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## Credit Monitoring Services: *The robust business case for financial institution distribution*

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### Abstract:

Financial fraud and identity theft have had a great run in the media during the past five years. While the hysteria has subsided a bit, security remains top of mind with consumers around the world.

Worldwide, tens of millions of users have been victimized by financial fraud. Much of it involving credit and debit cards. The cost to consumers and financial institutions runs in the tens of billions annually.

And it's not just the money involved. Victims of fraud, especially those impacted by full-bore identity takeover, experience substantial disruptions as they work through the tedious process of clearing their names and restoring their credit files. In extreme cases, victims have been denied jobs, insurance coverage, and loans.

All this attention to security provides financial institutions with an excellent opportunity to position themselves as the universal "fraud protector," delivering peace of mind for a reasonable price. And by helping users detect fraud early on, you reduce your own exposure. It's a true win-win.

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### CONSUMER BEHAVIOR

#### Building Customer Trust

During the 12 years we've tracked financial services, security has been a consistent concern (see Table 4 right, and for more information, see OBEI 119). These concerns create a powerful online barrier to entry, protecting incumbent players. It's one of the reasons the Internet so far has done little to alter underlying dynamics of the U.S. financial services industry.

Looking at ten components of trust in Table 5 below, financial institutions have a distinct advantage in eight factors. However, in the price/value arena, web-based companies have an advantage in four of five categories. As Web-based firms earn higher trust, which they eventually will, they may become much more of a competitive threat. We've seen this play out in the so-called high-yield savings arena.

Table 4  
End-user Ecommerce Security Concerns

- No unauthorized use of my payment accounts
- No one steals my identity, online or off
- Web merchants I buy from are honest and won't send my financial information
- Checking account and credit card numbers do not fall into the wrong hands
- All financial transactions remain confidential and are kept from prying eyes of bank employees and others
- Deposits and investments are safe and secure
- Loan repayment records are not lost
- My credit score and all credit bureau info is accurate and kept private
- Account records at all websites remain confidential
- Email remains private
- Financial records stored on my local hard drive are not stolen, lost, damaged, or hacked

Source: Online Banking Report, July 2007

Table 5  
Security Perceptions: Primary Financial Institution vs. Web Specialist

Credibility Factor	Bank	Web Specialist	Winner
<b>Security/Privacy/Trust Issues</b>			
1. Won't share data with others	med to high	low	bank
2. Keeps data safe from hackers	med to high	med to low	bank
3. Protects against unauthorized transactions	medium	low to med	bank
4. Alerts fraud losses	med to high	low	bank
5. Provides help in the event of a fraud	medium	low	bank
6. Warns me in advance of potential fraud	medium	low	for
7. Prevents employees from using my data	high	med to low	bank
8. Is there for the long term	med to high	med to low	bank
9. Has good educational resources for security	med to high	med to high	for
10. Provides community resources to help mitigate actual fraud situations	Low	Low to high	Web co.
<b>Price/Value Considerations</b>			
11. Will not overcharge me	Low to med	medium to high	Web co.
12. Provides good online customer service	low to med	low to med	for
13. Provides the best online features	low	high	Web co.
14. Provides the best prices	low to high	med to high	Web co.
15. Provides the most convenient services	low to med	med to high	Web co.
Fair score	8	8	

Source: Online Banking Report, July 2007

## Companies Mentioned

Affinion (Cendant/Privacy Guard), Bank of America, Equifax, Experian, Fair Isaac (MyFICO), Intersections Inc (Identity Guard), Mighty Net, National City Bank, PayPal, SunTrust, TransUnion (TrueCredit),