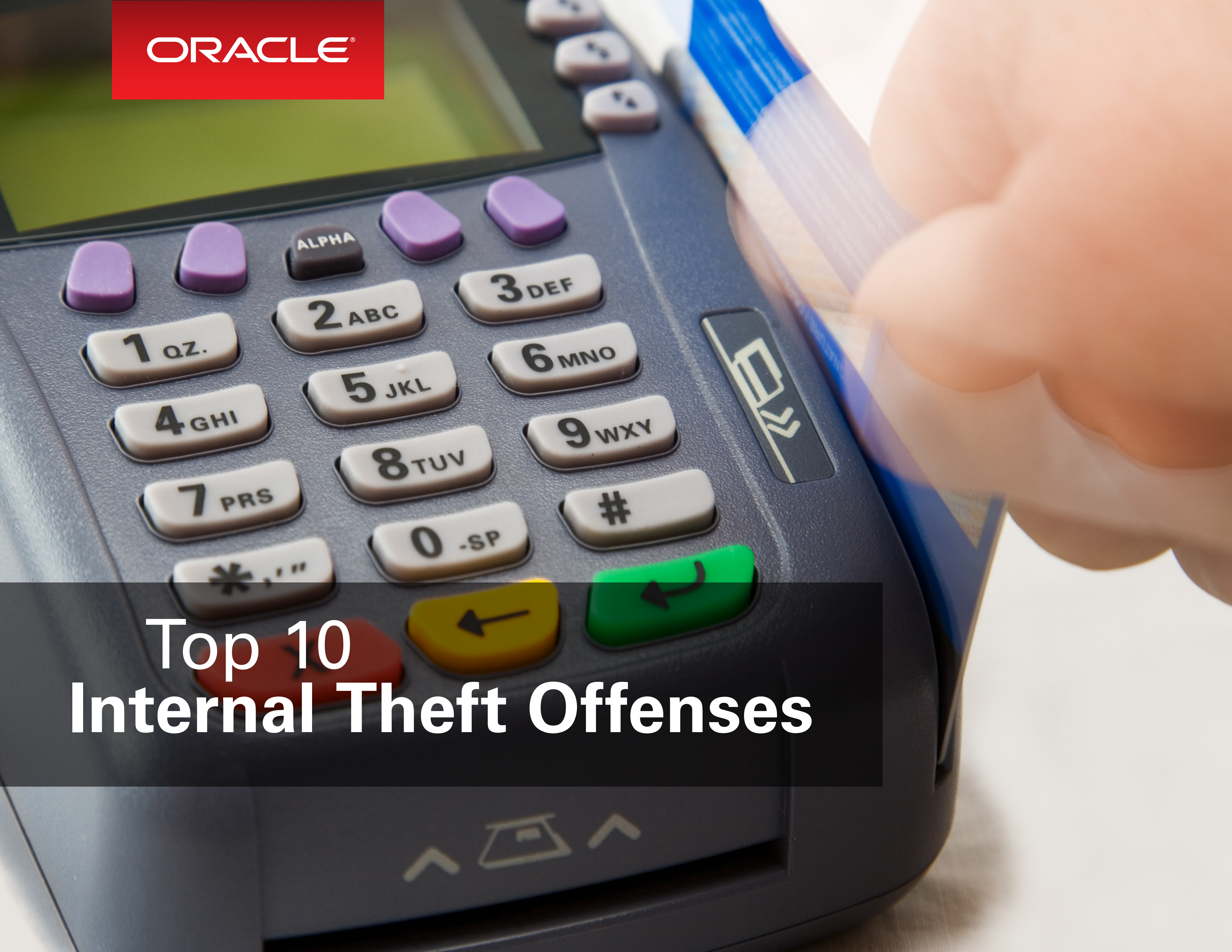
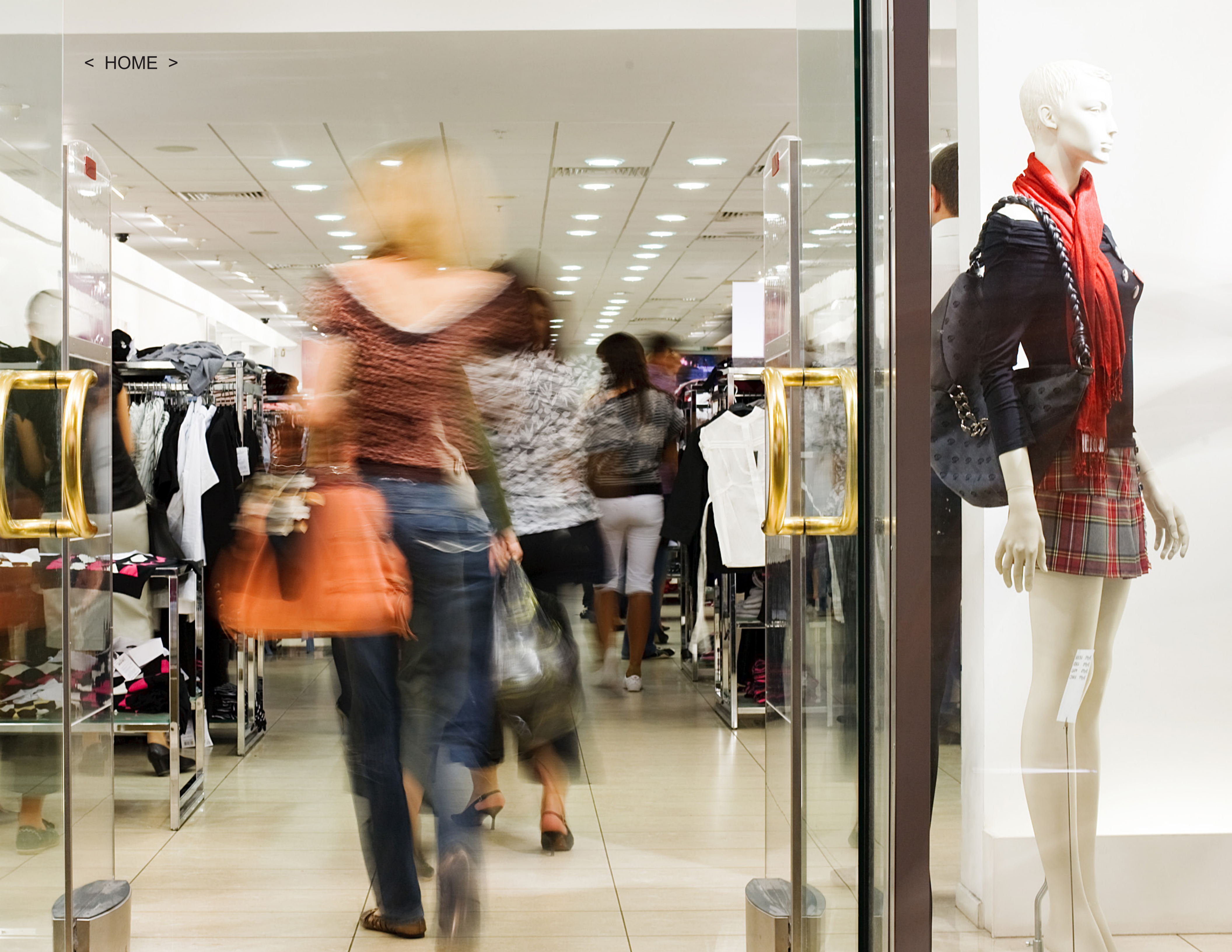


Top 10 Internal Theft Offenses



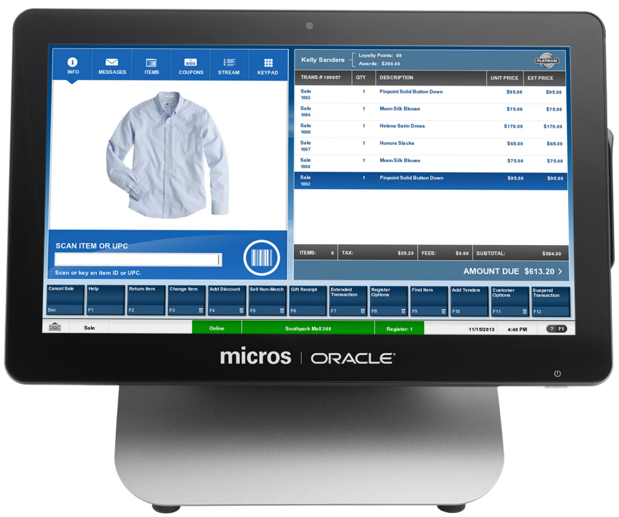
INTRODUCTION

MOST RETAIL EMPLOYEE THEFT HAPPENS AT THE POS TERMINAL.

The size, complexity, and global nature of the retail industry today, coupled with the eternal human tendency to yield to temptation, mean that new varieties of employee fraud will continue to appear.

In 2014, retailers lost $15 billion to employee theft, according to the National Retail Federation. Many types of employee fraud are invisible to traditional accounting methods. They can, however, be identified by analyzing deviations from key performance indicators and statistical norms. This approach, exception-based reporting, is the basis of the Oracle XBRi system.

Based on our customers' experience and our own analytics, what follows is a list of the most common employee fraud risks and a look at how XBRi can address those risks.



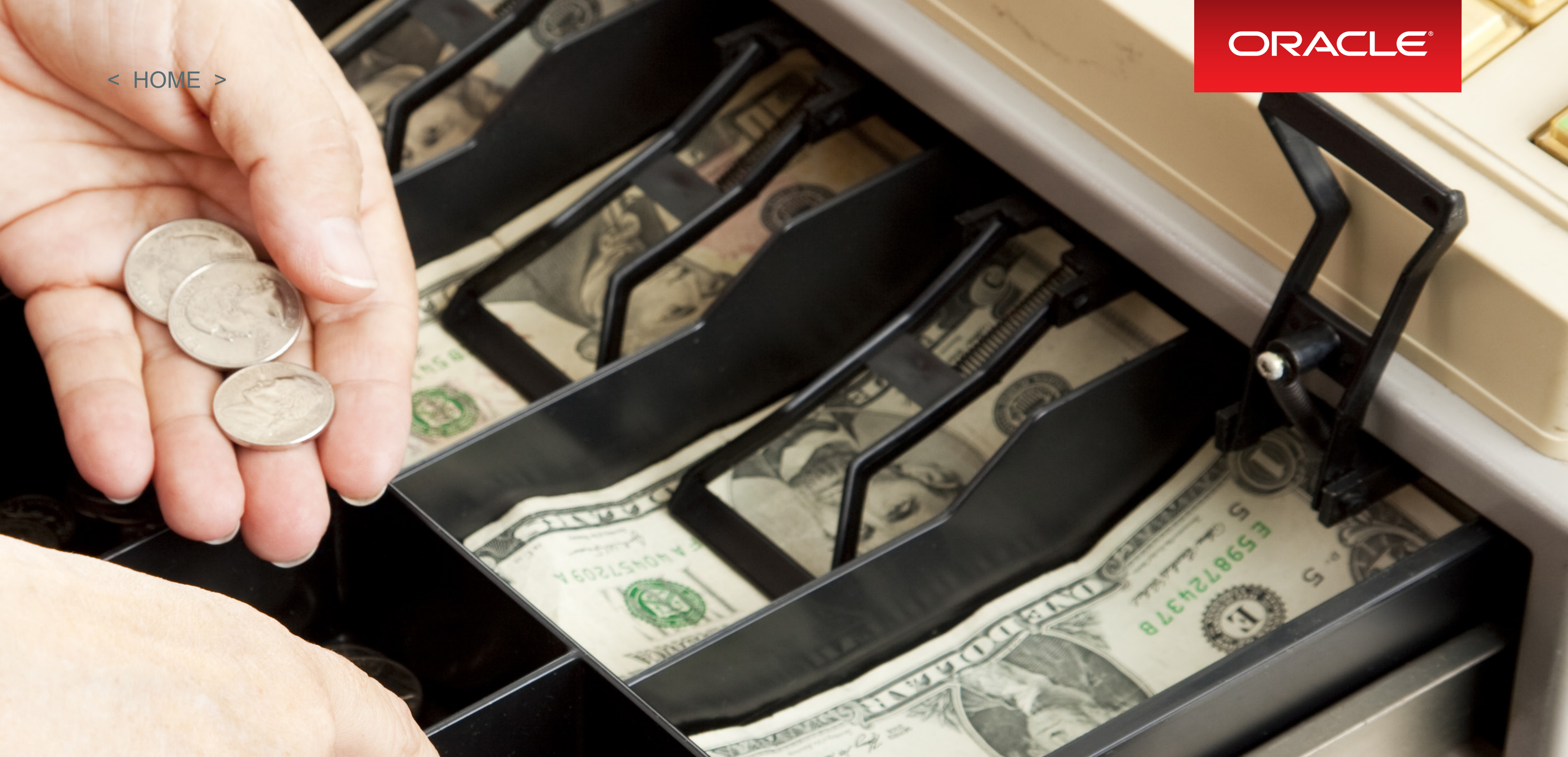
1 GIFT CARDS

Gift cards are, in effect, employee-created currency. In a scheme encountered by a leading fashion retailer, a cashier would overstate the currency exchange rate on international purchases, create a refund as adjustment, and credit the refund to a gift card for themselves. XBRi analyzes gift cards used in employee purchases, gift cards issued, and an overall gift card payment purchase summary.

2 REFUNDS, EXCHANGES, AND PRICE ADJUSTMENTS

A customer buys an item for $200. Two days later the item goes on sale for $150. An associate goes into the system, adjusts the purchase down to $150, and pockets the refund. Again, traditional accounting methods will not uncover losses of this sort. A search for patterns of exception to established KPIs—refund count, no match, credit cards with employee and non-employee activity, etc.—will.

In our experience, the best protection is an analysis/business intelligence capability that can quickly recognize deviations from pattern—and possible criminal behavior. The Oracle XBRi system, used by over 200 major retailers worldwide, is designed to provide exactly that capability.



3 DISCOUNTS

SALE

In today's price-competitive environment, discount programs of all kinds are increasingly common. Attempts at establishing a single low price have failed, and the industry is back to multiple discount programs. Employees, especially younger, tech-savvy employees, understand how to use discounts and secondary discounts to manipulate these transactions.

4 PRICE OVERRIDES

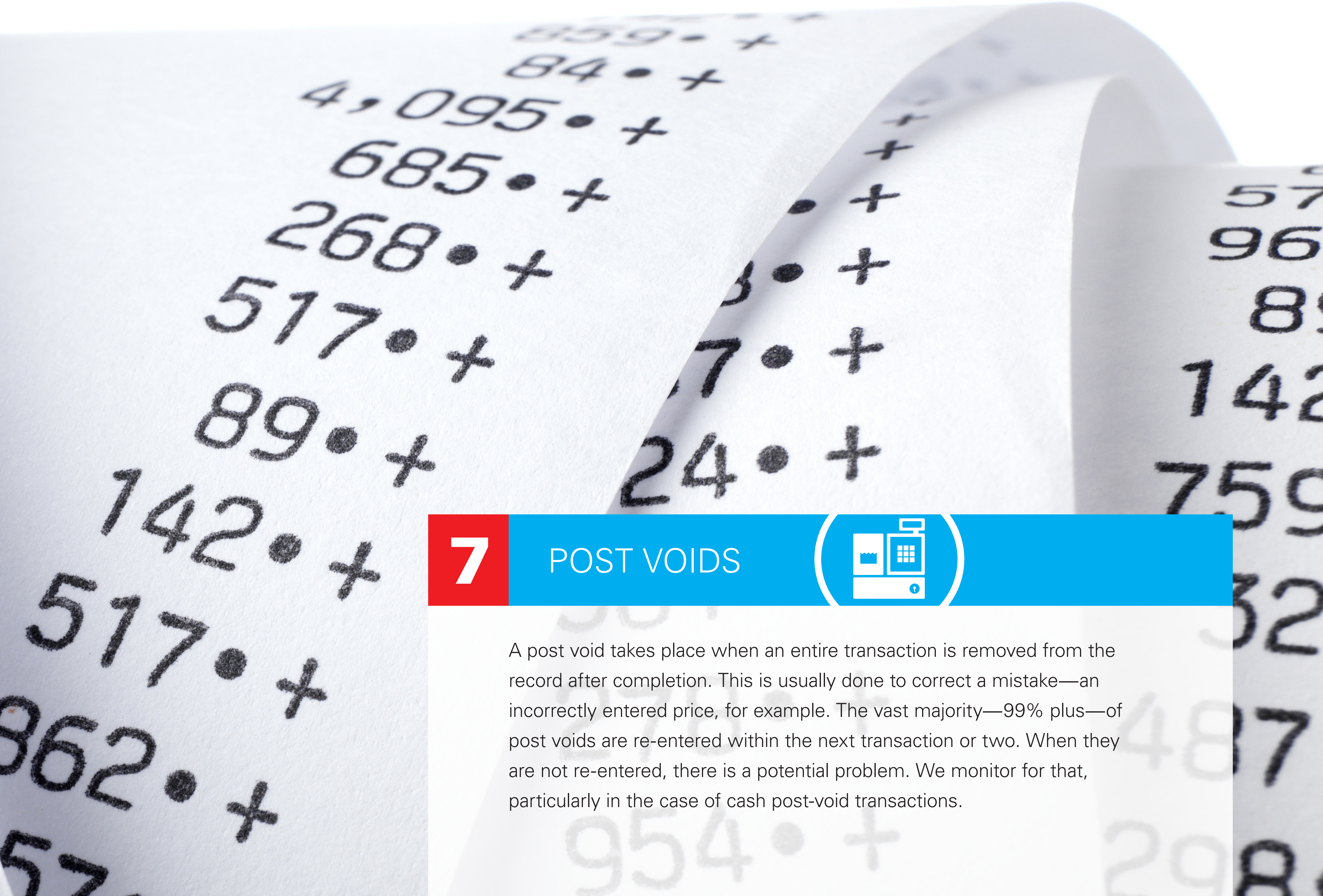
These can include unauthorized overrides for friends/accomplices. Again, with traditional accounting and auditing methods, no problem would be seen. Our advanced users are finding their greatest ROI not just from traditional shrink analytics but from analyzing discounting and pricing mechanisms.

5 COUPONS

The current competitive environment is pushing more and more major retailers into coupon programs. When a retailer has one customer or one employee with frequent coupon transactions in which no items are sold, it means someone is doing a price adjustment, and that some kind of negative tender is occurring. We can show them where the risk is, and what KPIs are necessary to show it.

6 LINE VOIDS

Practically every customer asks how to avoid pass-offs, which occur when an employee gives something to a friend without properly ringing it through. One of the easiest ways to find pass-offs is through line voids: an individual item—merchandise like a shirt or a pair of pants deleted from the total of a transaction.



7 POST VOIDS

A post void takes place when an entire transaction is removed from the record after completion. This is usually done to correct a mistake—an incorrectly entered price, for example. The vast majority—99% plus—of post voids are re-entered within the next transaction or two. When they are not re-entered, there is a potential problem. We monitor for that, particularly in the case of cash post-void transactions.

8 CANCELS

A cancel—a transaction voided before completion—is also often used for pass-offs. They can also be the result of poor training or policy violations. In one case, a cashier would scan an item (and thus initiate a transaction) just to check the price, instead of properly looking it up. We monitor closely for policy violations and operational issues.

9 LOW-DOLLAR TRANSACTIONS

If the average for, say, a sale of less than $5 is two out of every 200, and an employee is ringing up very small transactions at a much higher rate, there is probably a reason. The employee may be giving things away to a friend, or may be committing cash theft—accepting $10 for an $8 purchase, ringing up $1, giving $2 back to the customer, and pocketing $7.

10 LOYALTY/REWARDS PROGRAMS

A very fast-growing area for fraud. If an associate waits on 50 customers in a day, and 20 say they don't have a loyalty/rewards card, the associate has an opportunity to credit the transaction to, say, his or her own loyalty card. Like a price exchange or a coupon fraud (or low-dollar transactions), this will never be accounted for by traditional audit practices. Analyzing a number of loyalty KPIs, however, will reveal it.

Most retailers see a full ROI within a few months, and many enjoy the increased agility and low-cost of running XBR[i] in the Oracle Retail Cloud, either as a managed/hosted solution or as a cloud service.

ABOUT ORACLE RETAIL

Oracle provides retailers with a complete, open and integrated suite of business applications, server and storage solutions that are engineered to work together to optimize every aspect of their businesses. Twenty of the top 20 retailers worldwide—including fashion, hardlines, grocery and specialty retailers—use Oracle solutions to drive performance, deliver critical insights and fuel growth across traditional, mobile and commerce channels. For more information on our suite of loss prevention solutions, visit our website, or contact us directly at OneRetailVoice_ww@Oracle.com.

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