

WHITEPAPER



How to Win at Loss Prevention... Decisively!

One Company's Success Defeating Internal Theft with Technology

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The Challenge

As one of the fastest growing restaurant groups in the nation, WKS is always focused on the next business opportunity. In 2019 they bought 97 Denny's locations adding to its existing stock of Denny's units and substantial investments in El Pollo Loco, Wendy's, Krispy Kreme, and Blaze Pizza, catapulting it from No. 36 on the Restaurant 200 to No. 17. Theft and loss were problems—of that, the company was painfully aware—but preventing them wasn't an essential part of business strategy. Growth was the focus and loss prevention was just background noise.

That hard divide was reflected in the organization's approach to asset protection. It wasn't ignored, exactly, but it just wasn't very intentional. Loss prevention was ad hoc, anecdotal, arbitrary. Or, in another word—typical. With attention trained on “more important issues,” it's hardly uncommon for retail organizations to have a reactive approach to theft and for the potential of LP to go untapped, for risks to go unaddressed, and for opportunities to slide by.

One year later and the asset protection picture at WKS Restaurant Group is almost unrecognizable. The AP department has a vision, the benefits of its activities are now in focus, and the department is helping drive business success rather than being dragged behind it.

So, how did they bridge that disconnect? How did WKS, an organization beset by internal theft, turn around its fortunes in less than a year? How did they go from not being in the LP game to winning it decisively?



A New Vision

Christopher Magana admits he had a head start. He was working for Denny's corporate when WKS Restaurant Group made its acquisition in 2019 and brought him along as its senior asset protection and safety manager. The company had already made an investment in a managed video service from Envysion, but its multitude of features were mostly unused. Leveraging those capabilities—video, point-of-sale integration, reports, incident management, and loss prevention auditing—provided the foundation for turning things around at WKS, according to Magana.

First, though, he needed to give his new bosses a fresh vision of what was possible. “They had this incredible tool they were deploying into the company, but they saw no ROI behind it. They didn’t understand why they needed it or what it could do,” said Magana, who was already familiar enough with the platform to know what it could do. “I told our C-suite that I could pay for our entire camera system in the first year with what I could save from preventing loss at our brands,” said Magana.

It was a bold claim that piqued the interest of the company’s CFO. “He wasn’t really a proponent as they went looking to fill the position, but he quickly grew into a strong supporter of the concept and became excited at the prospects for how it could transform their company.”

It marked a significant departure from the status quo. Though hardly unique in the industry, the company lacked a full appreciation of what asset protection could do for the company. Past leaders were hired for their military background, which fit their view of the LP function. They wanted to keep people safe, that



Chris Magana, Senior Asset Protection and Safety Manager, WKS Restaurant Group

was always a top priority, but their imagination ended there. “They had what they thought was an AP department, but there was no strategy behind it,” said Magana. “It acted more as a reactive police force for those issues that came up and couldn’t be ignored.”

The problem from theft and loss was inescapable, however. “They knew they were victims of significant cash losses. They knew they were hemorrhaging money. But they didn’t know how to stop it,” he explained. “It’s like when you’re sick, and you know need to do something, but you’re just not sure what you can do to get better.”

Inefficiencies in the modest theft prevention efforts the company was making only compounded the problem of losses from theft. “They could waste hours

looking at journal tape looking for suspicious transactions and asking managers about why they were losing all this money, but they had no real way to attack the problem.”

And they needed one. Company growth was amplifying losses and its loss trajectory was unsustainable. “Overnight, they had become the largest owner-operator of Denny’s, so it was a time when the stakes were being raised,” said Magana. “They understood they needed to have this capability to attack loss and to clean-up operations, especially because they were growing, but they didn’t know how to utilize the tool, have the time to dig into it, or the experience to exploit its capabilities.”

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In the void, corrupt district managers had close to free reign. “When they were asked about glaring losses that were being experienced, they would say they didn’t see a problem,” he said. “Essentially, it was letting the fox run the henhouse.”

As such, when Magana began to describe to the WKS finance team what their existing service provider could do for them, they became excited at the prospects. “I started to explain what exception reports were and how that is tied into the camera system and that it can show us exactly who and how these people are stealing from us, and all the value and capabilities they had in their system,” said Magana. “I also compared their old school way of catching these guys by calling up every transaction, and the cost of those resources, against catching guys a lot faster by working more efficiently.” It was eye opening.

To the uninitiated, the power of today’s loss prevention technology is unimaginable. Rather than waiting for losses to reveal themselves, LP teams can now run proactive patterns on data to highlight how people may be taking advantage and shut down theft opportunity before losses mount. Data can drive asset protection decision-making, give visibility to unobserved causes of loss and shrinkage, and inform choices and problem-solving. In this way, technology has become a foundational gamechanger, moving loss prevention departments from a defensive security posture to one where they can play offense. “When I explained how we could begin to proactively go after sources of loss,” said Magana. “you could just see the CFO growing super excited.”

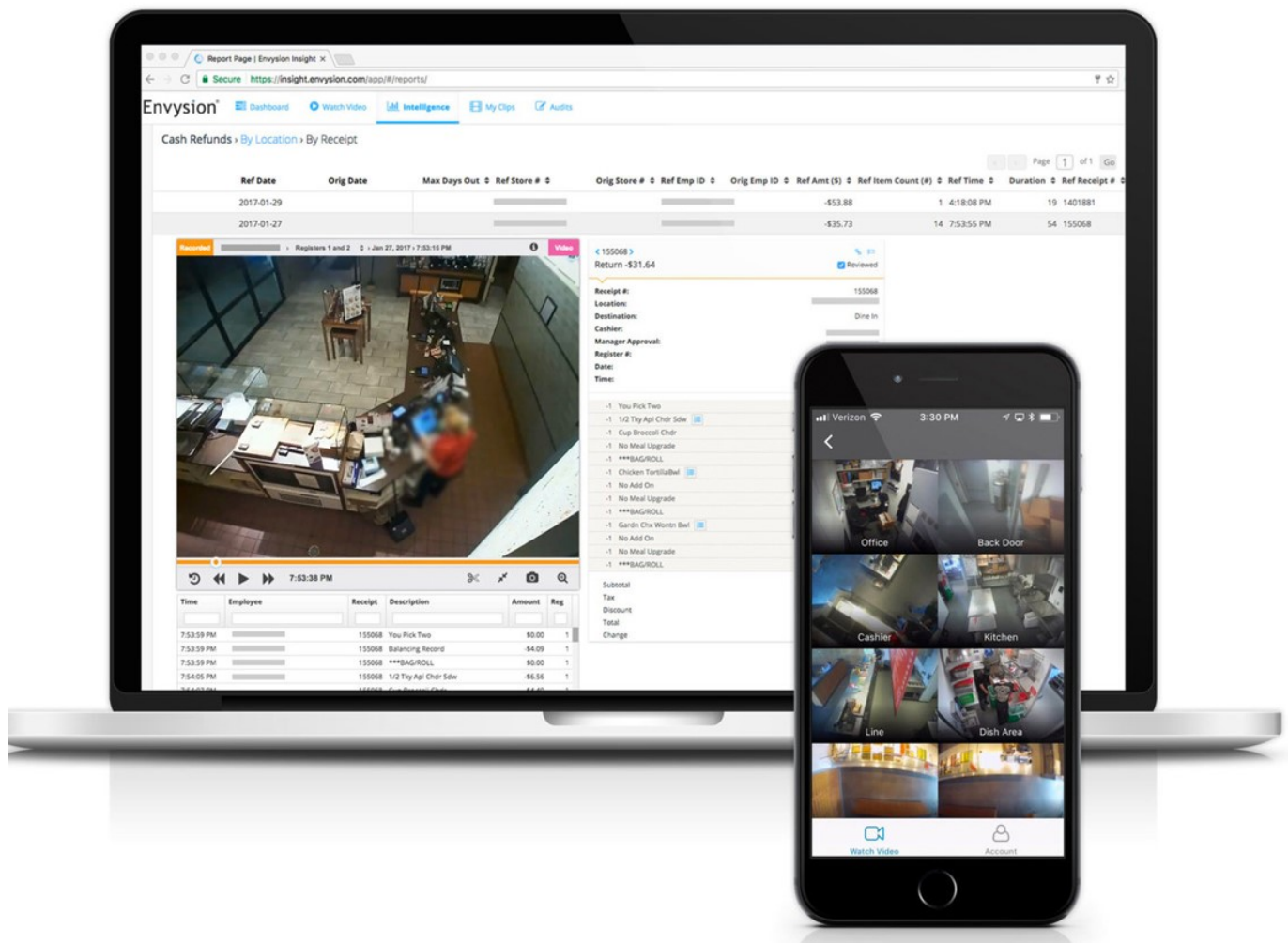
Of course, now Magana and the company’s managed video service had to deliver.

The Right Tools

At his job interview, Magana was asked to explain what he might do about a real problem the company was facing—significant cash loss at a Denny’s in Seal Beach, California. Already familiar with the capabilities and benefits of Envysion’s managed video service, he explained one possibility—drawing an imaginary border around the safe door so the video system would capture every time there was movement. Magana described his CFOs wide-eyed reaction when he explained the strategy. “The first thing he said was, ‘Our cameras can do that?’”

Once on the job, Magana quickly began to leverage the capabilities of the Envysion managed video service. “I took the platform and began to run with it,” Magana said. “I was intent to exploit all that it had to offer.”

In Seal Beach, the thought experiment was now an actual case. He drew a virtual grid over the safe door to identify when and by whom the safe was being opened. With a simple motion search, he was able to focus exclusively on scenes in which the safe door was open—narrowing days of video down to 25 minutes. The second scene of which revealed the restaurant’s



general manager removing funds from the safe. By widening out the video view, the system revealed him concealing the money. With an M.O. established, additional angles and views were set to observe at specific times and gather additional evidence.

The result? In 72 hours, Magana had a \$32,000 theft admission and law enforcement on board for criminal prosecution of a general manager who had worked—and likely stolen—for 17 years, a concrete return-on-investment from a single case.

“They would have to have spent months trying to close out an investigation like this, which now can take three days to close,” explained Magana. “They used to have to go through ribbons and ribbons for that one transaction on the tape or go to the VHS and manually watch it for hours to find that one suspect transaction. Now, I can access video feeds from anywhere in the world, and I simply tell it exactly what I want it to do and what I want to see.”

The case is just one specific example of how WKS Restaurant Group has eradicated loss. Using exception reporting capabilities, they routinely bubble up issues of concern for investigators to dig into—and to understand whether losses are training related or more nefarious. “I can tell it to show me every specific style of transaction, from a certain coupon to cash-only, and then sort it however I want, by all restaurants or by district, and it can spit back, for example, my top five offenders,” Magana explained. Investigators can then drill deeper, down into specific transactions, to see which servers are, say, applying multiple free meal promos. One button press later, they can be watching those transactions unfold in front of them, listening to audio and watching the scene for confirmation that a customer received the promotion as registered or if three \$20 bills might have ended up in the server’s apron instead.

“It is capable of identifying the large frauds and it can also identify the small thefts, which can be equally detrimental to a

retail business,” explained Magana. “It prevents that ‘death by a thousand cuts’ that can kill a business.”

Success is also building on itself. Identifying, catching, and removing problem workers contributes to restaurants’ bottom lines, and, as more cases are made, employees are exhibiting less dishonesty, preventing some losses from ever occurring and boosting profits even more. “I hate to say it’s a fear factor, but I will say that the ability to research and remove problematic leaders with case closures helps us proactively. The system has instilled in stores the idea that every action will have a consequence.”

Many of those are constructive. In addition to removing and preventing problems, operational visibility is also being used as a tool to identify and reinforce positive behaviors, from adherence to proper cash counting protocols, to positive coaching of staff by managers, to following established late-night cleaning procedures, which, during the pandemic, has been particularly critical. “A lot of organizations don’t use cameras to identify positive behavior, but when we see something positive, like proper use of safety equipment, we think it’s important to reinforce that,” said Magana. “We’re always delivering an impression of control.”

Because of their rapid success in reversing negative loss trends, WKS senior management has become aware of the benefits their managed video system enables—but it’s not something that LP teams should take for granted, warned Magana. “It’s obvious to an LP executive, but senior managers need to be trained to see the possibility,” he advised. “They often have a simplified view of cameras, and just see them as cameras, nothing else. They don’t always recognize the possibilities from camera systems. For me, it’s a critical arm of myself to force multiply within the restaurants.”

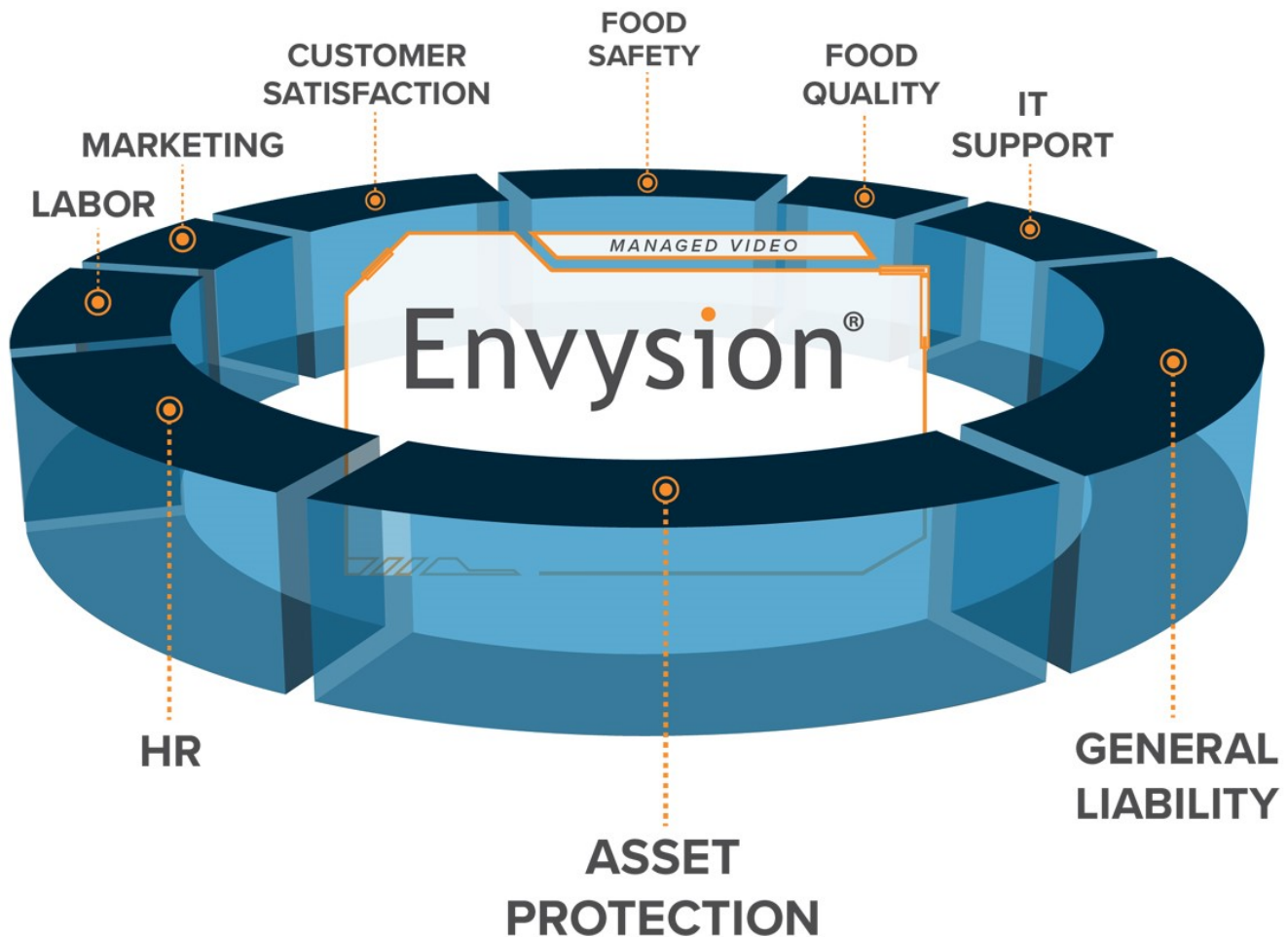
A Closed Loop

Before posts in the restaurant industry, Magana worked at Big Lots and Office Depot, and over his 20-year career, he’s worked on various LP platforms, often needing to shuttle between disparate systems to do the job. That inefficiency is something that has made him more appreciative of the video management system he works with today. “You could have a camera vendor, and then another system for exception reports, and another for conducting safety audits,” he said, noting that now does all that with one platform.

Even within the singular category of incident case management, practitioners often find themselves using

software from two or three vendors to accomplish the one AP task of identifying a case and carry it through to closure. Indeed, it is Envysion’s ability to deliver a full closed loop process that probably pleases Magana most and which been central to the transformation of asset protection at WKS.

Case identification. Employees can use certain point-of-sale codes, such as voids, no sales, discounts, and refunds, to easily skim or under-ring transactions. However, a trained LP professional in partnership with a solution provider, enables identifying anomalies and causes of loss. In August, for example, cash theft was identified at a WKS-owned restaurant



in Arizona—someone was manipulating the POS by applying unauthorized discounts, including unauthorized voids and over rings.

Case building. Custom exception reports link high-risk transactions to video, which allow investigators to quickly review events to determine if fraud occurred. In the recent case, for example, video evidence showed a general manager of several restaurant units was engaged in manipulation of the POS. Video tracked him as he clocked out and walked to the

evidence of the transactions showed the manager repeating the behavior multiple times a day over many weeks. Additional exception reports were built and supported a significant cash loss case that spanned the suspect’s entire tenure.

Case closure. As a result of strong evidence—documented, time stamped, and preserved—the Envysion platform facilitates quicker case closure, by clearly being able to support a decision to terminate an employee, for example, or avoiding litigation by securing an employee’s admission of guilt. Indeed,



store exit, turning when he sees the coast is clear and then returning to the register to process a “no sale” ticket to create a cash overage, and then removing cash funds from the register drawer.

Case development. Once a suspect is identified, additional exception-based reports are designed to identify the scope of the theft and to create a loss timeline in light of the tenure of the suspect and his or her time in their position. In the recent Arizona case, a random selection of days worked by the manager identified his direct involvement in significant cash loss through POS manipulation and for his personal gain. Video

Magana says that in the hands of a trained asset protection professional, the platform permits significantly higher case admissions rates. In Arizona, for example, the restaurant manager admitted his wrongdoing when confronted with the case evidence and agreed to pay the company back \$13,000. Additionally, recognizing the strength of the case that had been built and documented, local law enforcement and the district attorney charged the subject with felony grand theft, felony burglary, and embezzlement.

Promises Kept

The National Restaurant Association reports that internal theft causes an average loss of 4 percent in sales per location. For a typical restaurant with \$1.5 million average unit volume, that means a loss of \$5,000 per month in sales due to employee theft, and potentially more in shrink. For WKS, with over 300 restaurants in its portfolio, there was a lot to gain. So, while Magana's return-on-investment promise was certainly bold, it was also entirely doable.

And, true to his promise, in his first year working for the company, WKS managed to pay for their entire managed video service out of the losses they prevented—to the gratitude and surprise of the company's CFO. "His words were, 'I went into this thinking that all I could eat was vanilla ice cream and I learned that I could have whatever flavor I wanted,'" said Magana. Some restaurants are doubling their profitability against comparable periods because of the removal of dishonest servers and managers, both raising the profile of loss prevention and cementing its positive role in the business.

Chris Magana refuses to take a lot of credit for the transformation at WKS Restaurant Group and the remarkable reversal of its loss trajectory. His value came, he says, by understanding the tools that could help and then using them effectively. "Our success is because of the tools we use—and they are exceptional," he said.

Importantly, tools should be able to accommodate changes in the goals and needs of an AP department, he noted. A service that provides LP auditing and exception reports tied to video provides the backbone for LP, but it still needs to be flexible. When stores closed due to the pandemic, for example, the

Winning LP, therefore, requires hitting a moving target. And, of course, the game is never truly over. But exceptional results are possible with the right service and equipment in the hands of the right people, according to Magana. "A good investigator is critical, but an investigator is only as good as the tools they're afforded."

types of intelligence restaurants needed changed. Asset protection professionals needed visibility to ensure closed units weren't being vandalized and, once open, had new needs to ensure mask compliance, for and health and hygiene auditing, and for enhanced drive-thru monitoring.

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