

Watching Every Peso

Situation

Comercial Mexicana needed an efficient way to focus LP resources on reducing shrink.

Solution

They selected Datavantage XBR® Store Analytics to highlight the cases that would yield the most benefit.

Results

- Reduced cashier-related losses by nearly 30%
- Increased confession rate due to solid evidence
- Empowered store managers with a means to improve store profits
- Provided valuable data to other decision-making groups within the chain

Cutting shrink by 11 million pesos (about \$1 million US) per year is the formidable – and achievable – goal of Gustavo Monroy, Director of Loss Prevention, Audit, and Inventory Control for Comercial Mexicana. The tool that helps him do it is Datavantage XBR Store Analytics.

“The annual shrink rate is 1.3% at Comercial Mexicana,” says Monroy, “and 25%-35% of that is lost at the register to cashier error and fraud. Reducing that by two thirds is a reasonable expectation with XBR.”

XBR Store Analytics is a software application that searches transaction logs for unusual trends and anomalies, incorporates the frequency of the suspicious activity, and ranks the results.

Leading The Change In Mexican Retail

Controladora Comercial Mexicana is the third-largest retailer in Mexico and a key player in the booming hypermarket segment of retail. Comercial Mexicana owns

175 stores and 60 restaurants; it operates 30 warehouse clubs through a joint venture with Costco; medicines are made available through its Farmacom stores.

Monroy is a trailblazer among Mexican LP professionals, having installed XBR in its supermarket, discount, and hypermarket stores in 2004. Analytic applications are rarely used for loss prevention in Mexico. Random store audits and manual reviews are still customary. Monroy, however, recognized a more effective means.

“We have over 6,000 cashiers working on any given day. The biggest benefit of exception reporting is we can focus on the fraud cases much faster rather than using a shotgun approach of conducting random audits or by waiting for somebody to call and denounce somebody,” Monroy says. “Exception reporting focuses limited resources on the worst cases, especially those who have been doing it longer.”

Monroy also sees the psychological value of XBR, saying, “The other cashiers obviously know what is going on. It sends a message that stealing doesn’t



pay off. You will be caught, so it's better to be loyal and honest."

Empowering The Stores

In a typical installation, XBR is installed at the corporate headquarters, where the LP team uses it to guide their investigations chainwide. The installation at Comercial Mexicana is somewhat different.

Monroy chose to decentralize. Each store uses XBR to evaluate its t-logs, and Store Managers identify the personnel in need of retraining or further investigation. This approach supports the company's philosophy of placing Store Managers in control of store activities.

Store Managers do not need to devote a lot of time to using the application. XBR has an extensive library of frequently used reports. Selected reports are automatically generated and distributed. To check for fraud, all the managers need to do is open the reports. If they see something suspicious they can drill down for more information or perform additional queries. When XBR detects a particularly egregious situation, it automatically sends an alert to the appropriate manager so that he/she doesn't even have to read a report – the problem is brought to forefront immediately.

Monroy and his team assist the Store Managers in conducting investigations or handling difficult cases. XBR automatically aggregates the store-level data provides it to the corporate staff in their preferred format. The corporate LP staff also monitors store use of XBR. "If a store has a big shrink problem and no one is even logging on to the system, someone from this office will be calling the store," he says.

The XBR user can see which associate's behavior is suspicious. Monroy points to a case of credit card fraud in which one cashier rang sales to the same credit card 14 times in two hours.

"This is a very suspicious thing. You don't see the same person come and shop with the same credit card twice in



one given day. If you see it used again, it's probably a stolen or closed credit card that this cashier had and he's giving away merchandise to his family," Monroy says. The investigation resulted in a confession.

When Comercial Mexicana first installed XBR, infractions like this were common. Now they are less frequent, with the more subtle types of fraud attracting the attention of Monroy and his team. XBR, with its numerous standard reports and extensive drill-down capabilities can be easily adjusted to meet changing needs.

Improving Information Access

The way in which XBR stores data in its data mart makes the information accessible for use outside the loss prevention arena. The marketing department, for instance, turns to the LP team for information on customer payment preferences. Sales audit can also find answers to their questions that may be difficult or impossible to determine through their existing corporate systems. XBR reports are also very valuable for training and compliance. Monroy intends to pursue these other uses for XBR so that his best tool for reducing fraud is also his company's best tool for improving processes. ■

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