sift

Quick Guide
to Online Fraud
Solutions

How to Navigate the Fraud Prevention Market

It's common for risk teams to feel stuck between reducing fraud or increasing revenue. With the right fraud management solution, your business can deliver seamless customer experiences and simultaneously reduce exposure to fraud and abuse. **When businesses adopt a solution built with control *and* transparency in mind, they can securely drive expansion and grow revenue.**

Types of Fraud Solutions and How They Work

As you evaluate the complex market of fraud prevention vendors, there are key factors that should drive your decision. Vendors may appear similar on the surface, but keep in mind there are four common types of solutions with varying data inputs and features:

1 | **Point Solutions**

2 | **Decision-as-a-Service**

3 | **AI-Powered Fraud Platforms**

4 | **Platform Solutions (other)**

Point Solutions

Point solutions manage fraud by focusing on one specific capability, such as device fingerprinting or bot detection. **Since these solutions address narrow use cases, the products are often used as starter solutions or as a part of a broader solution set.** They can also be used for companies with large in-house engineering teams that want to address a specific issue.

Be aware of the limitations of these vendors, as they're sometimes marketed as total solutions. While point solutions might have expertise in their narrow field, they fall short in areas outside of their domain, and almost always require the use of additional products to form a complete solution. Transaction volumes and fraud rates will fluctuate, and point solutions can make it challenging to stabilize costs and scale growth.

Decision-as-a-service (DaaS)

Decision-as-a-service (DaaS) is when a vendor develops the decision strategy and manages operations for a client without an in-house fraud program. These outsourced offerings are marketed as platforms, but critical components of fraud management, including decision logic, policy changes, and case management, cannot be modified by the client.

When considering a DaaS provider, it's important to understand that this approach does not allow you to own or control your fraud program. This means the vendor decides who can shop or transact with you. DaaS can work well if you're a small business, but larger enterprises typically use these only on a subset of their transactions to not give up control over this important piece of the customer experience.

AI-Powered Fraud Platforms

AI-powered fraud platforms like Sift include comprehensive capabilities. They are complete solutions that allow you to manage a wide variety of fraud types. These solutions leverage artificial intelligence (AI) and analyze user interactions throughout the entire customer journey and enable decisions that stop fraud before it happens. They offer global models that are fueled by a shared intelligence network as well as custom models that are tailored to your specific business.

While each vendor's platform has some unique features, there are core components that are common across most: **the decision engine; case management, orchestration, reporting, and simulation capabilities; and consortium risk assessment through shared intelligence.**

Platform Solutions (other)

Other platform solutions are more narrowly focused on specific capabilities or verticals and tend to be less comprehensive. **Each vendor's platform may have some unique features, but might not offer the same breadth of use cases and capabilities.**

Some vendors attempt to detect account takeover only at the point of payment, for example, rather than evaluating risk at the point of login, regardless of whether a financial transaction is completed. The latter approach helps detect takeovers before the account can be monetized. Some solutions' decision engines are powered by models that are not updated as frequently and rely heavily on rules to compensate. This can increase false positives.

Key Components
of Top-Tier Fraud Prevention Solutions

Explore some of the key components that set solutions apart, including how much control the solution offers and the level of automation the technology provides.

Control

The level of control a solution provides gives you the power to make decisions on transactions and risk thresholds based on your unique business needs.

The solution should:

- Allow you to modify ML score thresholds that map to different decisions (e.g., approve, challenge, reject) based on your risk tolerance.

- Include native authentication capabilities to apply friction or verification experiences for end users in response to risk rules or a risk score.

- Support decision strategy simulation by allowing you to analyze proposed changes over historical datasets.

Transparency

Solutions that offer data transparency give you the context needed to easily understand fraud patterns, so you can make informed decisions.

The solution should:

- Include ML output that provides intuitive decision explainability.

- Surface key signals to identify red flags on transactions as they're being evaluated.

- Surface positive signals to highlight the legitimacy of a transaction with unclear risk.

Automation

Automation capabilities allow you to adapt to evolving fraud with automated decision-making to proactively block fraud in real time.

The solution should:

- Leverage real-time ML insights from a global fraud intelligence network with each decision.

- Provide custom ML models that are tailored specifically to your business.

- Incorporate manual review decisions into your ML model in real time.

Investigation

Solutions with investigation capabilities surface critical information to help you make quicker, more educated decisions.

The solution should:

- Provide advanced visual and functional link analysis that uncovers connections between seemingly unrelated fraudulent transactions.

- Speed up productivity with bulk decisioning

- Easily capture the reasoning behind a fraud analyst's decisions.

Scalability

Vendors that offer comprehensive solutions are more scalable and help you detect and block fraud across the entire customer journey.

The solution should:

- Evaluate risk throughout the full customer journey, from account signup and account updates to point of purchase and post-purchase.

- Allow you to apply a decision at each point of the customer journey.

- Reduce fales declines using ML models that are customized around your business.

How to Find the Right Solutions for Your Unique Business Needs

Now that you understand the different types of fraud solutions and some of the crucial components you should be looking for, you can drill down to the details. The next step in your vendor evaluation is to compare how solutions' specific capabilities stack up against each other.

Determine which trust and safety partner is right for your business with our evaluation guide for online fraud solutions.
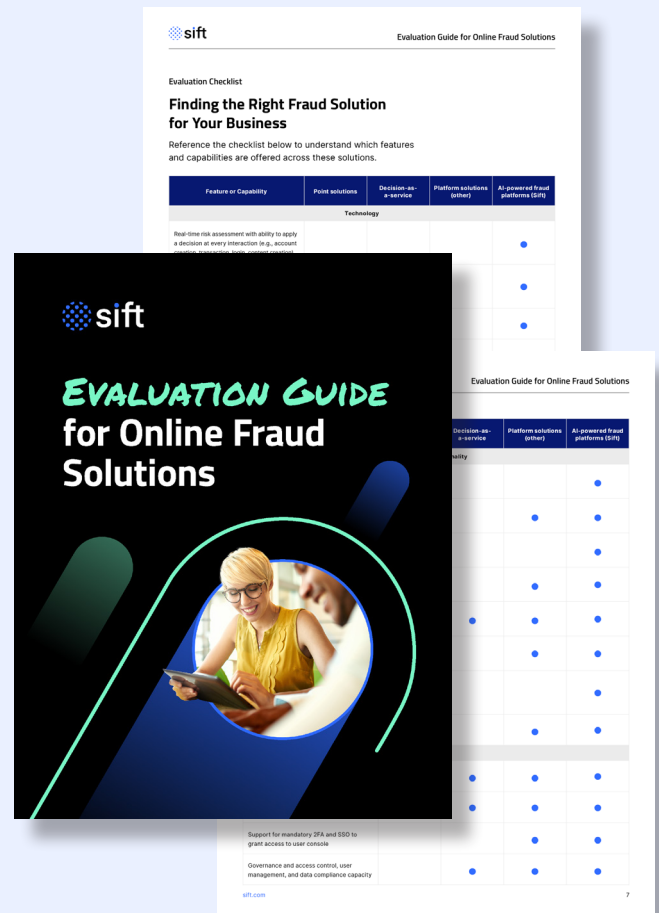
Grow Fearlessly with AI-Powered Fraud Decisioning

Sift is the AI-powered fraud platform securing digital trust for leading global businesses. Our deep investments in machine learning and user identity, a data network scoring 1 trillion events per year, and a commitment to long-term customer success empower more than 700 customers to grow fearlessly. Brands including DoorDash, Yelp, and Poshmark rely on Sift to unlock growth and deliver seamless consumer experiences.

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