BEST PRACTICES

Retail Risk Management

Dataminr®

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In a speech delivered at the University of Capetown in June 1966, **Robert F Kennedy** encapsulated the turbulence of the age by invoking what he claimed was an old Chinese curse: "May he live in interesting times."

Although the origins of the phrase are likely apocryphal, Kennedy sought to capture the mood of a divided nation in a time of turmoil. Decades later, that moment feels relevant today: that interesting times are inherently bad times for those who must see them through.

In 2020, a curse of similar provenance but far more devastating impact afflicted every nation on the planet, upending the way people work, relax, shop, communicate, learn—in short, how they live their lives. For retailers, this meant redefining the risk landscape, and although some companies have successfully pivoted their operations and seized upon the coronavirus pandemic as an opportunity, in many cases the virus still represents an existential threat.

The scars of the pandemic are arguably most apparent in the traditional retail sector, which was already under threat from falling brick and mortar sales and the rise of online shopping. Despite the importance of the sector—employing around one in every 12 employees in OECD countries and accounting for almost 5 percent of GDP—retailers have been left in an extremely precarious position.

Unable to institute work-from-home policies and deemed essential by governments across the globe, retailers have been forced to adapt to the situation by introducing a range of imperfect safeguards. These measures can irritate customers, endanger staff, and require the rearrangement of entire store layouts, all while retailers contend with major supply chain disruptions and ever-changing government restrictions. In these circumstances, retailers must make use of every piece of information at their disposal to drive business resilience planning and sustain operational excellence.

In this eBook, we'll examine how retailers are navigating the "new normal." Seen through the lens of COVID-19, we will address:

- Health and safety
- Brand and reputation
- Hyperlocal risk
- E-commerce

Additionally, we will see how forward-thinking retailers are using real-time information to make better-informed decisions during this crisis.

Health and Safety

The health and safety obligations adopted to curb the spread of coronavirus help illustrate the advantages real-time data offers. Retailers who operate in numerous physical locations need to stay on top of shifting health and safety policies in their local markets.

The measures introduced for brick-and-mortar stores so far—ranging from mask mandates and social distancing enforcement, to sanitization and temperature checks—remain bewilderingly inconsistent across the world. Staying informed of these obligations is crucial—especially given how daunting the task of implementing these measures across an entire organization can be. The sheer scale of large retailers like Walmart, Target, Tesco and CVS requires them to know about new regulations at the earliest opportunity possible.

The most disruptive governmental response to the pandemic has been the imposition of lockdowns and curfews, which have greatly affected the retail sector. Stores can no longer rely on customers wandering in on a whim—for many people, something as simple as a trip to the grocery store has become a carefully planned affair. For luxury retailers not deemed essential, these measures necessitate weeks or even months of closure, which must be factored into the firm's short-term planning, along with a medium-term strategy to facilitate effective, and safe reopening.

Retailers who face a patchwork of sometimes competing health mandates across their operating area rely on real-time information to stay agile and maintain compliance.

Brand Risk

Retail risk managers need to know quickly when there's a disruption at major shipping ports, so they can recommend changes to maintain business continuity and keep people safe.

Retailers are facing new brand reputation challenges tied to their response to the pandemic. For months, anti-maskers have filmed themselves (or have been captured on film) protesting mask mandates, in hopes of sparking confrontations with frontline retail workers. Some of those videos have been viewed by tens of millions of people—often with lasting images of the retailer's brand, and how its employees respond, front and center.

In the early days of the pandemic, customers took to social media in droves to decry specific large retailers who had not introduced voluntary restrictions, in an effort to warn other customers of the risk, and shame the offending companies into speedy compliance. Some formed online groups to highlight which stores in their locality had been willing to go the extra mile to ensure their customers' safety, and which were best avoided.

On the flip side, a number of customers strongly opposed the introduction of health and safety measures and, in some cases, took their frustration out on staff or fellow customers.

In April, Dataminr surfaced a video of an [altercation at a Big W store](#) in Melbourne, Australia, over purchasing limits on baby formula during the rush to buy supplies in the early days of movement restrictions. The video drew nationwide attention, and later went viral on Facebook attached to baseless claims that Chinese people were being banned from entering Australian supermarkets over coronavirus fears.

In either case, the adverse reaction of one customer to in-store coronavirus restrictions (or the lack thereof) has the potential to gain traction online and draw negative media attention. If the retailer cannot stay ahead of the story and respond rapidly, that negative experience can escalate to tarnish the reputation of the entire company.

On the positive side, consumers also praised some stores for how quickly they improved health and safety measures, and for adopting specific policies to protect vulnerable people.

For example, Tesco's dedicated shopping hours for elderly and immunocompromised people garnered widespread praise online. By demonstrating their willingness to go above and beyond for their customers, Tesco raised their profile in the minds of customers and reminded their own staff of the importance of what they do during a public health crisis. In an environment which has fostered much hostility, helping staff realize the positive impact of their work can provide a much-needed morale boost, and capitalizing on favorable mentions online by sharing or commenting can drive positive word of mouth.

Indeed, this is not the only area in which the seismic change in circumstances may afford unexpected opportunities to the informed retailer. Harnessing information from publicly available data sources does not just enable a company's security and PR teams to react in real time; it empowers leadership to stay attuned to their customers' changing needs and the shifts occurring in the marketplace.

For example, in Australia, Woolworths partnered with DHL and Australia Post to offer the ["Basics Box,"](#) a bundle of essential groceries delivered to the doorstep for an all-inclusive cost of $80. For older customers with whom Woolworths had already built a strong degree of trust but who were especially vulnerable to the virus, this initiative allowed the relationship between consumer and retailer to develop rather than stagnate.

Staying aware of similar initiatives taken by competitors, and tracking customer response to their own measures, allows retailers to foster renewed loyalty among their customer base and parlay their existing markets into previously untapped areas.

Publicly available, real-time data is also valuable for smaller retailers operating in a single market, giving stores early warning about possible supply chain disruptions due to natural disasters, industrial accidents and geopolitical instability.

A particularly devastating recent example is the ammonium nitrate explosion at the port of Beirut in August 2020 that resulted in hundreds of deaths and up to [$4.6 billion USD](#) in physical damage, according to an initial estimate from the World Bank. The tragedy was exacerbated by the consequent supply chain disruption, leaving thousands of people without access to food or pharmaceuticals.

Retail risk managers need to know quickly when there's a disruption at major shipping ports, so they can recommend changes to maintain business continuity and keep people safe.

Hyperlocal data

For major retail chains with hundreds or even thousands of locations, it is crucial to be equipped to deal with such events not just at the macro level, but also at a hyperlocal scale. The company's corporate security team must be able to monitor stores, warehouses, and offices to respond appropriately to events that could impact customers, staff, or facilities.

It is not only brick-and-mortar retailers who are exposed to this type of disruption. In September 2020, a suspicious package was found at a large Amazon fulfillment center in Dunfermline in the UK, prompting significant media and public scrutiny. Dataminr alerted on the incident and provided updates on the story from the initial evacuation of the facility until authorities gave the all-clear hours later, ensuring that interested stakeholders were aware of the wellbeing of employees and the eventual resumption of operations.

Social media posts can be an invaluable resource for detecting early signals of such incidents, providing early indications of threats against businesses, their staff, and executives—with retailers being a popular target due to their ubiquity and importance. While the overwhelming majority of these posts are idle threats, such rhetoric normalizes the concept of enacting violence against a company's public face, spanning staff on the retail floor to the C-suite in disparate offices. It is therefore prudent for corporate security teams to be cognizant of the more extreme reactions to the company's activities and to be mindful of any spikes in this kind of commentary. Even if the risk of rhetoric escalating to action is minimal, the consequences could be disastrous, so corporations dismiss it at their peril.
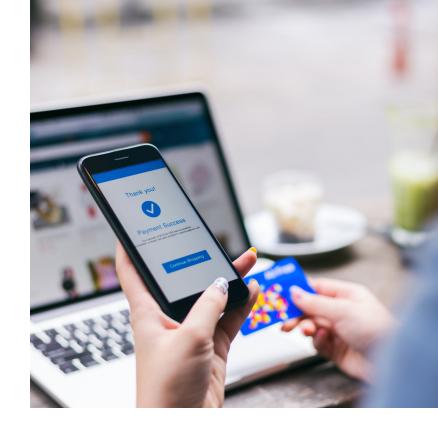
E-commerce

Even before the outbreak of the coronavirus pandemic, the convenience and simplicity offered by online retailers was enabling them to rapidly expand their market share at the expense of physical stores. The pandemic not only catapulted e-commerce into the forefront of the conversation due to its suitability for responding to the needs of vulnerable people; it also robbed physical outlets of their main advantage over online establishments—the in-store experience itself. The looming danger of the virus and onerous nature of the restrictions have turned shopping into a challenge, warped the carefully curated layout of stores, and made interaction between customers and employees almost taboo.

"In a recent McKinsey survey, American consumers said they liked buying products and consuming services over the internet, and planned to permanently shift their spending online—in some categories, by as much as 50 percent."

Source: McKinsey survey

While the successful deployment of a coronavirus vaccine will allow a semblance of normality to resume in many areas, the changes to the retail environment will not recede immediately.

The latest victim to e-commerce is the British giant Debenhams, a 242-year-old brand that once employed more than 15,000 people across the UK. The chain failed to pivot its business quickly enough during the pandemic, and in December 2020 said it would likely liquidate its inventory and permanently close its remaining 124 stores.

In a recent McKinsey survey, American consumers said they liked buying products and consuming services over the internet, and planned to permanently shift their spending online—in some categories, by as much as 50 percent.

An Alvarez & Marsal report published the same week examining consumer sentiment across six European countries echoed these findings, with more than four in 10 consumers indicating they had purchased something online for the first time which they had only previously bought in-store due to the virus. Having overcome the initial barriers to online shopping, one-third of consumers suggested their shopping habits would change permanently, a trend especially apparent in France and Spain.

With such a drastic acceleration in the change of market conditions, retailers must expedite and fine-tune their approach to online sales to adapt to the new paradigm. Consumers accustomed to the simple and seamless e-commerce experience offered by the major players will not tolerate a substandard digital shopping experience, compelling retailers to ensure their sites are cleanly presented and consistent across devices and channels. While transforming the manner in which they conduct business will confer certain advantages upon retailers—reinvesting capital saved on labor and rent costs, leveraging new data about consumer habits, and creating a social, interactive experience online—it also introduces them to a new, and rapidly growing, source of risk.

"More than 4 out of 10 consumers say they've purchased something online for the first time that they had only previously bought in-store."

Source: Alvarez & Marsal survey

Cybercrime has surged during the pandemic, with threat actors exploiting the upheaval itself and the inexperience of many consumers and businesses currently expanding their online activities. Phishing scammers create domains emulating legitimate retail websites to lure in unsuspecting customers and steal their personal data. The dark web and other clandestine channels allow unsavory vendors to advertise illicitly acquired gift cards, compromised user accounts, and tutorials on how to fraudulently obtain refunds. Employing tools to scan the vast networks in which these threat actors operate empowers retailers to take proactive measures against them, protecting both their customers and business operations.

Retailers increasing their online presence must also be mindful of their customers' data and ensure its confidentiality is paramount. Real-time information from sensors such as Shodan as well as cybersecurity news and the social media accounts of prominent researchers will help retailers stay informed of any vulnerabilities within their systems and emergent cyber threats. With the cyber risk landscape evolving at a breakneck pace and the potential for severe damage, investing in awareness and expertise is vital.

Taken together, these examples begin to illustrate just how critical publicly available information is to the safety and security of the retail industry. Whether it's critical infrastructure, asset protection, employee and customer safety, or cyber threats, retailers must be able to react in real time in order to keep pace and remain agile.

The Value of Real-time Information for Retailers

Retailers face an increasingly complex constellation of risks to their business. Real-time information is crucial for making decisions to maintain business continuity.

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The world's leading retailers trust Dataminr for real-time alerts based on public information. Dataminr's artificial intelligence processes publicly available information from more than 150,000 sources and in over 100 languages to deliver actionable information to its retail clients.

Capitalizing on the wealth of information available in public data sources can enable retailers to nimbly mitigate or resolve any crisis—perhaps, ultimately, proving Kennedy wrong: living in interesting times need not always be a curse.

Learn more about real-time data for retailers by visiting dataminr.com/dataminr-resources-retail

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