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Reducing IVR Fraud Through Advanced Account Risk Capabilities

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Overview

In response to the current public health crisis, people around the world have experienced disruption in all aspects of daily life — from how they shop and work to how they care for their families. This uncertainty has shifted consumer behavior in industries like financial services and insurance, leading consumers to contact companies in record numbers for assistance with a wide range of customer needs.

Financial services and insurance companies experienced a dramatic uptick in contact center call volumes since the COVID-19 pandemic began and, for many, this increase has become the new normal. As contact center call volumes increase, so do fraudulent calls. Contact center agents are left to contend with more genuine and fraudulent calls while simultaneously delivering exceptional customer experience (CX).

Key Findings

COVID-19 has had a significant impact on global contact centers. On average, firms saw a 42% increase in year-over-year call volume.

Genuine and fraudulent calls have increased, and more fraudster account reconnaissance in the interactive voice response (IVR) is exposing security gaps that need to be closed.

Improving fraud detection and response is the top priority for firms. Those that have implemented AI-based account risk monitoring solutions see faster identification and improved customer trust.

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Firms Are Flooded With Record Level Call Volume And Associated Fraud

The COVID-19 pandemic has impacted nearly every industry — especially the financial services and insurance industry. As customers deal with the uncertainty of the pandemic and in-person interactions are limited, many are reaching out to call centers as a way to replace in-branch interactions and to ensure security of their finances. As a result, banks and insurance firms are seeing unprecedented levels of call volume. Ninety-six percent of businesses saw an increase in contact center call volume since the start of the pandemic, and nearly 40% are still managing higher year-over-year volumes.

On average, firms have seen a 42% increase in year-over-year call volume since the pandemic began, and nearly a third saw a more than 50% increase in volume. And, on average, about 5% of call volume is identified as suspicious or fraudulent, meaning that contact centers are contending with record levels of fraud.

"To the best of your ability, please estimate by how much the call volume increased?" (Select one)
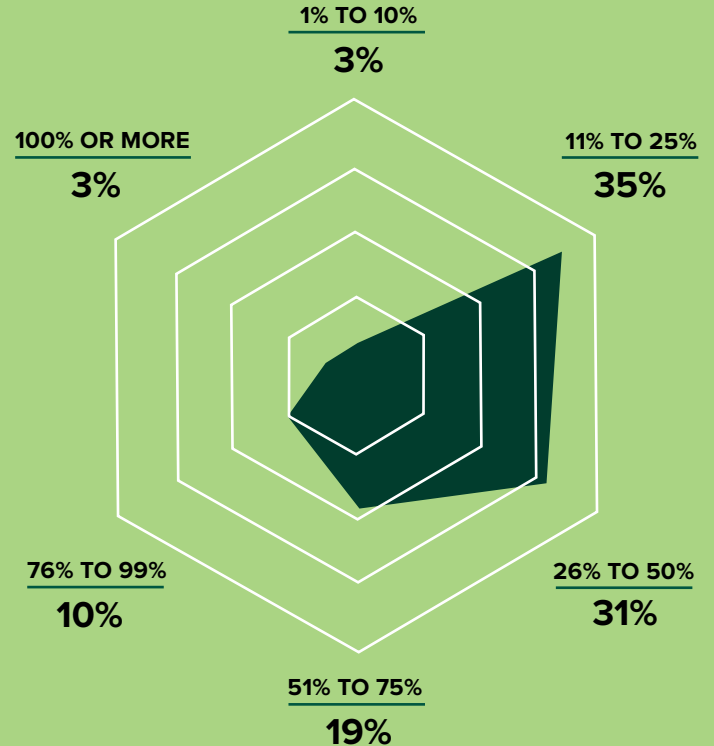
1% TO 10%
3%

11% TO 25%
35%

100% OR MORE
3%

26% TO 50%
31%

76% TO 99%
10%

51% TO 75%
19%

Decentralized Contact Centers Create New Risks

Call center agents have not only had to deal with an increased level of call volume, but they also must navigate uncertain work environments as the new normal. Most firms have deployed a hybrid call center strategy, with some agents working from home and some agents working from a contact center due in part to local restrictions on office reopenings and social distancing.

Moving hundreds or thousands of agents to a work-from-anywhere environment is no easy feat, and many firms are still playing technological catch-up even more than six months into the pandemic.

"Which of the following best describes how the agent population in your contact centers was impacted by the COVID-19 pandemic?" (Select one)

We initially had all our agents work from home, but now have all or most of our agents working back in our contact centers.	30%
We initially had all our agents work from home, but now have about half of our agents working back in our contact centers.	30%
We initially had all our agents work from home, but now have less than half of our agents working in our contact centers.	20%
We moved all our agents to work from home, and they are still all working from home.	16%
We always had all our agents continue to work from our contact centers.	3%
Our agent population was always working from home.	2%

FORRESTER OPPORTUNITY SNAPSHOT: A CUSTOM STUDY COMMISSIONED BY PINDROP | NOVEMBER 2020

Base: 259 global fraud detection and prevention decision-makers across security and risk, fraud, IT, contact center/customer support, finance, and business roles
Source: A commissioned study conducted by Forrester Consulting on behalf of Pindrop, October 2020

Firms Have Had To Respond With New Policy Changes In The Contact Center

The increase in call volume due to the COVID-19 pandemic and decentralized call center structures have led to significant challenges for fraud detection and protection decision-makers. In fact, more than three-quarters noted they have had to make policy changes in the contact center to handle the increased level of call volume the pandemic brought.

New policies, record-high call volumes, and dispersed agent networks increase complexity in the call center environment, and they can each lead to more fraud slipping in.

"Has COVID-19 affected your business in any of the following ways?"

We have had to make policy changes in the contact center to handle increased call volumes.

Yes 76%

Base: 259 global fraud detection and prevention decision-makers across security and risk, fraud, IT, contact center/customer support, finance, and business roles
Source: A commissioned study conducted by Forrester Consulting on behalf of Pindrop, October 2020

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Contact Center Fraud Is Increasing

Respondents reported seeing more fraud, new types of fraud, and a clear detriment to their bottom line because of fraud. Two-thirds of decision-makers said they are seeing new types of fraud in the contact center since the pandemic began: 57% report that fraud attacks in the call center have increased, and 53% said they can draw a clear line from the increase in fraud to their bottom line.

"Has COVID-19 affected your business in any of the following ways?"

66%

We are seeing **new types of fraud** in the contact center.

57%

Fraud attacks in the call center have **increased**.

53%

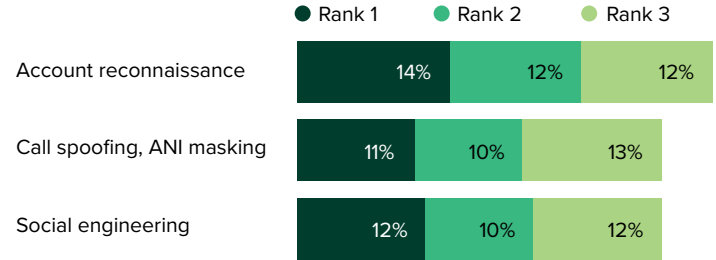The **impact of fraud on our bottom line** has increased.

Many Firms Struggle To Manage Fraud Within Their IVR System

Only a third of respondents strongly agreed that they have a handle on their current contact center fraud situation. Account reconnaissance, the most common type of fraud firms are seeing in the IVR, is on the rise. Most respondents said they have seen fraudsters use the IVR for account mining or reconnaissance since the pandemic began. Bad actors know contact centers are stretched thin, and they are using that to their advantage — starting with IVR. On top of that, only 36% of decision-makers strongly agreed that they have a good understanding of how fraud is started and perpetrated throughout the contact center and across channels.

In addition to account reconnaissance, financial services and insurance companies are most commonly seeing social engineering, bot activity, and call-spoofing fraud in the IVR. These are fraud attacks that are harder to manage in a decentralized contact center environment.

"What are the most common fraud attacks in the IVR that your business is seeing?" (Rank up to top 3, with No. 1 being the most common)

● Rank 1   ● Rank 2   ● Rank 3

	Rank 1	Rank 2	Rank 3
Account reconnaissance	14%	12%	12%
Call spoofing, ANI masking	11%	10%	13%
Social engineering	12%	10%	12%

Base: 259 global fraud detection and prevention decision-makers across security and risk, fraud, IT, contact center/customer support, finance, and business roles
Source: A commissioned study conducted by Forrester Consulting on behalf of Pindrop, October 2020

"Has COVID-19 affected your business in any of the following ways?"

76%
Fraudsters are using the **IVR for account mining** or reconnaissance.

Base: 259 global fraud detection and prevention decision-marers across security and risk, fraud, IT, contact center/customer support, finance, and business roles
Source: A commissioned study conducted by Forrester Consulting on behalf of Pindrop, October 2020

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Balancing Good Security Posture With Good CX Is The Top Challenge

Firms are using an average of three discrete approaches to manage this influx in fraud. The most common approaches include: PIN code/account number combinations, caller ID validation or automatic number identification (ANI), and personally identifiable information (PII)-based approaches.

However, many firms still struggle to balance strong security posture with good CX. Two-thirds of respondents said maintaining security posture without negatively impacting CX for genuine customers is their top challenge. Sixty-five percent said they struggle to manage the high volume of genuine calls, and nearly 60% struggle to manage cross-channel attacks.
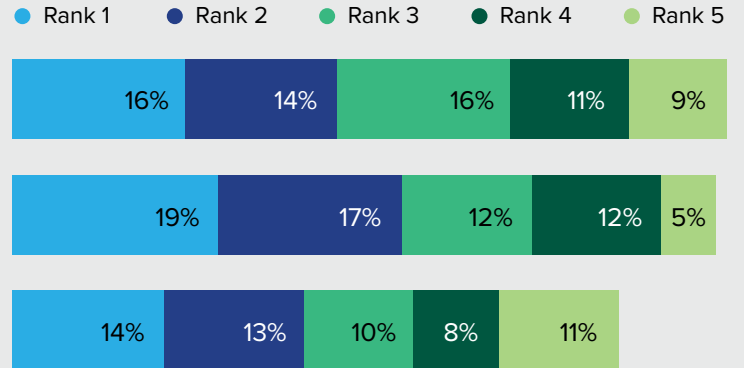
"Which of the following challenges, if any, do you face with managing fraud in your contact center?"
(Rank up to top 5, with No. 1 being the most challenging)

● Rank 1   ● Rank 2   ● Rank 3   ● Rank 4   ● Rank 5

Balancing security posture and negatively impacting customer experience for genuine/real customers

| 16% | 14% | 16% | 11% | 9% |

High genuine call volume, which makes it difficult to zero down on actual fraud calls

| 19% | 17% | 12% | 12% | 5% |

Managing cross-channel attacks (e.g., phone, mobile, chat, web)

| 14% | 13% | 10% | 8% | 11% |

Base: 259 global fraud detection and prevention decision-makers across security and risk, fraud, IT, contact center/customer support, finance, and business roles
Source: A commissioned study conducted by Forrester Consulting on behalf of Pindrop, October 2020

Solving Fraud In The IVR Is The Top Initiative Of Call Centers Worldwide

Eighty percent of respondents noted that fraud is a very serious issue in the call center and, for 78% of them, solving fraud in the IVR is their top call-center initiative.

To meet these goals, many respondents (79%) said their organization has plans to implement or upgrade advanced ML-driven fraud detection account risk-monitoring solution.
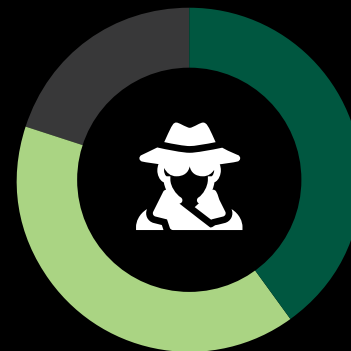
> **ⓘ 78% of decision-makers noted that solving fraud in the IVR is their top call-center initiative.**

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"Please indicate your level of agreement with the statements below."

● Strongly agree   ● Agree

80%
Overall, fraud is a very serious issue in the call center.

78%
Solving fraud in the IVR is our top call center initiative.

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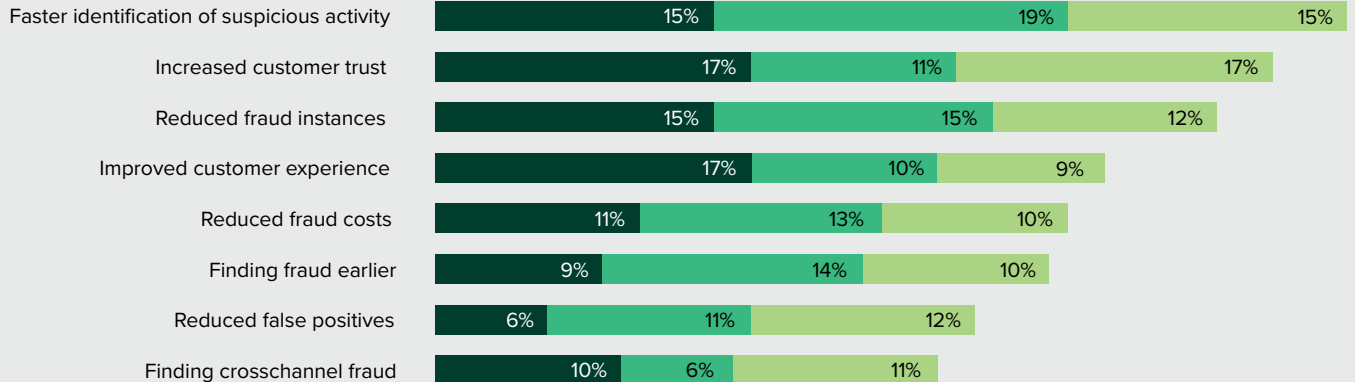**Future State**

Conclusion

Benefits Abound When ML-Driven Fraud Detection Capabilities Are Implemented

Firms that have already implemented an advanced ML-driven fraud detection account risk-monitoring solution have experienced faster identification of suspicious activity, increased customer trust, and reduced fraud instances as the top 3 benefits.

And firms that are planning to implement such a solution are building their business cases around the same expected benefits: reduced fraud instances, faster identification, and increased customer trust.

"Which of the following benefits have you received from implementing advanced machine learning-driven fraud detection account risk monitoring solution?"

● Rank 1   ● Rank 3
● Rank 2

Benefit	Rank 1	Rank 2	Rank 3
Faster identification of suspicious activity	15%	19%	15%
Increased customer trust	17%	11%	17%
Reduced fraud instances	15%	15%	12%
Improved customer experience	17%	10%	9%
Reduced fraud costs	11%	13%	10%
Finding fraud earlier	9%	14%	10%
Reduced false positives	6%	11%	12%
Finding crosschannel fraud	10%	6%	11%

Base: 150 global fraud detection and prevention decision-makers across security and risk, fraud, IT, contact center/customer support, finance, and business roles at organizations that are expanding or implemented advanced machine learning
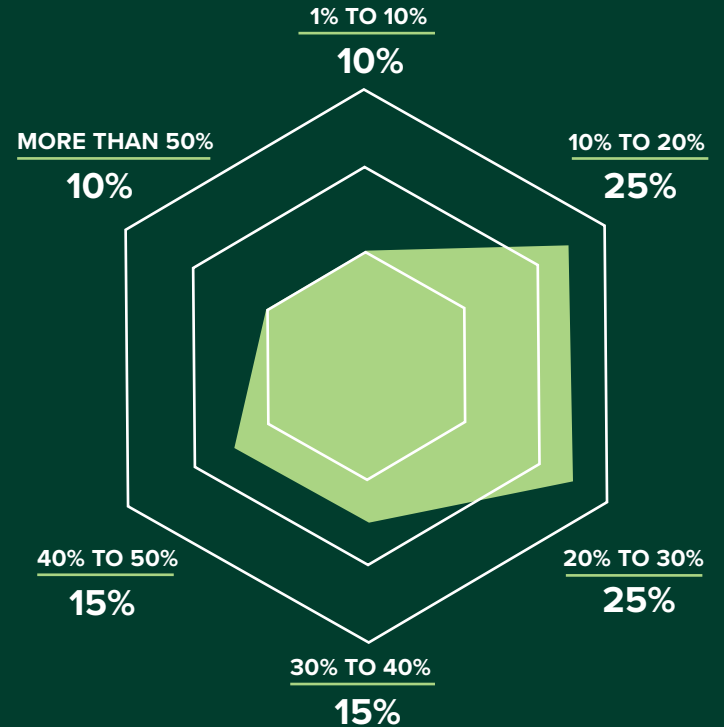Source: A commissioned study conducted by Forrester Consulting on behalf of Pindrop, October 2020

Fraud Decreased For Firms That Have Implemented An AI-Based Risk Solution

Firms reported seeing anywhere between 10% to more than 50% decrease in overall fraud since they implemented fraud detection with real-time account monitoring, and that translates to significant bottom-line savings. Critically, when agents can focus on delivering exceptional CX, rather than detecting and triaging fraud, businesses are able to grow their top-line revenue and sustain customer loyalty and retention.

Good CX drives revenue. In fact, Forrester's Customer Experience Index, which evaluates industries on their customers' retention, enrichment, and advocacy to derive a loyalty score, found that for every one-point improvement in CX score, banks can expect a $107 million increase in total revenue.[1]

"To the best of your knowledge, what percent decrease in overall fraud have you seen since implementing fraud detection with real-time account risk monitoring?"

1% TO 10%
10%

10% TO 20%
25%

20% TO 30%
25%

30% TO 40%
15%

40% TO 50%
15%

MORE THAN 50%
10%

Conclusion

As the world comes to terms with the new normal, financial services and insurance firms must learn to balance good CX with proper fraud detection.

- Firms have seen a 42% increase in year-over-year call volume because of the pandemic. On average, 5% of all calls are identified as suspicious or fraudulent, meaning that contact center agents must be on high alert during every conversation.

- Most firms struggle to manage good security posture with good CX for genuine callers. Since 83% of firms rely on contact center agents to be the first line of defense in identifying suspicious behavior, treating many genuine callers as fraudulent can create negative CX.

- Firms are turning to advanced, ML-driven account risk detection solutions to identify suspicious activity faster, increase customer trust, and reduce fraud instances.

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Methodology

This Opportunity Snapshot was commissioned by Pindrop. To create this profile, Forrester Consulting supplemented this research with custom survey questions asked of 259 global fraud detection and prevention decision-makers. The custom survey began and was completed in October 2020.

ENDNOTES

[1] Source: "How Customer Experience Drives Business Growth, 2019," Forrester Research, Inc., December 2019.

ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

Demographics

COUNTRY

11%: Germany

12%: France

12%: Spain

14%: United Kingdom

22%: Canada

30%: United States

INDUSTRY SECTOR

58%: Banking (investment banking and consumer banking)

42%: Insurance (life, property, and health)

COMPANY SIZE

48%: 500 to 999 employees

30%: 1,000 to 4,999 employees

18%: 5,000 to 19,999 employees

3%: 20,000 or more employees

RESPONDENT LEVEL

23%: C-level executive

14%: Vice president

29%: Director

35%: Manager