

## Customer Case Study: Tesco

### **TESCO'S IMPLEMENTATION OF SECURE GIVES A RETURN ON INVESTMENT OF 725% IN FIRST YEAR OF OPERATION.**

Tesco Group, one of the world's largest grocery retailers, needed a revolutionary new approach to tackle point-of-sale (POS) fraud. They needed a solution that took the pain out of fraud detection and freed their Loss Prevention team to concentrate on investigation and loss retrieval. They required a system that produced information, not just data. One of their key requirements was a feedback loop to measure performance of both system and workforce. After extensive reviews and proof of concepts with multiple software vendors, Tesco chose Sysrepublic as their solution partner. The goal of the solution was to design and build a product that transformed how suspect point of sale activity is identified, tracked and eliminated. Working closely with Tesco's loss prevention managers and field staff, Sysrepublic began gathering requirements and building system prototypes. Over a number of months this effort resulted in the creation of Secure, a comprehensive loss prevention solution designed specifically to meet Tesco's needs.

Once launched, the system immediately began identifying suspect incidents on a daily basis. These incidents could be easily investigated by the central team and field users. Secure successfully delivered positive results that were followed by prosecutions and changes to business process within the organization.

### **HIGHLIGHTS**

Using Secure in the first year, Tesco achieved the following results:

- A Return of Investment of 725%
- 15% reduction in overall fraud activities
- Millions in revenue saved
- A high number of cashiers dismissed or disciplined
- Identification of a high number of cashiers requiring extra training

### **CUSTOMER PROFILE\***

Tesco is one of the largest retailers worldwide with sales over \$62 billion and profits of over \$2.8 billion. In the U.K. alone, Tesco's market share is estimated to be over 30%. Tesco's store makeup is highly diverse with over 2300 stores across 12 countries. Tesco employs over 230,000 workers worldwide.

\*All figures quoted are for 2006



## THE BUSINESS SITUATION

Criminal activity cost US retailers \$34.8 billion in losses in 2007 with over 44% of that coming from employee theft\*. At the time of the project, UK retailers lost \$3.2bn\*\* and a staggering 53% of losses were the result of employee theft. The retail market is increasingly competitive and becoming more sophisticated every day, requiring retailers to reduce every cost which can have a direct impact on the bottom line. One of the quickest and most effective ways to lower costs, is to reduce fraud and the cost to detect it. Limited time, limited resources, and a lack of automated detection tools, coupled with huge volumes of data, result in large write-offs for many retailers. This leads to higher prices for consumers and reduced shareholder value.

Tesco estimated its losses through theft exposure to be several million dollars just in the U.K. and realized that the losses related to their international retailing would be even higher over the long term.



## THE SOLUTION

Secure addresses retail fraud issues via a “Plan, Do, Review” process cycle. This process allows retailers to automatically detect fraud and quickly assess the results in a structured, repeatable method. Feedback from Secure’s results allows retailers to fine tune fraud detection methods where needed. A complete system, which is delivered user ready out of the box, Secure is the simplest, most efficient and cost-effective way for your company to detect, reduce and eliminate fraud.

With typical loss prevention systems, too many hours are spent reviewing piles of unfocused data to allow for swift action. Secure delivers information instead of raw data. Automatically generated and prioritized “to do” lists optimize the productivity of loss prevention managers, enable them to focus on the incidents that have the highest probability of fraud and greatest loss value. Secure provides clear and concise recommended next steps on how to proceed with investigations based on corporate policies. Moreover, Secure 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 fraud on a case-by-case basis and target their resources accordingly.

The same “to do” lists that highlight suspect transactions will also alert you to process inefficiencies caused by human error, to help identify cashiers who need additional training. Not only does Secure isolate the negative, it maximizes opportunities to enhance the positive.



## THE SECURE APPROACH

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

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

### 1. Plan

- While most users rely solely on Secure’s built in complex fraud detection rules, Secure offers the option to query the system directly for information based on what the user wants to identify

# Secure

- Query detection involves the use of real time information gathering to identify and understand suspect areas in greater detail
- These queries can be easily created by asking the system for data simply by typing a question These then can be instantly converted into new automated rules to be used in the future to ensure sustainability
- Data can be analyzed within and across all POS transactions and events

## 2. Do

- Investigation activity is driven by prioritized “to do” lists.
- Investigators can focus on specifics such as top ranked stores, transactions using gift cards, and even transactions by specific cashiers
- Register receipts and CCTV footage can be retrieved, viewed, and stored within the system to aid investigation
- Clear and concise next steps guide the investigator through the process
- Incidents can be assigned to portfolios/cases for ongoing investigation or process improvements

## 3. Review

- Assess system performance using built in management information reports
- Use investigators’ feedback to continually improve the effectiveness of the system



## KEY BENEFITS

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

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

- Scan / Void Collusion
- Refund Abuse
- Stored Value / Gift Card Abuse

Reporting information includes the estimated potential cost of the fraud, the costs of the investigation, and the actual loss, yielding a calculation on overall return of investment.

Additionally, Secure has provided greater visibility into process inefficiencies and other non-fraudulent activity that also incur unwanted costs to the business.

By understanding these activities changes can be made in business operations.

Such As:

- Hardware problems causing the voiding of valid transactions
- Hardware problems causing delays in payment card transactions
- Bad barcode printing on products causing delays at the point of sale
- Incorrect department key use for lottery transactions

Efficiency gains for Security & Profit Protection Managers include:

- Greatly improved information and speed of access
- Better utilization of resources
- Using manageable lists that provide actionable leads simply and quickly

## ABOUT SYSREPUBLIC

Sysrepublic specializes in delivering software products and consultancy services for retailers and is an industry pioneer in the use of Microsoft technologies for the implementation of Real Time Retailing and Loss Prevention.

Working with major retailers worldwide and via Secure Alliance, a partnership consisting of industry partners and retailers, we deliver leading integration and data exploitation solutions that incorporate the best of our experience, your experience, and the collective experience of our users.

Every client using Secure has achieved a 100% ROI within the first year and in most cases within the first 4 months. Some clients have seen results of over 700% in the first year. As a result, over 90% of our business today comes from client referrals.

**100% Loss Prevention**



sysrepublic  
**Secure**