

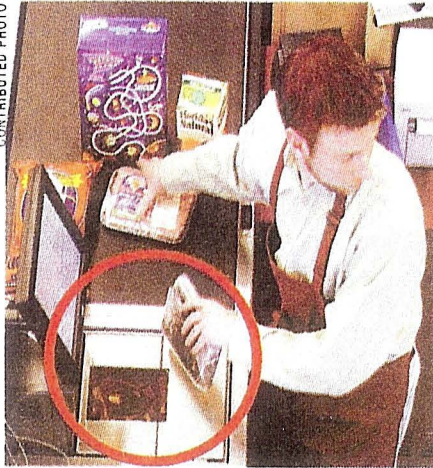
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The cashier in the photo simulates an incident of sweethearting. The employee slides the product out of the scanner's reach, giving the customer a sweetheart of a deal.

BAGGING THIEVES

Sweetheart Of A Deal

Big Y piloting new technology to snare employee scanning scams

By Mary Johnson

Hartford Business Journal Staff Writer

As the groceries glide along the conveyor belt, the cashier grabs a package of meat and tries to swipe it over the scanner. She tries again. And again.

The item isn't registering in the computer system, so the cashier punches the product code in manually. She bags the item and ushers the customer out of line.

The whole scene is caught on the supermarket's

closed circuit television, which constantly monitors the store's registers. It looks innocent enough — the dutiful employee conquering an uncooperative barcode — but the scene that just unfolded is actually a real, documented incident of "sweethearting," where employees at the register steal food and products for people they know and/or love.

Almost half of the \$41.6 billion lost to retail theft comes from employee theft, according to the 2006 National Retail Security Survey. And sweethearting

Continued on page 4

▶ from page 1

Big Y Goes High-Tech To Squash Internal Theft

accounted for \$13 billion of that theft.

Several supermarket chains, including Big Y Foods, a 58-supermarket chain in Connecticut and Massachusetts, are using new technology developed by Bedford, Mass. StopLift Checkout Vision Systems to snare employees involved in check-out scanning scams.

"If you can't sell more in this economy, you can at least take steps to lose less," said Malay Kundu, CEO of StopLift, which developed the computer technology that identifies fraud at the checkout.

Zero Tolerance

Big Y stores already use lots of technology to prevent loss, like closed-circuit television and remote monitoring, said Mark Gaudette, director of loss prevention for Big Y. "Cameras are great, if you know something's going on," he added. But watching them all the time is "too labor intensive."

In lieu of constant camera monitoring, Big Y is piloting the StopLift program in three stores, although Gaudette declined to give specific locations because the employees at those locations don't know the new technology is being used. He said he wants to see what kind of problem the stores are dealing with. Then, they will roll out the StopLift technology throughout all the

▶ 'If you can't sell more in this economy, you can at least take steps to lose less.'

stores and tell employees about it as part of their training to achieve the ultimate goal of preventing loss from ever happening in the first place.

And if anyone is caught sweethearting, "we've got pretty much a zero tolerance policy for people stealing," Gaudette said.

Retail operations in general are susceptible to employee theft. But supermarkets, with their especially thin profit margins, are particularly vulnerable to sweethearting, which has accounted for an almost 35 percent profit loss throughout the industry, said Kundu.

The average profit margin in supermarkets, Kundu added, is 2 percent. That means every time something is given away, the supermarket has to sell 50 more of that same item to make up the loss.

checkout counters, he added, and mostly via sweethearting.

"One third — or \$13 billion of the \$41 billion — of inventory shrinkage is actually caught on tape," Kundu said. "People just don't know how to find it."

So Kundu used his expertise in facial recognition technology, which he pioneered in the 1990s to identify terrorists in airports, to develop StopLift.

The patent-pending computer technology monitors existing security cameras watching over the checkout registers. It looks at employee movements and interactions to identify sweethearting the moment it occurs. The system flags the transaction as suspicious and reports the incident to store management. Then, the store "can basically validate the conclusion for themselves," Kundu said.

Another benefit of the system is that it's "completely unbiased," Kundu said. "It doesn't assume that it's always those young, high school kids that are ripping [the store] off."

Exact pricing for the StopLift service is not available, Kundu said, because it varies. The pricing structure is a subscription model, "which allows retailers to have our system fit into their operations," Kundu said. "You're paying as your getting value." ■

While at Harvard Business School, Kundu, who did both his undergraduate and graduate work at the Massachusetts Institute of Technology, started looking into the issue of inventory shrinkage, which is loss primarily due to theft.

Checkout Scams

"I was just interested in the problem [of loss]," Kundu said. So he looked at both external theft, or theft by people not employed at the store, and internal theft, or theft by employee. "And it turns out that internal theft far outweighs external theft."

In fact, he said, stores experience about 50 percent more internal theft incidents than external theft.

Most of that loss is happening at the