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WEB EVENTS

Beyond the Card: Smarter Loyalty through CRM and BI

May 20, 2009 | 2 p.m. ET

Panelists:

- Hunter Harris, Executive VP, **LakeWest Group**
- Steve Katsirubas, VP of IT, **Clarks Companies, N.A.**
- Jon Wurfl, Retail Solution Principal, **SAP**

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Store Systems 2015: Planning for Today to Provide a Superior Customer Experience for Tomorrow

June 3, 2009 | 2 p.m. ET

Panelists:

- Lee Holman, Lead Retail Analyst, IHL Group
- Allen Wier, Industry Marketing Director, NCR

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WHITE PAPERS

Successful Security Strategies for Retailers in a

Posted On: 6/1/2004

Guarding Customer Information

By Karen D. Schwartz

In today's world, savvy consumers take nothing for granted. As consumers provide personal information to retailers to apply for loyalty cards, earn more frequent flier miles on their credit cards and earn the convenience of buying products over the Internet, they are putting themselves at risk for increased junk mail, spam and even full-blown identity theft. In a recent survey, nearly 75 percent of consumers named privacy and security as extremely important in their purchasing decisions. What's more, the survey, conducted by The Ponemon Institute for Vontu Inc., a data firewall vendor in San Francisco, found that the retail and Web retail industries are among the least trusted on privacy and security.

These consumer attitudes about their personal information put the burden on retailers to find ways to reassure customers that their sensitive information is fully protected. Although retailers take vastly different paths to provide that reassurance, the solution almost always starts with technology.

Staples, for example, uses technology from Gold Wire Technology to provide centralized access control and change control and compliance verification — all critical controls that help control all information. The Wet Seal, a specialty retailer of women's apparel, uses Internet security from SonicWALL to provide secure and constant connectivity to its 600 retail locations, helping protect transaction-related data. Other vendors providing solutions to protect customer data include SpaceNet, ClearCommerce, Cisco Systems, Verisign and Hughes Network Systems.

Managed Protection

For some retailers, however, implementing sophisticated software is too complex, expensive or time-consuming to handle internally. Those companies can turn to a handful of managed service providers offering customer information protection. This approach makes sense for Mrs. Beasley's, a retail cookie chain with eight stores as well as a catalog presence and Web site, says Brian Friedman, a senior project manager with the cookie company.

"We chose outsourcing because we get first-rate monitoring," Friedman says, "except we pay about 50 percent of what we would have to pay otherwise."

Mrs. Beasley's chose technology from Seven Space. The technology company manages its set of monitoring tools, mostly used for Mrs. Beasley's Web site. "We needed to know that our Web site was up and running as close to 24x7x365 as possible and that sensitive customer information was being protected," Friedman says.

In addition to a suite of monitoring tools, the site uses the secure HTTPS (Hypertext Transfer Protocol over Secure Socket Layer) when customers enter sensitive information, which encrypts and decrypts the information. "We have a good reputation, and a lot of that is due to some of the tools they are using," Friedman notes.

Once customers place orders through the company's Web site, that data, along with data keyed in by Mrs. Beasley's employees for catalog and in-store orders, is encrypted and sent to a custom-written database. There, the data is protected behind a variety of firewalls — a method Friedman says is acceptable for protecting customer information.

Grocery's Methods

Like Mrs. Beasley's, Safeway Inc. also relies on internal technology and controls to protect sensitive customer information. The reason, says CIO David Ching, is because Safeway doesn't have a mechanism for entering personal information via the Web.

That leaves the primary method of collecting customer metrics to the corporation's loyalty card program — a program that provides a rich source of information on customers' purchase histories. Although there is no specific technology involved in protecting that data other than standard access controls, the company considers the information strictly confidential and does not disclose it to outside parties. "Even internally we keep the information physically separated from one group to the next so people who don't need to see it won't see it," Ching says.

Safeway's methods are in keeping with those of other food retailers. According to the Food Marketing Institute, 6 out of 10 food retailers have a policy statement on consumer privacy and an additional 15 percent plan to establish such policies. In addition, 90 percent of these organizations use firewalls to keep shopper data private.

But many retailers — notably those consumers identify as doing the best job at maintaining security and protecting privacy — are loathe to discuss their methods, perhaps concerned that any clues may yield unwanted vulnerabilities. According to the 2003 Customer Information Protection Survey, those rising above the rest include Best Buy, WalMart and eBay.

Emulate the Best

Retail leaders use simple rules to protect customer privacy to emulate the retail leaders in consumer privacy protection, heed this expert advice:

- Make customer satisfaction your top priority.
- Make sure your approach addresses all channels. If you secure one channel but fail to secure others, it won't take long for identity thieves to find your weakness and flow to the channels with the least resistance.
- Don't underestimate criminals intent on stealing customer information. Methods used to obtain customer information illegally change continuously in response to the protection instituted by businesses. Consider this an ongoing—and uphill—battle.
- Don't ignore internal employees. As hard as it may be to believe, much of the identity theft taking place today is performed by employees who have access to customer information. Make sure you have methods and procedures in place to detect internal fraud.

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