, etc.)
- ✓ Business monitoring (e.g., Black Friday Weekend)
- ✓ Incident monitoring (e.g., protest activity)

Data protection will become another critical element of the future loss prevention effort. It will include multiple-layered protection of the following:

- ✓ Customer Payment Information
- ✓ Customer Purchase Information
- ✓ Customer Privacy Information (e.g., Credit Card Applications)
- ✓ Employee Privacy Information
- ✓ In-Store Technology (e.g., Wi-Fi-enabled technologies, product scanning and product look-up devices)
- ✓ Mobile POS Devices
 - Skimmers

All this data will be stored in the Cloud, therefore both economic and security considerations will negate the need for in-store servers.

Big Data will be another central aspect of future loss prevention efforts. Much of the sales and marketing efforts will be based on huge amounts of data that will be collected and analyzed in real time to enable focused approaches to potential and existing customers. The data will be surgically personalized to fit each individual shopper by tracking shopping history, consumption patterns, spending behavior, and many other parameters.

Online shopping experiences will be designed specifically for each potential customer. In store employees will know everything about their visiting customers and his/her shopping preferences. Personal analysis products in the form of promotional packages will be delivered directly to each potential customer's smart phone – totally personalized, using platforms such as Apple's iBeacon.

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Exception Reporting Will Become Predictive Analytics

In an almost real-life rendition of “Minority Report”, the future of exception reporting – an activity predicated on detecting an ‘exceptional’ behavior and focusing on the location, circumstances and other parameters that cause shrinkage – will evolve into a service called predictive analytics. Predictive analysis includes a combination of software and humans trained to sift through huge amounts of data from many different sources. Connections are then made and used to predict the proclivity of certain types of individuals, certain locations or other unique circumstances to induce and/or commit shrinkage-causing acts within a retail context.

The software will be a self-educable one, capable of learning, e.g., with the use of neural networks technology. It will identify vulnerabilities and threats and alert the proper authorities to the possibility that a violation may occur at a certain location within a certain timeframe. Loss prevention professionals, including investigators and agents, can then take a variety of measures to either deter, detect, and mitigate loss risk, or apprehend the offender(s) or potential offender(s).

Ideally, predictive analytics will take place at the individual store level to provide as accurate and as relevant a prediction as possible.

Internal Investigations

In a regular, current, loss prevention context “internal” investigations mean investigators operating on-site. The future of internal investigations offers a different picture, with investigators:

- ✓ being based in one location
- ✓ using predictive analytics
- ✓ “pushing” exceptions with video clips, so local staff can act to mitigate
- ✓ performing remote monitoring of store activity
- ✓ conducting remote monitoring interviews
- ✓ conducting virtual compliance and operational audits

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External Investigations

The nature of external investigations will change as well. Future external LP investigators/agents will:

- ✓ be based in one location
- ✓ watch stores through remote monitoring
 - receive notifications of suspicious activity from store employees
 - conduct talk downs through audio connectivity
 - rely on assistance from mall security
- ✓ work with local law enforcement to file charges
 - use video case building of habitual offenders
 - Send video and report directly to PD
- ✓ be sent to high theft locations (possibly using sub-contractors to control costs)

The Human Factor

From the information above, it is clear that future LP professionals will have to be computer savvy; they will have to understand and use big data, smart devices, leading edge communications and cyber security techniques as part of their daily routine. They will know more, be fully connected and have the ability to almost immediately analyze the value of their chosen course of action, and make rapid corrections. They will be able to perform remotely with the same comfort as if they're on-site.

The future of retail loss prevention is right around the corner. Are you ready?

Call us to learn more.

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