



# Protect your customers and your online shop against fraud

With the modular fraud prevention from Arvato Financial Solutions

## ↓ 01 Initial situation

Fraud is a growing challenge in e-commerce and fighting it is costing companies nearly 2.5 times more than the actual loss itself <sup>(1)</sup>. Moreover, chargebacks are reported to cause 75 percent of revenue losses <sup>(2)</sup>. While the exact cost of fraud is difficult to quantify one thing is clear: fraud is expanding faster and getting more sophisticated as well as cost-intensive.

This is why Arvato Financial Solutions implements specific modules of its holistic fraud management solution to protect a global market leading fashion brand's online store and its customers against fraud. Device Fingerprinting, Fraud Rules and Case Management are among the relevant modules integrated by Arvato to streamline and optimize the client's fraud management process.

Client statement:

**"With the integration of Arvato's modular solution it's been possible to overcome the challenges of a basic rules-based fraud management system. The lack of automation meant fraud cases were not being identified quickly, if at all. Costs were snowballing due to the loss of goods, manual processing, outbound logistics and investigations. As a result, fraud rates and bad debts were increasing."**

Using the module mix, the fashion company can now identify suspicious user-activity in real time thereby successfully tackling fraud – even before it starts.

The result: fraud reduction, lowered costs, and protection of client's brand in over 20 European countries.

## About the client

The client is a stock listed, international fashion brand present in 40 countries. About 25% of the revenue is generated through the online shop, resulting in a double-digit operating margin. Given its strategic importance, the resources dedicated to its digital business are increasing to ensure it meets the needs of its customers in the demanding e-commerce arena.



## ↓ 02 The solution and how it works

To optimize the existing fraud management of the client in over 20 European countries, Arvato implemented specific modules of its fraud solution to protect the online shop from fraud. The protection methods implemented comply with the legal data protection regulation in the EU.

### Device Fingerprinting

The Device Fingerprinting module assesses every device used to make an online order. The solution automatically generates a unique ID for each device based on different attributes such as device type, screen size and user agent. Through the Device-ID, it is possible to recognize the unique fingerprint of the device and cross-check it against black and white lists, in real time. The solution can identify a user's true geographic location and detect proxy servers which are known to be a fraud risk. Recognition works, even if changes are made in the device itself (e.g. through browser or operating system updates). In this way, it is possible to identify potentially suspicious activity, such as changes to orders.

### Fraud Rules

The Fraud Rules assess if an order should be classified as genuine or suspicious based on each individual customer's profile, transaction history and device information. The rules which instruct the decision engine can be easily adjusted. When it comes to accepting or rejecting an order, the client's online shop has three automated actions: automatic order acceptance by trustworthy cases, immediate order denial by untrustworthy cases and further review by the fraud manager.

### Case Management

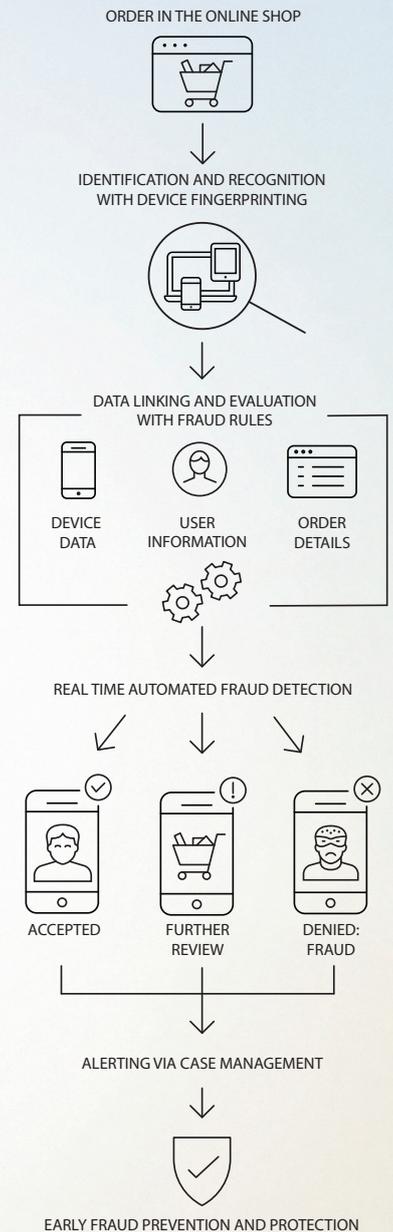
The client's fraud manager can manually review and assess any online order through Arvato's fraud cockpit. It provides a detailed overview of each transaction and all linked orders. The visual interface has been integrated into the online shop's existing Order Management System. The individual information management and filter possibilities allow a better workflow in transaction processing.

## ↓ 03 The results

- Automated fraud prevention and detection in real time
- Fraud rate and financial losses (including loss of goods and cost of capital) decrease by 20%
- Manual Order Reviews reduced by 25%
- Lowered operation costs (manual reviews, outbound logistics, call center efforts, dunning letters processing)
- Workflow optimization and process efficiency
- Brand protection from reputational damage

1. LexisNexis 2017: True Cost of Fraud Study

2. Javelin report 2017: Exploring the Financial Impact of Fraud in a Digital World



## Our services

- Analysis of the existing fraud management system
- Simple solution integration in the given ordering process of the online shop
- Client-specific definition and integration of rules
- Flexible and user-friendly interface for Fraud Manual Review
- Many years of expertise in Risk and Fraud Management in e-commerce

Do you have any further questions? Please feel free to contact us.

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