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Research Reveals Great Disconnect Between Loss Prevention, IT and Other Business Units in Retail

IHL Group study investigates impact as retail LP technologies become IP-enabled and IT and other business units leverage for functions beyond traditional LP; Retailers with greater than \$1B in revenue spend 8.3 percent of IT budget on LP priorities other than PCI and data breach protection

Axis Communications, the global leader in network video surveillance, today revealed the results of "The Great Disconnect Between LP and IT," a 2015 study by IHL Group, a global research and advisory firm specializing in technologies for the retail and hospitality industries. The research illustrates the differing ways in which IT and loss prevention (LP) teams view priorities, including staff and budgetary allocation. It also outlines the barriers to a closer LP to IT relationship and new revenue-generating functions of IP-enabled technologies.

Research suggests that after using IT budget to fund significant data breach protection and PCI certification efforts, retailers on average still have 6.4 percent of that budget left to spend on other LP priorities. As organization revenues increase, PCI and data breach protection costs level out, and IT budgets continue to grow linearly, larger retailers end up with two to three times more funds than smaller retailers for additional LP activities, such as organized retail crime and slip and fall prevention, electronic article surveillance (EAS), CCTV, video analytics and more.

Greg Buzek, founder and president of IHL Group, said, "In the retail industry, we all have a general understanding that a lot of effort and money is dedicated to EMV compliance, PCI and data breach protection. In conducting this research, what was fascinating to our team is just how much that prioritization drains resources for other LP efforts, specifically in IT. There certainly is a disconnect in regards to focus of existing budget and resources. However, our findings indicate that real opportunities exist for other business units to actually generate revenue from these technologies with new applications, such as traffic counting and video analytics for marketing optimization, and more."

The Great Divide: LP Thinks and Staffs Differently than IT

IT budgets for LP are known to experience economies of scale, and the same holds true for the availability of IT staff for other business unit activities. By ranking retailers in terms of LP technology spend, with tier 1 retailers spending the most, the research found that tier 1 retailers with more than \$1B in sales dedicate only 4.5 percent of their IT staff to LP efforts. In contrast, tier 3 and 4 retailers devote nearly eight percent, clearly demonstrating that the percentage of IT staff for LP decreases as revenue and access to efficient systems and technology increases. As retailers devote more spend to investments like IP-enabled video technology, LP functions demand less personnel attention and free up resources for business growth activities.

When assigning weight to IT and LP initiatives, PCI and data breach protection take 35 percent of the overall IT focus, while only 26 percent of LP initiatives are similarly focused, with LP giving much greater weight to its own functions, such as employee and consumer theft. At odds with both IT and LP, other organizational business units, such as finance, see PCI and data breach protection as 54 percent of their focus—likely linked to recent, high-visibility data breaches in the public sphere.

Barriers to a Closer IT and LP Relationship

When asked to rank the biggest barriers to a more cohesive relationship, IT and LP were generally on the same page, weighting “other business priorities” and “systems integration” as the two most important reasons. Other titles in the organization weighted “systems integration,” for example, as the largest concern, showing a disconnect in perceptions around issues and the influence of IT.

Internal politics is one of the lesser worries when converging the LP and IT relationship showing a general promise at all levels of the organization to work more efficiently together to maximize efforts and spending. While primary issues are due to an overall organizational focus on growth, economically it shows a shift in moving beyond cost control to forward-looking growth objectives.

Future Opportunities for LP and IT with CCTV

Advances, flexibility and 24/7 access to surveillance technology place it in high demand across many business units, especially when considering the power of video for traffic monitoring, marketing purposes and trade compliance. According to the survey, 86 percent of respondents have CCTV in place today, making it a large component of LP initiatives. Of those same respondents, 64 percent leverage IP-enabled technology.

While retailers are planning to further leverage the benefits of surveillance by implementing smart software and analytics, in the near term, CCTV camera use will remain dominated by traditional LP functions. The following highlights how respondents plan to use CCTV cameras over the next 18 months, showing a large disparity among IT, LP and other business unit respondents:

Employee theft in-store – While 89 percent of IT and 90 percent of LP find the prevention and discovery of employee theft within the walls of the store incredibly important, only 71 percent of other business units find this to be the number-one priority.

Consumer theft – Following as a close second, 79 percent of IT and 90 percent of LP respondents prioritize the use of CCTV to mitigate consumer theft in store, while only 57 percent of other business titles find this an important focus of the technology.

Cashier monitoring – Unsurprisingly, 100 percent of LP professionals surveyed say cashier monitoring is a priority use of CCTV, while IT and other business units de-prioritize it at 56 and 57 percent, respectively.

“Our team has noticed a clear disconnect in retail between IT and LP departments when it comes to budget, focus and staffing,” said Hedgie Bartol, Business Development Manager,

Retail, for Axis Communications. “This is a natural and expected interaction given their differing priorities, but IHL Group’s research has put in place actionable feedback and future-looking opportunities due to IP surveillance technology advancements that can be put in place organization-wide to create stronger relationships and ultimately, turn up revenue from a department otherwise known as a cost center.”

For more information on the results of this survey and its findings, please click [here](#). Axis Communications will be at NRF Protect, June 23-25, in Long Beach, Calif., at booth # 1019.

For further information about Axis Communications, please contact:

Kelley Brescia, Axis Communications, Inc.

Phone : 978 614 2137, Email : kelley.brescia@axis.com

Matt Flanagan, fama PR, Inc.

Phone : 617 986 5002, Email : axis@famapr.com

About Axis Communications

Axis offers intelligent security solutions that enable a smarter, safer world. As the global market leader in network video, Axis is driving the industry by continually launching innovative network products based on an open platform - delivering high value to customers through a global partner network. Axis has long-term relationships with partners and provides them with knowledge and ground-breaking network products in existing and new markets.

Axis has more than 2,000 dedicated employees in 49 countries around the world, supported by a network of over 75,000 partners across 179 countries. Founded in 1984, Axis is a Sweden-based company listed on NASDAQ Stockholm under the ticker AXIS. For more information about Axis, please visit our website www.axis.com. Follow us on twitter @axisipvideo.