

How to combat 'insider trading'

Shrinkage – stock loss due to crime and wastage – costs UK retailers in excess of £4 billion and it is one of the most difficult areas to address. **Andrew Maszyr**, development director at Cromwell Business Systems, advises how to deal with this problem with the help of a computer system, in this case Cromwell's Open-Retail.

The recession has seen many retailers making drastic cuts in their expenditure to keep afloat. Yet one area, which could save companies money, has until now been very difficult to address. It is the area of shrinkage which has posed a serious problem for the UK this past year with in excess of £4 billion worth of stock going missing (source: Centre for Retail Research on behalf of retail security specialists Checkpoint Systems).

The UK is in fact officially the worst nation in Europe for shoplifting and third in the world behind the global powerhouses of USA and Japan. Worryingly, shrinkage is on the increase – highlighting the hidden impact of the credit crunch. And this is bad news for hard-pressed consumers who end up bearing the brunt of this 'social scourge', which is the equivalent of criminals taxing every household in Britain by approximately £189 a year.

While in the UK, external theft – made-up of opportunistic shoplifters and organised gangs – accounted for 42.6% of total shrinkage, most worrying was the amount lost through employee theft. After Ireland, the UK ranks as the worst in Western Europe for theft by dishonest members of staff, with 34% of all shrinkage originating from within.

Dealing with tricks of the trade

To combat this growing problem, leading industry software supplier Cromwell Business Systems offers retailers a multi-faceted solution – its Open-Retail software. It has security features which can help prevent fraud while at the same time trace fraudulent transactions in all areas of the system. One of the simplest ways to prevent someone from abusing a particular feature in Open-Retail is to remove it from view: 'out

of sight, out of mind'. Based on user ID, menu options can simply be removed by means of security level, or a tailored menu can be created for specific users requirements.

One of the most vulnerable areas in any retail business is the Point of Sale. There are many tricks to defraud cash. For instance, under value sales, phantom refunds etc. While there can be no substitute for procedures and rigorous checking to prevent and detect fraud, Open-Retail can help by providing detailed reports on every transaction in your system.

One example of this is unlawful discounting at point of sale. This can be resolved by restricting individual staff IDs with regards to how much discount they can apply. Limits can then be set on product categories and suppliers to prevent over discounting. Then when limits are reached, the sale can be blocked or an authorisation code requested.

Wastage can also occur in a business through user error. Open-Retail uses many validation methods during data entry to minimise finger trouble. Hand held devices can streamline many processes, reducing paperwork and the risk of manual errors by removing the manual re-keying of transactions.

A number of Cromwell customers are using Open-Retail to target and track initiatives in their business aimed at reducing shrinkage. One such initiative is to target and track improvements of stock loss/shrinkage within each location and to provide a financial incentive based on achieving or beating a periodic target. Perpetual stocktaking methods can be employed to refresh count data regularly, therefore providing the retailer with a more



accurate view of shrinkage. Perpetual stock takes can be performed on higher risk items or categories of stock or to perform an intensive frequent number of counts on a department or location that is receiving additional focus."

Against sophisticated fraud

Like most things, security is ensuring that a good set of procedures is well policed. However there are occasions where something more serious is taking place. This might be a very senior person with a good knowledge of the system who is using this knowledge to perpetrate a fraud. In situations like this normal measures may not be enough and you may have to use event logging. This tracks every transaction, including 'cover-ups' of fraudulent transactions. Open-Retail provides numerous reports and audit trails to track user activity. Change history provides a detailed list of every change made to a record. Footprint tasks can be activated which can track a user as they navigate around the system. For example, when a user views or updates a customers' agreement and they do not leave a comment then the system will automatically add a comment detailing who, when and on what port the agreement was viewed or updated. These two facilities can be used in tandem to provide excellent visibility of user activity and are very effective in helping to stop fraud on your system. ■

**For more information on Open-Retail and other Cromwell solutions
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