



# A Fitting Solution

## Dedicated technology enables Le Chateau to reduce shrink

Some retailers consider fitting rooms to be the real location where most purchase decisions are made. Savvy shoplifters agree. In fact, many thieves claimed this prime real estate as their ideal refuge when skimming merchandise from Canadian apparel retailer Le Chateau.

Le Chateau, a specialty retailer offering fashion-forward apparel, accessories and footwear, operates more than 180 locations that average approximately 5,000 sq. ft. Fitting rooms are conveniently dispersed

throughout the stores, and these high-traffic departments are a haven for shoplifters.

"We used to hand out numbered plastic tags that corresponded to the number of items a shopper carried

### Windsor's Loss-Prevention Style

As Vernon, Calif.-based apparel retailer Windsor expanded its brand nationally, both internal and external factors increased shrink levels. As a result, the chain partnered with a third party to improve its loss-prevention culture.

The chain, which specializes in juniors and contemporary fashion, was historically dedicated to traditional loss-prevention methods. However, limited resources and high turnover among knowledgeable loss-prevention executives forced Windsor's store managers to lead the charge against store theft.

"However, making our managers monitor our electronic-article-surveillance [EAS] tags, closed-circuit-television systems and bi-annual physical-inventory counts was not doing the trick," Leon Zekaria, the 35-store chain's president, told *Retail Technology Quarterly*.

The idea was so ineffective that the chain's shrink levels slowly crept from 1.5% to 2.5% during its

expansion. "We were interacting with more dishonest people both inside and outside of the company, and not doing a good job of managing shrink. These factors caused our margins to erode," he explained.

Windsor began seeking other options. "Success comes from training, developing awareness and having the right people," he added. "Our loss-prevention operation needed guidance and support."

In 2002, the company found that support from Fontana, Calif.-based P&L Solutions, a company that provides loss-prevention programs.

A P&L team worked with store personnel daily, training associates and managers to proactively battle shrink. "It was a change in their corporate culture," said Kevin Lynch, P&L Solutions' CEO.

"We offer a program that keeps managers on track with issues like completing paperwork in a timely manner, logging store theft or

tracking when EAS alarms are defeated," he noted. "If they are vigilant on business techniques, they gain better insight on what happens within the business on a daily basis."

This training, education and awareness was so effective that Windsor's shrink levels have dropped by 1.5%. "There were no new tags, cameras or technology—just good people who cared," Zekaria noted.

Positive results are pushing the chain to cut shrink even further. "The industry standard for shrink is 2%. We are already 50% lower, and we know we can do better," he added.

"The program has prompted us to achieve a new standard which encompasses improving customer service," Zekaria said.

"As our store-level awareness of shrink increases, we also pay more attention to visiting customers," he concluded. "This enables us to deliver better service while we prevent shrink."

into the dressing room,” said Franco Rocchi, senior VP, sales and marketing for the \$279 million (Canadian dollars) retailer. “But this process didn’t stop dishonest shoppers from pulling barcoded price tags off merchandise and stealing it.”

Although the chain did outfit merchandise with electronic-article-surveillance tags, some low-margin items—such as T-shirts or costume jewelry—were not tagged.

“These products were easy targets for dishonest shoppers,” said David Segal, a former special projects and marketing consultant for Le Chateau.

While the chain knew it needed to revamp its loss-prevention tactics, Le Chateau did not want to jeopardize its overall customer service.

“We wanted to fight shrink, but we also wanted to keep our shoppers happy and returning,” Rocchi said. “We didn’t want to add a solution that would slow down the service we deliver to our customers.”

Rocchi’s ideal solution also had to streamline and improve the operational efficiencies that occur across its fitting-room stations.

During his tenure at Le Chateau, Segal’s entrepreneurial spirit helped him develop a prototype solution that met all of the chain’s needs. And Le Chateau was attracted to its simple package—a touchscreen PC, barcode scanner and software that was installed on the PC’s hard drive.

Functionality is just as simple. As shoppers approach the fitting-room station—apparel in hand—an associate swipes each product’s barcode over the scanner. The software records which room the shopper enters, and the touchscreen displays the quantity of each item, as well as each product’s physical characteristics, including style, size and color. Then this data is matched against the chain’s item-movement data.

When shoppers leave the dressing room, they present their unwanted items to the associate. Associates use the touchscreen to verify that all merchandise has been removed from the room, and which items the shopper plans to purchase.

In January 2006, Le Chateau began testing the technology in one store known for its low-priced merchandise and high customer traffic. A bank of fitting rooms located in the rear of the store also made it a prime target for shoplifters.

“Associates often ended their shift by sweeping up barcoded price tags that had been ripped off garments,” Rocchi said. “Since adding the solution, however, that task has diminished.”

More importantly, the technology has helped the chain reduce the store’s loss rate. “Based on inventory comparisons, research revealed that we actually saved \$30,000 in merchandise, compared to the previous year,” Rocchi said. “The system has already paid for itself.”

Currently, the chain’s four outlet stores use the solution. During 2007, Le Chateau’s retail locations will also begin adding the new solution.

**Suggestive selling:** According to Segal, shrink is only one side of the fitting-room dilemma. “Besides



monitoring what goes into the fitting room, chains need to measure the experience,” said Segal, who is now director of sales for Fitting Room Central, the Westmount, Quebec-based company that sells his fitting-room solution.

“The purchase decision happens in the fitting room,” he said. “The solution can help the chain use more detail to create a dialogue and cross-sell merchandise.”

The solution’s two other software components achieve this very task. As associates check the shopper into the fitting room, the system’s automated suggestive-selling engine analyzes available merchandise that will complement her choices. These items are displayed on the PC screen.

“For example, if the shopper has a pair of jeans, the software can provide a screen shot of a T-shirt or sweater,” Segal explained. “It is a way to increase the units sold per transaction.”

The screen can also be programmed to prompt shoppers to participate in surveys or provide feedback about specific merchandise—including items they didn’t purchase.

“If a shopper didn’t like a pair of jeans, she can tell the system they weren’t tapered enough or the length was too short,” Segal said.

Then the solution’s Web-based exception-reporting tool kicks in. Merchandising associates access the software via a Web browser and connect to incoming customer data. “By analyzing this information, corporate buyers and merchandisers can create campaigns for customer segments,” he added. “When the next line of tapered jeans arrives, for example, the chain can create a promotion that entitles customers who tried on the pants a 15% discount on their next jeans purchase.”

Rocchi is evaluating how this functionality will play a role, and expects to tap the benefits later this year.

“There is a lot of data available in the fitting room that retailers are just not capturing,” Rocchi said.

“A high try-on rate is great, but not if the consumer doesn’t make a purchase,” he added. “By capturing shopper preferences, we will gain the knowledge needed to make strategic decisions about what we procure and sell.”

By May, Fitting Room Central plans to release a handheld unit that will support all three software components. At that point, Le Chateau will outfit stores with this mobile solution, Segal said. **RTQ**

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Le Chateau solved its fitting-room theft problem with a PC-based solution that tracks merchandise on the way in and out of the fitting room.