Cost of Goods Stolen

with Envysion

Challenges

- **Building a loss prevention program from scratch**
- **Reducing losses from shrink and transaction fraud**
- **Creating exception reports and supporting them with video**

Solution

Fallas Stores is using Envysion Retail Solution Suite to compare transaction and order histories with time-stamped, multi-camera video to minimize losses from fraud and shrink.

Business Outcomes

- **Discovered $80k fraud case in the first hour with Envysion**
- **Enabled cross-referencing purchase orders, transactions, and video to reduce shrink**
- **Created custom exception reports for each store and department for greater visibility**
- **Provided store managers with instant, anytime access to loss prevention and store safety tools**

Leading value retailer uses Envysion Retail Solution to aggressively prevent transaction fraud and inventory theft

▶ MODERNIZING RETAIL LOSS PREVENTION

Few things make for happy customers quite like a family atmosphere. And providing a comfortable, convenient family atmosphere is what Fallas Stores does best.

Formerly known as National Stores, Inc., Fallas Stores has been family-owned and operated since 1962. What started as a single Los Angeles location has flourished into a 100+ store enterprise with a reputation for consistently excellent service, affordable pricing, and high-quality products. Yet, like many sprawling businesses, Fallas's steady expansion brought with it a number of operational challenges around preventing fraud, minimizing other types of loss, and optimizing systems for maximum productivity and profitability.

"Loss prevention is a core function of every retail business, but very few have seemed to figure out how to do it effectively and efficiently," says Fallas Executive Vice President Of Operations Chris Nichols. "We've always employed some form of loss prevention technique, but realized we needed to modernize our efforts to align with our growth and better position us to sustain our success now and into the future."

▶ SILOED SYSTEMS CREATE VISIBILITY GAPS

As a long-time loss prevention professional, Nichols understood the challenges of constructing a modern, efficient, and effective loss prevention program.

"Primarily, loss prevention professionals are looking to root out fraud, but it's equally important to root out operational issues that lead to inventory shrink and other costly losses," he says. "But the tools they've traditionally used are either complex and require some manual coding to link them together or aren't fully integrated, so users spend a ton of time searching for the information they need."

In addition to anticipated losses from unauthorized discounts, refund fraud, or other register tampering, Fallas particularly wanted to tackle the larger challenge of inventory shrink. As an operational concern, shrink can cost the company hundreds of thousands of dollars per year from lost, stolen, damaged goods, or even just a mismanaged SKU.

However, when Nichols' first joined the Fallas team, he says they had limited tools and capabilities for rooting out fraud and identifying shrink. Building a loss prevention strategy and program from scratch is a tall task that requires visibility across operations and the ability to contextualize data from various systems.

"At first, we had access to our point-of-sale data, but developing exception reports — identifying anomalies or other oddities — and was a manual process that could take hours," Nichols says. "It was even more challenging not having the benefit of scrubbable video to compare with any exceptions we did find."

"Envysion allows us to filter specific transaction histories and cross-reference it all with initial inventory orders. Anything that doesn't add up, we can pull up accompanying video in a couple of minutes to help determine if we simply miscounted the inventory or if it may have been stolen and needs further investigation."

Chris Nichols, Fallas Executive Vice President Of Operations

▶ LOSS PREVENTION BUILDING BLOCKS

The Fallas team set out to find a solution to its loss prevention and risk management challenges. After test driving a handful of other platforms, the company chose Envysion Retail Solution Suite because of its integrated toolset, intuitive commands, and flexible cost structure that fit neatly within the company's budget.

Unlike other offerings that provide either POS data-based exception reporting or video surveillance technologies, Envysion is a comprehensive, cloud-based solution that incorporates both into a powerful loss prevention platform. With Envysion, Nichols and the Fallas team can effortlessly transform POS data and rich video footage into deep-dive business insights to take on loss prevention and risk management responsibilities with ease.

"Many providers ask for $500,000 up front just for the software and leave you on the hook for buying cameras and standalone DVRs," Nichols says. "Envysion is a comprehensive solution that includes DVRs, offers greater functionality with more capabilities because it's a cloud-based system, and requires a shorter learning curve — all for a reasonable monthly fee."

Envysion's intelligently designed interface makes it easy for Nichols and team to rapidly create custom exception reports instead of manually poring over data and trying to identify troublesome patterns or anomalies. The exception reports scour discount redemptions, refunds, or other transaction activities more across the entire enterprise — by location and even specific employees — and then automatically alerts appropriate personnel via email.

Meanwhile, Envysion's video tools provide wall-to-wall (and beyond), multi-camera visibility across each location with live and recorded video footage accessible from any connected device with the Envysion app or browser-based portal. Not only can store and district managers watch each transaction and customer interaction on video, even store services rely on the video to manage maintenance and risk management issues, such as reviewing slips and falls on the premises or other potential hazards.

"Envysion is so simple to use. Our district managers and other leaders can log in and see every aspect of their stores' operations at a moment's notice no matter where they're located," Nichols says. "And because the POS data and time-stamped video are all in one window, we get the complete picture of what's happening and can more efficiently zero in on potentially damaging transactions or suspicious behavior."

▶ INTEGRATED VIDEO AND EXCEPTIONS, INSTANT BENEFIT

Nichols says that Envysion began paying immediate dividends as soon as the team turned it on, and continues to deliver value today. "When we first turned Envysion on, we had it deployed in just a handful of stores and relied heavily on the video intelligence tool," he says. "In the first hour, we uncovered a case that turned out to be an $80,000 refund fraud case because we could easily compare POS data anomalies with video."

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>
> *Chris Nichols, Fallas Executive Vice President Of Operations*

Fallas's risk management team also quickly realized Envysion's value to the organization. Anytime there's a claimed accident, such as a trip or slip and fall, can now be closely investigated in just minutes by the company's risk professionals and presented as evidence in the case of a lawsuit. In one such instance, an employee filed a claim about a workplace injury. The risk management team pulled video from the time, date, and location of the claim and proved with the footage that the incident never occurred and were awarded restitution.

Buoyed by the immediate wins, Fallas continued extending its rollout of Envysion aiming to resolve other potential fraud across the organization and address profit-killing inventory shrink enterprise-wide.

"One of the more insidious versions of shrink is paperwork shrink, in which orders come in but can't be fully accounted for during inventory checks. If we ordered 200 boxes of an item, but only have 100 on hand during periodic reviews, we need to know what happened to the missing boxes," Nichols explains. "Envysion allows us to filter specific transaction histories and cross-reference it all with initial inventory orders. Anything that doesn't add up, we can pull up accompanying video in a couple of minutes to help determine if we simply miscounted the inventory or if it may have been stolen and needs further investigation."

The ability to centrally execute investigations on a store-to-store basis has led to a significant reduction in shrink across the business. Nichols believes that continued focus on minimizing shrink can prove to be a competitive advantage.

"Creating more distance between shrink rates and revenues is the key to remaining competitive and driving profitability," he says. "With Envysion, we can watch our shrink rates going down month by month while sales revenues remain level or even grow. Every month we increase the space between those two figures is another month the loss prevention platform pays for itself."

Nichols contends that many retail organizations still rely too heavily on legacy approaches to loss prevention, despite theft and fraud attempts becoming increasingly sophisticated. "There are still some teams out there working through exception reports manually and scrolling through hours of video footage," he says. "Envysion is a better, faster way to root out fraud and protect your business. The ability to streamline reporting and video discovery, while incorporating them into a single platform is a complete game-changer."

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