

Situation

Chico's FAS needed to create a formal loss prevention process and an efficient exception based solution to support it.

Solution

After examining the options, Chico's selected MICROS-Retail XBR® Loss Prevention and Store Analytics.

Results

The company experienced a \$1.4 million boost to the bottom line in the first 11 months of use.

Strategic Benefits:

- Exceeded ROI in 10 months
- Reduced shrink 27%
- Decimated case value in year one

Operational Improvements

- Improved access to important data for all departments
- Able to monitor store-level activity such as paid outs, volume of returns, and coupon redemptions with ease
- Uses XBR for all three banners
- Improved adherence to company policies and procedures

Why MICROS-Retail XBR?

- Extraordinary analytic capabilities
- Proven value in the field
- Knowledgeable support team

Snapshot of Chico's FAS

- Founded in 1983 as a small boutique in Florida
- Twenty-six years later it is a chain of more than 1,000 specialty stores in 48 states, District of Columbia, U.S. Virgin Islands, and Puerto Rico
- Operates under three banners: Chico's, White House Black Market, and Soma Intimates
- Thriving business in three channels: stores, eCommerce, and catalog
- Existing MICROS-Retail client using CWDirect Order Management to support the direct-to-consumer channels

Introducing Analytics at Chico's

Leo Doran joined Chico's as Vice President of Loss Prevention with the goal of centralizing the company's loss prevention efforts and creating a strategic benefit for the company. Having used MICROS-Retail XBR Loss Prevention and Store Analytics previously in his career, he appreciated the value that exception based reporting could bring to a company. He proposed a review of the top three loss prevention solutions; XBR was the clear winner. Chico's went live with XBR in November 2008.

"XBR could be one of the best business decisions I have ever made," says Doran. "It has been a real homerun for us."

Chico's focused the XBR lens on fraudulent employee returns, specifically negative balance credit cards and merchandise credit returns. In the first 11 months they turned 270 cases. XBR was involved in most of them. "Our admissions went through the roof in

the first month," says Doran. "At first, high value cases were common—\$30,000, \$40,000, even \$50,000. We quickly cleared those out and the current cases are valued at less than a tenth of that."

Adding Depth

Soon Joseph Biffar, Chief Analyst at Chico's, added more depth to the queries by pulling in data from other sources. "One of the very beneficial queries combined Net Negative Credit



Card transactions with employee purchase histories to target individuals who were making purchases using the employee discount and returning the item at full value,” says Biffar. The results were substantial, and Biffar quickly created another query that would uncover employee transactions paid for with a merchandise credit. “There is no reason for an employee to have a merchandise credit,” he explains. “Those are for returns to a customer without a receipt and who was not identified in the original transaction. The employee would have been identified at the time of purchase and would therefore have received the appropriate refund.”

XBR has an extensive library of standard queries which the user can tailor easily to meet the customer’s specific needs. The LP department designed reports that uncovered bonus fraud (managers buying merchandise and returning it the next fiscal period), employee returns of discounted online purchases for full refund in the store, and other fraudulent actions.

“Our shrink rate dropped 27% this year,” says Doran. “This equates to a shrink reduction of \$3.4 million at retail value.”

Spreading the Word

Doran knew that associates and store managers are a close-knit group. Eager to take preventative measures, he met with the brand leaders at each banner and explained the program, then asked them to issue a letter to their teams that explained the program as well as the leader’s support for it. Three months later, Doran issued a letter from his office further detailing shrink control efforts and how XBR fit into the program. The letters were well received and had immediate and positive impact.

Aware that new-hires would need to know about the program, Doran and his team developed a 13-minute eLearning course complete with a question and



answer section. The course is part of the orientation program as well as a re-training requirement for stores that experience a lift in shrink.

“We find that XBR is a real deterrent to fraud,” says Doran. “During the hiring process we make it clear that we use the program, and anyone who has been caught by the program at another store just walks away. They don’t want to work here because they know how effective it is.”

Sharing the Wealth

“XBR makes information so much more accessible,” says Doran. “We’ve helped other departments by constructing reports that can give them the information they need very quickly. When Operations needed to cut operating costs, we pulled a report of store paid outs, ranked them, and sent them to the regional managers. They, in turn, went to the stores with higher spending and helped them curtail expenses. We probably saved a couple hundred thousand dollars that way.”

XBR is also used by Operations for transactional research and analysis, to track coupon redemption, monitor monthly return volume, and perform other data-heavy analysis with just a

few clicks. Doran projects that the company will have 50-75 XBR users by the end of the second year. Reports are easy to generate and can be automatically run and distributed by the system. Targeted reports are distributed to the LP team in the home office or in the field, district managers, members of Operations, DFC managers, and even some business partners.

On Target

“During the sales process we were told that we would see a 15-30% decrease in shrink during the first year. We achieved 27%, right in the projected range. When vendors deliver on their promises, we look like superstars. I’ve enjoyed working with the MICROS-Retail team. They clearly understand both the retail and the loss prevention sides of the business.”

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