Welcome Reception Sponsor

ingenico ePayments
Breakfast Sponsor

DISCOVER
GLOBAL NETWORK
2018 ATPS APAC SPONSORS
How do you deliver outstanding experiences without inviting fraud?

$858M
Cost of payment fraud to the airline industry each year

1-2%
Of travel agency revenue is used to manage fraud

72%
Of businesses worry about preventing fraud without turning away good customers

sift science
Machine learning can separate fraudsters from real travelers

It’s only when you apply behavioral analysis on a large scale, looking at all of a user’s activity and all activity of users across the travel industry, that you can get an accurate picture of whether someone is truly who they say they are.

At Sift Science, we have over 16,000 signals we look at to identify fraud. Here are just a few examples:

- Account age
- Time until event
- Seat selection
- Order size
- Destination
- Buyer location
- Device type / ID
- Fare class

Sources: Statista, eMarketer, Zozi, IATA, Phocuswright, Sift Science

To learn more about how Machine Learning can help you prevent fraud email:
Tobias Abdon tobias@siftscience.com
CyberSource Global Airline Fraud Outlook

Fernando Souza
Vice President, Merchant Global Solutions

Airline & Travel Payment Summit
Disclaimer

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Digitalization of the customer experience...

... touching and transforming all of the traveler journey:
bookings, transportation, airports, inflight, in-property
stay and loyalty
“I’ve been in the travel business for two decades now and have never seen anything like the divergent trends we are witnessing today”

Arne Sorenson, Marriott CEO
Davos World Economic Forum 2018
Payments are becoming a greater area of focus
Mobile Share of Travel Online Bookings

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management.
Airline mobile channel revenues are on the rise

**Overall** airline booking revenues through mobile channels increased significantly - up from 2.3% in 2014 to 7%

42% of low cost airlines are now accepting mobile phone payment methods on their website

Acceptance of digital wallets increased significantly. **71% of low cost airlines** provide digital wallets as payment method.

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management

Q Please estimate the percentage of passenger revenue booked through the following sales channels for the full year 2016 – travel agencies, online travel agencies, airline website, mobile, airline call centre, airports.

Q. Which of the following payment options does your airline currently accept for bookings made on your direct sales channels (your airline’s website, call center, airport ticket counter, mobile, etc.)? Select all that apply.
Digitalization is opening up Airlines to new risks

- Organized crime
- Data center breaches
- Dark web
- Airlines being exposed to new fraud scenarios
  - Last minute bookings
  - Loyalty fraud
  - Mobile fraud
  - Cross-border

Source: CyberSource & Phocuswright: 2018 Global Airline Fraud Study
Global airline fraud losses - online direct channels

$2.8 Billion per year

Source: CyberSource & Phocuswright: 2018 Global Airline Fraud Study. 1.2% average fraud rate in airline industry
Introducing

Airline Fraud Management Survey 2018

• Conducted globally by Phocuswright on behalf of CyberSource, in partnership with IATA, ARC, AI
• Between June and September 2017
• Previous Survey 2014
Who took part?

112 airline respondents

CYBS and non-CYBS customers. Access to aggregated results

- **67%** Global carriers
- **24%** Regional carriers
- **9%** Domestic carriers

- **39%** companies reported total revenue over US$1B
- **61%** companies reported total revenue less than US$1B

*most flights within one country. **most flights within in a single region or continent. ***flights span 3 or more continents

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management.
The good
Increased efficiency in managing online fraud

- Overall Online Fraud Loss has plateaued
- While Manual Review rate is down significantly, indicating an increased efficiency in fraud management

*ECommerce fraud loss rate is defined as fraud coded chargebacks plus credits issued in response to fraud complaints. **Manual review is defined as those orders that are not processed or delivered automatically and go through a manual / back office analysis to determine if they should be accepted or rejected.

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management

Q Approximately what percentage of the bookings made on your airline’s direct sales channels require manual review?

<table>
<thead>
<tr>
<th>Airlines by Revenue</th>
<th>Percent of Direct Bookings Requiring Manual Review for Fraud</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$1B</td>
<td>25%</td>
</tr>
<tr>
<td>$1B+</td>
<td>15%</td>
</tr>
</tbody>
</table>

Q. What percent of revenue from your direct sales channels did you lose due to payment fraud in the past 12 months?
Increased efficiency in managing online fraud

**Fraud loss rate**
- 2014: 1.0%
- 2017: 1.2%

**Manual review rate**
- 2014: 27%
- 2017: 18%

**Order reject rate**
- 2014: 3.4%
- 2017: 3.8%

*ECommerce fraud loss rate is defined as fraud coded chargebacks plus credits issued in response to fraud complaints. **Manual review is defined as those orders that are not processed or delivered automatically and go through a manual / back office analysis to determine if they should be accepted or rejected. ***Order rejection is defined as transactions that the merchant decides to reject (automatically or manually) due to suspicion of fraud.


Q. Approximately what percentage of the bookings made on your airline's direct sales channels require manual review?
Q. What percent of revenue from your direct sales channels did you lose due to payment fraud in the past 12 months?
Q. What percent of bookings from your direct sales channels did you reject or cancel in the past 12 months due to suspicion of fraud?
Online fraud rates per region

Base: (Asia Pacific, N=18; Europe, N=12; Latin America, N=3; North America, N=2)
Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management
Rejection rates per region

Base: Airline companies (Asia Pacific, N=27; Latin America, N=17; Europe, N=14; North America, N=6)
Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management
Manual Order Review rates per region

- **5.4%** in Asia Pacific
- **7.4%** Phocuswright
- **35.5%** in North America

Base: Airline companies (Asia Pacific, N=15; Europe, N=11; Latin America, N=10; North America, N=4)
Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management
A combination of tools are being used through the screening process

Validation Services

- CVN
- Payer authentication (3D Secure)
- AVS
- Card Bin look-ups
- Email verification (e.g., Emailage)
- Geographic indicators/maps
- Social networking sites
- Tel. number verification/reverse look-up
- Credit history check
- Postal address validation services
- Two-factor phone authentication
- Paid public records services
- Biometric indicators

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management
Q Which fraud detection techniques/services does your airline use or plan to implement to assess the risk of payment fraud?
A combination of tools are being used through the screening process

Other Services

- Customer order history or frequent flyer membership history
- Fraud scoring model (company-specific)
- Positive Lists
- Proxy detection
- Customer website behavior/pattern analysis
- IP geolocation information
- Order velocity monitoring
- Device fingerprinting (e.g. electronic)
- Shared negative lists / hot lists
- Multi-merchant purchase velocity/identity morphing models
- Third-party solution offering multiple services

Proprietary Data / Customer History
Purchase Device Tracking
Multi-merchant Data / Purchase History
Third-Party Outsourcing

Depicted as percentages

- Currently use
- Plan to implement
- Neither currently use or plan to implement

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management.
Q: Which fraud detection techniques/services does your airline use or plan to implement to assess the risk of payment fraud?
No one single tool is effective by itself

Validation services

- Two-factor phone authentication
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Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management. Q Which fraud detection techniques/services does your airline use or plan to implement to assess the risk of payment fraud for bookings made on your airlines direct sales channels?
No one single tool is effective by itself

Other services

Depicted as percentages

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management. Q Which fraud detection techniques/services does your airline use or plan to implement?

Third-party solution offering multiple services

Purchase

Device Tracking

Multi-merchant Data / Purchase History

Third-Party Outsourcing

Proprietary Data / Customer History

Fraud scoring model (company-specific)

Order velocity monitoring

Shared negative lists / hot lists

Multi-merchant purchase velocity/

identity morphing models

No one single tool is effective by itself

Customer website behavior/pattern analysis

Customer order history or frequent flyer membership history

Negative lists (in-house)

Positive lists

Proxy Detection

Device fingerprinting

IP geolocation information

Customer order history or frequent flyer membership history

Fifth-party solution offering multiple services

Very effective

Somewhat effective

Slightly effective

Not at all effective

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management. Q Which fraud detection techniques/services does your airline use or plan to implement?
The bad
Airlines are not tracking key fraud KPI’s

- Mobile adoption has increased
- Some Airlines are not tracking in the mobile channel

<table>
<thead>
<tr>
<th>Revenue loss¹</th>
<th>Reject rate²</th>
</tr>
</thead>
<tbody>
<tr>
<td>20% do not track for mobile websites/apps</td>
<td>18% do not track for mobile websites/apps</td>
</tr>
</tbody>
</table>

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management ¹Q What percent of revenue from your direct sales channels did you lose due to payment fraud in the past 12 months? – lost revenue, do not track, do not know ²Q What percent of bookings from your direct sales channels did you reject or cancel in the past 12 months due to suspicion of fraud? – lost revenue, do not track, do not know
Airlines have some key fraud management challenges to overcome

- Lack of internal resources: 33%
- Keeping up with new fraud management technologies: 31%
- Identifying/responding to emerging fraud attacks: 28%
- Reducing manual review: 25%
- Keeping up to date on government regulations or rule changes by payment systems/card networks: 7%

Overall

Limited fraud management budgets and resources

Keeping up with fraud management technologies is a concern

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management. Q Which of the following have been your biggest challenges related to e-commerce fraud? Please select up to three. Full list available on request.
And there are some priorities….

The need to respond to new trends is recognized:

- Managing omni-channel fraud
- Creating mobile-specific fraud rules

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management. Q Which of the following are your top priorities over the next 12 months? Please select up to three. Full list available on request.
26 of the top 50 airlines (and over 70 all over the world) rely on CyberSource solutions.
See you in our booth!