

PROFILE



# WEIS MARKETS

## 100 YEARS OF INNOVATION

By Adam Paul, Contributing Writer



It's no small feat to be in business for 100 years, much less thrive and grow, but Weis Markets has done just that.

From their humble beginnings in Sunbury, Pennsylvania, Weis was founded by namesakes Harry and Sigmund Weis in 1912 as a single store. Today, Weis Markets operates 161 stores, employing over 18,000 associates with a presence in Pennsylvania, Maryland, New York, New Jersey, and West Virginia.

Through its first hundred years, Weis operated during two world wars and the Great Depression, as well as the birth of aviation, the emergence of automobiles and trucks designed to ship goods, and the advent of modern communications that ties it all together.

Not only is Weis an East Coast fixture and a part of local history, they are also firm community supporters, purchasing over 20 million pounds of locally grown produce annually in Pennsylvania alone and ultimately helping make their customers as committed to Weis as Weis is to the communities they serve.

In loss prevention, much has changed in the last century, and Weis has been around long enough to witness the birth of everything from modern refrigeration to high-tech surveillance equipment, as well as the ups and downs in shrink that invariably accompany expansion. Weis has prospered in part due to its resilience and its ability to roll with the punches. Today it proactively anticipates and plans for a future of growth. In a time when stores are shutting down, cutting staff, and reducing services, Weis is in the enviable position of hiring, expanding, and seeking out new real estate opportunities to build more stores. And their loss prevention efforts are no exception to this amazing growth.

Recognizing the need to move their loss prevention efforts into the 21st century, Weis Markets recently hired veteran LP executive Michael Limauro to step in as vice president of loss prevention.

Why Limauro? "We were looking for a leadership quality that would provide a clear direction to the company's LP efforts and reinvigorate those tools we already had in place. Someone who could prevent shrink-related events rather than wait for them to happen," says Scott Frost, Weis Markets' senior vice president and CFO.

Limauro and his team are developing and implementing a new strategic plan that targets the root causes of shrink. It's a comprehensive approach that focuses on all aspects of the business relating to potential loss.

No stranger to the loss prevention industry, Limauro comes to Weis as a career LP executive holding an



Scott Frost, Chief Financial Officer



Mike Limauro, Vice President of Loss Prevention

## If It Ain't Broke...

Limauro joined a seasoned LP team at Weis. Director of loss prevention Karl Beagle, who ran the LP department



Karl Beagle, Director of Loss Prevention

undergraduate degree in criminal justice as well as a master's degree in private security management, and also has extensive experience in a variety of different retail environments.

Limauro's LP skills were honed on the sales floors of such retail fixtures as Shop Rite, Neiman Marcus, SUPERVALU, and Super Kmart, where he rose to the position of director of asset protection.

before Limauro, oversaw a capable group of professionals. But in recent years, under the leadership of company CEO David Hepfinger, Weis has looked to increase its team's capabilities. Beagle says, almost introspectively, "We asked ourselves if there were ways to improve our LP program so that it would directly enhance our company's bottom line. What works today...and what worked yesterday...may not be the right approach for the future."

It's a very valid question for a hundred-year-old company to ask. Limauro and Frost agreed they needed to expand LP's core responsibilities.



Dan Koch, Vice President of Fresh Merchandising

Like many organizations, Weis's LP efforts were geared primarily to store security and fraud prevention, constantly on the lookout for shoplifters. If a crime or theft occurred, Weis LP personnel would begin an investigation, often reacting to problems and challenges rather than anticipating them. To Weis, loss prevention meant external theft, and its LP workforce was quite simply geared toward that. Dan Koch, Weis's VP of fresh

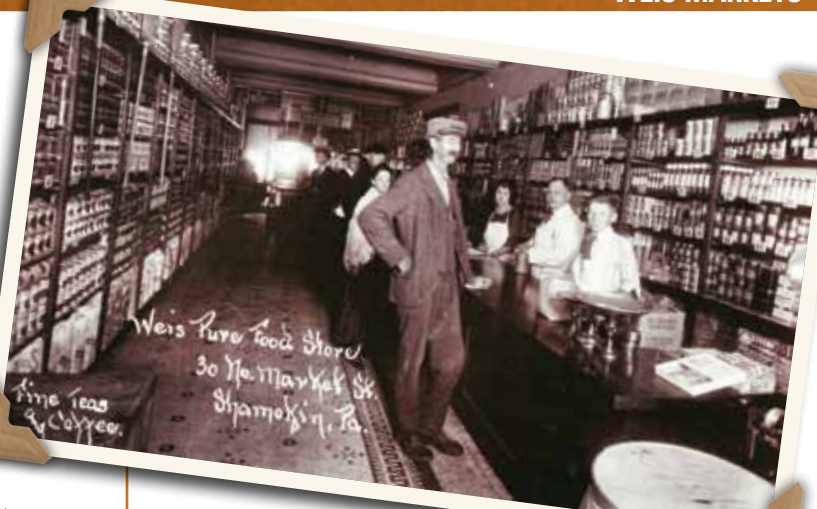
merchandising adds, “Our LP program was centered on theft rather than shrink control. We spent lots of time overseeing potential thievery, but never generated an actionable dollar amount in savings by having all these LP people on staff.”

This isn't to say that a chain the size of Weis can afford to ignore external theft; preventing it is a permanent part of doing business in a retail environment. Each grocery store carries a host of high-dollar items attractive to shoplifters and organized criminals, including ORC staples such as teeth-whitening strips, razor blades, and baby formula. But external theft was only part of each store's overall loss. External theft was present and relevant and always needed attention, but there were other things that also needed attention that directly affected shrink, but didn't fall under the loss prevention umbrella until now.

So why shake things up after a hundred years? “Innovation is not new at Weis,” says Limauro. “I believe much of the company's longevity comes from its ability and willingness to change. Moving forward is relatively easy when you have the support of your entire organization.”

### A New Program with Structure

Limauro describes the new LP efforts at Weis like a pyramid of building blocks. At the base of the pyramid are



Original Weis Pure Food Store circa 1912 – 1913.

physical security, basic controls to prevent shrink, as well as the corporate culture and people required to keep shrink in check. This is the broadest area, the place where much of the company's resources are focused.

A little higher up on the pyramid are corporate policies, the sorts of measures that are supposed to further prevent shrink by means of procedures and directives.

The next section emphasizes execution, compliance, and inspection. This segment is designed specifically to ensure all of the elements below are functioning as expected.



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Higher up is accountability—the mechanism that keeps staff accountable for shrink and responsible for preventing it.

All the way at the top or cap of the pyramid is a small sliver of resources—the reaction portion. This is where the company places focus on internal and external theft. “If the pyramid is turned upside down, it cannot stand,” explains Limauro.

The Weis team wanted to reorient its priorities. Previously, it had a large investigative and external-theft component to its LP organization where most of the LP dollars were spent. While that LP model mirrored other conventional retail organizations, Frost and Limauro wanted to focus on overall store shrink, particularly in perishable departments.

“The biggest areas of opportunity were in the deli and produce departments. People aren’t stealing the produce,” Limauro states. Our previous program was having very little impact on this kind of shrink. “Theft and organized retail crime were just a slice of the shrink pie, but one that we were devoting significant resources to,” says Limauro. “Our LP program needed to be much more preventative than reactive,” agrees Frost, the CFO.

Limauro and his team developed a bold, yet simple, plan that focused on all the sources of shrink, including the ever-present external theft, but also new areas such as food safety and risk management; in short, all the areas where Weis could lose significant amounts of money. Beagle and Limauro set about revamping the entire LP organization. In the nine short months that Limauro has been with Weis, the LP department has morphed into a versatile team with a more strategic approach. It is focused on the culture of selling at a profit, a culture where the elements of increasing sales and reducing shrink are viewed as one big picture.

Beagle and Limauro’s plan set about a massive reorganization of LP resources, and most everyone’s job description was recreated to reflect the change in attitude. Many loss prevention team members were promoted, and paired one-on-one with district operations managers, creating a partnership that enabled them to effect positive change. These new district loss prevention managers were now just as concerned with refrigeration efficiency as they were with boosters, just as careful to control spoilage in produce as they were cognizant of the threat of shoplifters.

“Our people are business professionals,” says Limauro, which sums up the corporate culture shift nicely. Limauro refers to Weis’s loss prevention personnel as business professionals who are engaged in reducing shrink through a better understanding of the overall

business. Weis has targeted resources to teach and train all Weis associates into a culture capable of reducing loss, not simply looking for the next thief. It’s an important change, and one, which on the surface, would seem to be a big leap for a hundred-year-old organization to make. But it’s been a successful transition. Weis’s shrink is beginning to improve, and now there are multiple parties within Weis...not just LP folks...with the common goal of keeping it that way.

Weis also has two new LP positions—regional directors of loss prevention. Limauro was committed to hiring top-notch talent and investing in them to ensure the department’s success. Limauro recently appointed industry veterans Chris De Tray

and Rob Wynn to fill these critical roles. The impact was immediate. “We’re now spending time and money in the right places,” Limauro says of the new methodical approach to ensuring the right resources are directed to all aspects of the shrink problem.

Weis’s LP team has also forged a strong bond with the company’s store operations team. In some companies, LP professionals tend to butt heads with operations folks simply because they have different

goals—operation’s focus on selling more and LP’s focus on losing less. Wars have been fought internally in some companies over LP personnel wanting to lock up high-dollar items, much to the chagrin of operations.

It’s not like that at Weis. Mike Mignola, vice president of operations, states, “Mike Limauro and I meet every Monday, and talk about the prior week, as well as our expectations for the next week. We talk about all the issues we’re facing,

and Mike is very up front about his needs. If we need to consider doing something like locking up some product, we make that decision as a team so that we don’t send a mixed message to everyone else.”

Another operations executive, Dan Koch, VP of fresh merchandising, describes the LP-operations teamwork like this: “I’ve been in the industry for close to thirty-one years and have never seen this kind of partnership with LP.”



Mike Mignola, Vice President of Operations



Rob Wynn, Regional Director of Loss Prevention



Chris De Tray, Regional Director of Loss Prevention



## Old Company, New Technology

If you get the impression that Weis has forgotten about good old-fashioned security and crime prevention, you'd be wrong. Limauro's effusive about the slew of technological initiatives at Weis, bringing it firmly into the future of LP. Weis marches to its own drum, wary of change simply for change's sake. LP technology is not something that they buy just because their competitor down the street is using it. Although Weis has undertaken some serious spending in LP technology as of late, Limauro cautions that each purchase was made only after a lengthy evaluation and screening process, as he's loathe to spend money just to make it look like he's doing something. CFO Frost is of the same mind. "I don't like the word spending. We see it as investing," says Frost as he emphasizes that an extremely thorough study of return on investment is made with each purchase.

**Key Control.** One of Weis's newest initiatives is the chain-wide roll out of InstaKey, an essential key-control program for managing a retail chain with 161 locations. Limauro carefully considered the competing lock-and-key programs before settling on InstaKey, which few of his major competitors use.

Loss prevention collaborated with store operations, building maintenance, and InstaKey to reduce the overall number of



Meat counter circa  
1948 – 1950.

keys in use at store level while meeting corporate needs for multiple store-keyed access. InstaKey's technology provides the ability to rekey a lock up to twelve times without removing cores or lock hardware, which means a lost key represents a small problem, not a multi-thousand-dollar episode that could be conceivably repeated over and over again if keys continued to be lost. Additionally, each restricted key is tracked online by a unique serial number, and key holders accept ownership via

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signature key receipts, firmly in keeping with Weis's new culture of accountability.

**Cash Management.** Weis is also in the final stages of testing its new cash management system—the Revolution from Tidel. More than a safe, the Tidel system eliminates the need for cash drawers. It builds the till for the day, and then recounts it when a cashier checks out so that cash shortages can immediately be addressed. It's about as high tech as a hundred-year-old company can get, complete with biometric scanning and the ability to instantly alert the district manager via email if there is a cash issue in one of the stores. Limauro loves the system since it prevents the sorts of small losses that eventually add up to big losses, while simultaneously saving Weis money on armored car pickups, increasing accountability, and saving labor.

**Alarms and CCTV.** In partnership with Vector Security, the Weis team has revamped their CCTV and alarm strategy, moving to high-resolution IP-based megapixel cameras so each store can instantly be monitored from anywhere. DVRs have been replaced with NVRs (network video recorder), which allows Weis to pump more data around at higher resolutions. The new model allows Vector to remotely monitor the health of Weis's camera systems in order to provide a proactive service environment. Limauro noted these extra capabilities aren't just for crime fighting, but for a wide range of business functions like completing safety investigations,



Family shopping in 1965.

identifying customer traffic patterns for merchandising, and supporting operational interests such as reviewing service at the registers.

Regarding intrusion alarms, the Weis team has implemented instant electronic notifications triggered by exception-based events. The process was designed specifically to help enforce store-level execution of corporate alarm standards. Vector also conducts environmental monitoring at store level to minimize the possibility of product loss due to equipment failure.

**Bottom of Basket.** In an effort to squash bottom-of-basket (BOB) losses, Weis has also implemented

the LaneHawk system. With a smart camera placed at each cashier lane, the LaneHawk system identifies items placed at the bottom of the shopping cart that could be missed by cashiers due to either customers who forget to place them on the conveyor or who are intentionally trying to pilfer them. The system seamlessly interfaces with the current POS system—it can detect an item even if it's mostly obscured—and then feeds that item back to the POS system, alerting the cashier that the item is onboard and prompting them to add it to the bill. It's a forward-thinking system and crucial to Weis's commitment to reducing sources of shrink throughout the store.

**Counterfeit Bills.** Fraud Fighter rounds out Weis's recent LP initiatives. Limauro explains that this system is just another way to deter counterfeiters and show expense line improvements on the P&L statement. Considering counterfeit pens are expensive and don't work against, for example, \$5 bills that have been bleached and reprinted as \$100 bills, Fraud Fighter creates an easy-to-use way for cashiers to immediately test the integrity of incoming cash, traveler's checks, credit cards, and certain forms of identification.

## The Next Hundred Years

In case one is under the impression that Weis is simply buying up high-tech gadgets, Limauro points out that several high-profile programs in place at other retailers have been discontinued at Weis. "Sometimes leading the industry can mean discontinuing programs as well," he says pragmatically.

Karl Beagle concurs. "We want to be a leader in loss prevention efforts, but these efforts aren't just about using new technology," says Beagle, "it's also about fully utilizing your people and resources in a way that reduces overall store loss and increases the company's profits."

The partnership between LP and the rest of the operation is also firmly cemented. "I've been in the industry thirty-two years," says Mike Mignola, VP of operations, "and have seen a lot of LP structures. The big difference here is that we are a



Weis store 49 manager Garry Lytle (left) with district operations manager Andy Strevig.

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true partnership focused on preventing shrink and driving sales at the same time. They realize the higher we elevate sales, the better we are at the end of the day, and Mike and his team have fully embraced this concept.”

Dan Koch, head of fresh merchandising, is also pleased with the new relationship.

“Everyone thought of LP as the security ensemble that was engaged in trying to catch thieves,” explains Koch. “Mike and his team have opened up the books on what they are trying to accomplish, which is helping us achieve our gross-margin goals. Mike has also created a new level of respect within the company for LP. He has removed the adversarial nature. Our merchandisers want to work with them and understand that LP helps us deliver a fresher product along with increased sales and profits.”

Beagle and Limauro are thrilled with the progress that Weis has been making in reducing shrink, as is Weis’s leadership. CFO Frost notes, “Mike and his team have done an excellent

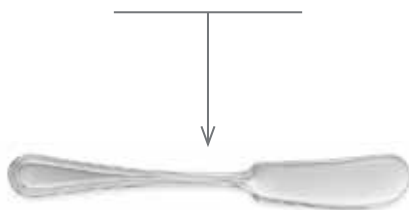


job thus far.” Today, Weis Markets has a streamlined and holistic approach to LP. This sort of corporate culture change is a testament to the resilience of a company that, despite its age, can easily and fluidly adapt to changing methods, technologies, and markets, and thrive in the process.

It’s likely the original Weis brothers would hardly believe where their humble single-location market would be a hundred years in the future...or even if the company would still exist. But Weis’s commitment to innovation and adaptation has brought it to where it is today. And Beagle and Limauro are confident their recent initiatives will help propel Weis onto another very profitable hundred-year journey. ■

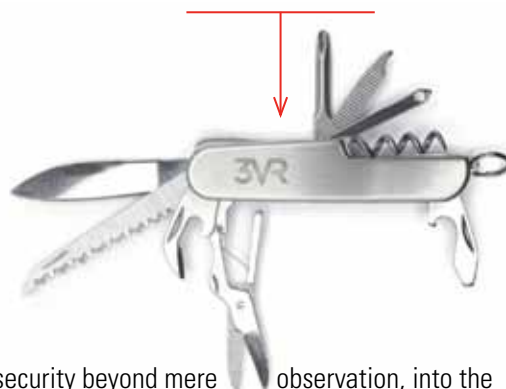
ADAM PAUL is a business writer based in Los Angeles, California, and an ongoing contributor to *LP Magazine*. He can be reached at AdamP@LPportal.com.

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