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Subject: Fraud Detection Strategy for Shopkick, Week 3 Update Memo – Orientation and Analysis

As we continue exploring fraud challenges within Shopkick, this week we tried to understand the distinctions between Shopkick's kick-earning model and Shopkick, this week we tried to understand the distinctions between Shopkick's kick-earning model and those of its competitors. Through multiple internal and catch-up meetings, we conducted SWOT and PEST analysis, reviewed kick-earning processes, and assessed potential areas for improvement in fraud detection, especially related to promo and referral code misuse. These discussions helped us preliminarily clarify future direction.

Week in Review (10/28-11/3)

- **Internal Group Meetings (10/22, 10/23):**
    o Used and compared Shopkick with its competitors Fetch and Ibotta to understand the differences in their reward-earning models.
    o Conducted SWOT and PEST analysis to better understand the challenges and opportunities for Shopkick, both internally and externally.
    o Outlined the process for kick-earning actions and preliminarily identified our focus area.
- **Catch Up Meeting (11/1):**
    o Went through the issue tree and week 2 memo with you and discussed the direction going forward.
    o Reviewed fraud detection improvements, competitor patterns, and data-driven strategies for promo and referral code abuse.

Week Upcoming (11/4-11/8)

- **Follow-up Meetings (11/4)**
    o Marketing team: To dive deeper into fraud related to promo/referral codes
    o Engineering team: To understand current workflow of the fraud detection system and identify areas for improvement
- **Internal Group Meetings (11/5, 11/6)**
    o Continue to use Shopkick's app to better understand its functionality.
    o Prepare interview questions based on input(s) from research and meeting with you.
    o Begin cleaning, visualizing, and analyzing provided data and workflow of fraud for cost-benefit analysis of specific interventions.
- **Catch Up Meeting (11/8)**
    o Update our teamwork progress and findings during this week, and then establish the direction for next week.

Research & Brainstorm

Based on this week's catch-up meeting with you, we categorized all the information shown in the table below:

Direction	o Focus on misuse of promo and referral codes o Improve the capability of Sift by collecting user data o Gain an in-depth understanding of competitors' strengths and similar case patterns, seeking potential improvements o Develop retailer-side verification methods
Limitation	o Rely on Sift scoring system (black box), whose internal logic is hidden, making it difficult to improve o Adding stricter verifications in registration may deter legitimate users
Competitor	Fetch: o Usage of exclusive parameters in fraud detection, and add new ones automatically o Work with brands and accept any receipt submission (higher fraud possibility?) o E-receipt: Improve convenience and detection efficiency, can be verified by email or account links

This week, we also conducted a further investigation on Shopkick, and then combined our real-life experience and the information gathered in the meetings with all the teams, we developed both internal and external analyses of the company: SWOT and PEST analysis shown as follows.

Strengths
- The number of users is strong
- Allows users to earns kicks both online and offline
- Has partnership with major brands/ retailers
- Ability to collect/ process huge user data

Weaknesses
- No online shopping in-app
- High fraud rate among KEUs
- Fraud is incredibly diverse problem and fraudsters adapt quickly
- Difficulty in retaining users
- Inability to partner with retailers to verify purchases
- Sift automation detection is inaccurate and requires manual intervention

Opportunities
- Market Expansion and Strategic Retail Partnerships
- Boost User Engagement through Personalized Rewards

Threats
- Increasing competitons with Ibotta, Fetch etc
- Potential high user churn rate due fraud prevention measures
- Revenuse loss due to fradulent activities
- Mishandling with user private data during fraud prevention

Figure 1 SWOT Analysis

Political
- Compliance with Regional Data Privacy Regulations
- Compliance with Consumer Protection Laws

Economic
- Inflation has decreased discretionary spending
- Brick and mortar retail continues to shrink as online retail grows
- Clients cannot accurately value Shopkick's services due to fraud
- Fraud drains campaign budgets and is then covered by Shopkick

Social
- Customers are increasingly aware of data privacy
- Influencers and social media are playing an increasingly important role in promotion

Technological
- They have automated fraud detection platforms (Sift, Tableau, etc.), but the capacity is limited
- They need a centralized dashboard for multi-teamwork
- Shopkick allows customers to earn kicks both online and offline
- Ensure updated fraud detection for all mobile app version
- Verification during kick earning action needs improvement

Figure 2 PEST Analysis

The SWOT and PEST analysis highlight both the challenges and opportunities for Shopkick. In the current market, Shopkick has advantages in its technical tools and multiple customer engagement while it faces significant fraud-related threats. By strategically mitigating external pressure and using internal strengths, Shopkick can not only improve its fraud prevention skills but also maintain its user base and market value, and ultimately develop a smooth growth path.

Conclusion

Overall, this week, our team has gained deeper insights into Shopkick's reward-earning pattern and the difference from its main competitors. We have identified preliminary focus areas and started to map out potential improvements. Next week, we will conduct a more targeted analysis with engineering and marketing teams, focusing on promo/referral codes and system improvements. This helps us to figure out clearer goals and actionable strategies for Shopkick's fraud prevention.