May 9, 2018 : Press Release for immediate distribution

CANADIAN TRAVEL INDUSTRY

FRAUD SURVEY

2018 Q1 Results

"These survey results clearly show the fraud challenge travel agents are facing on a daily basis. I am happy that we are able to work with our travel industry partners, the ATOQ and CATO, to build solutions which will create a more secure environment for us all"

Wendy Paradis
President, ACTA

The Association of Tour Operators of Quebec (ATOQ), the Association of Canadian Travel Agencies (ACTA) and the Canadian Association of Tour Operators (CATO) have made fraud prevention one of their top priorities. Our Associations work together to seek out solutions that will help reduce fraud costs amongst our members.

ATOQ, ACTA and CATO all share a common objective:

Accelerate change towards a fully secure transaction environment for participants in the travel distribution network in Canada

Purpose of survey: The Canadian travel industry is currently information starved with few accurate fraud statistics; our associations are therefore starting a long term process of soliciting formal feedback from our members in order to improve available data.

Survey Methodology: A link to the online survey was sent via the QuickPresse[4] email distribution list of 26,179 subscribers[7]. Just over 500 respondents (327 English 183 French) completed the survey which was designed[1] to gather general feedback from frontline staff.

Some key results to highlight

- Main source of fraud : air tickets at 78%
- Fraud Frequency : 8% of agents affected
- Main fraud defense strategy : refuse sales
- Fraud analysis tools : 88% manual
- Frustration among front line agents about lack of fraud prevention tools!

Survey results attached.

Comments on the results

1) Travel agents under attack!

Survey results indicate that 8% of agents have suffered a case of credit card fraud within the last 12 months.

Why are fraud rates so high?

Airlines are moving aggressively to protect their revenues by implementing fraud protection tools for their direct to consumer sales channels. So what happens? …Criminals seek out traditional travel agencies who have few tools to defend themselves.

To make matters more difficult, in February this year, the International Air Transport Association (IATA) took steps to reduce the protection options for travel agents by making obsolete a data transfer capability called DISH 22.2 which would have provided fraud protection for airline ticket sales. Travel agents will now have to wait for the new data transfer standards (DISH 23)[3] which are planned for full use by late 2019.

ATOQ – ACTA – CATO are strongly recommending that IATA use Canada as a beta tester and early adopter of the new data standard so that travel agents can quickly get the protection they deserve.

Another big driver of the increase in online fraud is the implementation of the EMV chip and pin in the USA. Since physical card counterfeiting is increasingly difficult, fraudsters shift to the online environment to maintain their profits.

2) Sales are refused!

Most respondents are refusing sales as their main defense against fraud. If the client is new and booking at the last minute, there is a high probability that the transaction could be refused. Since many honest buyers are refused, these "false positives" result in a bad customer experience and significant lost sales[9].

The 2016 Phocuswright study[2] of USA travel agencies also indicated that refusing sales was a frequent defense tactic at a 2.24% refusal rate. More recent studies show refusal rates going as high as 4%.

The 2018 study of Global Airline Online Fraud Management[10] indicates that on average 3.8% of all online reservations are cancelled for suspected fraud.

3) Biggest sources of fraud

Airline tickets are the single biggest source of fraud at 78% and are followed by vacation packages at 17%.

Due to the extremely high risk associated with selling airline tickets to new clients, IATA agents need better protection tools made available as soon as practical.

According to Statistics Canada, in 2016 there were just over 140 million passengers[6] enplaned or deplaned in Canada; this level of activity makes control difficult and provides criminals with many opportunities for fraud.

Airline tickets are a virtual product with a high average ticket value making them attractive targets for professional thieves. Travel, and airline tickets in particular, are consistently one of the top sources of fraud globally.

4) Fraud hits many agents

Almost 40% of those surveyed knew travel agents who had been hit by fraud. Bad news travels fast!

5) 88% Manuel Process

Given the workflow procedures used by the traditional "bricks and mortar" travel agencies, there are almost no fraud prevention tools available on the market today. Protection is almost entirely dependent on the agents own "street smarts" and their ability to sniff out trouble. Almost 88% of respondents indicated that either the owner/manager would review the file or that another manual process was used.

Manual processes increase costs and take time away from selling activity thereby creating heavy fraud management costs. According to the 2017 LexisNexis[5] True Cost of Fraud Study carried out in the USA, every dollar of fraud actually costs organizations 2.5 times the fraud loss due to internal costs.

Agencies selling direct to consumer in the online environment do have tools available which permit the automation of some fraud related decisions. Unfortunately, according to the CyberSource 2017 Online Fraud Benchmark Report[8] up to 25% of orders will still be subjected to a manual review process.

6) Improving awareness

Agency owners are trying to get the message out to their staff. Over 63% of those surveyed stated that fraud awareness campaigns are being carried out in their offices. Since that still leaves 37% who are not given formal training, it is easy to understand how fraudsters can continue to be successful.

7) Rules in place

Almost 80% of respondents state that their agency has rules in place that staff should follow in order to prevent fraud. Ongoing staff training is strongly recommended in order to make sure the rules are consistently followed.

8) **General comments** from frontline travel agency staff and their battle with fraud? FRUSTRATION! Loud and clear.

Conclusion:

While the current fraud environment is challenging, there are solutions on the horizon which should improve protection for the Canadian travel distribution network.

The credit card companies like Visa and MasterCard want both the credit card holders and the merchants accepting cards, to be able to operate in a secure environment. Motivation is simple, if cardholders do not fear using their cards online, and if merchants are less concerned about fraud, total transactions will rise significantly.

Starting in late 2018 and coming on strong in 2019, the travel industry will have the option to benefit from the newest version of the fraud security software[11] (3DS 2.0) being made available by the major credit card brands.

Stay tuned for the next survey which will be much more extensive and will be carried out in the 3rd quarter of 2018.

For further information please contact:

Eric Johnston
General Manager
eric@atoq.ca
514-907-5686
www.atoq.ca

ATOQ
Association des tours
opérateurs du Québec
Association of Tour
Operators of Quebec

152, rue Notre-Dame est, 8ième étage, Montréal (Québec) H2Y 3P6

Endnotes

1   Since we did not follow a rigorous scientific approach, we cannot make any firm statements about margin of error in the results
2   https://www.cybersource.com/content/dam/cybersource/PCWI_CyberSource_Amadeus_IATA_Whitepaper.pdf
3   http://www.iata.org/publications/Pages/bspdish.aspx
4   https://logimondemedia.com/storage/app/media/pdf/layout-pdf/kit-media-en.pdf
5   http://solutions.lexisnexis.com/fraud.tcof.lp-65303.t-92611
6   http://www.statcan.gc.ca/pub/51-004-x/51-004-x2017019-eng.htm
7   Statistics Canada indicates that total employment in travel agencies was 43,800 in Q4 2017 http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3870003&&pattern=&stByVal=1&p1=1&p2=31&tabMode=dataTable&csid=
8   https://www.cybersource.com/content/dam/cybersource/2017_Fraud_Benchmark_Report.pdf
9   https://chargeback.com/ecommerce-payment-fraud-outlook-2020/
10 https://www.phocuswright.com/Free-Travel-Research/Benchmark-Study-2018-Global-Airline-Online-Fraud-Management
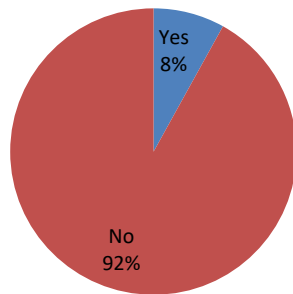11 https://usa.visa.com/visa-everywhere/security/future-of-digital-payment-security.html

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2018 Q1 Results

Q. Have you made a sale in the last 12 months that was paid with what turned out to be a fraudulent credit card?

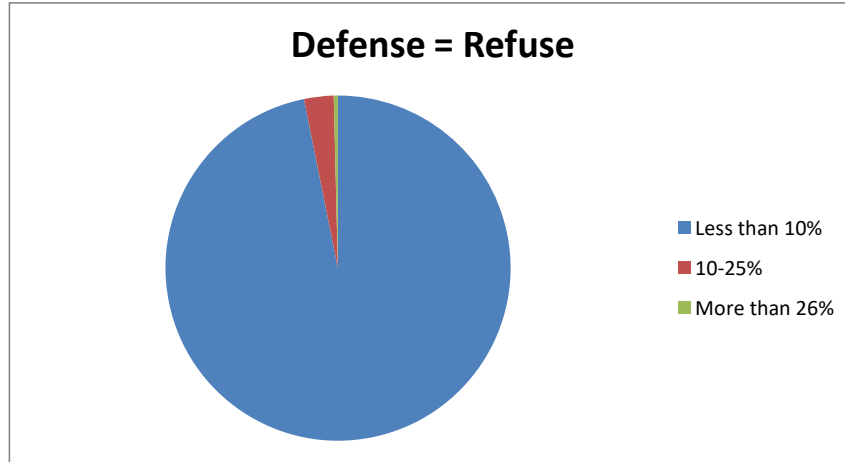|		
Yes	41	8%
No	469	92%
	510	

Victims: 8%

Yes
8%

No
92%

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Q. What percentage of your bookings did you reject or cancel due to suspicion of fraud in the past 12 months?

Less than 10%	488	97%
10-25%	14	3%
More than 26%	2	0%
	504	

Defense = Refuse

- Less than 10%
- 10-25%
- More than 26%

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Q. Which of the following products has your office experienced fraudulent bookings through?

|		
Air	249	78%
Hotel	13	4%
Car Rental	2	1%
Cruise	1	0%
Vacation packages	55	17%
Other (please specify)	Numbers removed due to reply error, people just made comments, did not identify products	
	320	

Air: single biggest source
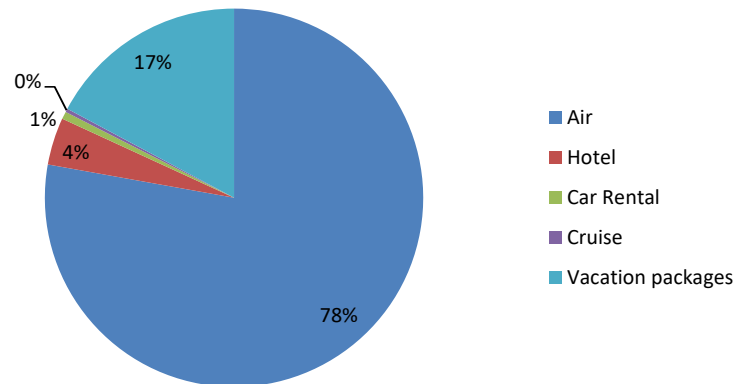
CANADIAN TRAVEL INDUSTRY FRAUD SURVEY
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Q. Do you know of other travel agents who have been victims of credit card fraud in the last 12 months?

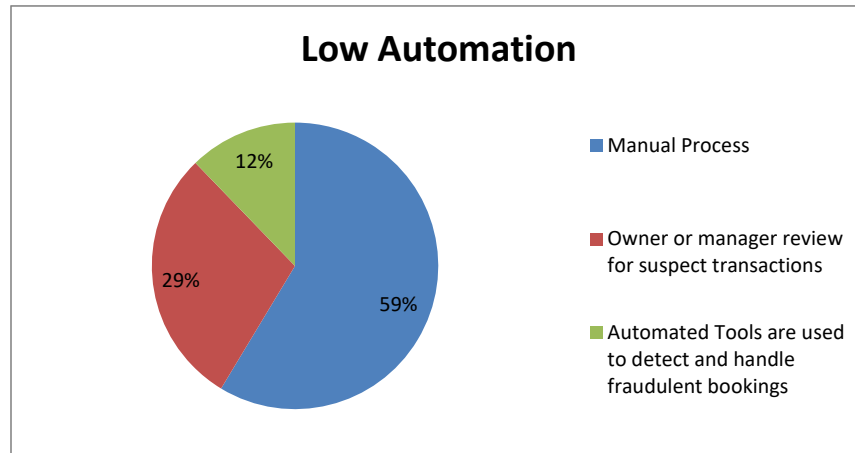|		
Yes	197	39%
No	309	61%
	506	

Do you know victims of fraud?
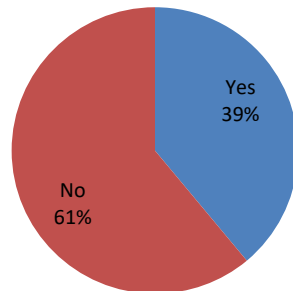
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Q. What current processes are used in your office to detect and manage fraud?

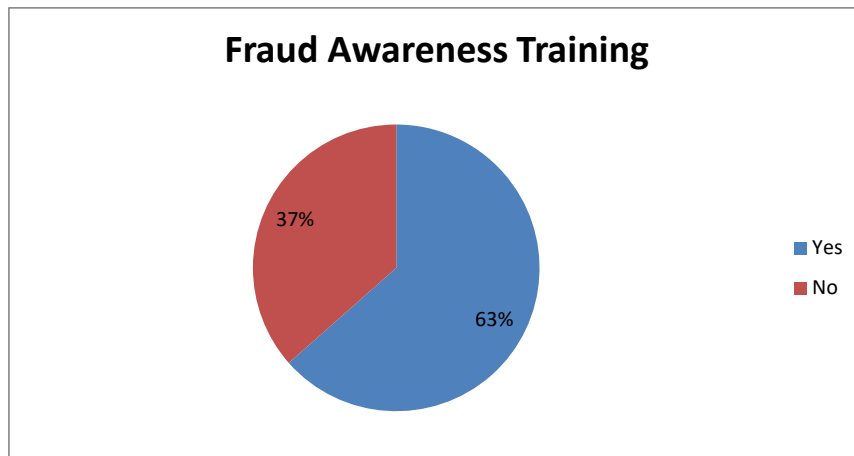|		
Manual Process	316	59%
Owner or manage	157	29%
Automated Tools a	66	12%
	539	

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Q. Is ongoing fraud awareness training carried out in your office?

Yes	318	63%
No	183	37%
	501	

Fraud Awareness Training

- Yes
- No

63%

37%

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Q. Does your agency have rules you must follow in order to avoid fraud?

Yes	397	80%
No	101	20%
	498	

Fraud Rules Established?