LOYALTY FRAUDS

and how to mitigate them

Did you know?

Based on a report by CyberSource, **90%** out of **120 respondents** that run loyalty programs experienced some sort of fraud in 2016

90%

What are the common loyalty frauds reported?

Here are the list of common loyalty frauds

1. On-premise staffs **use their own cards** to accumulate point rewards for non-member customers

2. Misconfiguration of points refunds leads to money being refunded without the points deducted

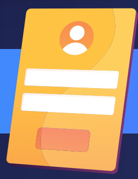
3. Exploiting **flawed POS integration** for a discounted sales transaction with full amount of point rewards

4. On-premise staffs making **unauthorized** points configuration and transactions

5. Loyalty account **identity theft**

6. Multiple users with the same loyalty card (only if it violates the set terms and conditions)

Here are some mitigation ideas you may consider



1. Customer profiling data

- Ensure all registered profiles are not duplications and each are unique
- Blacklist raudulent accounts that have been identified and pinpointed
- Verify registered address with address banks or special APIs
- Email and phone verification during member registration

2. Loyalty program configuration

- Set a period of time where accumulated points are not allowed to be used right away - delayed point availability
- Apply additional limitations for accounts which profiles are not yet completed 100% (anonymous accounts)
- Limiting the number of points redemption per transaction/per day
- Prepare a proper procedure, terms and conditions for points refunds

3. End-point security

- Implement strong password policies and multiple factor authentications
- Conduct security audits or penetration testing on a regular basis
- Eliminate risks of potential bots crawling into the system

4. User and Members Management

- Implement the principle of least privilege for users and members - they should be given just enough privilege to conduct necessary means
- Four-eyes principle - take into accounts several actions that may require additional approval from staff or admin to be conducted

prepared by Blue Vinegar Loyalthe