REPORT REPRINT

Forter connects merchants with issuing banks to help increase trust and authorization rates

MARCH 23 2021

By Jordan McKee

The overarching goal of Forter Trusted Authorization is to increase the level of trust between banks and merchants. By putting card issuers in a position to make authorization decisions based on deeper intelligence about the authenticity of a transaction, better customer experiences and increased revenue are plausible outcomes.

THIS REPORT, LICENSED TO FORTER, DEVELOPED AND AS PROVIDED BY 451 RESEARCH, LLC, WAS PUBLISHED AS PART OF OUR SYNDICATED MARKET INSIGHT SUBSCRIPTION SERVICE. IT SHALL BE OWNED IN ITS ENTIRETY BY 451 RESEARCH, LLC. THIS REPORT IS SOLELY INTENDED FOR USE BY THE RECIPIENT AND MAY NOT BE REPRODUCED OR RE-POSTED, IN WHOLE OR IN PART, BY THE RECIPIENT WITHOUT EXPRESS PERMISSION FROM 451 RESEARCH.

451 Research

S&P Global
Market Intelligence

©2021 451 Research, LLC | WWW.451RESEARCH.COM

Introduction

Transactions mistakenly declined due to suspicion of fraud (e.g., false declines) jeopardize the customer experience, revenue and loyalty for merchants and card issuers alike. Merchants have historically been limited in their ability to take action when false declines are triggered by the bank. While merchants often have rich data supporting the authenticity of a transaction, they've lacked a means of sharing that insight with the issuing bank to influence their authorization decision. Forter Trusted Authorization is designed to change this by providing a means for merchants to share Forter's fraud decisioning insights and transaction data with card issuers to enhance their decisioning accuracy.

451 TAKE

Forter Trusted Authorization creates a unique intelligence channel between merchants and card issuers to help mitigate false declines. The intent is to increase the level of trust that financial institutions have in the authenticity of each transaction by sharing Forter's fraud decisioning insights, along with transaction data, prior to authorization. Initial results show the efficacy of this approach, with several large merchants reporting meaningful authorization uplifts. The beauty of Forter Trusted Authorization is that its value increases as the number of participating merchants and card issuers grows. While there is an element of 'chicken or the egg' to be overcome, Forter has come out of the gate with several strong launch partners, which should help kickstart the network effect.

Details

Forter estimates that as many as 90% of the transactions that card issuers decline due to suspicion of fraud are actually 'good' transactions. This presents a large customer experience and revenue challenge for merchants and financial institutions alike. 451 Research's VoCUL: Connected Customer, Loyalty & Retention 2020 survey indicates that more than one-quarter of consumers have abandoned a purchase due to a false decline over the past six months. What's more, according to our VoCUL: Connected Customer, Quantifying the Customer Experience 2020 survey, 30% of consumers say if a transaction is mistakenly declined despite having sufficient funds in their account, it would significantly influence their likelihood to stop shopping with a preferred brand or retailer. For issuers, the impact can be felt in the form of lost interchange revenue and negative effects on 'top of wallet' status.

A key source of issuer false declines is information asymmetry. Given that financial institutions lack the rich purchase, fraud screening and customer data that merchants have access to, they must make approve/decline decisions based on a limited set of data inputs. Merchants have historically lacked avenues to influence this process and have been unable to share data with issuers to enhance their authorization decisioning process. Forter is looking to change this with Forter Trusted Authorization.

Forter Trusted Authorization enables merchants to connect directly to card issuers to share the company's fraud decisioning insights, along with transaction data. The information sharing occurs in real time outside of the card network authorization flow (Forter's message occurs prior to the ISO Authorization request) and is intended to augment the issuer's authorization decisioning process with more intelligence on the transaction. The entire flow is invisible to the end customer and does not cause transaction latency.

The overarching goal of Forter Trusted Authorization is to increase the level of trust between banks and merchants. By putting card issuers in a position to make authorization decisions based on deeper intelligence about the authenticity of a transaction, better experiences for customers/cardholders and increased revenue are plausible outcomes for both parties. Forter believes its merchant network encompassing $200bn in transaction volume and nearly one billion global identities puts it in an advantageous position to enhance trust on both sides of the transaction.

Capital One is the initial issuer launch partner for Forter Trusted Authorization and has integrated it into its Enhanced Decisioning Data API. Several large merchants shared with 451 under non-disclosure agreement are live and are reporting a 1-3% increase in authorizations overall, with false declines reduced by up to 50%. Capital One notes that the reduction in false declines is occurring without a material increase in fraud.

Forter's merchant customers can leverage this new capability via a single API without integration or development work. Issuers will require integration with their fraud and risk management engines.