



MERCHANT GUIDE



CARD NOT PRESENT®

NEWS, EDUCATION AND EVENTS
DECODING DIGITAL PAYMENTS & FRAUD

E-GIFT CARDS & FRAUD

5 WAYS TO AVOID A CHARGEBACK HANGOVER IN JANUARY






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UNDERSTAND THE PROBLEM

According to Giftcards.com, electronic digital gift cards are the fastest-growing segment of the gift card industry, growing 29% annually. But, as popular as they are with consumers, they are just as popular to fraudsters!

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- E-gifts are instant, no shipping address is needed; they can be easily transferred to others.
 - Demand in the secondary market make them easy to monetize.
 - E-gift cards have one of the highest fraud attempt rates of all products.
 - Holiday orders can appear risky because the shipping address of a gift often does not match the billing address, therefore the risk of canceling a legitimate order, prompting a lost sale and an unhappy customer is greater than at any other time of year.



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UNDERSTAND THE SECONDARY MARKET FACTOR

Secondary markets have emerged in the last few years enabling consumers to buy and sell gift cards at a discount. Some buy cards directly from consumers and resell them. Others take the form of online classifieds or auctions. A site full of willing buyers is attractive to fraudsters looking to monetize their ill-gotten e-gift card codes as shoppers are looking for a deal. But, beyond providing an easy way to monetize fraudulently purchased gift cards, secondary markets pose a significant challenge for merchants...

- When fraudsters use stolen credentials to buy a gift card, the victim files a chargeback or reports it as confirmed fraud.
- If a fraudster has sold the card to a secondary-market site to monetize his/her theft, chances are that the value of the card will not be there when the legitimate buyer visits the secondary site.
- With funds no longer available on the card, many consumers assume it's the retailer whose name is on the gift card that must guarantee the funds on the card.
- It can get even more complicated when the fraudulently purchased gift card in question was purchased as a gift, adding a third "customer."



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IDENTIFY E-GIFT CARD FRAUD

Merchants report two main methods of fraud targeting e-gift cards: standard credit card fraud and account takeovers. How do you spot them?

- **Standard credit card fraud:** Look for nonsensical e-mail addresses, purchaser or recipient names, the same purchaser and recipient name and e-mails, multiple purchase attempts on the same device ID, multiple failed purchase attempts prior to successful authorization or not customizing the gift message.
- **Account takeover fraud:** Identify by tracking the number of log-in attempts on an account or when the billing information or e-mail address is changed on an account log in.



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APPLY BEST PRACTICES TO PREVENT E-GIFT CARD FRAUD

- **Require gift card purchases to go through the same process as other transactions – but have separate rules that apply to these transactions, as well as their own queue.**
- **Assign more senior risk analysts to the gift card queue because e-gift cards have a higher risk of fraud. This will enable consistency and expertise, maximizing the ability to cancel these transactions, while minimizing the risk of canceling legitimate transactions.**
- **Schedule regular meetings once a week for these analysts to share specific tactics, risky identifiers and patterns they're observing.**
- **Remember that e-gift cards are essentially cash, so monitoring and canceling fraudulent gift card purchases should be a business priority.**
- **Have a system that can track gift card activity “from time of purchase to time of redemption,” allowing merchants visibility into activity.**



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CONCLUSION

With the holidays quickly approaching, establishing a clear plan and process for identifying and preventing fraudulent gift cards while reducing the impact to legitimate gift-buyers should be a priority for any business selling gift cards online. Creating policies and processes while working with the customer service team will eliminate a lot of headaches, especially in January, when many recipients start to redeem their gift cards.

Card Not Present® provides you with the latest news, education and events decoding digital payments and fraud. As an independent voice generating content for and about the companies and professionals operating in the card not present space – this is one of the only news sources in the payments industry with non-biased content available.

CNP Expo® is a meeting place for card not present professionals to network, connect and form the partnerships this environment requires. With over 50+ hours of education for e-commerce new comers and veterans, learn how to leverage CNP payments in an increasingly multi-channel retail sales environment. CNP Expo® is taking place this year from **May 14-17, 2018** at the **Rosen Shingle Creek in Orlando, FL.**