THE PAYPERS

Insights into Payments and Beyond

Fraud Prevention in Ecommerce Report 2022-2023

What It Takes to Build Trust and Safety in Digital Commerce

Supporting partners:

Building Better Commerce
Fraud & Payments Professionals
MRC

Marketplace Risk.

Key media partner:

MERCHANT PAYMENTS ECOSYSTEM

Kipp

Rescuing Credit Card Declines

Chanan is an experienced payment expert. Before founding Kipp, he held senior positions that included e-payments management, optimisation, and Business Development roles for leading merchant and financial companies. Chanan holds an MA in Economics and MBA from the Jerusalem Hebrew University.

Chanan Lavi ▪ *CEO & Co-Founder* ▪ Kipp

Unnecessary declines of credit card transactions for online purchases frustrates three parties:

- The customer, who spent time researching a product for features and price, filling a shopping cart, and checking out — only to be told (without explanation) that they can't complete the purchase.
- The merchant, who invested in building a sales funnel, marketing campaigns, branding, maintaining the site, and expensive customer service, only to lose that sale at the very final stage.
- The issuer, who lost the commission purchase from someone who has chosen that specific card over another and may very well demote that card in their wallet, both at this store and at others.

The source of these declines? The fraud prevention systems used by card issuers to protect themselves from fraudulent transactions and chargebacks. While some are obviously valid, many rejections aren't justified.

A necessary evil?

The phenomenon of sacrificing a given fraction of transactions is not a necessary, dismissible 'cost of doing business'; it represents a substantial financial loss. How ubiquitous is it?

1. In a recent **survey conducted by Profitwell**, credit card declines were the single largest reason for customer churn among B2B subscription businesses, accounting for 20-40% of the churn and cancellations.
2. Merchants experienced more fraud in 2021 than in 2020, with new types of fraud affecting **62% of merchants**. And, with that increase, so does the number of declines.
3. Even worse, they don't get a second chance; the average merchant only recovers **one in three** declined credit card transactions.
4. It's estimated that false declines will grow to **a staggering USD 443 billion** by the end of 2022. That's not the cost of all declines (some justified) but only the sum that could, and should, have been saved by issuers leveraging a more effective fraud prevention strategy.

There's a good reason why this happens – issuers expect their fraud prevention software to protect them, erring on the side of minimising risk when there isn't sufficient data.

Sample scenario for each stage

Each of the following sentences represents a helpful data point in assessing fraud – but only *some* are available to the issuer.

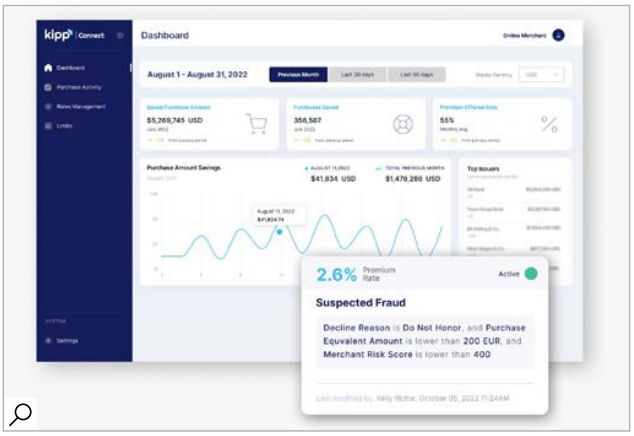
A frequent business traveller loses her laptop. She received it as a gift (the issuer doesn't consider her, let's call her Anna, as a big spender), and, before this trip, she visited an office supply website to purchase accessories herself, as well as some small travel items for her 'on-the-go' office. Anna now needs a new machine. Using her phone, she visits that same online office supply store – to order a new laptop to be delivered overnight to her hotel room, in Berlin.

Her transaction is rejected, and she no idea why. She has the money. She hasn't done anything wrong. She's got meetings to attend and no time to troubleshoot this. ➔

From the issuer's perspective, there is a large purchase, uncharacteristic of the customer's typical pattern. It seems that she just used her card in a German clothing store, far from her home city, and laptops are a category that criminals prefer, as they are relatively small and easy to resell. This customer has instantly joined a massive number of people who will experience the same frustration: in March 2022, **30% of those experiencing declines did so from 'Activity thought to be suspicious'**.

The result? The customer visits the nearest mall, purchasing the laptop with another credit card, just to make sure it'll go through this time. She has now wasted time, paid more for the product, and both the merchant and the issuer lost revenue. The competition — the mall store owner and another issuer —makes the sale with no effort or investment whatsoever.

We understand the issuer's analysis and rejection. But there's a strategy that can sharpen this picture, moving the transaction from the hazy 'grey area' into a safer category. *It's all about data that comes from the merchant*.



The data is there. It's time to use it to save the sale

Her office supply e-store, for example, knows that:

- The customer has been shopping with them for years;
- Shows no declined charges or abandoned carts;
- She has recently bought that extra mouse and laptop bag, indicating she's using it;
- She has purchased overseas a number of times with a different card;
- She has always worked with the same devise ID which matches the device ID she uses on the issuer's app.

These clues provide enough confidence, assuming the merchant can share them with the issuer, to drop the risk level significantly. If merchants had an easy way to interact with issuers, this is one of the many ways they could work together for mutual interests.

There is no black and white. Let's shrink the grey

Merchants can increase issuer authorisation rates with **Kipp's platform**, where they can collaborate and share data with issuers to reduce both fraud and insufficient fund declines. The enriched data, together with the ability of the merchant to participate in the cost of the issuer risk, reduce the rate of unnecessary declines and allows the issuer to approve more transactions. Only by having merchants and issuer banks working together can their data create a more effective decision-making process.

Click here for the company profile

kipp

letskipp.com

Kipp is a global fintech company enabling issuing banks and merchants to jointly approve legitimate transactions that are currently being declined. The company's platform optimises the traditional payment model for increased revenue, customer satisfaction, and loyalty. Kipp's founders and team are fintech veterans and payment optimisation professionals.

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Background information	
Year founded	2021
Website	www.letskipp.com
Target group	Merchants/ecommerce Banks/FS
Supported regions	Europe, the UK, the US
Contact	Mr. Chanan Lavi, CEO and Co-Founder
Company's motto	Authorize More
Member of industry association and/or initiatives	MRC
Core solution	
Core solution/problems the company solves	Risk management and decisioning platform Data provider and intelligence Kipp's technology leverages the aligned interests of issuers and merchants to authorise more legitimate transactions by providing an automated and seamless system that shares data and splits the risk costs in real-time, based on predefined rules.
Technology	
	Cloud enabled

Data input

Intelligence	proprietary capability	third party	both
Information sharing			x
Data ingestion/third-party data			
Stateless data ingestion and augmentation		x	

Methodology	
Machine learning	Rule-based
Business model	
Pricing model	Percentage, transaction-based.
Fraud prevention partners	Fraudio, Fraugster, nSure.ai
Number of employees	15
Future developments	More information available upon request.
Customers	
Customers reference	More information available upon request.
	View company profile in online database*
	*The data present at the time of publication might be subject to changes and updates. For the latest stats and information, we invite you to check the profile in our **online company database**.

Its time to optimize your payments with Kipp

Merchants and Issuers can collaborate by sharing data and the cost of risk to approve more transactions.

Keep your customers happy and your revenue growth!

- Increase revenue
- Maintain customer satisfaction
- Reduce operational costs
- Ensure customer loyalty

Kipp | Authorize more
Sales@letskipp.com

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