

Winning the PSP Market with a Best-in-Class Fraud Solution

The payments industry is undergoing a sea of change as ecommerce continues to evolve post-pandemic. The competition that payment service providers (PSPs) are facing is expanding from other PSPs to fintechs and start-ups taking advantage of the opportunities granted by open banking and payment orchestration companies. Additionally, the new PSD2 strong customer authentication regulation requirements are also changing the industry in Europe.

As a PSP, you will be on a hunt for opportunities to attract merchants and keep them. A powerful way to improve your service is adding a best-in-class fraud tool to your product suite.

What matters to merchants the most?

Many factors come into play when merchants evaluate PSPs, such as conversions and their return on investment. Among the most important aspects are pricing and approval rate, as they will both largely impact a merchant's bottom line.

The logic behind this is simple. If a merchant makes \$10 million in sales per year and you can improve their conversion by 1%, then you will increase their revenue by \$100,000 per year. However, if a PSP can offer a bigger uplift, a higher revenue can be returned to the merchant. This boost is what the merchant values the most.

One of the key differentiators for PSPs is the ability to promise a higher acceptance rate, and this additional value is extremely impactful on the stickiness of their merchants.

How a fraud tool can help you supercharge conversion rates

A robust and comprehensive [payment fraud](#) solution can help PSPs provide a higher uplift in conversion while mitigating fraud risk to a merchant and streamlining the overall process. Fraud tools can help in the following ways:

- **False positives.** Fear of fraud causes more revenue losses than fraud itself. This is due to retailers declining legitimate orders based on an inflexible rule-based system for flagging transactions as fraudulent. As a result, retailers can turn away as much as [10% of orders](#), the majority of which are actually good. An AI-powered fraud tool can access a rich pool of transactional behaviour data on thousands of consumers around the globe and intelligently assess legitimate transactions. The result is fewer false positives, which equals higher conversion rates.
- **Exemptions.** While the introduction of Strong Customer Authentication (SCA) in the UK and Europe might have caused havoc, it has also further incentivised merchants and PSPs to keep fraud rates low. Doing so allows them to request more exemptions from SCA requirements and two-factor authentication (2FA). If a PSP has fraud rates below 0.13%, it can exempt transactions below €100. Fraud rates under 0.06% allow for exemptions below €250, and under 0.01% allow for exemptions below €500. This will appeal to merchants, as it means higher acceptance rates and will also reduce friction at checkout for their customers.
- **Bank checks.** Bank's algorithms also have a role in flagging fraud. A higher fraud rate means the bank's algorithms are more likely to decline transactions, while a lower fraud rate means more approved orders. If you have a good fraud pool, the bank will be encouraged to approve your acceptance rate too.

Good fraud solutions can boost customer retention

High acceptance rates play a key role in improving your retention rates, and your customers can see the direct and tangible improvement in their bottom lines too. Even if you're only offering a 1% improvement in acceptance rate, as in the example above, a fraud tool will pay for itself and bring more positives in the additional revenue conversion.

But the benefits of an intelligent fraud tool for you and your merchants don't end here. You can provide additional value-added services to merchants, which will expand your offering and enhance your credibility and client retention. The greater the package you can offer a merchant, the more likely they are to stick with you.

There are also products that some top-notch fraud tools can offer, which your merchants can benefit from. These include guaranteed protection against fraudulent chargebacks and automated fulfilment of legitimate orders based on recommendations.

SCA is currently underway, and PSPs are getting to grips with its implications. They realise that improving conversion rates and creating frictionless and simple payment flows for merchants is a top priority. An intelligent fraud tool can help PSPs manage the checkout process better and improve their offerings.

Sources

<https://www.signifyd.com/solutions/fraud-protection/>