

Special Report: BEAUTY STORE

Heroes

A beauty superstore chain chief executive officer aided national security in the fight against terrorism—and so can you.

by Marc Birenbaum

It's not every day that the lead story in my morning newspaper prominently mentions someone I know, particularly Karan Hoss, the savvy chief executive officer of Torrance, California-based Beauty Supply Warehouse (bswsuperstores.com). However, on Sept. 25, 2009, like others worldwide, I read about and saw on TV how Hoss and his BSW beauty superstore chain played a significant role in the federal grand jury indictment of a suspect on a terrorism charge regarding an alleged bombing plot in New York City. Here's our interview with the beauty store owner who helped prevent what might have been the next Sept. 11th.

BSB: Karan, how did you first learn about the threat?

HOSS: As part of our policies and procedures, anytime something out of the ordinary takes place at one of our locations, an incident report is emailed to me.

On Sept. 17 we were notified that a Federal Bureau of Investigation agent had stopped by asking if the staff at our Colorado location remembered any customers purchasing large quantities of acetone or hydrogen peroxide. The employees that the FBI agent questioned simply said no—because, frankly, that’s not something you’d remember months, weeks or even days after the sale. Luckily, we have transactional and surveillance data that we can refer to. So, when our store manager came into work that day, we were able to pull reports from our P.O.S. system to look for any large sales of acetone and/or peroxide. We simply pulled



Karan Hoss

Nevertheless, we made copies of all those transaction receipts and all the corresponding surveillance and gave it all to the agent. The FBI later contacted us and asked us a series of questions trying to figure out how it could review the remainder of the thousands of hours of footage we had on our system and how it could enhance what it already had.

“WHEN THE FBI AGENT SAW THE FIRST VIDEO, HE HAD AN ‘OH, MY GOD’ LOOK ON HIS FACE.”

one sample of every acetone and one of every hydrogen peroxide we had on the shelves and ran the UPC codes to look for those transactions. After spotting six transactions over the previous three months where a customer had purchased more than two bottles of any of these items, we then used the date and time of each to cue up the surveillance footage that went along with these transactions.

After going through 48 cameras worth of footage and finding all of the video we could that went with these six transactions, we contacted the FBI and said that we did, in fact, have some transactions and that they could come in and look at them and determine if they see anything of interest.

The next day a different FBI agent came in to look at the transactions and the footage. When the agent saw the first video of what is believed to be alleged terrorist Najibullah Zazi walking down one of the aisles, he had an “Oh, my God” look on his face, and asked if we had any more footage of this person. We showed him footage on two different days when we believe Mr. Zazi had made purchases at the store. After reviewing the other footage, there did not seem to be much interest in the other people who had made purchases.

On Sept. 20 the FBI brought in an information-technology specialist to help gather the surveillance footage. When the IT specialist was unable to transfer the data in the format he wanted from our system to an external drive to review back at the agency, the agency asked if it could take the equipment. Obviously, we said yes and volunteered our three servers and signed a waiver acknowledging that we were “advised of our rights to refuse consent,” that we had “given permission voluntarily” and that “we were authorizing the agents to remove any items which they determined might be related to an investigation.”

What was your reaction to all of this?

I assumed that FBI investigations are very large in scope and that we were probably one of thousands of stores, or maybe even tens of thousands of stores, that were going through this. After all, I can think of tens of thousands of chain stores alone that sell acetone and hydrogen peroxide. I didn’t know the details and assumed what information we did have would probably not be of much use to the FBI.

Which superstore location are we talking about?

This location is in Aurora, Colorado, and is one of the larger stores in our company. It’s a 25,000-square-foot freestanding building with really great exposure right off a major highway. In fact, I did an interview with *Beauty Store Business* a few years back, bragging about the opening of this store, how it was bigger and better than anything we had done before, and how it was going to have a state-of-the-art surveillance system. Luckily for us, the surveillance system I was describing in that interview is what led to providing the FBI with what I believe is the only piece of hard evidence it has on the suspect to date—certainly it was the key piece of evidence leading to his arrest.

What types of chemicals are we talking about?

The FBI specifically asked for sales of items containing large amounts of acetone or hydrogen peroxide. Well, like most beauty stores, we carry pure acetone and pure hydrogen peroxide, and so we immediately placed our focus on the different brands that we carry.

store level, later contact was made through our headquarters. Since we have 11 stores with more than 300,000 square feet of retail space, several hundred thousand customers and endless issues that come up each day, all communications typically go through someone at the store level. Then, if an issue becomes serious, our headquarters gets involved, and my involvement is typically done through my management team at headquarters and at the store level. We didn’t break protocol during this incident. I communicated with the FBI through my management team members, and they did a great job all the way through.

Did the FBI tell you that it was talking to other beauty stores in the area?

The FBI said that it was visiting stores in the Aurora/Denver area, asking these same questions.

Later, I read in articles and saw from TV interviews that they had, indeed, been visiting other stores and showing photos of other suspects. Contrary to what has been reported by some news agencies, we were never shown any photos and still have not seen any.



BSW uses the Geovision closed-circuit TV system. Its “payoff was priceless,” says Hoss.

What’s your understanding of why these are dangerous?

Prior to these events, I knew nothing about the danger of these products. Frankly, I think just about every U.S. household with a female residing in it has a bottle of acetone or a bottle of hydrogen peroxide buried in a cabinet or buried under a sink somewhere.

Did the FBI contact you later at your corporate headquarters?

Yes, while initial contact was at the

What point-of-sales system and closed-circuit TV system do you use?

For P.O.S., we use a product by Intuit called QuickBooks Point of Sale. QuickBooks is known for its accounting software, but what most people don’t know is that about 10 years ago they developed P.O.S. software that makes P.O.S. at the store level seamless with the accounting software that most retail operations have in place. We’ve been using this product since we launched in 2002, and it has worked great for us.

What have been your customers' reactions?

They've all been great. We've always had a unique relationship with them in that we're not just a beauty store where they get their products, but a part of their community. It felt—and still does—that they're as proud of us, as we are of ourselves.

So what's the lesson from all this?

There's an obligation/responsibility to go out of our way as citizens, as business owners and as a society to do everything we can to give governmental agencies information we have that may have even a small chance of being helpful.

I want to cooperate with our governments rather than be ignorantly complicit in a terrorist plot because one of my stores sold a material that we had no idea was dangerous.

Is it true that prior to and since the incident you haven't received any direction or guidance from

manufacturers, master distributors, distributors, manufacturers reps/brokers or trade associations?

Yes.

Tell us how you're developing a sales policy regarding acetone and hydrogen peroxide.

It's a work in progress. Suspicious activity is defined as purchases of more than two units of acetone or hydrogen peroxide. In our stores, this doesn't happen more than a couple of times per month. Now when this happens, the store manager at the time of purchase will call it into headquarters. Our goal is to implement procedures that are practical and effective without overburdening our stores.

Above and beyond any preventive policy that we can put into place, we all need to be proactive and report anything out of the ordinary that may or may not turn out to be a real threat—rather than react after something really awful happens.

We're hoping to develop our system with law-enforcement agencies. Also, we're reaching out to several governmental agencies and the office of U.S. Senator Charles E. Schumer of New York to share what we're developing.

This could have very easily become a beauty store owner's worst nightmare: "The beauty store that supplied chemicals for a national tragedy."

Absolutely. And to make matters more complicated, I'm an Iranian-American—and just as Middle Eastern-looking, minus the facial hair, as the suspect whom we were helping to find evidence against. This could easily have been spun into "the Middle Eastern beauty store owner who sold bomb-making supplies to Al Qaeda."

Have you ever wondered what if the alleged terrorist only went into mom-and-pop beauty stores?

While I realize it might place an undue burden on these stores to install the P.O.S. and CCTV systems that we have in place, they could at a minimum log in all these sales in a book, where they require a driver's license and a signature from anyone purchasing these materials. It's the same concept used at drugstores when people purchase a cold/allergy medicine that can also be used to make hazardous street drugs. Every beauty retailer can do his or her part for public safety.

Any final advice for other beauty store owners?

I'd encourage everyone to be supportive of our governments' anti-terrorism efforts. They've got a monumental task before them. And if we can help in small ways, why not? Even if we don't think the information is going to be useful, let's provide it anyway and let authorities determine whether or not it is of any value.



Tips from the federal government on how you and your beauty store can help fight terrorism

To: Beauty stores, distributors and those in other salon-industry sectors

From: The U.S. government

Will you: Play a part in preventing another terrorist attack? Be sensitive when something isn't right? Promise not to ignore anything suspicious? Never think, "I'm not the one who should report it"? In general, that's what a voluntary, nationwide Bomb Making Materials Awareness Program, sponsored by the U.S. Department of Homeland Security's Office for Bombing Prevention in cooperation with the Federal Bureau of Investigation, is now asking of beauty stores.

The program, which started last August and is also known as BMAP, is designed to increase public and private-sector awareness of homemade explosives, a common terrorist-improvised explosive-device tactic. Free cash-register cards and break room posters, and free, secure access to training are available to key private-sector partners, such as large retailers and wholesalers, to encourage their roles in awareness with minimal resource investment, as well as stronger relationships between businesses and local law-enforcement organizations (i.e., the local FBI bureau and local police).

"This program is designed to heighten awareness and put point-of-sale employees in contact with their local law enforcement because I firmly believe that we can prevent the next potential attack in this country by someone seeing something suspicious and picking up the phone and making the right phone call," says acting assistant secretary William F. Flynn in the Office of Infrastructure Protection of the U.S. Department of Homeland Security. "And we've seen this

happen. One of my American heroes is a video store clerk in New Jersey who saw something suspicious on a video, reported it to the FBI and prevented an attack against Fort Dix. We know from overseas attacks and potential threats in our country that citizens and employees—and not necessarily first-line law-enforcement or federal-government personnel—are going to be the first to spot something suspicious because of their day-in, day-out contacts and the work that they do with the general public."

When it comes to beauty stores, according to Flynn, the big concern is with large purchases of acetone, which can be found in nail-polish removers, and hydrogen peroxide, which can be found in haircolor bleaches and developers. You and your P.O.S. employees—key personnel in this—need to recognize those products and their brands.

In addition, Flynn advises:

- Know your regular customers.
- Report suspicious activity. Common examples could be a nervous customer; evasive answers to simple questions; chemical burns/discoloration on the customer, which can be caused by contact with concentrated chemical concentrations; vague knowledge of a product's proper usage; requests for large product quantities; refusal to purchase or use recommended substitutions; an insistence on in-store pick-up (i.e., no delivery) for bulk purchases; large cash payments; and a refusal to show identification.
- Check your inventory and report missing, stolen or diverted products.
- Ask for customer ID and maintain a log of large purchases and/or track the possible stockpiling of acetone and hydrogen peroxide. The log could include the name of the business/customer, an address, a telephone number, any other follow-up contact information that you may deem necessary and a description of the transaction(s).

For more information about the program, email OBP@dhs.gov or call 703.235.5723.

Additionally, according to Sue Armstrong, acting deputy assistant secretary in the Office of Infrastructure Protection, large manufacturers and distributors of haircolor bleaches and developers may have to comply with a fairly new, rapidly implemented regulatory program of high-risk chemical facilities by the U.S. Department of Homeland Security. The Chemical Facility Anti-Terrorism Standards, also known as CFATS, list hydrogen peroxide as one of more than 320 "chemicals of interest." A particular concentration/screening threshold triggers compliance, which means an electronic accounting of the chemical of interest, how much of it is at the site, a security-vulnerability assessment and a site-security plan followed by an inspection. For more information about this program, visit dhs.gov/chemicalsecurity.

Finally, salons, spas and other consumer-oriented beauty businesses using nail-polish removers and haircolor bleaches and developers will also be affected, points out Armstrong. "It's important for everyone in the salon industry's supply chain to have a culture of awareness," she notes. "For a salon, make sure that your supplier knows who you are as well as who you're sending to pick up products if that's the case. And such businesses also need to know the products they're using that have acetone and hydrogen peroxide in them, where their inventory is and that it's not accessible by their clientele." ■

Marc Birenbaum is executive editor of *Beauty Store Business*.

