

IntelliQ has the right prescription for loss prevention at Lloydspharmacy

"We are finding that investigations undertaken with IntelliQ software have a payback three times the value of traditional fraud detection methods"

Phil Payne, Former National Security Manager, Lloydspharmacy

Lloydspharmacy, the largest UK community pharmacy retail chain with more than 1500 pharmacies, is using software from IntelliQ, a leading provider of comprehensive profit protection solutions to the retail sector, to prevent loss and maximise profitability throughout its network. The UK retail pharmacy sector is facing a number of challenges today. Lloydspharmacy and its competitors want to take advantage of the new NHS contracts which came into force last year. This will see a change in the way the NHS reimburses dispensed prescriptions and professional services. Companies are responding in different ways, with cost management key amongst them. Lloydspharmacy is among the growing number of retailers that recognize the impact on the bottom line of shrinkage due to theft and process errors.

Payne explains, "We have a very good profit protection strategy which has delivered excellent results mainly through management by exception reports. Cash loss has been brought under control and successful investigations have led to substantial prevented losses. However, we recognised that there was still an opportunity for invisible fraud to go undetected with those responsible hiding their activities within our systems." Payne says, "Obtaining detailed and linked information proved difficult as we had to access different databases and it was also time consuming. In addition, the information was very one dimensional."



"Having invested in a new EPOS system, the challenge was to access and analyse sales transaction data and detect anomalies that were hitherto difficult to track and therefore invisible. The IntelliQ solution sits above our existing system, drawing data from our EPOS system to its own server." Lloydspharmacy appointed a dedicated loss prevention data manager to manage the integration of data through the IntelliQ solution. In addition a team of loss prevention managers was aligned to the businesses regional operational structure, who were responsible for investigating anomalies which the system throws up.

The project

Lloydspharmacy considered two other companies as well as IntelliQ, but, as Payne explains, "They just didn't have the flexibility and unrestricted analysis capability of IntelliQ's software." Both John Hood, Financial Director for Lloydspharmacy and project sponsor together with Phil Payne having seen a presentation from IntelliQ were convinced of the validity of their business case. Payne continues, "Once we'd selected the supplier, IntelliQ, a much smaller team oversaw the project and implementation - again from IT, Business Intelligence and Security together with a dedicated Data Manager, someone with a

security background. Ownership of the project now resides within the Security. IntelliQ allowed us to drill down asking the questions we always wanted to ask and this led to the production of over 60 bespoke reports. These meet our own specific company needs, whereas other companies tried to give us what they thought we needed. Data is interrogated and comprehensive investigation files are provided to our investigators."

"In addition, if we want a new report, we don't have to pay for additional development, we just change the question asked of the database as the details are already there. In the past information came from different sources and was often difficult to follow and not capable of linking to till operation activity rendering systematic fraud invisible." Payne says, "Lloydspharmacy has a lot of low value items, but many transactions, and a relatively small percentage of high value items - which some may say makes us a non typical client for IntelliQ. But with more than 1,500 pharmacies, and small teams, this system really helps us manage the detail."

He continues, "With the IntelliQ solution we continue to measure Prevented Loss. Where we conclude an investigation, we now have detailed information outlining what that fraud was worth. We then multiply it over the year to give us a prevented loss figure. Of course this is likely to be an underestimate, as often, when a member of staff is involved in a systematic fraud, the amount involved tends to grow as they become more confident."

Business benefits

Lloyds Pharmacy went live in April 2005 and the investment paid for itself by September 2005. Initially the company focused its attentions on the top 10 cash loss pharmacies per region - 80 pharmacies accounting for c. 40% of total company losses Payne says, "After the initial ROI, the system will continue to pay dividends for years to come. We are seeing the peak of detection. Then come the benefits of prevention."

Payne says, "When we launched, we went for quick wins. We'd quickly identified a potential fraud involving suspended sales whereby the till drawer doesn't open and the details disappear from the EPOS system if not recalled the same day to deal with the customer service issue. A no sale is a facility to open the till drawer. Prior to IntelliQ, we could see lots of suspended sales and no sales but had no way of linking the two events which when they occur in sequence become a suspicious activity. Several substantial frauds were detected and this has resulted not only in substantially reducing cash losses, but also increased the average OTC sales in 20 affected pharmacies by 7%, with a peak in one store of 23%".

Payne explains the wider benefits, "We are now able to tackle losses that we couldn't even see before. And the beauty of this system is that we haven't had to take on extra staff. We already had an active security team carrying out investigations but now with better information and case files, we use the same staff but deliver even better results."

"We are finding that RetailKey LP investigations have a payback three times the value of our previous traditional fraud detection methods. It identifies the highly systematic fraud, which by nature tends to be invisible and becomes bigger. RetailKey LP greatly enhances our ability to manage by exception.

"IntelliQ RetailKey LP gives us the absolute detail of activity carried out by a till operator in context to other employees, which is powerful for understanding what they've been doing. We're no longer just looking at the tip of the iceberg, we're able to see what fraudulent activity is happening under the surface.

"The system picks up serial offenders. Where we identify fraud we can either reconfigure our EPOS system, or change our management policies and procedures."

There has been a significant reduction in visible cash losses across the estate, with company cash losses now standing at their lowest for 3 years and 2006 is on track for further savings. Other benefits include reduced management time identifying fraud; providing accurate up to the minute business information data and assistance as well as procedures to identifying ineffective processes to establish best practice. The IntelliQ solution also allows unconstrained investigation analysis where Lloydspharmacy is able to ascertain exact reports and information required.

The future

Payne says, "We have recently identified pockets of fraud where refunds involve stock not sold at the refunding branch; a suspicious activity. This type of fraud leaves us with cash missing and inaccurate stock records. Until now this could have been written off as customer theft. Another success. "In addition key business information will be able to be produced and shared. Training issues are also more quickly identified."

About Lloydspharmacy

Lloydspharmacy's advice to companies thinking about using a similar loss prevention data mining tool:

- Make sure to consider all options available
- Plan what you want to get out of the system - think about the reports you want to be able to build
- Measure the results, impact on prevented losses and uplift in sales
- Establish best practice by closing identified loopholes through new processes or upgrade of IT system
- Use the IntelliQ solution to provide key business information

Lloydspharmacy is the largest community pharmacy chain in the UK, with 1,406 pharmacies located nationwide. Lloydspharmacy is part of the Admenta UK plc group, which is owned by Celesio AG.

About IntelliQ

Headquartered in London, United Kingdom, IntelliQ is the leading provider of Forensic Analysis Solutions. IntelliQ solutions enable clients to efficiently analyze 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.

For more information about IntelliQ please visit www.intelliq.com

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