

## The Importance of Fraud Management in Online Business

St. Gallen, Switzerland, January 31<sup>st</sup>, 2012 –The fight against fraud these days has taken a new approach, one which is more effective and fruitful. The key to combat online fraud is to minimize rather than delete the number of fraudulent orders, and manage and optimize that minimal percentage of fraud. Savvy merchants are aware that having zero online fraudulent chargebacks probably means genuine orders have been rejected, and that fraudsters most likely will use a new and undetected fraud scheme to make profit. Fraud is in short an unavoidable part of online business. Reducing online fraud is one of the biggest challenges e-merchants face when making their business grow. Choosing an adequate fraud management solution that effectively reduces online fraud and optimizes the fraud rate that cannot be avoided is not only vital for business growth– it has become a question of business survival.

When facing the challenge against fraud, the first question that pops up into e-merchants’ minds is whether to outsource the fraud protection operations or rather manage them in-house. In-house or outsourced, those merchants looking for the definite solution which will sweep fraud away from their businesses at a stroke perhaps should reconsider their expectations. There does not seem to be a rule of thumb or one single method which can combat fraud effectively if used alone. When deciding how to combat online fraud, online merchants should consider the following factors:

<p><b>Comprehensive fraud protection</b> Filter out fraudulent orders and ensure the maximum number of genuine orders is processed.</p>	<p>An effective fraud protection should treat fraud as whole, using an array of automated verification tools to minimize genuine orders being flagged as fraudulent transactions, thus reducing customer loss and maximizing the customer experience.</p>
<p><b>Total costs involved</b> Setup and transaction fees as well as any other unexpected costs which might alter the company’s designated budget.</p>	<p>Over and above the obvious fees, fraud-related costs include time invested by verification staff, expenses of developing systems and training staff, reputational damage caused by unhappy customers and lengthy verification processes, amongst many others.</p>
<p><b>Clear and accessible information</b> Key findings on customers’ consuming patterns, latest fraud trends and reasons why orders are rejected.</p>	<p>Know your enemy and know your customer, and the battle against online fraud will be eased. Background information on customer, device used, fraud trends and current menaces give merchants a clear picture of where their businesses stand in the fraud scene.</p>

Whether merchants decide to build up their own verification team or to outsource fraud protection operations to a service provider, they should be aware of the implications of such decision in the long-term objectives of their online business. The following chart gives a quick look at the advantages and the limitations of both in-house solutions and services provided by professionals in terms of system adaptability to business’ needs, general costs and resources as well as information available to merchant:

		In-house Systems	Outsourced Systems
<b>ADVANTAGES</b>	<b>System Flexibility</b>	Tools are adapted to business’ needs as e-merchants choose their own risk thresholds	Most tools can be customized to meet e-merchants’ needs
	<b>General Costs</b>	Initial costs are low	Extensive offer available in different price ranges
	<b>Resources</b>	Merchants have total control of the resources allocated to combat fraud and rely entirely on their own staff to perform fraud checks	Experienced, well-trained personnel means rapid reaction to sudden changes in the fraud scene and system updates. Better position to gain agreements with industry players.
	<b>Information available</b>	More flexibility: merchants choose which information must be gathered and how it must be stored and used	Information on industry findings accessible



	In-house Systems	Outsourced System	
<b>LIMITATIONS</b>	<b>System Flexibility</b>	Merchants tend to focus on only one way to combat fraud and lose part of the whole picture	Customization varies on the provider and it is usually restricted by the provider's own parameters
	<b>General Costs</b>	Maintenance and update costs are high (e.g. time spent in manual verification and training periods for staff)	Initial costs tend to be higher than in-house systems and some solutions might entail hidden costs, unplanned by e-merchants
	<b>Resources</b>	Poorly experienced staff means limited capabilities to react to new fraud schemes and update tools.	Services available vary on provider
	<b>Information available</b>	Merchants compile and store their own information	Information on customers' behaviour is not always available, depending on provider

In addition to the charts above, e-merchants can further assess the effectiveness of their current internal or outsourced system by answering the following questions:

- Does the current system guarantee the maximum number of genuine orders is processed?
- Is the cost of updating and maintaining the system/team the same as what was initially budgeted?
- Is the information about fraudulent orders and other key findings easily accessible?
- Is the system adapted to the business needs?

If the answer to one or more of the above questions is *no*, merchants might need to reevaluate the effectiveness of their fraud protection system.

At CashRun we believe online merchants should simply focus on what they do best: making their business grow. That is why an increasing number of online merchants entrust their fraud management operations to our leading solution **CashShield, the ultimate platform to minimize and manage online fraud and optimize the risk per chargeback.**

#### CashShield's proven risk algorithm

- ✓ Ensures the maximum number of genuine orders is approved
- ✓ Screens every order in real time with 200 automated verification tests
- ✓ Covers any approved order with the market's unique 100% Chargeback Protection policy
- ✓ Guarantees business stays ahead from new fraud trends by constantly enhancing its rules and parameters
- ✓ Allows access to all information about order, device and customer through its user-friendly Merchant Platform

**CashShield assesses and takes responsibility for the risk of fraud as a whole involved in online sales and optimizes the risk per chargeback, helping merchants manage fraud effectively and making online businesses grow without affecting the long-term objectives.**

For more information, kindly check <http://www.cashrun.com/cashshield> or contact [enquiries@cashrun.com](mailto:enquiries@cashrun.com)

#### About CashRun – [www.cashrun.com](http://www.cashrun.com)

CashRun was established in 2007 with the objective of supporting businesses' needs for effective and affordable online payment solutions. Since establishment, CashRun has had tremendous success with industries that are sensitive towards fraud, and continues to be at the forefront for e-commerce solutions. With strong global presence and partnerships, CashRun supports businesses to develop firmly their core competencies, protect as well as maximize their revenues and growth, and minimize the risks credit card fraud presents to their operations.

