



# REDUCE INVESTIGATIVE COSTS by 62%:

## The use of Automated Investigative Tools

The new fiscal reality has institutionalized the concept of reducing costs while having to deal with an increase in shrink as a result of both internal and external theft. In 2009, polled Retailers reported that one of their biggest challenges is the cost of manpower to address and battle shrink.<sup>1</sup> Yet still they all understand that with tough economic times comes increased customer and employee theft. The challenge then is the ability to execute with your personnel and increase efficiencies. Business Intelligence tools and technology enablers represent the greatest opportunity to achieve success in the Loss Prevention arena. Automated Investigative Tools (AIT), such as the Internal Security Investigative Survey (I.S.I.S.), offer opportunities to retailers to use limited resources and increase efficiency while reducing investigative costs. These online surveys allow LP personnel to conduct their initial investigations to determine if employee theft has occurred and to focus their follow up activities.

Internal employee theft continues to be the biggest cause of Shrink. In the article *Winning Trends in Loss Prevention*, Paula Rosenbaum highlights that contrary to perception it is not a new threat ie. Organized Crime that represents the greatest risk of shrink but rather it is the same norm of employee and customer theft that is the greatest cause of shrink.<sup>2</sup> Internal theft is "the single most significant cause" of annual retail inventory shrinkage, says the University of Florida 2003 National Retail Security Survey. The study, which surveyed retailers across the country, says internal theft accounts for almost half (47%) of all shrinkage—far exceeding shoplifting (31%) or administrative error (15%)—and costs \$15.8 billion annually, "a staggering monetary loss to come from a single crime type."<sup>3</sup> It is no wonder then that the retail industry continues to increase shrink as a corporate priority. In the Retail Systems Research study 93% of retailers indicate that shrink has become more important or is as equally important as it was in the past. Loss prevention programs although a priority however are being asked to reduce costs while dealing with the problem.

The use of Automated Investigative Tools presents opportunities to greatly decrease investigative costs. Loss Prevention investigations can be very costly. Larger retailers have internal employees that conduct these investigations from cradle to grave. This means conducting audits, determining that internal shrink is the cause and conducting interviews of all

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<sup>1</sup> Loss Prevention 2010: Retailers Battling Shrink in Tough Times, Paula Rosenbaum with Steve Rowen, Retail Systems Research, 2009

<sup>2</sup> *Winning Trends in Loss Prevention: Benchmark Study 2008*, Paula Rosenbaum with Steve Rowen, Retail Systems Research, 2008.

<sup>3</sup> Hollinger, Richard C. and Lynn Langton. 2003 National Retail Security Survey: Final Report. Gainesville, Florida: University of Florida, 2004.



employees with access to determine whom is responsible. These investigations can take months and the skill sets required to conduct them take years to develop and hone. Smaller retailers engage consultants or private firms to come in and conduct these investigations. Whether they are using internal or external investigators the costs of conducting these enquiries for retailers is significant. The Case Study below will illustrate the potential cost savings of using and AIT such as I.S.I.S.

## **CASE STUDY: LP Shoes Ltd.**

LP Shoes Ltd. is a National Retailer with stores across the Nation. LP Shoes is headquartered in the south-eastern United States. An audit of a west coast location reveals that over the previous 6 months merchandise has gone missing from the store. The total value of the shrink is in excess of \$5000. There are 15 employees at the store including a Store Manager. LP Shoes has regional risk management personnel. They send their LP investigator out to conduct the investigation.

### **Traditional Investigative Approach**

The LP investigator attends and interviews all 15 employees. Each interview takes 1 hour. The follow up analysis and review of the interviews takes a further 1 hour for each interview. As a result of his enquiries the LP investigator determines that he wants to follow up with three employees. These interviews take slightly longer at 1.5 hours each with the LP investigator identifying one employee as responsible for the missing merchandise. LP Shoes follows up according to their company policy and dismisses the employee. The total time on investigation is approximately 35 hours or 4 days and costs \$910.

Now let's break the man hour costs down for the LP investigator to conduct this investigation. (Chart 1)

**Chart 1: Traditional Approach**

Salary (LP investigator and employees)	\$ 910
<b>Total</b>	<b>\$ 910</b>

### **Internal Security Investigative Survey**

LP Shoes uses I.S.I.S. and creates an online investigative survey. Each employee is asked to complete the survey online. To create the survey, add the employees to the candidate list and distribute the request to complete the survey takes approximately 1 hour. It takes each employee 15 minutes to sign on and complete the survey. Once all 15 surveys are complete the investigator logs on and has the system conduct an analysis of the responses. As a result of the analysis ISIS identifies three employees that have indicators of deception in their responses



regarding the theft of the merchandise. The investigator reviews these answers as well as the others online. This takes approximately 5 hours. As a result of his review of the surveys he comes to a similar conclusion and decides that he needs to conduct further enquires of these three employees. He travels out and conducts these interviews which take approximately 1.5 hours each. The LP investigator identifies one employee as responsible for the missing merchandise. LP Shoes follows up according to their company policy and dismisses the employee. The total time on investigation is approximately 14.25 hours or 2 days.

Chart 2

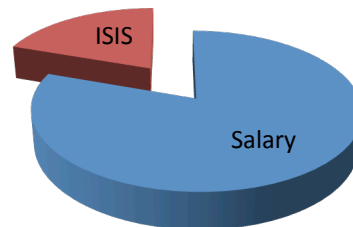
Salary (LP investigator and employees)	\$ 260
ISIS (cost per month based on annual sub)	\$ 84
<b>Total</b>	<b>\$ 344</b>

If we compare the two approaches one can clearly see that an Automated Investigative Tool like I.S.I.S. can very quickly realize staggering cost savings. In addition to reducing the cost of conducting investigations one can clearly see by the case study that there is a significant increase in efficiency. A Loss Prevention professional can now significantly reduce his time on an investigation and maximize his availability for other LP matters or investigations. The use of ISIS in this case study realized cost savings of 62%. That 62% directly affects the bottom line in addition to the ability to quickly deal with the problem employee and reduce continued theft and shrink.

**Traditional  
Investigative Costs  
\$910**



**I.S.I.S. Costs  
\$344**





How does I.S.I.S. work? The Internal Security Investigative Survey (ISIS) uses a series of algorithms that are based on a dynamic matrix to analyze the responses of candidates in a controlled group. Subjective investigative analysis of answers to questions is a tool that Law enforcement, Militaries and Intelligence Agencies have been using for decades. Retail and private investigation firms have similarly used such techniques, hiring and training investigators with experience in conducting such analysis. The technique is dependent on experience though. The more one uses the skill sets the better one gets and identifying deception. The success of the technique however relies on the subjective skills of the investigator. For the first time, the skill and knowledge of investigators has been programmed into this dynamic matrix. An objective logic machine analyses answers that would ordinarily be indicative of an honest person. Those answers that indicate possible deception are highlighted and an investigator's attention is drawn to same for follow up. These responses are scored and displayed in a graphical format and in relation to the candidates in the group. Responses can be viewed and printed by the investigator for further analysis. As with a human investigator the more the logic machine analyses answers and is provided details of deception the better it identifies new patterns of deceptive responses and the more accurate it becomes.

Automated Investigative Tools provide an opportunity for retailers to create Investigative Depth in their organizations. Many retailers have identified risk management professionals within their organizations to conduct audits and reviews to identify shrink. More often than not these employees do not have the investigative background to conduct in depth investigations into matters of employee theft. These businesses are forced to engage in expensive surveillance options to catch the culprit on video or to hire private firms to conduct a thorough investigation. A tool like I.S.I.S allows these auditors to quickly pole their employees at a suspect location and to efficiently identify avenues for follow up and/or further investigation. This approach allows for an efficient use of trained personnel to "close" the investigation after initial enquiries are conducted by in house risk management personnel.

I.S.I.S. is the newest most advanced investigative tool for internal investigations. This tool represents the future this is how investigations will be conducted from herein forward. Using online computing to maximize capabilities and increase efficiencies. Yes you can have it all. I.S.I.S. will provide increased "investigative depth" with significantly reduced costs.

Global Security Innovations, a new leader in these technologies sees these tools expanding into a variety of milieu. From employee screening, to online auction item screening, the potential is endless.

Automated Investigative Tools like I.S.I.S. then offer direct cost savings benefits which will positively affect retailer's bottom line. With savings of 62% and greater, retailers can conduct more investigations with their limited LP staff more efficiently. This technology enabler leverages modern concepts such as online computing and artificial intelligence to maximize efficiencies and significantly lower costs. The future of these techniques is limitless as these tools are used in concert with hiring, employee screening and hand in hand with audit functions.



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