

Achieve A 65% Reduction In CNP Chargebacks

Prior to taking action, CNP (card-not-present) transaction fraud was costing Bodybuilding.com up to \$170,000 per month in chargebacks.

by Matt Pillar

If you're not into fitness sports or bodybuilding, you might consider Bodybuilding.com a niche e-commerce site, and one with little cause for concern about fraud. But the site is the world's most visited for sports nutrition products, racking up 34 million unique visitors in Q2 2011 alone and 1.3 million orders year to date, at an average ticket of more than \$85.00. With traffic and sales like that, the company did indeed have a lot to lose prior to its recent implementation of a fraud detection and prevention solution.

In fact, it was an expensive run of fraudulent activity that led Bodybuilding.com to seek out help. "Our first indication of a problem came by monitoring our return rate – that's where chargebacks come back and hit you," says Ryan Vestal, corporate controller at Bodybuilding.com. "Our chargeback rate had been really low. Then, over the course of just a few months, it ratcheted up 100-150 basis points." Fraudulent transactions from Malaysia and several other foreign countries were contributing to substantial increases in chargebacks per month, peaking at \$170,000 in a single month at its worst point. The company found itself ill-equipped to deal with the unanticipated problem. Previously, transaction fraud was uncommon and required little-to-no-attention because it made such a small financial impact. Simply declining orders from overseas countries was not an option; as much as 12% of sales in any given month come from U.S. soldiers serving overseas. "We didn't want to put expensive controls and strict rules around transactions for fear of losing good customers," Vestal explains. But when card-not-present transaction fraud spiked, he and his colleagues at Bodybuilding.com knew the company's lacking fraud deterrence processes and procedures had to be addressed.

Fraud Detection Software Thwarts Chargebacks, Improves Revenue

Bodybuilding.com learned that fraudsters were setting up eBay businesses to "sell" sports nutrition products. Fraudsters were taking eBay orders, using stolen credit cards to buy products at Bodybuilding.com, and then shipping the product to the 3rd party and pocketing the money paid by them on eBay. At the

suggestion of payment processing provider Chase Paymentech, Bodybuilding.com engaged Kount and chose to implement its Kount Complete fraud detection and prevention solutions.

Within four weeks the solution had been implemented. Kount's Multi-Layer Device Fingerprinting along with several other interlocked fraud detection tools helped the retailer distinguish legitimate overseas military purchases from potentially fraudulent transactions in high-fraud locales. Kount worked with Bodybuilding.com to craft specific rules and transaction tracking that reduced eBay fraud using the vendor's dynamic transaction scoring rules. These rules analyze more than 200 individual risk variables to generate a score that predicts with a high level of accuracy the likelihood that a given transaction is fraudulent.

Two months after the implementation of Kount, Bodybuilding.com had already experienced a 65% reduction in chargebacks, a 14% decrease in declined orders, and a 5% increase in overall transactions processed.

Bodybuilding.com staffers can analyze reporting from Kount that helps them adjust their rules settings strategically. "We routinely use a report that allows us to see orders that are put on hold within the system," says Vestal. "If there are more than a very limited number of orders on hold at the end of the day, we look into the cause and potentially do some fine-tuning based on what we learn." For instance, in the beginning of its experience with Kount, Bodybuilding.com chose to implement a rule that would place on hold any order that had no "KaptchaKount" ID associated with it. iOS and other mobile devices don't have that ID associated with them. As orders originating from these devices

proliferated, hundreds of orders were being placed on hold. Bodybuilding.com was able to use the dynamic rules engine to immediately reconcile the issue.

"The solution has reduced fraudulent activity as anticipated, but it's also contributed to revenue growth by helping us recognize good transactions that otherwise might have been declined," concludes Vestal. ■

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Fraud detection and prevention solutions from Kount helped Bodybuilding.com achieve a 65% reduction in a rampant chargeback problem.

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