



Cutting Chargeback Costs and Expanding Internationally Is Music to Spotify's Ears

SITUATION

Spotify is an online music service that lets listeners choose from millions of songs to create soundtracks for their lives. Founded in 2008 and headquartered in Sweden, Spotify serves 40 million users in 57 countries.

An important source of revenue for Spotify is their e-card product. E-cards allow buyers to give the gift of Spotify to others, or redeem on their own accounts. Unfortunately, recurring fraud attacks and high chargeback costs had caused Spotify to temporarily suspend e-card sales on a number of occasions so that they could respond with revised fraud prevention techniques. Federico Pezzotti, Head of Payment Operation, continues the story: "However, even with new fraud prevention processes in place, fraud attacks spiked in February 2013. Our chargeback rate hit 10% and we were paying thousands each month in fines. We were forced to take down the e-card product once again."

SOLUTION

The number of chargebacks dropped immediately and dramatically. "We went from a 10% chargeback rate on e-card transactions to 0.1%-0.2%. It's a tremendous achievement, we were amazed by the results." And because of Kount's unique abilities, this reduction took place without a single manual review. Bottom line: Spotify eliminated USD \$145,000 in monthly chargeback costs and lost revenues.

More importantly, Kount helped Spotify with its international expansion. "When we first implemented Kount, we were in 15 or 16 countries," Federico points out. "But in the seven months since we added Kount, we've rolled out to 40+ new countries and are now in 57 countries across Europe, North America, Latin America and South East Asia."

Federico began exploring new fraud prevention providers and in November of 2013, Spotify made the decision to implement Kount. "Three reasons," says Federico. "First was the fact that Kount invented Device ID. Second was the positive feedback I received through my online research. And third was a chat I had with Dave Parrott, fraud manager at Jagex [a leading international online gaming company and Kount customer]. He related how effective Kount had been for them."

Because of Spotify's unique checkout process, implementation of Kount required some custom integration. "It was very smooth," notes Federico. "We had tremendous support from Kount's technical team." To test the integration, Spotify launched Kount in "dark mode" so they could view responses but not act on them. After tweaking the integration for a week or so, they went live with Kount in mid-November.



"Kount is really generating a great ROI, it's tremendous. Kount is a 10 out of 10."

Federico Pezzotti, Head of Payment Operation, Spotify

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“These countries had always been in our pipeline,” continues Federico, “but there were questions about offering e-cards because of our historical issues with e-card fraud.” In addition, there was concern that new markets might expose Spotify to new types of fraud, with some of the target countries located in geographic regions with reputations for high levels of fraud. “But with Kount, we were able to confidently launch e-cards from day one,” states Federico. In 2014, Spotify was able to double the number of e-cards sold compared to 2013. “And e-card fraud remains low in all markets,” he notes. “That’s important, because e-cards are a key product for us, accounting for USD \$10 million in revenues.”

Customizing rules with Kount is extremely easy, which has contributed to Spotify’s success. Federico provides an example: “We started out with a limit of six payments per day from a user. But we wanted to experiment to find a good balance between sales and fraud. It was very easy to change the limit to seven payments per day and see the results. We quickly increased to nine payments, and then to 12 in order to strike the best balance. The help I got from my Kount support person made it easy to play with those custom rules.”

OUTCOME

- Reduce chargeback rate 98%—from 10% to 0.1%-0.2%.
- Eliminate USD \$145,000 in monthly chargeback costs and lost revenues.
- More than double the number of e-cards sold, contributing USD \$10 million to revenues.
- Facilitate international expansion to 57 countries in just 7 months.

Federico recaps his thoughts about Kount: “Right from the beginning, I found everyone at Kount to be very knowledgeable and helpful. Kount has been wonderful all around, whether it was answering questions from our IT team, advising which rules to try, best approaches to take, how to refine rules, setting thresholds, etc. They are always there for us so we can continually improve. And the ROI is absolutely, definitely important. The small amount we pay to Kount is really generating a great ROI, it’s tremendous. Kount is a 10 out of 10.”



Boost Sales, Beat Fraud.

Kount helps online businesses boost sales by reducing fraud and allowing them to accept more orders. Our all-in-one, SaaS platform is designed for companies operating in card-not-present environments, simplifying fraud detection and dramatically improving bottom line profitability.

Merchants using Kount can accept more orders from more people in more places than ever before. For each transaction, Kount’s “decisioning” engine analyzes hundreds of relevant variables and activity across

the globe in real-time providing the most accurate fraud prediction available. While reducing the risk of fraudulent activity, Kount’s intuitive business intelligence tools help merchants increase revenue opportunities in the future, thus boosting sales while reducing fraud. Kount is a single, turnkey fraud solution that is easy-to-implement and easy-to-use. Kount’s proprietary technology provides maximum protection for some of the world’s best-known brands. For more information about Kount, please visit www.kount.com