

Experian Fraud Management Insights 2017 Flags Issues with Thai Companies' Ability to Manage Fraud



According to the Digital Trust Index, part of the Fraud Management Insights 2017 report recently authored by Experian and leading ICT market research and advisory firm IDC, the severity of fraud in Asia Pacific is highly evident. One in five people have encountered fraud directly, while one in three people or their loved ones have been affected. The high levels of fraud, which the study anticipates will only increase as adoption of digital services increases, is having a negative effect on consumer trust. This is particularly challenging for an emerging economy like Thailand as fraud incidents are high. 22% of Thais have been directly impacted by fraud, while over a third (35%) have had fraud happen to them or their loved ones.

Covering ten markets across APAC, the report surveyed 3,200 consumers and over 80 organisations from the Financial Services, Telecommunications (Telcos) and Retail sectors (collectively referred to as Service Providers), each with revenues of at least US\$10m. Countries surveyed include Australia, China, Hong Kong, India, Indonesia, Japan, New Zealand, Singapore, Thailand and Vietnam.

The Digital Trust Index was developed to provide a meaningful way to measure trust between customers and organisations, across regions and sectors. The index reviews a selection of criteria across industries and countries to determine the level of trust consumers have for digital services. It also offers a snapshot of consumer behaviour and expectations. A higher score indicates that consumers are satisfied with their digital transaction experience, while a lower score indicates a failure in trust.

The index is based on four key variables including the levels of digital adoption, industry preferences and fraud rates, and the effectiveness of companies' fraud management capabilities.

The study found that on average, trust in digital services is relatively low across the region. The region on a whole only scored 3.2 out of 10.0, with Telcos holding the lowest score of 2.1 and Financial Services having the highest at 4.9.

Interestingly, while the companies surveyed indicated they are confident in their ability to combat fraud and provide a superior customer experience when fraud does occur, this did not translate to consumer perceptions. Countries like Singapore and Hong Kong, which would be expected to have a high trust score due to their advanced fraud management systems, lag due to a low tolerance for fraud and perceptions that companies are not managing the post-fraud experience well. This low tolerance to fraud is mirrored in many advanced economies, while there is a greater acceptance of it in countries such as Indonesia where fraud incidents are the most prevalent. Retail, particularly e-commerce, tend to do better in this aspect, due to their focus on the post-fraud customer experience and their ability to quickly address issues arising from fraud.

Thailand ranks 8th with an aggregate score of 2.3, equal to Singapore and above Indonesia (1.8). Thai customers have a relatively higher tolerance for fraud compared to other APAC countries. However, the high rate of fraud occurrences accompanied by poor customer post-fraud experience are key deterrents towards establishing higher trust. Across the region, Indonesia and Vietnam are reported to have the highest fraud incidence with close to 55% of consumers or their loved ones having encountered retail or telco fraud. New Zealand and Japan performed well overall across a multitude of categories while Australia was third overall in Digital Trust Index Score.

Rank Country Digital Trust Index Score*

- 1 New Zealand 4.2
- 2 Japan 4.1
- 3 Australia 3.8
- 4 India 3.3
- 5 China 2.8
- 6 Vietnam 2.5
- 7 Hong Kong 2.5
- 8 Thailand 2.3
- 9 Singapore 2.3
- 10 Indonesia 1.8

* Based on the average of all DTI scores across the three sectors: Financial Services, Telcos and Retail. The figures are rounded off to the nearest decimal

“Digitalisation is accelerating and changing the ways we work, live and play,” said Dev Dhiman, Managing Director, Southeast Asia and Emerging Markets, Experian Asia Pacific. “Trust is an essential currency for this new digital world and as Thailand and the region continues to digitise, it is imperative that organisations ensure trust in their digital offerings are high.”

“This is because consumers simply will not use services they do not trust,” he added. “The relatively low Digital Trust Index score of 2.3 out of 10 in Thailand indicates that there is a divide between how businesses think they manage fraudulent digital transactions, and the actual customer experience when fraud does occur.”

To increase customer trust in digital services, the Digital Trust Index identifies three key gaps that service providers must address to strengthen trust between them and their customers.

Gap 1: The Rise in Digital Transactions

The sheer growth in the volume of digital transactions continues to astound business and economies across the region. For businesses, getting to grips with the increase in scale requires leveraging smart investments in infrastructure to process these transactions, while ensuring optimal standards of security, availability and reliability of their digital services. This infrastructure includes tools to manage expanding volumes.

Across the region, companies and enterprises must utilise automation to combat the expected increase in fraud that comes with rising digital transactions.

Gap 2: Race for Convenience

Dhiman said, “There is a trade-off between fraud management and enabling a seamless customer experience, particularly as organisations compete to provide better and faster digital offerings and solutions. Companies who can balance this well will emerge as winners of their categories in time to come.”

It is critical that service providers in APAC improve their ability to deploy seamless fraud management and detection, supported by customer behaviour analytics in the background to identify fraud in a non-disruptive way. Striking the balance between keeping customers safe from fraud while minimising the friction of online transactions will be of great importance as digitalisation accelerates across the region.

Gap 3: Constantly Evolving Fraud

The variety of fraud that service providers grapple with is hard to keep track of, much less respond to effectively. With new types of fraud emerging and evolving at a rapid pace, service providers in APAC must look towards future-proofing their fraud detection capabilities to handle fraud types they have yet to even see.

This necessitates breaking down data silos within organisations and also better utilising analytics. With the growth of data and the variety of channels or touch points, data silos make it difficult for organisations to gain a single view of the ecosystem and their customers. Breaking down data silos and utilising analytics will enable service providers to better understand their customer behaviours

while also improving customer verification accuracy and speed - leading to improved fraud detection and enhanced consumer trust.

Future-Proofing Service Providers Against Fraud

Online fraud and identity theft are major concerns for service providers in the region. Companies are turning to new technologies to help protect themselves and their customers, but often not in an integrated way. The solution is the 'Super ID (identity)', the next-generation digital identity which is multi-factored and dynamic, bringing together artificial intelligence, biometrics and alternative data in an integrated way to effectively manage fraud.

"We implemented Experian's Hunter system for our customers in India which helped analyse over 3 million transactions monthly," said Nick Wilde, Head of Fraud and Identity, Experian Asia Pacific. "It found that even though India's Aadhaar national ID system has biometrics incorporated, 75% of fraud events are a result of identity theft."

As such, businesses should consider augmenting their fraud detection and prevention capabilities with additional customer intelligence via a Super ID system that would help correctly identify customers in a digital transaction, allowing for greater security without additional friction to the customer experience.

"Ultimately, while digitalisation is set to usher us into a new era of convenience, more must be done to build greater customer trust in the digital world - lest all our efforts come to nought," said Sandra Ng, Group Vice President, Practice Group, IDC Asia/Pacific. "The next-generation fraud prevention is made possible today by technological advances in big data and analytics. Information management companies such as Experian use the latest data and analytical tools to help enterprises prevent fraud and automate decision making."

About Experian

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