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Ethoca Brings Anti-Fraud Platform to U.S.

By Dan Berthiaume

<http://www.eweek.com/c/a/Security/Ethoca-Brings-AntiFraud-Platform-to-US/?kc=rss>

Ethoca, which sells collaborative fraud management technology to European retailers, is entering the U.S. market.

The company has not yet made a formal U.S. announcement, but is in the final stages of signing contracts with several clients, according to company officials.

“We allow retailers to work together to fight fraud without competitive issues,” said Andre Edelbrock, CEO of Ethoca, based in Dublin, Ireland. “We provide technology, as well as governance and expertise.”

Ethoca is offered as a remotely hosted solution. Users can directly link to the platform and also indirectly link through participating payment service providers.

Edelbrock said that beyond providing a [database](#) where merchants enter negative transaction [data](#), Ethoca also allows retailers to communally contribute their historical payment experiences. This includes negative experiences, such as chargebacks, as well as transactions that are completely rejected or accepted without incident.

“Imagine someone comes to a retailer’s site and provides their credit card number, name and other relevant information,” he said. “Typically, a merchant looks at their own transaction experience, such as e-mail addresses and street addresses that have been associated with problems in the past. The best way to make a decision on a new transaction is to look at the history.”

Using the Ethoca platform, Edelbrock said a retailer can send transaction data to the network in real time and have each piece of data—such as customer name and IP address—matched to information from other members. Taking all matches, Ethoca then creates a fraud risk assessment tailored to the retailer’s individual fraud risk settings. The assessment is returned to the retailer with a score and a recommendation to accept, reject or submit the transaction to further review.

“It’s not a one-size-fits-all service, where every retailer has to score the same things the same way,” Edelbrock said. “It’s not like a fraud bureau. The retailer can then triage a transaction into different areas for their fraud management systems to handle.”

Edelbrock said the assessment gives a summary of the last 90 days of matching activity with details such as the individual making the transaction, date of transaction and payment type. The assessment only displays data elements that match the elements displayed in the retailer’s transaction, protecting customer privacy and preventing data

mining of potentially competitive transaction information. Assessments can be sent in real time or on a batch basis.

Ethoca's [business](#) case comes down to profit, according to Edelbrock.

"You can reduce fraud and also increase revenue," he said. "Fraud represents a challenge on the orders you turn away because you think they will go back."

He said research indicates 6 to 8 percent of online orders are rejected due to fraud concerns, and 66 to 75 percent of those rejected orders should actually be accepted. He added that automation of fraud management can further reduce costs and increase profitability.

According to a 2007 e-commerce fraud survey conducted by Cybersource, U.S. retailers have been holding fraud rates steady, but at an increasing cost. Survey respondents indicated they expected to lose \$3.6 billion in online sales to fraud in 2008, a 20 percent increase from the estimated \$3.1 billion lost in 2007. Although e-commerce fraud rates were expected to remain unchanged at 1.4 percent, growing volumes of e-commerce sales accounted for the increase in losses.

In addition, the survey reported that more retailers were using online fraud detection tools, which help reduce fraud but create more work for manual fraud review teams. The survey concluded that retailers need to find ways to reduce the manual labor involved in fraud review, as well as the amount of valid transactions that are rejected.