



# KPMG Sales and Distribution Leakage Detector

[home.kpmg/in](http://home.kpmg/in)



To cater to the steadily growing customer demand and increase their reach to various geographies, organisations develop a vast supply chain network of channel partners. Organisations also incur sales and distribution costs for sales led initiatives and campaigns through channel partners. This is considered as the cost of customer acquisition and depending on various factors, it can range between 7 to 15 per cent of the sales. The 'high rewards' offered to sustain growth, increase sales and brand awareness often come with 'high risks', which need to be monitored on an ongoing basis. Such risks may lead to malpractices causing financial losses, as well as reputational damage to organisations.



## Indicative risks relating to sales and distribution spends

### Fictitious sales

1. Fake outlets created in the system to show wider reach
2. Fictitious sales recorded in the system to obtain undue scheme benefits
3. Manipulation of sales, discounts, schemes and benefits by not conveying necessary information to the outlets
4. Diversion of products required to be sold from one channel to another, to claim undue benefit of price arbitrage between the two channels.

### Scheme distribution

1. Miscommunication of scheme details with an intent to not distribute/partly distribute benefit to the intended recipients
2. Fictitious acknowledgments created for distribution of scheme benefits and submitted with the claims as an evidence for distribution of scheme benefits.

### Incentives on sales

1. Manipulation of sales targets to demonstrate achievement of eligibility criteria for earning sales incentives
2. Alteration of actual sales data/other data relating to coverage to demonstrate achievement of eligibility criteria for incentives.

### Visibility

1. Morphed or same photographs submitted with multiple claims
2. Inflated or fictitious invoices submitted for branding activities, such as sign boards, window space amongst others.

### Subsidies

1. Manipulation of books of accounts to increase return on investment subsidies
2. Manipulation for documents to wrongly demonstrate eligibility for subsidies.

### Inventory and Point of Sale Material (POSM) management

1. Slow moving goods categorised as damaged goods to get undue benefit of the same from the organisation
2. Manipulation of inventory records to claim higher benefits from the organisation
3. POSM not distributed were either sold in the market or sold as scrap by the channel partners.

### Channel partner payouts

1. Irregular pattern of billing to channel programme/loyalty programme outlets to claim undue benefits
2. Duplicate outlets existing in multiple programmes to claim multiple benefits
3. Fictitious invoicing to outlets in a particular channel due to higher discounts.

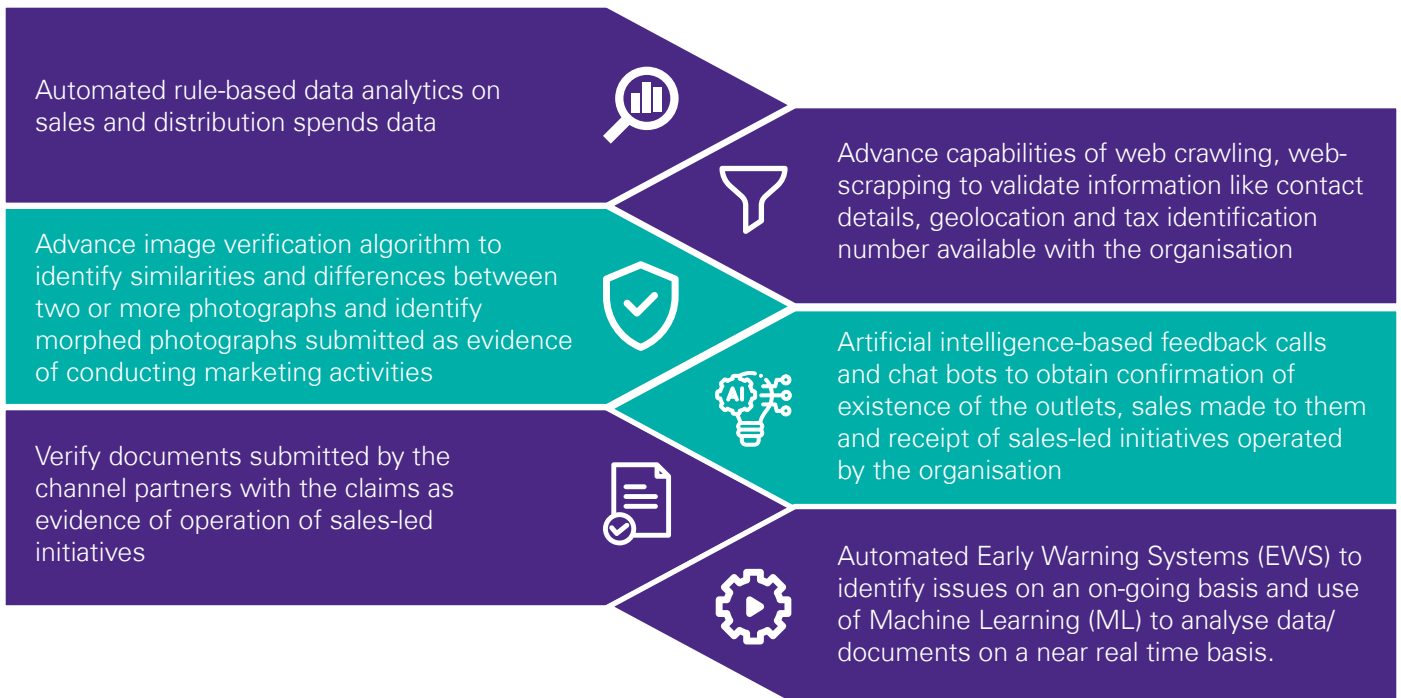
## KPMG Sales and Distribution Leakage Detector

Various organisations have either already implemented or are implementing Distribution Management System (DMS), Sales Force Automation (SFA), merchandising portal, among others to control and monitor their secondary sales and distribution activities. However, vulnerabilities in these systems and lack of regular monitoring could lead to leakages in the sales and distribution spends.

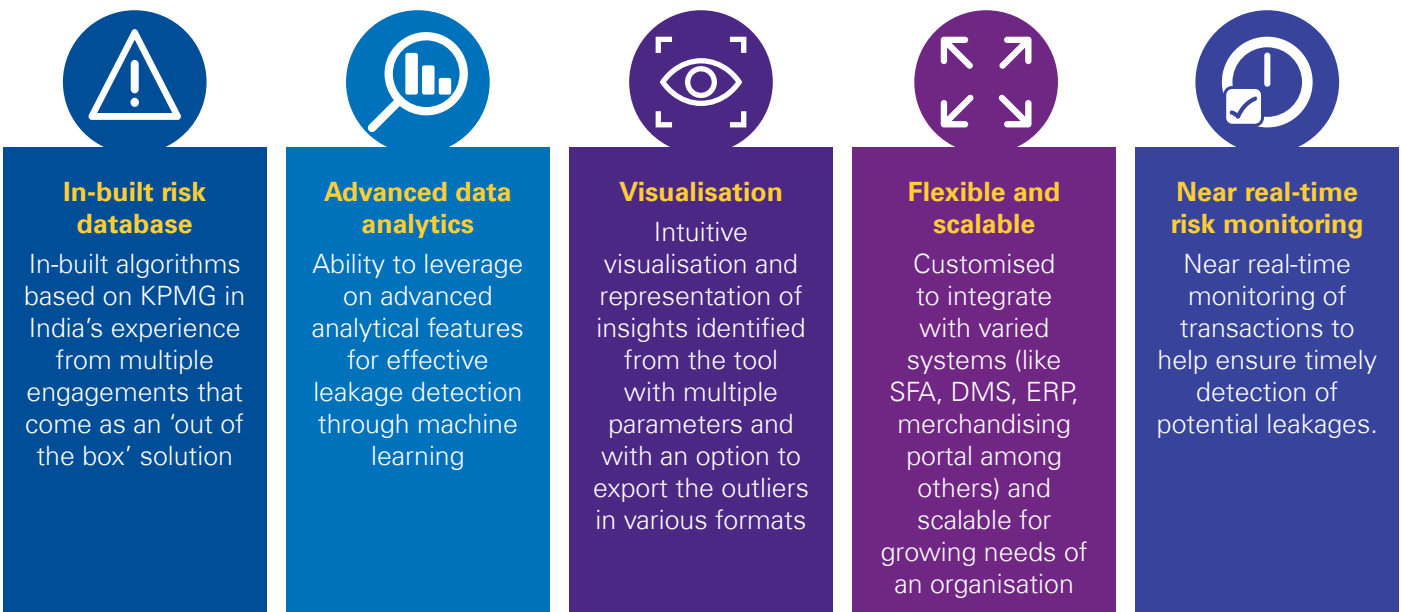
KPMG in India has a proprietary tool for data analytics using algorithms, based on the forensic team's experience of advising clients during multiple engagements. The tool utilises advanced machine-learning model to identify anomalies in sales and sales-led initiatives such as indicators of fictitious outlets, fictitious secondary sales, miscommunication/manipulation of secondary schemes, submission of morphed or manipulated documents with the claims, among others.

The functionalities of the tool would potentially help an organisation build an effective ecosystem that is aligned with the business objectives and provide early warning indicators of potential leakages, which could be mitigated by them.

### Key capabilities of the tool



### Key features of the tool



# KPMG in India contacts:

## **Vijay Chawla**

### **Partner and Head**

Risk Advisory

**T:** +91 80683 35509

**E:** vschawla@kpmg.com

## **Jagvinder S. Brar**

### **Partner and Head**

Forensic Services

**T:** +91 97169 09339

**E:** jsbrar@kpmg.com

## **Mustafa Surka**

### **Partner**

Forensic Services

**T:** +91 98199 88629

**E:** mustafasurka@kpmg.com

[home.kpmg/in](https://home.kpmg/in)

**#KPMG josh**

**Follow us on:**

[home.kpmg/in/socialmedia](https://home.kpmg/in/socialmedia)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000 Fax: +91 22 3983 6000

© 2022 KPMG Assurance and Consulting Services LLP, an Indian Limited Liability Partnership and a member firm of the KPMG global organization of independent member firms affiliated with

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

This document is meant for e-communication only. (003\_BRO0521\_SI)