

Argos attacks internal fraud with the IntelliQ Solution.

Argos, Britain's largest catalogue retailer, has implemented IntelliQ's loss prevention solution. The £3.4 billion retailer expects to cut fraud dramatically following a pilot that delivered significant returns.

BRC figures show that internal fraud across the retailing sector is between one and two per cent of turnover, equivalent to over £2 billion every year. The impact on profits is no less dramatic with one per cent of turnover believed to represent between 20 and 40 per cent of annual profits.

The problem: ad hoc investigations were slow and time consuming

Before working with IntelliQ, Argos knew that their losses were in line with industry standards. But with 15 Loss Prevention Managers working across the entire estate of 570 stores, Argos was forced to deal with the challenge of internal fraud on a very reactive basis, relying on manual investigations, staff tip offs or ad hoc store visits. "Our approach was case-by-case" says Adrian Sherry, Security Solutions Manager, Argos. "It involved getting our Loss Prevention Managers to cover numerous miles in their cars to get to the stores. Success was patchy."

"When we could establish that fraud had taken place, we were normally able to move to a proper investigation which nearly always led to prosecution. But each investigation was incredibly time consuming. And our traditional methods of dealing with internal fraud issues meant that it was very difficult to measure the scale of the problem or, more importantly, prioritise the major internal frauds."



The solution

Sherry wanted the Loss Prevention Team to become much more proactive. Working with IntelliQ, Argos established a pilot project in the first instance, involving just three of its Loss Prevention Managers. By rapidly finding patterns in its EPOS data, the IntelliQ solution delivered some excellent results. The Loss Prevention Team identified a significant number of internal losses which showed that Argos would achieve payback within a few months of implementation and at least a four-fold return on investment within the first year. Many of them were to do with margin erosion, collusion and credit card refunds, either where there was no sale or where the total refund activity was greater than the total sales. False refunds were minimised and margins restored.

Argos was attracted by the fact that the IntelliQ solution collects data from all EPOS terminals centrally providing a single view of the entire estate. This allows store managers to keep absolutely focused on their job – which is to run the stores properly and grow sales – and to leave fraud investigation to the professionals. Because it's a centrally based solution, the software makes best use of Argos' highly skilled investigators, providing them with the operational tools they require to prioritise their enormous workload. "We'd been looking for a solution like IntelliQ's for over four years,"

says Sherry. “We needed something that freed up store management, but equally importantly increased the productivity of our investigators, the IntelliQ solution does just that. And, critically, by providing a view over the entire estate, we are able to identify even quite sophisticated crimes, like multi-store or multi-credit card offences.”

Unlike most data mining solutions, IntelliQ’s software is a complete solution that requires minimal IT resource to both implement and maintain. This meant Sherry and the Loss Prevention Team were fully supported by the IT department. “If implementing the IntelliQ solution had required a large measure of IT department involvement, it would have been hard to get their support. But because it needs a simple feed from the EPOS data, they were more than happy to support our drive to return profits to the business.”

Flexible reporting mixed with powerful 360 degree drill down

During the pilot, Sherry and the Loss Prevention Team worked closely with IntelliQ to blend IntelliQs’ and Argos’ loss prevention experience into a full range of automated reports based around Argos’ own specific KPIs that could be run daily, weekly or monthly as necessary. But that’s just the starting point for the solution. IntelliQ’s Open Mind Analysis capability is designed to help investigators when they don’t really know what they are looking for. By letting the EPOS data speak for itself, patterns and data relationships emerge that help separate causes from effects. And IntelliQ’s Train of Thought analysis allows the Argos team to follow their hunches, all the way down to individual till receipts.

“We can drill down into the data very quickly to explore suspect activities and do it in a really ad hoc way that reflects the lumpy nature of most internal fraud investigations.” says Sherry. Sherry is also beginning to use the tool beyond the straightforward investigation of internal fraud to look at streamlining a whole range of business processes and procedures. “By being able to drill into EPOS and other data, we’ll be able to make real improvements in stock handling, merchandising and promotions as well,” he says. “The ultimate goal is to achieve a continuous analytic intelligence cycle.”

About IntelliQ

Headquartered in London, United Kingdom, IntelliQ is the leading provider of Forensic Analysis Solutions. IntelliQ solutions enable clients to efficiently analyse transactional data from multiple sources and quickly identify instances of potential fraud, loss or failure of process compliance. With a strong presence in the Retail, Financial and Government sectors, IntelliQ’s solutions generate rapid, substantial and sustainable returns.

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