

Risk Ident Fraud Protection

The Otto Group, Europe's second largest online retailer, generates more than \$13 billion in annual sales — 50% online. Much of Otto's sales are household items and consumer electronics, goods



that are desired by criminals using stolen credit cards because they can be resold for cash.

Otto Group created an internal business unit in 2012 to address fraud, which amounted to 1% of sales. This amount is typical for merchants selling online. That business unit is now a stand-alone company called Risk Ident. It sells a combination of machine-learning and rules-based software that retailers can use to replace existing rules-based-only fraud fighting technologies. Risk Ident proves the usefulness of its Frida software to new clients by scoring a retailer's historical transactions, identifying fraud missed and good transactions rejected by their legacy systems. It also tests its software concurrently with legacy systems, comparing three months of new transactions.

Because Risk Ident's algorithms are agnostic to data sources imputed for evaluation, Frida software can be used for account registration, account utilization, account theft, and risk management in addition to transaction fraud protection. Algorithms can create a score for orders that request express delivery of items. Deutsche Telekom uses Risk Ident's Frida software to fight fraudsters who try to receive a free phone in the mail from the network operator, never intending to fulfill a multiyear user contract.

Risk Ident's Device Ident software analyzes the user's device independently from any personal data. Factors include geolocation, malicious IP blacklist, cookie identification, browser plugin detection, OS and browser detection, time difference detection, VPN and proxy piercing, TCP/IP protocol analytics, and more. Personal data reviewed includes credit scores, customer data and purchase history, and shopping cart contents.

Risk Ident says it can spot organized fraudsters who move quickly from city to city, often change the email addresses they

use, and vary the goods they try to buy. Instead of using a relational database, Frida presents a graph that shows clusters of transactions that look similar. It gives the distance between two transactions, identifying which is fraud and which is not. Scoring takes less than a second. Once a transaction is scored as high risk, similar transactions get higher fraud scores.

The software can spot account takeover fraud and advise online sellers to contact the buyer to confirm the legitimacy of the purchase.

...can spot fraudsters who move frequently, change emails, etc.

The Otto Group accounts for less than 20% of Risk Ident's annual revenue. The company expects to expand through a strategic partnership, which will be announced later this year. [Roberto Valerio is CEO at Risk Ident in Hamburg, Germany, 49 \(40\) 6094-52590, roberto@riskident.com, www.riskident.com.](#)

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