

RETAIL NEWS/INSIDER

THE COST OF CRIME

THE FIGHT AGAINST PAYMENT FRAUD

CRIME
SERIES
PART 2



The award-winning Interactions *Retail News Insider* offers a look at the trends, best practices and news affecting today's retail environment as it relates to engaging shoppers and driving sales.

As the flagship publication for Interactions, *Retail News Insider* provides insight on trends that affect all levels of our business, practical sales tips for our field teams as well as the latest news from our own consumer experience marketing experts. Our team embraces the concept that the world of shopper engagement is an ever-evolving marketplace, and goes inside the stories to take a look at what's happening in the U.S. and across the globe.

Retail News Insider has been named by numerous industry awards organizations as the best publication for associates. We are proud to set the standard for excellence in communication across industries, as well as for our own organization.

Platinum Award Newsletter
Hermes Creative Awards

Gold Award Interactive Communication/E-Newsletter
AVA Digital Awards

Gold Award Corporate Newsletter
MarCom Awards

Best Digital Communication Vehicle
International Association of Business Communicators Gold Quill Awards

Best Internal Publication
MarCom Awards

Best Employee Publication
International Academy of Visual Arts Communicator Awards

Best In-House Trade Publication
San Diego Press Club

Best Regularly Featured Column (Essentials to Engagement)
Content Marketing Awards

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Bharat Rupani
President, Retail Services

In the last month our teams have faced flooding, earthquakes and even a volcano eruption.

With a global workforce, you realize what takes place in your local environment does not represent what others are facing around the world, and

Weathering Mother Nature

Mother Nature is a perfect example. In Southern California, for example, we face wildfire dangers every year but we are unfamiliar with snowstorms. Our colleagues in many other regions know all too well the effects of snow and ice. At times, the actual retail locations we work in are affected, and more often than not our associates are impacted in their personal lives.

As some of you may be aware, southern Japan was recently struck by twin earthquakes with a magnitude of 6.2 and 7.0 in the Kumamoto Prefecture. I spend almost 50 percent of my time in Japan working with our teams, and was there at the time of the April 14 quake. While our offices were not near the epicenter, many of our associates were affected. Our Aeon team reported that 32 Sales Advisors were in the Kumamoto region at the time. At least two Sales Advisors' homes were destroyed and five Sales Advisors were in the evacuation center for their safety. We cancelled our events in Kumamoto through mid-May because the stores were too damaged to operate.

To aid in the recovery of the disaster-affected areas, Aeon held an emergency disaster relief and recovery fund-raising effort at several stores and business offices across Japan. In addition, organizations like GlobalGiving and the Red Cross have set up earthquake relief funds. If you would like to support relief efforts, included below are a few sites to choose from.

[Kumamoto Japan Earthquake Relief Fund](#)

[Red Cross](#)

[Association for Aid and Relief, Japan](#)

Our thoughts are with our associates, their families and the communities affected by the earthquakes' damage. We hope their return to normalcy is quick, and we offer our support.

All my best,

Bharat Rupani

Bharat Rupani

[Editor's Corner] Shining a Light on the Cost of Retail Crime

This month's cover story brings the second article in our three-part series on the cost of crime.

The series offers key insights and analyses to educate consumers and those in the retail industry about the current threats facing retail security. It shines a light on the many issues retailers must navigate in order to protect consumers' data, their reputation and ultimately their bottom line.

This month, the *Retail News Insider* team investigates the costs associated with implementing EMV (chip) credit card technology, including the costly ramifications of not being compliant. Our Market Watch

feature also provides insights on consumers' views of the new technology. Is the hassle of "dipping the chip" really making credit and debit transactions safer?

We hope you enjoy reading the second installment of our crime series. Join us next month when we conclude the series with a look at the age-old crime of shoplifting and how it continues to be a burden on retailers and consumers alike.

All the best,

Angelica Martinez

Angelica Martinez



Angelica Martinez
Communications
Manager

Beyond the Cart: Inspiring Ways to Celebrate

This time of year calls for many celebrations! Help your shoppers honor the moms, dads and new grads in their lives with innovative ideas using products you're sampling and other fun items found in the store.

Help shoppers take basic gifts to the next level. Enhance the amazing wine you are sampling by adding flowers from the floral department and include a specialty cheese in your display. Your creative gift ideas can be a great and convenient way for shoppers to demonstrate their appreciation for mom.



Help shoppers treat Dad to something more refined this year—a gourmet picnic!

Give shoppers ideas on how to set recent grads up for success with a gift card for extra spending!

TOP 5

[From the Front Lines]

Preparing for Effective and Engaging Events

How can Sales Advisors set themselves up for success from the moment they start their day? Sales Advisor Valerie Valenzuela, who has worked in multiple locations for two of Interactions' dedicated retail demonstration programs, shares her top 5 steps:

- 1) **LOOK THE PART.** Always make an effort to look put together and professional. I make sure my uniform is clean, my hair is neat and I have a smile on my face.
- 2) **CHECK YOUR SETUP, THEN CHECK IT AGAIN.** Make sure you have everything you need on your cart before you hit the sales floor and you'll be ready to hit the ground running.
- 3) **STOCK UP.** Have plenty of product to prepare your samples and to display for shoppers. This extra preparation will prevent you from having to leave your cart often.
- 4) **PREP YOUR SELLING POINTS.** Read labels and brainstorm ways to get shoppers interested in your product. For example, be ready to suggest recipes or help shoppers understand how promotions can help the product fit within their budget.
- 5) **SET A CHALLENGE.** Give yourself a goal—whether it's selling a certain number of units or trying to sway a reluctant shopper. I like the challenge of talking with people who seem to have already made up their minds not to buy. A one-to-one conversation might just change their mind.



Sales Advisor Valerie Valenzuela engages shoppers at a recent event.

THE PURSUIT OF PERFECT RETAIL EXECUTION



Michael Hankins
SAS Senior VP of Operations

By Michael Hankins, SAS Senior Vice President of Operations

In the world of retail merchandising, there is a lot of talk about perfect execution. At SAS, we define perfect execution as meeting our stakeholders' expectations. SAS Retail executes over 100,000 shifts each month with the pursuit of perfect execution on our mind every day. Completed work has different meanings to every one of our partners, and SAS has developed a recipe to help the "Pursuit of Perfect Retail Execution."

The recipe for great retail execution starts with *Great People*. With over 15,000 associates nationwide, these great associates enable SAS to provide solutions to any opportunity our customers may have. Our core services continue to expand from resets, installations, assembly, to dedicated programs which include planogram (POG) work!

Other key ingredients include...

Collaboration/Partnership—Preplanning with details to ensure alignment on the best way to accomplish the objective and establish clear KPIs (key performance indicators).

Communication—Intuitive directions to accomplish objectives. Most issues occur here. Associates want to do a good job, but they need simple, clear and intuitive directions.

Real time technology—Leveraging technology to complete work, report accurately and efficiency, with 100% visibility to our partners on the data.

No surprises—Handling issues with resolutions. Even the best plans will have obstacles; how you address and solve is the difference.

Recap and download—Did we accomplish the objective, what worked, how we can improve next time? Continue what worked and review how to implement the improvements.

A couple of watch-outs we keep an eye on...

Store is not a Store—Each location is different. Do not assume. Different locations have different merchandising needs. We must understand the differences to better prepare associates.

More is not better; better is better—This has so many applications, especially with Big Data. Do not over complicate the report; make it easy for customer updates.

In summary, perfect execution does not happen by chance. The recipe is simple—start with SAS Retail. We will mix in great people, established processes, real-time technology and customer collaboration, and get you on your way to Perfect Retail Execution. Please contact me at mhankins@sasretailservices.com if you would like to know more.



HOW WILL U.S. CONSUMERS USE THEIR TAX REFUNDS?



Now that tax time has come and gone, many consumers' pockets are a little fuller. According to a survey by the National Retail Federation, over 65 percent of filers expected to receive some type of refund this year—adding up to a whopping \$330 billion, according to *Bloomberg Business*. So where will all that money go? Here are the top 6 ways Americans plan to use their tax refunds this year:

- 1 Save it.
- 2 Pay down debt.
- 3 Pay for everyday expenses.
- 4 Take a vacation.
- 5 Make a major purchase (such as car or TV).
- 6 Splurge on clothing, a spa day or dining out.

Sources: National Retail Federation, Bloomberg Business

THE COST OF CRIME

THE FIGHT AGAINST PAYMENT FRAUD

By Retail News Insider

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The line in the sand has been drawn. After years of getting pummeled by billions of dollars in losses due to payment fraud, the major U.S. credit card issuers gave merchants an ultimatum: upgrade to more secure EMV “chip card” technology or be on the hook for financial losses due to fraud. That was the mandate in October 2015, yet six months after the deadline to implement EMV technology has come and gone, shoppers are still being asked to swipe their cards instead of dipping the chip for added security at many stores.

With the promise of more secure payment transactions, why aren't retailers clamoring to get on EMV bandwagon? In this second installment on the cost of crime in retail, the *Retail News Insider* team investigates the challenges retailers are facing in implementing EMV payment technology, whether the goal to reduce payment fraud is truly being realized and where consumers stand on the issue.

UNDERSTANDING EMV & FRAUD LIABILITY

Before we jump into how retailers are dealing with EMV implementation, it's helpful to have a clear understanding of how payment processing used to work and how the move to EMV technology is influencing change. When a consumer swipes a card with a magnetic stripe:

- his or her financial information is transmitted to the point-of-sale system (POS) through a simple magnetic field
- the same information is transmitted every time the consumer swipes the card at any store.

This makes it's fairly easy for a criminal to “skim” the information off the consumer's card, then load it onto a counterfeit card.

When a consumer inserts a chip card into a POS:

- it sends his or her financial information through a “packet” of data that's encrypted via the computer chip embedded in the card
- a uniquely coded packet is created for each new transaction.

This makes it harder for criminals to capture consumers' financial information and to create counterfeit cards.

Case in point: when chip cards were introduced in the United Kingdom, they helped reduce payment fraud by 27 percent, according to payment processor FirstData.

Now the liability shift issue. Before October 2015, if a credit card was used fraudulently, the bank or credit card issuer would give the real card holder his or her money back and still pay the retailer for the goods or services sold. The only one out of pocket was the bank or credit card issuer.

Today, if a fraudulent purchase is made using a chip card that's been swiped because the retailer didn't have a chip-enabled POS, the retailer is on the hook for the fraudulent charge. They have to give the real card holder his or her money back—and they're out of pocket for the goods and services fraudulently purchased by a criminal.

WHERE RETAILERS STAND

With \$7.9 billion in payment fraud losses reported in 2014, there's a lot on the line for retailers. So why are less than half of all brick-and-mortar stores in the U.S. currently equipped to accept EMV? As it turns out, the process is more complicated than it might seem.

“We've polled our membership and collectively they viewed this project as the most expensive and most complex POS overhaul they've ever had to do,” says Mark Horwedel, CEO of the Merchant Advisory Group, a payment advocacy group representing over 100 of the largest retailers in the U.S. When EMV

“We refuse to implement the chip technology here. Our customers would hate how long it takes to process their orders, so we absolutely will not be putting that option here.” —San Diego-area gas station manager on why she hasn’t implemented EMV technology yet

implementation is said and done, the total cost to U.S. retailers will be \$25-30 billion, according to the National Retail Federation.

Delays in providing the information needed to upgrade were also an issue, says Horwedel. “We were really set up for failure. There just wasn’t enough time [to complete the upgrade], especially when it’s noted that the specifications for debit cards weren’t provided until after the deadline was identified. It’s like asking someone to build your house and giving them a deadline, but not giving them a blueprint.”

“Card companies made it very difficult for retailers to meet the liability shift deadline by providing the technology details very late, setting unrealistic timeframes, and not being adequately prepared to certify all of the new payment terminals—as they require—before they could be switched on,” agrees Debra Berlyn, President of Consumer Policy Solutions, a consumer advocacy firm.

Berlyn’s last point explains why consumers are still being asked to swipe their cards at terminals that appear to accept chip cards. Retailers have to wait for the new terminals to be certified by the very companies that have shifted fraud liability to them. The cause of this backlog is surrounded by much finger-pointing, and is currently the subject of multiple lawsuits.

WHERE PAYMENT FRAUD STANDS

Despite the fact that a number of retailers’ EMV systems aren’t fully online yet, we also haven’t heard of many major security hacks recently. Does that mean EMV is working for those retailers who have implemented the technology?

“I don’t think EMV adoption in the U.S. can be given much credit for the apparent lack of large security breaches in retail of recent note,” says Dr. Lance Eliot, Global Vice President of IT for Interactions.

“It’s too soon for that to have made much of an impact. But I would assert that retailers got the jitters from seeing what happened to Home Depot and other retailers who experienced major security breaches in the last few years. They got religion, so to speak, and the systems security budgets suddenly got the monies that should have been there all along.”

It’s without question that chip cards are more secure than magnetic stripe, but consumers are still vulnerable to fraud, says Berlyn. “By opting for chip-and-signature rather than chip-and-PIN, credit card companies have not addressed card-not-present (CNP) or lost/stolen card fraud [which accounted for 59 percent of credit card fraud in 2014]. This is why over the past several decades we have seen most of the developed world move to chip-and-PIN.”

By and large, merchants also agree the implementation of chip-and-signature cards doesn’t go far enough—a problem Horwedel says lies with the banks. “There’s a lot of talk that [chip-and-signature] is being done to save the consumer from having to remember another passcode or PIN, but the truth is the banks don’t want to update their systems to handle PINs. I don’t think, if left to their own devices, most banks will move to PIN unless there’s a public outcry that they do so.”

Doug Johnson, Senior Vice President of Payment and Cybersecurity Policy for the American Bankers Association explains that the financial industry is ultimately focused on even safer technology. “Our desire is to make both [lost or stolen] credit card numbers and PIN numbers useless,” he explains. “If we have a dynamic number—the concept of tokenization—that’s much more powerful than a static number. That’s the direction we’re going in, and that was determined several years ago, before the debate about chip and PIN ever came into play.”

The tokenization technology Johnson mentions works by not simply encrypting consumers’ financial data, but by actually turning that data into a unique alphanumeric sequence (or “token”) that can only be read by the payment processor—not the retailer—and that only authorizes a single transaction at a single location. “Tokenization is particularly effective in the online environment. That’s where it makes sense to extend the resources because that’s where the fraud is going,” says Johnson.

WHERE CONSUMERS STAND

While there's been some grumbling about the length of time it takes to complete chip card transactions, according to a recent *Retail Perceptions* report, the majority of consumers who have used them—71 percent—say the cards make them feel more secure. In fact, 60 percent prefer to use a chip card over any other method of payment.

This means that retailers who choose not to implement EMV—or who aren't able to implement it quickly enough—may pay for more than just fraudulent transactions. "When consumer information is compromised and fraud occurs, retailers are often inaccurately seen as bearing sole responsibility and therefore face most of the public ire," says Berlyn. "These misconceptions could damage a retailer's reputation and disrupt business by diminishing its customer base as folks lose confidence in the retailer's ability to protect their payment card information."

Shoppers take a dim view of retailers that experience security breaches—both in the short-term and long-term, agrees Eliot. "Shoppers will not only buy less at that retailer, but even opt to not sign-up for loyalty programs or for cards with the retailer. Loyalty and trust effectively go out the window when a security breach happens."

THE FUTURE OF PAYMENT SECURITY

Despite the challenges they've faced with EMV implementation, Howedel says that retailers do have consumers' best interests at heart. "The merchant community is interested in implementing the safest technology. The momentum is there, and when the system providers can catch up with the demand, we're going to see progress in getting EMV implemented."

Still, experts warn that the current implementation of EMV isn't a panacea for payment fraud. "Since the U.S. isn't requiring a PIN, pretty much anybody can use an EMV chip card, including a lost or stolen card," says Eliot. "And the magnetic stripe on an EMV card is still vulnerable to being read by malware." EMV doesn't protect against card-not-present fraud (like online purchases) or attacks on databases containing financial data, either.

Other technologies that are being worked on, such as biometrics and/or the tokenization mentioned by

Johnson, may help solve some of these problems. But there is still much work to do, and retailers must remember that security is not a one-time investment. As Eliot puts it, "the cat and mouse game just keeps moving along and retailers need to continually be playing the game."



As more security methods are implemented to thwart off security breaches, other fraud attempts may be on the rise. Here are the top three fraud tactics our experts warn retailers to look out for:

- 1. mobile payment fraud**
- 2. Trojan horse attacks enabled by in-store technology**
- 3. online and other card-not-present (where a credit card number is given, but not actually swiped or dipped) fraud. When the U.K. switched to EMV cards, it saw a 79% increase in fraudulent card-not-present transactions.**

MARKET WATCH CALENDAR

January	Merchandising & Big Data
February	Experiential Marketing
March	Bottom Line: Investing in Technology
April	The Cost of Crime, Part 1
May	The Cost of Crime, Part 2
June	The Cost of Crime, Part 3
July	Grocery Labor Market
August	Exponential Technology
September	Giving Back: The New Marketing Cause
October	Engaging Innovation
November	Voice of the Consumer
December	2017 Trends

2016

BUGS... FOR BREAKFAST?

For many Americans, the idea of eating bugs elicits an instant “yuck!” or “no way!” But what if we stripped away the crunchy, leggy parts and focused on the environmental and health benefits? According to *Popular Science*, a number of startups are betting consumers will bite. Since 2012, over 30 companies specializing in cricket-based foods have opened up shop in North America. Others are venturing into the world of grasshoppers, beetles and some of the 1,900 other species of edible insects around the world.

Eating insects is far from a new idea. They were a staple for our hunter-gatherer ancestors, and are still quite common in many other cultures around the world. For example, fried locusts are a common street food in Thailand, and people in Mexico consider pan-roasted red ants a delicacy.

But these examples are a long way from what companies hoping to break into the mainstream have to offer. Hoping to get past the visual and textural “ick” factor, most of these companies are incorporating ground, powdered or pureed versions of insects into their products. Think tortilla chips made with cricket flour instead of corn, protein bars made with insects instead of soy, or a nutty chocolate spread made with mealworms instead of actual nuts.



Why use insects at all? The United Nations says they are an ideal protein source for the world’s ever-growing population. In addition to producing high-quality protein similar to meat and fish, they’re high in fiber, vitamins and minerals. Farming them also has less impact on the environment as compared to raising livestock. They require less energy and water, and they give off fewer greenhouse gasses.

“If you take 10 kilograms of feed, you can get one kilogram of beef,” said entomologist Marcel Dicke in an interview with *Popular Science*. “But you can get nine kilograms of locust meat. If you were an entrepreneur, what would you do?”

In addition to capitalizing on the pound-for-pound payoff, insect entrepreneurs are hoping to capitalize on several growing consumer trends. The first is the increasing demand for dietary protein. More than half of adults say they want to add more protein to their diets, reports market research firm, The NPD Group. More consumers are also looking for sustainable products—and more than half say they’ll pay more for them, according to a survey from Nielsen.

For now, whether there’s truly enough a demand to bring insects from the realm of childhood dares to grownup dining tables remains to be seen.



WE WANT TO HEAR FROM YOU!

Would you try cricket brownies, honey roasted mealworms or another insect delight? Vote at www.facebook.com/InteractionsMarketing!

Photos courtesy of Exo & Bugsolutely

CREATIVE SERVICES DESIGNS, DIRECTS AND DELIVERS INNOVATIVE SOLUTIONS

You've probably heard the phrase "a picture is worth 1,000 words." But did you know that it's more than just an old saying? Studies have shown people tend to remember significantly more visual information as compared to what they read or hear. What's more, according to the Visual Teaching Alliance, our brains process visual images up to 60,000 times faster than text. The bottom line: visuals can have a huge impact on consumer engagement—a fact Interactions is using to its clients' advantage with its creative services offerings.

For Interactions' design team, no project is too challenging—as evidenced by the materials created for a new culinary event program recently designed for a national retail chain. Interactions' creative team developed custom-branded cart wraps, product displays, recipe cards and an HTML-based analytics interface. The custom materials share the retailer's current branding style, while also helping the program stand out as an innovative new addition.



Sleek recipe cards encourage consumers to buy products and use them at home.

"I encourage my team to come up with their own creative ideas and twists," says David Silva, Interactions' Creative Services Manager. "But even with our creative input, we always keep our focus on the client's identity. We try to develop new concepts that complement pre-existing designs while adding our own unique, clever perspective."

Another great example of this was seen at a recent grand opening for a large mid-Atlantic retailer. In researching and developing a concept for the event, the Interactions' team discovered the store was located on land that used to be a railroad station at the turn of the 20th century. Inspired by this, Silva's team created an entire historic railroad-themed concept that included station depots, Brand



Tomorrow's shoppers making selfie memories today.

Ambassadors dressed as railroad conductors and even a custom-branded "old time" selfie booth. The designs married the railroad theme with the retailer's iconic logo and brand colors. The results were impressive, receiving accolades from the retailer and shoppers alike.

Even small details get the creative treatment. When Interactions launched a mobile tour centered around an ice cream truck, it didn't just serve the ice cream in basic plastic cups or waffle cones. "We served the ice cream in branded megaphones, so that when customers were done with their ice cream, they could literally use the megaphones to 'scream for ice cream,'" explains Silva.

Engaging digital collateral holds consumers' interest well after an event.



Whether it's designing logos, signs, distributed materials, vehicle wraps or nearly anything else the client needs, Silva says his team's goal is always to find a way to make the event unique. "We try to push concepts and creative thinking," he says. "That's what sets Interactions apart. We think outside the box. We deliver designs that are unexpected and that take visuals to a new level!"



INTERACTIONS' DESIGN SCORES NUMEROUS AWARDS

Interactions' creative talent was recently recognized by the Hermes Creative Awards—winning Gold Awards for the BOWLING logo created for a series of client events and the travel-themed "Destination: Daymon" exhibit at an industry trade show. Interactions' *Retail News Insider* and *Retail Perceptions* publications were also awarded Platinum and Gold Awards, respectively.





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we work as your trusted partner,
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that drive sales and enhance
the customer experience.



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