

LP And Marketing Leverage Surveillance At Northern Tool

A growing national tool and equipment retailer unites its loss prevention (LP), merchandising, and marketing departments with a new intelligent video platform.

by Matt Pillar

Founded in 1981, Northern Tool + Equipment has been quietly but steadily growing in the retail tool and equipment niche by offering great values and by out-leveraging its competitors as a cross-channel retailer. Its catalog and website are key components of a sales strategy that's driven by 66 brick-and-mortar stores in 11 states.

To look at Northern Tool from the outside, you get the impression this is a company on the cusp of "owning" its space. A deeper dive behind the scenes verifies that perception. The family-owned retailer is methodically and strategically investing in growth-propelling systems and operational upgrades across all channels. In its stores, a new intelligent video platform provides a shining example.

VCRs And 1st-Gen DVRs Enable Nothing

Todd Gulbranson has been corporate LP manager at Northern Tool since 2007. When he joined the company, his first order of business was a surveillance system overhaul. The retailer's existing video infrastructure had no POS transaction integration and no means of facilitating it. When incidents occurred and case files were required, his staff was bogged down by manual searches of store-level 320-gig DVR hard drives, or worse, reels upon reels of degraded VCR tape. "The DVRs we had in place were five to seven years old and failing. They amounted to glorified VCRs and had 16 analog channels per box," explains Gulbranson. If a 17th camera were necessary, another several-thousand-dollar DVR would have to be added. Further, the existing infrastructure left no room for IP (Internet Protocol) integration.

With no ability to expand video infrastructure, Gulbranson's initial inclination was to convert all stores to a common platform of more modern DVRs. He spent nearly a year testing several DVRs. Toward the end, a colleague at LP technology integrator Checkpoint Systems suggested taking a look at DVRs from i3 International.

Northern Tool was in the process of remodeling a store, so Gulbranson ripped out the store's old system and replaced it with i3 for a trial. "We built in a turnkey system that included two cameras, a hybrid box with 16 analog and 8 IP channels, and analytics software. We quickly realized that the price was right and the functionality was exactly what we were looking for," he says. Within 30 days

more cameras were added, and the solution had been rolled out to 10 stores; the remainder soon followed. Now, each store is fully networked and outfitted with a video recorder.

Productivity For LP

The i3 International package gave Northern Tool something it never had before — the ability to integrate with its Epicor POS transactions. Checkpoint facilitated that integration, which has resulted in what Gulbranson calls a "1000% gain in the efficiency of creating cases" thanks to exception reporting and integrated timelines that simplify POS event searches. "On our old system, it would take hours upon hours to search footage from 16 cameras in a store, then several more hours to upload that video," he says. The introduction of POS integration and IP technology means Gulbranson and team can find specific video quickly and, if necessary, upload hours of video remotely in a couple of clicks and a couple of minutes. "We can respond to leads and follow up on exception reports for events like no-sales and postvoids in near real time now, which were never options previously," he says.

The ability to add cameras was a major benefit. "That was always a very expensive endeavor because we'd have to spend thousands on another DVR," he says. Now, for the relatively inexpensive cost of a camera and some Cat 5, Northern Tool + Equipment can increase surveillance of problem areas in a matter of hours.

Merchandising, Marketing Benefits Not So Ancillary

Gulbranson says the cross-disciplinary benefits of the new video platform were keys to successfully pitching the project and gaining support. Merchandising and marketing applications for video are often considered peripheral. "I knew if we were going to make strategic decisions about replacing DVRs, we could do so in a manner that would benefit our space planners, advertisers, and marketers," he says. "I talked through video-enabled applications like people counting, conversion rates, dwell-time analysis, and the customer service benefits that could be obtained. Collectively, we knew we would gain crucial information."

Northern Tool upgraded its cameras to i3 units to improve video quality but also



Northern Tool + Equipment's new intelligent video platform offers merchandising and marketing as well as LP services.

because they facilitated some of the sophisticated business intelligence the retailer sought. The new units featured people counters. Coupled with POS integration and dwell-time analysis, people-counting technology has automated sales conversion analysis at the store and even SKU level. Measuring a customer's dwell time at a specific display and comparing it to sales conversion rates for the SKU promoted at that display helps marketers and merchandisers understand interest levels and price efficacy. But Gulbranson points to real-time monitoring of dwell time as an equally important benefit. "Assume there's one sales associate on the store floor, and they're helping a customer select an appropriate \$5 paint brush. At the same time, there might be a customer lingering near an \$1,800 log splitter, frustrated that he can't get answers to his questions. Which customer would you rather be assisting?" With camera-enabled dwell-time monitoring, a store associate can be sent a real-time alert that there's a sales prospect in the heavy equipment aisle. Abnormal dwell time can also indicate a potential loss or security concern, again proving the value of dwell-time analytics.

The cameras are also being leveraged for store staffing and payroll efficiency analyses, which help fine-tune operational spend, and queue monitoring, which helps improve customer service levels. The intelligence gained from its video infrastructure is thus helping Northern Tool + Equipment strike the appropriate balance between labor cost efficiency and customer service.

Gulbranson won't deny that the LP investigative efficiencies were his primary motivation for spearheading the project. But he's quick to point out that it was the enterprisewide value of the system that made it a sure bet with his executive team. ■

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