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Arvato Turns to Industry-Leading AI Solution to Stem BNPL Fraud

COMPANY PROFILE

- Germany-based $4.5B global financial, technology, and business services company

- AfterPay is Arvato's market-leading "Pay After Delivery" payment application - also known as "Buy Now, Pay Later" (BNPL)

- Client roster of nearly 200 digital retailers across a variety of goods and services

GOALS

- Reduce BNPL fraud perpetrated through AfterPay application

- Responsive partner to offer flexibility as anti-fraud demands change

- Increase operational automation and decrease manual reviews

- Single integrated system supporting all clients and countries

RESULTS

↓ **33%** reduction in Fraud team's time to review due to efficiency gains

↓ **25%** reduction in the number of manual reviews

↓ **$80k** amount one client saved in the first 7 days after employing auto-cancel feature for potential fraud

Growing BNPL Business Needed to Reduce Fraud

In Germany and many European countries, BNPL represents about 50% of all digital commerce payment methods. Arvato's AfterPay was available in 9 European countries. The product was growing along with the continued popularity of this payment option across Europe. However, AfterPay's growth also came with increased fraud attacks. They had the following requirements to address their challenges:

- Seamless integration with internal systems and other providers, including Arvato's Infoscore application.
- Need for increased fraud review automation, and reduced false positives.
- Consolidated operational information to optimize fraud reviews.
- More sophisticated fraud rules to meet client's SLAs and countries' regulatory requirements.
- With no formal credit application, the initial BNPL transaction is the application, requiring a quick and thorough review without lengthy applicant information.

Solution Built on Speed and Data for Proactive BNPL Fraud Prevention

Arvato selected Fraud.net as their partner to implement a more robust and flexible online BNPL fraud detection solution. Fraud.net's blend of industry-leading AI-based models, along with a unified platform offering flexibility to adjust to changing demands, was the fit Arvato was seeking.

One of Fraud.net's differentiators is the quality of information feeding the algorithms. With the Collective Intelligence Network's wealth of data, Arvato has at their disposal critical information on previous transactions that provide insights into a transaction's potential for fraud. In addition, because "speed is of the essence" for the convenience of the end customer, Fraud.net's solution was within strict responsiveness tolerances.

Initially, Arvato would only reject BNPL applications after investigating to ensure the application was fraudulent. But with time, the confidence in Fraud.net's algorithms increased, and Arvato is following the model's guidance, without manual review. This change has resulted in significant time and cost savings, without deterioration in fraud detection.

> "Fraud.net's flexibility has helped our AfterPay business grow by allowing us to meet our increasingly complex customer and country requirements. Their platform has enabled Arvato to increase our agility and significantly reduce fraud attacks."
> Markus D., Director Risk & Fraud, Arvato