

Remote Analysis Uncovers Dishonesty

*"One
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Lost
Every
Year"*

Retailers lose twice as much every year from employees than they do from customer shoplifting and fraud, according to the Retail Institute of New Zealand.

Of the one billion dollars lost every year, \$350 million, or roughly one third, is due to staff theft and fraud. Another third of losses are due to poor work processes and procedures. Only one third of all retail loss is caused by customer theft and fraud.

"There's actually a far higher percentage of loss through your staff than through customers," says Clint Morris, General Manager of Asset Security Concepts (ASC). He warns that shoplifting gets the lion's share of attention. As a result it is where many companies concentrate their security efforts and spend without realising that they are inadvertently neglecting the bigger problems associated with employees.

The standard response to retail losses is to install a CCTV security system covering the retail store and checkout area. These days it's only a small step to link the CCTV to the Point of Sale (POS) system, so that footage can be retrieved according to a particular operator or a particular transaction.

According to Morris, many systems are simply used to verify shoplifting or customer fraud after an incident occurs. However these kinds of systems should also be used proactively to combat the bigger problem of staff losses due to dishonesty or procedural errors.

A linked POS and CCTV system creates vast amounts of data and video files that need to be regularly and systematically reviewed in detail to identify problem employees.

This is where ASC comes in.

"Even very big retailers don't watch the employees the way we do," says Morris. "We set up Asset Security Concepts because there is a gap where companies either lack the specialist expertise or the time to perform proactive searches themselves. They have the tools to prevent big employee losses but they are not focussed on using them."

According to Morris, outsourcing to ASC is very cost effective, and means retailers get specialists who are on top of the latest employee scams, thanks to their industry-wide perspective.

ASC's loss prevention specialists don't need to visit the site. A secure Virtual Private Network (VPN) connection is established with the client computer system, allowing access for remote viewing of the relevant data and video.

Remote VPN access is what allows ASC to cover stores nationwide from its base on Auckland's North Shore and to access a wide variety of client POS and CCTV systems.

He says remote access keeps costs down, allowing ASC to offer transaction analysis for 1-9 lane stores, for a little over one hundred dollars per week.

"It's actually saving you money," says Morris. "We typically execute a pilot with one store because we can show the baseline data, then after a month we can show the improvement. Then you can see the return on investment."

Detailed Analysis

The service offered by ASC starts with weekly analysis and reporting of the transaction logs, or Point of Sale data, from the store. Suspicious transactions are checked and tagged for further investigation, and a report identifies any procedural errors, best and worst operators, and recommendations to improve productivity.

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Clint Morris and Laurel Ray part of ASC's loss prevention team

"We look at anything odd like refunds, voids – all those sorts of things," explains Laurel Ray, an ASC loss prevention specialist. "In a supermarket for example, an operator might keep coming up with a particular pattern of transactions. We carry out an in-depth search of their data, to find out what's going on and why."

"Then we go to the cameras, with specific search criteria. Instead of just going through the day's worth of video, we actually look for tagged events; for example all the instances of somebody walking past a certain door. Most retailers now cover entry, exits, all the tills, and the cash room where they count the money."

"An example of what we look for is staff pretending to scan items, which we refer to as 'sweet hearting'. If you're just casually watching it looks like they're scanning the item, but they've actually got their hand over the barcode."

"Another common scam is using department keys. So if it's a bulk meat pack for fourteen dollars they may just enter one dollar under meat - these are an example of searches we do." Other times items might be rung on and then voided off so it appears that they've been scanned."

"The report we produce is detailed," she says. "We show the client who their poorest and best performers are. With checkout operators, we drill down into the bottom five and provide a report on what they've done and why they've been targeted. It might be that they've completed \$500 worth of voids for the

week, so then we'll drill down and check it's not fraudulent. And every week we have certain criteria that we check like refunds or price enquires, and other high risk fraudulent areas."

Discovering Collusion

"Typically I start off by reviewing one person," says Ray. "I'll spend a couple of hours focussing on them and often it leads me to a couple more staff members. Generally four or five of them are working in a pack."

"One gets busted and goes down and then all of a sudden they disburse. That group doesn't operate anymore, so they'll stay quiet for a little while; but then incidents will start rising again, but you've already identified who those people are. So you need to be watching them."

Ray says if they suspect fraud they ring the client as well as write a report. Often she will advise management not to take action immediately while ASC builds evidence for a case and tracks the perpetrators, so she can interview all the staff members involved.

"The good thing about a lot of the systems now is that the storage capacity in the digital video recorders means I can go back 90 days. Or I might wait and watch them for a couple of weeks and prepare a really good, solid case."

"I gather all the evidence and put it onto a disk. I provide two copies, one for the owner and one for the Police, because we recommend that everybody goes to the police. The reason for that is, whether the individual

is young or old, it gives them a fright and hopefully it stops them from doing it again. After all they are stealing and messing with people's livelihoods."

"With some stores the Police actually walk the staff member through the store in handcuffs. Of course all their mates see them and go 'whoa, yeah we've got to pull our socks up'."

"Sometimes the employer says they will do the follow up themselves using the initial information we have given them, but a lot of the time, as an owner they're so busy that they just haven't got time to deal with it."

"Once I've built the case, if the client wants, we can go in and help with the employee interview, making sure that the correct procedural process is followed."

Not Just Employee Theft

Ray says that while the focus is on employee theft, shoplifters are often caught in the net too.

"We also perform loss prevention staff training. Quite often problems are exacerbated by retailers not training their staff correctly. A lot of shoplifting could be avoided or picked up on at front end, if staff had the correct training and knew what to look for."

"There's a lot of refund fraud going on at the moment. A customer will buy a product, and then they come in and they'll steal another one off the shelf and get a refund for it. We pick that up because refunds are one of the more powerful search criteria that we're looking at. If we see the same person coming back we alert the store, and give them the full picture."

"Even procedural errors can be huge. For example an operator may be working in training mode so the transaction is actually not being registered, it's just a training session, but all goods have gone out the door." It might seem surprising that all this takes place under the gaze of CCTV cameras, but Ray says their deterrent value is minimal and short lived.

"Routine is complacency. You put in a camera and everybody's looking at it for the first couple of days. Within a couple of weeks they've forgotten all about it and they just go back to what they were doing," she shrugs.

"We find something every week for all of our clients. Whether it is fraudulent behaviour or a procedural error; there's always something."

"Theft will always be there, that's human nature. People try."