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Securing a Competitive Edge

By Dave Kelley

Data security systems deliver customer reassurance

Data security concerns and potential retail fraud keep many consumers at arms' length from Internet shopping. Security issues also can affect brick-and-mortar sales. As a result, retailers who improve security, both in data management and e-commerce, can gain a competitive edge in the marketplace. "In an environment where customer data is captured, used and secured appropriately, a retailer and its partners can make better, consumer-focused decisions that will lead to increased customer satisfaction and loyalty," says Brian Kilcourse, Retail Systems Alert Group chief strategist. "There is room for improvement in the use of technology to secure consumer-specific data."

Most retailers don't encrypt customer-specific data within the database itself, according to "The 2005 Retail Data Security Study," led by Retail Systems Alert Group. That's a serious concern for multi-channel and e-commerce retailers, as well as consumers. According to research published by Visa: 61 percent of cardholders would shop online more if they knew their credit card information was secure and 83 percent who haven't yet shopped online say that it's due to worries about the security of their credit card information.

However upgrading and enhancing data and e-commerce security can make a serious dent in a company's IT budget. A customized system can cost hundreds of thousands of dollars. Even an "out of the box" system will cost tens of thousands of dollars to deploy, and the price goes up concurrent with customization. But increasing security threats are convincing a rapidly growing number of retailers that a security investment is a wise choice.

Service Meets Security

With more than 400 retail outlets across the United States and a burgeoning online store, The HoneyBaked Ham Company needed a data security system that could protect customers' financial and personal information, as well as ensure compliance with payment card industry data security guidelines. At the same time, however, maintaining optimal network performance was a priority for the specialty retailer.

"We didn't want a (system) that would effectively cause our own denial of service situation," says Erik Goldoff, HoneyBaked Ham information technology security and systems manager. "That's one of the security events we're trying to prevent, not implement."

To achieve that goal, HoneyBaked Ham Company is deploying Top Layer's Attack Mitigator Intrusion Protection System (IPS) 5500. The system was installed at the core of the data center, augmenting HoneyBaked Ham's security infrastructure.

"We're committed to maintaining the highest level of IT security," explains Goldoff, "to protect our valuable IT assets while providing employees and partners with secure connectivity to our corporate network."

Goldoff also notes that Top Layer and Vigilar were "engaged with us throughout the install, deployment and follow-up." Engagement — between retailer and vendor and within the retail enterprise — is a key to a successful security implementation.

Automating Fraud Alert

By automating the process of catching fraudulent orders, US Digital Media is able to speed processing of legitimate orders on its eCommerce site CDROM2GO.com, notes Alane A. Pignotti, general manager of US Digital Media.

US Digital Media rolled out Ignify's eCommerce System in June 2005. In lieu of a pilot project, a phased rollout is underway, with phase two scheduled for completion before February 2006, and phase three currently in the planning stages.

"Before implementing the new system we had to rely on our personnel to evaluate every order that came through," says Pignotti. "Now they just have to evaluate the orders that, due to high fraud probability, land in the Fraud Order Bin."

The new system is expected to produce substantial results for the online retailer. "We expect to increase efficiencies by 30 to 40 percent," Pignotti predicts. "The success of the project will be measured by the speed, accuracy and total amount of orders that can be processed on a daily basis." Positive impact from the implementation happened immediately for US Digital. "We now have one person in order processing doing the job of what used to be three people," Pignotti explains. "The warehouse gets out the same amount of orders with two less people."

System integration went smoothly, according to Pignotti. The biggest hurdle to overcome was integration with US Digital Media's specific accounting system, he notes. "The main thing I would have done differently," he says, "would be to have the A/R (customer address book and set-up) system integrated better before the launch of the system to avoid workarounds."

But those few gray clouds were greatly outnumbered by the silver linings. "The biggest surprise," according to Pignotti, "is that the system did not go down — we never went off-line. That is absolutely huge in any system install. The other interesting thing we learned is that as systems become more integrated you lose flexibility. Certain criteria must be adhered to in order to integrate with all systems and achieve the correct result."

In the "It's A Wonderful Life" town of Bedford Falls, security isn't much of an issue. For real-world retailers, though, data and e-commerce security can be one of the keys to fending off the assaults of hackers and cyber-thieves, allowing customers to shop with confidence and retailers to sleep knowing their data is safe and sound.