

capability

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Reducing Credit Card Fraud

KPMG can help to reduce the incidence of credit card fraud, which often has the biggest impact on the retailer. Our approach is based on our Business Process Analysis methodology, which is used to develop a clear understanding of risks and controls affecting business processes.

What issues are addressed?

Issues which are typically addressed when undertaking an engagement to reduce credit card fraud include:

- Retailers taking payment by credit card over the Internet, at a telephone call center, or through a point-of-sale terminal.
- Retail organizations experiencing unacceptable levels of credit card fraud and charge-backs.

What are the potential benefits?

Potential benefits of the service include:

- Reduced incidence of charge-backs for fraudulent transactions from financial institutions.
- Improved operating margins.
- Good customer feedback generated by using proactive anti-fraud measures.
- Short term payback on the investment in KPMG services.

Is this relevant to your business?

A review to reduce credit card fraud is valuable where:

- New IT systems developed by Visa and MasterCard for reducing fraud have not yet been implemented.
- Your organization is considering implementing an Internet sales ordering system, a call center, or point-of-sale kiosks.

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- Losses from credit card fraud are affecting operating margins, are growing rapidly or are above industry benchmark levels.
 - There is no focus or point of ownership on credit card fraud within your organization.
 - Your organization is sales focused and not profit or cost focused.

What is KPMG's approach?

We conduct a detailed review of all aspects of the sales cycle related to credit card processing and order fulfillment. This may include Internet sales, call center operations, point-of-sale kiosks or more traditional sales channels. Possible merchant risks are identified and assessed based on the current control environment. Our recommendations for improving the control environment are based on both short term quick wins and longer term strategies.

Our experience

For a travel company, KPMG completed a review of processes and procedures for handling credit card transactions when the cardholder is not present. Our review highlighted a number of control weaknesses within the transaction process which contributed significantly to the level of credit card fraud experienced by the business. KPMG produced a detailed action plan containing both simple short term measures, as well as longer term strategies to reduce the number of fraudulent transactions that were taking place. The client achieved a payback on the costs of our review within 2 months and has reduced its level of credit card fraud by 50 percent. The success of the project was recognized at Board level by the client.

