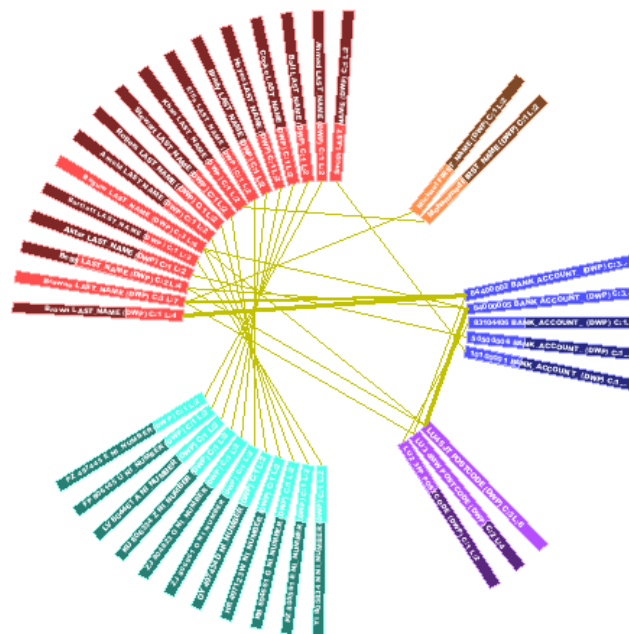


Shrink the Shrink

A fresh look at loss prevention forensic analysis



Jane Titley

Head of Loss Prevention Claire's Europe

Claire's – An Introduction

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- Global Retailer – US, Canada and Europe
- Speciality Retailer of Fashion Accessories and Jewellery
- 2 Distinct Brands – Claires and Icing
- Claires – 2600 stores (3yrs – 18yrs)
- Icing – 400 stores in US (18yrs +)



Loss Prevention at Claire's



- **EUROPEAN LOSS PREVENTION STRATEGY LAUNCHED IN 2008 – “ Shrink the Shrink”**
- **THREE MAIN AREAS**
 - **Store Programme**
 - **LP Resource and Roles**
 - **Structural Initiatives**
- **STORE PROGRAMME**
 - **Programme of audits, visits and controls introduced at store level for retail team**
 - **Focused on red, amber and green stores**
 - **Executive support and stewardship**
 - **Leading practice dissemination**



Loss Prevention at Claire's



- **LP RESOURCE AND ROLES**

- Established LP focused field department in continental Europe
- Field role focused on training, risk assessments and investigations
- Worked in partnership with the operations and field teams

- **STRUCTURAL INITIATIVES**

- Supply Chain – internal review of system
- Inventory Controls – internal review of system
- High level of internal dishonesty gave rise to the need for improved management information and the need for a data mining tool (forensic analysis)



The Need for a Data Mining Solution

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Prior to introducing Forensic Analysis...

- LP team were reactive not proactive
- Investigations were not intelligence led
- Difficult to detect and isolate fraud which was a high proportion of our loss
- Reports were extremely time consuming to produce
- Reports were one dimensional and usually required information from different systems
- IT resources needed in order to create new reports
- Inefficient use of investigators' time for little reward
- Scatter gun approach
- Systematic till fraud remained invisible



The Selection Process



- **Claire's conducted a review of retail LP data mining suppliers in the market at the time**

- **We conducted a cross functional evaluation process**
 - **Loss Prevention**
 - **IT**
 - **Operations**

- **Evaluation process covered**
 - **Vendor information**
 - **Functional requirements**
 - **Technical requirements**
 - **Vendor Services**
 - **Standout capability – what was different about each application**

What Claires looked for



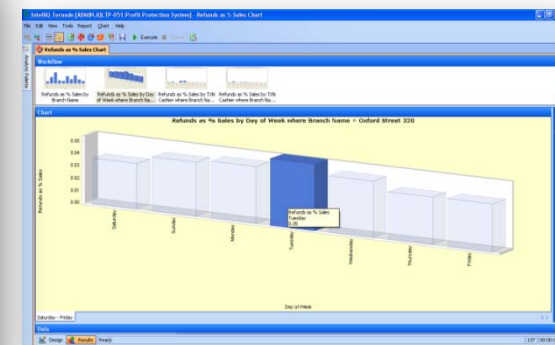
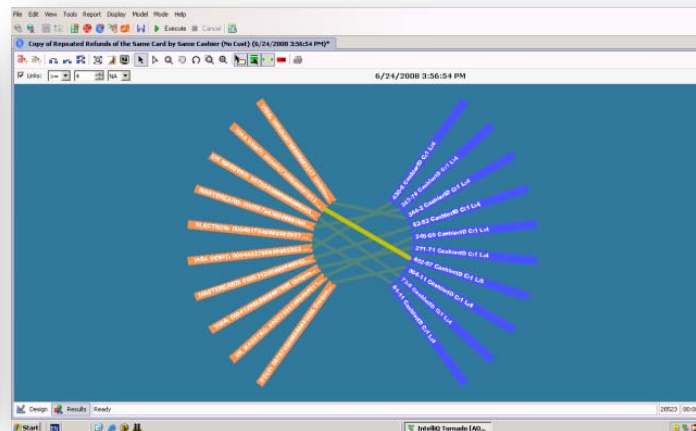
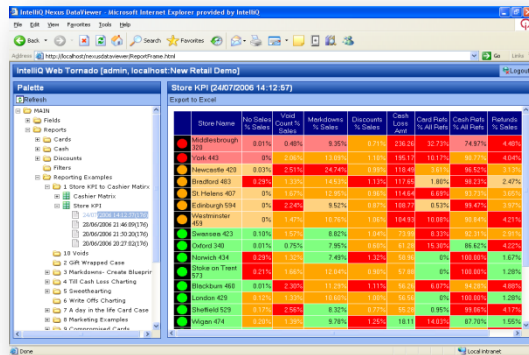
- **Global solution to accommodate the requirements of both Europe, several different POS systems and the US business**
- **Forensic analysis approach – more functionality than data mining/exception based reporting techniques**
- **A system that was easy for LP teams to use**
- **Loss prevention expertise available to help support us**
- **An understanding of the Claire's business and ability to develop the solution we needed as a partnership**
- **Extensive retail customer base, both in the UK and internationally**
- **Active customer community (i.e. user groups, analysts workshops, special interest groups)**
- **Solution that supported both Oracle and Microsoft SQL database platforms**
- **Year on year payback beyond initial ROI**
- **ROI period of 12 months globally**

Building the Business Case



IntelliQ matched all of our selection criteria

- Uniquely they offered a Data Challenge where they analysed 3 months of our EPOS data using the system and their own LP expertise
- This presented us with real-life fraud cases that we were able to validate and act upon
- It provided us with a greater insight into the picture of loss occurring within Claire's
- It helped us build a solid business case for Board approval
- The Data Challenge was free of charge



The Launch of IntelliQ

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- Actively launched and marketed the system to stores in advance of implementation - store newsletters, till messages – aim of removing problems from the business
- Used the reports as a training tool for our new stores – reports issued week 1 of opening
- Gave the system a pet name - (Shrink intelligence Data)
- Held workshops with field regional managers, district sales managers and store managers
- Worked in partnership with Operations and HR management to plan the management of case uplift
- Weekly messages to the field about what SID had found – let me give you some examples

The screenshot shows a web browser displaying the IntelliQ Web Tornado report. The report is titled 'Store KPI (2007/2006 14-12-07)'. It features a table with columns for Store Name, No Sales % Sales, Void Count % Sales, Merch-Disc % Sales, Discount % Sales, Cash Loss \$/hr, Cash Ret % All Pkts, Cash Ret % All Pkts, and Pkts Ret % Sales. The table lists various store names and their corresponding performance metrics, with some cells highlighted in red or green to indicate performance levels.

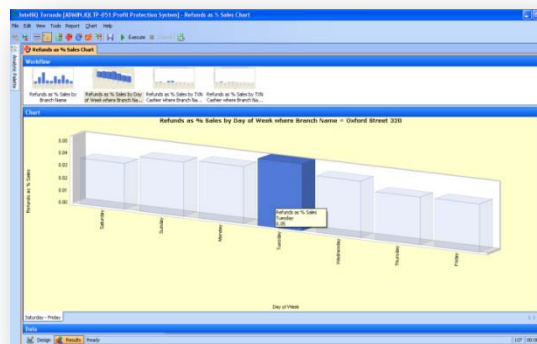
Store Name	No Sales % Sales	Void Count % Sales	Merch-Disc % Sales	Discount % Sales	Cash Loss \$/hr	Cash Ret % All Pkts	Cash Ret % All Pkts	Pkts Ret % Sales
Maldenborough	0.01%	0.48%	0.35%	0.71%	236.24	32.73%	74.87%	4.46%
York-443	0%	2.06%	13.00%	1.10%	185.17	10.13%	90.30%	4.64%
Newcastle-420	0.03%	2.51%	24.74%	0.70%	118.40	2.10%	98.52%	12.2%
Brentford-402	0.22%	0.33%	14.51%	0.10%	117.40	1.80%	91.23%	2.46%
St Helens-407	0%	1.62%	12.95%	0.36%	114.64	6.93%	93.33%	1.60%
Edinburgh-504	0%	2.24%	9.52%	0.07%	108.72	0.53%	99.47%	1.60%
Walsingham-403	0%	1.47%	10.76%	1.00%	104.82	16.08%	89.84%	4.21%
Swansea-403	0.39%	2.52%	8.89%	1.04%	73.90	4.33%	92.11%	1.93%
Exeter-360	0.91%	0.79%	7.89%	0.02%	61.24	15.20%	84.62%	4.52%
Norwich-434	0.24%	1.52%	7.49%	1.22%	50.48	0%	100.00%	1.67%
Stoke on Trent-473	0.21%	1.66%	12.04%	0.80%	47.48	0%	100.00%	1.28%
Blackburn-406	0.01%	12.30%	11.23%	1.11%	36.28	4.07%	95.30%	4.90%
Liverpool-429	0.22%	0.33%	10.24%	1.00%	36.40	0%	100.00%	1.98%
Bristol-529	0.37%	0.50%	8.30%	0.71%	35.20	9.99%	91.65%	4.82%
Wigan-474	0.21%	1.20%	9.79%	1.25%	18.11	14.93%	85.39%	1.95%

Case Example 1

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- **LINE VOIDING**

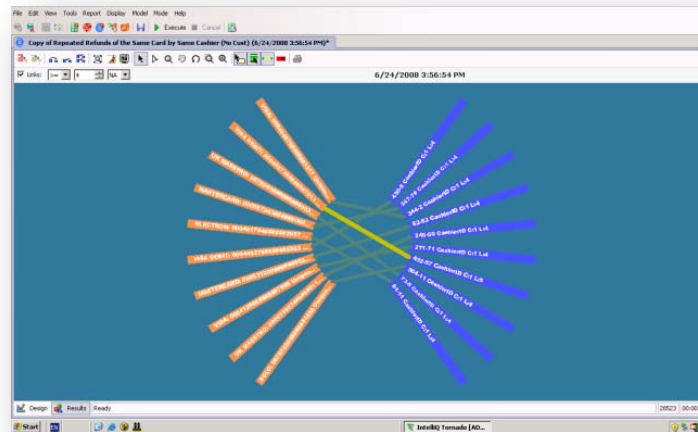
- Company not aware of the extent of the problem
- Blueprints generated daily identified high risk operators
- We then focused on sales where there were at least double the number of items voided as sold and was not an obvious process issue
- Initial reports showed at least 50 potential cases throughout the UK
- The most alarming case was an operator who had actioned line voids to the value of £20k over a 6 month period
- The individual admitted to actioning line voids and removing money by opening the till drawer with a key or during the cashing up process at night



Case Example 2

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- **CANCELLED SALES FOLLOWED BY NO SALES**
 - Blueprints built to identify cancelled sales followed by a no sale where there is the opportunity to steal the value of the sale
 - Reports designed to look for high amounts of this activity by operator compared to their peers – KPI matrix
 - 40 cases identified from the initial reports
 - Case values ranging from £300 / £500 per week



Case Example 3

• STAFF DISCOUNT USAGE LINKED TO CREDIT CARDS

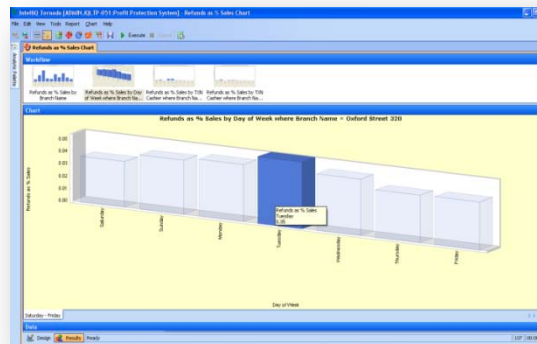
- Built a report displaying credit cards linked to staff discount numbers
- Report revealed that several operators were using discount with several credit card numbers – 55 cases identified from initial reports
- The most high risk was an operator associated with 27 different credit cards in one week
- On interview the individual admitted to giving employee discount to any friend, family member or shopping centre employee who requested it – case value £5000

Store Name	% Sales	Prod Count % Sales	Merchandise % Sales	Discount % Sales	Cash Loss	Cash Ref	Cash Ref % All Refs	Cash Ref % All Refs	Product % Sales
Middleborough	0.01%	0.46%	0.35%	0.31%	236.24	02.73%	74.87%	4.48%	
1061.442	0%	0.06%	10.03%	1.18%	195.17	18.11%	93.22%	4.04%	
Newcastle 420	0.03%	2.61%	24.74%	0.8%	118.47	3.1%	88.52%	3.1%	
Bedford 403	0.26%	37.12%	10.51%	3.12%	117.65	3.49%	93.7%	3.47%	
Hillside 407	0%	1.27%	11.91%	0.86%	114.04	6.69%	93.7%	3.65%	
Edinburgh 534	0%	2.24%	8.52%	0.8%	109.37	6.53%	93.47%	3.67%	
Walsingham	0%	1.4%	10.76%	1.98%	104.83	10.08%	93.24%	4.31%	
Greenwich 403	0.03%	1.27%	0.86%	1.94%	75.91	8.31%	92.71%	0.91%	
Exeter 360	0.01%	0.79%	7.99%	1.4%	51.22	15.25%	88.82%	0.92%	
Horwich 434	0.28%	1.52%	7.49%	1.32%	50.5	0%	100.00%	1.67%	
Donkirk Trent 474	0.21%	1.67%	12.64%	0.98%	51.89	0%	100.00%	1.28%	
Blackburn 466	0.01%	2.30%	11.29%	1.11%	49.26	6.01%	94.0%	4.08%	
London 429	0.12%	1.27%	12.54%	1.96%	48.41	4%	100.00%	1.28%	
Bedford 529	0.17%	1.54%	0.32%	1.21%	46.21	0.98%	91.6%	0.92%	
Wigan 474	0.22%	1.26%	0.78%	1.21%	38.11	14.01%	87.70%	1.55%	

Policy and Procedure Example

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- **CASH REFUNDS WITH NO ORIGINAL RECEIPT**
 - Daily blueprints highlighted a large number of cash refunds given with no original receipt
 - On further analysis several operators were identified in top loss stores where fraud had been committed – same item, same time of day
 - However the problem appeared to be more wide spread throughout the country involving a substantial number of individuals – no obvious fraud
 - On further investigation it was discovered that operators were refunding unwanted merchandise with no original receipt as cash – against our policy
 - In one week alone the cost to the business was £3500



Summary



- LP reporting before forensic analysis was inefficient and costly to the business
- Conducted extensive research into data mining suppliers
- ROI achieved with IntelliQ in 12 months
- Bottom-line payback is on going through Civil Recovery
- Visibility of 'invisible' issues across the entire estate
- 'Gift wrapped cases' time and time again from automated IntelliQ Blueprint investigations
- Early identification of issues before they get out of hand
- Future potential from further process/procedural savings
- Minimal IT resources required
- PCI DSS compliant
- Powerful deterrent effect
- Forensic analysis with IntelliQ is now a component part of our global LP strategy

Questions?

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Thank You

Email: jane.titley@claires.co.uk