



Discount Retailer Curtails Inventory Loss with EMC Physical Security Solution

\$7 million in inventory losses avoided in first year

Challenge: Inventory shrinkage above industry average

Inventory loss is a continuing problem for retailers. A University of Florida study reports 1.55 percent of store sales are lost to theft annually. That doesn't sound like much, until you consider most retailers operate at net profit margins under five percent. As the global recession continues, inventory theft is expected to become more prevalent.

One large multi-line discount retailer with stores around the world was facing increasing inventory loss and yet could not pinpoint the source. Its shrink rate had increased in the prior 12 months to a level above the industry average.

While the retailer's in-store cameras were recording video of shoppers and employees, staff was not tasked with regularly reviewing or taking action on the footage. The retailer considered placing additional security guards in each store, but determined this option was too costly.

The retailer then asked for surveillance experts from EMC's Physical Security consulting practice and EMC® Select Partner, Verint Systems, a leading provider of actionable intelligence solutions, to assess their situation. The experts surmised there were many factors contributing to inventory loss, including shoplifting, employee theft, incomplete and error-filled tracking at shipping and receiving docks, and supply chain leaks. "Sweethearting," the practice of staff giving exclusive discounts or free merchandise to themselves or people they know, also was an issue.

Solution: EMC Physical Security for Retail

To address these challenges, the retailer chose a comprehensive solution that would enable them to consolidate visibility (and evidence) across their stores to catch theft as it occurred. The solution is based on advanced technologies as well as a new process that involves close collaboration between the retailer's IT and security departments.

EMC and Verint consultants worked closely with the retailer to architect and implement the overall solution, drawing on their extensive expertise in retail, video surveillance, and security. The implementation began with a controlled proof of concept and was followed by a staged rollout across locations.

The first proof of concept was with three stores in the same state. Next was a roll-out to 20 stores, and batches of stores after that. This was as much as the retailer's IT staff could handle simultaneously.

The EMC solution they choose consisted of these elements:

- Verint Nextiva video management software, integrated analytics, encoders, IP cameras, and intelligent DVRs. Retail traffic analysis is used for visualizing realtime information regarding customer count, traffic patterns, dwell times, and in-store shopping behaviors.
- RSA® SecurID® and RSA Key Manager to restrict and authorize access by store and security managers.
- EMC Documentum® content management software to catalog digital video images on an EMC Centera® archive, providing reliable access to tamper-proof evidence in court.
- EMC CLARiiON®-based IP storage network to consolidate digital video from multiple stores.
- EMC Navisphere® Management Suite for managing the entire IP video surveillance infrastructure.

Results: Inventory shrink rate on par with industry average

The retailer cites several functional advantages of the EMC Physical Security Solution.

EMC's IP-based solution has provided the retailer with a scalable, reliable infrastructure for cataloging, storing, archiving, and backing up hundreds of terabytes of video footage generated by the stores. With centralized access, security professionals can quickly access and review footage.

Scalability and openness of the overall solution also enabled the retailer to consistently deploy the same approach across multiple stores, providing economies of scale and lowering user training costs. EMC and Verint were able to leverage the extensive and existing video camera infrastructure, allowing the retailer to protect its prior investments.

The Verint application provided significantly more sophisticated ways to analyze multiple simultaneous video feeds on one screen, enabling stores to identify theft more quickly and accurately. Store personnel found the Verint interface to be intuitive and easy to use, helping to reduce the learning curve.

Since beginning phase-one rollout of the EMC Physical Security Solution, this retailer has:

- Saved hundreds of thousands of dollars in paralegal expenses because videos of shoplifters can be more quickly and easily retrieved and produced as trial evidence.
- Detected sweethearting by a cashier who was selectively bypassing the checkout barcode scanner and manually punching in low prices for high-cost items brought to the counter by an outside accomplice.
- Identified a clerk processing five times the average "receipt-less returns" per day and placing the resulting "invisible return value" on personal gift cards.
- Reduced shrinkage by an estimated \$7 M, bringing its overall rate closer to the industry average (1.55 percent of annual revenue).
- Recouped investment within the first year.



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