

# A strategic approach to fraud

A continuous cycle of fraud risk management



The risk of fraud is rising at an unprecedented rate. Today's tough economic climate is driving a surge in first party fraud for many organisations, whilst identify theft, the sophistication of fraudsters and cybercrime are also all on the increase. To make matters worse, preventing fraud is becoming more complex, with the challenges of multi-channel customer engagement, increased regulations and cross-border activity.

## The fraud landscape

- Cross-border e-commerce is growing with more than 25% of EU online shoppers making purchases from other EU countries
- Loss to fraud around the world is £2.91 trillion a year
- Six out of ten companies worldwide were hit by fraud in the last 12 months
- 67% of consumers that made purchases in the last six months using multiple channels
- 60% of card fraud in Europe is from Card-Not-Present transactions
- 1.2 billion unique records exposed as a result of data breaches in 2014
- In the UK 60 percent of smartphone users and 48 percent of tablet users have no malware protection on their devices

Sources: Experian, Gartner, IDC and Bloomberg

This increased complexity is creating unacceptable losses, escalating costs, eroding margins and making customers unhappy, effectively impacting all areas across the business. Fraud is no longer simply a risk issue, it is an organisational issue. To meet these challenges, organisations need to adopt a planned approach to tackle the risk of fraud.

Here at Experian, we recommend a strategic approach to fraud risk management, that addresses every area of the business at risk of fraud, including sales, operations, IT, finance, customer experience, brand and PR.

Experian's fraud experts recommend organisations address fraud challenges by defining a strong fraud risk strategy; identifying and preventing fraud; and reviewing and improving existing fraud strategies through a continuous cycle.

## Adopting a more strategic approach to fraud can help you:

- Keep ahead of evolving fraud practices
- Balance risk, revenue and customer experience
- Deliver maximum return on investment
- Maximise customer acquisition and fraud detection rates
- Increase staff productivity
- Minimise fraud losses and false positive referrals





## Define

### A strategic approach to fraud helps organisations:

#### Maximise:

- Customer acquisition rates
- Fraud detection rates
- Customer experience
- Staff productivity
- Return on Investment

#### Minimise:

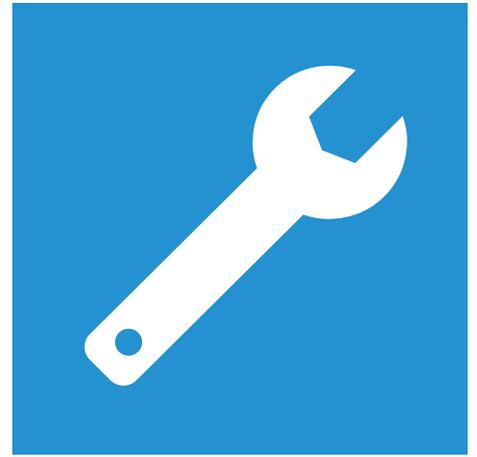
- Fraud losses
- False positive referrals
- Staff resources
- Internal IT resource requirements



## Identify and prevent

### A strategic approach - key elements

A strategic approach to fraud risk management ensures that an organisation is looking at fraud prevention across multiple business areas. Experian recommends a continuous cycle of fraud risk management by defining the strategy, identifying and preventing fraud, and reviewing and improving existing strategies over time.



## Review and improve

- **Define a fraud risk strategy** – solutions and services to help define your current fraud risk strategy
- **Identify and prevent fraud** – products to address your vulnerabilities and prevent fraud
- **Review and improve existing fraud strategies** – services to manage your fraud risk control activities



## Define

### Define your fraud risk strategy

A key element to a strategic approach to fraud risk management is defining a risk strategy. This includes looking at current processes, available data and future plans, across the organisation.

A strategy should reflect the organisation's overall appetite for fraud prevention and go on to define the scope, design and resourcing of all of the supporting activities, policies should solutions. As such a strategy typically encompasses:

- How fraud prevention and management activities are organised and reported
- What data resources are to be used
- What methodologies are most reflective of the organisation's appetite for fraud prevention
- How will fraud prevention systems and processes be defined and operationalised

### Manage the vision

To develop a well-defined, strategic strategy that meets the fraud risk requirements, the creation of overarching governance and management structures, which define, communicate and manage the vision and strategy for controlling fraud risk across the business is key.

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**We help our clients identify, unlock and exploit the value of internal and external data to combat fraud.**

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By defining the overall fraud risk tolerance level, documenting existing fraud policies, monitoring and defining best practice as well as establishing fraud awareness, organisations can establish the right fraud risk structures, risk assessment, measurement, control and reporting that fit the business. Experian's fraud consultants often work with organisations to help build consensus across multiple stakeholders and business areas to develop, apply and manage a centrally co-ordinated fraud strategy.





## Define

### Unlock the value of data

Today, credit risk analysis alone will not be effective against fraud. To further develop a strategic response to fraud, organisations need to combine the data extrapolated from existing credit risk analysis with data from a fraud risk analysis, so not only are you analysing credit history and the ability to pay, you can also assess data and channel anomalies and the intention to pay.

We help our clients identify, unlock and exploit the value of internal and external data to combat fraud. We do this through the development of fraud models, scorecards and segmentation to enable organisations to move beyond the, manual “yes or no” decisioning, simply based on credit policy, and ensure resources are focused on applications most likely to be fraudulent.

### A balancing act

Access to proven methodologies and processes can enable organisations to balance risk, revenue and customer experience. The establishment of agreed and defined practices, methodologies and processes for controlling fraud risk across the organisation can:

- Ensure access to the right sources of information
- Design and create effective operational models
- Provide access to appropriate and proven tools / data sources
- Ensure interventions balance impacts on
  - fraud savings
  - costs
  - detection rates
  - false positive rates and customer experience

### Find the best fit

The development and deployment of automated systems can help prevent, detect, investigate, review and manage fraud risk.

Our Systems Consultants can help you automate decisioning based on the right balance of risk, revenue and customer experience for your organisation.

- Ensure deployment of the necessary fraud system
- Ensure systems requirements fully reflect the fraud risk strategy
- Define automation and systems strategy
- Evaluate the most appropriate solutions

We do this through the use of proven, agile systems and patented technologies to enhance and speed up organisations' fraud risk control systems without damaging customer experience.





## Identify and Prevent

### Identification

Identifying and preventing fraud is another key element in a strategic approach to fraud risk management.

Understanding your greatest vulnerabilities allows you to put more emphasis on layered defenses with protection commensurate with risk and value.

Available as hosted web services or integrated on premise, our comprehensive portfolio of proven, multi-layered solutions encompass all areas of fraud prevention, including identity verification, device authentication and improved investigation to deliver a superior, strategic response to fraud.

### To pay or not to pay?

On average, 21 in every 10,000 applications for loans, credit cards, mortgages, savings accounts, current accounts, automotive and insurance are deemed as attempted fraud.

Using data enhancing analytics to develop highly predictive models and fraud scorecards based on historic cases, Experian helps clients accurately establish whether the applicants ability to pay matches their intention to pay, and to identify whether it is first or third party fraud.

Applying Experian's powerful fraud analytics can increase the identification of fraud, strengthen investigation resources and allocate collections resource more effectively whilst reducing operating costs.

### Intelligent data capture and ID document verification

With over 5 billion devices in circulation and the increasing sophistication of fraudsters, combined with the growth in international sales as well as multi-channel activity, the risk of fraud is rapidly rising.

In a highly competitive market, the ability to quickly and confidently validate and verify your customer's identity is more important than ever. We know fraudsters can easily acquire false documentation, however, a complex and lengthy process for collecting and verifying customer data can have implications on customer experience.

With coverage in over 200 countries, Experian's automated identity and document authentication solutions can swiftly capture and verify a variety of international identity documentation and authenticate customer's identities in real time. Our cloud based technology enables your customers to scan or submit photos of their documents online, ensuring rapid customer on-boarding, and using a variety of premium verified data sources, quickly verifies customers identities. Abandon rates are reduced and you can increase customer acquisition, whilst preventing and protecting your business against identity fraud.

### Technology and the need for device intelligence

Smart devices represent another hugely competitive marketplace, and consumers are now set to get even more choice amid rising demand for larger-screen smartphones and smaller tablets.

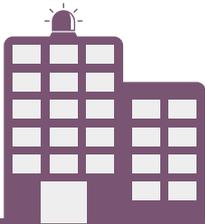
At the same time, analysts predict tablet prices will steadily decline, further powering mass-market adoption.

Set against this backdrop of mass demand, with consumer expectations for faster, smarter and seamless transactions increasing hand in hand with the rising threat of fraud, the need for accurate and real-time device intelligence becomes a critical necessity.

This is backed up by the recent research conducted by Experian, uncovering that one in six UK adults who own a device have already fallen foul to a cyber-attack in the last year. The survey also revealed that almost half (45 percent) of smartphone or tablet users have used either device to check their online bank balance, while a third (33 percent) have paid for an item using an online app, and more than a quarter (27 percent) have transferred money to another person using an online banking app. Alarmingly, 60 percent smartphone users and 48 percent of tablet users also admitted they have no malware protection on their devices.

Lengthy and complex validation and verification processes carry high risk:

- 50 percent of customers abandon applications through frustration
- 50 percent of these customers admit to seeking a comparative product from a competitor
- 1 in 5 customers give up completely



### An overview of fraud in our connected world

- 5 billion connected devices
- 2.5 billion new devices
- Of this, 2.2 billion will be smartphones and tablets
- 1 billion online bank accounts contributing to US \$13 trillion in global ecommerce sales and related transactions
- With so much at stake, it provides a huge opportunity for fraudsters
- As a result, there are now an estimated 25 million unique strains of malware
- An 80 percent annual increase in phishing attacks
- 600 million customer information records breached
- The theft, distribution and sale of personal information are underway on an industrial scale

Sources: Experian 41st Parameter, Gartner, IDC and Bloomberg

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### Our starting point is to always assume customer data has been compromised - before any transaction takes place

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### Identify any device, anywhere, every time

In order to stay one step ahead of the fraudsters, it is critical to use all available data from each transaction to determine the validity of each transaction. Experian's superior solution provides the visibility and intelligence to identify any device visiting your site without the use of any tags, cookies or Flash objects; allowing you to instantly recognise suspicious activity fast. It captures fraudsters opening fraudulent accounts, breaking into existing customer accounts or perpetrating fraudulent transactions. With our technology, clients are able to detect over 90 percent of all of the fraud attacks with the lowest manual review rates in the industry. So not only can you detect fraud earlier, faster and cost effectively, your customers remain reassured and confident that the organisation is tackling the issue of fraud security.

### Enhancing your hunt for fraud

The first and best strategy is to identify and stop fraudsters at the point of application.

Experian's robust and scalable technology uses a set of proven fraud detection rules to screen all applications against external sources, in real time, to quickly identify data inconsistencies within current and previous applications. The rule set is entirely within your control and can be configured for different services. Rules can also be rapidly amended as fraud profiles and products change, offering total coverage for your organisation.

As organisations develop multi-channel operations to respond to changing end customer behaviours, fraudsters will seek out intra-channel weaknesses and inconsistencies within the risk control framework to hide their tracks. Using our sophisticated patented link analysis technologies, we can link seemingly unrelated business transactions to reveal fraudulent applications quickly.

### A shared solution to a shared problem

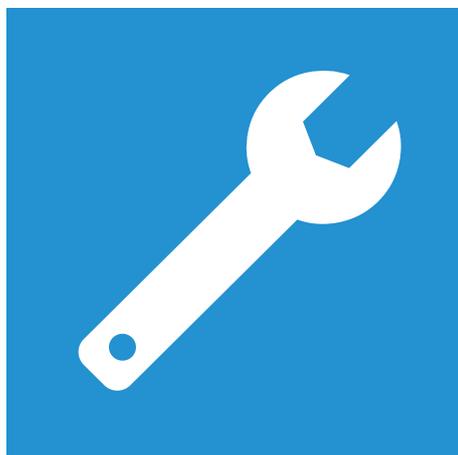
Experian identifies linked fraud using a powerful combination of data, device and behaviour, to match applications against known fraud networks. Using a complex automated data mining algorithms, it can also identify emerging unknown fraud networks across local, sectorial and national databases, and so your fraud teams can quickly close down significant threats to your business.

By creating a national fraud data sharing database, this closed user group displaces fraud to non-members and typically doubles overall levels of ROI. Experian currently operates 9 National Fraud Prevention Schemes around the world, including UK, Russia, France, Spain and South Africa, where members have experienced up to 45 percent uplift in the value of total fraud savings and up to 72 percent uplift in the number of fraud cases found.

### Improved investigation and case management

By applying scorecards, configurable rules and audit trails, Experian helps organisations define and implement a clear investigation and case management process. The ability to distribute cases according to experience, prioritise work queues, build case files with appropriate information and produce investigation reports will enhance operational processes to maximise effectiveness of fraud investigations.





## Review and improve

### Review and improve existing fraud strategies

This final element in a strategic approach to fraud risk is reviewing and improving existing strategies to keep up with current and emerging threats.

Experian helps organisations review, assess and ensure their fraud risk control capability remains effective in addressing today's threats and challenges. We also encourage the use of acquired and best practice insight to become better prepared in combatting emerging fraud practices to fully exploit tomorrow's opportunities.

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### Unlock more efficient approaches to fraud

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#### Grow your business with confidence

Investment in anti-fraud capabilities is an ongoing requirement. So, regular operational reviews help ensure all identified fraud risk controls are addressed. The ongoing capability to access and act upon insight from daily operational processes and from the wider market will enhance existing fraud methodology and processes and improve fraud defences.

No matter how many fraud solutions you have in place, our expert consultants can undertake a series of strategic reviews to help you balance risk, revenue and customer experience.

Using insights gained from our global customer base to conduct a review of trends, capabilities and practices, we can test your organisation's operational capacity to support the risk control framework and truly deliver a strategic response to fraud.

Experian offers on the ground support to review and improve your fraud strategy, liberate resource and retain revenues. By looking at existing fraud strategies, capabilities and operational practices, as well as a retrospective data analysis and gap analysis, we can help you identify ways that you can unlock more efficient approaches to fraud, reduce fraud losses, retain more revenues and keep up with changing regulations.

#### Use Experian's Strategic Fraud Consulting Services to

- Unlock more efficient approaches
- Enhance fraud strategies that deliver immediate results
- Improve fraud risk strategy, whilst balancing risk, revenue and customer experience
- Keep up with changing regulations
- Access independent assessment based on global best practices

### About Experian Decision Analytics

We help businesses unlock the value of data by applying expert consulting, advanced analytical models, software and systems to help clients solve complex problems and make confident business decisions.

We enable organisations to make accurate and relevant decisions at every stage of the customer journey by helping them: to identify potentially profitable new customers, to segment their existing customers according to risk and opportunity, to manage and grow their existing portfolios, to undertake effective collections actions, and to help detect and prevent fraud. Our analytics help to release the value of data, by providing insights to help clients solve problems and make confident business decisions.

Our integrated approach involves taking our own data, and data from our clients and third parties, and applying advanced analytical models and software to transform raw data into meaningful information and insights. We take a consultative approach and work collaboratively with our clients, to help them identify issues and focus on solutions that add value to their business and increase their return on investment.

Our solutions help our clients to improve their business operations and customer interactions.

### Did you know?

- Experian has been managing fraud data-sharing schemes for over 30 years
- Our fraud solutions have saved clients billions of dollars in prevented fraud losses
- 5 of our national data-sharing schemes process more than 75 million applications annually
- Our fraud solutions are in place at 120+ top global brands
- We currently protect 6 global airlines and 5 global banks across 5 continents
- We analyse 1+ trillion device IDs per month and 7+ billion transactions per year
- Our solutions are helping protect retail and commercial clients currently experiencing in excess of 8 million logins per day
- Clients using our fraud solutions experience staggering results including:
  - Reduced fraud by 90 percent
  - £3m savings per month
  - ROI of over 1000 percent in first 12 months

