



Arrest Credit Card Fraud Effectively with BPO

How Outsourcing can Help the Airline and Travel Industry Prevent Online Fraud

Deepak Anand, Senior Vice President,
Travel and Leisure Services, WNS Global Services

The resignation of Alibaba's Chief Executive Officer last month due to insufficient fraud controls in the company has set off alarm bells across management circles in every online market. An internal investigation found that 2,000 sellers on the Alibaba site that connects thousands of Chinese factories with the rest of the world were committing fraud, with the full knowledge of some of the company's employees. The online industry has been facing a challenging situation given the phenomenal growth of Internet-based transactions and with it the advancement of online fraudsters. *The Deloitte Airline Fraud Report 2010* that surveyed airlines across the world, pegged industry losses at approximately USD 5.6 billion in 2010. The same report also stated that airlines have cited credit cards as the number one fraud risk factor. Each airline loses an average of over USD 2.4 million a year due to undetected fraud.

The increased use of credit cards, rising economic pressure, growth of organized crime, weak fraud detection technologies and lack of resources dedicated to online fraud prevention have encouraged fraudulent transactions. For instance, in the case of fraudulent last minute e-ticketing, there is no way to detect it until it is too late. Fraudsters are now exploiting automated technologies to their benefit. Even in the case of existing internal knowledge and 'blacklisting' of possible fraudsters, often the fraud is stopped only after repeated losses, as most firms have limited internal expertise on fraud. According to Consumer Credit Mediation in October 2010, merchants have consistently reported an average loss of 1.4 percent of revenues to payment fraud. Most of this loss was attributed to the fees merchants have had to pay as a result of consumers knowingly or unknowingly filing charge-backs. In this scenario, fraud prevention for online credit card transactions is of utmost importance and preventive measures are the need-of-the-hour.

Limitations of Manual Review Systems

As per the *2009 Online Fraud Report* by CyberSource, on an average, merchants manually review one out of three orders. Large online merchants that employ more automation continue to have much lower manual review rates. Manual review systems cannot be entirely done away with and Business Process Outsourcing (BPO) firms are helping companies accomplish this more efficiently through process innovations focused on business outcomes. The detection of fraud traditionally involved asking the cardholder to complete an authorization form along with a copy of both sides of the credit card. The documents would then be faxed across to the merchant firm, where the copy of the card was verified by comparing the signature on the form and the card. Approval or decline of the transaction could thus take from a few hours to a few days.

Problems faced with a manual review system:

- Labor-intensive
- Prone to error and inaccuracies
- More expensive
- Time-consuming
- Limited to company working hours
- Can involve cancellations of bookings of genuine customers

Business Process Outsourcing Curbs Losses

eCommerce continues to grow while manual resources remain relatively fixed. Merchants face the challenge of screening increasing online orders while also focusing on keeping order rejection and fraud rates low. Manual review staffing cannot be increased at the same pace as that of fraud incidence.



CyberSource reports that only 13 percent of online merchants expect to increase manual review staff and 9 percent anticipate decreasing staff levels. The same report states that merchants have identified improving their automated detection and sorting capability as a key area of focus for 2011.

New markets such as healthcare, Web 2.0 companies, social networks and online gaming companies are gradually adopting fraud detection technology and solutions (Gartner, January 2010). 65 percent of airlines outsource their online fraud management to third-party service providers. Leading BPO providers like WNS are combining automated tools with offshore capabilities to prevent fraudulent airline bookings, minimize loss of revenue to the company and decrease charge-backs and bad debt write-offs.

The key advantages of partnering with a third-party provider for reduction of online credit card fraud are that merchant firms:

- Have access to skilled personnel and experienced investigators who are equipped with the required training and industry-specific skill-sets
- Have well-defined metrics to measure the process performance
- Can reduce revenue loss through improvements in the fraud detection ratio
- Can increase efficiency by strengthening the fraud detection system
- Have access to 24x7 support that prevents fraudsters from operating after company working hours
- Can perform additional reference checks to identify fraudsters and provide periodic reports to the company. This, in turn, helps prevent cancellation of bookings and orders of genuine customers

The WNS Approach

Credit Card Fraud Detection System for a Leading Global Airline

WNS has successfully implemented a credit card fraud detection system for a leading global airline.

The objective was to identify potential fraudulent bookings on the airline's Website and prevent fraudsters from traveling. In addition, the mandate was to reduce charge-backs due to fraud, minimize loss of revenue to the airline and prevent the misuse of customer credit cards.

WNS's solution:

- A 24x7 process with a significant size team monitoring all credit card activities
- Operating on approximately 150,000 transactions
- Transactions were quality checked for accuracy of decisions taken post investigation – fraudulent or legitimate

Benefits delivered to the client by WNS included:

- Prevented fraud transactions worth USD 18.5 million against a goal of USD 11 million in 2009
- Projected loss (charge-backs) for 2010 – USD 7 million (72 percent reduction from 2009)
- Year-to-date loss was USD 5 million in 2010 compared to a loss of USD 17.3 million in 2009

Fraud Management for a North American Travel Agency

WNS was engaged to detect fraudulent transactions made on the travel portal with credit cards while making travel bookings. The detection not only minimized revenue loss for the client but also supported the client's mission of proactive fraud prevention for their customers.

WNS's solution:

- A 24x7 process involving a team of a significant size monitoring all credit card activities
- Involving outbound and inbound calls
- Approximately 350,000 transactions checked for fraud annually

Benefits delivered to the client by WNS included:

- Improvement in fraud detection ratio (7–9 percent of total fraud queues)
- Constant feedback on observed frauds leading to improvement in online fraud detection systems and procedures

To learn more, please write to us at info@wns.com