

Major Mobile Phone Electronics Retailer Rings Up Savings

Abstract

This is a 2014 interview with the head of fraud and loss prevention at a major mobile phone and electronics retailer. This company, with over 2,000 stores, had trouble determining expected shrink levels at their various locations. CAP enabled their client to:

- Scientifically determine expected shrink levels allowing the company to set store goals more accurately.
- Arm themselves with intelligence when scouting new locations, helping to negotiate effectively with landlords as far as what security measures are required in certain locations—leading the company to spend money where it's needed the most.
- Tier their locations to deploy different levels of fraud checks.

The Company

We are an independent mobile phone and electronics retailer with over:



2,000
stores.

The Challenge

I think what we found was that we'd been too generalized in our efforts. We have stores in the same region that are lumped together and everyone in that region was expected to have a similar shrink number. That's obviously not realistic or fair but how does one determine what the proper shrink number should be?

The Validation Study

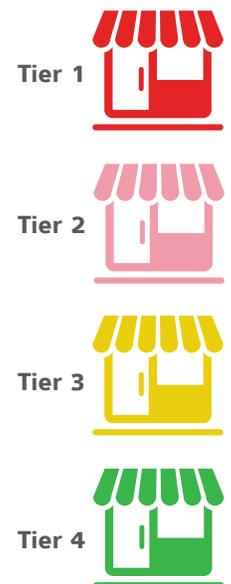
I was introduced to CAP Index by a contact from another major electronics retail chain. CAP Index went through the **CRIMECAST**® product with me and it seemed like an interesting concept. So we gave them a sample of our data to see what that would show us.

We gave them all of our branch information. We provided data on shoplifting, robbery, burglary, and riots. We gave them fraud data as well, including cash loss, card fraud and the declines from our fraud system, plus shrink. So, the data was quite comprehensive.

They took our stores and ranked them in tiers ranging from lowest to highest in terms of potential crime risk. And when they did that, we were really surprised by the power of the data. With CAP Index, the more data you give them the more they get out of it and the better it is. We found the data to be quite accurate. What we didn't appreciate was how accurate it would be. That was the defining moment for me.

Applications

We proceeded to purchase CAP Index Reports for each of our locations. We saw the clear correlation between the CAP Index Scores, our actual incidence of burglaries, and our shrink numbers. It became clear that we were not stretching some stores to reach targets that they could achieve, while others were given unrealistic targets. We learned that we could use the information to target our store goals with more accuracy.



We then started to work with our property team and any time we looked at a new location, the first thing we would do was plot the CAP Index Score.

Now just because a location is in a less wealthy area, or a high-risk area, doesn't mean we don't want to do business there. What it did was give us leverage to speak to landlords and come to arrangements regarding perhaps added security so we could be proactive in that request. We could intelligently spend what was required in terms of CCTV and reinforced back doors, whatever it may be. And that was now based on the objective CAP Score. We could really target what we needed and where we needed it. That proved very beneficial in terms of spending our money where it's most needed.

Combatting Fraud

Being a large phone retailer, we sell thousands of phone contracts every week and unfortunately mobile phones are very attractive to fraudsters. Mobile phones are easy to dispose of and they hold their value; a real challenge in the industry.

So, we took the CAP Index data and divided the stores out into different rankings, compared them against the contracts that had gone bad, and we saw a clear correlation between those stores and fraud based on CAP Scores. What that enabled us to do was deploy different strategies about how we manage those stores in terms of what fraud checks we perform, what level we go down to. That enabled us to relax certain controls in certain areas and tighten up in others. We have risk ratings for all our stores and then we use that to define what rule sets we're going to follow. We carry out additional validations at higher risk stores. The net result being that we made more sales while having fewer incidents of fraud. And the corollary of that is a higher percentage of good sales.

Allocating Resources

It's no surprise that security measures work, but what matters is being able to identify with confidence where specific security measures are lacking and where they would be effective. So we used CAP Scores to target where we should harden some of our stock rooms to make them even more secure.

Store Performance

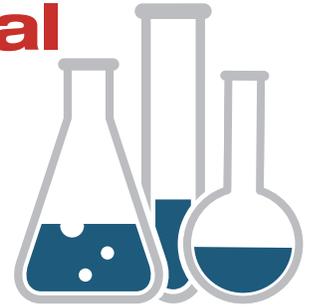
Additionally, we need to understand how the prospective stores might perform—which is a very compelling advantage if you think about it. Say you have a store in a shopping center with a CAP Score of 200. We can look at the quality of trade that provides us and actually model what we expect to get back from that store as well as what it will cost to open it. And we can even project shrink numbers but with a bit more science—that's powerful.

Putting It All Together

Everyone understands this is a best practices endeavor. As one of our property managers expressed it to me: "It's great to have some real science and insight behind our decision-making process."

I don't think a lot of retailers do this sort of thing; they just pick a location and have a standard security package installed. They'll spend \$20,000 on CCTV where it's probably unnecessary.

"It's great to have some real science and insight behind our decision-making process."



It's helped when I go to the Board and say, I need more money for security because this data tells me that we're weak in these areas. We know that this solution works but I haven't got it in X amount of stores and this is what I need to do. I can back it up with real science for all to see.

The CAP Index approach, the analytical approach, is far better than the old way of just throwing money at the problem. I think any intelligence you can get you should use. And we have, with excellent results. We now have more data to make informed decisions and the services we get from CAP have more than paid for themselves.

To learn more about how you can leverage CAP Index data to improve the performance of your stores, contact us today.



150 John Robert Thomas Drive • Exton, PA 19341 USA
E-mail askcap@capindex.com
U.S. & Canada 800-227-7475
International +001-610-903-3000

capindex.com