

5 of the BIGGEST MISTAKES

YOU CAN MAKE AS A LOSS PREVENTION LEADER

Agilence

INTRODUCTION

The goal of any Loss Prevention (LP) or Asset Protection department is to reduce enterprise losses and maximize profits. However, achieving that goal is often easier said than done in the fast-paced, ever-evolving retail environment of emerging technologies, increased workloads, budget limitations, turnover issues, corporate agendas, and added responsibilities.



Faced with the daunting task to do more with far fewer resources, it's never been more important for LP professionals to work smarter, not harder. Regardless of what hurdles stand in the way, LP teams must consistently deliver positive results because they are fundamental to the vitality of the organization.

With that in mind, we've compiled a list of the top five mistakes that LP professionals can make and how to correct course to better contribute to wider organizational success.

5 BIGGEST MISTAKES:

#1: Not Keeping Up with Current Trends

#2: Not Taking a Grassroots Approach

#3: Chasing Cases Instead of Protecting Revenue

#4: Sticking to an Outdated Philosophy of Loss

#5: Clinging to Legacy Software

#1

Not Keeping Up with Current Trends

Staying up-to-date with what's happening in your field will undoubtedly increase your credibility, relevancy, and value to your organization. Even so, justifying "non-productive" time spent researching current trends and effective strategies can be difficult.

We are naturally resistant to change and "it's always been done that way" is an easy excuse. The "old ways" of doing things are comfortable, they've been successful in the past, and you're probably busy plugging along with your head down. But the truth is that if you're not attempting to adhere to current best practices, or at least keeping track of them, then you're not protecting your organization and you're missing out on opportunities for growth, not only for your company but for your professional self.



It should come as no surprise that thieves will use every tool at their disposal to commit crimes. As new technologies continue to emerge at an ever-growing rate, fraudsters will undoubtedly take advantage of them. This means that your LP department must not only understand how theft and fraud happen today but anticipate how they will happen tomorrow.

For example, one of today's fastest growing categories of fraud was unheard of ten years ago, but with the advent of omnichannel purchasing and the rising popularization of Buy Online, Pick-up in Store (BOPIS) and Buy Online, Return in Store (BORIS) purchases, these platforms are enticing fraudsters to adapt quickly. According to multiple industry studies, BOPIS and BORIS fraud is on the rise (some indicate as much as a 250% increase in the past year). BOPIS fraud can occur when fraudsters attempt to use stolen credit card details to make an online purchase and then collect from the store, while BORIS fraud can occur when fraudsters attempt to return shoplifted or otherwise stolen merchandise, or merchandise purchased with stolen tender in exchange for cash or store credit. Unlike other types of online or eCommerce purchases, BOPIS and BORIS customers are difficult to verify because these transactions lack data points (like shipping and billing address) that merchants often rely on for verification.

Another rising threat for retailers is the rapid rise of account takeover (ATO) attacks. ATO attacks occur when a bad actor steals legitimate users' login or credit card credentials through a data breach or phishing attack. The bad actor can then use a bot to verify the credentials and check which eCommerce sites the login(s) work for. This is called credential stuffing. Then, the thief either sells the credentials to another fraudster or uses them themselves to make fraudulent purchases. With plenty of recent high-profile data breaches, there is certainly no shortage of compromised credentials for fraudsters to take advantage of. The rate of automated credential stuffing is rising on a monthly basis, and as fraudsters sacrifice speed for more human-like "low & slow" stuffing methods, they're becoming harder and

harder to detect. These types of attacks can hurt profits in more ways than one as they can severely damage loyal customer experiences and brand reputation.

BOPIS/BORIS fraud and increasing ATO attacks are just a few examples of trends that LP professionals should be familiar with. Some resources that can help professionals in any industry stay up-to-date on current trends include publications (like industry-specific blogs, newsletters, and news-sources), professional events, peers/mentors, and even social media



#2

Not Taking a Grassroots Approach

With shrinking budgets and increasing responsibilities, LP departments simply cannot be the only individuals in the enterprise focused on reducing loss and maximizing profits. Enterprises must weave an LP mindset into the very fabric of their corporate culture to combat loss at every level of the organization.

LP as a field has gradually changed from a stand-alone department to one that is more inclusive and collaborative with other business functions. This type of cross-functionality is a critical component to a successful loss prevention program that can add value to other business units with the data, knowledge, and tools available to them. Collaborative efforts can improve effectiveness by eliminating the duplication of efforts and providing a more efficient use of time, talents, services, and resources. With a successful collaborative LP strategy, more effective processes can be put into place, staff training can be coordinated, and all stakeholders can rally behind the same goals.

With limited resources necessitating efficiency and cost effectiveness, LP leaders can succeed by engaging people at every level of the organization. Each department must understand how shrink, fraud, margin erosion, and operational inefficiencies not only impact sales and company profits but each individual department's bottom line contribution too. To set the stage for this type of collaboration, LP professionals should be readily willing to provide valuable insights to other departments to get buy-in rather than waiting to be asked. Raising loss prevention and revenue protection awareness, engaging senior management and peers, and executing programs responsibly are all part of LP strategy success.



#3 Chasing Cases Instead of Protecting Revenue

Too often, LP processes are focused bottom-up with investigators sifting through thousands of transactions and hours of video. Once a suspicious employee or customer is identified, a review of their transactions and sales reports is performed to see what more can be learned from this case.



However, this approach is reactive, time consuming, and often misses many fraudulent transactions. Instead, Loss Prevention professionals should utilize modern technology to adopt a top down approach to identifying exceptions and margin erosion, staying compliant, and identifying opportunities to increase sales, improve customer experience, and boost operational efficiency. By beginning with an aggregated view of transactions across all stores and then drilling-down into specific areas of concern, you and your team can more effectively identify patterns not visible when looking only at the minute details. Once exceptions and patterns have been identified, then receipts and video can be used to confirm suspicions.

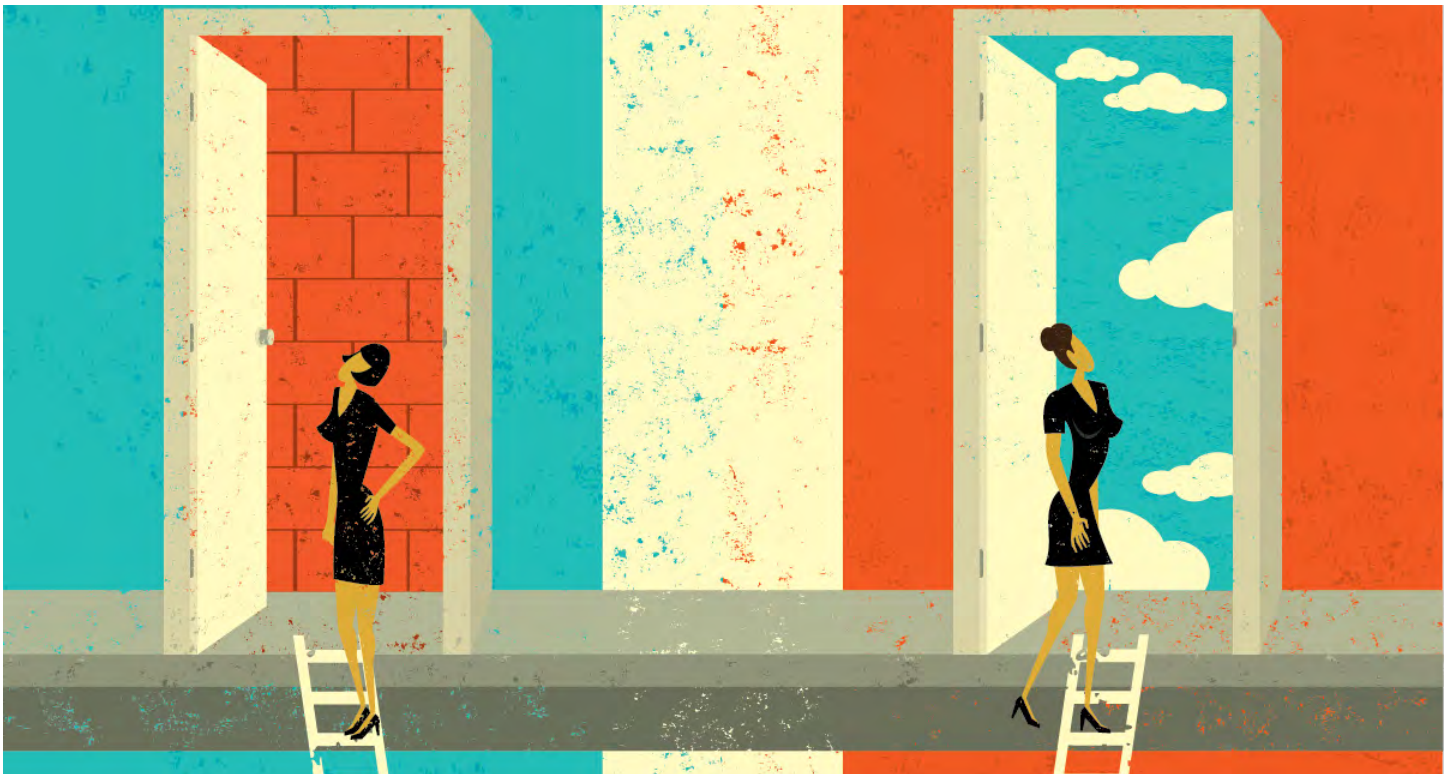
LP departments have the rare ability to identify previously unnoticed behavior that affects the company's long-term success. Instead of just identifying and highlighting individual cases, LP departments must increase their visibility and the value they add to the entire company for the long term.

#4 Sticking to an Outdated Philosophy of Loss

"Loss" and "shrinkage" are terms that come from a time when retailers calculated the difference between what was on the shelf and what inventory records and markdowns were in the accounting books. Times have changed – and so should the definition of "loss."

The traditional four buckets of shrinkage – internal theft, external theft, administrative errors, and vendor frauds fail to account for the complexity of the 21st century, omnichannel retail landscape. Instead, organizations are increasingly shifting away from a reactive approach and instead incorporating risk mitigation and preventative measures into their LP strategies, as well as improving enterprise-wide value by supporting other departmental initiatives.

Those who've been in the LP space for some time will recognize that this isn't the first time the industry has moved through name and philosophy changes – many departments started as security, which then became Loss Prevention or Asset Protection, and now we're seeing another shift to Enterprise Risk Management or Revenue Protection. Technology is driving many of these changes and is moving the field towards a more wholistic philosophy of understanding and supporting company-wide initiatives to not only reduce loss, but also to improve profits.



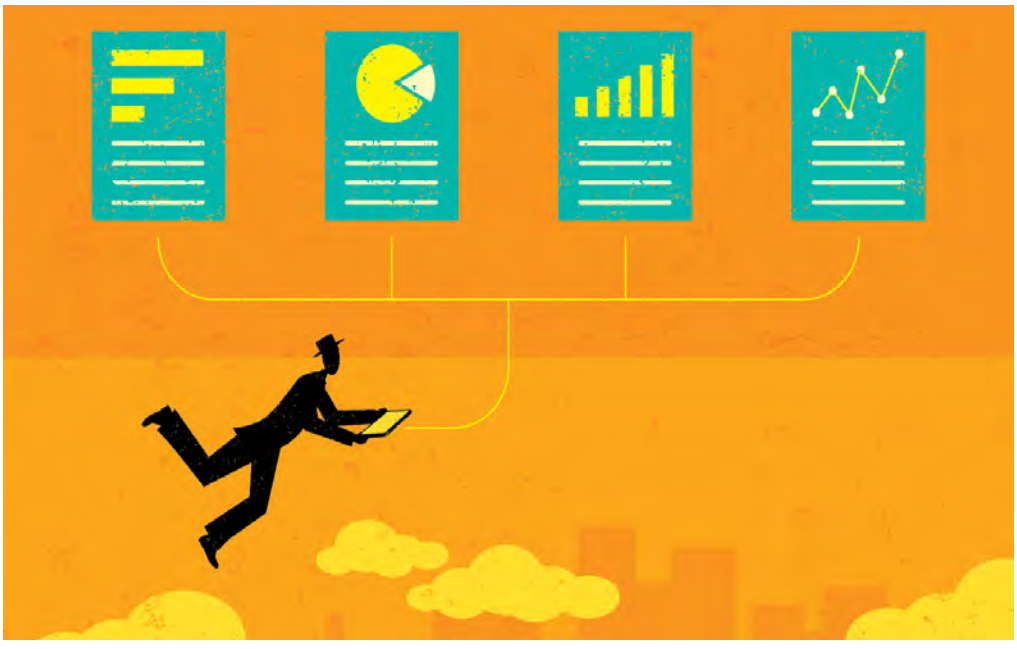
#5

Clinging to Legacy Software

As mentioned in point #4, technology is driving a lot of changes in LP and the greater retail landscape. As more advanced technologies become commonplace in retail, more information becomes available to the LP department to analyze.

Transactional data, payment information, video streams, inventory and other sources offer mass amounts of data just waiting to be collected and analyzed. Using outdated technology that delays your access to actionable insights will limit your ability to succeed. Data itself is meaningless – it requires a robust tool that can decipher unique insights that apply to your organization, not just provide industry averages or educated guesses. While no software can guarantee reduced shrink or cost savings, those that quickly identify exceptions provide insights and reveal patterns will contribute significantly to reduced shrink and cost savings. Today's data analytics and reporting software provides your LP team with more insights than could be identified 5, 10, or 20 years ago.

Addressing loss requires understanding what drives it. Taking an advance approach to capturing, analyzing, and reporting helps LP professionals get to the root of revenue loss and take specific actions to correct it. Instead of sorting through millions of lines of POS records for unusual voids, refunds, or discounts, today's solutions can automatically scan your data for these and other "red flags" such as cash drawer skims, loyalty/rewards abuse, multiple low value sales, and more. By automating the distribution of vital reports, prescriptive alerts, and customized dashboards, LP professionals can focus on staying proactive and efficient.



WHAT YOU CAN DO TODAY

The key to being a successful Loss Prevention leader is understanding the changing nature of retail and adapting to stay relevant. That's not to say that traditional methods aren't worthwhile and still applicable in certain circumstances, but by themselves they're no longer enough. While it can be challenging to stay on top of emerging trends, technologies, philosophies, and perceptions, it's imperative that leaders do just that. LP professionals who want to succeed must embrace change, recognize opportunities to improve, and continue to learn all while building and maintaining good relationships with internal company contacts.



Solutions like Agilence's data analytics platform can empower your Loss Prevention team to become more efficient, prevent loss, and increase profits. Ready to see what Agilence can do for you? Contact us for more information at www.AgilenceInc.com.

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