



**Reduce Fraud:**  
Stop Fraudsters Before  
They Strike

The ability for a company to protect itself from ill intentioned web users is vital to their ability to succeed online. Billions of dollars are lost every year due to criminals taking advantage of the anonymity that the Internet offers. With all there is at stake, companies that do business online are forced to play cat and mouse games with these criminals.

Phishers, hackers, and fraudsters have effectively taken ecommerce hostage. The ransom? Over \$3.5 billion in online revenues and an additional \$780 million spent trying to stop them in 2007.<sup>1</sup> In this constant battle between merchants and thieves, these numbers are just the beginning. There are also unquantifiable losses due to an increasing lack of consumer confidence in online transactions and the need to allocate increasing amounts of resources to fraud protection.

In 2007...

Over 1% of online orders were fraudulent.

Over 3% of orders placed outside the US/Canada were fraudulent.

On average, valid orders had a \$120 value, while fraudulent orders had a \$200 value.<sup>1</sup>

## Market Drivers Impacting Fraud Protection Management

The growth of e-commerce and the sophistication of fraudulent users are two factors that are driving businesses to continually reevaluate their fraud protection.

E commerce has consistently grown 20% or more each year<sup>2</sup> with no signs of slowing down. This means that businesses small and large must be in a position to take advantage of the revenue opportunities that are available online. To do so they need to be making more and more of their products and services available on the Internet. In order to maximize sales conversion they also need to make sure that they are incorporating new ways for customers to interact and make purchases on their sites. Increasing payment options equals increased profits. However, every time an online business increases access and interactivity, they widen the door for fraudulent users as well.

As the fraud protection technology gets more sophisticated, so do the thieves. In fact, 3 of the top fraud detection tools currently used by online businesses can easily be circumvented by thieves. Address verification services, IP geo-location, and CVV2, CVC2, CID do not thwart thieves as they used to. IP addresses are masked and the additional information is stolen in order to complete fraudulent online transactions. Businesses have to continually add

<sup>1</sup> Cybersource® 9<sup>th</sup> Annual Online Fraud Report

<sup>2</sup> U.S. Census Bureau Retail Ecommerce Sales Reports

fraud detection tools just to keep up. The average business is now using a minimum of 5 fraud deterrent/detection tools.

## **Online Fraud Costs Businesses Billions Of Dollars Every Year With No Signs Of Slowing Down**

The cost of fraud protection has multiple facets. You can't just look at the millions in chargebacks each year when tallying the tab for online fraud. That would only tell part of the story. Other factors that need to be taken into account are the actual dollar amounts spent on fraud protection tools, physical resources that are allocated to online fraud within businesses, as well as loss of customer confidence in online transactions.

Manual review of orders has steadily climbed more than 30% over the last five years. This would indicate that traditional fraud protection tools are increasingly failing to differentiate between valid and fraudulent orders.

Merchants spent \$780 million trying to stop ill intentioned users from committing fraud on their sites in 2007. That is above and beyond what is lost in revenues. Online fraud protection is not cheap. Some of the most widely used tools (IP geo-location and credit card address and CID verification) are available at a relatively low cost. However, they are also the least effective.

Once a business gets into using negative/positive lists, order velocity, customer behavior analysis and the like the price tag gets bigger and bigger. For larger companies, this taps into profits and resources that could be allocated to other things to improve customer service, enhance product development, and expand marketing. For smaller businesses, high price tags remove the more sophisticated fraud protections from their reach completely, leaving them vulnerable and eventually unable to compete in competitive marketplaces.

Over 80% of online merchants use manual order verification as a back up to the automated tools they already employ. These manual reviews involve weeding out the obvious fraudulent orders the automated tools missed, sending through valid orders that have been mistakenly flagged as fraud, as well as contacting customers and/or third parties to verify questionable orders. Manually reviewing orders results in increased costs associated with the extra time and staff that it takes to manually review the orders, slows down the order process, extends delivery times, and taps staff resources and time that could be used doing other things. An increase in online sales can only mean one thing for these companies – an increase in resources devoted to manual review.

Customer confidence is vital to a business's online success. When a customer arrives at a website they cannot see all of the back end tools being employed to protect them, as well as the online business itself, from fraud. Consumers are so inundated with information about online fraud, how to protect themselves, email scams, phishers and hackers, that they are gun shy about conducting business online. This can be especially true for sites that handle sensitive transactions such as banking and other finance management activities.

## The New Generation Of Fraud Protection Solutions

Traditional fraud protection solutions allow the fraudulent order to be placed and then attempt to weed them out afterwards. The next generation of automated online fraud protection solutions deter the perpetrator from placing the fraudulent order in the first place. By creating a barrier that thieves are not willing to cross, yet is easy for valid users to traverse, online businesses reduce their attractiveness to ill intentioned users. Taking the crook completely out of the equation addresses many of the problems associated with today's fraud protection tools.

Merchants spend .3% - .5% of their online revenues on fraud protection. That is over and above the fraud loss.

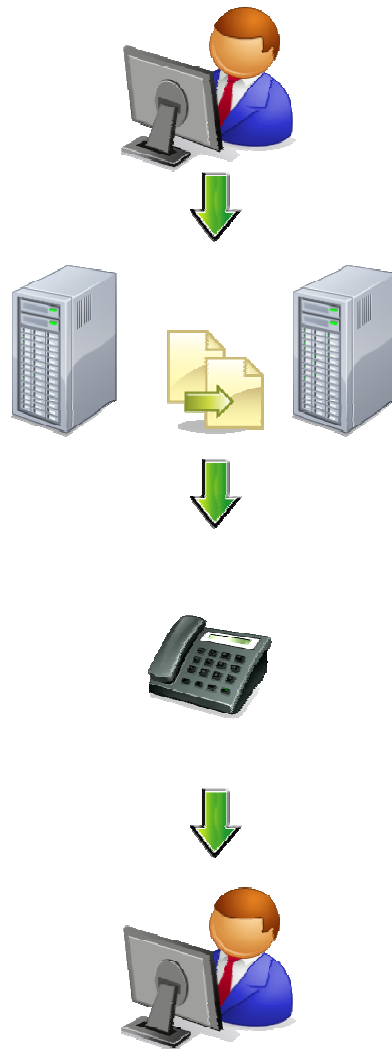
By deterring ill intentioned users from placing orders in the first place, companies that do business online can:

- Reduce the amount of losses in charge backs due to fraudulent orders.
- Reduce costs associated with automated fraud detection tools.
- Free staff resources formally allocated to manual review.
- Speed up order processing and shorten delivery times.
- Increase customer confidence with an obvious fraud protection tool that they can see for themselves.

## Televerification Has Emerged As An Extremely Effective Next Generation Fraud Protection Solution

One of these next generation fraud protection solutions that is gaining popularity among online merchants is televerification.

Televerification works like this: When the customer goes to place an order, they are asked for their telephone number. An automated telephone call is then placed to the customer and they are given a unique PIN code, either through automated message or SMS. They then enter that unique code into the appropriate place on the web site in order to proceed with their business. The process is quick and easy, yet the protection it affords businesses and their customers is extremely effective.



**#1.** User submits phone number through a form on your website.

**#2.** Your website processes form data, generates a random numeric PIN code and sends to ReduceFraud.com API.

**#3.** ReduceFraud.com generates a telephone call to the user with an automated message containing your random numeric PIN code.

**#4.** User enters PIN code and submits form. User is verified by comparing PIN codes.

Televerification solutions can be easily integrated into a user's site and does not interfere with existing fraud protection tools. All it takes is adding a few lines of code to an existing site that will allow it to interact with a televerification provider's server. Most applications can be up and running within hours, not days or weeks.

Requiring the confirmation of a workable, traceable telephone number lessens the attractiveness of that particular online business to ill intentioned users. Criminals are leery about providing a legitimate phone number that can be traced back to them. The benefits that are inherent to implementing any automated fraud protection solution for online merchants still apply: reduced chargeback costs, reduced manual verification costs and increased user confidence. The difference with televerification is that instead of catching the fraudulent order after it has come in, it stops them at the door.

Televerification has proven itself effective for a number of industries including ecommerce, online gaming, lead generation, online auctions and classifieds, financial institutions, and more.

## **Additional High Level Features & Solutions of Televerification**

### **Phone Number Identification**

Phone number identification will provide businesses with valuable information about their users. It will identify the type of phone number given as well as demographic information. These details can be used to weed out fraudsters attempting to use anonymous phone number types such as VoIP or pre paid mobile as well as provide the geographical location of users.

### **Two Factor Authentication**

Two factor authentication provides for an extra layer of protection against fraud and other online criminal activities. By associating one or more phone numbers with a web based account, and then requiring telephone verification to one of those numbers at login, businesses are able to ensure that their client's information is fully protected against thieves.

Two factor authentication can also be used to protect internal programs and access points such as servers, shared documents, corporate networks, web based email accounts or any other sensitive areas.

## Televerification Vs. Traditional Fraud Protection Tools

Televerification	Traditional Tools
<ul style="list-style-type: none"> <li>• Deters fraudulent activity from occurring.</li> <li>• Low implementation costs.</li> <li>• Easily integrated into existing platforms and sites.</li> <li>• Does not require extra personnel.</li> <li>• Reduces chargebacks associated with fraudulent orders.</li> <li>• Increases customer confidence with obvious fraud protection they can see.</li> </ul>	<ul style="list-style-type: none"> <li>• Attempts to weed out fraudulent events after they occur.</li> <li>• Large start up costs.</li> <li>• Requires technical knowledge and bulky programs.</li> <li>• Requires manual review process.</li> <li>• Requires chargebacks when a fraudulent order is successfully placed.</li> <li>• Hides fraud protection in the background where users are unable to verify its existence.</li> </ul>

### What To Look For In A Televerification Provider

When looking for provider of televerification for your online fraud protection, be sure to consider the following requirements:

**Ability to identify and separate out different types of phone numbers:** Many fraudsters will attempt to use VoIP or prepaid mobile anonymous phone numbers to deceive fraud detection devices. Ensure that your televerification provider can identify those types of numbers and give you the ability to stop calls out to those numbers, stopping fraudsters in their tracks.

**Phone Number Cleansing:** Sometimes users make mistakes when entering their phone numbers, especially international numbers. With phone number cleansing, the system can identify and correct the most common mistakes that occur while entering international numbers. Correcting the mistakes behind the scenes

ensures the user receives their verification call with no inconvenience to them.

**Ability To Meet Your Specific Needs:** Not all businesses are the same and neither are their fraud protection needs. Avoid televerification providers that will pigeon hole you and your fraud protection solutions. Find a provider that has a flexible platform and solutions to fit your specific application requirements.

**Hands On Support:** While televerification fraud protection solutions are easy to integrate and manage, it is still important to have someone there to support you when you need it. Make sure your televerification provider is going to assist you from start to finish in your integration, as well as the entire time your program is in use.

**Cost Effective:** While the protection that televerification gives you is worth millions, it does not need to cost that much. Make sure you are getting the best value for your money, by using a provider that has little or no start up costs and monthly fees while keeping the transactional fees at a minimum. After all, fraud protection is supposed to save you money.

### **The ReduceFraud.com Televerification Fraud Protection Advantage**

ReduceFraud.com offers innovative telephony solutions to businesses that require fraud protection for their online operations including e-commerce, financial transactions, and secure access areas. By using advanced engineering and cutting edge technology, ReduceFraud.com is able to keep their fraud protection solutions effective, efficient, and simple for both their clients and the end users.

ReduceFraud.com offers the following high level advantages:

- **Hassle-free integration:** ReduceFraud.com televerification solutions can be easily and quickly integrated into your existing online portals and will not interfere with any other fraud protection solutions you are currently employing. Ensure your business is protected from ill intentioned users now, within hours, not days.

- **Scalable and Cost Effective:** ReduceFraud.com televerification solutions are cost effective for businesses large and small. Your needs will determine your scale and you are never locked into a one size fits all application.
- **Complete Suite Of Televerification Tools:** ReduceFraud.com makes use of all available televerification tools to ensure you have the protection you need. Combine tools such as phone number identification with two factor verification, or use the one tool that will best suit your needs all on its own.
- **Reliability:** ReduceFraud.com can guarantee 100% uptime. With its 3 data centers located throughout North America, intelligent systems capable of routing calls on the fly, as well as redundant servers, you will experience the highest level of reliability possible in a fraud protection solution.
- **Risk Free & Budget Conscious:** With ReduceFraud.com there are no start up costs, no monthly fees, and no long term contracts. Focus your resources on building your business instead of on trying to fight those attempting to tear it down.

Start reaping the benefits of using televerification to protect your company from fraud by visiting [ReduceFraud.com](http://ReduceFraud.com) today. There you can try out our free live demos, review pricing, and get started with your FREE account.