

White paper
ecommerce industry
eKYC Docs: the
antifraud solution for
ecommerce industry.



eKYC Docs certification service integration implies a considerable fraud reduction and a better confidence among their users in any contracting and sales ecommerce industry processes.

Identity fraud
reduction up to

82%

both online
and offline thanks to
eKYC Docs.

3,5%

of GDP in Europe comes
from the Internet.

66%

of European fraud is identity
fraud.

31%

of Europeans have suffered
from identity theft through
email.

80%

of identity fraud is focused on
consumer financing goods,
contracting services or bank
credits.

Between **1%** and **4%**
companies annual revenues
losses due to identity fraud.



Ecommerce industry

Nearly **75%** of the population make use of the Internet,

46% out of them buy online.

19% increase in revenue in the EU from 2011 to 2012.

The UK is at the forefront of ecommerce in the EU with a

69% of turnover.

3,5% of GDP in Europe comes from the Internet.

Definition

Let's begin by understanding what commerce is. By understanding commerce, then e-commerce is an easy extension Merriam-Webster's Collegiate Dictionary gives a few definitions of commerce:

Commerce n [MF, fr. L commercium, fr. com- + merc-, merx merchandise] (1537) 1: social intercourse: interchange of ideas, opinions, or sentiments 2: the exchange or buying and selling of commodities on a large scale involving transportation from place to place 3: sexual intercourse. Electronic commerce, commonly known as E-commerce or eCommerce, is a type of industry where the buying and selling of products or services is conducted over electronic systems such as the Internet and other computer networks.

An electronic payment is any kind of non-cash payment that doesn't involve a paper check. Methods of electronic payments include credit cards, debit cards and the ACH (Automated Clearing House) network. It is becoming increasingly common to make electronic payments with credit cards, cash cards or any other type of prepayment cards.

Over the past 12 years, the Internet has changed the way we buy and sell goods and services. Can you imagine buying a new computer or car without doing hours of Web research?

Around 40% of the world population has an Internet connection today. In 1995, it was less than 1%. The number of Internet users has increased tenfold from 1999 to 2013. The first billion was reached in 2005. The second billion in 2010. The third billion will be reached in 2014.

75% of European population are regular Internet users, and 46% out of these buy online.

With an average growth rate of 19% in 2012 the ecommerce industry in Central Europe was growing almost as hard as the European average, which is 19.9%. The region's ecommerce market was worth 75.9 billion euros in 2012, but it's expected to have grown to 93.3 billion euros last year, which comes down to an increase of 23% in 2013. According to Ecommerce Europe Survey, Europe grew from 262,2 million euros in 2011 to 311,6 in 2012, that is a 19% growth in comparison with the previous year.

It's not that big of a surprise to learn that the United Kingdom is the biggest of all ecommerce countries in Western Europe. It's followed by France and the Netherlands. The UK leads the way with total online sales of €96.2 billion, while France has sales of €53 billion and the Netherlands shows sales of €10.5 billion. Spain is boasting the highest ecommerce turnover, but when we look at Greece, we see a pretty impressive annual online expenditure per capita in 2012, while Turkey's growth rate in 2013 outperforms the European average by 100%.

The average spend per e shoppers in Europe is €1.243.



The total Gross Domestic Product (GDP) of Europe in 2012 is estimated to have reached €16 trillion, of which the GDP of the EU28 was just over 80%. Ecommerce Europe estimates the share of the European Internet economy at 3.5%, a percentage that is set to double by 2016 and to triple by 2020 given the fact that the Internet economy grows much faster than the economy in general.

RetailMNot estimates for 2014 believe European e-commerce will grow at a 18%.

Ecommerce business

Any business can become an online commerce, offering the chance to buy and sell through the web from anywhere with Internet connection.

First online commerce were companies' regular catalogues and splashed them across a web page. Nowadays, commerce virtual catalogues are right to browse but an ecommerce site now gives people more points of access to products, you can read other user's opinions, make comparatives, saving wish lists, entering promotional competitions, discounts, premiums, free gifts...

The most prominent ecommerce categories today are computers, books, office supplies, music, and a variety of electronics.

They can be classified according to their volume, or kind of business. They range from small shops to malls, those solely electronic and those offline too.

The problems each of these store face depend on the type of business and the public they address to. But both companies big and small companies need security in their transactions. Big and small share the fear of the absence of a real client to be analysed or to get some guarantees.



Identity fraud problem

66%
of European fraud is identity fraud.

31%
of Europeans have suffered from identity theft through email.

80% of identity fraud is focused on consumer financing goods, contracting services or bank credits.

The main drawbacks to electronic payments are concerns over privacy and the possibility of fraud. Fortunately, there are many safeguards available to protect your sensitive personal information from falling into the wrong hands.

According to Merriam-Webster definition, Fraud is an "intentional perversion of truth in order to induce another to part with something of value or to surrender a legal right". Fraudsters rely on the Internet to commit their crimes. Just to mention the more usual ones, returning a product in breach of the conditions, claims on the product acting in bad faith, refund of payments directly with the bank...

Fraudsters could steal your identity and use it to access your personal finances or obtain goods or finance from alternative sources.

Nevertheless, fraud situation may come the other way round too, being the final consumer the one suffering from the fraud.

Fraud situation

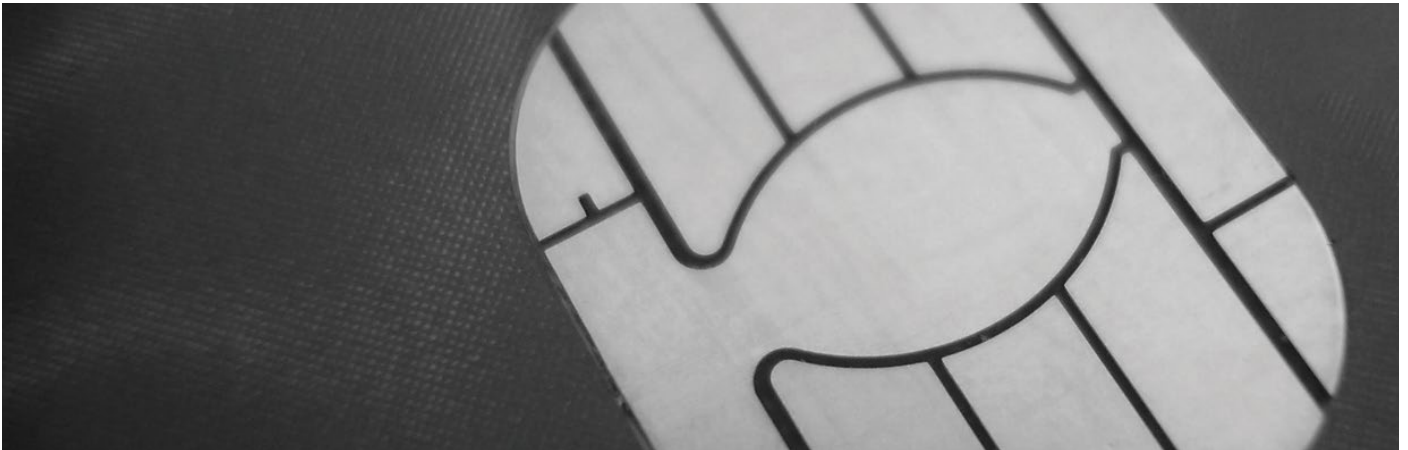
Ecommerce fraud has drastically incremented in the last few years. Ecommerce has been growing at the same pace as fraud possibilities.

According to the UK's Fraud Prevention Service, CIFAS, during 2013 identified over 200,000 victims of these identity fraud.

66% of European fraud is identity fraud. Identity fraud goes beyond identity theft, it includes those cases where fraudsters invent an identity. Moreover, these type of fraud can be found online and offline. Identity theft happens when someone steals your personal information and uses it without your permission. It's a serious crime that can wreak havoc with your finances and credit history. 31% of Europeans have suffered from identity theft through email.

80% of identity fraud is focused on getting fraudulently consumer financing goods, contracting services or bank credits.

According to a consultancy Market Dynamics survey of over 5,000 European citizens, 58% of Europeans believe that identity theft will grow in the years. 78% of German citizens believe fraud identity will increase. Only 65% of United Kingdom and France citizens share that feeling.



Between **1%** and **4%**
companies annual revenues losses
due to identity fraud.

80% of Spanish companies
report annual online fraud losses
below 0,5%.

The impact of fraud in ecommerce industry

Apart from the identity misappropriation in e commerce, dealing with friendly fraud also known as the "I didn't know," or "It wasn't me" chargeback is becoming a daily challenge. What do we mean by friendly fraud? The standard definition for friendly fraud is when a customer uses a credit card to make a purchase, and then disputes the charge with their credit card company once the item(s) are received. Consumers use friendly fraud to obtain item(s) for free.

Companies reported annual loses between 1% and 4% of their annual turnover due to identity fraud.

In Spain, 80% of companies report annual online fraud losses below 0.5%. Friendly fraud is a huge problem for merchants because the transactions in question are in fact authorized and legitimate. It is very difficult for the merchant to prove that the cardholder is being untruthful about authorizing the transaction.



Solution: eKYC Docs

The solution lies on having more control over the documents required at the time of the purchase.

Identity card is in many cases the key to formalize transactions. eKYC Docs developed by Lleida.net technology and integrating ICAR solutions is the definite tool to authenticate identity cards and to certify both the sending and the receipt.

eKYC Docs solution is simple to use: take a picture from your mobile or tablet of your identity card and send it to a mailbox that will authenticate the document certifying the sender, the date and time of the delivery. eKYC Docs gets data from any supported document, extracting it and comparing it with its MRZ code.

The analysis results show the validity or invalidity of the document. Certifying the result gives as a result an identity validation process from electronic evidences.

eKYC Docs jeopardizes identity fraud and minimizes further claims.

Integrating in the sales processes

The integration into the purchasing processes need not to be intrusive to the user and to maximize the preventive effect of fraud.

Often ecommerce portals work with technology learnt together with their users, recognizing them and being capable of generating a profile that can identify situations that generate alerts to prevent fraud even at the risk of losing a possible purchase.

Legal validity, the documentary evidence

In any case, obtaining documentary evidence from the ecommerce on the delivery of any documentation serves as a legal proof to the merchant. Therefore, it could be used as evidence if made before a court.

The documentary evidence is the documentary proof of the sending of the communication. This is a PDF file, designed for printing should need arise.

A registered electronic communication (whether SMS or email) is in any case an item of legitimate documentary proof in court, and subject to the norms thereof.

- If not impugned, it constitutes proof in full.
- If its validity as proof is impugned, this will be determined by the judge.

Implementation results

eKYC Docs helps you to reduce fraud up to 82% both for online and offline transactions. 80% of identity fraud is focused on getting fraudulently consumer financing goods, contracting services or bank credits reporting loses between 1% and 4% of their annual turnover.

eKYC Docs jeopardizes identity fraud and minimizes further claims.

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IS 632576