

## The Credit Card Conundrum

**E-retailers are increasingly weary of a near constant barrage of credit card fraud that costs them more than \$1 billion each year.**

Consumer fears of online fraud have long been the bane of e-commerce, holding back retailers who place an ever-increasing emphasis on Web trading. But despite claims such fear is based on fact, a survey by Experian reveals UK retailers are losing £96m a year to debit and credit card fraud. Over 97 per cent of retailers surveyed have been affected by this fast-growing crime, with e-commerce still proving an easy target for credit card fraudsters

E-retailers will often use a number of tools to predict online fraud, but the most frequently overlooked and perhaps most useful tool is the ability to identify a customer's location when they place an order online.

### Why Location Matters on the Internet

When a customer walks into your brick and mortar store you can tell a number of things about them right away - age, gender, what they're shopping for, whether they're return customers. But when a customer visits your retail Web site, you know exactly none of these things - where they are, what they want, what brought them in, or how likely they are to be crooks. It's an anonymous process.

But did you know that by identifying just one important piece of information about your Web visitors – their geographic location – you can prevent fraud, comply with state and national regulations, execute local search and advertising strategies and even protect yourselves from online attack? Think about it - nearly every business decision you make is affected by



geography - language, currency, shipping, taxes, licenses, government regulations and more. Knowing the geographic location of your Web visitor can provide the same sort of data for an online transaction.

### How Can I Identify My Web Visitor's Geographical Location?

The easiest way to do this is by using a technology called IP Geolocation which can tell you where your online customers are and how they connect to the Internet as soon as they visit your site - through their IP address. There's no need to ask for further information or store cookies in their browsers.

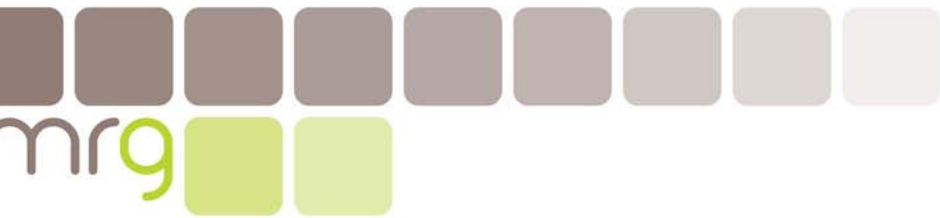
IP Geolocation has already demonstrated business value in three primary areas for online retailers – fraud prevention, marketing, and compliance. In the fraud area, a retailer can compare a Web visitor's registration and shipping addresses with his actual location to detect suspicious transactions. Online marketers can execute geographically-based ad campaigns just as they do in the offline world. Providers of digital content use geolocation to determine a viewer's geographic eligibility to access their content. And retailers that are subject to geography-based regulations – like pharmacies – use the technology to make sure they only ship products to legal locations.

### Is IP Geolocation for You?

So what should you consider if you're thinking about using this valuable tool? Here are some suggestions:

Analyse your business in general and your website in particular. If you aren't able to pinpoint the location of your visitors, then you probably have been unable to fulfill the advertising and marketing potential of your website.

Examine your fraud protection to see if it is all it should be. Without knowing where your Web customers are located, odds are that it isn't. Consider the example of one large ecommerce company that decided to go with IP Geolocation. The company immediately found mismatches between customers' IP locations and home addresses that previously might have gone undetected. The result: reduction of online fraud by more than £50,000 per month.



Despite all of the attributes of knowing the location of a Web visitor, do not view it as a total solution. Instead, consider it an important addition to your web applications. While the values of IP geolocation are many, perhaps the most important deliverable to electronic retailers is the capacity to help apply the same principle that successful bricks and mortar businesses have followed since the beginning of commerce: know thy customer.

### **How Geolocation Helps - Fraud Prevention**

There's a good, albeit obvious, reason that fraud is a primary concern for online retailers. Recent statistics on identity theft, credit card theft and various types of transaction fraud, project business losses in excess of £1.25 billion. Crooks are getting smarter and more sophisticated.

You may already use some type of fraud risk scoring method. You may look at whether the buyer is a new or repeat customer, the nature of the purchase, especially a very expensive one, the type of shipping request, credit card security codes and more. But one item frequently overlooked is reviewing a customer's location when they place an order online. By adding just this one step of comparing the customer's billing address to his IP address location to the transaction one retailer was able to detect an additional 70% of his online fraud.

Not surprisingly, some countries seem to be bastions for Internet fraud perpetrators. Nigeria topped the list of countries where offenders used proxy servers to defraud merchants in 2006, according to the Federal Trade Commission. Obviously, a retailer knowing an order was originating from one of those nations would be alerted to take a second look, and maybe a third, before completing the transaction. IP geolocation data can provide that information instantly, so the security rules of the retail site can sound the alarm, and could even be set to flatly reject orders from certain overseas origination points (or, for that matter, from domestic free e-mail services that have also proven to be fertile ground for fraud).

Quova has recently released a new whitepaper that specifically focuses on issues relating to e-Retail – the full a document can be downloaded here: [www.quova.com/eretailwp](http://www.quova.com/eretailwp)

For further general IP geolocation information please visit: [www.quova.com](http://www.quova.com).

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