



ESET Automates Fraud Detection

Challenge:

ESET's eCommerce sales were growing faster than their in-house fraud management solution could handle. With limited automated risk assessment, about 90% of the orders were manually reviewed, staff overtime was the norm, and chargebacks went unmanaged.

Solution:

CyberSource Managed Risk Services provided fraud screening strategies and ongoing performance management using Decision Manager, a complete fraud management platform, providing accurate automated screening, a customizable case management system, and advanced tuning and analytics.

Results:

Without adding staff, ESET increased revenue by accepting more orders quickly while lowering their chargeback rate.

- Increased automated screening by **840%**.
- Lowered the order rejection rate by **81%**.
- Reduced the chargeback rate by **91%**.

Company Background

ESET North America, a subsidiary of ESET Corporation, develops high-performing security solutions for home users and corporate customers, detecting and disabling all known and emerging forms of malware for millions of users worldwide. Continuing to lead the industry in proactive threat detection, ESET was included in Gartner's 2010 Magic Quadrant for Endpoint Protection Platforms. With annual revenue over \$50 million and triple digit growth rates over the last five years, ESET North America ("ESET") sells through multiple channels with a direct sales force, partners, and its online store.

Fraud Management Challenges: Revenue Optimization, Scalability

Although ESET was successful in keeping their online fraud rate low, it came at the expense of the accounting department's order review team. In the last four years, ESET's online sales have grown ten-fold, with its website now averaging 1,500 transactions per day. The order review team used a homegrown fraud detection system, the Fraud Finder 5000. However, its limited capability to create business rules and lack of systematic risk assessments forced the majority of the orders (90%) to be manually reviewed. In addition, because Fraud Finder 5000 did not provide any data verification, the ESET review team had to access multiple data verification sources outside of the system. As order volume continued to grow, the review team worked overtime on weekends and holidays, recruiting IT department personnel as backup during peak times.

To compound matters, ESET's accounting department also managed chargebacks. As they were already struggling to screen orders, ESET was not able to re-present chargebacks in a timely manner, increasing their cost of doing business.

To address this problem, ESET considered adding headcount, but as Mary Lou Carver, Manager of Accounting, stated, "This was an expensive proposition. And not only that, it's hard to find that person who can do this job."

CyberSource provides...

- Global fraud intelligence from 60B+ Visa and CyberSource transactions
- 260+ tests and detectors
- Expert risk consultants on six continents

ESET Fraud Management Using CyberSource

“We needed a solution that automated the process more,” said Carver. The solution had to automate more fraud screening, reduce the burden on the order review team, and accept more orders. ESET also saw additional efficiencies and advantages to be gained with a solution that was pre-integrated with NetSuite, its Web store, order management and CRM system. The CyberSource-NetSuite solution proved to be a powerful combination that brought both the technology and fraud management expertise to optimize ESET’s operations.

More Accurate Automated Fraud Detection

Since ESET software is delivered digitally and immediately fulfilled, they wanted a system that could accurately automate order decisions in near real-time. In addition, because ESET products are sold worldwide, they wanted a fraud management solution that could accurately screen for fraud on a global basis.

With CyberSource, ESET could detect fraud more quickly and accurately, comparing incoming orders to the information gathered from over 60 billion transactions that Visa and CyberSource process annually, including multi-merchant data spanning every region worldwide. With Decision Manager, international orders (which have historically been riskier) could follow a different fraud screening strategy than ESET’s domestic orders.

An important feature for ESET was the device fingerprint technology embedded into Decision Manager, which provided ESET with additional data on each transaction. This was critical, as digital goods have less data for use in screening (i.e., no shipping address). According to Carver, “We’ve had to reject orders in the past because we didn’t have enough data points. Now we’re able to accept more orders safely because we have more data.”

Improved Manual Review Effectiveness

With Fraud Finder 5000, only 10% of the orders were automatically accepted using simple business rules, with the remainder falling on the order review team to screen. ESET wanted a fraud management solution that would reduce the burden on their review team, while enabling them to screen orders more efficiently by providing direct access to both order data and best-in-class data verification services through the system.

Using CyberSource, the ESET review team could render decisions more quickly and effectively because the case management system consolidated all transaction data, external and validation data sources, and reasons for order outsort on one screen. Reviewers could customize the UI as desired, which enabled them to tailor the layout to optimize the efficiency of order analysis. As a result, reviewers were more proficient, taking seconds to render a decision on an order.

Optimized Fraud Management Operations

It was very important for ESET to be able to measure performance in order to improve upon it. “Every month, we want to do better,” said Carver. ESET manually tracked their chargeback rates but wanted a solution that provided more information about their overall operations.

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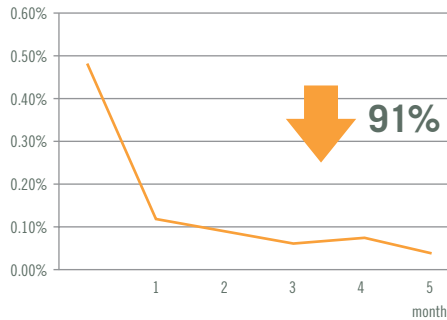
— Mary Lou Carver, Manager of Accounting

CyberSource provides...

- User-friendly Rules Console
- Passive mode rule testing
- Comprehensive reporting and analytics

CyberSource offered comprehensive performance analysis reports which were supplemented by customized reports prepared by ESET's dedicated Managed Risk Analyst. The Decision Manager reports provided summary views of financial and system performance, which could be drilled down to order level detail, enabling Carver's team to gain more insight into their overall operations and fine-tune rules and processes with the support of their Managed Risk Analyst.

Chargeback Rate

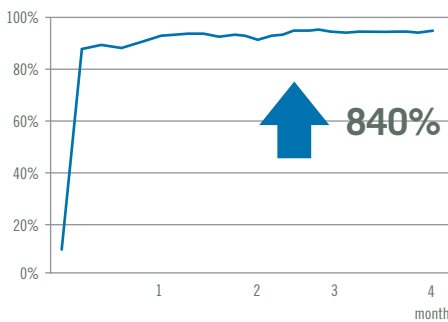


Decision Manager's powerful rules engine and intuitive UI enabled Carver's team to add or change business rules dynamically in response to new fraud schemes or as business needs changed. They no longer had to rely on IT to make changes to their system. New rules were tested in passive mode to assess their impact before being placed into production, allowing ESET to tweak their fraud management system until the desired outcomes were reached.

Seamless Integration with NetSuite

NetSuite, ESET's ERP, CRM, and eCommerce service provider, is directly integrated to the CyberSource payment management platform, allowing ESET to quickly implement Decision Manager in about one week's time. According to Anthony Carter, ESET's ERP Analyst, "The integration with Decision Manager was very easy compared to other systems we've had to integrate with."

Automated Decisioning

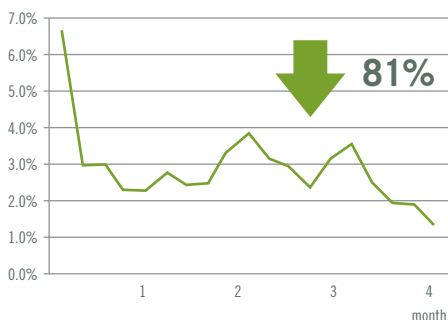


ESET was easily able to configure NetSuite to pass key order and CRM data elements to augment and customize the order screening rules within Decision Manager. Results from Decision Manager were automatically and instantly reflected back in the NetSuite Order Management System, eliminating dual data entry by the review team while improving cash flow by converting orders to revenue more quickly.

Results

ESET's results with CyberSource were immediate and dramatic. While ESET already had a low chargeback rate, using CyberSource to streamline their process, ESET lowered their chargeback rate further by 91%.

Order Rejection Rate



More importantly, by automating more of the fraud screening and sending fewer orders to manual review, Carver's existing review staff could successfully manage order volume, without additional headcount. ESET went from automatically screening about 10% of their orders to 94% currently. As a result, ESET went from reviewing 900 orders per day to a much more manageable 100 orders per day.

ESET's order rejection rate also fell by 81%. While ESET's finance department was focused on reducing fraud, the marketing department focused on sales conversion, which was directly impacted by the high order rejection rates. By lowering both the order rejection and chargeback rates, ESET was able to maximize revenue while minimizing fraudulent losses.

Overtime Elimination

Before CyberSource, staff overtime was a given. According to Carver, "Once we started using CyberSource, we had no overtime." When the critical Thanksgiving shopping weekend came, she did not ask her staff to work. "I took the chance and told my staff not to come in, and I was right."

“The collaboration between our two companies is what makes our fraud management succeed,” Carver says. “It’s been great having a Managed Risk Analyst work with us to manage our fraud. It’s an important part of our fraud management.”

— Mary Lou Carver, Manager of Accounting

More Time for Chargeback Management

More automated screening with better accuracy and a manageable review queue led to two results. First, Carver’s team had fewer chargebacks to dispute; second, the team had more capacity to dispute them successfully.

Strong Partnership for Fraud Prevention

As ESET North America’s business continues to grow in the triple digits, they are confident that they can scale without disruption because of the expertise and infrastructure that CyberSource provides. “The collaboration between our two companies is what makes our fraud management succeed,” Carver says. “It’s been great having a Managed Risk Analyst work with us to manage our fraud. It’s an important part of our fraud management.”

About CyberSource

CyberSource, a wholly-owned subsidiary of Visa Inc., is a payment management company. Over 370,000 businesses worldwide use CyberSource and Authorize.Net brand solutions to process online payments, streamline fraud management, and simplify payment security. The company is headquartered in San Francisco and maintains offices throughout the world, with regional headquarters in Singapore (Asia Pacific); Tokyo (Japan), Miami/Sao Paulo (Latin America and the Caribbean), and Reading, U.K. (Europe/Middle East/Africa). CyberSource operates in Europe under agreement with Visa Europe. For more information, please visit www.cybersource.com.

About ESET

ESET is at the forefront of security innovation, delivering trusted protection to make the Internet safer for businesses and consumers. Sold in more than 180 countries, ESET products are among the most recommended security solutions in the world. ESET NOD32 technology consistently achieves the highest accolades in all types of comparative testing, and powers the virus and spyware detection in ESET Endpoint Antivirus, ESET Endpoint Security and other ESET products. ESET’s North America headquarters are located in San Diego, California.

For more information, visit <http://www.eset.com/us> or call +1 (619) 876-5400.

For more information, please visit www.cybersource.com