

Secure 2007™

Customer Case Study : Tesco

Tesco's implementation of Secure 2007 gives a Return on Investment of 725% in first year of operation.



Tesco Group, the U.K.'s largest grocery retailer, needed a revolutionary new approach to tackle group point-of-sale (POS) fraud. They needed a solution that took the pain out of the detection process and freed their available workforce to concentrate on investigation and loss retrieval. Importantly, a feedback loop was required so that performance of both system and workforce could be measured.

After a series of extensive reviews and Proof of Concepts with many software vendors; Sysrepublic and Tesco formed a partnership to design and build a product that could transform and advance how suspect checkout activity is identified, tracked and stopped.

Working closely with Loss Prevention Managers and Field Staff, Sysrepublic began gathering requirements and building system prototypes that would evolve over a number of months into a final product that was completely fit for purpose.

Once launched, the system immediately began identifying suspect incidents that could be investigated by the central team and field users. This activity soon resulted in positive results followed by prosecutions and changes to business processes in order to close loopholes.

Key Highlights

In the first year of operation, Tesco's achieved the following results :-

- A Return of Investment of **725%**
- **15%** reduction in overall fraud activities
- Several million pounds saved
- A high number of cashiers dismissed or cautioned
- Identification of a high number of cashiers requiring extra training

Built for the
needs of Loss
Prevention
People

Secure 2007™

Shrink is a BIG
retail problem;
POS fraud is a
BIG part of
Shrink

Customer Profile

Tesco is one of the top global retailers with sales over £43 billion and profits of over £2 billion. Tesco's market share is estimated to be over 30% in the U.K. Tesco's store estate is highly diverse in terms of formats and amounts to over 2300 stores across 12 countries. As an employer, Tesco has a work force of over 230,000 employees worldwide.

*All figures quoted are for 2006

The Business Situation

Criminal activity cost UK retailers £2.2bn in 2005*. And a staggering 53 percent of unseen losses are the result of employee theft. The retail market is increasingly competitive, which results in a continued demand to bring down the costs of shrink. Retailers are striving to reduce the financial impacts of fraud and the cost of detection. Limited time, resources and lack of automated processes, coupled with the volume of data involved, results in many retailers having to write-off significant losses. This results in higher prices for consumers and reduces shareholder value.

Tesco estimated it's loss through theft exposure to be several million pounds in the U.K. and was also greatly concerned on the impact that an increasing amount of international retailing would have on this figure.

*According to the British Retail Consortium

The Solution

Secure 2007 has been designed to address Retail Fraud Issues via a Plan, Do, Review process cycle which allows retailers to automatically detect fraud, quickly assess the results and feedback on outcomes in order to tune fraud detection methods where appropriate.

Automatically generated, Prioritised work lists optimise the productivity of loss prevention managers and enable them to focus on the incidents that have the highest probability of fraud and highest loss value. To aid direction, Secure 2007 provides clear and concise recommended next steps on how to proceed with investigations.

Secure 2007 automatically calculates the financial impact of each fraud type and provides Return on Investment calculations. This enables Loss Prevention managers to assess the ongoing cost of fraudulent activity on a case by case basis and target their resources accordingly.

A Complete Loss Prevention Process

The Secure Approach

Secure 2007 implements a three stage approach that encompasses the complete loss prevention process.



Each stage offers specific functionality designed to meet the section goals.

1. Plan

- Users have a choice of manual (Reports) and automated detection methods (Rules)
- Manual detection involves the use of Real Time Reports to identify and understand suspect areas
- This knowledge can then be translated into automated rules to ensure sustainability
- Data can be analysed within and across POS Transactions and Events

2. Do

- Investigation activity is driven by priorities work lists
- Investigators can focus on top ranked stores, payment cards and cashiers
- Information such as Till Receipt and CCTV footage can be accessed to aid investigation
- Clear and Concise next steps guide the investigator through the correct process
- Positive incidents can be assigned to portfolios/cases for ongoing investigation. Feedback can be supplied on negative incidents

3. Review

- Assess system performance using various Management Information reports
- Use investigators feedback to continually evolve the effectiveness of the system

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A Proven & Sustainable Return on Investment



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Key Benefits

Secure 2007 processes transaction data from over 2000 Tesco stores, totalling on average 6.6 million baskets per day.

Tesco now have clear store, regional and group-wide visibility of checkout fraud signatures, including :-

- Scan Void Collusion: where Cashiers scan then void a product and still pass the item to the customer
- Refund Abuse: using both cash and payment cards
- Mobile Top Up Card Abuse

Information includes the estimated potential cost of the fraud signature, the investigation costs and actual loss, yielding an overall Return of Investment.

Additionally, there is now visibility of non-fraudulent activity that nonetheless causes shrinkage, leading to changes in business operation. Examples include :-

- Hardware problems causing the voiding of valid transactions
- Incorrect department key use for lottery transactions

There have also been proven efficiency gains for Security & Profit Protection Managers including :-

- Greatly improved information and speed of access
- Better utilisation of resources
- Using manageable lists that provide hot leads

“Using Secure 2007 we now have much improved visibility of checkout shrinkage issues at the group, regional and store level allowing us to focus resource where it is most needed. The whole system is easily extended and supported by a robust set of KPIs that ensure that we can sustain value for money from the investment on a year by year basis”

Mike Cornish - Tesco Group

About Sysrepublic

Sysrepublic specialise in the provision of software products and consultancy services for the retail and hospitality sectors. Sysrepublic are industry pioneers in the use of Microsoft technologies for the implementation of Real Time Retailing and Loss Prevention.

Sysrepublic works with major retailers worldwide to deliver leading integration and data exploitation solutions.