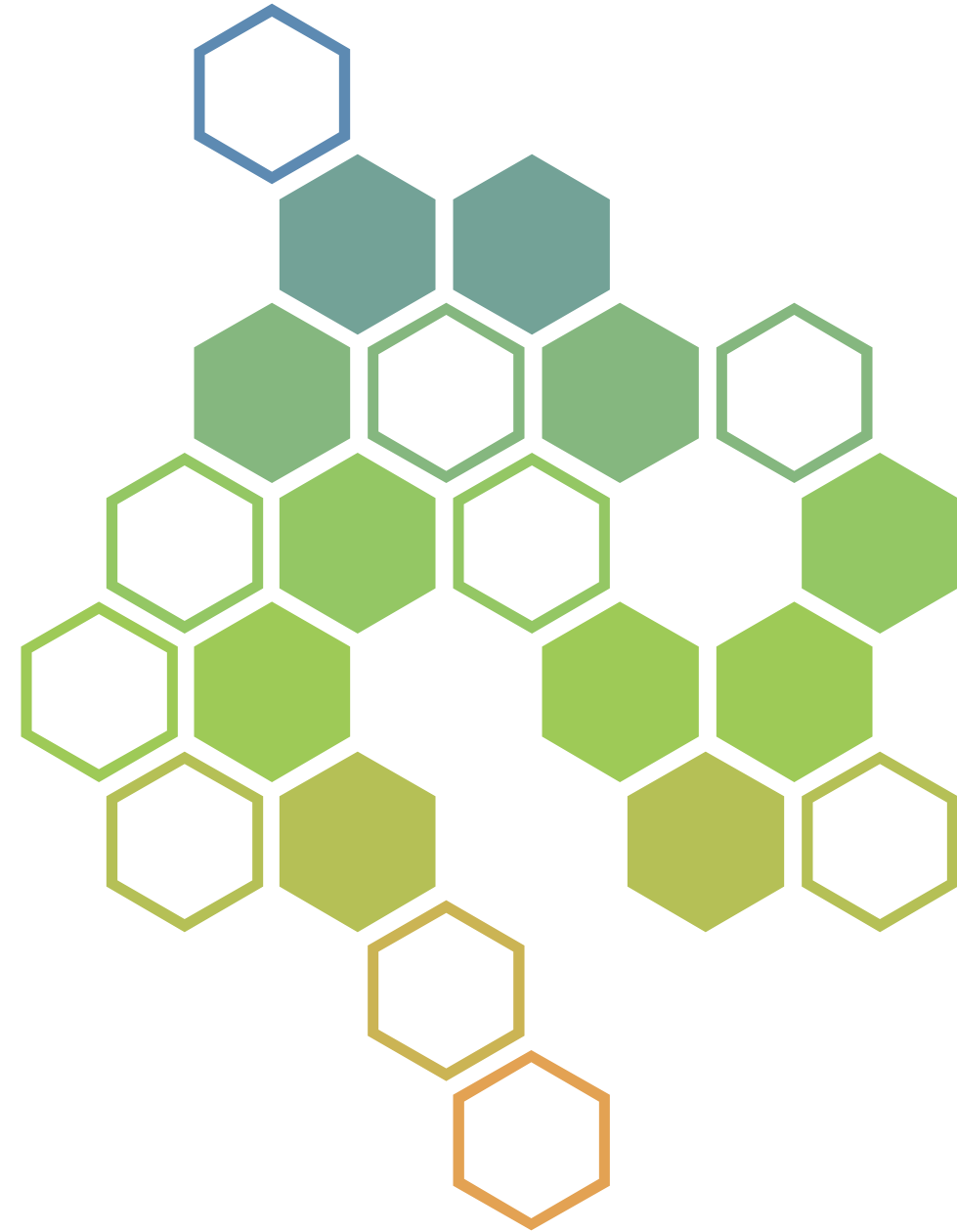


**FACT OR FRICTION – INDUSTRY
COLLABORATION NOW
TACKLING THE NEW #1
PROBLEM: FALSE DECLINES**

Joel Siegmund, Manager of Market Development



ethoca™

FRIENDLY FRAUD

FRIENDLY FRAUD refers to fraud that is committed when an individual had knowledge of and/or was complicit with – and/or somehow benefited from – the transaction on their own account although the individual reported the transaction as unauthorized.

Friendly fraud covers a spectrum of activities from benign to hostile



1

**Descriptor
Confusion**



2

Household



3

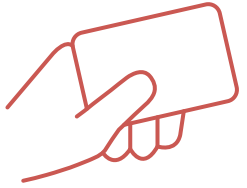
Buyer's Remorse



4

Gaming the System

THE NEGATIVE EFFECTS OF FRIENDLY FRAUD



CARDHOLDER

- Bad experience
- Purchase friction
- Card on file breakage
- Card reissue



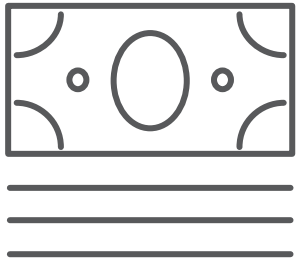
MERCHANT

- Bad customer experience
- Lost revenue
- Chargeback / representment cost
- Decreased acceptance



ISSUER

- Bad cardholder experience
- Increased OPEX
- Spend on card decreases
- Rules engine noise
- Card reissue

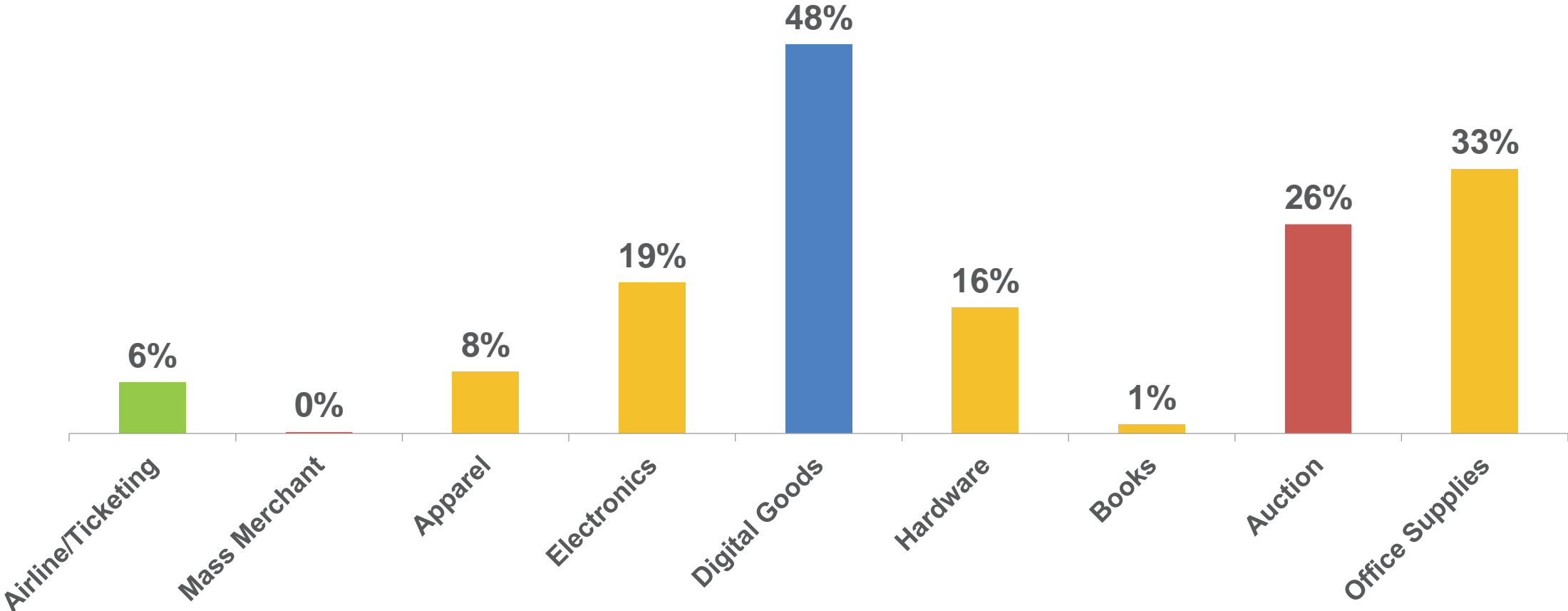


28%

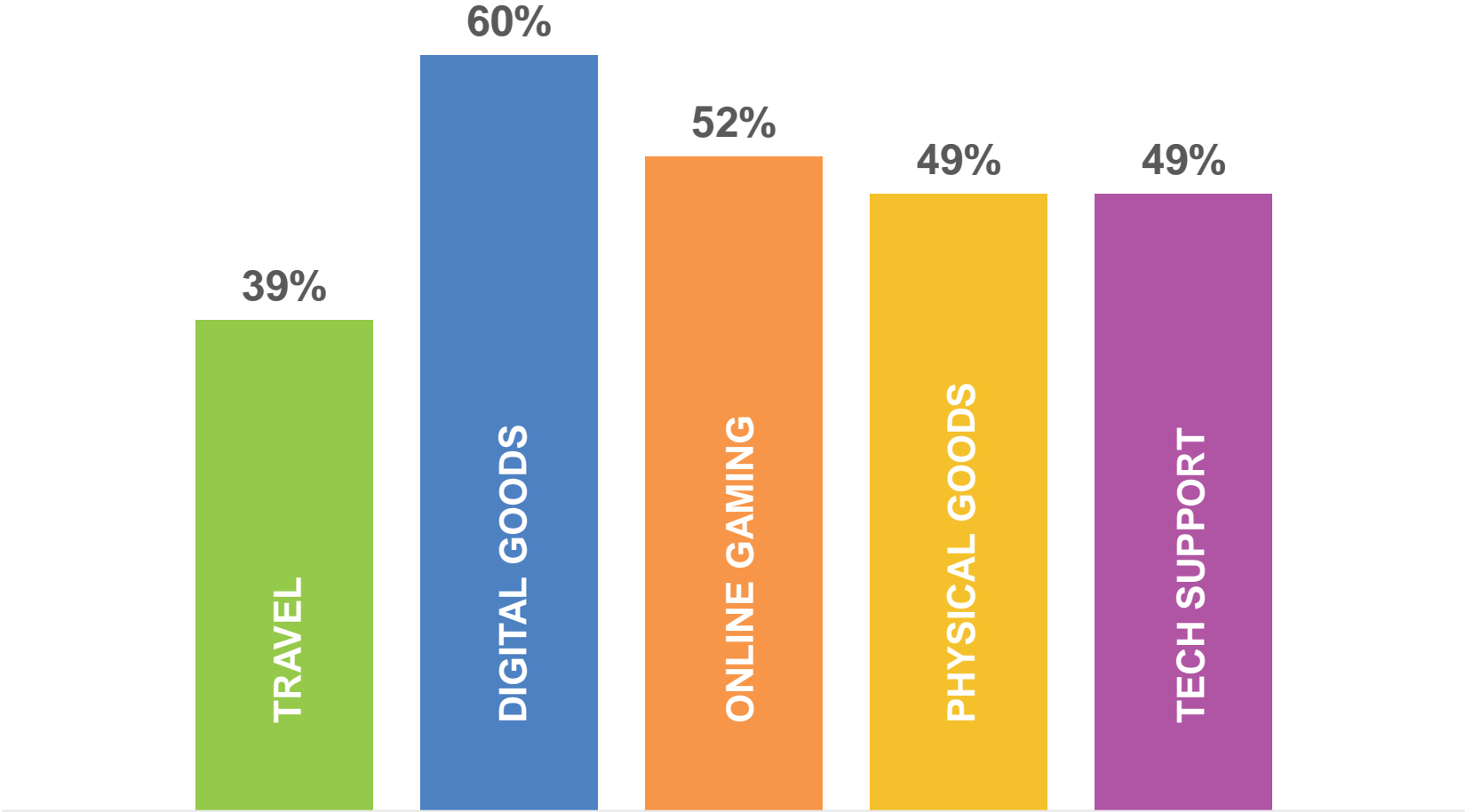
Percent of total ecommerce revenue lost to 'friendly fraud'.

Source: MRC

Ethoca Survey – Friendly Fraud Rates by Industry: 2016



Ethoca Survey – Friendly Fraud Rates by Industry: 2018



HOW DOES FRIENDLY FRAUD CONTRIBUTE TO FALSE DECLINES?



Good transactions are coded as fraud.



Dynamic, self-learning fraud models get tuned incorrectly.



Merchants, issuers and acquirers decline more.



Good customers are turned away.

FALSE DECLINES

False Declines occur when good transactions are wrongly rejected due to the suspicion of fraud. As a result, cardholders often elect to abandon a purchase, seek a different online store, or use an alternative payment card.



\$118B

The value of transactions
falsely rejected by U.S.
card issuers in 2014.

Source: Javelin 2014

versus



\$9B

The value of actual
fraud measured by U.S.
card issuers in 2014.

Source: Javelin 2014

13-1

Ratio

Where should your
focus lie?

The difference between digital and physical goods...



3 - 4% Decline rates for physical goods



15%+ Decline rates for digital goods

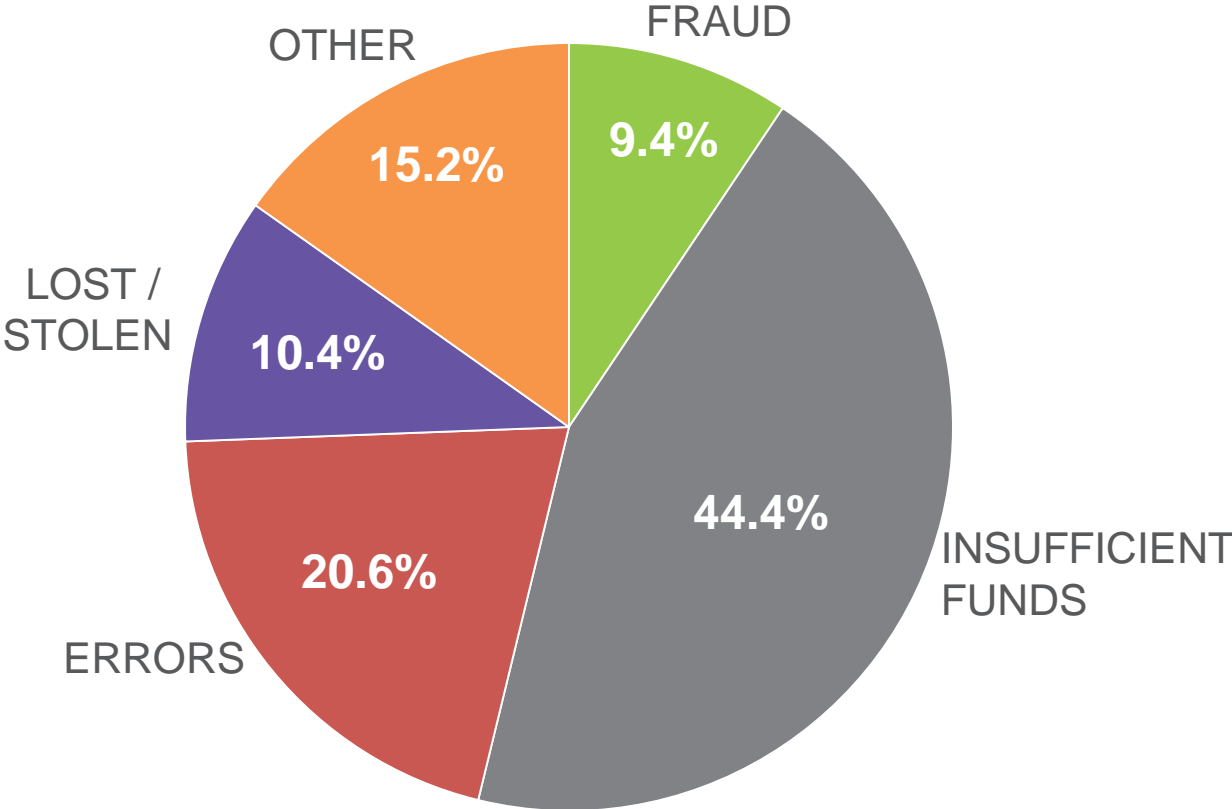
Source: Ethoca



32.5% of cardholders don't retry a purchase after a false decline.

Source: Ethoca

AVERAGE MERCHANT DECLINE RESULTS



- 102 DECLINED – FRAUD
- 116 DENIED – INSUFFICIENT FUNDS
- 146 DENIED – EXPIRY DATE INCORRECT
- 197 DENIED – INCORRECT CVV2
- 208/209 LOST/STOLEN
- ALL OTHER DECLINES

Source: Ethoca

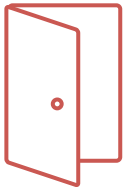
HOW DO FALSE DECLINES IMPACT MERCHANTS?



Lost sales/revenue



Poor customer experience



Encourages customers to use competitors



Brand damage

HOW CAN MERCHANT-ISSUER COLLABORATION HELP?

What is a Collaboration Network?

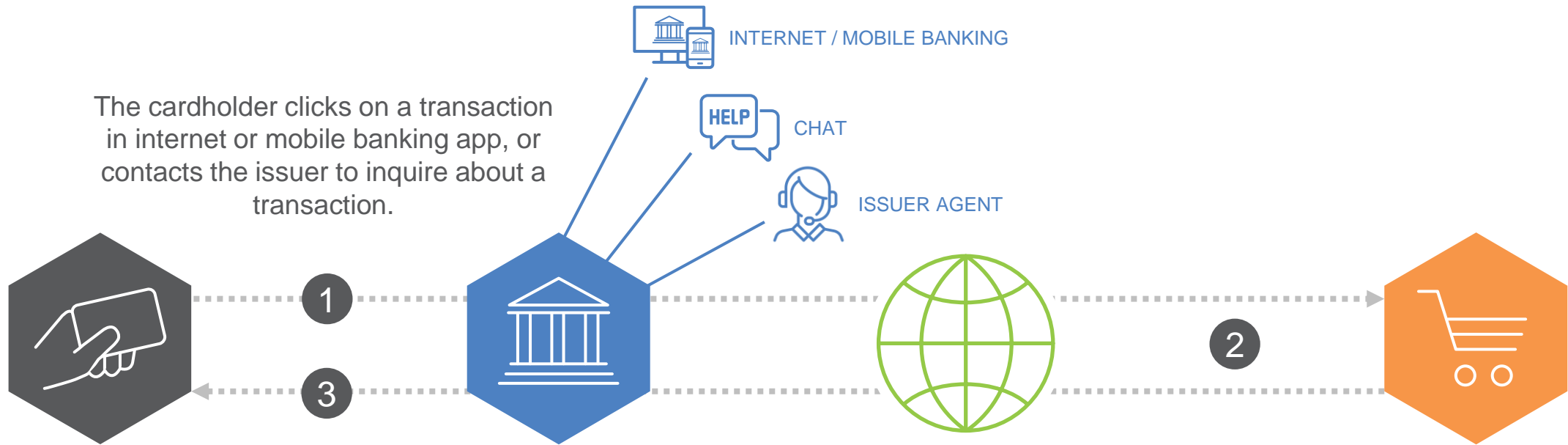


Now customers and issuers have the info they need



Real-time collaboration can resolve multiple forms of friendly fraud





The cardholder clicks on a transaction in internet or mobile banking app, or contacts the issuer to inquire about a transaction.

Cardholder recognizes their purchase after presentation of digital receipt, or after conversation with the agent. As a result of this quick and easy process, the cardholder experience is improved.

The solution retrieves in-depth transaction details from the merchant and immediately presents it to the cardholder or the appropriate issuer channel.

REALTIME DASHBOARD FOR ISSUER CALL CENTER AGENTS

Merchant Details

MERCHANT INFORMATION

Merchant Name or Descriptor
Netflix

Netflix
+1 (866) 579-7172
100 Winchester Circle
Los Gatos, CA 95032
<https://help.netflix.com/en>
[Terms and Conditions](#)
[Refund Policy](#)

NETFLIX IS THE WORLD'S LEADING INTERNET SERVICE with 130 million memberships in over 190 countries. Members can watch as much as they want, anytime, anywhere, on any internet-connected screen. Members can play, pause and resume, with commercials or commitments.

INSTRUCTIONS FROM MERCHANT: Visit help.netflix.com for assistance and contact options.

ADDITIONAL INFORMATION

How does Netflix work?
For more information on Netflix and how it works, visit [How does Netflix work?](#)

How do I manage my Netflix subscription?
You can manage your Netflix account at www.netflix.com/Account. From here you can:
Update method of payment
Access billing date
Change Netflix plan
Update Netflix credentials
Cancel Netflix account

For support or more information on Netflix features, visit help.netflix.com.

I signed up for Netflix but got charged right away. I thought I was supposed to get a free trial.
Visit [Netflix Help Center: About Free Trials](#) or contact Netflix at help.netflix.com for assistance.

How does Netflix charge my account?
Netflix is a pre-paid monthly service and will charge you every month on the date you signed up. You are billed at the beginning of your billing cycle and may take a few days to appear on your account. If you are on a free trial, you won't be charged until the following month on the date after your trial ends.

For more information, visit [How does Netflix charge my account?](#)

Itemized Receipt and In-Flight Refund

TRANSACTION RECORD ARN: 2512345678901234567890125 Authorization Code: 34AT26 FULL RECORD

SUMMARY

Eric Sanders Account **\$ 13.77 USD** Purchase Total **GOOGLE** Merchant

REFUND ISSUED - \$ 13.77 on Aug 23, 2018
Refunds can take 7-10 days to appear in the cardholder's account.
[Refund Receipt](#)

RECEIPT

Google LLC
1600 Amphitheatre Parkway
Mountain View, CA 94043

Order # SOP8976-1234-1234-000001_99
Order Date Aug 12, 2018
Account Eric Sanders
User Name esanders1973@gmail.com
IP Address ---
Device Name ---

ORDER DETAILS

Items Ordered	Artist/Seller	Quantity	Price
HoursTracker Pro: Time tracking for hourly work	crbsoft, LLC	1	\$12.99
			Subtotal \$ 12.99
			State Tax \$ 0.78
			Purchase Total \$ 13.77 USD

PAYMENT INFORMATION

Payment Method	Billing Address	Auth. Code	Sec. Code Validation	Trans. Type	Amount
---	Eric Sanders 121 S. Elm St. Denver, CO 80220	APPROVED	A	S	\$ 13.77
				Balance Due	\$ 0.00 USD

Full Purchase & Account Details

TRANSACTION RECORD ARN: 2490641734304607343470 Authorization: Mar 2, 2018 FULL RECORD

SUMMARY

John Smith Customer **\$ 19.99 USD** Order Total **YourCreditMonitor.com** Merchant

Order # 234294234
Purchase Date Feb 14, 2018
Customer John Smith
User Name john3898
IP Address 10.12.225.22
Device Name John's Mac

RECEIPT

YourCreditMonitor.com
yourcreditmonitor.com/sales
511 S. Suite 100
K, 74701
1234

ITEM DETAILS

Item	Quantity	Product Type	Shipping Method	Price
Monitoring	1	Online Service	Digital Service	\$ 19.99

PERIOD DETAILS

Period (10 days) **\$ 0** | **\$ 19.99** | Expires 03/13/18

Timeline: 09/13/17 Trial Expires → Charges → 1 Month Term → 02/25/18 Last Used → N/A Next Billing → 03/13/18 Expires

ADDRESS

Item(s)	Subtotal	Tax	Order Total
Monitoring	\$ 19.99	\$ 0.00	\$ 19.99 USD

DIGITAL RECEIPTS AVAILABLE TO CARDHOLDERS

Collaboration provides merchant receipts through online banking...

DATE	DESCRIPTION
Nov 8, 2018	TELEPLECKS ENTERTAINMENT
Nov 14, 2018	MURDS/LEQUIPEUR.COM 8668071903
Nov 17, 2018	SMALLERMART - MARKHAM OH
Nov 20, 2018	UNTERTABLE TRIP 3076
Nov 26, 2018	ANIMAS RIVER OUTFITTERS
Original Desc.:	ANIMASRO*TOURS298145
Merchant Type:	Travel agencies and tour operations
Dispute/Inquire about this Charge	
Dec 10, 2018	CHERNIES 0207451
Dec 18, 2018	ELECTRIC SUSHI INC

Merchant Receipt

Receipt provided by Animas River Outfitters. For inquiries, contact the merchant directly.

Order: 234234234 Date: Nov 26, 2018

Item	Price
Guided River Tour - Durango, CO Expert-led tour of our famous mountain town as seen from the river	\$79.98
Subtotal:	\$79.98
Tax:	\$7.99
Total Amount:	\$87.97 USD

Payment Method: MasterCard-1234

Animas River Outfitters
animasriveroutfitters.com

Animas River Outfitters has been caring for customers across the Southwest for over 35 years. We offer an extensive list of tours, equipment rental memberships, and online and instore sales of the highest quality gear to make your next adventure the best ever.

Support@AnimasRO.com
+1 (970) 555-1234
1975 North Main Street
Durango, CO 81301

...and mobile apps

4:20

AR

Order: 1979860446 Ordered: Nov. 26, 2018

Item	Price
Guided River Tour - Durango, CO Expert-led tour of town as seen from the river.	\$79.98
Item(s) Subtotal:	\$79.98
Tax:	\$7.99
TOTAL:	\$87.97 USD

Payment Method: MasterCard-1234

Animas River Outfitters
animasriveroutfitters.com

Animas River Outfitters has been caring for customers across the Southwest for over 35 years. We offer an extensive list of tours, equipment rental memberships, and online and instore sales of the highest quality gear to make your next adventure the best ever.

Support@AnimasRO.com
+1 (970) 555-1234
1975 North Main Street
Durango, CO 81301

Terms of Service
Privacy

HOW MUCH FRIENDLY FRAUD CAN COLLABORATION STOP?

~35-50%

Deflection Rate via Call Center

~20-25%

Deflection Rate via Digital Channel



50%

Number of 'deflections' a leading North American issuer is currently enjoying thanks to collaboration

BENEFITS OF COLLABORATION



- **IMPROVE CUSTOMER EXPERIENCE:** Customers no longer need to go through the frustrating chargeback process or have their payment cards reissued.



- **ELIMINATE CHARGEBACKS:** Stop chargebacks from disputes and friendly fraud.



- **RECOVER LOST REVENUE:** Revenue is recovered when the cardholder assumes rightful liability for their purchase.



- **REDUCE FALSE DECLINES:** Acceptance is increased as issuer fraud models are improved.

QUESTIONS?

CONTACT US



+1.866.215.2883



sales@ethoca.com

ethoca™

making ecommerce simply about **commerce**™