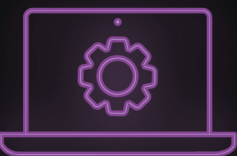




Presentado por



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Centro Citibanamex



Finding a Balance Between: Fraud Prevention and Customer Experience



The economics of investing in risk management

If you think fraud prevention is expensive, wait until you stop preventing fraud!

Risk Management improves the bottom line on multiple levels

Level 1 – Reduced Losses

- Reduce direct losses from fraud
- Reduce indirect losses associated with fraud
 - Payment network and chargeback fees
 - Logistics fees

Level 2 – Reduced Costs

- Fewer people dedicated to manual reviews
- Less time spent on chargeback management

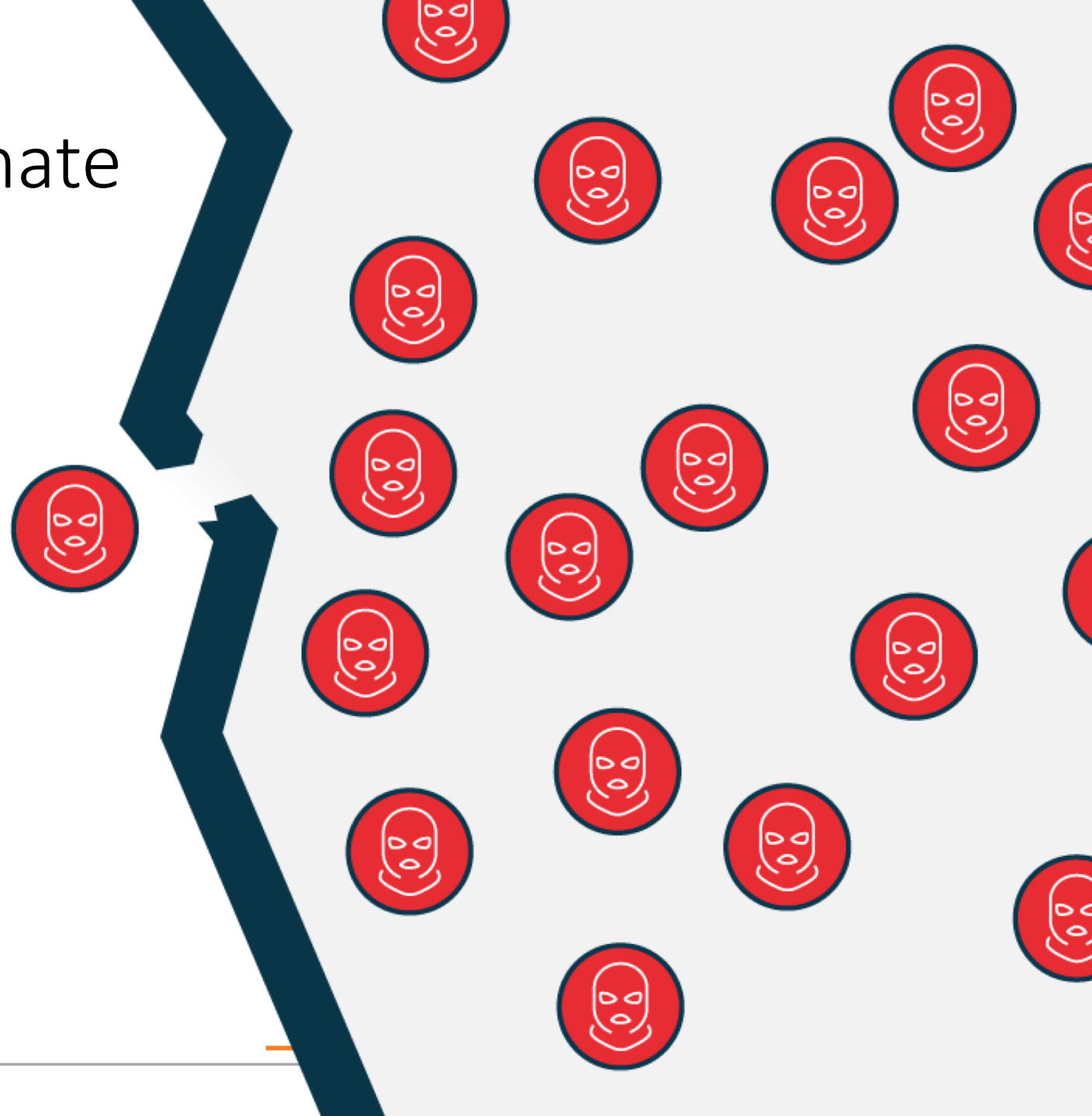
Level 3- Increased Revenue

- Increase sales today
- Capture lifetime value of the customer in the future

Retailers want to eliminate fraud and friction

- **We often hear industry participants express two key goals:**
 - Zero fraud – stop financial losses and associated costs due to fraud
 - Zero friction – make it easy for customers to buy, boosting conversion and revenue

- **These are admirable goals, but ultimately bad ideas**



Near-zero fraud
is possible...
if you are ok with
near-zero sales

- Achieving near-zero fraud requires near-zero tolerance for anomalies.
- Anything that looks suspicious will be declined.
- Result:
 - Declining too many good transactions and leaving a lot of money on the table
 - Good customers will often not come back after being declined
- **Best Practice:**
Manage fraud to an acceptable level to preserve revenue and customer experience.

FRICION IS SIMILAR

Near-zero friction = Near-zero profit
(or even less)

Eliminating friction will increase conversion rates.

It will also increase risk & exposure to fraud.

And...your site will be become a fraud magnet
as the bad guys catch on!

Ne

Result:

Profits will be sucked away by chargebacks & associated costs.

You risk being kicked off the payment system & losing access to customers.

Profit

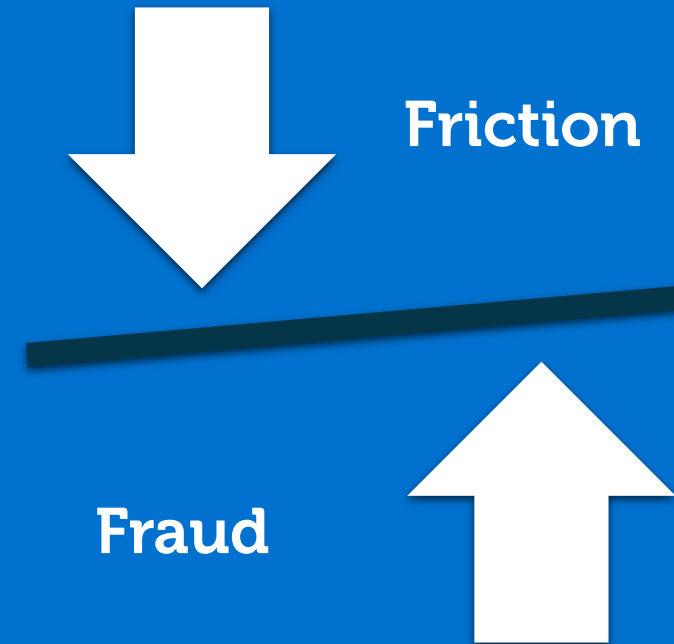
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FRICION VS. FRAUD

If not well managed,
is a zero sum game

- Increase friction, reduce fraud – but also reduce revenue
- Decrease friction, increase sales - but also increase fraud
- How do we overcome friction without adding fraud?



The new goal:
Manage friction to enhance
customer experience without
increasing risk exposure



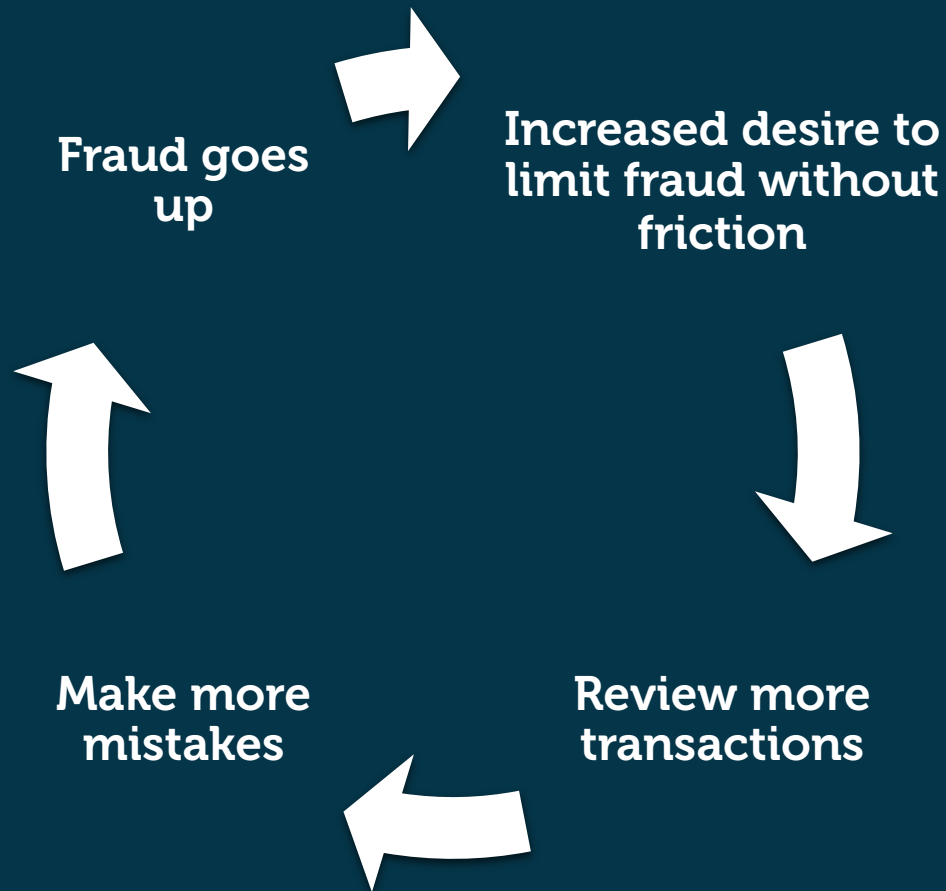
How do we overcome friction without adding fraud?

First Generation Methods

- Experience driven “rules-based” systems
- Internally focused
- Static identity data
- Frequent manual reviews
- The result:
 - Growing fraud over time
 - High false positive rates
 - High costs for personnel and data

Second Generation Methods

- A layered system
- A “waterfall process” of many steps
- Friction increases as risk or uncertainty increases
- The result:
 - Success varies over time, as new attacks emerge
 - Friction grows as consumer (and fraudster) behavior changes



Manual Review Trap

Over 95% of manually reviewed transactions are ultimately approved

Review analysts make the wrong decisions 10% of the time

Over-dependence on manual reviews creates cost and increases errors (which create more cost)

What is the new state of the art?

- Go beyond rules to advanced analytics
 - Rules are good for handling easily observed patterns
 - Risk models built with advanced analytics (machine learning) can find multi-variate patterns that rules are likely to miss
- Use dynamic, digitally derived attributes that are not subject to compromise
 - Public records, data breaches, and even social media can expose identity information
 - Digital data such as email address, IP address, and transaction outcomes are dynamic and more difficult to duplicate





What is the new state of the art?

- Update models regularly to reflect the most up-to-date trends
 - Fraudsters constantly change their tactics to outsmart efforts to stop them
 - Every transaction outcome, good or bad, can improve a model's predictive value
- Go beyond data correlation to data intelligence
 - Correlation = “Do these attributes go together?”
 - Intelligence = “When these attributes are seen together, what is the outcome?”



What is the new state of the art?

- Leverage shared experience data from across the industry
 - Your data is useful, but limited to your own experience
 - Data from other organizations can inform your strategy
 - We are all stronger when we work together



Fraudsters don't specialize



Different Methods

Application Fraud

Account Takeovers

CNP Fraud



Different Verticals

Lending

Banking

eCommerce



Different Products

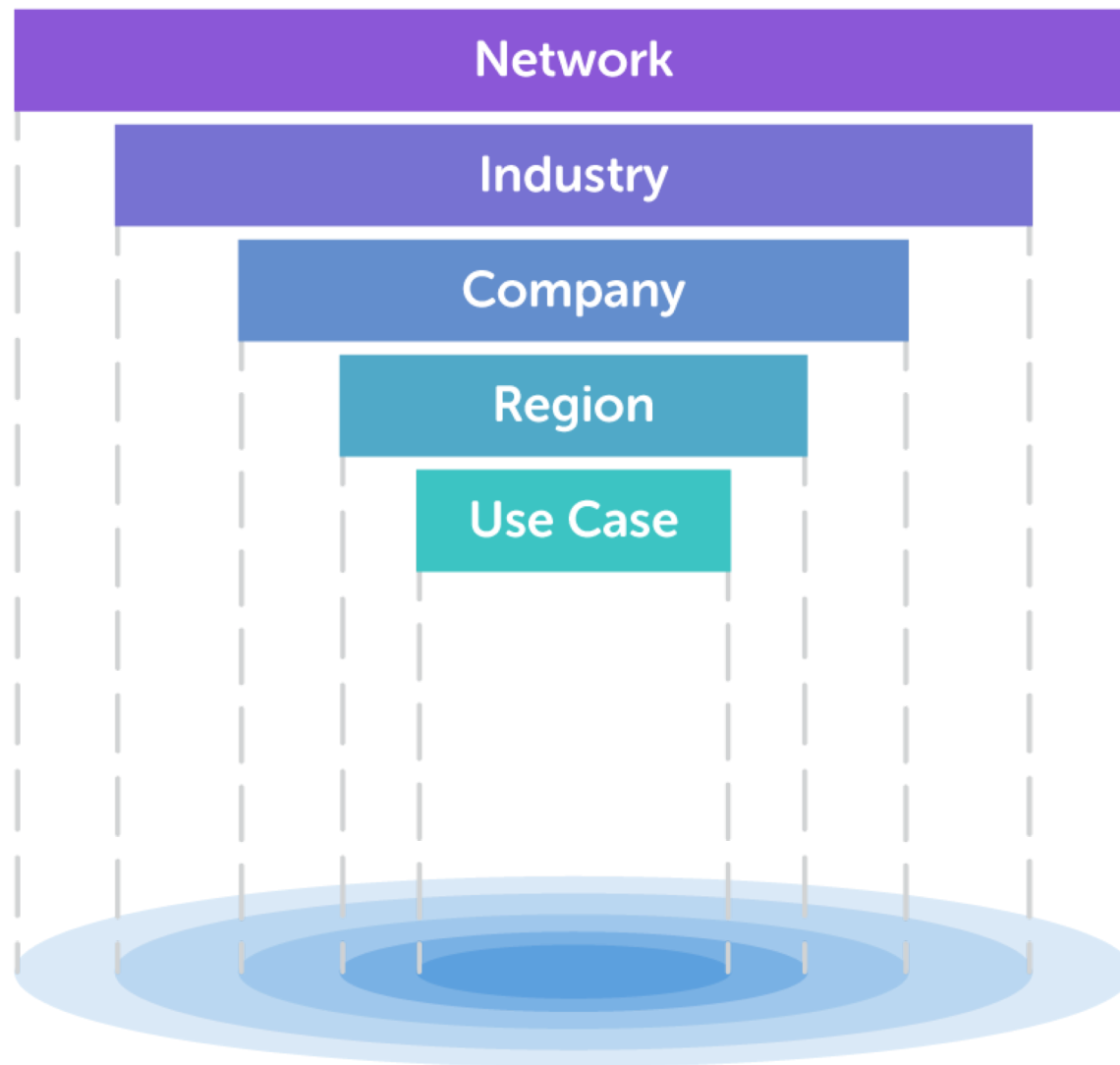
Loans

Credit Cards

Prepaid Cards

Your Data Can Work For You & So Can Other's

Your own experience with fraud should inform your prevention strategy. By adding data from your peers you become stronger and by adding additional data the funnel further narrows.



The Result:

Transform your fraud prevention department



From the sales prevention team to the sales rescue team



From a cost center to a profit driver

Who We Are

Emailage is a global leader in helping companies reduce online fraud. Powering our best-in-class predictive risk intelligence, key partnerships, proprietary data and machine-learning technology.

We help companies fight back against fraudsters, scale into new markets and focus on what matters: growing business.

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