



OUTWITTING FRAUDS AND SAVING MILLIONS, WITH ANALYTICS

Abstract

Senior Manager for Global Profit Protection at a global athleisure giant, Mitchell Reeds was troubled with declining profit margins and revenue leaks from frauds across their stores. The company had already registered more than 2% shrinkage in revenue and Mitchell needed to identify the loopholes and plug the leaks. This case details how a team of Infosys BPM experts conducted fraud analytics, identified suspicious activities, and suggested optimal solutions, leading to \$8 Mn in savings, and reducing shrinkage rate to less than 1%.



When fraud comes calling

Mitchell Reeds is the Senior Manager for Global Profit Protection at a global athleisure giant with business operations across 160 countries and 4,000+ stores globally. Mitchell is primarily responsible to lead projects to improve business process effectiveness and prevent revenue leakage to internal frauds. In this high-value role, he is tasked with risk assessment and management, point-of-sale (PoS) fraud detection, processes improvement, and key controls review.

Through his assessments, Mitchell had recorded revenue leakages through PoS frauds spread across five regions including Latin America, Europe, emerging

markets, Greater China, & APAC. A lack of sophisticated policies, coupled with vulnerabilities in the backend operating systems was leading to exploitation of these loopholes. Further, regional silos led to lack of communication and knowledge sharing, thus limiting transparency in processes.

The revenue leaks driven by PoS frauds deeply impacted the company's profit margins and led to more than 2% shrinkage in inventory. With no direct solution in sight, the situation was expected to get worse, and Mitchell knew he needed to plug the leaks as soon as possible. In his mind, the ideal next step

would be to identify the root causes and address the loopholes in the system. But with the distributed nature of the problem, this wouldn't be a simple task and he realised he needed external assistance. After a global RFP to find a suitable solution provider adept at troubleshooting global business processes, the company struck a partnership with Infosys BPM to figure out an effective, quick solution. Infosys BPM's Ishita Jain soon came on board with a team of fraud experts to fix the problem, and Michael over a series of meetings brought her up to speed on the situation.

Plugging the leaks

Ishita began with a detailed, in-depth analysis to identify and address the PoS frauds. She started the fraud management journey in September 2018 with a pilot study in two countries, implementing an

exception-based reporting system and then rolling it out across other regions in the next year. As per her action plan, she appointed her team of fraud experts across the 5 regions to work closely with Mitchell

and assist in identifying the loopholes. In the early stages, the scope of work included data integration, analytics, and the creation of risk workbooks.

Approach summary



For data integration activities, Ishita's team identified and combined relevant data sets from multiple sources across the PoS, pertaining to sales, promos, customers, payments, and more. This data was then collated for use in the next stage, which involved detailed analysis.

The analysis was conducted in segments to evaluate the at-risk activities. Ishita's fraud expert team identified suspicious transactions with tier analysis, 30-60-90-day deep dives, return analysis, and cashier behaviour analysis. Then, based on findings from the study, they regularly monitored the high-risk cashiers. While the team faced some resistance from the regional teams in accepting the fraud identification strategies — as well as some data integration issues between

the fraud detection tool and PoS systems — they successfully worked through these challenges to implement the new methods. Then, the team automated exception-based reporting activities and established an algorithm to calculate fraud value at risk. Finally, they combined all results and shared their analyses with Mitchell for physical investigations, recommending future fixative actions such as warnings, policy changes, or training.

Ishita and the team created elaborate risk workbooks based on the investigative findings in which they updated new, previously unidentified fraud trends to handle future scenarios. The workbooks also included actionable strategies, goal-based policies, and other processes to handle any exceptional situations.

Impressed with the successful execution of these strategies, Mitchell's organisation expanded their partnership with Infosys BPM in 2021, adding 2 more service lines with consumer analytics and digital retail operations. Incorporating improved strategies for these new areas of operations, Ishita's team recorded in-depth in-store behaviour analytics. To begin with, the team analysed customer dwell time by recording the time spent by customers in a particular zone. They also noted the percentage of customers returning back to the stores and tracked their activity in-store with heat index analysis to monitor risky hotspots. Finally, they conducted a footfall analysis to monitor traffic and identify loss-making areas.

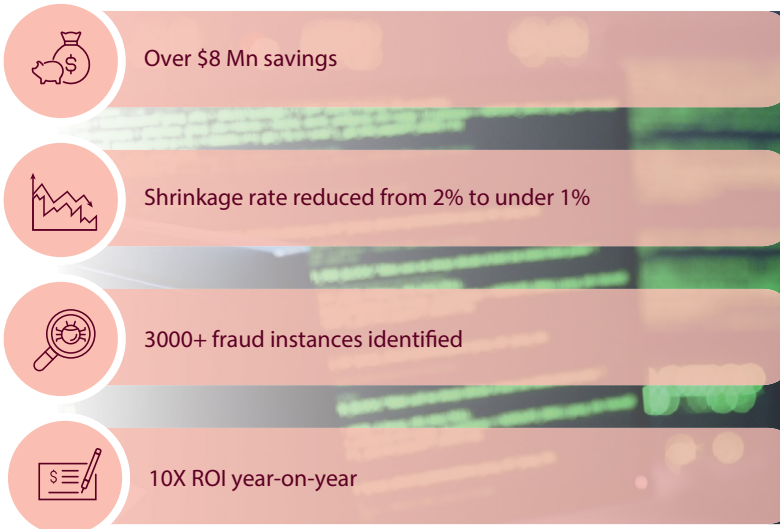
Savings and success

The elaborate fraud detection and addressing system set up by Ishita and

her team proved highly beneficial in identifying the loopholes and finding

actionable solutions to pull back the declining profit margins and revenue leaks.

Key benefits



Mitchell's company registered a 10x year-on-year return on investments (ROI) with this collaboration, with the fraud analytics and subsequent prevention strategies leading to over \$8 Mn in savings for the company. In sum, the Infosys BPM team

successfully identified over 3000 PoS fraud instances, suggesting solutions that reduced the shrinkage rate — the percentage of revenue lost due to fraud — from more than 2% to less than 1%. To round up, it's safe to say that Mitchell's

partnership with Infosys BPM successfully plugged multiple leaks, bringing back a 'smooth flow' in revenue for the company.

**Names have been altered to preserve the identities of the people involved.*

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