

The

RETAILER

North Carolina Retail Merchants Association

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In 2011 social media ballooned: Microsoft acquired Skype; Facebook's and Twitter's advertising platforms gained momentum; Google joined the social networking party with Google+; social became a mainstream component within search-engine results pages (SERPs); and Congress called for increased disclosure by companies providing location-based services.

As 2012 follows on the heels of such events, what digital changes and trends should forward-thinking retail marketers anticipate?

1. Marketing automation 2.0 will arrive, ushering in mature software and increasing mainstream adoption.

Historically, marketing automation has consisted primarily of e-mail and e-mail nurturing. In 2011, however, we witnessed the expansion of social Customer Relationship Management (CRM). Marketing automation is now one of the fastest growing segments of

the CRM industry.

In 2012, it will evolve from being an early-adopter tool into a mainstream solution for organizations that want to connect marketing operations, from the very top of the funnel, to online search, and down through sales and customer management.

2. Customers and employees will become an extended part of companies' marketing teams.

As social networks are used ever-more frequently for aggregating and sharing interests, expect opinions, positive or negative, about products and services to spread with lightening speed. As a result, businesses' customer relationships will become increasingly focused on creating and managing perceptions.

In 2010, companies (retail among them) began listening to customers' wants and needs via social buzz. In 2011, they focused on responding to digital customer commentary. In 2012, companies will need to move the needle

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From all of us at the
North Carolina Retail Merchants Association,
*"We wish you a happy and profitable holiday season
and a joyous New Year!"*

Marketing Predictions

Continued from Cover Story

forward, scaling marketing efforts by creating and sharing information with employees and influential customer evangelists to help define their brands, products, and services from the ground up.

3. SoPo (Social Personalization) will be on the rise.

"Keeping up with the Joneses" has never been so transparent. The power of referrals and recommendations will be fine-tuned and harnessed to encourage and persuade others to follow their friends' leads. With an ever-increasing social network footprint, and the explosion of data fueling it, expect networked recommendations to become more ubiquitous (e.g., your friend's friend likes this product).

Content recommendations on Facebook stores and participating e-commerce sites will be increasingly powered and filtered by friends' preferences (see "Likes" and "Social TV" below). Social sign-on, group sharing, and universal wish lists will even make personalization on smaller sites possible, and collaborative filtering will create connections between people in unanticipated and creative ways.

4. "Likes" will intersect with multimedia.

"Likes" will begin to influence more than just online text content. Digital

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video content providers will assume friends share "Like" preferences for video content. In turn, they will tailor and filter programming based on the "Likes" friends provide.

By anticipating what consumers will be most inclined to watch, digital providers will help them cut through the growing expanse of online multimedia content. It's highly probable that Facebook, either via acquisition or via a partnership with companies like BuddyTV or Hulu, will explore or invest in "Social TV."

5. Location-based marketing will grow, and certain customer use cases will shift predominantly to mobile.

In specific markets such as travel, shopping, and dining, customer engagement and purchases will happen more frequently via mobile device. A recent study found that one-third of all American adults use smartphones, and that percentage will continue to rise.

Travel-related click-through rates are already higher on mobile devices than on PCs, and location-based marketing—fueled by the likes of Foursquare—will continue to soar.

This holiday season, we'll see the majority of last-minute gift and store searches happen via mobile device. And with 50% of last-minute shopping projected to be done via mobile device by 2015, marketers in 2012 will have

to consider mobile in their overall marketing and sales plan as adoption of the mobile smart device becomes increasingly universal.

6. The discount economy will grow even larger.

Considering the flagging economy and consumers' income woes, offers from companies such as Groupon, Living Social, and niche players like One Kings Lane and

Zulily, will have an even greater uptick in 2012. Those companies will grow more than many have previously forecast.

7. Social media ads will become a significant part of the advertising mix.

At the end of 2010, Twitter had 150 customers using its paid advertising program. In the second quarter of 2011, it had increased its advertising customer base to 600, with an 80% rate of renewal. Moreover, in 2011 Facebook's brand advertising revenue rose 104% from the first quarter in 2011 to the second quarter.

But even in light of those tremendous gains, Twitter, Facebook, and other social networks have only begun to scratch the surface of potential advertising revenue streams. In 2012, marketers across the board, from big and small companies, will include social networks as a line item in their online paid advertising budgets because those networks will make access to their hundreds of millions of users more accessible.

8. Social networks will become a more significant source of search traffic and a greater influencer of Search Engine Results Pages (SERPs).

As social networks become an increased source of paid traffic, they will also become an increased referral source of search traffic. In 2011, small and

Marketing Predictions

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medium businesses, typically technology followers, began using social media more frequently, perceiving it to be an effective marketing medium.

In 2012, we can expect that trend to rise, especially as social media buzz becomes a mainstream component of SERPs. For companies that wish to preserve or improve their rankings, social marketing activities will no longer be optional; in 2012, they will be a necessary element of traffic-driving success.

9. Google anti-trust will continue to be a thorny issue.

Heading into 2012, Google is being investigated globally as an anti-trust offender. Google's overwhelming market dominance puts it squarely under the worldwide legal microscope for any anti-competitive actions.

10. Focus on social media ROI will be top of mind.

As businesses move from initial adoption of social media marketing toward the next stage of reflection and refinement, they'll be seeking data that clearly indicates the cost-effectiveness of social media campaigns.

With another year of trial and error under their belt, marketers will be more sophisticated and adept at navigating the social media channel. In turn, they will be more demanding of tools that effectively enable tracking, measuring, and improving ROI.

11. Virtual teams will become more common.

The globalization of the workforce will continue to mushroom with low-cost access services becoming more prevalent. As more effective video-conference, document-share, shared schedules, and various other online project-management and workflow technologies are introduced to the market, the ability to communicate and work with virtual teams will become

A recent study found that one-third of all American adults use smartphones, and that percentage will continue to rise.



of their markets: online shopping and social networking, respectively. But to date, those two markets have experienced very little crossover. That's odd, considering the tremendous opportunity to marry those

markets. After all, isn't it an enjoyable pastime for friends to shop together?

Facebook will make it easier for friends to do just that by providing an environment and online-shopping experience that are entirely different from the way we shop on Amazon. It is only a matter of time before shoppers trade in a trip to the mall in exchange for an online buying spree with virtual friends via shared screens, video chats, and group-buying discounts. □

Source: Marketingprofs.com; Written by Brian Goffman; Predictions provided by Optify.

ever-more efficient.

We've witnessed a growing trend of employees working in distant states, countries, or continents who are considered integral parts of core business operations. Remote employees are being woven into the fabric of our companies, working virtually side-by-side with locally based employees to create and deliver winning products.

12. Facebook will advance social commerce and give Amazon a run for its money.

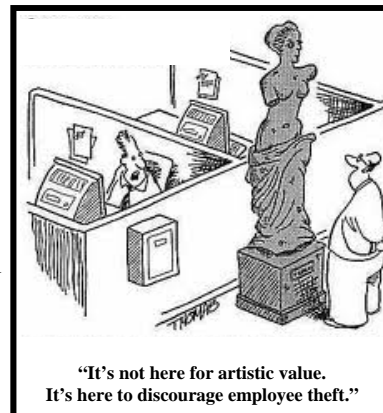
It's undeniable that Amazon and Facebook are the market dominators

What Is One of the Worst Mistakes a Retailer Can Make?

While no one intentionally hires someone who will steal from them, employee dishonesty has the potential to be the most costly loss category facing a retail business. Police say that given the proper motivation, 90% of people will steal.

Some will take cash or merchandise, while others take time and services.

Employee dishonesty is one of the most under-reported crimes against businesses. Why? Owners and managers are so devastated, disappointed, and embarrassed to be victims of this crime, that often they will simply terminate the offender and "sweep the incident under the rug." However, no other single act or policy



will do more to perpetuate a climate conducive to employee dishonesty than sweeping it under the rug. Let all employees know that if they are caught stealing, they will be prosecuted - and then follow through by actually DOING IT!

Criminal background checks are legally required for some jobs;

but for most jobs, it is seen as only an extra cost of hiring a new employee. However, it may save a lot of time and money later. Negligent employment cases make criminal backgrounds seem more important. According to Undercover Investigator K.C. Bettencourt one in three employees steal and it's rising 5% per year.

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Worst Mistakes

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Bettencourt's studies also showed that 20 - 25% of the work force will cheat when the stakes are high and supervision is low either by stealing merchandise, cash, supplies or time. Furthermore, about 10% will cheat no matter what.

The Wall Street Journal reported that up to 75% of all employees have stolen at least once. On average, 43% of retail workers admitted they have stolen from their employer.

Some authorities recommend integrity testing and criminal background checks because they believe that the benefit outweighs the cost. As that is a personal choice, here are a few facts:

- Most resumes (33%) contain flattering overstatements of accomplishments or employment positions held.
- The replacement cost of a bad hire is up to three times the salary of the job in question.
- Employers lose approximately 60% of negligent hiring/supervision jury trials.

- Police recommend that criminal history checks be repeated every 3 - 5 years in case an employee's circumstances have substantially changed.

Do not ignore the facts in front of you. If your shrink is higher than average, you have a problem. If your cash is consistently short or over, you have a problem. If an employee is secretive about what they are doing at work, you have a problem. Here's an interesting statistic to close with: 44% of employees say their employers could do more to reduce employee theft and their employer chooses not to.

You don't have to do something major to check up on your employees. Instead, occasionally close the store for the evening help, occasionally open for the manager who normally opens, and check out any discrepancies in paperwork. You are the owner. It is your store and your future. □

Source: Retail Advisor; the-retail-advisor.com

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More About Integrity Tests

An Integrity Test is a test taken either with paper and pencil or online to check an applicant's potential for dishonesty. The goal of these tests is to eliminate candidates most likely to steal from a retail business. There are, however, no guarantees that the person you hire will not steal sometime in the future. What follows is a brief explanation of a few of the tests on the market:

The Reid Report Test

The Reid company was founded in 1947 by John E. Reid, an attorney and criminologist who was often referred to as the Father of the Polygraph. Reid partnered with Fred Inbau, Professor Emeritus at Northwestern School of Law, and the two began identifying

patterns in behavior and psychological attitudes that resulted in the Reid Report for use in evaluating prospective employees. Developed in 1950, the Reid Report test became the first commercially available written integrity test.

The test is not lengthy (50 questions) and the questions are worded in such a way as to leave much gray area to be defined by the prospective employee. It is through this definition process of the gray area that patterns start to emerge. Available online, this is a well-rounded test that measures attitude, social behavior, substance abuse and work background. Vangent, currently marketing the Reid Report Test, can customize the test for an individual company and the test can be

administered on a computer or by paper and pencil. For more information on the Reid Report, visit www.vangent-hcm.com.

IntegriView

IntegriView was founded in 1983 and has more than 20 years of experience helping leading retailers in the US and Canada reduce employee theft and dishonesty. A well-rounded and well-worded test, the questions are positively worded and not, in any way, offensive to the test taker. The IntegriView test further suggests questions for a business owner to ask to clarify anything that has potential to be a problem later. Also available printed and/or online, for more information visit www.integriview.com.

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NCRMA

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The Retailer's Handbook

Although no retail store owner or manager can be expected to know every aspect of retail and personnel law, he can and should be expected to know where to find the answers. That is why NCRMA created *The Retailer's Handbook*. Available to members for \$25.00 and to non-NCRMA members for \$50.00. Call today!

Integrity Tests

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Smart Moves!

SmartMoves! was founded in 1997 by Barbara Spector, a management consultant with 24 years experience. SmartMoves! serves the entire United States and Canada offering web-based assessments, training and coaching. The SmartMoves! test is quick and easy to read, but is primarily focused on drug usage. Questions and answers are very black and white. For more information, visit www.smartmovesinc.com.

PsychTests

PsychTests.com is a subsidiary of Plumeus Inc., a privately owned high-tech company. The psychologists, statisticians, and artificial intelligence

Survey Finds Nearly All Retailers Rely on Background Checks to Keep Consumers, Companies Safe

EEOC Guidelines Could Prohibit Retailers from Asking About Criminal History

Nearly all retailers (97%) utilize background screening in some form during the application, hiring and employment process, according to a recent survey released by a national retail trade association.

The survey, completed by retail executives from 96 of the nation's leading department stores, mass merchants, discounters, drug stores, grocery stores and restaurants, examines retailers' use of background screenings during the application and employment process.

Additionally, companies routinely conduct pre-employment background checks on a wide range of associates from senior executives (86%) to store associates (55%), with a particular focus on customer-facing employees and managers. Background screenings are essential to help retailers ensure the safety of both shoppers and employees from the very beginning of the application process.

A majority of retailers report screening is conducted for most job categories, including store, distribution center and corporate office employees, since each of these positions work with customers, manage merchandise or handle sensitive information. Even senior executives undergo background screening in most companies.

specialists that make up the PsychTests.com team have years of experience in the online testing field.

The online site sets up the test as a self-test and takes about 25 minutes. Questions are well-worded, the font was easy to read, and all answer choices repeated with each question. This company will re-work their master test for individual purchasers



Potential EEOC Guidelines to "Ban the Box" Concerning for Retailers

The Equal Employment Opportunity Commission (EEOC) is currently considering new guidelines that would prevent all businesses from asking potential employees about their criminal history during the application process. The so-called "Ban-the-Box" guidelines, coined by retailers based on the criminal history box seen on most application forms, was the focus of an EEOC meeting in July. The hearing examined employment barriers for convicted criminals and ways to ease criminal re-entry into the workforce.

Dozens of industry groups have expressed their concern over "banning-the-box" because of its adverse impact on retailers, employees and – most importantly – consumers. Understanding a potential employee's prior work experience, education, customer service skills, and criminal history helps retailers make intelligent hiring decisions. New guidance could be issued by the EEOC as early as this month. □

Source: National Retail Federation

on company letter head or will score the test in greater detail for a price. To get more details on pricing information for your company, visit www.psychtests.com/about/faq/commercial.html. □

Source: Retail Advisor; the-retail-advisor.com

Everyone's Talking About Cloud Computing - What Is It?

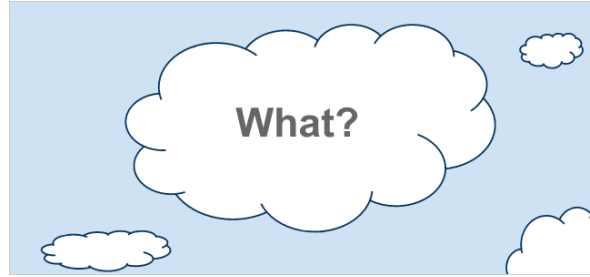
Cloud computing is software delivered via the internet. It does not require any special hardware, just an ability to log on. Many people refer to this as "software as a service" (SaaS). Software and/or data storage can be a monthly service just like your water or electric service.

Do you regularly use cloud computing but not realize that's what it's called? If you use Hotmail, Yahoo mail or g-mail, Google maps, or a newsletter service provider like Constant Contact, you are using cloud computing. Do you keep up with friends on Facebook? These are examples of software available in the cloud. You access the internet, sign on to the web-hosted site, and use its software for communication and information. It is the future, and it is happening now.

Generally, cloud computing is a good fit for most businesses. The benefits of cloud computing are:

- Pay only for the services used; just like electricity, you are billed only for what you use.
- No investment in network hardware or multiple software licenses.
- Back-ups are not necessary because data is maintained "in the cloud."
- No more missed "critical" updates; they occur on the server without any action from you.
- More features for less money because your server is offering you a specific Application (App).
- More mobility as you can access the software from anywhere.

The detriments of this new technology are still developing. Currently, the most frequently mentioned problem is server outages. Occasionally servers are cracked (hacked) but this is rare. Before committing to a cloud service provider, ask about data security during transmission and at rest. If you are considering a cloud provider for you POS, ask about the PCI compliance. As can be expected with any revolutionary



change, legal issues will arise - everything from trademark infringement and data security to the sharing of propriety data resources.

A word of caution: Before executing an agreement with any cloud service provider, consider how to retrieve your information should you decide to change service providers or discontinue the service. How long will you have to retrieve your data and what help, if any, will be given? If you need more time, what will be the cost? Does the service provider have staff to assist you?

Another thing to consider is annual support and back-up. Some service providers will include unlimited, 24/7 support on the cloud and back-up will occur regularly with no action taken by the end user. Some service providers also have multiple service centers that data backs to which is always a good thing as you, the end user, will be less likely to experience outages.

Finally, check the server's history on outages. How often and for how long was service not available? What

times of day was the server down? What were the causes of the server's outage - was it planned for updates to the system or a "surprise?" Also, check data storage. Most firms back-up data to more than one location for their users' safety. That way, the data is always safe and always available.

Some retailers are excited about the idea of cloud computing. Some, while excited about the simplicity and ease, feel the cost is prohibitive or that the better value is in owning both software license and hardware. The most appealing concept is the ability to log onto the store's software from an integrated mobile device, such as an iPad or smart phone. It gives an owner the ability to check on his sales team while on vacation or check on hot merchandise while on a buying trip.

Cloud computing is not for everyone. If you want absolute control over all your data all the time, it may not be for you. On the other hand, if you are now considering a computer system after years of running your business by hand, it may be perfect for you. Generally, cloud computing is more user friendly than owning and maintaining your own equipment and software. Cloud computing is especially easy for new businesses because of the lower cost and faster startup. □

Source: Retail Advisor; the-retail-advisor.com



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Return Fraud

While still a tremendous problem, fewer retailers are expecting return fraud rates to grow this holiday season, thanks in part to enhanced return policies and requiring identification when receipts are not present during the return process. According to a recent Return Fraud Survey, completed by loss prevention executives at 103 retail companies, the retail industry will lose an estimated \$3.48 billion to return fraud this holiday season, down from \$3.73 billion last year. Annual return fraud will cost retailers an estimated \$14.37 billion in 2012, up slightly from \$13.66 billion in 2011.

According to the survey:

- Nearly nine in ten (89%) retailers say they have experienced the return of stolen merchandise in the last year, and just as many (89%) report that employee return fraud or collusion with external sources has been a problem in the past year.
- Wardrobing also poses a huge issue, as more than six in ten retailers (61%) say they have been victims of this activity within the last year.
- Eight in ten (81%) say they have experienced the return of merchandise purchased on fraudulent or stolen tender, and
- Just over 38% have found criminals using counterfeit receipts to return merchandise.

The growing problem of return fraud has forced many retailers to adopt policies that require customers returning merchandise to show identification. Of those without a receipt, retailers' estimate 14% of those returns are fraudulent. As a result, six in ten (62%) now require customers returning items without a receipt to show identification. Slightly more than ten percent of retailers require customers making returns with a receipt to show ID. □

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2012 New Year's Resolutions For Your IT Operations

1. Meet with your customers more often.

C'mon, admit it, you don't do it nearly as much as you should. Grab your calendar and make time.

2. Learn more marketing speak.

One of the best ways to understand customers is to know how marketing pros appeal to them.

3. Amp up your tweeting and blogging.

As you become a more authentic part of the conversation with employees, customers and partners, you'll be amazed at what you learn (and what you have to offer).

4. Deliver on time and on budget, but especially on value.

The business value of IT is Priority Number One now.

5. Think past the hype. What can cloud, mobile and consumer technologies do for your business? If you don't investigate this year, you will lose credibility and relevance.

6. Balance innovation and execution.

These are the yin and yang of your leadership and management skills.

7. Keep an open mind about emerging technologies.

New products and vendors may surprise you. I'm thinking of Windows 8, Hadoop, virtual desktops, unified communications, consumer IT, etc.

8. Turn "IT" into "It." Focus on understanding Information more than on Technology. Your influence and business savvy will grow.

9. Be all about the G word. Try to create revenue, leadership and organizational growth, as well as professional and personal growth.

10. Stop worrying about what you can't control. You can't control the economy, but you can control match your ability to innovate, execute and drive amazing results.

Source: Michael Friedenberg is the president and CEO of CIO magazine's parent company, IDG Enterprise.

Our mission is to create and re-create an industry marketplace in which North Carolina retailers can thrive, by:

- Effective legislative and regulatory actions
- Targeted member services, and
- Hi-tech distribution of information

We achieve this by our constant focus on fiscal responsibility and our core values of integrity, trust and professional excellence.



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