

Neustar Fraud And Authentication Solution Delivers Protection And Savings To Financial Services Firms

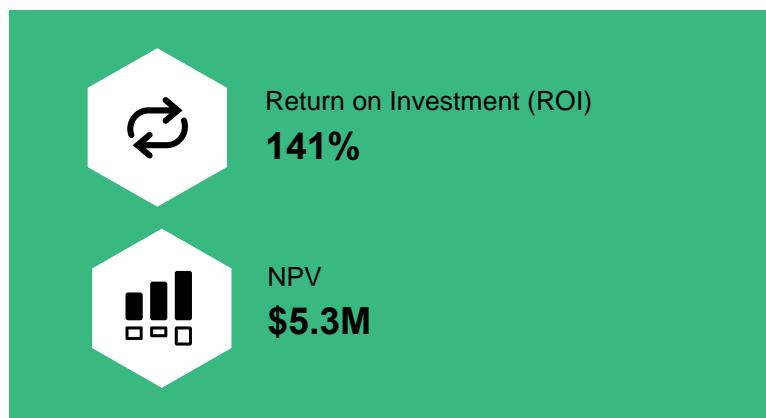
The shift to nonphysical commerce and finance has transformed the way financial services companies offer their products and manage customer relationships. Consumers can now shop and bank from almost anywhere via multiple digital devices. As a result, customers participate in fewer face-to-face banking interactions and instead rely on digital and over-the-phone transactions.

However, this transformation has led to the proliferation of increasingly sophisticated fraud. Financial services companies are attractive targets and can experience fraud losses well into the millions of dollars.¹ Since 2015, financial institutions have reported increases in both external fraud total value and volume.²

In the digital age, it is difficult for companies to know who exactly is behind a digital device or inbound call, and traditional identity verification tools, such as knowledge-based authentication (KBA) questions, have been compromised by data breaches. Fraudsters target call centers at higher levels as they typically have fewer security measures in place. Forrester expects phone fraud to be the fastest growing type of fraud and forecasts companies will increase spending on phone fraud detection solutions 17% annually to address such growth.³

To compound these challenges, unexpected drivers can increase the cost of financial crime and fraud risk. As financial firms focus on reducing liability and improving security, they often see losses in customer experience (CX), reputation, and revenue.⁴

Today, financial services companies must find ways to effectively separate legitimate customers from fraudsters. Financial institutions need more efficient,



automated, and intelligent fraud management solutions to avoid revenue loss and improve CX.

Neustar provides a fraud and authentication solution that helps financial services companies more easily and more accurately verify their customers' identities for both digital and call center transactions. To better understand the benefits, costs, and risks associated with the Neustar Fraud and Authentication Solution, Neustar commissioned Forrester Consulting to interview seven customers and conduct a Total Economic Impact™ (TEI) study.⁵

This abstract focuses on the financial services sector's use of Neustar's Fraud and Authentication Solution and its value to their organizations.

INVESTMENT DRIVERS

Financial services organizations deal almost exclusively in sensitive and private information. They must balance providing a frictionless, attractive customer experience with appropriate fraud protections.



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Prior to investing in the Neustar Fraud and Authentication solution, the interviewed financial services companies faced the following challenges:

- **The companies had limited protection against digital identity fraud.** The companies relied on inefficient, homegrown solutions to protect against digital identity fraud and found it difficult to match a device such as a laptop, mobile phone, or tablet to a specific customer.
- **Call center agents relied on time-consuming KBA to validate inbound callers.** Call center agents began each call with questions to verify the caller's identity. This was time-consuming for both the customer and the agent. Customers often grew frustrated by the questioning, which resulted in lower CX.
- **The companies experienced phone fraud losses.** Fraudsters used social engineering and other strategies to gather information on customers, including answers to KBA questions. The fraudsters then called in and impersonated customers to gain access to their accounts. The call center agents could not easily identify potential fraudulent callers.

KEY RESULTS

Interviewed customers implemented Neustar's Fraud and Authentication Solution to reduce costly losses from fraud and increase the efficiency and productivity of call center agents.

"Neustar was able to separate out those who were true identity fraudsters from those who were just very high credit risks."

VP credit risk, financial services

Neustar reduced digital identity fraud. Interviewed financial services decision-makers use Neustar to verify customer identity and flag high-risk users for additional verification.

"We had taken some large losses due to spoofing. We needed something to give us the heads up if the person on the other end of the call wasn't who they said they were. Neustar helped with that and with easing the number of questions we have to ask to identify the number."

Fraud risk manager, financial services

- **Before using Neustar, the financial services company had no way to verify if the digital device belonged to the customer.** Call center agents struggled to determine if an online user was a legitimate customer or a fraudster. The organization experienced unacceptable levels of digital identity fraud.
- **With Neustar, the financial services company can now easily verify customer identities.** Neustar taps into its proprietary data sources to analyze device identities, device behaviors, and IP address behaviors to flag a digital user as legitimate or potentially suspicious. Legitimate customers can proceed with digital transactions in a seamless and frictionless way while risky users are flagged for further review.

Reduction in digital identity fraud

20%



- **After deploying Neustar Digital Identity Risk, the financial services company reduces digital identity fraud by 20%.** Forrester

measures the reduction in risk by comparing the average digital fraud rate before using Neustar versus the digital identity fraud rate after deploying Neustar Digital Identity Risk.

Neustar reduced phone fraud. With better inbound authentication procedures in place, financial services companies have a lower rate of phone fraud.

- **Fraudsters target call centers because they historically had fewer checks in place to protect sensitive data.** Spoofing tools allow fraudsters to make it look like they are calling from a legitimate customer's phone number. Fraudsters exploit overly helpful call center agents to divulge sensitive customer information such as PINs, birthdates, and postal codes. The fraudsters then use this information to take over accounts or for other fraudulent activities.

Improved call center agent productivity

\$3M benefit



- **Neustar Inbound Authentication reduces phone fraud with a three-year net benefit of \$864,000.** Neustar helps identify potential fraudsters, tag them as risky, and then put them through additional verification procedures. The fraudsters are stymied and unable to commit fraud.

Neustar enabled new digital products. With Neustar, financial services companies can more easily verify digital identities. With this capability, they can offer new digital financial products.

- **With Neustar, the financial services company can confirm digital identities and offer new, fully digital products.** The institution can now

offer easy online approval for loans and credit cards with confidence that recipients are legitimate customers.

- **Before Neustar, the financial services company could not easily verify digital customer identities.** It had put safeguards in place to protect against fraud, such as mailing a new credit card to a customer's physical home address. While these procedures effectively prevented fraud, they increased customer friction and resulted in a delay between the time a customer was approved for credit and the time they could use the credit.

"If you're a prospect, we don't know your phone number. So, we must go to Neustar to find out your phone number and how risky it is. That lets us give customer loans in real time and show the customer a card number right after they apply. It enables new digital projects with instant gratification."

VP credit risk, financial services

Neustar improved call center agent productivity.

Neustar's Inbound Authentication automatically validates most customer identities, so call center agents spend less time verifying customer identities.

- **CX improves now that agents spend less time on authentication and more time on customer service.** The call center agents do not have to spend time authenticating callers but can instead begin more calls by immediately diving into the customers' concerns.



Agent time saved per call

1 minute

- **Call center agents save on average 1 minute per call.** Agents no longer ask KBA questions to verify customer identity on 70% of inbound calls.

Neustar reduced false positives. Neustar risk scoring eliminates legitimate transactions flagged as fraudulent. This results in a better experience for legitimate customers and saves time that would have been spent on identity verification.

- **False positives slow down business and cost sales.** In a worst-case scenario, when a legitimate customer is flagged as fraudulent, they may not be able to transact, which results in lost sales and transactions. More typically, legitimate customers must spend extra time and effort to prove their identities and verify they are legitimate.

“We’re reducing the false positive rate. We’re targeting customer more accurately with Neustar than we had been prior to Neustar.”

VP credit risk, financial services

Neustar had unquantified benefits. Neustar users also reported benefits not quantified for this study.

- **Improved CX.** Call center agents now spend less time verifying customers’ identities and more time helping customers and responding to inquiries. The customers saw their Net Promotor Score (NPS) increase by 15% on average.⁶
- **Reduced customer friction.** With Neustar, the interviewed companies could adjust the level of customer friction to provide the right balance between fraud protection and CX. They had more confidence in their abilities to separate legitimate customers from fraudsters, which allowed them to reduce friction for legitimate customers. For example, when a new customer applied for credit

in the past, a company might have sent the credit card to the home to protect against fraud. With Neustar, instant credit is an option. The simplified, faster credit approval process reduces customer friction, and fewer legitimate customers are tagged as potentially fraudulent, so less time is spent verifying those customers.

Increased Net Promotor Score

15%



Interviewed companies also report increased flexibility, unique to each customer. There are multiple scenarios in which a customer implements Neustar and later realizes additional uses and business opportunities, including:

- **More accurate customer information.** With Neustar, the interviewed companies gained access to more exact information about customers and their devices. This created a more reliable and holistic view of each customer, and the companies can use it to better understand and service customers going forward.
- **Better management of call center resources.** Neustar helped the financial services companies save call center agents’ time. This increase in efficiency allowed the companies to add fewer call center agents as they grew. It also let agents devote more time to complex and demanding customer questions and inquiries.

TOTAL ECONOMIC IMPACT ANALYSIS

For more information, download the full study: “The Total Economic Impact™ Of Neustar Fraud And Authentication Solution,” a commissioned study conducted by Forrester Consulting on behalf of Neustar, June 2020.

STUDY FINDINGS

Forrester interviewed seven organizations with experience using the Fraud and Authentication Solution and combined the results into a three-year composite organization financial analysis. Risk-adjusted present value (PV) quantified benefits include a 20% reduction in digital identity fraud losses; enablement of new digital products such as instant online credit and loan approval, resulting in a \$0.6 million benefit; and improved call center agent productivity, resulting in a \$3.0 million benefit.



Return on investment (ROI)

141%



Net present value (NPV)

\$5.3M

Appendix A: Endnotes

¹ Source: Salim Hasham, Shoan Joshi, and Daniel Mikkelsen, “Financial crime and fraud in the age of cybersecurity,” McKinsey & Company, October 1, 2019.

² Source: “Global Banking Fraud Survey,” KPMG, May 2019.

³ Source: “Forrester Analytics: Fraud Management Solutions Forecast, 2017 to 2023 (Global),” Forrester Research. July 2018.

⁴ Source: Salim Hasham, Shoan Joshi, and Daniel Mikkelsen, “Financial crime and fraud in the age of cybersecurity,” McKinsey & Company, October 1, 2019.

⁵ Total Economic Impact is a methodology developed by Forrester Research that enhances a company’s technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

⁶ Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

DISCLOSURES

The reader should be aware of the following:

- The study is commissioned by Neustar and delivered by Forrester Consulting. It is not meant to be a competitive analysis.
- Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Neustar Fraud and Authentication Solution.
- Neustar reviewed and provided feedback to Forrester. Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester’s findings or obscure the meaning.
- Neustar provided the customer names for the interviews but did not participate in the interviews.

ABOUT TEI

Total Economic Impact™ (TEI) is a methodology developed by Forrester Research that enhances a company’s technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders. The TEI methodology consists of four components to evaluate investment value: benefits, costs, risks, and flexibility.

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