

CD Baby Stops Singing the Blues About Fraud

The Situation

CD Baby (<http://cdbaby.com>) is the world's largest online distributor of independent music, helping independent artists sell their music on cdbaby.com, iTunes, Amazon, Facebook and more—as well as on compact disc and even vinyl records.

CD Baby was hit by recurring fraud attacks that drove chargebacks up to 2.6% of transactions. Controller Christine Barnum found herself spending “80% of my time, 7 days a week, trying to contain fraud. It was like ‘whack-a-mole.’ I would identify a pattern and put rules in effect to stop it, and the fraudsters would come up with another trick.” The fraud was occurring in three areas:

Card Testers: Attracted by the 99¢ per download price, fraudsters were testing up to 100 stolen cards per day.

Imposters: Fraudsters would join CD Baby pretending to be artists and create an album using stolen music. They would

then repeatedly purchase that album with stolen credit cards in order to collect artist commissions fraudulently. “Not only were chargebacks out of control, but we were paying out 75% commissions, too. It was a double hit,” says Christine.

Affiliate Fraud. Fraudsters posing as affiliates would make purchases using stolen credit cards and collect fraudulent affiliate commissions.

“We weren’t in a chargeback program, but we were quickly headed that way,” notes Christine.

The Solution

When chargebacks/losses totalled over \$26,000 in a single month, CD Baby turned to Kount. After implementing the Kount Complete™ solution, chargebacks fell dramatically, down to just \$850/month the first full quarter that the solution was in place.

The Outcome

- Chargeback rates plummeted from 2.6% to less than 0.1%
- Revenue held steady, with no complaints of legitimate orders being rejected
- Manual reviews dropped dramatically and can now be handled by a part-time person

Christine especially credits Order Linking technology with identifying fraudulent customers using stolen cards long before they become serious problems. In addition, Kount's Data Mart helps with business decisions. “We are looking at rolling out websites in other languages besides English,” says Christine. “With Kount, we can see how many browsers are set to French as the default language, for example, and can make our decision on whether French should be a website language based on that buyer data.”



Kount Complete makes things so much faster and easier. For instance, I can quickly implement special rules when we're having a new artist recruitment drive in order to maximize sign ups. Kount has really made my life infinitely easier. I'm back to doing my job instead of spending my entire work week battling fraud.

Christine Barnum
Controller
CD Baby



Kount is a leading innovator of solutions for fraud and risk management. Our “decision engine” platform is ideal for managing fraud in online/telephone channels that process payments and onboard new customers. Kount is committed to offering an end-to-end, single-source solution focused on speed, simplicity and ease of use... with a no-compromise approach to providing real-time accuracy in results.

KOUNT COMPLETE™

The Kount Complete™ fraud control solution delivers out-of-the-box results at a fixed cost, while providing total customization/control so you can fine tune results to meet the unique requirements of your vertical industry or market segment.

Better, Real-Time Data

- Kount uses cross-merchant, cross-vertical consumer activity data that no other provider has access to
- Truth-in-data outcome: automated chargeback updates, manual review outcomes, card networks, etc.

Best-in-Class Technology

- Kount holds multiple patents and owns the core technology
- NOT channel specific: handles Online, Mail Order, Phone, etc., along with credit cards, checks, ACH, alternate payments, etc.

Operational Efficiency

- Super-fast response time: 250 to 350 milliseconds
- Automation of manual review process allows fewer agents to handle more reviews

End-to-End Solution

You only need one solution to run your entire fraud/risk operation:

- Comprehensive, integrated set of fraud technologies and tools, including:
 - Multi-layer Device Fingerprinting™
 - Proxy-Piercer®
 - Dynamic Scoring™
 - AutoAgent with Manual Review Automation
 - And much more...
- Single-platform infrastructure connects 3rd-party authentication and verification tools into a single interface
- Single view for Customer Service and fraud prevention / manual review
- Real-time rule provisioning lets you change rules and workflow on-the-fly

Simplicity and Ease of Use

Fraud prevention does not have to be complex or complicated:

- Ready to use without major infrastructure or time investment: you can get up-and-running right away
- Intuitive, point-and-click interface lets you easily configure and manage all tasks
- 3rd-party point solutions are pre-integrated
- Manual reviews can be reduced to just 1% of transactions

Value and Accuracy

Single-source solution with fixed costs...avoid the expense / upkeep of multiple tools:

- Immediate, dramatic results: 30% uplift on top and bottom line
- Reduced costs and faster response times because Kount owns the core underlying technology
- Analyzes over 200 individual risk variables in just 250 to 350 milliseconds to deliver an accurate, quantified risk score (1-99)
- Dramatically reduces chargebacks: on-going, post-transaction monitoring provides alerts on transactions that have subsequently shown negative behavior