

KPMG and SAS retail returns waste and fraud

A robust solution for a multi-billion dollar dilemma

Business Impact

Returns fraud is a multi-billion dilemma that continues to grow significantly year over year. According to the National Retail Federation (NRF), "fraudulent" and "abuse" returns in the U.S. alone reached **\$24 billion** last year.*

Retailers have accepted the reality of returns fraud. Seamless omni-channel shopping with varied fulfillment routes and convenient wide range of return possibilities, retailers must detect suspicious behavior in real-time to protect the bottom line. Shocking to consider: For every **\$1 billion** of revenue retailers work so hard to achieve, approximately **\$9 million** are lost to fraudulent activity.

Returns fraud impacts sales, assets and profitability within all subsets of retail which adds to waste and increases operational costs. A return to the retailer is a lost sale which also translates into lost cashflow, and profit margin. In many instances, a return may not be resold leading to inventory loss/shrink and increases labor costs due to inspection, storage, shipping, and handling (this could also include the cost of third parties handling such processes). As such, retailers may need to reduce their staff and inventory to control operational costs. The KPMG Consumer Pulse Holiday 2020 Season of Reckoning Survey** writes: "While it may be tempting to think and act tactically in preparation for a relatively short holiday shopping season, KPMG believes the changes that have emerged since COVID-19 are here to stay. Retailers will be better served by longer term strategy that acknowledges this new reality, and serves broad goals of viability in an omni-channel world, operational agility, and business financing that accounts for multiple contingencies in a still-uncertain economic recovery."

*Source: Retail Info Systems (RIS), Stuart Rosenthal (June 7, 2019)

**Source: KPMG Advisory, Scott Rankin (September 2020)



The Challenges

Combatting returns waste and fraud has become a top priority among retailers. Scenario challenges retailers are experiencing include:

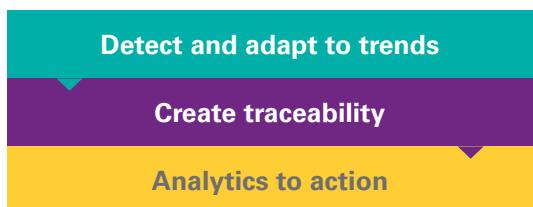
- Increase in non-receipted returns
- Buy online and attempt to return in person at a different retailer
- Buy online and attempt to return at multiple locations with the same receipt
- Request return authorization and refund but returns a different item
- Buy, use, and/or abuse, then return activities (Wardrobing)

Today, retailers are offering more connected customer experiences that cover all aspect of the sales cycle including returns. These include partnerships with companies like Amazon and third-party returns services. As offerings advance, complexity in the supply chain is magnified for both the consumer and the retailer. Retailers can no longer afford to accept revenue and operating margin losses as 'the cost of doing business'. Real-time analytics is key to limiting losses in the complex and fast-moving omni-channel shopping environment. Within a retailers data ecosystem, analytics has to play a long term role in identifying behaviors and actions that point to controllable loss for the retailers through returns.

Our Joint Approach

SAS and KPMG combine fraud and retail leadership, strategic advisory, market leading analytical technology, operational delivery excellence, and demonstrable results to address returns fraud by offering a multi-layered approach on a single analytical platform. Collectively, we guide retailers through the digital transformation.

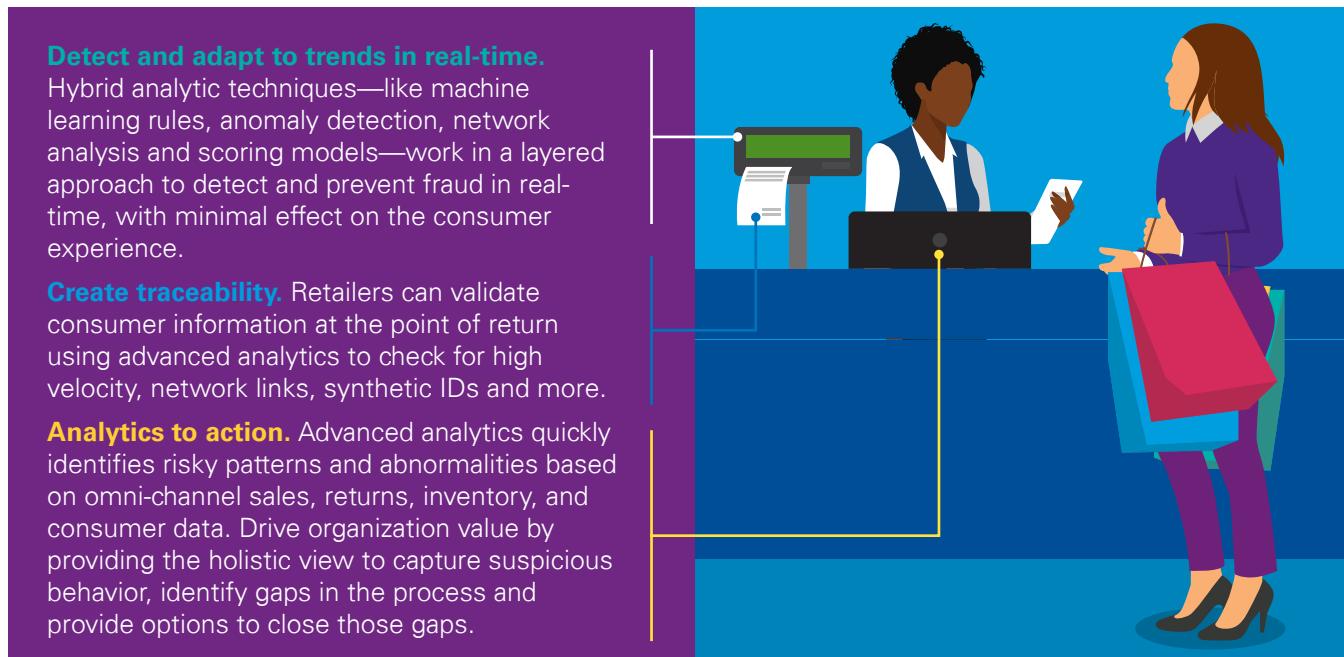
SAS and KPMG provide a combination of software and services to alert and monitor returns from the wide-ranging consumer journey to help retailers:



The Benefits

The SAS and KPMG alliance delivers a robust business solution to help you hold your ground in the fight against returns fraud and defend your enterprise. We offer market-leading analytical technology and services with our leadership, trusted advisors, and thorough capabilities to deliver substantial potential benefits:

- Reduce financial and reputational risk & increase shareholder confidence
- Unlock historical costs within reverse logistics to add to the bottom line
- Improve investigations and identify returns issues earlier
- Have wider visibility across the consumer journey to provide a more complete view of consumer behaviors
- Acquire real-time alerts & recommendations detecting suspicious activities & networks



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