



MONDRIAN

5  
+  
1  
Blade Shaving Surface  
Precision Trimmer

Gillette  
FUSION

Gillette  
MACH3

New!  
Nouveau!

5  
+  
1  
Blade Shaving Surface  
Precision Trimmer

Gillette  
FUSION

4  
CARTRIDGES  
CARTEUCHES

Gillette

Venus

4  
Cartridges  
Cartouches

# Better Performance through Better Testing

By Ken Cornish

At The Kroger Co. our goal in improving our shrink performance is to “sell more and lose less.” Our team believes in using operational testing to validate solutions, which will improve both of the key metrics—sales and shrink.

Kroger’s tradition of testing and commitment to being increasingly data-driven, along with my financial background, led me to seek out a research partner to help us with this goal. Fortunately, the Loss Prevention Research Council (LPRC) came to my attention.

We began monitoring the activities of the LPRC when it was a small, but growing entity, driven by a handful of retailers seeking fact-based answers to the many issues addressed by loss prevention organizations. After participating in the LPRC’s 2007 fall workshop hosted by The Home Depot in Atlanta, we determined that the LPRC goals were very similar to those of the Kroger asset protection team, and so Kroger joined the LPRC.



## An Initial Test Project

We jumped head first into fact-based loss prevention with a rigorous field evaluation of product protection devices for our premium shaving blade and handle products, which continue to be “hot” high-theft items.

Like any consumer products retailer, Kroger faces challenges protecting high-loss products in a way that maintains customer-friendly accessibility. In many stores, managers lock up theft-prone items in offices, or otherwise hinder consumer selection due to unacceptably high losses of high-cost, low-margin products. We’ve worked to improve our supply chain and in-store processes and execution, but in some cases we still need special protective devices.

For this initial test, we focused on the use of polycarbonate boxes supplied by Alpha, a supplier of product protection devices, specifically their line of Keepers™. Alpha facilitated the project with a research grant of Keepers as well as analysis and travel funds for the LPRC team.

Our company was already testing multiple potential protective solutions on premium shaving blades, but our team gravitated to the idea of an even more rigorous evaluation with LPRC’s researchers, which we believed would provide us added benefits. Utilizing the LPRC offered independent credibility since they do not recommend specific brands or single methods, even as in this case when research funds are provided in part by a solutions provider.

*Keepers™ is a trademark of Alpha, a division of Checkpoint.*

## Data Credibility and Evaluation

Six Sigma and other initiatives add data credibility, but our evaluation method takes Six Sigma to new heights, providing even more definitive insight and conclusions. Kroger's field testing process and the LPRC's are not too far apart, but LPRC's objectives for evaluation research include accurately measuring how test processes and technologies affect the following items:

- Customer shopping experience, perceptions and behavior,
- Employee behavior and efficiency,
- Offender perceptions and decision-making,
- Protected item sales, loss, margin, and out-of-stock levels,
- Financial ROI (costs and benefits), and
- Best deployment methods.

We need this invaluable data to make critical decisions. We realize that nothing operates in a vacuum; everything we do in our stores creates new dynamics, both good and bad. We also know many solutions do not always act as advertised. As retailers, we need to understand more

about how protective measures work, and what all they do in our environments.

## Formative Evaluation

When it came to the Keeper test, a combination of research and development (R&D) and then field testing seemed to be the best route for us. Evaluation research is typically divided into two components—formative and summative evaluation.

The *formative or R&D* phase is designed to improve the use and impact of the technique in the field. During the R&D phase, we work as a combined team to work out enhancements to the process. We draw up how we think deterrent measures actually work using flow charts. These hypothesized schematics facilitate teams visualizing how LP interventions work.

Since we're usually trying to deter theft and errors in the first place, LPRC works with retailers and suppliers to figure out the most efficient and effective way to deter theft and error problems with a given LP effort. We want to deter would-be offenders. We also look to

define LP effort best practices and make the countermeasure fit into our everyday workplace—in short, to ensure long-term process execution.

In the Keeper test we did time-and-motion studies during this formative phase to determine the average time our associates took to handle Keepers compared to the traditional methods. We also examined different ways to use the Keepers, from store delivery through POS and back for reuse or replacement.

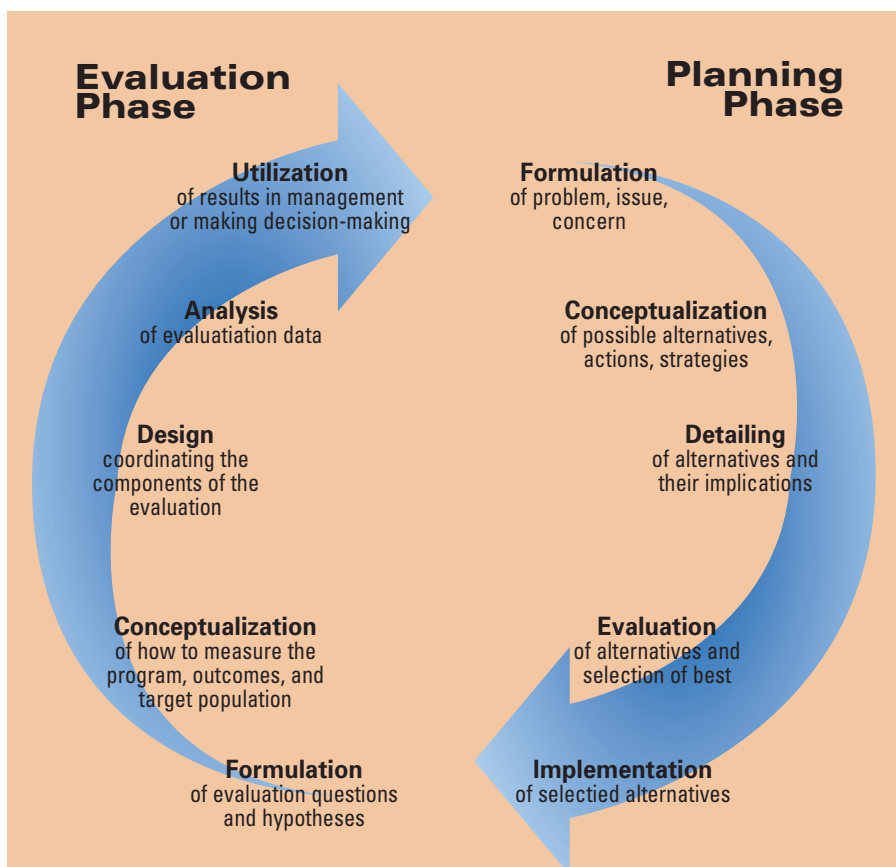
Our team also looked at plannogram layouts, display signage, and regular and self-checkout processes. Preliminary customer and employee perceptions were also studied. This R&D process moved Keepers from just a protective device to an engineered process.

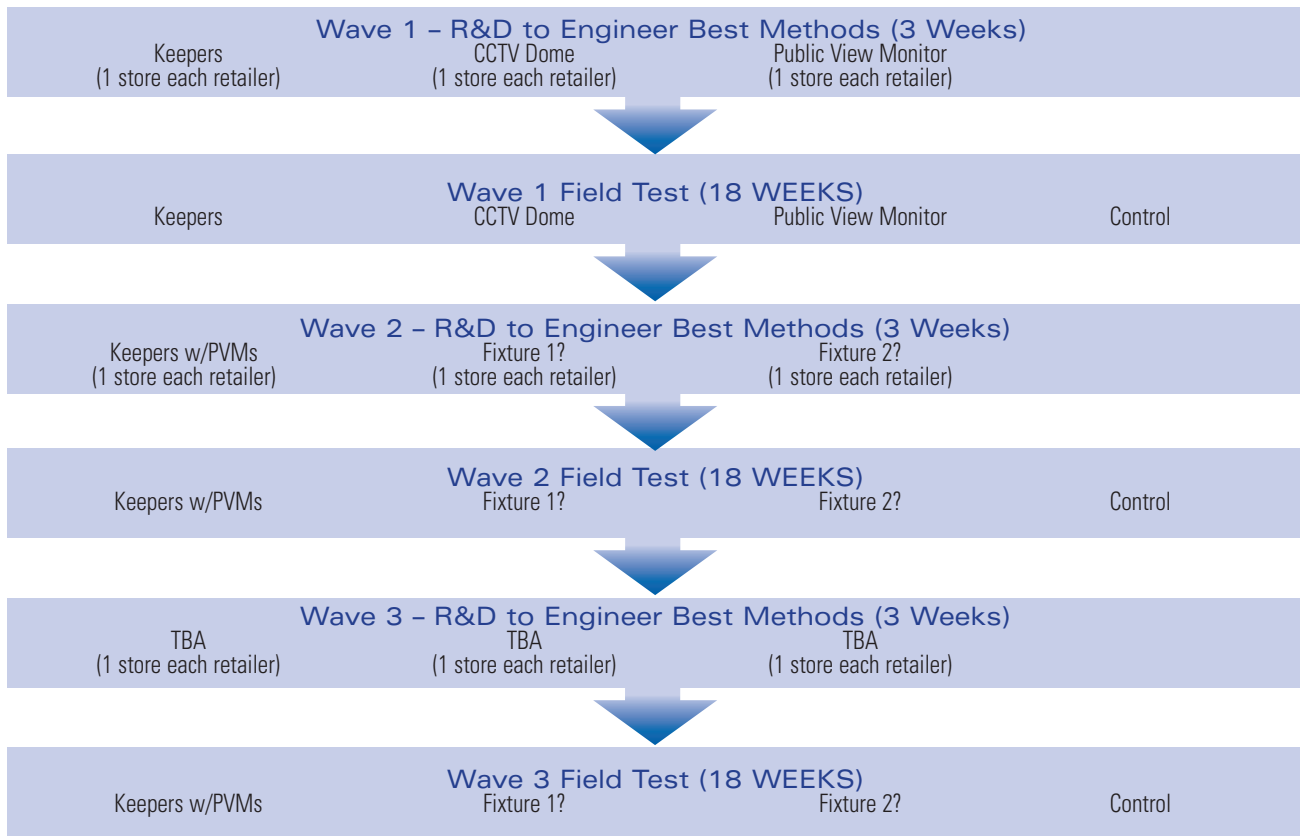
## Field Testing

In the *summative or field-test phase* we take the engineered LP process and examine the effects and outcomes of the LP countermeasure or combination of countermeasures. To do this we try to use good sampling, measurement, and analysis techniques. We do our best to collect data that help us establish cause and effect, while being able to extend what our experiment finds to other locations and situations. We want our test sample to be representative of our population of interest, either high-loss or average stores or products. We also need to control for threats to the validity of the test; which there can be many. Our data needs to be credible, actionable, and stand up to scrutiny.

The field-test phase is also important for what we're all about—delivering value to our company and our customers. This phase tells us how our LP intervention affected product sales, loss, margin, and out-of-stock levels; in other words, did the countermeasure move the needle.

And, of course, my favorite part as a financial person, we want to understand whether or not, if the needle did move, did it move enough to be cost effective. Thus, we're using the field-test phase to calculate our return on investment. We take into account all initial and ongoing costs, such as capital, employee time,





and other operating expense. The LPRC works with us to express the test results in net present value, internal rate of return, and payback. The LPRC process also provides all our company decision makers, including buyers, store operators, logistics, and IT, with usable data.

The LPRC has marketing, store design, urban planning, research design, and criminology academics at their disposal. Our employees provided researchers with in-depth observations and suggestions throughout the process to let us put together a lessons-learned brief. Our customers provided input on the shopping experience associated with the Keepers.

### Keeper Assumptions and Test Design

Four basic assumptions were tested in this initial Keeper research:

- Sales floor theft is a primary cause of blade loss.
- Polycarbonate boxes will reduce loss and increase sales because (A) boxes make theft concealment and multiple

item stealing more difficult by increasing packaging size. (B) Boxes make stolen product use more difficult since special tools are needed to remove the boxes, or the product will be unusable, and packaging may be damaged. (C) Boxes make theft riskier due to larger packaging, while illicit in-store box removal creates noise and attracts unwanted attention.

■ Boxes should reduce protected product losses compared to unprotected periods and stores.

■ Boxes should increase protected product sales since more blades will be available for sale.

To test these and other hypotheses, the project team set up the following research design:

- Ten high-sales, high-loss stores were randomly selected and then randomly assigned as either a test or control location.
- One store was established to determine the best practices for working with the Keeper cases within the store work flow process as described in the R&D phase above.

- Product counts, ships, sales, and out-of-stock data was collected for the pre-test and post-test periods.
- LPRC scientists analyzed the effects of Keepers on sales, loss, and out of stocks by comparing rates before and after applying the Keepers process in test versus control locations.
- LPRC field researchers also analyzed customer and employee perception data that might impact best practices.

### Initial Keeper Test Results

Following are some of the key project findings from the initial test period:

- Shrink declined significantly more at the test stores versus the control stores.
- Sales increased in the test stores at a greater rate than the control stores.
- Both test and control stores had increased out-of-stock occurrences with out-of-stock occurrences increasing slightly more in control stores.
- Surveyed customers and employees both preferred the aesthetics and protective effectiveness of Keepers to previous display methods.

## Expanding the Research

The initial Keeper test took place in our Atlanta stores. However, we continue testing this and other solutions in other markets. We have also initiated a larger scale two-phase program via LPRC with four other retail members—Publix Super Markets, CVS/pharmacy, SUPERVALU's Jewel-Osco, and Kmart.

This landmark project will provide all the participants with unprecedented data in several ways. The larger sample size will mean increased generalizability of findings to other stores. We will also have a better chance of picking up the positive effects of an LP effort since data errors can cover up expected effects; what LPRC researchers refer to as type II errors.

The retailers in the test also hope to more definitively identify what type of stores gain the most from the programs or technologies tested; meaning high-, medium-, or low-loss/sales stores.

We believe loss prevention interventions work best in certain conditions. The larger consumer product

Testing remains critical to good business performance. No one wants to slow efforts by over studying an issue. But many other factors, including safety, company reputation, and profitable operations, require that retailers continue to improve their best practices and ROI knowledge.

test we're now involved in can help us test this belief. We want to identify tipping points to make LP solutions more precise and ROIs even better.

This large test is part of the LPRC's *StoreLab* program and is rolling out in waves (see chart page 47). Each wave is designed to test a single or combined LP technique. For the first time, our industry will be building an empirical decision matrix from real-world testing with multiple retail formats in different markets.

Each test wave has phase 1 and 2 sections to refine and then measure the LP treatments. Some of the LPRC solutions provider partners have

volunteered to provide IP video cameras as well as video enterprise management and analytics software to enhance our data collection and sharing process. We are also working with LPRC member CAP Index to plot external demographic and transportation causal factors around test stores to provide further insight.

## Other LPRC Research Programs

LPRC member retail chains Best Buy, Circuit City, Kmart, and Sears are also working on a large-scale evaluation program to better sell and protect game software. More retailers may be joining both the larger blade-protection research as well as the game-protection test.

At least two more projects are in the early stages of research design. One is focused on the effect of guards and greeters. The second project will look at protection techniques for high-end handbags and jewelry.

The growth of the LPRC over the past two years has made these projects possible. With over forty members, the LPRC has the retail membership and funds necessary to address large-scale research that will ultimately benefit the entire industry.

The LPRC's expertise and innovative approaches to research make a positive difference for everyone involved. We learn from LPRC methods. We learn from other study participants, including other retailers, academics, and suppliers, during collaborative research projects. Plus, we teach LPRC staff some of our validation techniques. Thus, everyone benefits.

## A Critical Part of Today's Business

Testing remains critical to good business performance. No one wants to slow efforts by over studying an issue.

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## BETTER TESTING

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In-store display showing use of Keepers in initial Kroger research project.

But many other factors, including safety, company reputation, and profitable operations, require that retailers continue to improve their best practices and ROI knowledge.

As loss prevention executives, we are charged by our C-level management to identify and solve the company asset protection issues. Increasingly CEOs and CFOs are demanding better data. They not only want, but now insist on fact-based results. And we want to give it to them.

I now sit on the LPRC board of advisors, working with other industry professionals, to help the LPRC develop the persistent capabilities our companies and our industry needs to make the

innovative, profitable gains we require to thrive in a very competitive and uncertain marketplace.

I encourage all retail LP decision makers to work toward improving your decision-making data collection and analysis capability. Based on my experience, joining the LPRC and working with the other retailers will not only help benefit you and your company, but also help move our profession and testing results forward. We're always looking for innovative retailers and others to join us. Please feel free to contact me about better LP testing. And visit the LPRC web site, [www.LPresearch.org](http://www.LPresearch.org), for more information about membership. ■



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*to the information technology department as director of administrative systems before becoming vice president of corporate systems in 2002. During this period Cornish led efforts to consolidate technology systems of newly acquired companies, including systems in accounting, finance, real estate, maintenance, and human resources. He can be reached at 513-698-1897 or [ken.cornish@kroger.com](mailto:ken.cornish@kroger.com)*

## LPRC 2008 Fall Impact Workshop

### Putting Research to Work October 21 – 22

Sears Holdings headquarters  
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#### Day 1

- **Product Protection Research**  
Shaving products and gaming software project briefings and current findings
- **Offender Interview Research**  
Current findings with video samples and offender panel

#### Day 2

- **Employee Theft Research**  
Current projects briefings and findings
- **Research Design Exercises**  
Interactive brainstorming of research needs by category and type

For registration information, visit [www.LPresearch.org](http://www.LPresearch.org) or contact Janet Heffner at 352-392-5957 or via email at [impact@lpresearch.org](mailto:impact@lpresearch.org).

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