

# ETHOCA'S INTEGRATED SOLUTION SUITE

Three lines of defense from genuine fraud, friendly fraud and disputes



ethoca™



## THE PROBLEM

Today's ecommerce ecosystem is plagued by a range of issues that increase friction in the purchase process and create a negative experience for customers.

With friendly fraud and false claims now reaching 90% of all fraud volumes in sectors like digital goods, card issuers, merchants and customers are all facing a downward spiral of disputes that are having a significant impact on card acceptance.

Industry estimates suggest that 'false declines' are continuing to increase: for every \$1 in confirmed fraud, \$13 in legitimate transactions are falsely rejected. Customers experiencing a false decline will elect to abandon purchases at trusted ecommerce web sites, pull out a different payment card or, in 39% of cases, potentially abandon the purchase altogether.

## THE SOLUTION

Ethoca's Integrated Solution Suite!



# INTRODUCING THE ETHOCA INTEGRATED SOLUTION SUITE

Consisting of Eliminator, Ethoca Alerts and Enhanced Representments, Ethoca's Integrated Solution Suite provides a revolutionary way to stop not only genuine, but friendly fraud as well as chargebacks. By enabling collaboration between merchants and issuers, participants can quickly share confirmed fraud and dispute intelligence in order to eliminate chargebacks, reduce customer disputes, increase acceptance and fight all forms of fraud.

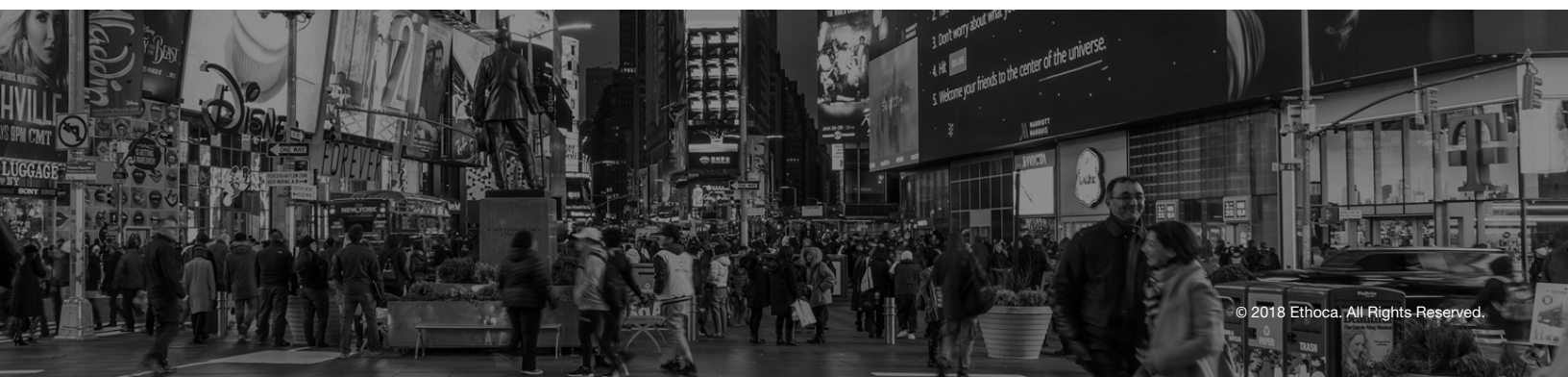
The first line of defense, Eliminator is a groundbreaking friendly fraud and customer dispute mitigation solution that leverages our global collaboration network to provide issuers with instant access to real time merchant intelligence. This includes itemized digital receipts, account history, summary of merchant actions (digital account suspension, etc.), refund status and more.

The second line of defense, Ethoca Alerts' direct-from-source issuer data reduces the time it takes for merchants to be alerted of genuine (third party) and friendly fraud from weeks to as little as a few minutes. This gives them a unique opportunity to halt fulfillment and stop chargebacks before they happen.

The final line of defense, Enhanced Representments is a flexible platform that leverages the know-how of Ethoca's chargeback experts and automates the representation process so merchants get their money back faster – recovering revenue on up to 80% of all represented chargebacks.

With the Ethoca Integrated Solution Suite merchants and issuers can collaborate to fight fraud quickly, easily and cost effectively. The best part? This solution continues to increase in value as more merchants and issuers around the world join the network!

**A layered defensive solution against genuine fraud, friendly fraud & customer disputes...**





Customer disputes from friendly fraud are a significant, and growing, problem for merchants. Whether it's a case of cardholder confusion caused by a charge they don't recognize, or an attempt to abuse the system for personal gain, they typically contact the card issuer first instead of coming directly to you. The result? Unnecessary chargeback costs, lost revenue and a poor customer experience. And perhaps the biggest problem: no consequence for abusive cardholder behaviour. This encourages them to continue to 'game' the system for future gain.

But, what if you could transform this costly process and not only eradicate chargeback costs caused by disputes and friendly fraud, but also preserve revenue?

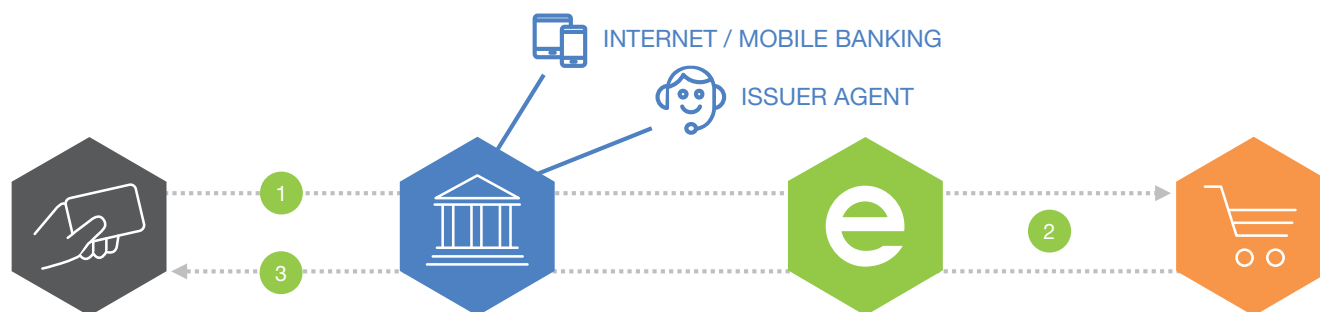
### ENTER ETHOCA ELIMINATOR

Ethoca Eliminator digitally transforms the customer experience by connecting issuers to merchant order and account history details in real time.

Eliminator can deflect disputes and false claims in two ways: The issuer's agent can use the tool to pull up merchant data when a cardholder calls in – stopping benign and hostile friendly fraud attempts by presenting evidence that proves the transaction was legitimate. Or, cardholders can access this detailed merchant data through the issuer's online banking channel or mobile app – eliminating the need for a dispute call to be made.

With an average deflection rate of 35%, Eliminator resolves more than a third of incoming disputes on the spot – stopping friendly fraud at the source. In cases of benign friendly fraud, Eliminator ensures that cardholders don't have to go through an unnecessary and inconvenient card reissue process. In the long term, Eliminator also helps to retrain the cardholder – especially those who were hoping to commit hostile friendly fraud. And because these legitimate cardholder transactions are no longer incorrectly coded as fraudulent, card issuer fraud models improve over time, resulting in fewer false declines. This is a significant win across the entire payment value chain that drives up acceptance across the board.

## HOW IT WORKS



1. The cardholder contacts their issuer or clicks on a transaction on internet or mobile banking app to dispute a transaction.
2. Eliminator retrieves in-depth transaction details from the merchant and immediately presents it to the cardholder via internet / mobile app or through issuer agent interaction.
3. After reviewing the details with the agent or recognizing their purchase through presentation of the digital receipt, the cardholder abandons their dispute.

## BENEFITS

- ✓ **Chargeback and representment costs eliminated.**
- ✓ **Lost revenue eliminated – Revenue is recovered when cardholder assumes rightful liability.**
- ✓ **Unnecessary declines eliminated – Acceptance is increased since issuer fraud models avoid being skewed by miscoded fraudulent transactions.**
- ✓ **Poor customer experience eliminated – Customers have a better experience since the card no longer needs to be cancelled and recurring 'account on file' relationships stay intact.**



## ETHOCA ALERTS: THE SECOND LINE OF DEFENSE



If during the Eliminator process a cardholder still insists on disputing the transaction, card issuers participating in Ethoca's network will provide confirmation of fraudulent or disputed transactions through Ethoca Alerts.

### TODAY'S CHARGEBACK SYSTEM IS BROKEN

Although card issuers and card not present merchants deploy an arsenal of tools and identify thousands of fraudulent transactions a day, they do so in isolation – they have no effective way to communicate and collaborate with each other. That means a valuable source of mutual intelligence remains untapped and issuers are forced to communicate cardholder-confirmed fraud and customer disputes through the costly, slow and inefficient chargeback process.

By the time merchants get a chargeback, weeks or months have passed and it's too late to stop the fraud or resolve the dispute with the customer. As a result, costs skyrocket and the brand/customer relationship is damaged.

### THANKFULLY, THERE'S A BETTER WAY

Ethoca Alerts' direct-from-source issuer data reduces the time it takes for merchants to be alerted of confirmed fraud and disputes from the current three to six weeks, to days, hours or even minutes. This gives you a unique window of opportunity to stop the fulfillment of goods and services and stop chargebacks before they happen.

We achieved this by building a global collaboration network that replaces the chargeback process altogether.

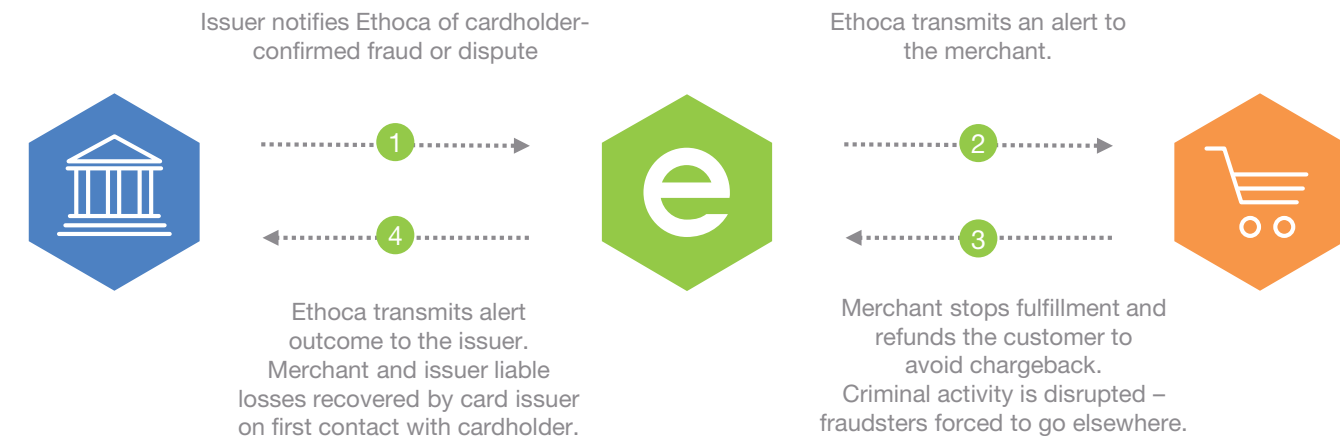
Here's how it works: Issuers send Ethoca confirmed fraud transactions in near real-time, and we package up that intelligence in the form of an actionable 'Ethoca Alert' that is immediately sent to merchants. When merchants receive an alert, they simply mark an outcome based on their ability to stop a fraudulent order – there is no guesswork because alerts are cardholder confirmed fraud. If they are leveraging Ethoca Alerts through API (rather than our portal) much of the process can be automated and is even quicker and easier – with virtually no manual effort required.

Physical goods merchants can stop fraud in up to 40% of cases. For merchants selling digital goods/services, alerts are used to avoid chargebacks as well as shut down compromised accounts and suspend services – stopping future fraud losses and preventing ongoing abuse.

INTEGRATES SEAMLESSLY WITH LEADING FRAUD PLATFORMS



## HOW IT WORKS



### When a merchant receives an alert they do four things:

1. Stop the order/suspend the service.
2. Attempt to identify more fraudulent transactions through link analysis.
3. Update fraud rules to prevent more future fraud.
4. Process a refund or credit back to customer (eliminating the need for a chargeback)

## BENEFITS

- ✓ **STOP FRAUD:** Take action to stop the fulfillment of fraudulent orders
- ✓ **STOP CHARGEBACKS:** Eliminate more chargebacks and control chargeback ratios
- ✓ **HIGHER ACCEPTANCE:** Issuing more refunds promotes higher issuer acceptance and improves the customer experience
- ✓ **LESS FUTURE FRAUD:** Bolster fraud screening to identify future fraud and prevent spikes.
- ✓ **LINK ANALYSIS:** Use link analysis to eliminate related fraudulent orders.

Merchants focused on revenue recovery who have sufficient compelling evidence to prove a case of friendly fraud or challenge other transaction disputes can leverage Ethoca's third line of defence: Enhanced Representments.

### THE PROBLEM WITH REPRESENTMENTS

For card not present merchants, chargebacks are a constant threat that tie up resources and sap profits. When they strike, merchants look to the representment process to make their case and – hopefully – recover their losses. Unfortunately, the representment process is far from perfect: It's complicated, time-sensitive and costly. What's more, even if the case is won and the original funds returned, a great deal of time and money can be spent attempting to manage a burdensome process – time and money that can't be recovered.

Merchants today need a faster, smarter and more cost effective solution. One that's hands-off, eliminates inefficiency and streamlines the process, while providing the customization needed to maximize results. Real-time insight must be a click away and easy to understand with simple visuals. That's where Ethoca's Enhanced Representment service comes in.

### INTRODUCING ENHANCED REPRESENTMENTS

We have created a flexible and high-performing chargeback representment platform that allows merchants to recover revenue lost to chargebacks with minimal effort.

By integrating and collaborating directly with the key parties involved in the chargeback process, Ethoca's Enhanced Representment service decides what chargebacks to fight based upon rules set by the merchant, collects all the necessary evidence and processes the representment in real time to maximize revenue recovery.

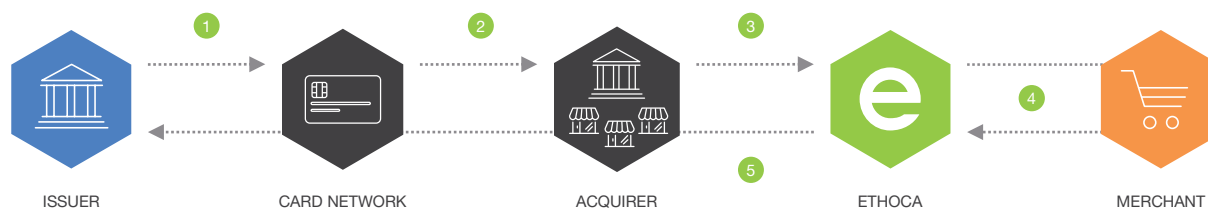
The results of these efforts (as well as other critical chargeback data) is then delivered and displayed to the merchant as simple, customizable analytics and reports that allow them to make adjustments to their filters and develop accurate future revenue and representment forecasts.

**THE TRADITIONAL REPRESENTMENT PROCESS TIES UP RESOURCES AND SAPS PROFITS. THANKFULLY, THERE'S A BETTER WAY.**





## HOW IT WORKS



1. Issuer creates the chargeback and sends it to the card network.
2. The card network routes the chargeback to the merchant's acquirer.
3. Ethoca receives the chargeback from the acquirer and evaluates it based on merchant established criteria.
4. Ethoca retrieves compelling evidence from the merchant via API.
5. Ethoca organizes and securely processes the representment package.

This entire process takes minutes, and involves little effort from merchants.

Our solution then provides merchants with real-time reporting and analytics options that are visual and easy to understand.

## BENEFITS

- ✓ **GET YOUR MONEY BACK:** Recover more revenue lost to chargebacks – faster than ever before
- ✓ **REAL-TIME CHARGEBACK ANALYTICS:** Get unmatched insight into your current chargeback situation and create accurate forecasts for the future
- ✓ **LEVERAGE EXPERT KNOWLEDGE:** Our staff specialize in chargeback policy and procedures so that you don't have to
- ✓ **CUSTOMIZABLE:** Adjust filters, rules and reports and create the perfect tool for your needs
- ✓ **SAVE TIME:** Free up resources typically spent on representments to focus on revenue generating activities

## FEATURES

### ADVANCED REPORTING AND ANALYTICS

Don't fight chargebacks in a vacuum – get the feedback you need to make informed decisions. Ethoca's Enhanced Representments provides in-depth, real-time chargeback analytics and reporting that allows merchants to truly understand the whole picture and make necessary adjustments to prevent chargebacks in the first place.

### ADJUSTABLE REPRESENTMENT FILTERS

The fraud and chargeback landscapes are constantly shifting, and merchants need a solution that allows them to quickly adapt to new challenges. Ethoca's platform allows merchants to make adjustments to their representment filters and rules (value, age, reason code, etc.) quickly and easily to maximize their effectiveness and optimize revenue recovery.

