The co-operative food

# Savours Big Data's ROI


## OutSmarting Crime A CAP Index Case Study

### Company

Championing a better way of doing business for their customers and the communities they serve, The Co-operative Food is a bit different. As one of the UK's largest food retailers, they have a food store in every UK postal area, and a total of over 2,800 stores and more than 74,000 employees. The Co-operative Food serves over 14.5 million customers each week, and 60% of UK customers shop at a Co-operative Food store over the course of any given year.

**2,800** stores
**74,000** employees
**14.5 million** customers each week

### Interview Guest

Graham Watt, Business Loss Support Manager at The Co-operative Food, talks about how Big Data has worked for them.

### The Challenge

Trading from the Shetland Islands in the north, to the Scilly Isles in the south, with food stores, post offices and petrol stations … there isn't a one-size-fits-all way of understanding the risks in those environments—and that's a challenge.

The size of our estate and its diverse need for security equipment and security measures, including guarding provision, demands the need to find an objective way of prioritising investment in order to best allocate the limited capital spend available.

CAP INDEX

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## The Solution

Adopting the CAP Index crime risk model enables us to rank our stores and their level of risk, which then allows the building of strategies to support those stores and colleagues, and thus enhance the customer experience.

The model has two main elements. One element is the crime risk model which CAP Index built using local datasets gathered from a number of sources—including government office and local enforcement authorities—which shows a region's propensity for social disorganisation.

The second element builds on the first: we feed in our own data. The addition of our data enhances and validates the existing datasets from CAP Index, and results in a bespoke crime model for our stores. Our data comprises recorded crime and key performance indicators, e.g.: unrecorded loss/shrink, waste, cash loss, labour turnover, etc. So not only is the risk model outcome bespoke, it is also influenced by the individual operational performance of the store.

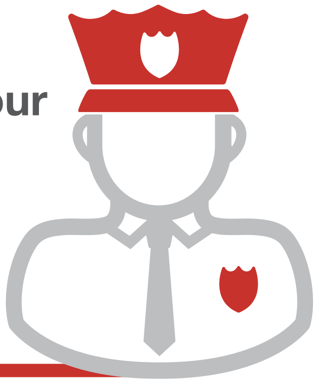
## The Applications

Initially, we used the model to align our manned guarding resource, and as a result were able to remove guarding from stores that didn't need it, thus generating significant savings. Guarding can be a very emotive subject, but by using the model, it provided an objective viewpoint from which to make decisions. Indeed, it highlighted a number of stores where the guarding provision was zero, but where investment was needed—so we invested.

We've also used the model as part of our refit programme to help identify where the needs lie for security equipment investment. All stores are refitted every five to seven years, so it's important the churn of activity receives the right allocation of spend at the right time.

We've developed three security specifications to match the risk rating… basically a low, medium, and elevated, where the low level provides all the core requirements, medium includes all the core elements with some enhancements, and elevated combines all the elements of low and medium, with additional measures—providing an all-encompassing security solution. So, when it comes to investment in security countermeasures at refit the store receives the right support appropriate to its levels of risk.

**…we used the model to align our manned guarding resource**



Additionally this methodology permits budgeting 'from the bottom up'—we know what the refit programme for the following year entails and thus can forecast the capital outlay required—effective budgeting.

The model also supports our unplanned maintenance programme. So, when we have instances where equipment fails, we understand what replacement should be put into that site; again helping us to manage capital costs effectively.

## Changing the Conversation with Operations Teams

In addition to the above, we've started to use the model to impact operational areas over the last 12 months, allowing us to understand the operating cost of an area. Take leakage budgets as an example: previously a cluster method has been used, based on past performance, but this made it more difficult to effectively challenge the operations team. By establishing a cost to operate in an area—and there is a direct correlation between unrecorded loss and the crime risk related to a store—we're able to change that conversation and identify which stores are performing above the average for a given area. This allows us to challenge the operations team with an objective point of view, which removes their challenges regarding budgetary constraints. By recognising stores in elevated areas of risk that are performing at a lower rate than others in similar locations, we may very well be identifying an opportunity to improve cost control.

## Location Selection

Another area that we're seeing our model shape the business is by building the crime risk model data into our acquisition process. With an aggressive planned acquisitions programme over the next three to five years, using the risk model, we're able to establish the cost to operate in an area. If we model the site and we use regression analysis from the stores in that area, we can determine what support and equipment are required, and also what ongoing unrecorded losses or incidents there are likely to be in that store. And that helps us understand the operational cost, which ultimately could make or break whether we continue with the acquisition, or walk away from it.

## Insurance

The Co-operative self-insures to a certain extent, paying an insurance premium for the remainder. We're currently in negotiations with an insurance provider to reduce those premiums. Because of the work we're doing around raising the level of security equipment, and having this targeted approach using an objective model, the insurers can see that 'blanket' costs per site is not the right way to charge. So we're now able to challenge that, and that should bring bottom-line dividends over the years to come.

## Quantifying ROI

Investment in security equipment is always one of the first things to be removed from refits in times of financial hardship. But we now have a prioritised delivery investment programme consisting of next generation IP CCTV Systems and additional support, having identified objectively through the model, that there are a number of stores that need more support than others. Through the pilot we can demonstrate that if we address those stores in the elevated risk category, we can reduce unrecorded loss by 15-20%; a substantial return on investment. We're also able to reduce instances of reported crime, which means a more effective operations team, and that will impact the customers in a positive way—another quantified benefit.

...reduced unrecorded loss by

**15-20%**

## Quantifying Quality

By reducing those low level crimes it makes the store a better place for colleagues to work—another key area. And if they are happy at work that translates into the customer experience too. We conduct a yearly engagement colleague survey, and one of the points measured is around colleague safety, through the question "Is my safety protected at work?" There is a direct correlation between the risk-rating of a store and the colleague's perception that their safety is protected.

Following a proof of concept with new equipment, we demonstrated that personal safety perception improved by 35%—a massive shift. Furthermore, leakage was reduced by over 20%, and instances of crime reduced by 50-60%. For the trial we used the risk model to identify the stores to focus on, and as we move into the delivery phase we'll use the risk model again to identify the next set of stores. This will give us the best returns, and ROI should be achieved within 12 to 18 months.

...leakage reduced by 20% and crime by

**50-60%**

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## Beyond Technology

Importantly we're also using the crime risk model to identify where we need to invest in behavioural training for colleagues. We want to deter crime rather than react to it. We need to make sure we give colleagues the protocols, skills, and confidence to spot and deal with situations before they become violent or unmanageable. The model has allowed us to prioritise that behavioural training for the 15,000 colleagues in our most vulnerable stores and influenced the introduction of a risk influenced labour model that gives additional labour to stores in elevated risk areas to support the deterrence of crime.

It's not just technology… we use the risk model to underpin our stocktake schedule, shaving costs by defining the frequency a store needs to be counted and removing the unnecessary inconvenience to customers and store teams through the work required to complete this process. This has immediately delivered a significant six-figure saving with minimal exposure to the business' shrink line.

## Putting It All Together

The risk model has been invaluable. The game-changer is how we've used the model to drive that priority investment programme for equipment, behaviour training, and moved to a flexible guarding model. Combining assets and technology has delivered a platform which has created a safer place for our colleagues to work, and an improved customer experience.

CAP Index are the experts in the field and doing business with them is a great experience. They have a lot of foresight, which through their model, has transcended to The Co-operative, and we now use objective datasets to demonstrate the bigger picture.

We're doing the right thing, and we're moving traditional loss prevention techniques and practices forward through the CAP Index risk model. It's great to be at the cutting edge, to be industry leading, and using the CAP Index model enables us to be ahead of the curve. And that's a great place to be.

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

CAP INDEX

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