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Collaboration the Key to Protecting Merchants

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Fighting E-Commerce Fraud

The purchasing power of the Internet has very few boundaries. The idea of buying and selling to a limitless market attracts opportunities for large enterprises, SMBs and even regular sellers looking to make an extra buck—but where there is financial opportunity, there will be fraudsters.

With e-commerce and online fraud estimated by some as a global \$50 billion industry, it's big business. Companies are often faced with a long stream of daily financial losses that can add up and lead to substantial deficit at year-end. The lack of transactional control ultimately leaves the seller with a financial debate between which are good and bad transactions, resulting in lost revenue and profit from any misjudgments.

Meanwhile, fraudsters always trying to stay a step ahead of businesses, realized some time ago that by sharing what they knew and cracking security together, they could make more money—considerably more money. Even fraudsters have a list of bad fraudsters! With the “bad guys” banding together to work as a legitimate business, isn't it time for the “good guys” to fight back and take back what is rightfully theirs?

Online Fraud Today

Web sites now exist where criminals can buy and sell other people's identities, including credit card numbers, where anyone can join and anyone can buy. Within hours of personal information being compromised, it can be posted and then sold on the Internet with very carefully measured usage to avoid detection. It is this “social” element that defeats the merchants. Fraudsters target the weakest links and they can do this because collaboration capitalizes on opportunity.

Up until now merchants have had to employ a multi-layered approach consisting of technologies, such as address verification, identity authentication systems, IP geo-location and of course, manual reviews.

To date, there have been attempts on the side of the merchants to set up fraud data exchange systems with competing companies sharing data to reduce levels of fraud; however these efforts were unsuccessful in achieving the critical mass needed because they lacked a neutral third party to facilitate this as a commercial service.

Where Community Steps In

The idea of community has recently rocked the business world. From LinkedIn to open source to Web 2.0 mash ups, companies are beginning to grasp the idea of how community can deliver real business results. Companies operating in an online environment want to be in a position where they can make more informed decisions about the transactions submitted to them, and by sharing transaction experience with other companies, this could be achieved. The collaborative approach appeals to companies across all sectors because merchants want to be able to make more informed decisions about the transactions submitted to them, and only by sharing their experiences can this be made possible.

Collaborating companies working together to fight fraud and reduce its impact industry-wide as a community can use new options in technology and services to finally reduce fraud and increase profits – leaving no money behind, and fraudsters feeling the pinch.

Andre Edelbrock is the CEO of [Ethoca](#), a leader in collaborative fraud management powering the Global Fraud Fighting Community for businesses in e-commerce and other 'customer-not-present' environments.