Is it time to rethink your fraud detection and prevention strategies?

If you’re like most business owners - 72 percent, according to Experian’s 2018 Global Fraud and Identity Report - you’re concerned about fraud. And that concern is growing. Regardless of your business’s size, fraudulent activity is disruptive and is costing you more than money. Many business owners reluctantly regard the loss of some honest customers as an unfortunate byproduct of their traditional security protocols. These accepted methods of fraud detection generally rely on PINs, passwords and other measures that require a customer’s input. They flag potentially inauthentic transactions based on those measures. But, the transaction is fraudulent only some of the time. Often, a customer can’t remember or retrieve a PIN or a password after several attempts, and the transaction is declined. Every time you decline a transaction based on suspicion alone, you risk a legitimate sale - perhaps the customer.

Still, 67 percent of the businesses we polled believe fraudulent transactions that aren’t declined are costlier than legitimate transactions that are declined. In fact, our global research found that a majority of businesses (71 percent) use fraud prevention measures based on suspicion and detection - declining transactions based on red flags - potentially losing legitimate customers in the process. Conversely, only 29 percent use fraud prevention measures based on permission and trust - inadvertently permitting fraudulent activity by approving transactions based on faulty assessments.

Businesses know that happy customers are critical to success. And while reducing fraud is imperative, it can’t and shouldn’t detract from a positive customer experience. So, how do you reduce fraud and protect (and retain) your customers? By rethinking your fraud detection and prevention strategies and implementing newer and more efficient ones.

Advance your strategy with fraud trends from our 2018 Global Fraud and Identity Report.
Implement customer-centric fraud prevention strategies
Customer recognition is important for both businesses and customers. Being recognized helps customers feel appreciated. It also facilitates trust, which makes customers feel safe. Being recognized as a legitimate customer online is more important than ever, particularly since the web’s built-in anonymity makes it a breeding ground for scammers and fraudsters. A recent Javelin Strategy & Research study found that card-not-present fraud is 81 percent more likely than point-of-sale fraud. That’s why many businesses, including banks, are embracing new technologies, such as voice recognition at their call centers.

According to our research, 84 percent of businesses say they could reduce their fraud risk mitigation efforts if they were certain about their customers’ identities. It’s clear they want to be more proactive in their approaches to fraud detection while preserving and protecting the customer experience.

Find the right balance between fraud prevention and the customer experience
While most customers are willing to spend a little more time and effort on a transaction to feel secure, the measurement of consumer tolerance levels is by no means an exact science. It varies by age, demographics and other factors and is likely to change as technology advances. A positive customer experience is imperative - and so is security. When implementing fraud prevention and security protocols, business owners must consider consumers’ fluctuating and potentially diminishing tolerance levels for security protocols.

What should you do? Explore new technologies, like geolocation and device fingerprinting. These require minimal, if any, effort from shoppers, but they keep them safe. When customers visit your site, they shouldn’t have to worry about security. They should be able to find what they want and make a quick and easy purchase, feeling safe because security measures are in place.

Embrace new fraud protection technologies
If you’re still relying on passwords and other traditional means of authenticating customer transactions - and if you want to retain and expand your customer base - it’s time to modernize your customer recognition identity methods with more secure and customer-friendly technologies. Although there’s no 100 percent foolproof method of preventing fraud, businesses need to consider multilayered approaches that include data-driven, artificial intelligence-powered systems such as device intelligence or behavioral biometrics. These proactive strategies are designed to recognize customers while keeping their transactions stress-free. Biometrics relies primarily on unique biological, physical and behavioral characteristics (including facial features and fingerprints) for identification, making consumer verification virtually seamless. According to a Visa survey, 70 percent of respondents find biometrics easier than passwords and 61 percent consider it faster.
It's also important to consider the impact of increasingly complex technologies. The result is increasingly complex fraudulent activities. But, businesses can stay on their toes to stay ahead of shrewd fraudsters. Choosing customer recognition delivered through multilayered solutions tailored to the customer experience is the future-proof answer to fraud prevention.

Don’t let your fraud protection methods discourage honest customers from buying. Update your fraud detection and prevention strategies for a more customer-friendly, efficient approach.

2 Javelin Strategy & Research, Identity Fraud Hits All Time High With 16.7 Million U.S. Victims in 2017, Feb. 6, 2018