

Best of both; how financial services and online marketplaces fight fraud

Mitek

Though financial services and online marketplaces may fight fraud differently, they ultimately share the same goal: protect their business and customers. See what each industry does well and what they can learn.

FINANCIAL SERVICES

Do well

Traditional banks have strong fraud teams with well-established procedures for investigating suspicious transactions, communicating with customers and processing chargebacks. Fintechs may be organized differently, but still have fraud management experts.

Can learn

Separate operations for lines of business and functions such as account origination and customer management have created siloed systems/data that impede fraud visibility and defenses. Companies can rise above silos with new technologies that access and combine data from multiple internal and external sources.

Do well

Established financial services have rich troves of customer transactional and other behavioral data. They've leveraged this data for fraud detection, and are gaining additional value from machine learning to spot morphing fraud schemes.

Can learn

Traditional financial services need to do more with alternative data sources so they can reduce reliance on credit bureau data and static information like social security numbers.

Can learn

Many financial services are also getting pretty good at self-service, but others still trying need to catch up with online retailers and fintechs.

Do well

Regulatory compliance has long been a core competency of financial services. Most have compliance officers/teams who work with customer lifecycle functions, from onboarding through collections, to ensure adherence and manage reporting.

Can learn

Traditionally, financial services have allowed months or years to elapse between software updates, partly because of rigid legacy systems. That's changing with new standards-based technologies replacing legacy systems or providing them with additional capabilities as callable services.

ONLINE MARKETPLACES

Can learn

Fraud management may be tucked under platform security or assigned to the group responsible for customer experience. For better control, break out focused fraud teams, while retaining communication and collaboration between all these functions.

Do well

Digital-first organizations like online marketplaces and fintechs have set up their operations to support seamless customer journeys across an expanding array of products and lines of business. That gives them good visibility into varied fraud attempts and complex multi-step schemes.

Can learn

As marketplaces build up customer historical data, their modeling teams can borrow well-proven fraud detection technologies, such as adaptive models that self-adjust based on the disposition of suspected fraud cases.

Do well

Online marketplaces and fintechs are adept at combining and analyzing different types/sources of data for expanded views into the behavior of legitimate customers vs. fraudsters.

Do well

They're also great at customer self-service and communications, including multi-channel ways to check suspicious transactions.

Can learn

Many online marketplaces do not have people responsible for compliance. While not yet subject to Know Your Customer regulations, marketplaces should begin building capabilities, especially as there's a strong link between online fraud and money laundering.

Do well

Online marketplaces and fintechs are agile, some doing core updates to apps weekly or daily, and refreshing tech infrastructures every six months. Knowing when to build/buy, they work well with vendor partners. This approach supports rapid learning for finding balance points between high security and low friction in customer experience.