Reduce merchant risk with more effective fraud monitoring

Business Impact

Complex cross-channel fraud will become the "new normal" in the coming years. Retailers will lose around $130 billion in digital card-not-present (CNP) fraud between 2018 and 2023.

Study: Merchants to Lose $130B in Digital CNP Fraud.

Challenges

- **More digital and online payments**. The prevalence of conducting online purchases with merchants on an array of digital devices is making it more difficult for merchant acquirers to mitigate fraud.
- **Lack of effective merchant processing risk assessment programs**. The risk merchant acquirers have taken on hasn't been addressed with dedicated real-time fraud detection due to post-processing controls. But increasingly common real-time settlements make real-time controls critical.
- **Merchant liability**. Although a merchant acquirer suffers losses from fraud, new initiatives such as 3-D Secure and EMV chips are creating changes in liabilities.

The Issue

Merchant fraud can be very hard to detect – especially given the complexity of the digital payments ecosystem. With all the heightened focus on identity theft and third-party fraud, it is easy for organizations to forget that merchant fraud is one of the most costly and common causes of financial loss for acquirers (payment facilitators).

Fraudulent transactions, penalties for excessive fraud and chargeback rates require merchant acquirers to have effective fraud and risk management programs. Risks from new payment types, where the mandated security controls applied by the associations (e.g., Visa and Mastercard) no longer apply, will place the merchant at much greater risk for fraud.

Our Approach

Within financial services, SAS® is proven to detect card and payment fraud to deliver protection to banks and consumers on merchant risk. SAS provides software and services to help you:

- **Profile payment acceptance and gateways to highlight suspicious transactions in real time**. Apply machine learning models and rules to identify the payment as suspicious or merchant as risky and allow the merchant acquirer to decide when to intervene, either directly or before settlement into the merchant account.
- **Assess and visualize data quickly and accurately**. Besides visualizing merchant data to detect fraud, monetize the data as a secondary business opportunity.
- **Centralize merchant risk**. Process merchant onboarding and payments in a single solution.
- **Lower your total cost of ownership by combining channels**. Reduce your data storage and shared infrastructure using a single vendor.

The SAS® Difference

The adaptability of SAS solutions meets the demands of the new era in payment processing fraud detection – supported by a sharp focus on customer enablement, technical innovation and consulting expertise. Only SAS delivers:

- **Data integration**. Data transformation, standardization and enrichment are key to SAS adaptability for payments data, as well as nonstandard, third-party data formats. With the increase in available data, payment service providers can offer additional service benefits.
- **Machine learning**. A rules-only approach has historically been used to satisfy the needs of monitoring merchant activity, but this approach is no longer adequate. The need to efficiently apply operational expertise, along with the reduced window of clearing and settlement, make right-time decisioning critical in today's environment. Harness the power of SAS Analytics using the most advanced modeling techniques to detect fraud exposure. Using flexible anomaly detection and segmentation of merchants based on their transaction profile, SAS machine learning algorithms identify suspicious changes in activity, providing confidence in the risks being identified. SAS machine learning modeling has flexible profiling through signatures that support merchant and PSP monitoring.
- **Alerts**. With SAS data visualization on alerts, you can see different aspects of merchant data, KPIs and trends to understand emerging risks. You can also conduct business process management by using auto-contact policies that integrate with SMS gateways and SMTP servers to reduce manual operational workload.

Case Study

Situation

One of the top five Asia Pacific merchant acquirers serves 260,000 merchants with 350,000 terminals processing 1.8 billion merchant transactions. The organization's rule-based merchant fraud tool was no longer effective. It processed transactions in batches, 24 hours after payment authorization – and relied on ineffective rules to detect merchant fraud.

Solution

SAS implemented a merchant acquirer fraud detection solution that provided:

- Immediate real-time processing and the capability to support real-time decisioning in the future.
- Combination with issuing data to further enrich merchant data coverage.
- A preferential profiling capability to track sales to fraud activity.
- Expanded coverage of products and channels, thanks to use of the SAS Platform as an enterprise architecture.

Results

- New enhanced rule capability reduced alert volumes by 25%.
- Improved fraud detection for both issuer and merchant data.
- Enriched messages reduced transaction processing and storage duplication.

What if you could ...

- Mitigate fraudulent behavior by making the best use of issuer and merchant data across lines of business to help you see the big picture of transactions.
- Continuously perform merchant risk assessment from onboarding to payment integrity to confirm that merchants are selling what they are supposed to be selling after being accepted into acquirer programs.
- Lower transaction risk by detecting suspicious activity faster with a machine learning platform.
- Amortize investments quicker.

You can. With SAS.

SAS Facts

- SAS customers make up 96% of banks in the Fortune Global 500®.
- Over 90% of the top 100 global banks use SAS.
- More than 3,100 financial institutions worldwide are SAS customers.
- SAS has more than four decades of experience working with financial institutions all over the world.

Learn more at sas.com/fraud.

To contact your local SAS office, please visit: sas.com/offices