



Warmest Holiday Wishes



The entire KWI team would like to thank you, our valued clients, for your business and support. We wish you, your employees and your families a season of joy and peace.



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Come visit us at the NRF Show,
January 11-12, 2010,
at the New York Javits Convention Center
Booth #1525



Thanks for partnering with KWI. Your comments mean a lot to us.
Please [email us](#) — we love to respond!

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2009 - What a Year!



For every one of our valued clients, the big story this year was the economy and how to survive the drop in consumer spending. All our clients have looked for ways to tighten their operations, better target their buying and develop more effective merchandising strategies. We've been there to help every step of the way with exceptional systems and service.

Now, as consumers start loosening their wallets a bit, we have good news for you. Thanks to our rock solid business model, KWI has continued to grow. We've made significant reinvestments in state-of-the-art technology, and remained on the leading edge of SaaS — Software as a Service — without adding to our fee structure.

I'm proud that KWI has never had a layoff in the history of our company, so we are able to maintain consistently high service levels. We have no debt, and we have no client who represents more than 2% of our total business. In fact, business was good for us in 2009, primarily because the software industry is migrating to SaaS and Cloud Computing: the full service, end-to-end approach that we pioneered when our company was founded in 1985. No company does SaaS better than KWI, and no one is better positioned to partner with you in developing affordable, customized retail solutions for every aspect of your specialty retailing niche. Despite current economic conditions, we have increased our R & D budget for next year and have a number of exciting enhancements planned.

I want to thank our dedicated and talented employees, who deliver the quality performance you rely on. And of course, I thank you for the opportunity to be your trusted solutions partner in 2009. We look forward to working with you in the coming year to maximize your margins, enhance your ROI and build your business success. All of us at KWI wish you, your family and your colleagues a healthy and prosperous New Year and look forward to seeing you at the NRF show in January.

Sincerely,

Sam Kliger
Founder and CEO

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Holiday Returns:

What's Legit, What's Not, and What To Do About It



We've all been "guilty" of returning a well-meant gift, like the itchy, swamp green sweater that's two sizes too big. Other than hurting Auntie's feelings, that return is completely legitimate. But according to the NRF, nearly 9% of all 2009 returns will be fraudulent. About a third of these return fraud incidents occur during the Holiday Season. Considering that fraud costs retailers billions of dollars each year, it pays to have a solid return policy.

Here are some ways to discourage fraudulent returns:

- Conspicuously post your return policy. Some municipalities detail where this policy must be posted.
- Use receipts to communicate your return policy.
- Require receipts for returns.
- Issue the same form of tender used for the original transaction. Always issue refunds to the original tender used. If a credit card was used, always issue the credit to the same credit card to remain compliant with your credit card processing agreement.

Additional deterrents:

- Consider offering store merchandise credits or equal exchanges to limit cash returns.
- Provide gift receipts as a vehicle to expedite returns and increase customer satisfaction.
- Consider time restrictions as part of your return policy.
- Require ID for returns.
- Make sure your employees understand your return policy, and how to address different situations.

Don't forget your KWI reporting capabilities; use your POS system tools to track returns, enter return reason codes, identify fraudulent returners and deny repeat offenders.

As with so many aspects of retail, good customer service can be your saving strategy in avoiding "many unhappy returns". Attention and care during the return process will help you retain good customers, attract new customers (i.e. when customers return gifts to a store they don't normally shop), and discourage the fraudulent returner.

Lastly, remember a return is always an opportunity to upsell, and to impress customers with your friendly efficiency.

For more information on preventing return fraud, please contact Lauren Pedro, Field Audit Supervisor, at lpedro@zellmangroup.com or call (516) 403-2426.

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Meet the Civil Recovery Team



Partial staff pictured.

The Zellman Group's Civil Recovery Department is one of the most rapidly expanding areas within the KWI Loss Prevention Division. It began nine years ago with one small client and one employee. Today, the group consists of 14 Civil Recovery specialists including eight collectors. We attribute this growth to our risk adverse program with a proven track record of professionalism and results.

The department first focused on smaller, boutique retailers and now also handles larger clients such as Kohl's, Macy's, Bloomingdale's and Century 21 Department Stores.

So what is Civil Recovery? Each state has a law allowing retailers to pursue a civil penalty against anyone apprehended in their stores attempting to shoplift merchandise. This gives the retailer an opportunity to defray overhead costs associated with apprehending shoplifters, such as staff, equipment and damaged, non-saleable merchandise. Additionally, the department handles restitution cases: the amount owed by dishonest employees who have taken merchandise or

cash, or have given handouts, etc., for which they sign a promissory agreement to pay back.

Administrative functions are handled at our Port Washington, NY office; all legal-related matters are handled by the law offices of Olonoff Asen & Serebro, LLP our chief counsel located in Manhattan, NY. Each day, we contact all cases via mail and telephone, and handle hundreds of calls. To fully serve our clients, we have expanded our hours of operation, now Monday through Friday 9:00AM to 11:00PM and Saturday 11:00AM to 3:00PM (Eastern time).

Our cutting edge technology combined with our professional staff allows us to deliver the most powerful and cost-effective solution.

If you are interested in learning more about The Zellman Group's Civil Recovery service, please contact Anna Maria Mauro, Director of Recovery Services, at amauro@zellmangroup.com or call (516) 403-2411.

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New Milly Store Targets Luxury Market with Multi-Channel Launch



The *Milly by Michelle Smith* RTW collection has defined the new young luxury niche with its smart, sexy and feminine style. The label first hit the marketplace in 2000, and quickly developed a following for its exquisite colors and prints, luxurious fabrics and attention to detail. Victoria Beckham, Beyonce and Thandie Newton are counted among its fans.

Currently, the brand is sold in the finest department and specialty stores throughout the world, including Bergdorf Goodman, Bloomingdales, Neiman Marcus, Saks and Selfridges. In 2008, Milly NY opened a boutique store inside of Harrods in London and followed in 2009 with a boutique in Tokyo.

Now, they are planning their own specialty store rollout for 2010. To support their growth in the luxury market, they have turned to KWI as their SaaS provider for a range of retail solutions. We will be supporting their launch with KWI's state-of-the-art POS and Merchandising systems, as well as KWI Merchant Services for all their credit processing.

In addition to partnering with Milly for its brick-and-mortar operations, KWI will also be providing multi-channel marketing support. Milly's new e-commerce site is currently under development; we will be working on full integration of store and online systems for a seamless customer experience, and state of the art retail management, in every channel.

For more information contact Gary Brill, Vice President of Business Development, at gary@kwi.com or call (516) 621-2400, ext. 325.

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This Month's Short Cuts

Time-saving tips and ideas that are right on the money
– from the staff of KWI.



1. KWI Merchant Services Tip of the Month ... from David Drucker and Phyllis Gricco

More "Popular" Merchant Mistakes: Don't Negotiate for Freebies

Let this policy protect you from hidden fees: don't negotiate for merchant service freebies.

Consider the freebies offered by a so-called free merchant account, which may include a free setup, application fees, monthly fees, etc., depending on your provider. A merchant should always be wary of providers who offer freebies. The bottom line is, you will eventually pay for those freebies somehow, in undisclosed fees.

Also, do not innocently believe every word the service provider tells you. Instead, gain knowledge which will empower you to ask the right questions. (One good question to ask is: "Can you give me three references?")

Continue your search for the right merchant account service until you find one that can answer all your queries. After all, you want the best for your business! May we suggest KWI Merchant Services — you'll enjoy higher functionality and reliability at the most competitive cost, with never a hidden fee.

For more information on avoiding merchant account mistakes, please contact David Drucker, President, KWI Merchant Services, at ddrucker@kwi.com or call (516) 621-2400, ext. 720.

2. CRM Tip of the Month ... from Jubin Thomas, CRM Services Manager

Cross-Selling to Maximize Holiday Sales

The holidays are here! Store traffic is up, so what's a good retailer to do? Maximize sales through smart cross-selling strategies — that's what!

Here are a few tips to make sure that your cross-selling strategy is in proper shape:

1. Make sure merchandise is on the floor, not in the back room. Consumers need to see an array of compatible styles, colors, sizes, etc. to help stimulate their buying. Don't make it easy for them to walk away.
2. Place your potential cross-selling items next to each other. It helps if your customers don't have to walk all over the store to find the other departments.
3. Increase sales appeal (and impulse purchase) with a coordinated marketing effort. For example: "Buy a top and get a discount on a bottom."
4. Get sales associates on board; train them to sell two departments together. And note: It helps for them to be able to work with color challenged customers like me! Make sure your staff is prepared with good suggestions when customers wonder "what goes with this?" That's a golden opportunity too valuable to miss.

Once your cross selling strategy is in place, contact us to run our Cross Shopping Report – and see how you did.

For more information on effective CRM strategies, please contact Jubin Thomas, CRM Services Manager, at jthomas@kwi.com or call (516) 621-2400, ext. 367.

3. LP Tip of the Month ... from Lauren Pedro, Field Audit Supervisor, The Zellman Group, LLC

How to Spot a Suspicious Customer

As with every cliché, there's truth in it: You can't judge a book by its cover. Physical appearance alone is not a reliable indicator of suspicious intent. So look for other cues when trying to determine if a customer is suspicious. Their body language, behavior and words or phrases used during a conversation can often be revealing.

Here are a few reasons why looks are not good indicators of suspicious customers:

- Think someone is not dressed appropriately to be shopping your store? It's possible that person might be buying a gift for someone who has a completely different style than their own - so don't jump to conclusions.
- Does the customer look shifty-eyed? They may be simply tired from work, or feeling sick while doing last minute shopping due to their busy schedule.

- Are you labeling someone as suspicious without offering customer assistance or greeting them? Not a good idea; first-time customers might look lost or overwhelmed, or perhaps they cannot make up their mind on what to purchase.

Next month, we will offer some additional indicators to help you identify "customers" who may be in your store to steal. In the meantime, remember not to rely on appearance alone. Be sure every customer is greeted and offered assistance as they enter the store - that's friendly, and it tells them you're watching.

You could be surprised ... that odd looking shopper may end up ringing a big sale.

For more information on shoplifting prevention, please contact Lauren Pedro, Field Audit Supervisor, at lpedro@zellmangroup.com or call (516) 403-2426.

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