

 **NRF LOSS PREVENTION**  
CONFERENCE & EXPO

NEW ORLEANS  
CONFERENCE JUNE 20-22, 2012  
EXPO JUNE 20-21, 2012  
[www.nrf.com/LP12](http://www.nrf.com/LP12)

Determining the Best  
Technology for your  
Company!

June 21, 2012

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THE TJX COMPANIES, INC.


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Video Placeholder


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## Introductions

- Perry Resnick
- Richard Peck
- Pete Naumovski
- Shannon Hunter

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## How do you determine the best technology for your Company?

- Types of Technology
- Approach in Project Management methodology
- Mobile POS – Exception Reporting example

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## LP Technology Uses

- Improve Efficiencies
- Shrink Reduction/Profit Improvement
- Communication and Awareness
- Emerging Technologies


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## Improve Efficiencies

- Case Management
- Audit tracking Systems
- Visitor Management
- Identity/Access Management


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## Shrink Reduction/Profit Improvement

- Audience Examples

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## Shrink Reduction/Profit Improvement

- Exception Reporting
- Alarm Systems
- CCTV
- EAS
- ecommerce Fraud Logic
- Access Control
- RFID
- GPS
- Yard Management


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## Communication and Awareness

- Computer based Training
- Social Media
- Intranet Portals
- External websites
- Videos

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## Emerging Technologies

- Audience Examples

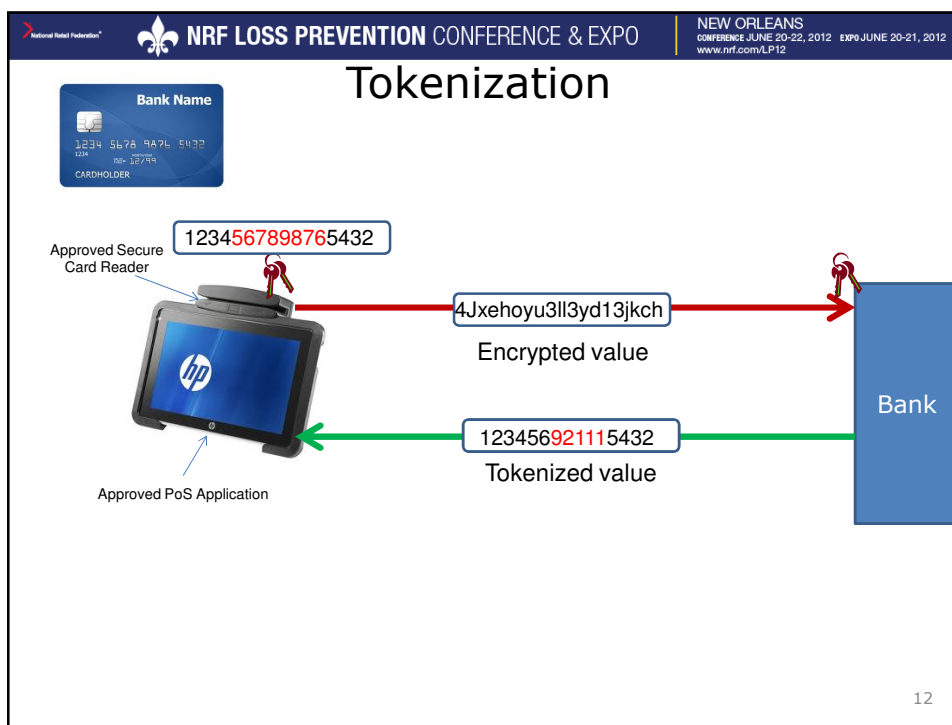
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## Emerging Technologies

- Chip/RFID Loyalty Programs and Behavioral Marketing
- Mobile POS
- Near field Communication
- Tokenization

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**“This is a major project of utmost importance, but it has no budget, no guidelines, no support staff, and it’s due in 15 minutes. At last, here’s your chance to really impress everyone!”**

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THINK	STUDY	RESEARCH	PLAN	EXECUTE	CLOSE OUT
 Idea	 Project Request	 Study Report & H/L Reqmt's	 Bus. Case & Detailed Reqmt's	 Project Plan	 Approved Deliverables
<ul style="list-style-type: none"> <li>• Create Project Request</li> </ul>	<ul style="list-style-type: none"> <li>• Prioritize Request</li> <li>• Identify Participants</li> <li>• Challenge Alternatives</li> <li>• Consent</li> </ul>	<ul style="list-style-type: none"> <li>• Assign PM</li> <li>• ID Stakeholders</li> <li>• Gather Bus. Reqmt's</li> <li>• Develop Bus. Case</li> <li>• Authorize</li> </ul>	<ul style="list-style-type: none"> <li>• Gather Team</li> <li>• Finalize scope</li> <li>• Set Resp. Matrix</li> <li>• Develop Schedule</li> <li>• Finalize Budget</li> <li>• Approve</li> </ul>	<ul style="list-style-type: none"> <li>• Execute Plan</li> <li>• Project status</li> <li>• Communication</li> <li>• Issue/Change Mgmt</li> <li>• Governance</li> <li>• Accept Deliverables</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct Lessons Learned</li> <li>• Conduct Close Out Meeting</li> <li>• Publish Final Report</li> </ul>
<ul style="list-style-type: none"> <li>✓ Project Request</li> </ul>	<ul style="list-style-type: none"> <li>✓ Study Report</li> <li>✓ Ballpark Est.</li> <li>✓ H/L Bus. Reqmt's</li> </ul>	<ul style="list-style-type: none"> <li>✓ Bus. Case</li> <li>✓ Detailed Bus. Reqmt's</li> </ul>	<ul style="list-style-type: none"> <li>✓ Approved Bus. Reqmt's</li> <li>✓ Project Plan</li> </ul>	<ul style="list-style-type: none"> <li>✓ Deliverables Met &amp; Approved</li> </ul>	<ul style="list-style-type: none"> <li>✓ Lessons Learned Report</li> <li>✓ Final Project Report.</li> </ul>


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# Think

- Idea
  - Vision
- Business Opportunity
  - Problem, efficiency, change
- Mission Statement
  - Aligned with overall business goals
- Project Request
  - Formal submission

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# Study

- Identify obstacles which would negate project
  - Further define problem or opportunity
  - Gain management consensus
  - Define further resource planning
- Environmental Scan
  - Current state, desired state, gaps
- Project Cost Estimating
  - Baseline guidance
- High level business requirements
  - Common understanding amongst stakeholders
- Approval


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## Research

- Identify stakeholders
- Gather detailed business requirements
- Identify risks
- Resource requirements
- Develop business case

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## Developing an ROI

- EVA Concept
  - The goal of calculating EVA is to determine true **economic profit** after taking into account the cost of capital invested.
  - EVA will **increase** if new capital is invested and it earns more than the cost of capital.
- Cost of Capital
  - Cost of capital is the **return** that the investors and creditors are seeking for their investments in the company
  - Cost of capital is calculated using the **costs of the different financing instruments** used to finance the investment
- Internal Rate of Return
  - Financial valuation metric used to calculate and assess the **financial attractiveness** of an investment
  - An approved project will have IRR **equal or higher** than the cost of capital

Return  
On  
Investment  
**(ROI)**


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## Why ROI Is Important

- Knowing the ROI for each investment provides the business with an understanding of how successful each initiative is per dollar spent
- ROI is a vehicle for investment prioritization and capital budgeting


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## Plan

- Finalize Objectives / Scope
- Define responsibility matrix
- Develop timeline
- Finalize Budget


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## Execute

- Doing it!
- Project management 101
  - Conduct Execute Phase Kickoff Meeting
  - Conduct Project Status Meetings
  - Maintain Project Documentation
- Ensure project deliverables are produced per plan.
- Governance
  - Deliverable sign off
  - Manage issues and project changes
  - Report on project status

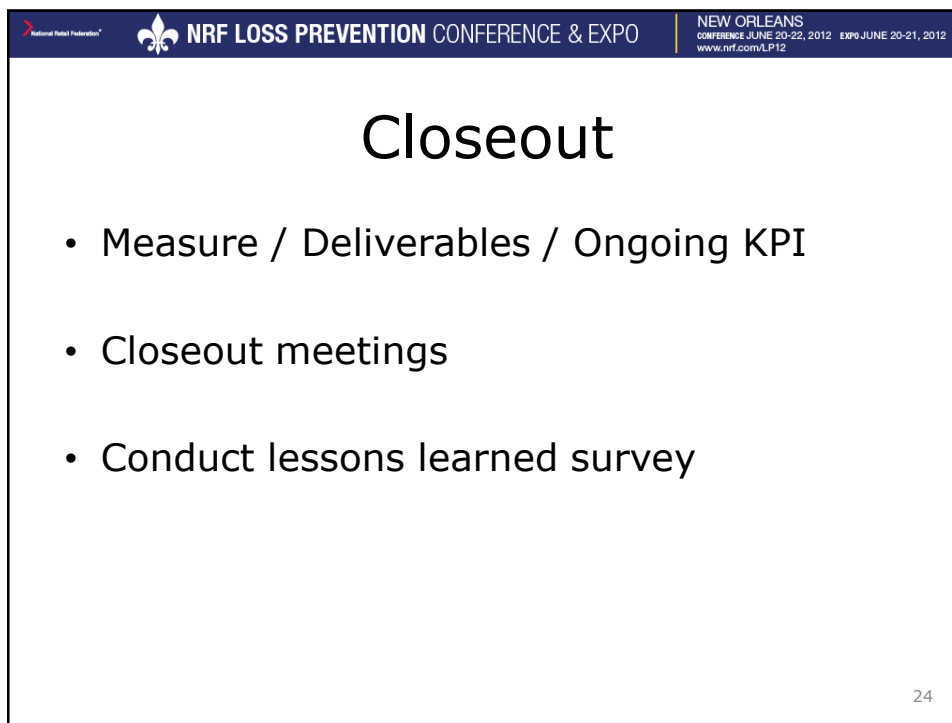
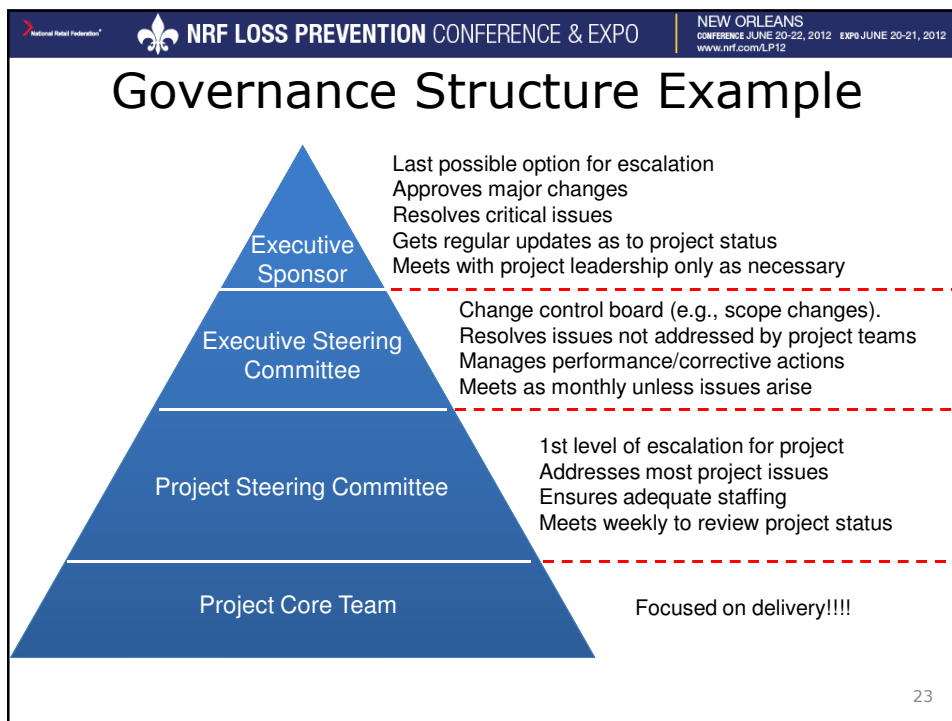
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## Reporting Framework Example

Criteria	Definition	Data Source	Parameter definition
<b>Cost</b>	Expenditure necessary to do the project from start to finish	<ul style="list-style-type: none"> <li>• AFE</li> <li>• Cost Summary</li> <li>• Actual spend (Capital/Expense)</li> <li>• Estimated remaining spend</li> <li>• Change Requests</li> </ul>	<ul style="list-style-type: none"> <li><span style="color: red;">●</span> <b>Red</b> = Missed approved budget by &gt;10% and/or no approved Change Request</li> <li><span style="color: yellow;">●</span> <b>Yellow</b> = Missed approved budget amount by ?10% and/or no approved Change Request</li> <li><span style="color: green;">●</span> <b>Green</b> = On budget or under budget</li> </ul>
<b>Schedule</b>	A time sequenced plan of activities or tasks used to direct and control project execution	<ul style="list-style-type: none"> <li>• Project Plan (Baseline)</li> <li>• Change Requests</li> </ul>	<ul style="list-style-type: none"> <li><span style="color: red;">●</span> <b>Red</b> = Missed scheduled date by &gt; 10% and/or no approved Change Request</li> <li><span style="color: yellow;">●</span> <b>Yellow</b> = Missed scheduled date by ?10% and/or no approved Change Request</li> <li><span style="color: green;">●</span> <b>Green</b> = Made schedule</li> </ul>
<b>Performance (Benefits)</b>	The financial benefits that the project is expected to deliver. EVA and ROI are the primary benefits.	<ul style="list-style-type: none"> <li>• Business Case</li> <li>• Project Plan</li> <li>• EVA</li> <li>• AFE</li> </ul>	<ul style="list-style-type: none"> <li><span style="color: red;">●</span> <b>Red</b> = Did not meet projected benefits by &gt;10%</li> <li><span style="color: yellow;">●</span> <b>Yellow</b> = Reduced scope but still met projected benefits within 10% variance</li> <li><span style="color: green;">●</span> <b>Green</b> = Project met projected benefits</li> </ul>

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## Mobile POS

**TOMMORROW**


**YESTERDAY**




**TODAY**



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## Mobile POS Exception Reporting

### Research

- **Gather detailed business requirements**
  - Data mapping for standard and adhoc reports (i.e. single/combined factors, threshold levels)
  - Data translation as expected/required (similar POS activity not combined)
  - Auto generated reporting and distribution
  - Ability to define hierarchies
  - Detail capabilities (drill downs)
  - Exportable data choices
  - Indicator flags

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## Mobile POS Exception Reporting

### Research

- **Gather detailed business requirements**
  - Capture every data element of the transaction (i.e. associate, tender, date, time ect)
  - Capture every keystroke completed on the device (i.e. handkeyed, balance inquiries, voids, ect)
  - Ability to interface with other databases
    - Refund Management
    - Inventory/Buyer Control files
    - Human Resources
  - Consistent offline/online data capture
  - Audited vs unaudited data flow to EBR
  - Ability for real-time monitoring
  - E-journal requirements
  - Decoding/hashing logic (security)

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## Mobile POS Exception Reporting

### Research

- **Gather detailed business requirements**
  - Interface with CCTV – “GPS in store” (moving register negates standard unattended CCTV)
  - Supervision / authorization requirements
  - Mobile device identifiers
  - Tendering
  - Bagging
  - Location
  - Transaction Types accepted

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## Translate to IT Speak

Original Business Requirements : *Capture every data element of the transaction, Consistent offline/online data capture /Ability for real-time monitoring/Capture every keystroke completed on device)*

1. mPOS must provide near real-time transaction exception reporting
  - 1.1 When online mPOS must feed transaction details to central application server for processing and real-time reporting
  - 1.2 In offline mPOS must queue transaction details on the in-store application server
    - 1.2.1 Upon network available mPOS must forward transaction details to central application server for processing
2. mPOS Exception report must provide summary transaction details
  - 2.1 Summary transactions must include Transaction Store Number
  - 2.2 Summary transaction detail must include Transaction Terminal Number
  - 2.3 Summary transaction detail must include Transaction Number
  - 2.4 Summary transaction detail must include Transaction Date
  - 2.5 Summary transaction detail must include Transaction Time
  - 2.6 Summary transaction detail must include Transaction Associate


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## Translate to IT Speak

3. mPOS Exception report must provide Transaction Detail Drill Down
  - 3.1 Exception Report must allow end user to select summary transaction and drill into further transaction details
    - 3.1.1 Transaction details must include article number
    - 3.1.2 Transaction details must include article description
    - 3.1.3 Transaction details must include article line quantity
    - 3.1.4 Transaction details must include article retail price
    - 3.1.5 Transaction details must include article sell price
    - 3.1.6 Transaction details must include article line extended price
    - 3.1.7 Transaction details must include Associate Transaction Actions
      - 3.1.7.1 Article Entry Method is an Associate Transaction Action
        - 3.1.7.1.1 Scan is an entry method
        - 3.1.7.1.2 Manual Key is an entry method
        - 3.1.7.1.3 Search Selection is an entry method
      - 3.1.7.2 Item Modification is an Associate Transaction Action
        - 3.1.7.2.1 Price Override is an Item Modification
        - 3.1.7.2.2 Item Void is an Item Modification
        - 3.1.7.2.3 Quantity Entry is an Item Modification
        - 3.1.7.2.4 Manager Authorization must be included for Item Modifications
      - 3.1.7.3 Balance Inquiry is an Associate Transaction Action


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## Translate to IT Speak

- 3.1.8 Transaction Detail must include Activation Status (where applicable)
  - 3.1.8.1 Activated is an Activation Status
  - 3.1.8.2 Redeemed is an Activation Status
  - 3.1.8.3 Inactive is an activation status
- 3.1.9 Transaction Detail must include Customer Demographic attributes (where applicable)
  - 3.1.9.1 Customer First Name is a Customer Demographic Attribute
  - 3.1.9.2 Customer Last Name is a Customer Demographic Attribute
  - 3.1.9.3 Customer Street Address is a Customer Demographic Attribute
  - 3.1.9.4 Customer City is a Customer Demographic Attribute
  - 3.1.9.5 Customer State is a Customer Demographic Attribute
  - 3.1.9.6 Customer Zip Code is a Customer Demographic Attribute
  - 3.1.9.7 Customer ID Type is a Customer Demographic attribute
  - 3.1.9.8 Customer ID Number is a Customer Demographic attribute
- 3.1.9 Transaction details must include transaction subtotal
- 3.1.10 Transaction details must include transaction tax


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## Translate to IT Speak

- 3.1.11 Transaction details must include transaction tender lines
  - 3.1.11.1 Transaction tender lines must be include for all attempted tenders
  - 3.1.11.2 Transaction Tender line must include the tender type
  - 3.1.11.3 Transaction Tender line must include tender entry method (where applicable)
  - 3.1.11.4 Transaction Tender line must include the amount applied on that tender type
  - 3.1.11.5 Transaction Tender line must include the Authorization Code

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<h2>Risk Assessment</h2>			
Risk	Risk Category	Inherent Risk	Countermeasure(s) / Requirements
Malicious software introduced through various means (i.e., email, viral websites, local drives) can lead to data theft and/or system interruption.	Data theft/loss  System Interruption	High	<ol style="list-style-type: none"> <li>1. Access must be restricted based on job role. General users must not be sys administrators.</li> <li>2. White listing technology must be implemented.</li> <li>3. System must be free of any known vulnerabilities prior to release.</li> <li>4. System must be patched to the current security level prior to release.</li> <li>5. All non-human IDs must be inventoried and secured per standard.</li> <li>6. Web filtering must be enabled with "whitelists".</li> <li>7. A remote management solution must be employed that includes application control.</li> <li>8. System must authenticate/authorize any device connecting to the cash drawer docking station.</li> </ol>



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## Example: Mobile POS Exception Reporting

- Investment: \$500,000 for exception reporting software
- Depreciable life: 5 years
- Annual savings: \$350,000
- **IRR: 31% > Cost of Capital of 10%**
  - Yield of an investment
- **ROI: 22% > Cost of Capital of 10%**
  - Profitability of an investment
- **EVA: \$694,098 > 0**
  - The return a company is able to realize on invested capital above the baseline return expected by investors

Conclusion: Good investment, proceed!

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## Example: Mobile POS Exception Reporting

<u>Assumptions</u>							
	Project Life		5				
	Cost of Capital		10%				
	Corp Tax Rate		40%				
<u>Savings</u>		<u>Investment</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
1	Shrink Reduction	300,000	300,000	300,000	300,000	300,000	300,000
2	Chargeback Reduction		50,000	50,000	50,000	50,000	50,000
3	<b>Total Savings</b>		<b>350,000</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>
4	Less: Taxes		(140,000)	(140,000)	(140,000)	(140,000)	(140,000)
5	<b>Net Operating Profit After Tax</b>		<b>210,000</b>	<b>210,000</b>	<b>210,000</b>	<b>210,000</b>	<b>210,000</b>
6	Capital Investment, After Depreciation	500,000	400,000	300,000	200,000	100,000	-
7	Average Capital Charge on Investment		45,000	35,000	25,000	15,000	5,000
8	<i>(avg of 2 years from row 7 * cost of capital)</i>						
9	<b>Economic Value Added (Row 5 - Row 7)</b>		<b>165,000</b>	<b>175,000</b>	<b>185,000</b>	<b>195,000</b>	<b>205,000</b>
	EVA (Present Value)		\$694,098				
	Internal Rate of Return (IRR)		31%				
	ROI		22%				

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Note: all figures are illustrative, other adjustments may apply depending on investment.

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## Summary

- Staying aware of the technologies that are helping solve business problems
- Don't underestimate the importance of pre-execution in the project life cycle
- Build detailed business requirements
  - Include risk assessments
- Understand and incorporate the right ROI model
- Take part in project oversight
- Don't go it alone! Leverage other partners

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# QUESTIONS?

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