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# The Hidden Payment Problems Fraud Teams Can Solve

## Presented by BODi and FlexPay

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# Agenda

1. Traditional Fraud Mgmt & Financial Impact
2. Liability Shift & the Unintended Consequences
3. The Hidden Revenue Impact
4. BODi's Real World Fraud & Payment Challenges
5. Best Practices for Auth & Recovery
6. The Path Forward
7. Q&A

# Traditional View of Payments Fraud Management

Direct management of fraud in your payments stream ▶ Reduce or eliminate chargebacks and refunds caused by fraud

Why merchants invest to reduce fraudulent transactions ▶

- Avoid Revenue and COGS losses
- Avoid chargebacks and refunds
- Avoid fees and penalties
- Avoid harm to MID

**How you do this:**

Fraud Tools Overview

Kount An Equifax Company · riskified · FRAUD DEFLECT Chargeback Solutions · etc.

Tokens/Encryption Overview

IXOPAY · etc.

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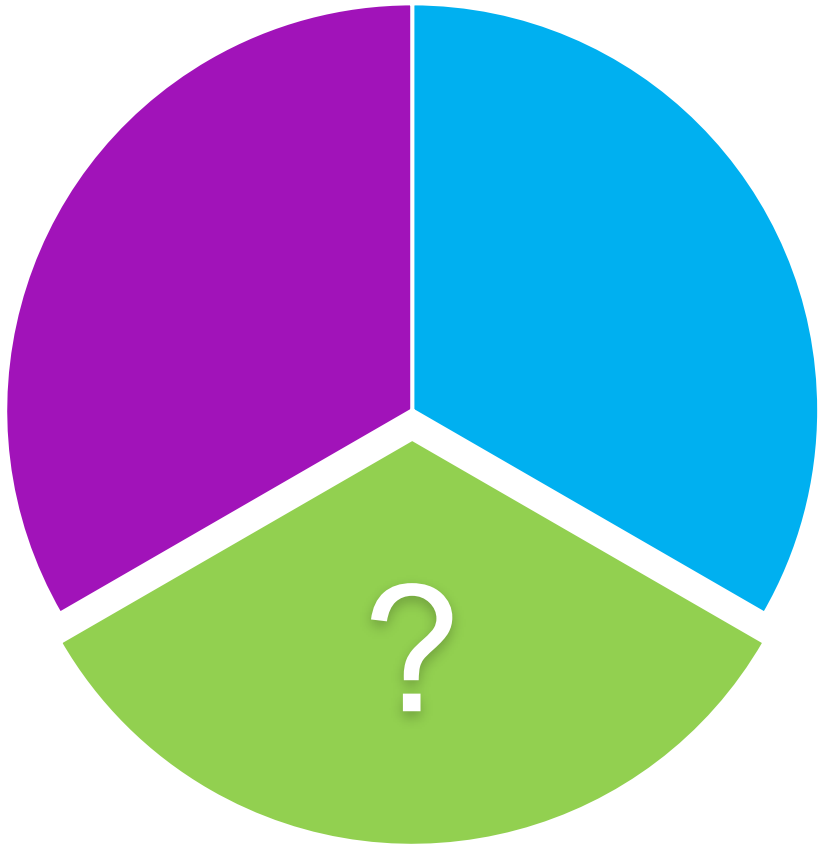
# Fraud Teams' Focus Today

Primary Goal = Cost Avoidance

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## Active Fraud Management:

- Developing and implementing strategies to identify and prevent fraudulent activities
- Managing partners and compliance across the payments system to ensure secure transaction processing

## Preventive Processes:

- Analyzing and reporting fraud rates, prevention effectiveness, and cost impacts
- Optimizing and configuring fraud detection systems, fraud prevention policies, and procedures
- Streamlining chargeback management and chargeback dispute management
- Partnering with customer service, compliance, engineering, and legal teams on fraud -related threats and resolution processes

# The Financial Impact of Fraud

**$30B+**

the cost to **banks** of approved fraud transactions

Risk/liability shifted to merchants

**$400B+**

in lost revenue **globally** every year

Customers and merchants are paying the price.

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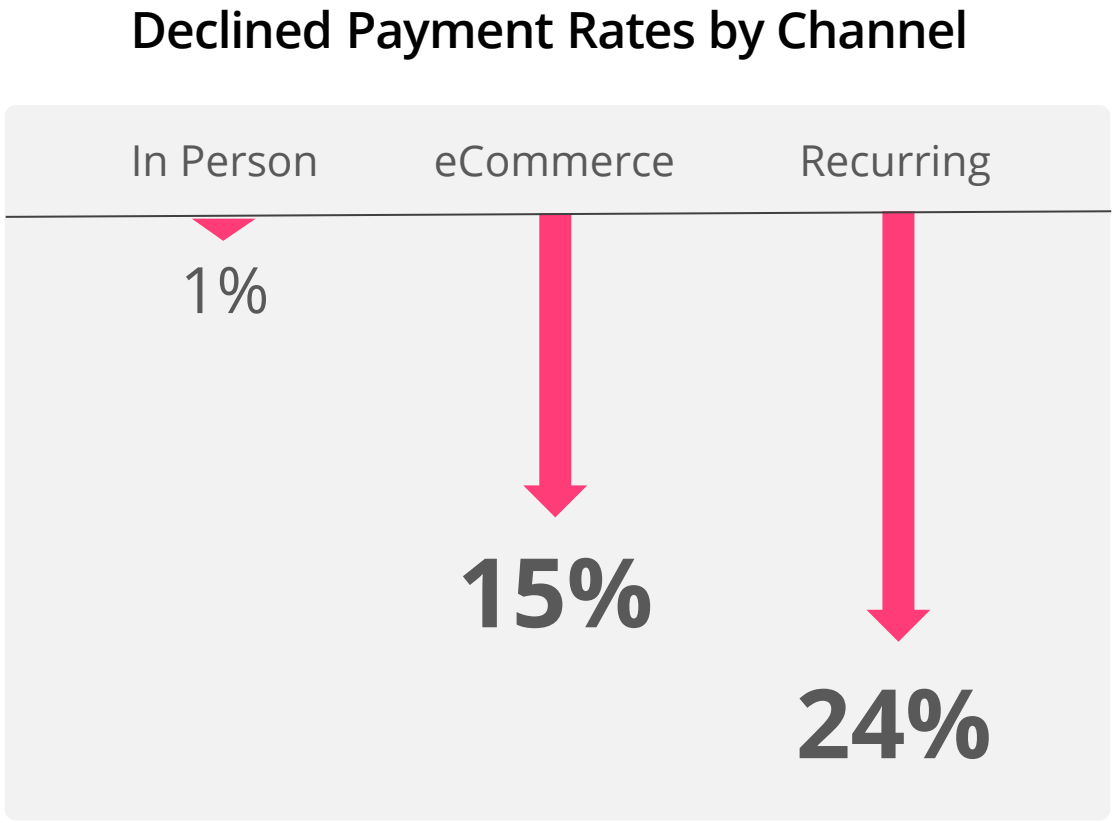
# Fraud Prevention's Unintended Consequences

- Banks decline 7 good transactions for every one fraudulent one
- 2/3 of failed payments are fraud prevention casualties




*Visa and Walmart Studies

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# Indirect Costs to Merchants

**Failed payments caused by issuers efforts to reduce their fraud losses**

CIT
(Customer-initiated transaction)
*declines in shopping carts*

MIT
(Merchant-initiated transaction)
*declines on recurring payments*

**Current fraud prevention efforts cannot solve this problem.**

✕

Issuing banks don't give credit for merchant efforts to scrub likely fraudulent transactions.

✕

Fraud tool usage doesn't get factored into the bank's decision.

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# **The Irony:** Banks solved their fraud problem by creating a merchant revenue problem

**The Problem Fraud Teams Face:**

- Banks' fraud prevention creates false declines.
- Your internal fraud rules add another layer of declines.
- You're caught between bank decisions and customer experience.

**You're Uniquely Positioned to Fix It:**

- You understand decline reason codes and payment flows.
- You have processor & bank relationships.
- You know which declines are worth retrying.

**The Opportunity:**

- False decline recovery can be 3-4x more impactful than chargeback prevention.

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# BODi's Fraud & Payment Challenges

BODi®

FlexPay

# Chaos of Payments Authorization


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# Best Practices for Authorization & Recovery

## Don'ts

- Apply the same recovery strategy across all response codes.
- Retry aggressively without considering velocity limits.
- Retry hard response codes.
- Ignore AVS and CVV optimization opportunities.

## Do’s

- Implement an Account Updater process.
- Balance fraud prevention with recovery efforts.
- Retry on days and times that make sense for your customers.
- Smart routing and real-time authorization.
- Send complete and accurate transaction data (Level 2/3 data when applicable).

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# BODi Takeaways

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Best practices to follow







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# Path Forward – Holistic Fraud Management


## New Function:

**Cost Avoidance + Revenue and Retention Growth**

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# Thank you

- **Vikram Anand**, Executive Director Finance, BODi
- **Ray Watson**, SVP Channel Partnerships, FlexPay

▶ Don't forget to submit your session evaluation!

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