

THE CHALLENGE

- A large convenience store chain was facing a multitude of fraud threats.
- It needed to fend off both sophisticated and unsophisticated fraudsters, while ensuring a seamless experience for corporate customers, haulers and teamsters.
- The chain needed flexible and accurate fraud detection to help meet its goals.

THE SOLUTION

- After an extensive search process, the chain selected ACI® Proactive Risk Manager™, part of the ACI Fraud Management™ solution.
- The chain leveraged the flexible rules engine to create specific real-time and near-real-time fraud strategies.
- Behavioral analysis was also deployed to assess good and bad transactions with greater accuracy.

THE RESULTS

- Since implementation, the chain has seen fraud levels drop by 50% across the board, with pay-at-the-pump fraud disappearing almost completely.
- The chain has also been recognized as having the lowest chargeback-to-sales ratio in its sector.
- It also proved influential in breaking up a fraud ring within the area.

Pumping Up Fraud Prevention

It has long been recognized that petrol pumps and convenience stores are seen as a quick and easy target by fraudsters. There are certain fraud types that are unique to gas stations and small-item retailers that can cause a massive hit to the bottom line. And, there are certain types of fraudsters that target these kinds of stores.

In an effort to remain anonymous to maintain an edge over fraudsters, a large and successful convenience store (c-store) chain shares how it combats fraud. "There are some very unintelligent criminals that target our stores... there are the smart ones, too, and we put a lot of work into minimizing their impact on our business. But we do seem to have a higher-than-average proportion of really foolish fraud attempts. For example, we had an individual who tried to pay with a counterfeit card with a police officer standing in the queue behind him. Or the fraudsters who use a fake credit card but use a loyalty card in their own name to boost their points and rewards. They provide our fraud team with some light entertainment."



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ACI® Proactive Risk Manager™ has the features we need: a flexible rules engine that we can use to create specific fraud strategies and generate appropriate alerts."

Targeting Fraudsters — Not Customers

The unintelligent criminals are the ones that are easy to catch. But more serious and careful fraudsters also have had this c-store chain and all of its locations in their sights, and their activities are far less entertaining.

"Fraud is rampant in our world. If we're not careful we become a lifestyle choice for all kinds of low-level criminals — and recidivism rates are pretty high. Pay-at-the-pump fraud is acknowledged to be a huge industry problem. Fraudsters see it as easy — they use a fake card with no face-to-face contact at the pump, and once they know that it works they go inside and spend more, and then drive off on an illegally filled tank of gas. When you add prepaid cards — which we also offer — to the mix, then the problems just get magnified. So we put a great deal of effort and energy into identifying and preventing fraud in the first place and we work with state and federal law enforcement to catch and jail the criminals involved."

Throughout the process of selecting and implementing a fraud solution, the retailer had multiple factors to consider. "We want to discourage the criminal gangs from targeting our stores while ensuring our corporate customers, haulers and teamsters are able to use our stations without interruption."

Thus, the chain needed a flexible and accurate fraud detection system that could handle the particular challenges of its environment, without alienating valuable legitimate customers. Following an extensive request for proposal process, ACI Worldwide's ACI Proactive Risk Manager, part of the ACI Fraud Management solution, was selected.

Cigarettes and Stopping Prepaid Fraud at the Pump

"Proactive Risk Manager has the features we need: a flexible rules engine that we can use to create specific fraud strategies and generate appropriate alerts. What struck us immediately was the interaction with our payments authorization stream in both near and real time. That's critical for pay-at-the-pump fraud, when we need to make authorization decisions while the transaction is taking place."

The first rule that was put in place was to counter pay-at-the-pump fraud. The typical pattern with this kind of fraud is to use a fake card for a rapid succession of transactions to make the most from the card before the fraud is spotted and the card blocked.





Whenever we have an alert created by one of our near-real-time rules, it gives us the opportunity to gather information about the card user."

"We have tweaked that rule over the past few years, but the basic principle has remained the same and it has proved to be very successful. It operates in real time and it has virtually eliminated pay-at-the-pump fraud."

With Proactive Risk Manager in place, this customer has been able to create a flexible scheme of real-time and near-real-time rules. Other rules ensure that neither the company's proprietary prepaid cards nor industry standard prepaid cards can be bought in bulk. "That's also a very important strategy for us. It's the second biggest area of fraud: using a fake card to buy a prepaid card, load up with cartons of cigarettes or other items that are easy to move on, and then sell those stolen goods at a profit. It's also hard to stop without affecting legitimate business, so we combine the rules in Proactive Risk Manager with some behavioral analysis to assess and let through what is appropriate, and to identify and block something that looks more problematic."

Real-Time and Near-Real-Time Rules

The c-store chain has also created rules that ensure that a card's details can only be entered manually for a certain amount of time to ensure that anyone who has lost a card — or had it stolen — has to get a new card. If the old one is used, then it is tagged as fraudulent.

Proactive Risk Manager helps the fraud prevention team flag known corporate customers who have prepaid fuel cards from their employers — and ensure that these customers can make their purchases as normal. It flags multiple uses of one card between certain times of the day. For example, an analysis of the company's data stored in Proactive Risk Manager indicates that this is a strong marker of fraud. If cards are used at the pump, shortly followed by purchases in the store, the transaction is flagged for further examination. "We don't want to stop people buying a can of soda on a whim, but we do want to stop people from using the pump to check a fake card, then attempt to use that card in our stores."

The company is also able to spot when someone is making multiple denied transactions in a short span of time. "That's usually a sign that cards are being tested, so it alerts us to that individual and prompts a search for cards in their name that have had approval. That's one of the beauties of Proactive Risk Manager: whenever we have an alert created by one of our near-real-time rules, it gives us the opportunity to gather information about the card user. We can send the closed-circuit TV footage to law enforcement to help identify fraudsters. And even if we don't prevent a fraud, we can identify the card quickly and block it to prevent the next attack."

Proactive Risk Manager is a key part of the fraud combat team, largely because of its flexibility, and because it doesn't require a huge team of specially trained



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fraud analysts to operate it. "Proactive Risk Manager is in the authorization path and we get alerts all day long. We have full-time fraud analysts that take care of the highest risks in real time and have greater levels of manual input on the greyer areas. It's a constant battle, but it is one that we are winning."

Winning the War Against Fraud

Since implementing Proactive Risk Manager, the chain has seen fraud levels drop by 50 percent across the board and pay-at-the-pump fraud disappear almost completely. The company is now also recognized as having the lowest chargeback-to-sales ratios in its sector and, because it was one of the first to target pay-at-the-pump fraud, it is known to be a much harder target.

And what about the unintelligent criminals? "We still catch plenty of them, but we catch plenty more of the clever ones, too. We stopped someone who was systematically working the interstate highway a few weeks ago and helped break up a fraud ring last month. It's like a game of cat and mouse: we've got the fraud prevention and information gathering tools to identify fraud and fraudsters, helping the banks and the police. It all works to make convenience stores and gas stations a lot less lucrative for fraudsters."

