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March 04, 2007
Fighting Online Fraud

Small online merchants often don't get serious about security until they are hit with serious fraud. Here are some simple tips to improve e-commerce security for little or no cost:

1. Make sure you have an AVS (Address Verification System), which runs every time an order is placed. AVS matches the customer's credit card to the customer's billing zip code.
2. Screen orders that meet certain criteria. For example, screen all orders over \$200 going to a P.O. box or scheduled for overnight delivery.
3. Set up your system to pre-authorize the credit card when the order is placed and charge the card when the order is shipped out.
4. Don't store credit-card numbers—just store authorization codes.
5. Ensure that your fraud prevention is not limited to credit-card orders. Checks and Western Union transfers also have a high incidence of fraud.
6. At the very least, run a fraud check report on select parameters two to three times a day. This will help to red-flag orders that are suspect. This could cut your fraud by up to 50%.

The trick to fraud is managing by exception. Let the system catch the exceptions instead of trying to eyeball each order.

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Sandeep Walia
President & CEO
Ignify Inc.
Los Angeles

10:30 PM

Doing Business Online

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