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The fraud balancing act

There is a disconnect between what consumers want in their digital experiences and what companies currently deliver. While consumers place the most importance on security and convenience, businesses see the greatest value in delivering personalized digital experiences. So how can your business manage this fraud balancing act? It's easier than you think.

1 Put the customer at the center of your fraud strategy

By breaking down your customer view into micro journeys — that is, individual interactions between you and your customer, rather than a macro view of the entire life cycle — you'll experience several benefits. First, you can optimize the balance between customer experience and fraud protection at each step, from initial account setup to re-recognition across devices and locations. Second, you can focus on the highest-value journeys to ensure that you're correctly allocating resources. Then you can assess how each micro journey contributes to an overall seamless experience from onboarding on through the customer's life cycle. And most importantly, you'll more easily recognize and address pain points in the customer life cycle because you're looking at smaller cross-sections of that life cycle.

2 Differentiate between types of friction

Visible signs of security — logins and passwords, PINs, and biometric authentication — are accepted and even expected forms of protection. Customers want that level of friction (known as "elastic friction"), especially when engaging with an account to make a purchase or to submit sensitive information such as a mortgage application. However, an arduous new account setup process or requiring multiple authentication steps for a known and low-risk customer can cause consumers to move on to your competitors instead.

PASSWORDS   PIN   BIOMETRIC

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3 Use the customer experience to build trust

It's important to note this doesn't mean scaling back your security. In fact, a recent Experian survey revealed that 67% of consumers rank security as the most important aspect related to their digital experience, far above convenience or personalization.* Sensible, visible security that's presented consistently across physical and digital platforms creates a better user experience and initiates a virtuous cycle of trust between you and your customer.

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4 Revise your onboarding methods

Start by creating a cross-functional team to tackle the challenge. Bring together IT, Marketing, Risk and Compliance, Operations, and Customer Engagement. As a team, determine what information you can gather during onboarding that will lend itself to future engagements with that same customer. By ensuring that you get correct customer information, you'll enhance future micro journeys, including login, online applications and outreach from your business. Don't be afraid to challenge existing frameworks and think outside of the box. Consider incorporating strategies that allow customers to push information to you from their mobile device — lessening the burden on them and decreasing the opportunity to make a mistake while inputting their information — and giving you additional information you can use for re-recognition purposes later in the customer journey.

5 Rethink your authentication strategies

Traditional identification methods, such as usernames and passwords, are often considered strong, but they're actually quite brittle. Once compromised, they offer full access to whoever is presenting credentials — be they legitimate or a criminal. If a username and password are compromised, a fraudster can gain full control of an account and the associated assets. A defense strategy that continues to layer similar strategies upon one another will not create a more robust fraud shield. Instead, implement a dynamic risk-based approach that includes biometrics, device intelligence, and new identity tools such as tokenization and reusable IDs, along with other advancing technologies. This way you can accurately identify and re-recognize customers, giving them the confidence that you've applied the correct level of security to protect their information.

6 Be transparent

Consumers want transparency. In a recent Experian survey, 87% of consumers said that they want to know why their data is being requested and how it's being protected and stored.* Additionally, 83% say that it's very or extremely important to be transparent about how their data is being used.* Properly implemented, this openness helps create bilateral trust. When consumers understand that giving more information can help you create better recognition programs, reducing fraud risk and improving their overall experience, they're happier to provide that information. This accurate identification of your customers in turn becomes the cornerstone of personalized experiences.

7 Utilize artificial intelligence and machine learning

Advanced tools like artificial intelligence and machine learning can enable better risk decisions across the customer journey. Machine learning can be used to pinpoint which transactions are most likely to be fraudulent through the automated discovery of patterns across large volumes of streaming transactions. It also significantly reduces false positives. Artificial intelligence then takes that information and can utilize it to make real-time decisions according to your unique risk profile. With these tools, you can better identify questionable login attempts or transactions and quickly apply additional identity checks as necessary. Better still, you can inform your customers about the reason for the additional check — for instance that they're logging in on an unfamiliar device, prompting you to ask for an additional authentication method for their protection.

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Providing customers with visible signs of security and a layered authentication approach is key to creating a good experience and ensuring that your customers don't seek out a competitor's services. When you accurately identify your customer, you create positive momentum and further your cycle of trust, allowing you to engage customers and deliver on their expectations during every micro journey.

Experian helps businesses create effective fraud management strategies. Want to improve your security and customer experience? Let's get started.

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