

THE FRAUD PRACTICE

INNOVATIVE STRATEGIES FOR ECOMMERCE PAYMENTS & FRAUD PREVENTION

THE RUNDOWN

In this feature article The Fraud Practice discusses the mutually beneficial relationship between mobile devices and identity document verification, focusing on how this risk management technique can be best utilized within the mobile channel and how mobile device technology has made identity document verification a more viable option for merchants and other organizations beyond financial institutions.

In several ways identity document verification and the mobile channel benefit one another. Mobile device technology has made identity document verification a more accessible risk management technique as it can now leverage mobile phone cameras and wireless internet connectivity to easily capture and submit identity documents. Organizations conducting business in the mobile channel can benefit from this technique as a strong form of verification that can be catered to fit well into the mobile transaction flow, and also by leveraging ancillary benefits such as auto-populating data fields with text extracted from the submitted document.

When it comes to using identity document verification in the mobile channel there are several considerations to ensure a positive user experience. Major considerations such as these are discussed in this article:

[Autofill Forms with Information from Identity Documents](#)

Many identity document verification service providers offer capabilities to extract text information from a payment card or identity document and automatically enter this information into the correct data fields, making mobile checkout that much easier.

PRESS RELEASE: LEVERAGING IDENTITY DOCUMENT VERIFICATION IN THE MOBILE CHANNEL

Sarasota, FL, May 13, 2015 / By: Justin McDonald, [The Fraud Practice LLC](#)

More and more consumers, as well as fraudsters, are browsing, buying and banking via their mobile devices. While this has benefitted consumers with increased convenience it has also created new challenges for merchants, financial institutions and others that want to reach customers in the mobile channel, as they now must also manage new risks. The mobile channel continues to grow overall and as a portion of total commerce, but is also heavily targeted by fraudsters. According to a study by [LexisNexis and Javelin Strategy and Research](#), mobile payments represented 14 percent of all transactions in 2014 but accounted for 21 percent of all fraudulent transactions, and 1.36 percent of mobile revenues were lost to fraud.

Many organizations that expanded sales to the mobile channel learned the hard way that their risk management strategy, which may have been effective for traditional eCommerce, was not as effective for managing risk or maintaining an optimal user experience with mobile eCommerce. Organizations had to optimize their websites and payment processes to fit the mobile channel, and risk management is no different.

The good news for organizations is that while advancements in connectivity and mobile device technology have led to a rapidly growing mobile commerce market, these advancements have also improved the use of many risk management tools and solutions that are able to make use of this technology as well. One such example, and the focus of this article, is [identity document verification](#), which has evolved from a more burdensome process of scanning or faxing in copies of passports and IDs to a streamlined process focused on a positive user experience by leveraging the modern mobile device. Here we discuss how this risk management technique can be best utilized within the mobile channel and how mobile technology has made identity document verification a more viable option for merchants and other organizations beyond financial institutions.

[Autofill Forms with Information from Identity Documents](#)

Mobile devices have small screens and touchscreen keyboards meaning the steps where consumers must enter in their personal and payment information are more tedious and more prone to error. This makes the option for saved billing and shipping information all the more convenient for mobile transactions, but organizations that store this information must also take the necessary measures to protect it, and first time customers or those checking out as guests are typically required to provide this information manually. This is

Document Image Capture Steps Should Maintain Consistent Look and Feel with App or Site

Mobile devices have greatly reduced friction in the document capture process, but organizations must still take measures to be sure these steps mesh with the overall design, look and feel of their website or mobile application.

Offering Mobile Document Capture for Non-Mobile eCommerce Transactions

Why not leverage the ubiquity and convenience of mobile devices to help transactions initiated from a computer flow smoothly?

Falling back on “Identity Document Verification as a Lowest Common Denominator” Technique

Because of its global applicability and ability to provide an indication of risk when identity data is otherwise not available for a consumer, identity document verification is something organizations can fall back on as a lowest common denominator risk management tool.

Free White Paper: Effective Methods for Using Identity Document Verification to Increase Sales Conversion



The Effective Methods for Using Identity Document Verification to Increase Conversion whitepaper is focused on the use of third party services for performing Identity Document Verification as it applies to fraud detection, meeting compliance requirements and using this technique to allow more transactions an opportunity to convert.

Identity Document Verification Technique Course and Data Sheet

a significant source of abandonment in the mobile channel, the [Skava Consumer Mobile Shopping Survey](#) found that 88 percent who shop on smartphones have had negative experiences with 51 percent stating websites were harder to use from mobile devices and 26 percent citing issues with the checkout process.

Difficulty completing an online transaction from a mobile device may be apparent for many organizations when comparing abandonment rates between channels. Web analytics service [Formisimo](#) reports that 13.5 percent of online shoppers who add items to a cart complete the purchase from a desktop, compared to 8.5 percent of online shoppers coming from a mobile phone. Consumers often choose to transact in the mobile channel for convenience, and identity document verification can reduce friction in what is typically the least convenient step: providing identity and/or payment information at the account creation or purchase events.

Using text recognition technology identity document verification services can offer the ability to extract the information from the front of a payment card, driver's license, passport or billing statement and then use this information to fill out the name, address and other data fields that the organization needs to collect. From a consumer's perspective this makes onboarding or checkout much easier and can lead to reduced abandonment. When you consider that Apple has consumers take pictures of their payment cards to add them for use with Apple Pay, it is likely that most consumers will be familiar and comfortable with this process in the near future, if they aren't familiar with it already.

Organizations can leverage identity document verification services for data capture in the mobile channel and pitch this to users as a convenience. Letting consumers know they can expedite checkout by snapping a picture of their credit card can help convert more sales, rather than the consumer going to a competitor where they already have a user account, or one that accepts PayPal, Visa Checkout or another e-wallet where the consumer already has shipping and billing information on file.

While data capture and autofill for identity documents is a user convenience feature that can increase conversion, it also benefits risk management. When consumers opt to use this feature the organization can also validate that payment card or ID is real and know that the user is in possession of this payment card or document. Depending on the level of risk associated with a user and a transaction, an organization may decide to submit the provided document for verification and only pay for this when it is needed.

Document Image Capture Steps Should Maintain Consistent Look and Feel with App or Site

Whether used for data capture and autofill or to validate a document is authentic, identity document verification requires interaction from the consumer. Leveraging mobile device technology identity document verification services have made this interaction as easy as possible for the consumer, but organizations still want to take every measure to ensure users complete the process. Important considerations for organizations are that this process is easy and available for all mobile channel avenues the organization makes use of (iOS apps, Android apps and/or mobile web browser), and that the organization can maintain a consistent look and feel with this step and the rest of the onboarding or checkout process flow.

An organization may leverage dedicated mobile apps, mobile optimized websites or both. The integration and use of identity document verification will be different for consumers coming through mobile apps versus those coming through their mobile web browsers, and if using an identity document verification service an organization should be sure it is applicable for the mobile access points they offer. Service providers may offer a Software Developer Kit (SDK) to add identity document verification processes to mobile apps and/or APIs for integrating these steps into web pages. Keep in mind how these processes might be different for mobile web than within mobile apps from the user's perspective, and consider how much branding or formatting control an organization can maintain with both mobile apps and websites.

For either mobile app or mobile web browser users, organizations want to maintain a consistent branding and user experience throughout the entire process. Although the organization may use an external service to perform the identity document verification the process should be as seamless as possible for the user. For mobile apps, the identity document verification provider should provide an SDK that enables the document capture capabilities within the organization's application. When instead implemented through a website consider the process flow and whether this requires the users to be redirected to other pages or if this can occur directly within the organization's website, such as with iframes.

If a consumer must instead be sent to another tab or web page to start the document capture process and it doesn't resemble the previous pages the consumer was on, this can be a source of a friction and abandonment. It's not all that different from merchants using hosted checkout pages. Consumers may notice a different domain or URL and will certainly notice differences in layout, design or branding. This can lead to confusion or concern that the site is legitimate and result in drop-off. Blending the document image capture process with the rest of the website or app in important for minimizing friction with this step.

☞ *With identity document verification, a viable user experience is just as important as being able to effectively detect counterfeits and forgeries. Whether using in-house or third party systems an organization's ability to take control of the document capturing process is critical. This process should be simple and easy*



The Technique Course and accompanying Data Sheet provide a comprehensive review of how Identity Document Verification works as well as the vendor market and service offerings available to merchants and other organizations. The course and data sheet are an essential resource for merchants, financial institutions and other organizations that are considering the use of Identity Document Verification.

ABOUT THE FRAUD PRACTICE

The [Fraud Practice](#) is a privately held US LLC based in Sarasota, Florida. The [Fraud Practice](#) provides consulting services on eCommerce payments, fraud prevention and credit granting as well as prepared research and [online training](#) for payment and fraud professionals. Businesses throughout the world rely on The [Fraud Practice](#) to help them build and manage their payment, fraud and risk prevention strategies.

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from the user's point of view, but also seem natural with the design, layout and process flow for consumers transacting via mobile apps or the web. [Michael Hagen, CEO, IDchecker](#)

Offering Mobile Document Capture for Non-Mobile eCommerce Transactions

The ways mobile technology has improved identity document verification doesn't only benefit its use in the mobile channel, but traditional computer-based eCommerce as well. While most identity document verification services can utilize a web cam just as they can mobile device camera, they also offer the option for computer users to complete the document capture step via their mobile device. Even if an organization does not offer a mobile app or a mobile optimized website, if they are using identity document verification for eCommerce more consumers will complete the process if they also have the option to use their mobile devices to do so. Not every computer has a webcam, and even when consumers do have one many will be more familiar and comfortable with using the camera on their mobile device.

The best practice recommendation is to offer both options with traditional eCommerce. The advantage of using computer webcams for identity document image capture is that it keeps the user in the computer-based web session if they prefer to use that method. But directing consumers to take a picture of their identity document via mobile can be made convenient as well. Organizations can provide a link or QR code so the user can quickly start this process via their mobile device. Organizations can also use this as a cross-marketing opportunity to drive more downloads of their mobile app if they offer one.

According to data from [comScore](#), at the end of Q1 2015 10.6 percent of U.S. internet users only went online from their computers while 11.3 percent only accessed the internet from their mobile devices and 78.1 percent used both mobile devices and computers to access the web. By offering the option to validate consumers' identities via standard web and mobile, organizations can reach most of the one-fifth of the U.S. population that only uses one type of device to go online. Meanwhile the remaining 78 percent that use both desktops and mobiles to go online can choose which ever method for capturing their identity document they prefer.

Ease of Use with Identity Document Verification in the Mobile Channel Makes it a Viable Last Chance Effort to Convert for Many Organizations

A decade ago identity document verification was primarily used by financial institutions and others that needed it for KYC, AML or other compliance reasons as the process of scanning an ID was too disruptive for most eCommerce merchants. The benefits of mobile device technology, however, have made the ID image capture process substantially easier for consumers, meaning more types of organizations have considered or started using it as a risk management technique. Whether a transaction is started on a computer or a mobile device a merchant may want to consider having identity document verification to fall back on, even if only for a small subset of transactions.

The Fraud Practice has previously referred to identity document verification as a "[lowest common denominator](#)" risk management technique. What is meant by that is for almost any transaction or consumer an organization knows they can rely on identity document verification to assess risk, even if the consumer is coming from a region where the organization does not have access to reliable tools or data, and even when other identity fraud screening checks are unavailable or provide inconclusive results. These services can cover thousands of variations and types of identity documents worldwide, meaning if the consumer has an ID it can probably be validated.

In those situations where a merchant is about to walk away from a sale because they cannot verify the consumer's identity, identity document verification may be offered as a last chance effort to convert the order. Since identity document verification services are typically charged on a per document basis, merchants are only charged when they need to use it and can then decide whether or not to require identity document verification on a per transaction basis considering the order amount and margins.

With the ease of completing identity document image capture via mobile devices, many consumers are going to be willing to complete this step, whereas when this technique required consumers to scan or fax in a copy of their ID most merchants wouldn't bother. Identity document verification has always had the potential to be used as a "lowest common denominator" risk tool, but because mobile device technology has minimized friction when it comes to submitting identity documents, this technique has become much more accessible to many different types of merchants and other organizations.

Post Questions and Comment Here

ADDITIONAL RESOURCES



IDENTITY DOCUMENT VERIFICATION AS A LOWEST COMMON DENOMINATOR RISK MANAGEMENT TECHNIQUE

Because it can often be applied globally and almost always provide a conclusive signal of risk, organizations can rely on identity document verification when other checks are unavailable or just aren't providing conclusive results.



EFFECTIVE METHODS FOR USING ID DOCUMENT VERIFICATION.

The **Effective Methods for Using Identity Document Verification to Increase Conversion** whitepaper is focused on the use of third party services for performing Identity Document Verification as it applies to fraud detection, meeting compliance requirements and using this technique to allow more transactions an opportunity to convert.

QUICK LINKS



Identity Document Verification Technique Overview from The Fraud Practice Fraud Library



The LexisNexis® True Cost of Fraud (SM) Mobile Study



Skava Consumer Mobile Shopping Survey



Formisimo Shopping Cart Abandonment Rate Statistics



comScore: Number of Mobile-Only Internet Users Now Exceeds Desktop Only in the U.S.
