

# HOW TO STOP TICKETING FRAUD BECOMING AN EVERYDAY EVENT



## FOREWORD, BY TONY CRADDOCK, DIRECTOR GENERAL, EMERGING PAYMENTS ASSOCIATION



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Half-empty venues and an alleged illegal ticketing probe at the Olympics in Rio are timely reminders that ticketing fraud is current and big business. A failure to square up to it damages the reputation of online payments with consumers and hits businesses with compensation costs. And, as ticketing fraud grows, it becomes increasingly important not to treat it as collateral damage within business as usual.

This white paper looks not just at how consumers can avoid becoming a victim of ticketing fraud, but also suggests practical steps that businesses can take to address chargebacks, or so-called 'friendly fraud'.

The EPA membership spans the payments ecosystem and this paper is a useful reminder that all the players have a role in combating ticketing fraud.



## INTRODUCTION

We all love summer travel, festivals and our nation's athletes taking on the world's best. The number of us travelling internationally is due to rise by a third by 2025, with 282 million households expected to plan at least one international trip a year. Summer festivals have also been steadily rising in popularity from 2000 to 2015, and the same story is reflected internationally. For example, California's Coachella festival sold 198,000 tickets in 2015, earning owners AEG a reported global record \$84.3m.

Meanwhile, 2016 has seen two major international sporting events with the European Championship Football tournament in France followed almost immediately by the 2016 Olympic Games in Rio de Janeiro, Brazil. Over 800,000 fans bought tickets to the football, while approximately 7.5 million tickets were made available for the Olympic Games.

This white paper will examine the current ticketing market, including the rising fraud risks inherent in a predominantly online retail market, as consumers and fraudsters turn to ticketing in greater numbers.

The global secondary tickets market, where purchased tickets are sold on or traded, is also growing and could exceed \$15 billion by 2020, (growing at almost 20% year on year). It's clear to see the travel and events markets are booming as growing global affluence shifts our spending habits.

The problem is that fraudsters love these events possibly even more than we do. They are indiscriminate in their tactics and technologies to illicitly obtain funds from consumers. Worryingly, genuine customers are also turning to fraud to circumvent extra fees, creating a double-whammy of losses for merchants.

<sup>1</sup> Visa: Mapping the future of global travel and tourism

<sup>2</sup> AIF: <http://www.ft.com/cms/s/2/3816796a-3178-11e6-ad39-3fee5ffe5b5b.html#axzz4ErvFRH3m>

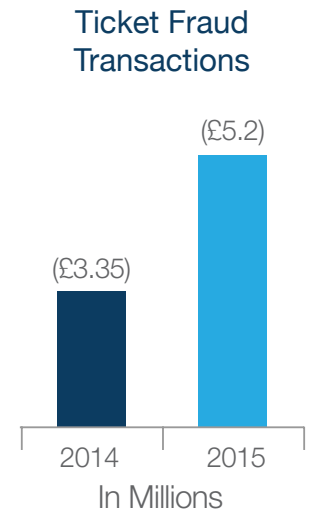
<sup>3</sup> <http://www.uefa.com/uefaeuro/news/newsid=2315730.html>



## SPORTING TICKET FRAUD

The UK saw a 55% rise in ticket fraud in 2015, losing £5.2 million to online ticket fraudsters in 2015, compared to £3.35 million in 2014. Furthermore, 26% of fraudulent tickets sold online in 2015 were for big sporting events, with 20-29 year olds making up over a quarter of victims in 2015. Now with summer sport like the Olympic and Paralympic Games attracting the attention of sports fans everywhere, the problem is only getting worse.

According to the UK's Local Government Association (LGA), over a quarter of fake tickets sold online in 2015 were for big sporting events, including England's Rugby World Cup tournament and, of course, the massively popular Premier League.



## MUSIC TICKET RIP-OFFS

Summer festivals are big business. The need to see our favourite artists live can create huge demand for tickets, which creates desperation and vulnerabilities to fraudsters. Consumers are fairly security conscious when they shop online for household items, clothing or jewellery, but can become less conscious of security in desperation of seeing, say Adele, live at her only festival appearance of the summer.

In this state, consumers often turn away from the larger, official ticketing sites and gravitate towards resellers, often found through social media 'recommendations'. In fact, according to the LGA, fake tickets to gigs and festivals accounted for 15% of UK ticket sales in 2015. Of these, 21% were reportedly instigated via Facebook, just behind Gumtree at 22% and Twitter at 6%.

But tickets fail to arrive and the perennial issue of chargebacks and in particular fraudulent chargebacks continue to plague event organisers from fans and fraudsters who know that the process is stacked in their favour.

The LGA revealed that UK music and sports fans trying to secure event tickets lost more than £5m to online fraud in 2015. Its figures showed an average of £444 per transaction. Unfortunately these issues show no sign of being resolved by ticket sellers themselves at present.

The dangers around major sports and music events this year are also compounded by a rise in the volume of fraud being conducted at pop-up sites. Pop-up sites offer tickets for sale, take fans' money and then disappear. Fans need to do some research before they "buy" tickets and expose their credit or debit card details.

Reputable and legitimate reseller sites are also not necessarily reliable; fans need to exercise caution on what they buy and from whom. Consumers may not realise that buying from unofficial ticketing outlets actually perpetuates fraud and costs organisers and venues millions of pounds each year. Surprisingly, those most at risk of buying fake or non-existent tickets are aged in their 20s (28%) followed by those in their 30s and 40s (23% for each age group).

<sup>4</sup> <https://www.getsafeonline.org/news/55-rise-in-ticket-fraud-last-year/>

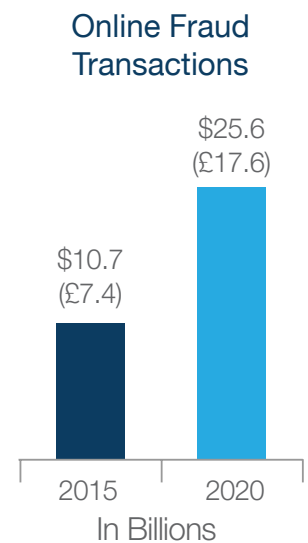
<sup>5</sup> [http://www.local.gov.uk/media-releases/-/journal\\_content/56/10180/7831426/NEWS](http://www.local.gov.uk/media-releases/-/journal_content/56/10180/7831426/NEWS)



## AIRLINE TICKETING TROUBLES

Summer getaways are not fraud-free zones either. Online fraud transactions are expected to reach \$25.6 billion (£17.6 billion) by 2020, up from \$10.7 billion (£7.4 billion) last year. By the end of the decade, it's expected that \$4 (£2.70p) in every \$1,000 (£687) of online payments will be fraudulent. Airline ticketing is expected to contribute up to 6% of this figure in 2020, at \$1.5 billion or £1 billion.

These figures do not even touch on the hidden threat for genuine merchants: consumers who change their mind after buying tickets online but then attempt to fraudulently reverse the payment (via a chargeback) to avoid liability for cancellation fees or no-refund policies. The cost of chargebacks for merchants is a rising problem: costing retailers \$3.16 in chargebacks for every dollar fraudulently lost – 216% higher than the initial loss.



## WHY IS TICKETING FRAUD TAKING OFF?

One of the biggest problems is fraudsters buying card details on the online black market, sometimes for as little as \$1 a piece, and then buying tickets using the account holder's details to book travel tickets and/or event tickets. They then sell-on the event tickets at vastly inflated prices, defrauding not only the cardholder but also desperate fans buying second-hand tickets from disreputable sites, and are then denied access to the event.

This issue cannot be resolved simply by throwing money at the problem, nor can the widespread acceptance of chargebacks as a 'cost of doing business' be allowed to continue. Both of the aforementioned are common current practices but failing to address the problem head on perpetuates the cycle and will lead to increasing numbers of customers exploiting the loopholes of an archaic system not built for the internet age. Merchants need to be proactive and partner with chargeback experts to help identify their problem and support an effective resolution with technology and consultation that specialises in friendly fraud – the hidden problem of the ticketing industry.

### What is friendly fraud?

Friendly fraud is often called 'chargeback fraud' – it happens when consumers use the chargeback process to effectively steal from the merchant. Rather than secure a traditional refund from the merchant, the payment card holder will contact the bank for a chargeback.

Many customers simply don't understand the difference between a chargeback and a refund. Consumers who view the bank as the customer service middleman are perhaps unwittingly committing cyber-shoplifting.

Yet there are plenty of consumers who know exactly what they are doing, exploiting loopholes in an outdated chargeback system to intentionally commit friendly fraud in an effort to get something for free.

Whether intentional fraud or not, these friendly fraudsters must be stopped. Ticket sellers must make a concerted effort to reduce chargeback fraud before it destroys their bottom line.

## WHERE IS THE FRAUD THREAT COMING FROM?

Reassuringly, a recent report by Juniper Research on worldwide payment services, discovered that the implementation of chip and PIN services at Point of Sale (POS) has offered greater security to merchants and their customers.

However, this greater security has also convinced fraudsters to divert their attention from the in-store environment to online or card-not-present (CNP) transactions.

Retailers from all sectors, including travel companies, venues and promoters, will find that fraudulent chargeback activity that might previously have been categorised as a 'cost of doing business', is much harder to be ignored in future as online commerce continues to grow.

The rise of e-tickets also increases the risk of fraud. E-tickets are much easier to replicate and fake than the traditional printed tickets and operators increasingly face the issue of balancing user convenience with security as well as cost.

## CUSTOMER COMPLAINTS AND CHARGEBACKS

While many people have been duped by unscrupulous "vendors", there are also event goers that exploit chargebacks against sporting and music venues.

Dishonest event goers use chargebacks to avoid paying for events by claiming the product was not as bought: for example, the food in hospitality was of poor quality or the view was not as good as advertised and it spoils the enjoyment of the special occasion.

Sometimes event goers cannot make a concert or match at last minute, and unable to offload their tickets in time, they claim a chargeback, stating that the tickets didn't arrive.

More unscrupulous event goers attend a gig or festival, where attendance is not scanned and checked for the ticketholder's identity, and claim the ticket purchases were not authorised.

The bad news for this type of consumer is that both the banks and retailers are now better educated on chargeback scams and have more stringent screening process in place. The savviest also employ specialist chargeback remediation firms to minimise such activity.

### Why is it important to halt the rise of chargebacks?

LexisNexis' True Cost of Fraud Study 2016 revealed that chargebacks are costing retailers US \$3.16 in chargebacks for every dollar fraudulently lost – 216% higher than the initial loss.

The time and cost of challenging chargebacks for ticket travel companies and event ticket sellers can also prove a growing drain on the ability of retailers to trade profitably.

Recent figures show that the menace of chargeback fraud affects retailers across all sectors, including ticketing businesses. The cost per dollar of fraud losses increased by 9% year-on-year rise for the online channel and 12% for the mobile channel. Online merchants reported that 49% of their fraud-related revenue loss is a direct result of chargebacks; for mobile, it stands at 47%.

Despite these alarming figures, retailers don't have to accept chargeback fraud as just a part of doing business; they can fight back now to reduce the impact.

<sup>6</sup> [http://www.juniperresearch.com/press/press-releases/online-transaction-fraud-to-more-than-double-to-\\$2](http://www.juniperresearch.com/press/press-releases/online-transaction-fraud-to-more-than-double-to-$2)

<sup>7</sup> <http://www.lexisnexis.com/risk/insights/true-cost-fraud.aspx>

## HOW TICKET SELLERS CAN ADDRESS CHARGEBACKS EFFECTIVELY

We recommend partnering with the experts to identify the causes of chargebacks and steps to reduce the future risk. However, retailers are not without any power to address the problem of chargebacks.

The first issue is to understand why chargebacks are hitting.

There are three real sources for chargebacks:

1. Real criminal intent (such as a data breach or a stolen card)
2. A merchant mistake
3. An accidental chargeback that should have not been filed in the first place

Accidental chargebacks are usually caused when either the consumer or the bank make a mistake. Most often this occurs because the bank did not have the time or resources available to conduct proper due diligence on all the incoming requests by email, post, text, social media, phone or online form. They may also have only assumed the validity of the claim rather than investigating and potentially challenging it.

## CUSTOMER SERVICE

Customers increasingly bypass the retailers and go straight to the card issuer and instigate a chargeback if they are not happy. Why bother to contact the retailer when they can get credit almost immediately and almost unquestioned if they are not happy with the service or product?

However, many honest customers do try and contact the retailer to resolve the issue. A responsive and helpful customer services policy can reduce unnecessary chargebacks here.

Travel ticket sellers and event ticketers should give staff customer service training, write clear and fair policies and publish them online. Make sure they are accessible around the clock to help with any customer issues – this will help reduce chargebacks considerably by being the first port of call. Retailers will also benefit from the goodwill generated by resolving issues with courtesy, speed and a commitment to make customers satisfied.

## KEEPING RECORDS

Even though businesses of all kinds now deal with vast amounts of data, they all need to keep impeccable records so that evidence is kept on orders, deliveries, cancellations and more.

When challenging chargebacks with issuers, a paper trail that can be presented with speed is crucial. Ticket sellers should consider educating themselves on their rights and building a deeper relationship with banks in order to ensure that friendly fraud doesn't occur arbitrarily.

If online retailers are able to fight back against chargebacks with force, then dishonest or malicious instigators of chargebacks might well think again and pick softer disorganised targets the next time they want to exploit the chargeback process.



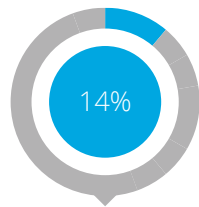


Ticketing organisations can also implement additional technology, including:

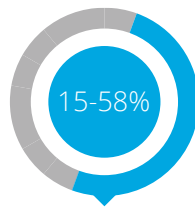
- ▶ Automated, superior device fingerprinting technology to help analyse data quickly and with the necessary accuracy, letting venues or travel companies know if the cardholder is exhibiting suspicious behaviour
- ▶ Ticket vendors should guard against the possibility of the purchase of excessive numbers of tickets by individuals
- ▶ Technology analysing data in relation to potential chargebacks fraud is becoming more effective and ticket sellers should consider having a layer of manual and technology systems in place to be more effective

## CASE STUDY: HOW CAN WE REDUCE THE CHARGEBACK THREAT IN TICKETING?

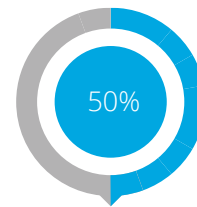
Working with an online ticketing company, Global Risk Technologies, through its merchant centric brand Chargebacks911, secured the following results over a three-month window, making a demonstrably beneficial contribution to the client's chargeback problem, and subsequently their bottom line:



14% reduction in chargeback origination



Increased win rate from 15.8% to 58%



50% reduction in chargebacks from the same cardholder

Whether it is assisting to fine-tune existing fraud filters to eliminate false positive activity, or improving the recovery rate post chargeback to help reduce the impact of friendly fraud, comprehensive solutions work to deliver bottom line results.

The client was enrolled in the Visa Chargeback Monitoring Program and breached American Express thresholds. In addition to chargebacks, fines were presenting a major liability.

The client was winning fewer representments despite implementing fraud filters, a compliant website and an in-house dispute management team that represented all chargeback activity. The client's win rates left this activity barely worthwhile.

The events company was winning 40% of its initial representment effort, but experiencing second chargebacks in more than 50% of these cases. Its net win rate was less than 20%.

Our Intelligent Source Detection validated reason code usage to identify and understand the real underlying causes for the chargeback issuances rather than treat the symptoms.

Global Risk Technologies' Merchant Compliance Review solution, which uses more than 100 points, inspected the event business' policies and procedures.

This identified several inconsistencies, anomalies, oversights with customer service, website functionality and merchant-issuer relations.

Intelligent Compliance Review was able to improve the client's reputation, profitability, compliance, operations, and overall condition of the merchant account health in a number of ways:

- ▶ Strategically dispute illegitimate chargebacks
- ▶ Recover lost revenue
- ▶ Identify additional monetisation opportunities
- ▶ Prevent future chargeback issuances
- ▶ Improve the merchant's reputation with the issuing bank
- ▶ Fine-tune fraud filters
- ▶ Reduce false positives



## CONCLUSION

The summer season of great sporting and music events, as well as a busy European holiday travel season, create ideal conditions for fraudsters to exploit any weaknesses in companies' or customers' purchasing processes.

Dauntingly, it also creates the perfect opportunity for 'good' customers to defraud ticket sellers via chargeback fraud, hidden among the mass orders for increasingly popular destinations.

The good news is that something can be done. Follow the steps highlighted in this paper to reduce your chargeback risk and consult with the experts on how to successfully challenge illegitimate chargebacks while reducing your exposure in the future.

Ticketing retailers must lead the fightback against chargebacks and fraud. The alternative is empty seats at gigs that could otherwise be sold out, disgruntled customers complaining about flights they cannot take for their holidays, or sports fans short-changed and turned away from the big game because of fraudulent activity.

Global Risk Technologies guarantees to reduce chargeback fraud, decrease financial losses, increase revenue and customer retention.

Protect your business and your bottom line, while improving the experience for genuine customers. The fight back begins now. Working together we can make big strides to eradicate fraudulent chargebacks from the mindset of 'just another cost of doing business'.

## ABOUT GLOBAL RISK TECHNOLOGIES AND CHARGEBACKS911

Chargebacks911 is a division of Global Risk Technologies, focusing on chargeback mitigation and risk management. It specialises in servicing Internet merchants and acquiring banks, offering dispute response solutions and deep analytics. Chargebacks911 works with its clients to help them keep dispute rates down and retain their ability to accept credit cards.

For more information, visit [www.chargebacks911.com](http://www.chargebacks911.com) and [www.globalrisktechnologies.com](http://www.globalrisktechnologies.com)

To find out more about combatting the chargeback threat, speak to Chargebacks911 on **+353 (0)1 6363111** or email **info@chargebacks911.com**

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## CLOSING WORD FROM THE AUTHOR

Monica Eaton-Cardone, Co-Founder, Chargebacks911 and Global Risk Technologies

Venue operators and ticketing companies are unfortunately no less prone to the problem of chargebacks than retailers from any other sector.

The problem today is that the chargeback process is heavily weighted in favour of the cardholder, to the extent at which it is being abused. When a chargeback is initiated the bank will credit the cardholder's account generally without question, sometimes within 24 hours.

Chargebacks can cause vendors to lose the trust of the customer, irreparably damaging the brand's reputation and future loyalty. Add to this the cost of unfilled seats and bank fines and you have a major challenge for today's online ticket vendors.

While ID-theft credit card fraud tends to get the most media attention, the majority of chargeback volumes (70%) are attributable to friendly fraud, with a 20% share due to merchant error, while 10% is typically attributable to criminal fraud. Ticket vendors need to proactively combat fraud of all types if they want to prevent losses and protect their bottom line.

