



Don't fall foul of fraud at the World Cup

A Jumio White Paper

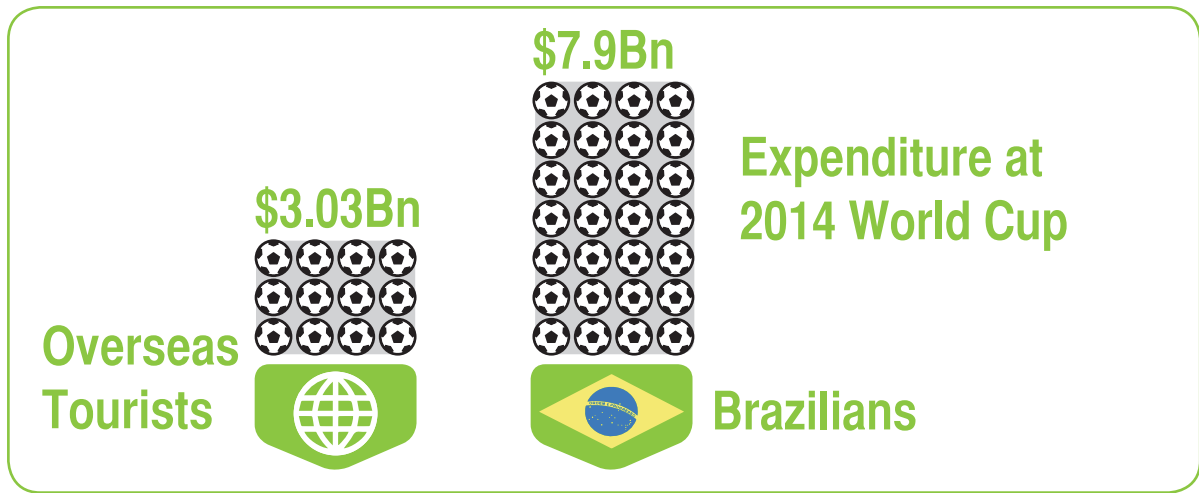


Football fans have been eagerly anticipating the start of the FIFA World Cup 2014 in Brazil, looking forward to an incredible event that's bringing together people from all over the world in a celebration of sporting excellence and global unity.

This isn't a small gathering either; it is the world's largest sporting event: around 3.2 billion people worldwide watched the 2010 World Cup in South Africa.



All these visitors will mean a boom for business as well: Forbes estimates foreign expenditure at the World Cup will add \$3.03 billion (£1.81 billion) to the Brazilian economy. Each of the estimated 600,000 foreign attendees in Brazil will spend on average \$2,500 during their stay. Meanwhile, the 3 million Brazilians estimated to attend will spend a further \$7.9 billion.



At the last football World Cup in South Africa 2010, an estimated 20 per cent of the government's annual procurement budget of R150 billion (£13 billion) was lost to fraudulent activities.

Credit card fraud losses in South Africa increased by **53%** during the World Cup tournament in 2010.

Global sporting events on such a grand scale are the ideal hunting grounds for fraudsters. Here we share how they target unsuspecting fans and how you can adapt to combat this risk and show fraudsters the red card.

A short history of fraud and the World Cup

In order to avoid becoming a victim of fraud at this year's World Cup, we must first recognise the scope of fraud at past events.

During the South African World Cup in 2010, tourists were primary targets for fraud as they carried cards with high credit limits, often far in excess of a yearly wage for some locals.

Fraud hotspots appeared in the major cities where fixtures were scheduled, such as Johannesburg, Pretoria, Cape Town, Durban and Port Elizabeth.

The Provinces of Gauteng, KwaZulu-Natal and Western Cape accounted for 92.5% of the total credit card fraud losses in South Africa during 2010. These provinces contained all of the major cities with World Cup games being played.



Just like they did in South Africa, fraudsters will be ready and waiting in the wings to perpetrate crime against attendees of the tournament in Brazil.

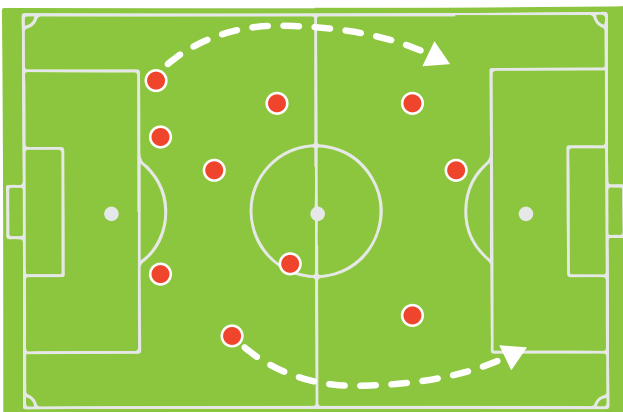
The fraudster's warm-up

The World Cup only lasts four weeks every four years, but preparations from both the competing teams and the host country started years in advance of the first kick-off. Fraudsters are no different: warming up early, they target consumers all the way through the run up to the World Cup, the duration, and their impact can be felt long after the final ball has been kicked.

Over **33%** ...of Brazilian card holders have experienced fraud in the past five years, totalling approximately... **\$150.3 million in losses**

How are people being targeted at the World Cup?

- 1 Fraudsters lure fans into paying for non-existent or unavailable accommodation for the World Cup through fake adverts and websites.
- 2 Email scams ask people to submit tenders for fake World Cup contracts or claim fake World Cup related competition prizes.
- 3 Fake FIFA websites selling counterfeit tickets . These sites typically have numerous subdomains to target different countries and are difficult to trace.



An increasing number of fraudulent ticketing websites and bogus competitions have all attempted to bait consumers into parting with their money ahead of this year's competition. Now that the event has started, fraudsters will continue using these same methods to lure in people who missed out on a ticket but are desperate to experience the tournament.

On one fake site, fans can 'buy a ticket to the World Cup Final' for just under \$3,900. This price is almost 4000% higher than the official price listed on FIFA's website, and the owners of these websites can be difficult to trace. The consumer is often left out of pocket and with a worthless 'ticket'.

Such websites are usually registered in one country and use a legitimate online payment service registered in another. Fraudsters regularly masquerade as legitimate websites and sometimes even use legitimate services to fool consumers.

How fraudsters bend the rules to score against you

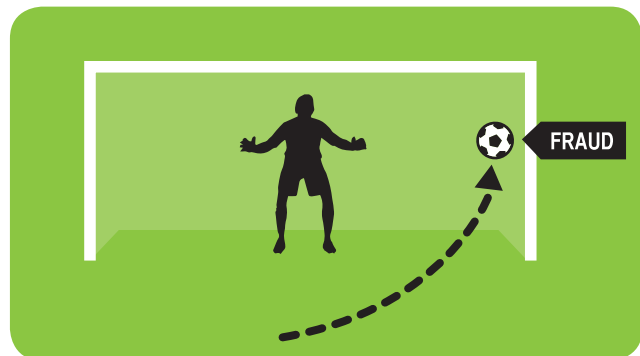


Fraudsters don't play by the rules but they do use them against you. Online fraudsters use different legitimate services (hosting, domain registration, online payment system) to provide the illusion of legitimate purchases while scamming people anonymously from a hard to trace location nearly anywhere in the world.

Fake FIFA and ticketing websites have appeared all over the internet and they often hide behind different subdomains operating in - and targeting - different countries.

Who's the target?

Unfortunately, average fans are the main target, specifically those from developed countries with high credit limits and larger disposable incomes, allowing fraudsters to steal as much as possible in a single hit. For example, in the UK, a report last year showed that people with higher incomes, in positions of power and influence in the UK in both the private and public sectors, are the highest target for fraudsters.



In 2012 Forbes conducted a survey of countries whose citizens were most susceptible to card fraud. Five of the top ten countries are represented at the 2014 FIFA World Cup:



Fraud follows opportunity and risk chases reward. If fraudsters can secure an easy win for high gain, then they will pursue every opportunity to take advantage of potential business and individual vulnerabilities.

It is not always easy to stop fraudsters from scoring against you, but there are a number of effective tactics that businesses can use to tighten their defence and help protect their customers from suffering a heavy defeat and even mitigate the risk of becoming a target.

How to show fraudsters the red card



Avoiding business pitfalls while protecting your consumers

When businesses tackle fraud, they can often be overzealous and end up scoring an own goal by not letting legitimate customers through their fraud detection systems, effectively turning away valuable customers. Fraud prevention is about balancing customer needs with the need to keep your customers secure. Business do not want to increase the hassle of online transactions, which can lead to abandoned shopping carts. The ideal is to use strong authentication and security solutions that will prevent fraud, but won't adversely affect the consumer experience.

The solution to this is to take fraud seriously and get your tactics right:

Know your starting line-up

Identifying who you want to 'play' for you and who you don't want in your team is vital to ensuring genuine transactions are allowed. Ensure your customers can verify who they are using official accredited identification. Do not let potentially fraudulent users onto your pitch or into your team.

Look at your previous performances

Look at your business during previous major sports events such as the South Africa World Cup or the Beijing Olympics. Did you have any issues with fraud? Were any of your orders more susceptible to fraud than others?

Fraudsters often target retailers at specific times

Review your chargeback history and look at emerging patterns in timing, products and services that could indicate fraudulent activity.

Plan your defence

After identifying potential fraud trends, formulate a plan to tackle them during this World Cup. A fraud strategy should reduce fraudulent orders while increasing acceptance. Once you have your priorities in place you can plan how to achieve them.

How to show fraudsters the red card **continued...**



Avoiding business pitfalls while protecting your consumers

Expect a high turnout

Tackling fraud during the World Cup will also need to take into account a potential increase in turnover. If you have a manual review strategy in place for orders, say reviewing 10-20% of them, you may look to increase this during the tournament to cope with demand.

Adopt a flexible formation

Your strategy on identifying fraud may also need to change. During the World Cup, people's spending habits will change, so you may need to increase the threshold for the value of orders reviewed for fraud, which is particularly important for high value purchases. Relaxing velocity rules will cope with the increase in orders.

Look after your supporters

Your customer criteria may also need to change. If a customer has been through the review process several times using the same email address, you may not need to review the order. Auto-accepting these orders can divert your human resources towards higher-risk transactions and prioritising orders by financial risk can save you both time and money.

Study your opponents

Take note of previous fraud trends and alter your rules accordingly. This can have a tremendous effect on combatting fraud. If fraud has emanated from a particular area code in the past then consider reviewing the rules to combat this.

This does not mean that you should block all transactions from a particular area, which would result in a large number of orders to review or reject; instead, block or manually review specific area codes in combination with other factors such as the fraud score or the data associated with a high risk product.

The key for any business is trust. If customers do not trust your business they will not engage with your business. If you follow the above rules you will stand in good stead when it comes to protecting mutual interests. A secure strategy supported by the right tactics and tools will allow you to enjoy higher transaction completion rates, increased revenue, and reduced fraud and chargeback costs.

How to show fraudsters the red card **continued...**

Fined for misconduct – why you should avoid chargebacks

Football managers are famous for getting fined for doing the wrong thing – the same is true of businesses who try to authorize bad transactions – inadvertently or otherwise.

Failing to tackle fraud properly results in businesses authorising bad transactions and, like in sport, the fine will come after the incident. This can happen at a time when the cash flow is decreased and can significantly hurt a business. In fact, more than a third (37%) of the overall cost of fraud comes as a result of chargebacks, before you even contemplate the reputational cost to your business.



37% of fraud comes from chargebacks.

Chargebacks affect the customer and anything that affects the customer also affects the business.

First, the initial effect of having fraudulent transactions on a credit card is at the very least extremely alarming for a customer and will seriously damage their perception and repeat business dealing with your company. Second, any costs incurred by chargebacks will eventually be indirectly paid for by the consumer in the form of price increases on products to cover business losses. Not only will your previous customers have a lower level of trust in your business, but future customers will be deterred by future price increases to compensate for incurred costs.

Jumio Identity Viewpoint



Reality is that fraud is something that happens at every large sporting event, and the Brazil FIFA World Cup 2014 will not be any different. This should not for a moment dissuade businesses and fans from participating in one of the world's greatest sporting events. Careful planning, common sense, and the application of next generation validation and verification tools create a strong foundation for mitigating fraud.

Offering three core products Netswipe[®], Netverify[®], and Fastfill[®], Jumio[®] Inc. offers online and mobile credit card payments validation and ID verification products that merchants including retailers, financial institutions and governmental agencies need to protect their customers and their businesses before, during and after the FIFA World Cup in Brazil.

Learn more about what Jumio can do for your business and your end user experience at www.jumio.com.



Learn more about what Jumio can do for your business and your end user experience at:

www.jumio.com

WhitePaper

