According to Ingenico ePayments’ data, most travelers in LATAM arrive or depart from these top five airports:

- **PTY** Tocumen International Airport | Panama City, Panama
- **SCL** Comodoro Arturo Merino Benítez International Airport | Santiago, Chile
- **LIM** Jorge Chavez International Airport | Lima, Peru
- **BOG** El Dorado International Airport | Bogota, Colombia
- **GRU** Sao Paulo – Guarulhos International Airport | Guarulhos, Brazil

We work with some of LATAM’s biggest airlines, visiting all of these destinations, by helping them reach more customers around the world. Make sure that you’re targeting all of your international travelers throughout their journey, with the most payment methods and comprehensive acquiring coverage available.

Visit: [www.ingenico.com/epayments](http://www.ingenico.com/epayments) to learn more
CyberSource Global Airline Fraud Outlook

Fernando Souza
Vice President, Merchant Global Solutions
Airline & Travel Payment Summit – Miami - April 25, 2018
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 Inc
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.


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 center, 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
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
112 airline respondents
CYBS and non-CYBS customers. Access to aggregated results

**Who took part?**

**Headquarters Location**

- North America, 10%
- Asia Pacific, 30%
- Middle East, 10%
- Latin America and Caribbean, 12%
- Africa, 13%
- Europe, 26%

**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 a single region or continent. ***flights span 3 or more continents
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

*E-commerce 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.

Q. What percentage of revenue from your direct sales channels did you lose due to payment fraud in the past 12 months?

### Fraud loss rate*

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>1.0%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

### Manual review rate**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>27%</td>
<td>18%</td>
</tr>
</tbody>
</table>

### Airlines by Revenue | Percent of Direct Bookings Requiring Manual Review for Fraud

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Manual Review</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$1B</td>
<td>27%</td>
<td>25%</td>
</tr>
<tr>
<td>$1B+</td>
<td>18%</td>
<td>15%</td>
</tr>
</tbody>
</table>
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%

*E-commerce 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.

Online fraud rates per region

- Asia: 1.5%
- Middle East & Africa: 1.1%
- Latin America: 1%
- Europe: 0.3%

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management
Rejection rates per region

- 7% (70% confidence)
- 3.8% (95% confidence)
- 1.7% (95% confidence)

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management
Manual Order Review rates per region

Source: Phocuswright CyberSource Benchmark Study: 2018 Global Airline Online Fraud Management
A combination of tools are being used through the screening process

Validation Services


Q Which fraud detection techniques/services does your airline use or plan to implement to assess the risk of payment fraud?
A Visa Solution

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


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

Source: 2017 Global Airline Fraud Management Study, a Phocuswright White Paper forthcoming January 2018, sponsored by CyberSource. 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

Source: 2017 Global Airline Fraud Management Study* a Phocuswright White Paper forthcoming January 2018, sponsored by CyberSource. 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 airline’s direct sales channels?
Airlines are not tracking key fraud KPI’s

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

### Revenue loss

- 20% do not track for mobile websites/apps

### Reject rate

- 18% do not track for mobile websites/apps

1 Q 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

2 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? – lost revenue, do not track, do not know
Airlines have some key fraud management challenges to overcome

- Limited fraud management budgets and resources
- Keeping up with fraud management technologies is a concern

Source: 2017 Global Airline Fraud Management Study, a Phocuswright White Paper forthcoming January 2018, sponsored by CyberSource. 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: 2017 Global Airline Fraud Management Study™ a Phocuswright White Paper forthcoming January 2018, sponsored by CyberSource. 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
Some airline brands that use us worldwide

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