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**Cc:** Pam Sheff, Trevor Mackesey, Hardik Shah and Riyaa Jadhav
**Date:** November 10, 2024
**Subject:** Fraud Detection Strategy for Shopkick, Week 4 Update Memo

**Introduction**

As we continue to parse through the data and refine our requests for information from your teams, we have begun to address one of the key deliverables through a strategy canvas of competitors in the shopping rewards market. Looking at direct competitors Fetch and Ibotta as well as industry competitors Upside and Rakuten, we were able to gain much insight into the industry standards, available fraud software, and different business models.

**Week in Review (11/4-11/10)**

- **Internal Group Meetings (11/5, 11/7):**
  - Divided competitor apps to document account creation, earning rewards, and redemption of Shopkick's competitors.
  - Began to analyze data – constructing a workflow for Shopkick's account creation process and diving into Sift to better understand the typical fraud timeline and monetary value of fraud.
- **Catch Up Meeting (11/8):**
  - Went through our new access to Sift to familiarize ourselves with the platform to understand how to filter accounts and pull data – or create request for data from the analytics team.
  - Walked through components of the strategy canvas and discussed why measures that are common among competitors are not implemented at Shopkick (i.e. Phone numbers or payout delay).

**Week Upcoming (11/11-11/17)**

- **Analytics Meeting (11/15)**
  - Meet with Chris Gee to understand the role of the analytics team and gain insight into some of the data we have received.
  - Understand the breakdown between Kicks earned and gift cards collected by fraudsters and how this collection is done
  - Inquire about the shortcomings of Sift that create the need for manual analysis and reporting.
- **Data Analysis (11/5, 11/6)**
  - Plan to focus on three specific data sets
    - Use Sift to visualize the account creation process and award redemption – visually compare this to competitor processes.
    - Use promo code data to create a function that can predict the use of promo codes to set dynamic use limits.
    - Use sample data of KEU (fraudsters and honest users) to determine brackets of redemption values and recommend additional verification for higher redemption values.
- **Catch Up Meeting (11/15)**
  - Provide Shopkick team with an update on our progress and findings during this week and confirm directions for next week en route to final deliverables.

**Research & Brainstorm**

This week we conducted a strategy canvas of Shopkick and its main competitors to understand differences in user experience, fraud prevention technology, account creation and more. This comparison helps us to understand industry precedent for adding additional verifications steps or slowing down payment time.

| Company | Shopkick | Fetch | Ibotta | Upside | Rakuten |
|---|---|---|---|---|---|
| Fraud Software | Sift | Kount (by equifax)[2] | C.I.A & Imply[3] | N/A | In-House Software |
| Receipt Software | Blink | Blink | Blink | Debit/credit card | N/A, used debit or credit card for it |
| User base (# Millions) | ~400,000 active monthly users | 17 million active users[8] | 50 M registered[6] (as of 04/2024) | ~35M consumers[20] | 21 million users[13] |
| Value Proposition | Hands-on marketing through walk-ins and scans<br><br>Allow brands to run campaigns | Gather data on consumer behavior<br><br>Allow brands/retailers to run campaigns | Cash back (not points)<br><br>Scan barcode anytime to check if there's an offer | Cash back on gas, restaurants, groceries<br><br>In-app promotions, ads | Cash back<br><br>Highly personalized, merchant focused business model [15] [16] |
| Metrics | 200 million store visits over 270 million product scans in aisle, and over $2.5 billion as of 2017 [22] | $152bn in transactions[4] $900mil in rewards | $38 million net profit[6] 2700+ retailers[18] $800 million in rewards[18] | $800M in cash back to consumers to date $1.8B in new, incremental profit to retailers to date $6B in commerce runs through the platform annually [27] | $2 billion USD in Q2 2024 [17] |
| Need phone # | No | Yes | No | Yes | No |
| Send promo w/o phone # | Yes | No | Yes | No | Yes |
| Currency | Kicks | Points | Dollars ($) | Dollars ($) | Dollars ($) |

| Time from receipt to currency | Kicks are immediately rewarded for scans and walk-ins

Receipts are reviewed manually | Points for receipts go straight to your account - point values are low for large purchases (only points for offers) | Users' rewards will be sent 24 hours after receipts submission[14] | 10 days to process the receipt
24-48 hours to get funds in bank account21 | Every 15th day of the month, once every 3rd month[10] |
|---|---|---|---|---|---|
| Time to receive gift card/money after cash out | Most are immediately available (can take a few hours depending on shopper traffic)[7] | 3-day delay for "account security" | Immediately for PayPal/gift card

1-3 days for bank | Immediately | Gift cards usually take a few minutes to 24 hours. |
| Redeem minimum | $5 | $10 for the first time and after that you can redeem for $3, $5...[8] | $20 | $10 [23] | $5.01[10] |
| How long can you redeem a receipt for? | 10 days | 14 days[8] | 7 days[12]

Can only submit receipt after adding offers to list[9] Add offers- shopping- upload receipts | 3-4 days usually Max 10 days[24] | N/A |
| Additional verification to redeem | Yes, must verify the phone number again | No | Real name, email, and phone number | Yes, email verification [26] (payment account verification if not done yet) | Verify email address[10] |

| How to earn points | Walk-ins, scans, purchases, videos, referrals | Receipts (e and paper), play apps, buy offers, refer a friend, point boost[11] | 1.Redeem: link account/upload receipt 2.Bonus: depends on retailers (shop 3 times/redeem 2 offers...) 3.Referral | Claim a nearby cash back offer, then make your purchase at that location and pay with a credit or debit card to earn rewards. | Shop at partnered stores and activate cashback. In-Store Cashback: Link your credit card on Rakuten, activate in-store offers |
|---|---|---|---|---|---|
| E-account linking | Not yet | Yes | Yes | Yes | Yes |
| Bank Account withdrawal | No | No | Yes | Yes | Yes |
| Other notes | Lose kicks if inactive for more than 6 months | If inactive for 90 days, then your points expire Only 2% manual reviews | Deduct $3.99 per month from your earnings if you don't use the app for 180 days. | Need to claim offers within: 4 hours for gas stations. 4 hours for restaurants 24 hours for grocery stores. Post which it expires. | There are a lot of retail options to choose from. However, quarterly payments of earned cashback is not competitive enough when compared to Shopkick's, Fetch's, Ibotta's and Upside's time of crediting to the account. |

### Conclusion

This week, we focused on comparing Shopkick with its main competitors and processing data from Marketing and Engineering teams. We noted that while some proposed fraud prevention measures have been pitched, like adding phone number verification when creating an account and level-based verification, they haven't been accepted, possibly due to concerns about user

experience and its feasibility. We also encountered limitations within the Sift platform regarding particular data pulls, impacting our ability to conduct further fraud analyses. Moving forward, we plan to figure out the effective patterns used by competitors and aim to concentrate following analysis on account creation and promo code abuse, identifying the potential impact of specific interventions to keep a balanced between fraud prevention and user experience.

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