Fighting retail returns fraud with SAS and KPMG

Defend your enterprise with predictive analytics, network analysis and real-time streaming.

BUSINESS IMPACT

Returns fraud is a multibillion dilemma that continues to grow significantly year over year. According to the National Retail Federation (NRF), "fraudulent" and "abuse" returns in the US alone reached $24 billion last year. In a normal year, the NRF estimates merchandise returns will cost the industry 11% of annual revenue. And 8% of these returns are likely the result of fraudulent activity. That means for every $1 billion of annual revenue earned, retailers lose $9 million on fraudulent returns. Losses averaged $778,000 per $1 billion in sales.*

* Retail Crime Survey

CHALLENGES

Retailers suffer revenue and operating margin losses from several types of returns fraud, including:

- Nonreceipted returns.
- Buying online and attempting to return in person at a different retailer.
- Buying online and attempting to return at multiple locations with the same receipt.
- Requesting return authorization and refund but returning a different item.
- Buying, using and then returning. Also known as wardrobing return abuse.

And all these problems are magnified by organized retail crime.

The Business Need

Retailers can no longer afford to accept revenue and operating margin losses from returns fraud as the cost of doing business. But it's complicated. Modern retailers are offering more advanced services to their customers, including partnerships with companies like Amazon and third-party returns services. As offerings advance, they magnify supply chain complexities for both consumers and retailers.

For these reasons, real-time analytics is key to limiting losses in the complex and fast-moving cross-channel shopping environment. Consumers will continue to rely on in-store shopping while expanding their digital shopping to include buying online and picking up in-store. Retail organizations must manage cross-channel transactions while still ensuring a positive consumer experience.

But more online shopping increases the probability of cross-channel fraud and abuse. And it's not just fraudulent returns that are a problem. Legitimate returns are also costly and affect profitability. Returns abuse is widespread, and fraudulent returns have become a sophisticated challenge for retailers to uncover, detect and act on in real time.

This rise in fraudulent returns is occurring both in-store and online. While individuals carry out many fraudulent returns, organized crime rings are also using retail returns to monetize stolen assets.

Our Joint Approach

SAS and KPMG provide a combination of software and services that put advanced analytics into action in the fight against retail fraud. This solution alerts and monitors returns to help retailers fight enterprise fraud in real time.

Detect and adapt to trends in real time

Hybrid analytic techniques – like machine learning rules, anomaly detection, network analysis and scoring models – work in a layered approach to detect and prevent fraud in real time without hampering the consumer experience.

Create traceability

Retailers can validate consumer information at the point of return using advanced analytics to check for high recurrence, network links, synthetic IDs and more.
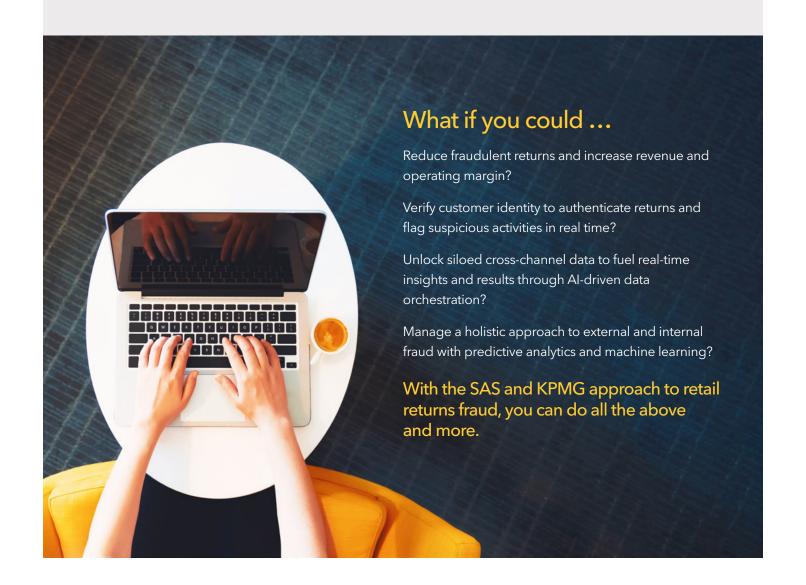
Gain a holistic view of the customer journey

Advanced analytics quickly identifies risky patterns and abnormalities based on cross-channel sales, returns, inventory and consumer data. This provides a holistic view that helps retailers capture suspicious behavior, as well as identify and close gaps in the process.

The Benefits

The SAS and KPMG alliance delivers a robust business solution to help you defend your enterprise and hold your ground in the fight against returns fraud. Together we offer market-leading analytics technology and services. With our leadership and trusted advisers we can deliver substantial potential benefits, including:

- Reducing financial and reputational risk and increasing shareholder confidence.

- Unlocking historical costs within reverse logistics to add to the bottom line.

- Improving investigations and identifying returns issues earlier.

- Gaining wider visibility across the customer journey to provide a more complete view of customer behaviors.

- Detecting suspicious activities and networks through the use of real-time alerts and recommendations.

What if you could …

Reduce fraudulent returns and increase revenue and operating margin?

Verify customer identity to authenticate returns and flag suspicious activities in real time?

Unlock siloed cross-channel data to fuel real-time insights and results through AI-driven data orchestration?

Manage a holistic approach to external and internal fraud with predictive analytics and machine learning?

With the SAS and KPMG approach to retail returns fraud, you can do all the above and more.

Power of the
PARTNER

SAS Facts

- SAS is a Leader in the Gartner Magic Quadrant for Data Science and Machine Learning Platforms, 2020.

- SAS is a Leader in The Forrester Wave™: Multimodal Predictive Analytics and Machine Learning, Q3 2020.

- SAS is a Leader in The Forrester Wave™: Real-Time Interaction Management, Q4 2020.

- SAS is a Leader in IDC MarketScape for Advanced Machine Learning Software Platforms, 2020.

- SAS leads in the Aite Matrix: Case Management to Combat Global Fraud and Money Laundering, 2020.

- SAS is a Leader in The Forrester Wave™: Retail Planning, Q1 2020.

KPMG Facts

- The KPMG global organization operates in 146 countries and territories and in FY20 had close to 227,000 people working in member firms around the world.

- KPMG Forensic is an international network comprising over 3,000 multidisciplinary professionals who assist clients in achieving business integrity through the prevention, detection and response to fraud and misconduct in addition to avoiding and resolving disputes.

- ALM Intelligence ranks KPMG a Vanguard Leader in Procurement Operations and Regulatory Compliance Consulting.

- The Source Global Research report Perceptions of Consulting in the US ranked KPMG No. 1 in overall quality for Global Financial Services Consulting.

**To learn more about the SAS and KPMG partnership
and how to protect your assets from retail return fraud, find us at:**

sas.com/retail-fraud

sas.com/KPMG