

Prepaid or Unpaid: An Overview of Payment Fraud in Gift Cards

Gain insight into how and where fraudsters exploit users for profit – and what you can gift back with nSure.ai solutions.

The Scenario

It's no secret that payment fraud continues to surge in losses, especially in the gift cards industry.

As the gift and debit card market continues to grow in size, so does the level of fraudulent activity. The FTC found that more than \$148 million in gift card funds were reported lost in just the first 9 months of 2021. Median loss to the consumer was \$1000.

Gift card marketplaces are frequently under scalable attacks and **once the money is gone, it's gone for good**. What goes along with it are the positive aspects of the brand's reputation and valuable real customers.

This is a card game you must win.

Gift card scam losses – first 9 months of the year*

\$148M

40,000

Number of consumers using gift cards to pay a scammer*

* <https://www.ftc.gov/news-events/news/press-releases/2021/12/ftc-data-show-major-increase-gift-cards-scam-payment-method>



Potential Impacts

The growing world of prepaid gift cards means there are many new and evolving risks, all thanks to the increasing adoption rate and the nature of these digital assets.



Growing adoption

The global prepaid card market size is projected to reach \$6.87 trillion by 2030, growing at a CAGR of 18.2% from 2021 to 2030.*

* <https://www.alliedmarketresearch.com/prepaid-card-market#:~:text=The%20global%20prepaid%20card%20market,18.2%25%20from%202021%20to%202030>



Ecommerce and remote work

The global pandemic drove a surge in both remote work and ecommerce. Incenting employees, prospects, and customers with digital or prepaid gifting benefited greatly from that event. The convenience and efficiency were ideal solutions during a difficult time to navigate.



More merchants are joining the party

More merchants are joining because they want to utilize the segment's growth. It's also very attractive margin because literally billions of dollars in gift card funds go unused each year.

The Problem



- Your company's fraud strategy possesses a small fraud appetite, so they set up excessive filtering and friction to confirm user identity.
- You know it causes a substantial user abandonment, but you are ready to pay the price to maintain a low chargeback rate.
- You see a great growth with the market uptrend, but you only have a 75%-85% approval rate.
- You're conducting excessive manual reviews which cost a lot of money.
- You believe most of the declines are fraudulent transactions and only 5%-15% of them are false positives, when in fact it's the other way around. (Note: nSure.ai research (2022) found that 87% of the declines are legitimate customers).
- You suspect the ones that get blocked are going to a different provider. (Note: nSure.ai research found that 65% of them would be "new" customers; yet are labeled as false positives while 35% are churn of good existing customers.)
- You see a very promising revenue opportunity in new markets and new products, but you're cautious of action because of the risk for fraud.
- Assuming you change your appetite for fraud and try to exploit all the different growth opportunities, you expect to be living on the edge with high chargeback rates.
- After a few rounds of getting on and off Visa's or Mastercard's monitoring plan, you realize the risk is too much – so you return to your low appetite.

The Solution

At nSure.ai, our focus is on how we can significantly lift approval rates and bring net new customers and revenue to you. This is how we measure our score in the fraud prevention game. We also assume full liability on your chargebacks so the net benefit to you shows up in profit.



You don't have to worry about your fraud operations because we take full liability for all chargebacks, regardless of reason. No need to think about fraud, no manual review and no chargeback fees.



Unregulated user friction is mostly made for user verification, and our studies show that user verification doesn't work. Worse, it creates a significant user abandonment. No friction means elevated conversion rate & LTV.



Lift your 75%-85% approval rate to a 90%-95% range which will show up in both your top and bottom lines. Given most of these are likely new customers, it's both the current and the repeat sales that factor into your net gains from nSure.ai fraud prevention.



Explore new markets and develop new products confidently without worrying about a high chargeback rate or being sent to the payment networks monitoring plan.



Regain lost revenue caused by false positives and churn thanks to a dedicated AI model. The model is optimized based on your organization with behavioral analytics, and unsupervised AI – not legacy fraud protection which is built using identity verification for physical goods e-commerce.

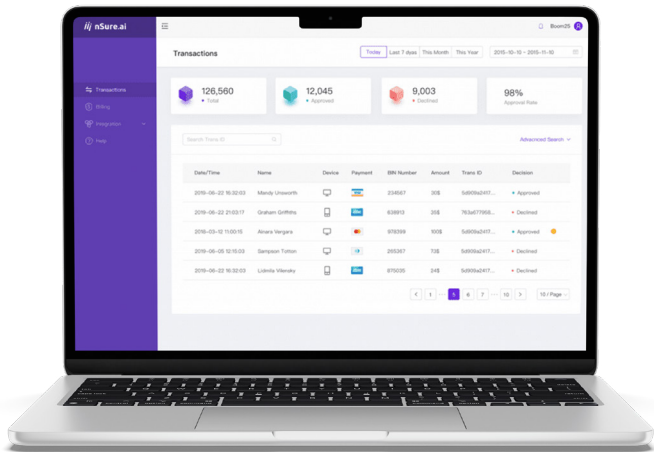


The Results

Going forward, payment fraud in your prepaid or gift card business isn't a problem you can ignore or have to accept. The repercussions of allowing fraudsters into your site, either as registered users or through backdoor hacking, or declining large numbers of genuine customers can be significant.

Right now, many prepaid card platforms that fall victim to fraudulent attacks just chalk it up to the cost of doing business.

Don't do that. Contact nSure.ai for help.



Turn Fears of Fraud to Clears for Cash With nSure.ai's Fraud Prevention Solutions

While there are many unknowns about the future of card fraud, one thing is for certain — nSure.ai's fraud prevention is a tool you need in your toolbox. Maximize your business true potential, get predictability and peace of mind with our full liability shift for your digital goods today.



Approval Rates Up to 95%

We provide a financial guarantee to back up the commitment by significantly reducing your false positives through our unique AI engine – which stops fraud in its tracks from scaling.



Full Liability on Chargebacks

We work expeditiously to give you peace of mind by covering all of your chargeback costs and eliminating concerns of being flagged by the payment networks.



Expertly Captures Real Fraud

We don't accept what everyone else does. Unnecessary verifications that block good customers from approval should not be your norm. We bypass all that to elevate your approval rates and minimize churn, resulting in many more new customers and actual net incremental profit.



Your Own AI Model

We design this for your business or business lines for maximum efficacy because we focus on your data; not the mainstream market's. This approach is vital to helping you realize the full potential of your P&L goals.



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