

LEGAL/PRIVACY

Saks employees' arrest for identity theft will not tarnish retailer's image

September 15, 2014



Sak's Fifth Avenue Flagship

By SARAH JONES

Following the arrest of a handful of employees on charges of credit card theft, what should department store chain Saks Fifth Avenue do going forward?

Sign up now

Luxury Daily

According to a criminal complaint, a group of sales associates used customers' credit card information to make purchases of at least \$400,000. Though it might further change the opinion of sales associates, since this is an isolated incident, public perception of Saks is not likely to be harmed.

"It will probably have minimal impact on sales," said Gustavo Gomez, director of research and methodology at [Envirosell](#), New York. "Since this group was a small and local group, that was apprehended, it seems to have a small reach compared to other huge security breaches at other retailers.

"It does serve as a wake up for Saks and other luxury brands," he said. "Security must be top and center of your retail operations. It is not only a legal issue but one that can jeopardize years of building brand trust."

Mr. Gomez is not affiliated with Saks, but agreed to comment as an industry expert.

No individual from **Saks Fifth Avenue** was able to comment, but the company has issued a statement, included below.

Point of sale

According to the **New York Post**, the complaint says leader Tamara Williams would take consumer information from the store computers and give it to five other associates.

These employees would then make fraudulent purchases with the cards, with another set of individuals involved to pretend to be shoppers and take the shopping bags out of the store and return them to Ms. Williams in Queens. At least 22 individuals had their information stolen.



Interior of Saks

Police watched surveillance video of these illegal purchases, leading to the arrest of Ms. Williams and the five others allegedly involved. All were charged with grand larceny and identity theft.

Saks issued a statement about the investigation, saying, "We have confirmed that five Saks associates were arrested in connection with credit card fraud. This investigation involved six individuals using stolen credit card information.

"The incident impacted 22 Saks customers. All customers have been notified and their accounts have been restored. The incident involved several retailers, and there was no compromise to the security of Saks Fifth Avenue's networks or systems.

"Customer security is our utmost priority. We take these matters seriously. Saks is fully cooperating with authorities handling this matter and we cannot comment any further."

This follows a series of retailer data breaches, which included fellow luxury department

store Neiman Marcus.

Following the incident, Neiman Marcus worked to fix security flaws that made December's credit breach possible, but the extent of collateral damage done to its reputation was measured in the months to come.

Although the less than 1 million credit cards compromised at Neiman's seemed minimal compared to the potentially 110 million affected at Target, consumers were understandably rattled and even outraged, which likely hindered sales. If consumers feel that their credit identity is at risk with every swipe at a major retailer, the damage could take years to mitigate ([see story](#)).

"Credit card security and personal data security is one of the biggest threats to modern retail," Mr. Gomez said. "It seems that not a day goes by without news of a security breach at a major retailer.

"When a breach occurs via computer hacker or some malicious software, it is easier, although not easy, for customers to forgive," he said. "Companies promise to update security software and the news quickly moves on to the next retailer. While some retailers have lost sales, most are expected to recover.

"When the breach moves from back office operations to the floor, customers reach a new level of mistrust. Sales associates are the face of the brand. The lost of trust in a sales associate is a lost of trust in the brand. For a luxury retailer, this is crucial.

The foundations of luxury retail are relationships and trust. While a single incident can be attributed to some bad employees, retailers have to act quick to prevent future incidents."

Mr. Gomez suggests that Saks could send an email to consumers explaining the situation and communicating any new policies that it will take on to prevent a similar event from occurring in the future. These could be related to auditing or hiring.

Saks also has an opportunity for employee communication.

"First Saks or any retailer should communicate internally that this behavior is entirely unacceptable and anyone caught doing any level of thievery will be reported to the police department and will lose their job," said [Marie Driscoll](#), CEO and chief consultant of Driscoll Advisors, New York. "Then the retailer should communicate with its credit card customers that prompt action has been taken internally and that clients will not be responsible for any mis-use of their credit card.

"A letter or email along with a coupon to pick up a special piece of chocolate in store would drive store traffic and allow store ambassadors to calm the nerves of jittery customers, and could lead to the next purchase."

Building trust

Consumer confidence and trust in sales associates in waning.

In response to how smartphones have altered the way consumers shop, a report by Forrester Research indicates that 66 percent of luxury consumers are more willing to interact with a sales associate equipped with a mobile device.

The “A New Generation of Clienteling” report discovered that some consumers do not feel that sales associates are the best source of product information. With the role of sales associates changing, bringing mobile technology into stores may help re-establish trust while creating an enhanced experience for consumers ([see story](#)).

Interaction with sales associates often leaves something to be desired for affluent consumers.

YouGov’s Survey of Affluence and Wealth, which polls individuals from households representing the top 10 percent of the economy, found that while 65 percent of consumers make most of their purchases in-store, only 25 percent actually enjoy the experience.

Wanting to avoid a negative experience with a sales associate lacking knowledge or enthusiasm, consumers turn to ecommerce. However, this cuts out the brand’s or retailer’s ability to make a human connection, which helps to justify purchase price ([see story](#)).

"Consumers mistrust of sales associates has largely been a function of the sales associate honesty in recommendations—the commission earned and does it lead to sales associates recommending one product over another or to be overly persuasive in recommendations, such as 'you look 20 years younger' or 'it makes you look like you've lost two dress sizes,'" Ms. Driscoll said. "Fraud hasn't been top of mind.

"Obviously this isn't a good thing," she said. " In any large organization the possibility exists for miscreants and we shouldn't judge a retailer because of a few bad apples.

"In fact this could provide for a closer bond between sales associates and the luxury shopper, to build an honest and trusting relationship. You don't want an attitude of caveat emptor with luxury clients."

Final Take

Sarah Jones, editorial assistant on Luxury Daily, New York

Embedded Video: [//www.youtube.com/embed/L974SGr1iG8](https://www.youtube.com/embed/L974SGr1iG8)

© Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.