

# FraudSpotter

The Merchant's Playbook for  
Identifying Fake Orders



Provided courtesy of



ProcessForLess.com | 805-316-5555

# Everyone responsible for reviewing orders needs this information in reach at all times.

Following the steps outlined will potentially **save thousands of dollars** in what otherwise would be lost to online fraud.

## **Orders from new customers**

When processing orders from customers without an established history, consider the amount necessary to conduct a thorough fraud check. While some orders may not demand extensive scrutiny, many will, and over time, you'll become more skilled at effectively detecting and thwarting potential fraudsters.

## **Shipping speed selected**

Most fraudulent orders select overnight shipping to get your product fast and vanish before you can figure out you have been a victim of fraud. Any order amount requesting overnight shipping should be thoroughly checked prior to charging or releasing the order.

## **IP Address Check**

You see the address, but where did the order actually originate from? Always verify the IP address of incoming orders. For example, if an order originates from Texas but the IP address is from Nigeria, further investigation is warranted.

## **Use of address verification services**

The order will have an AVS (Address Verification Service) response that is a series of three letters. You want to see YYY as that means the billing address entered is 100% correct. You might also see a response of NNN and that means nothing about the billing address matches. There can be partial matches like YYN meaning a zip code discrepancy.

## **Check address discrepancies**

Even if minor elements like the zip code don't match, it's important to investigate further. In cases of non-matching addresses, asking the customer to authorize a secondary shipping address through their card issuer can be a safe practice. You can then authorize their card again to find out if they really did update the shipping address to be an authorized address on their credit card account.

## Use services like [Whitepages.com](https://www.whitepages.com)

This will help verify the residential details of the cardholder. This can confirm whether the person who placed the order actually resides at the given address.

## Visual checks using Google Maps and search engines

Verify the legitimacy of the billing and shipping addresses using Google Maps. Discrepancies in the living standards between the two locations can be a red flag for fraud. Check the address of the delivery location in Google or another search engine to find out if the location is vacant or for sale. It might even be a private post office box dressed as a formal business address when it is anything but legitimate.

## Telephone verification

Contacting the customer via phone is crucial. A valid phone number is a good sign, while a non-working number is a strong indicator of potential fraud. The call also provides an opportunity to engage with the customer and possibly upsell. You will have the opportunity to hear your customer and judge if anything sounds risky about the order. **Again—regardless of the size of the order, always call to confirm they have left a working number and will answer it.** If not, you've likely got a fraudster.

Depending on the size of the order, you should use our [Chargeback Shield document](#).

Using the form provided to confirm the order, along with the customer's signature via Docusign or a similar service, will make you safe against the most common chargeback reason codes.

## Email verification

Send an email to confirm the order with the customer. Lack of response, especially if combined with other suspicious factors, likely indicate fraud.

## Fraud check scaling

The extent of fraud checks should correspond to the order value. Higher-value orders should undergo more rigorous checks compared to lower-value ones. All orders should have telephone number verification with a call to say "Thanks" if nothing else. That alone will make you stand out and customers will appreciate a call from you.

## Fraud protection services

Depending on your order volume and order size, you might consider employing specialized services that insure against fraud. These services, while adding a cost (typically 2% to 3% of the order value), can provide significant protection against fraudulent transactions. However, if you follow the steps outlined in this guide, you can eliminate the cost of those services and provide thorough checks in-house.

## Merchant services review

Regularly review your fraud detection practices and consider professional services that can handle fraud detection on your behalf. This can help reduce the incidence of fraud and the associated financial risks.

By following these strategies, ecommerce businesses can significantly reduce the risk of fraud and safeguard their operations against potential losses.

Feel free to reach out directly to MerchantStream with questions to help us advise you how to best structure your fraud protection process. **This is a free service we offer to merchants.**



ProcessForLess.com | 805-316-5555

## Your business, our priority: exclusive support

Enjoy the privilege of a personal account representative chosen to align with your business's unique needs. Wave goodbye to the impersonal experience of dealing with random contacts who don't know your business. Your dedicated rep is committed to building a meaningful relationship with you, understanding your expectations, and consistently delivering on them.

With MerchantStream, it's not just about processing—it's about personalizing your experience to exceed your expectations.

**We specialize in credit card processing for e-commerce and retail.**

We are experts in eCommerce and Digital Marketing and have been active since the mid-90's and in the Payment Processing field since 2005. We provide a high level of support while maintaining a low rate structure. It's normal for us to offer savings on rates and fees in most cases. Evaluations are free.

We serve online and retail stores of all sizes. We are advocates for our merchants. We assist with PCI compliance.

You'll find that you enjoy every interaction you have with our team. You'll smile when you see your business saving money on every credit card transaction!

**Save More - Sell More**  
**ProcessForLess.com**

**Call us at (805) 316-5555 - We welcome your questions!**

Revised: May 6, 2024