

Loss Forecasting and ROI

By Jon D. Groussman, J.D., Contributing Writer

Chief security officers cannot help but reflect on how much the profession has changed over the last two decades. The one constant, of course, is that crimes against property continue to be an issue for business. At the same time, there have been many changes in the crime and loss forecasting industry, including these major trends:



Chief security officers and law enforcement today appreciate more sophisticated crime and loss forecasting tools that can drill down to a specific existing or new location.

“There’s better awareness of the true cost of crime.”

- An expanded definition of risk
- Widespread adoption of crime and loss forecasting
- Growing realization of the true cost and consequences of crime
- Technology and the changing delivery of solutions

A SNAPSHOT OF THE INDUSTRY

When my firm first entered the security market in 1988, crime was at an all-time high. Businesses, in turn, were relying on the only tool they had at their disposal to assess the potential for crime at their

sites – intuition.

Relying primarily on “hunches” and prior experience, businesses struggled to predict what type of crime was most likely to occur at their sites and what security measures might (or might not) work. The tools that were then unveiled were the first to use data to objectively forecast and assess the potential for crime – and almost overnight, a new industry was born. For the first time, businesses could merge data with site surveys and event tracking and obtain a



Enterprises now have a broader definition of risk and loss. This trend encourages risk and security organizations to go beyond hunches and prior experience to gain more insights and analysis thanks to computerized crime and loss forecasting.

thorough risk analysis picture. This helped organizations accurately predict – not just guess – the likelihood and type of crime they might confront, enabling them to develop a plan to reduce losses and mitigate risks.

MAJOR TRENDS RESHAPE INDUSTRY

Once the crime and loss forecasting industry was conceived, it continued to evolve at a fast pace. Some major trends have helped push the industry forward:

Broader Definitions of Risk and Loss – In the last two decades, enterprise definitions of risk and loss have expanded. While crime is still commonly understood to be violence against persons or property, its spread over the last 20 years has created new challenges for corporate America. Fueled by population growth and easy access to public transportation, crime has migrated outward from urban centers to the suburbs, in the process affecting more businesses. In addition, the list of risks confronting business today has expanded to include threats, such as large-scale business interruptions that didn’t even exist 20 years ago. Add to that list natural disasters, fraud and a variety of potential litigation scenarios, and it is easy to see why businesses now take a broader view of risk and loss.

The Changing Customer – Another change that has shaped our industry is the profile of the user. The early adopters of loss forecasting – a handful of banks and retailers – were customers who were naturally security-conscious. Over the years, due diligence has



Early adopters of crime and loss forecasting came from retail and banks, according to Jon Groussman, but chief security officers, risk management and facility managers in other industries now see value in such tools.

driven other industries to adopt a proactive asset protection / management mentality. Companies realized that they had to understand risk before they could assess and manage it. Today, virtually every vertical sector – from hospitality to healthcare, government to financial services – manages for risk. And many vertical industries have developed “best practice” standards for risk analysis, further strengthening the security market.

Growing Awareness of the True Cost of Crime -- Organizations today have learned that the cost of crime is considerably higher than the amount taken from the cash register or stolen from the shelves. Increases in litigation, business interruptions and public and shareholder demands have increased pressure on companies to operate safer, more cost efficient environments. Today, most large

retailers would not consider opening a new location without conducting a complete crime risk assessment. Growing awareness of the true cost of crime isn't limited to businesses, either: Smart investors now have access to the same tools as part of their due diligence efforts and are increasingly demanding that companies in which they invest maintain comprehensive security and asset protection plans.

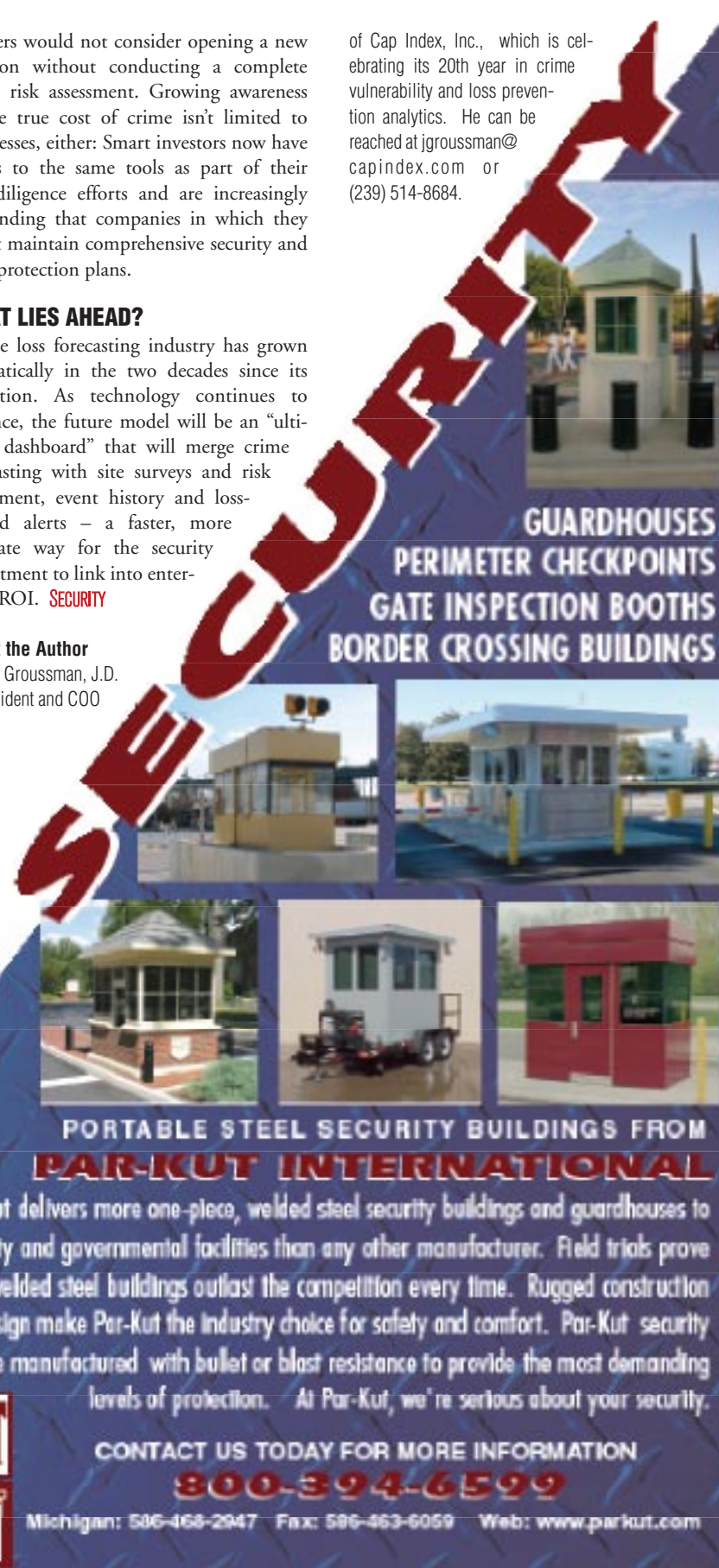
WHAT LIES AHEAD?

The loss forecasting industry has grown dramatically in the two decades since its inception. As technology continues to advance, the future model will be an “ultimate dashboard” that will merge crime forecasting with site surveys and risk assessment, event history and loss-related alerts – a faster, more accurate way for the security department to link into enterprise ROI. **SECURITY**

About the Author

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