



BOOST SALES, BEAT FRAUD

How Effective Fraud Management Can
Increase Sales and Decrease Fraud Losses

INTROS



Jack Alton

VP Sales, Kount Inc.

Over the past years, Jack has worked with hundreds of ecommerce companies, helping them reduce fraud and increase sales opportunities. His interactions with merchants, vendors, consultants and analyst in the ecommerce industry have given him a wealth of experience.



Don Bush

Marketing Director, Kount Inc.

Speaker on fraud topics at several industry events in the U.S. and Europe including: Merchant Risk Council, CardNotPresent.com, Shop.org and MasterCard Academy of Risk

Kount Inc.

Since 1998, Kount has been providing protection against fraud for CNP businesses. Kount's proprietary technology has reviewed hundreds of millions of transactions and provides maximum protection for some of the world's largest and best-known brands.



AGENDA

1. Mission
2. Fraud Today – What it Costs
3. Fraud Trends
4. Symptoms of Fraud
5. Kount System
6. Case Studies
7. Using Kount with Magento
8. Q & A



OUR MISSION



HOME

PRODUCTS

HOW IT WORKS

RESOURCES

USE CASES

PRESS / NEWS

ABOUT US

BOOST SALES. BEAT FRAUD.™

Accept more orders from more people in more markets.

WATCH THE VIDEO

MOVING BEYOND THE DEVICE [More](#)

WEBINAR: WEBINAR: BEAT FRAUD, BOOST SALES [More](#)

MORE MERCHANTS ARE TURNING TO KOUNT [More](#)

ONE SOLUTION TO RUN YOUR ENTIRE FRAUD/RISK OPERATION

Kount delivers an all-in-one fraud and risk management solution for companies that have card-not-present environments looking to simplify their fraud/risk operations while dramatically improving bottom line results. Kount provides a single, turnkey fraud solution that is easy-to-implement and easy-to-use. Kount's

RECENT NEWS

BOKU Provides Direct Carrier Billing for WorldPay Merchants

OUR MISSION

Empower merchants to **WIN THE WAR** on fraud

- An operational platform, all-in-one, SaaS solution
- Increase revenue without jeopardizing sales
- Greater usability with less complexity
- Speed & Accuracy
 - real-time analytics
 - fastest response times
 - immediate results
 - ultimate control for optimal performance

FRAUD HURTS BUSINESS

Situation

- In 2011, fraud cost businesses over \$100 Billion
 - Losses included:
 - Unrecoverable Product
 - Chargeback Fees
 - Manual Reviews, Customer Service
 - Fines and Penalties
 - Customer Satisfaction, Brand Image
- Visa reports that the number one reason for charge backs is fraudulent transactions
- 86% of fraud is committed within the first 24 hours
- Over 10,000 credit card transactions/second
- Fraud increased by 22% year-over-year, e-commerce grew 16%



FRAUD HURTS BUSINESS

Problem

- Merchants are trying to keep up with fraud to protect their bottom-line and their customers
- Merchants use up to 8 fraud prevention/detection tools
- Manual review of suspect transactions is costly and time-consuming
- Most of the time merchants don't realize they are being attacked by fraudsters until they get their chargeback report which can be 30–90 days trailing transactions
- Increases in eCommerce are driving increased fraudulent activity
- Fraudsters move fast and hone in on vulnerable opportunities
- **Most merchants are not fraud experts**

NOT
NIGERIA/

FRAUD HURTS BUSINESS

Cost of Fraud

- Merchants deploying more tools to try to compete with the increasing fraud threat. More tools, complexity, increased cost
- Over 50% of all charge backs are the direct results of fraud
- Refunds can be equal to or greater than cost of charge backs
- Average order rejection rate in U.S. is 2.4%, 7.7% internationally
- Management, reviews and escalation of suspect transactions
- Customer satisfaction and brand reputation,
recent study by American Express

BOOST SALES, BEAT FRAUD

Fraud Trends

1. Moving Beyond Chargeback Rates
2. Add Tools To Reduce Fraud
3. Securely Expand Into New Channels & Markets
4. Turning Fraud Management Into Revenue Generator

BOOST SALES, BEAT FRAUD

Fraud Trends

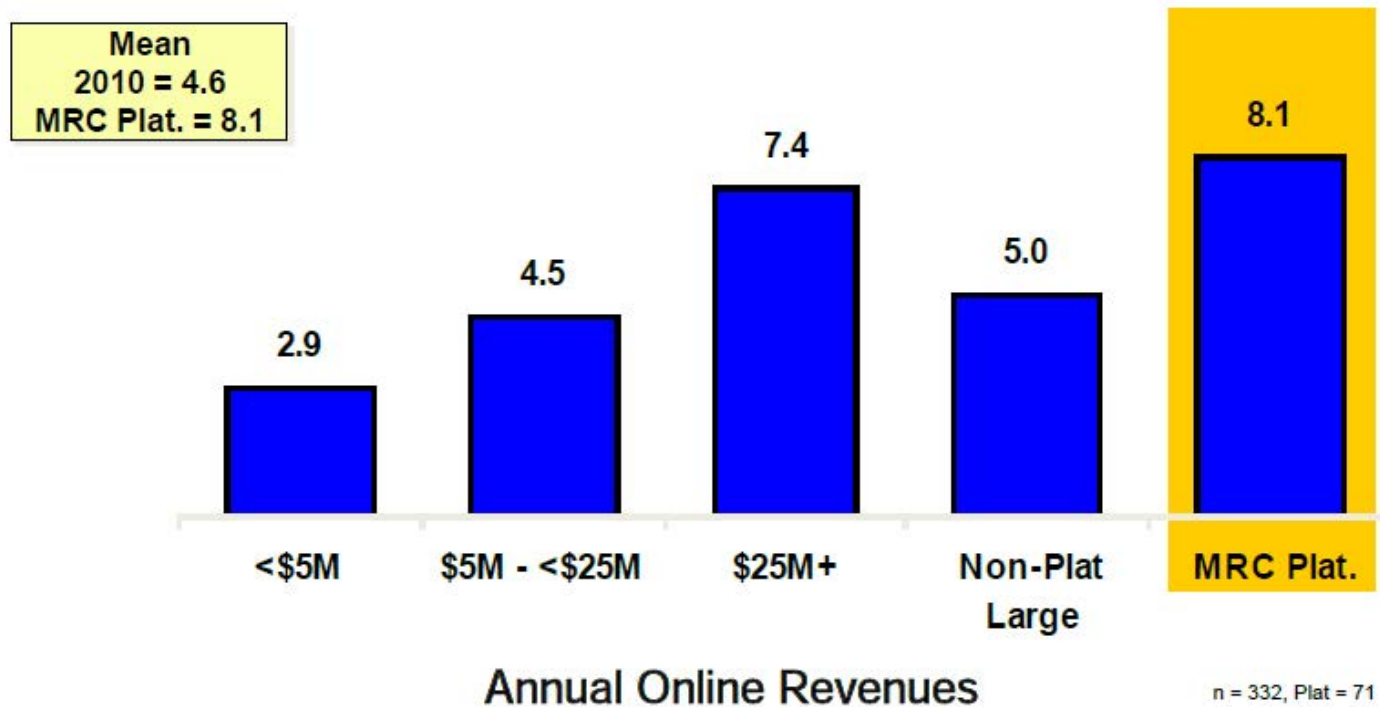
Moving beyond chargeback rates

- Where should my chargeback rate be?
- How well is my fraud strategy working?
- Will my current approach scale?

BOOST SALES, BEAT FRAUD

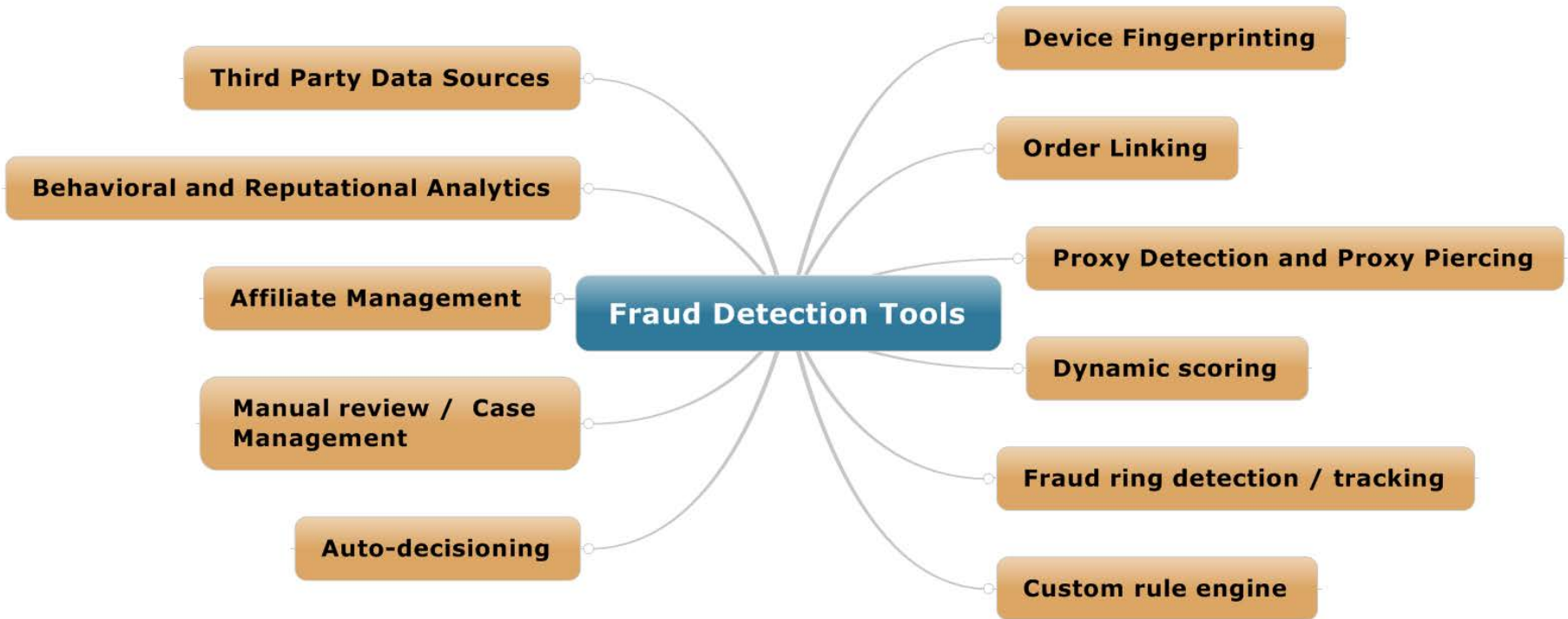
Fraud Trends – Add More Tools

Number of Fraud Detection Tools Used



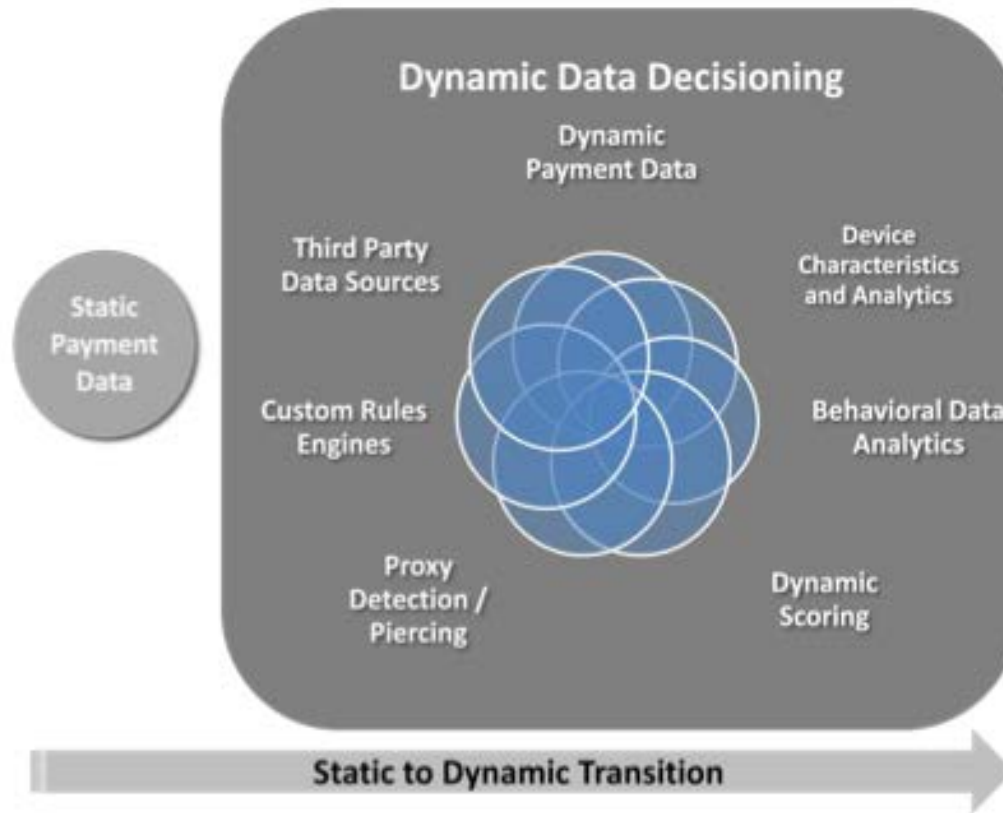
BOOST SALES, BEAT FRAUD

Fraud Trends – Add More Tools



BETTER DECISIONING

Exhibit 2: Risk Decisioning Based on Dynamic Data Sources



Source: Mercator Advisory Group, 2011

BETTER DECISIONING

Payments Ecosystem is in Transition

- Static information no longer adequate
- Dynamic data is now available through EMV
- New signals such as mobile phones
- Online behavior of customers through CRM



BETTER DECISIONING

• New / Dynamic Fraud Performance Criteria

- Speed and flexibility
- Perform comprehensive fraud control checks
- Interlock across a range of customer interactions



BOOST SALES, BEAT FRAUD

Fraud Trends

Securely Expand Into New Channels and Markets

- How to a maximize my on-line presence?
- What about high risk countries?
- What is my upside?

BOOST SALES, BEAT FRAUD



“70% of CFOs surveyed named revenue from foreign markets as the growth factor they expect to generate at least modest gains...13% of them expecting marked increases.”

BOOST SALES, BEAT FRAUD

Fraud Problems

- Affiliate-generated quality leads/sales (or lack thereof)
- System-gaming
- Organized systematic penetration
- Friendly fraud
- .731% - Average chargeback rate
- Fines for entering Visa and MasterCard charge back monitoring and RIS programs
- Acquirer and Amex reserves

BOOST SALES, BEAT FRAUD

Typical Remedies

- Turn off affiliate marketing
- Turn off IP-addresses on a continent-wide basis
- Suppress or constrain global expansion
- Create multiple merchant accounts to 'hide' chargebacks
- Try to build custom fraud screening – or deploy minimal fraud tools (CVV, AVS) – in-house.
- Cross fingers

BOOST SALES, BEAT FRAUD

Recognizing Symptoms of Fraud

- Charge back rate above .5% or 50 basis points
- Return rate higher than 1%
- Rejection rate higher than 1%
- Abandonment after submitted transaction
- Affiliate turnover
- Manual reviews above 10%
- Too many rules for catching fraud

BOOST SALES, BEAT FRAUD

Best Defense



BOOST SALES, BEAT FRAUD

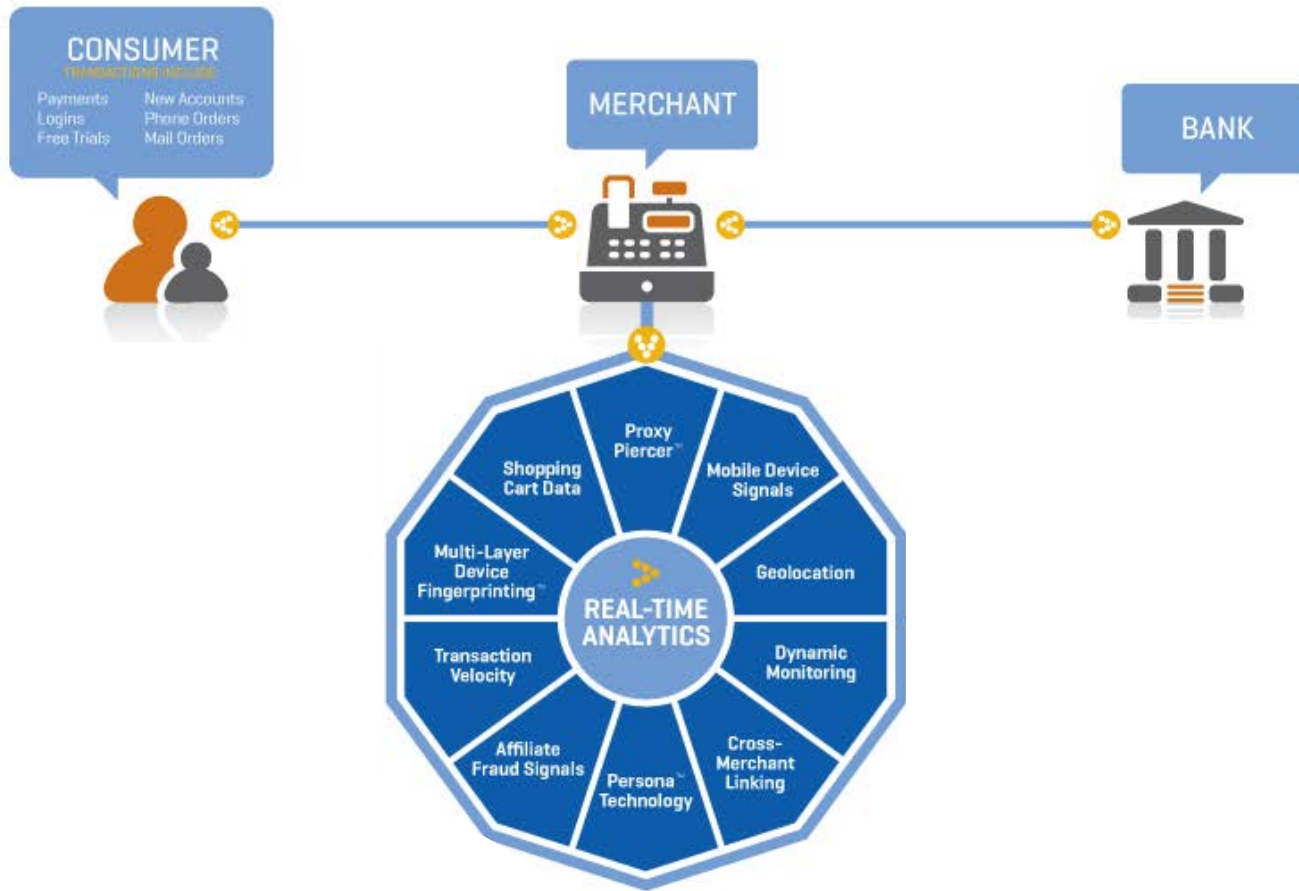
Best Defense



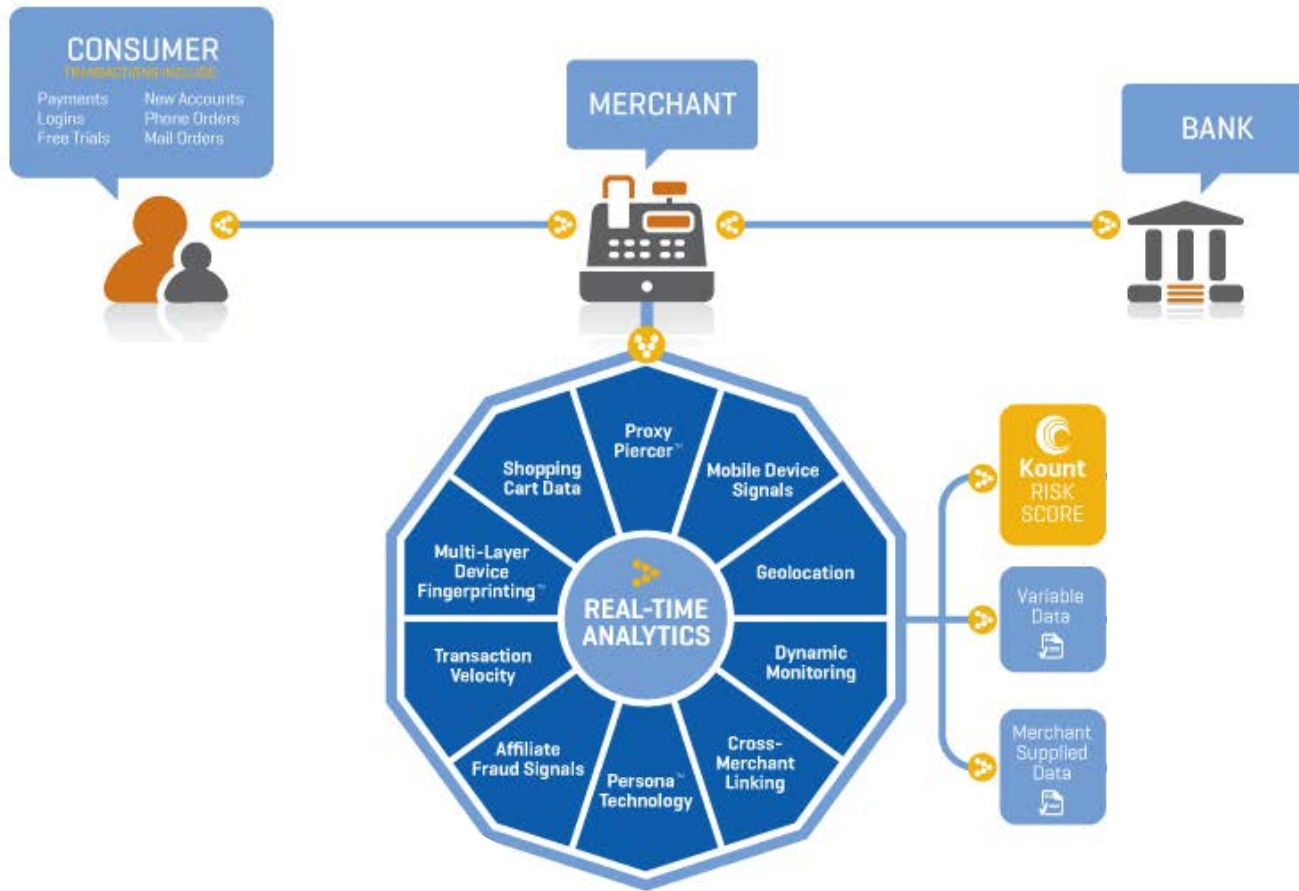
KOUNT SYSTEM



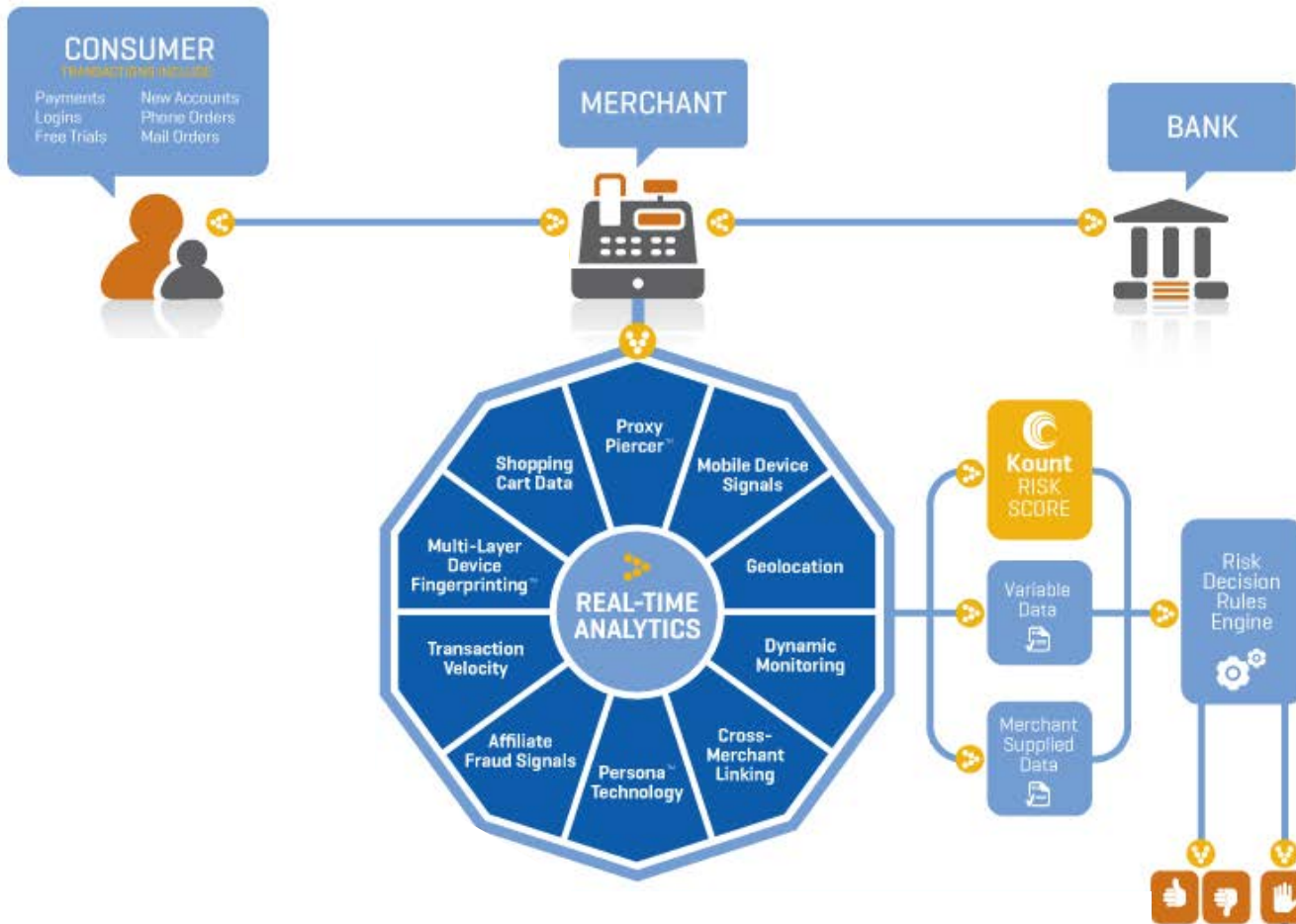
KOUNT SYSTEM



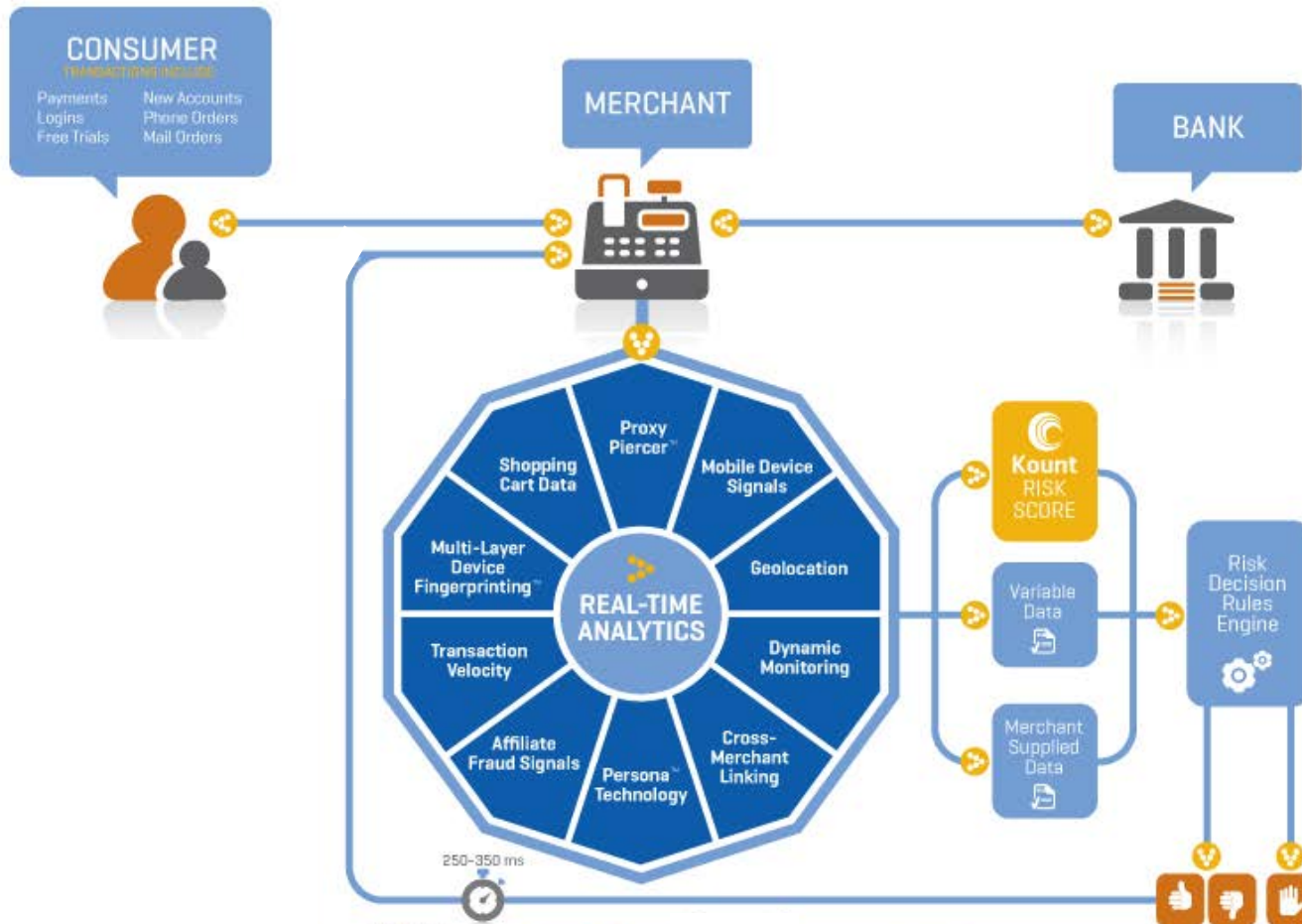
KOUNT SYSTEM



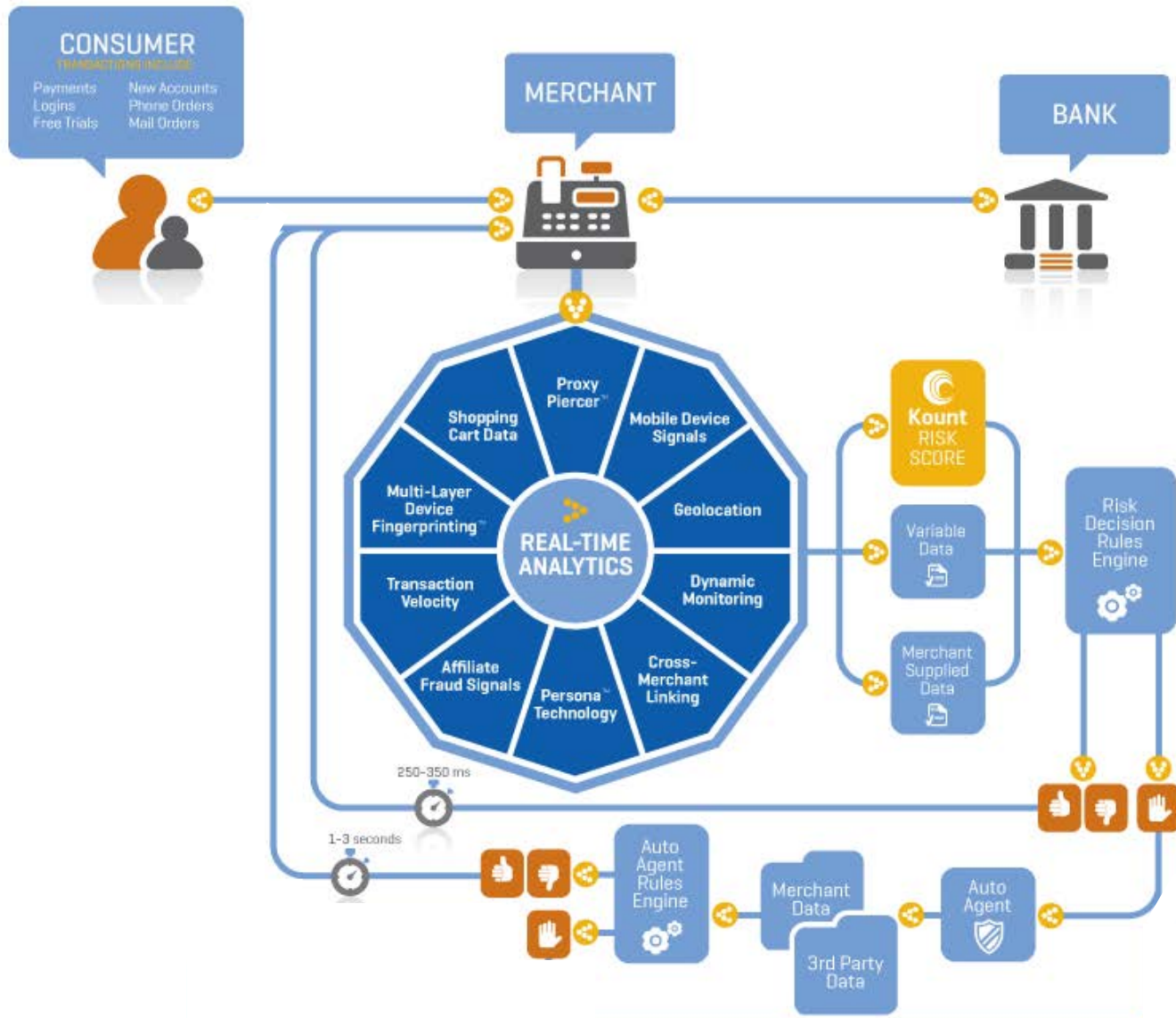
KOUNT SYSTEM



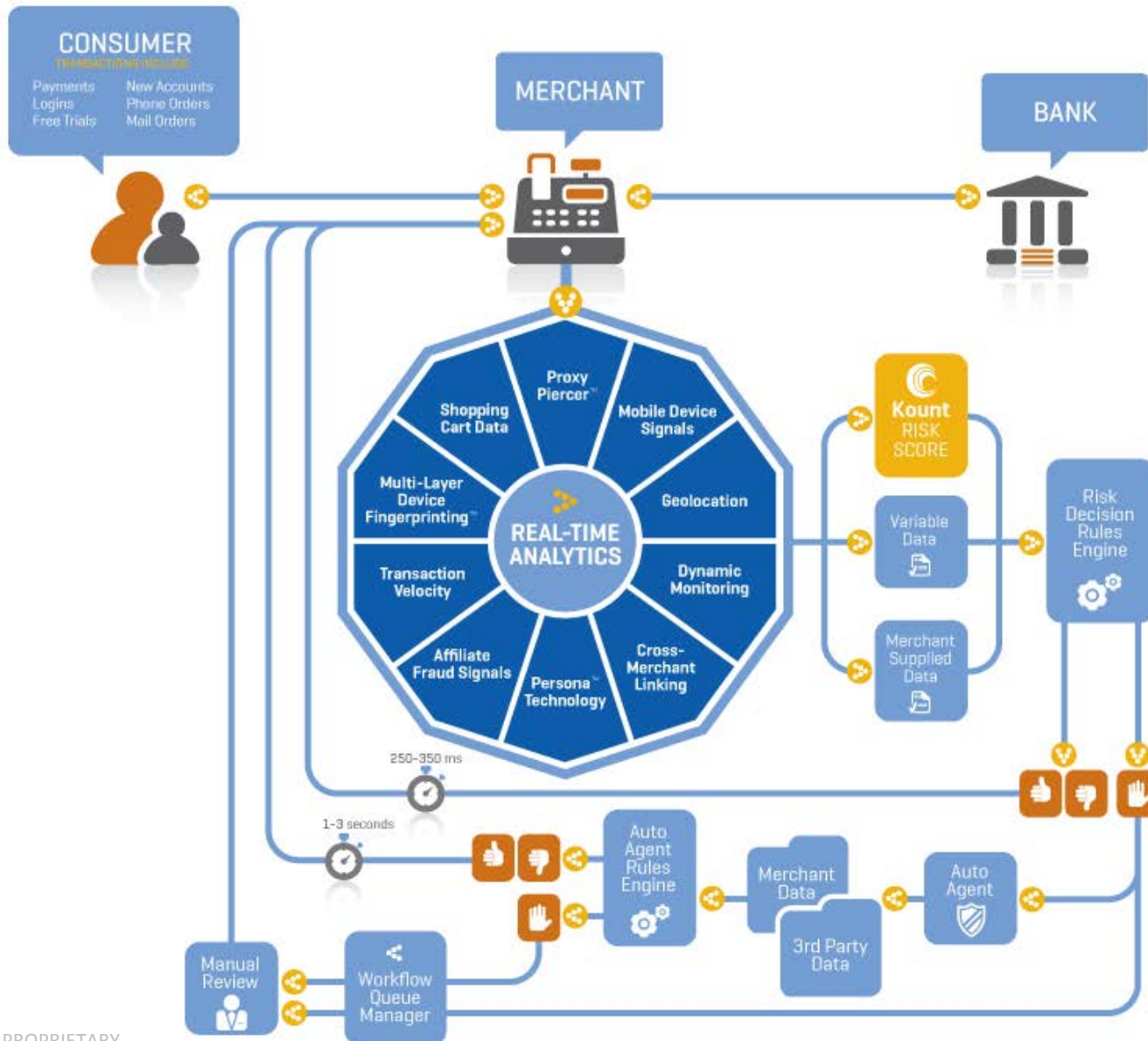
KOUNT SYSTEM



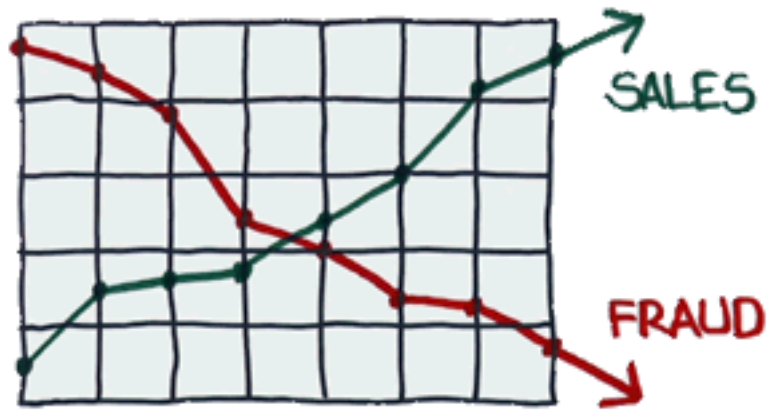
KOUNT SYSTEM



KOUNT SYSTEM



OUR MISSION



BOOST SALES, BEAT FRAUD

Case Study – Bodybuilding.com

- #1 Sports Nutrition E-Retailer
- World's Largest Online Fitness Community
- Over 250,000 Unique Daily Visitors
- #152 on Internet Retailer top 500
(#5 in health category, #11 with Liberty Media)
- Featured in Ironman Magazine, Wall Street Journal and the New York Times

BOOST SALES, BEAT FRAUD

Case Study – Bodybuilding.com

Situation

- In-house, internal fraud controls
- 1%+ chargeback rate
- Overseas sales negatively affected due to poor fraud detection (Armed Services customers)
- High “decline rate”
- Manual review percentage too high

BOOST SALES, BEAT FRAUD

Case Study – Bodybuilding.com

Solution

- Implemented Kount Fraud Platform
 - Less than 30-days to implement
- Spent 30 days optimizing rules

BOOST SALES, BEAT FRAUD

Case Study – Bodybuilding.com

Results

- Chargeback reduction of 85%
 - Current CB rate of .20 - .30 or 20-30 basis points
 - Saving \$90,000/month in fraud losses
- 14% reduction in Declined Orders
 - Overall decline rate <1.50%
- 5% increase in overall transactions

BOOST SALES, BEAT FRAUD

Case Study – Bodybuilding.com

Results

- Average response time 304 milliseconds
 - 99.5% sub second response
- Increased operational efficiency through automated workflow tools
- No customer/order interruption
- Expanding to new markets for sales

BOOST SALES, BEAT FRAUD

Case Study – CDBaby

Situation

- World's largest online distributor of independent music
 - Helps artist sell to iTunes, Amazon and Facebook
- Over \$200 million in commissions paid
- Fraudulent artists & affiliates
- Paying out 75% commissions
- Charge backs/Fraud 2.5%+, \$26,000 lost in one month
- Reputation at stake with some of the larger brands they partner with

BOOST SALES, BEAT FRAUD

Case Study – CDBaby

Result

- Kount reduced fraud by 96%
 - Results in less than 30 days
- Fraud losses average \$850/mo.
- **NO** loss in revenue
- Great relationship with iTunes

BOOST SALES, BEAT FRAUD

Summary

- Several data points can help determine fraud
- Managing fraud requires a complete strategy, not more tools
- Fraud management should not be inhibiting your ability to sell more
 - It should allow you to expand into new markets and channels with increased confidence
 - Fraud management doesn't need to be a cost center

BOOST SALES, BEAT FRAUD

How Does Kount Work With Magento?

Magento Payment Bridge



BOOST SALES, BEAT FRAUD

How Does Kount Work With Magento?

Magento Payment Bridge

Payment Services Save Config

3D Secure Credit Card Validation

Kount Fraud Detection

Enabled	No	[WEBSITE]
Kount Merchant ID		[WEBSITE]
RIS Certificate	<input type="button" value="Choose File"/> no file selected	[WEBSITE]
	▲ RIS Certificate File requested in Kount Agent Web Console. If a file is not uploaded, generic Kount Certificate will be used.	
Certificate Password		[WEBSITE]
	▲ Password for RIS Certificate	
Test Mode	No	[WEBSITE]

Payment Bridge Styling



BOOST SALES, BEAT FRAUD

How Does Kount Work With Magento?

Magento Community Edition



BOOST SALES, BEAT FRAUD

Kount Integration Options

Save Config

Kount Account Information

Merchant Number	<input type="text" value="195000"/>	[GLOBAL]
	▲ Your 6 digit merchant number you wish to use from theAgent Web Console.	
Website ID	<input type="text" value="DEFAULT"/>	[GLOBAL]
	▲ The Website ID from theAgent Web Console, exactly as it appears.	
Server Mode	<input type="text" value="Test"/>	[GLOBAL]
	▲ The server mode use with to use with Kount.	
PEM Certificate File	<input type="text"/> <input type="button" value="Browse..."/>	[GLOBAL]
	cert.pem <input type="checkbox"/> Delete File ▲ The client authentication certificate file from theAgent Web Console.	
PEM Key File	<input type="text"/> <input type="button" value="Browse..."/>	[GLOBAL]
	key.pem <input type="checkbox"/> Delete File ▲ The client authentication file from theAgent Web Console.	
PEM Password	<input type="text" value="....."/>	[GLOBAL]
	▲ The password associated with your PEM certificate file.	
Phone-to-Web Orders	<input type="text" value="Yes"/>	[GLOBAL]
	▲ Enable Phone-to-Web orders, and exclude IP Address.	
IP Address Exclude	<input type="text" value="192.168.1.5"/> <input type="text" value="192.168.1.6"/> <input type="text" value="192.168.1.8"/>	[GLOBAL]



PRICING OPTIONS

- One-time Integration Fee
- Transaction Based
 - Generally for larger customers
 - Fees are based on monthly transactions
- Subscription Based
 - Customers looking for predictable cost structure
 - Locked-in for contract period
- PrePaid Option
 - Purchase a block of transaction reviews
 - Helps with end of year budgeting
 - Testing Kount platform

PRICING OPTIONS

½ OFF

*Integration Fee
Limited Time!*

- One-time Integration Fee
- Transaction Based
 - Generally for larger customers
 - Fees are based on monthly transactions
- Subscription Based
 - Customers looking for predictable cost structure
 - Locked-in for contract period
- PrePaid Option
 - Purchase a block of transaction reviews
 - Helps with end of year budgeting
 - Testing Kount platform

HOW TO GET STARTED

- Contact Kount or Magento Representative
- ROI Analysis
- Review Pricing Options
- Boost Sales, Beat Fraud
 - Sell more things, to more people, in more places

BOOST SALES, BEAT FRAUD

Q & A

Jack Alton,

jack.alton@kount.com

208.489.2701