

Success Story: eScooter Company Detects Fraudulent Transactions, Prevents Chargebacks

Scooty Mobility Inc. (Scooty) is a micro-mobility company – along with an e-commerce arm – that is headquartered in Canada. In addition to offering a ridesharing service, the company sells electric scooters, electric bikes and accessories with free shipping across Canada. It is also testing out a pilot with the Ontario provincial government to integrate its offerings with city services to enhance public transit convenience.

Business objective

Scooty's e-commerce store is hosted on Shopify. Over the last few months, Scooty's fraud detection team noticed a substantial increase in chargeback requests. Chargebacks were initiated by customers claiming they had not authorized their purchases. Scooty needed to eliminate fraudulent transactions and chargebacks without sacrificing a smooth and delightful customer experience.

Challenges

Scooty faced the following challenges that limit their capabilities to detect fraud:

- ❖ Inability to separate genuine transactions from fraudulent ones, as the fraudulent transactions used accurate billing and shipping information.
- ❖ Difficulty in catching the fraudsters as they were employing sophisticated techniques to mask their activities.

These chargebacks, if left unaddressed, could lead to financial losses; harm the company's reputation; and affect its ability to continue to accept credit card payments.

Scooty needed a way to identify the risky transactions before fulfilling them in order to prevent downstream chargebacks and loss of customer trust.



Solution

To address these challenges, Scooty implemented Zumigo DeRiskify fraud solution for the following capabilities:

- ❖ **Multi-Layered Authentication:** Zumigo combines various verification methods to establish the authenticity of users and phone ownership, including SMS link and voice call verification.

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Solution (cont'd)

- ❖ **Real-Time Verification:** Zumigo verification is based on real-time information for instant results, including validating the owner of the mobile number matches the record on file, and that the name on the credit card matches the cardholder's records.
- ❖ **Geolocation Verification:** Zumigo uses geolocation data to confirm the user's physical location, adding an extra layer of security. Any suspicious location deviations trigger alerts for further investigation.
- ❖ **Cross-Reference with Billing Information:** In addition to name validation, Zumigo cross-references the name with the billing address provided, further strengthening the authentication process.

With these validations, Zumigo DeRiskify returns fraudulent risk scores on each transaction, which provided Scooty a way to determine whether to fulfill it.

Results

With Zumigo DeRiskify fraud solution implemented, Scooty's fraud detection team was able to initiate investigations into the fraudulent purchases. In one particular transaction, Zumigo detected the following red flags before it was fulfilled:

- ❖ **Unusual Purchase Location:** The transaction was initiated from a location 345 miles away from the cardholder's location.
- ❖ **Unauthenticated Phone:** The transaction occurred from a phone number that was not authenticated.
- ❖ **Atypical Shopping Behavior:** The algorithm recognized that the purchase did not align with the cardholder's typical shopping behavior.

Zumigo immediately flagged the transaction as suspicious, prompting Scooty's fraud detection team to investigate further. They contacted the cardholder to confirm it was indeed an unauthorized transaction. The cardholder stated that she had lost her credit card a day prior. The transaction was immediately blocked to prevent any financial loss for the cardholder.

Conclusion

The combination of multi-layered phone and card authentication, geolocation tracking, and real-time verification allowed Scooty to detect and prevent the fraudulent purchase, safeguarding the customer's financial assets and maintaining Scooty's reputation for security and trust. With real-time authentication, Scooty could make quick decisions and significantly reduce the window of opportunity for fraudsters. Additionally, Scooty was able to use the data gathered from this incident to refine its fraud detection algorithms to combat rising e-commerce fraud.

Zumigo is on the frontline of digital identity verification that helps the world's largest enterprises protect transactions, devices and accounts. Zumigo supports over 800 mobile operators, verifying over 4 billion mobile numbers globally with services reaching 180 countries. [Learn more at **www.zumigo.com**.](https://www.zumigo.com)