**Senior Risk Leader Case: Prompt**

The Risk team develops frameworks, policies and procedures to enhance and scale risk operations at Faire. As the leader of the Risk team at Faire, you have been asked by the leadership team to look into the following two programs: Ship on Your Own and Faire Direct.

1. **Ship on Your Own**

Ship on Your Own (SOYO) is a fulfillment option offered to brands. It allows them to ship an order with a freight partner of their choice (e.g., FedEx, UPS, Post office), and submit the cost for reimbursement from Faire. The alternative (and preferred) fulfillment option offered to brands is Ship with Faire (SwF). SwF leverages our lower/negotiated rates with freight partners, and allows the brand to simply create and print a shipping label for the order without handling shipping payment. The benefit of SOYO is that brands have more optionality.

Today, Faire generally covers shipping costs above 0.25x GMV, up to 2.00x GMV for European brands and 1.00x GMV for brands in other countries (the first 0.25x is covered by retailers). Brands cannot submit a cost higher than these thresholds for reimbursement in product, so they typically cover any additional cost. That said, the Customer Experience team has historically granted any brand requests for reimbursement of costs above these thresholds. High shipping costs have recently begun to materially impact our contribution margin and we’d like to explore policy and process options to address.

1. Using the spreadsheet attached (monthly brand level data), size the Faire-funded shipping cost exposure for the worst offender brands. Please clearly specify the criteria used to define worst offenders
2. Based on your learnings, suggest a policy and potential risk operations processes to reduce exposure and prevent abuse
3. **Faire Direct**

Faire Direct is our brands' wholesale customer relationship management (CRM) tool. Active brands can invite retailers (could be existing customers or retailers they are trying to close a deal with) onto the Faire platform. Any retailer who signs up for Faire via a brand's Faire Direct link will get an incentive that varies by geography (e.g. $100 off and 1 year of free shipping on that brand). For any purchases that occur between brands and retailers that have existing relationships, Faire earns 0% commission vs. 15-20% commission on regular marketplace (non-Faire Direct) orders.

The spreadsheet attached has a list of top referring brands via Faire Direct that have little to no marketplace conversion. Marketplace conversion refers to the % retailers who place an order from a different brand on Faire within x days after their first order with the referring brand (for the purpose of this exercise we are looking at marketplace orders within 14 days). Faire suspects potential foul play is involved.

1. What do you suspect is happening?
2. If anything, what would proposed solutions be to respond to this?

**The attached** [**Excel file**](https://docs.google.com/spreadsheets/d/1pRnvcSAXJA_oF7soxxriz64rin14kbQ4w5EeKRZMJ-4/edit?usp=sharing) **has the following data:**

1. **“Ship on Your Own” Sheet**

* ***BRAND\_TOKEN***: Unique identifier for a single brand on Faire.
* ***BRAND\_NAME***: Name of the brand.
* ***CREATED\_AT***: Time when brand account was created on Faire. This may be well before the account was approved and activated for the first time.
* ***BRAND\_FIRST\_FIRST\_ACTIVE\_AT***: First time the brand’s shop page was activated on Faire.
* ***PRIMARY\_CATEGORY\_1***: Most popular top-level category for products this brand sells.
* ***BASED\_IN***: 3-character code indicating the country the brand is based in.
* ***SHIPPED\_FROM\_COUNTRY***: 3-character code indicating the country associated with the shipment address of the brand.
* ***EU\_OR\_UK***: Flag for countries associated with the shipment address of the brand in the EU or the UK.
* ***GMV\_L6M***: Total gross merchandise volume (GMV) in USD of wholesale inventory that brand has sold on Faire.com in the past 6 months.
* ***TOTAL\_SHIPPING\_COST\_L6M***: Total Shipping Cost in USD associated with brand orders (retailer paid + faire paid) in the past 6 months.
* ***NET\_FAIRE\_SHIPPING\_COST\_L6M***: Cost of Shipping to Faire in USD for brand orders in the past 6 months.
* ***POST\_FREIGHT\_CONTRIBUTION\_NET\_FAIRE\_DISCOUNTS\_L6M***: Post freight Contribution Margin in USD net of Faire-funded discounts for brand orders in the past 6 months.

1. **“Faire Direct” Sheet**

* ***BRAND\_TOKEN***: Unique identifier for a single brand on Faire.
* ***BRAND\_NAME***: Name of the brand.
* ***REFERRAL\_CREDITS***: Total sum of Faire Direct credits in USD redeemed by Faire Direct retailers ordering with this brand.
* ***SHIPPED\_GMV***: Total sum of gross merchandise volume (GMV) in USD on brand orders whose items have shipped.
* ***N\_RETAILERS\_SHARING\_CARD***: Number of retailers sharing a credit or debit card, identified with the same Primary Account Number (PAN) and/or same Stripe fingerprint.
* ***N\_RETAILERS\_SHARING\_IP***: Number of retailers sharing IP address.
* ***N\_FD\_ORDERING\_RETAILERS***: Number of Faire Direct ordering retailers from the specified brand.
* ***CONFIRMED\_N\_FD\_ORDERING\_RETAILERS***: Number of Faire Direct ordering retailers from the specified brand with at least one confirmed order (confirmed order = retailer passed our verification checks and the order was allowed to process).
* ***RA\_NO\_MARKETPLACE\_ORDERS***: Number of retailers acquired with no marketplace orders (i.e., retailers who have not placed an order from a different brand on the marketplace).
* ***RA\_WITH\_MARKETPLACE\_ORDERS***: Number of retailers acquired with marketplace orders (i.e., retailers who have already placed an order from a different brand on the marketplace).