

# Identity Verification: Facilitating trust, driving growth and providing great customer experiences

**EBOOK**

**JANUARY 2024**





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# Introduction:

Consumers have limitless options at their fingertips. The world of online experiences gives consumers an unprecedented amount of choice. But the online element has introduced its own set of challenges: one of them is verifying that your customers are genuine.

Organisations tread a fine line; they must ensure customers are who they say they are, defending against fraud to protect their reputation and consumer trust. Equally, they cannot make the process too difficult or else they risk customer abandonment and financial loss.



The 2019 report: "[Infinite Want: Consumers Demand Speed and Security in the Digital Experience](#)" uncovered that consumers desire fast and convenient online interactions that are secure. The world has evolved since 2019 and the 2023 research identifies that, while the need for speed and security remains, there is a growing emphasis on trust. As more transactions move online, it's imperative consumers have faith in the online processes. Businesses now must walk the fine line between offering a fast, frictionless experience while keeping security and trust top of mind.

To give a balanced view, both consumers and business decision makers were interviewed for this study. Consumers were interviewed based on their views on mobile apps and websites from three different types of online companies (throughout this report we'll be referring to these as organisations or similar):



Marketplace organisations, where consumers can buy from third party sellers



Merchant organisations who sell their own products



Online banking or financial services organisations

The surveyed business decision makers also work at these types of organisations and gave their views on how identity verification is shaping their business.

The 2023 report looks to uncover the important topics raised by both groups. On the one side is consumer trust and protecting consumers against fraud. The other is the frustrations consumers experience when using current identity verification processes and how organisations can limit this friction and protect the business against fraud.

"We're trying to protect our customers without adding friction. They may not come back, so there is a chance of losing that business. It is a balancing act."

IT VP, US merchant organisation





# Key findings - consumers:

## **Trust is becoming a key focus**

Consumers need to trust in a business to confidently interact with it, regardless of the transaction they are completing. This is more important to consumers now than ever before.

87%

say trusting companies is becoming increasingly important for them

78%

would use a company's mobile app or website less if they did not trust it

80%

believe it's either very important or absolutely crucial to trust an online banking or financial services mobile app or website





## KEY FINDINGS

### **Fraud experiences and apprehensions are detrimental to consumers' relationships with companies**

The consequences of fraud are severe for both the consumer and the organisation involved, eroding trust and consumer confidence.

- 93%** have concern that they will either have their identity stolen or be the subject of fraud at some point in the future
- 62%** experienced stress or anxiety as a result of having their identity stolen or being the victim of fraud in the last three years
- 71%** report that if they experienced fraudulent activity when using a company's mobile app or website, they would not use that app/website again
- 69%** would be likely to tell other consumers/users about any fraudulent activity they experience

### **Enabling trust while preventing fraud**

Organisations need to have the right solutions in place. This enables smoother identity verification, faster transactions and greater confidence at every touchpoint.

- 90%** have their trust levels influenced by how an organisation verifies their identity
- 92%** want a fast, frictionless experience when using a company's mobile app or website - but they also want it to be as trustworthy and secure as possible





# Section one: The importance of consumer trust

Human interactions help to facilitate the building of trust. In the era of online interactions, this confidence needs to be earned differently.







## SECTION ONE: THE IMPORTANCE OF CONSUMER TRUST

"You cannot break customer trust. We are not able to see customers face to face so we have to ensure that each customer is who we intend to serve. Identity verification is critical."

Head of IT, Asian finance organisation

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"[...] once we started to integrate more third parties in different markets, [consumers are] much more willing to come to the platform. We were able to leverage the trust the third party had."

Commercial Operations, Asian marketplace organisation





## SECTION ONE: THE IMPORTANCE OF CONSUMER TRUST

Consumer trust is not just on the mind of organisations, it's also becoming more important for consumers. Nearly nine in ten (87%) surveyed consumers from around the world agree trust in companies is an issue that's becoming increasingly important to them.

In the online world, confidence in an organisation must be earned differently. Businesses don't have a physical presence and human interactions to fall back on. They must build trust in a different way, using the tools available to them. And with trust becoming increasingly important for consumers, it's imperative that organisations tackle this.

"Trust always plays a role. But we must take into consideration what we ask. It's nice to know the demographics of our customers but we can't overdo the questions and lose trust."

IT Director, European merchant organisation

However, organisations need to keep in mind that nearly three quarters of consumers (74%) agree that the importance of this trust varies depending on the context or industry. The way trust is perceived also differs across the different generations. Younger generations, between late teens to early 40s, are more likely to agree that the importance of trust varies depending on the context/industry compared to their older counterparts. This is further explained below, where we see that for younger generations, trusting financial institutions is especially critical. Organisations need to keep this nuance in mind when thinking about their target audience – consumer belief in an organisation is not a one-size-fits-all scenario. The way consumers perceive trust varies and organisations need to focus on the right areas to meet the needs of their target market.





## SECTION ONE: THE IMPORTANCE OF CONSUMER TRUST

### The importance of trust varies depending on the context/industry

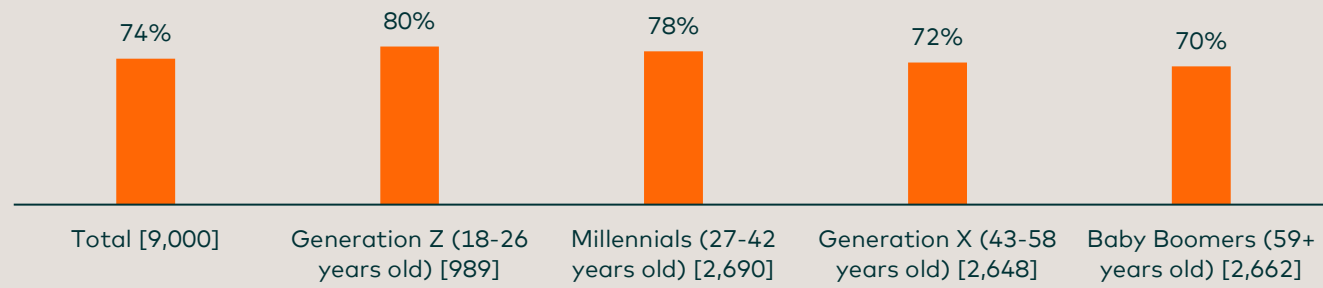


Figure one: Showing the percentage of respondents who agree with the above statement. [Base sizes in chart] Split by respondent generation

The idea that the level of confidence in a company might change depending on the context can be further demonstrated by looking at the level of importance placed on trusting a company's online platform. While two fifths of respondents report that trusting a marketplace (40%) and/or merchant's (40%) mobile app or website is absolutely crucial, this jumps to over three fifths (65%) for online banking or financial services.

"People want to bank with a bank that they trust, that they believe is safeguarding what they're doing and is making good decisions. At the same time they don't want to be hassled. It's (all about) finding that happy medium between building trust and making it as simple as possible for the customer."

Chief Operating Officer, US finance organisation

The older generation, from late 50s to late 70s, are the most likely to say that trust of the online platform is crucial across organisations. Online banking or financial services is the only area where all generations are aligned and where the majority believe trust to be crucial. It could be that younger generations think there is less risk when they interact with a marketplace or merchant, as they don't hold the same types of data as financial organisations. A fast and seamless experience could be more important to them.

### Trust in the online platform is absolutely crucial

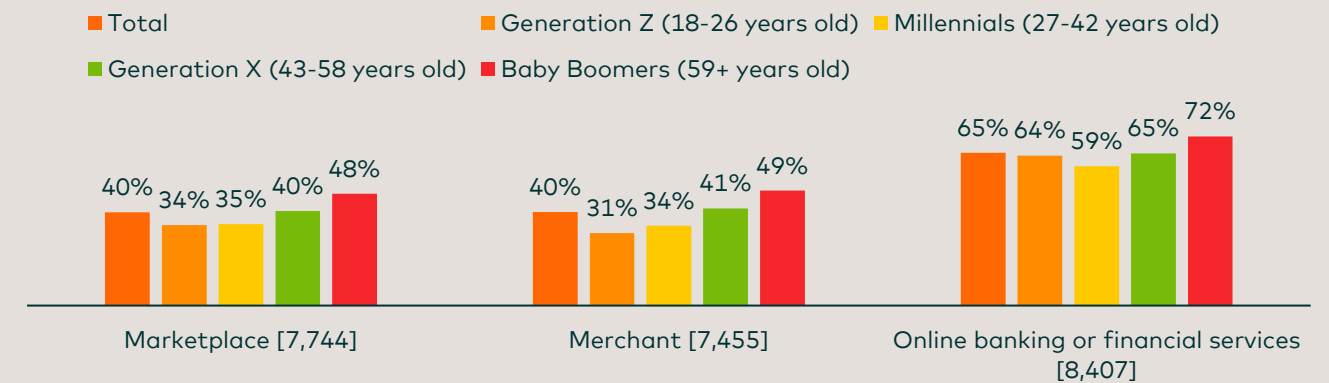


Figure two: When using mobile apps or websites from the following companies, how important is it that you trust the platform that you're using? [Total base sizes in chart] Asked to respondents who have used either/or marketplace, merchant, online banking or financial services, split by respondent generation, showing only those who said that trust is absolutely crucial





## SECTION ONE: THE IMPORTANCE OF CONSUMER TRUST

Overall, the research highlights that while trust is important when shopping online, for online banking or financial services trust is non-negotiable. That doesn't mean that organisations can be nonchalant about trust, as once it is broken, it is difficult to regain. Given its importance throughout the customer journey, businesses need to ensure that trust is front and center of everything they do.

### **Influencing consumer trust**

To tackle the growing prominence of consumers' faith in an organisation, they have a number of options. Consumers confirm that their trust can be influenced in many ways. This includes the overall reputation of the company (93%), the overall quality of the customer experience with that company (92%) and/or how well they keep the consumer updated on the progress of the activity they are doing (87%). While the majority of consumers are in agreement on these points, it is the older consumers who are more likely to agree that these factors influence their trust.

Organisations can also influence trust by verifying consumer identity. Nine in ten (90%) consumers report that verifying consumer identity is an influential factor for them when it comes to their trust levels. What's great for organisations is that this benefits them, too.

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"The current benefits of identifying your customer is reducing risk while also increasing the probability of a successful transaction and a long-term relationship."

Head Of Customer Strategy & Digital Transformation, European marketplace organisation





## SECTION ONE: THE IMPORTANCE OF CONSUMER TRUST

Building mutual trust only stands to benefit all involved. Especially when 86% of surveyed consumers agree knowing that fraudulent activity happens on a company's mobile app or website makes them trust that platform less.

Furthermore, 78% of respondents report that if they do not trust a company's mobile app or website, they would use it less. This could spell disaster for organisations as they tussle for market share in an already competitive climate.

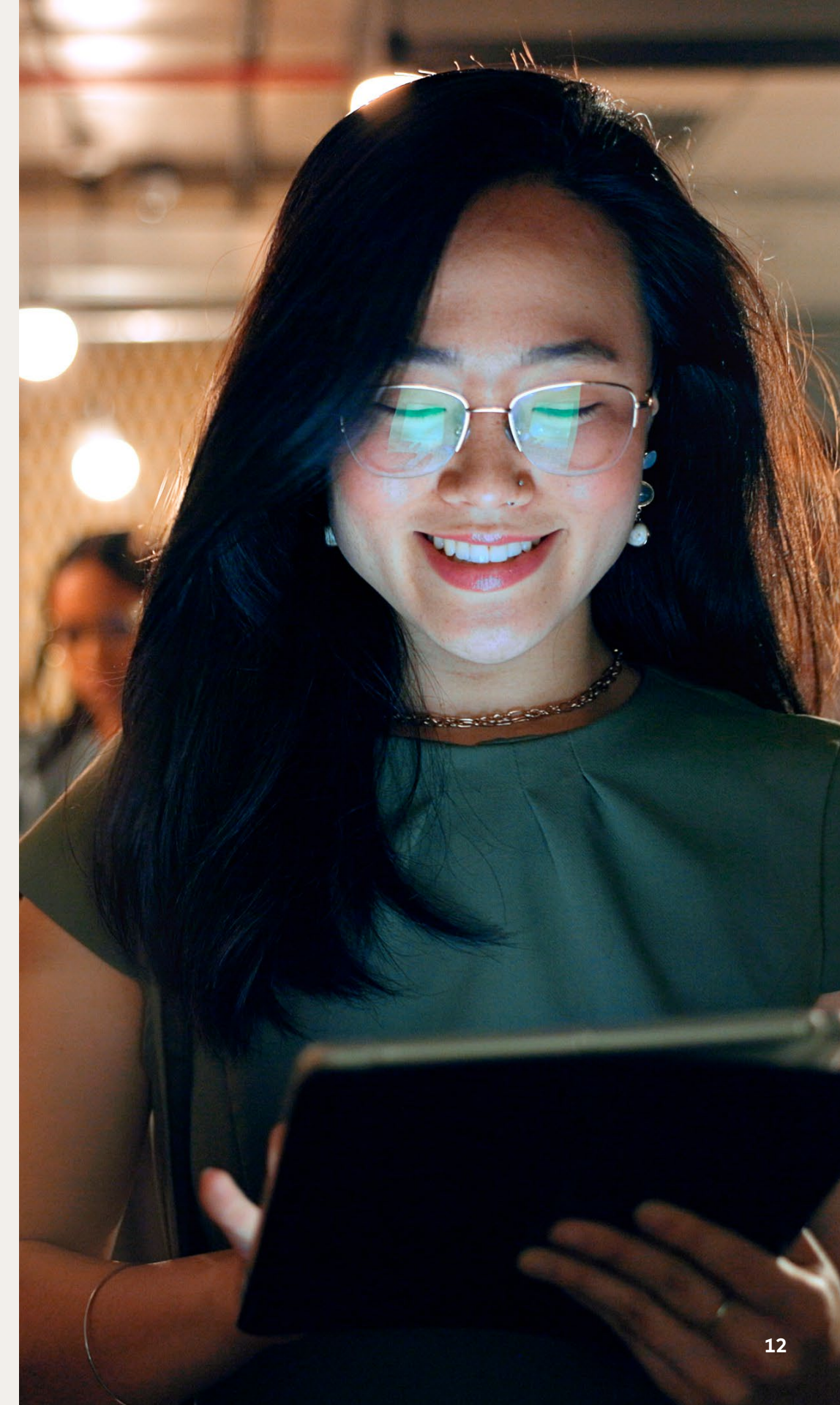
"We are seeing a lot of identity theft. We'll request additional information such as passport checks and ID checks and even put delays on approving orders. We are quite rigid, blocking at the front end so that fraudsters don't get through. We have to be vigilant but, at the same time, allow genuine customers to come through."

Head of Finance, European marketplace organisation

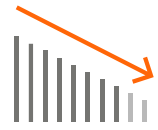
"I think the trust we have now, yes, it exists, and I think if we just put forward a technology that they're already familiar with, then we should be able to maintain their trust."

Director of Marketplace, US marketplace organisation

What is driving this increased focus on consumer trust? Why is it becoming important to consumers?







## Section two: The impact of fraud

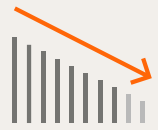
Fraud isn't new; it's something that's been impacting organisations for many years. However, in today's digital era, fraudulent scams and schemes are becoming much more sophisticated and this is impacting consumers and organisations alike. One of these key impacts is trust. Fraud only stands to erode this and as we explored in section one, once trust is broken, it's difficult to get it back.

"Fraud is happening and it's happening to a big extent. You can only just try to make things better -- understand the pattern, try to plug the loopholes wherever you identify them."

**Head of Business Operations, European finance organisation**







## SECTION TWO: THE IMPACT OF FRAUD

There is widespread concern among consumers that they will be impacted by fraud at some point in the future. In fact, nearly all (93%) of consumers surveyed are at least somewhat concerned that they will either have their identity stolen or be the subject of fraud. Regardless of the country, these levels of concern remain consistent; this is a global issue.

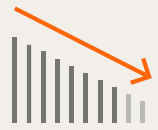
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"I think we are at risk, as a lot of online retailers are, in terms of potential hacks or something that could happen where our customer's information is exposed. If we don't keep up with the technology there could be, vulnerabilities in terms of what information we have and how that may be hacked into."

Director of Marketplace, US marketplace organisation

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The top two most likely ways that consumers feel their information will be compromised fall into areas outside of consumer control. This includes credit or debit card information being stolen using devices which are illegally installed on cash machines and point-of-sale terminals or fuel pumps (61%) and/or data being stolen directly from the companies that store it (60%). This highlights just how delicate consumer trust can be.



## SECTION TWO: THE IMPACT OF FRAUD

Organisations should assure consumers that they are doing everything they can to safeguard their personal data. This is especially true when we consider that 58% of consumers believe the companies who have access to their personal data are more responsible for ensuring that they are not the victim of fraud. Consumers put this responsibility on the organisation. Therefore, it is crucial that organisations ensure that securing consumer data is a top priority.

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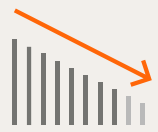
"Keeping up with the fraud, it's a game of cat and mouse."

Head of Operations, European finance organisation

"There is potential risk of losing business because of too much friction. Customers might leave and not come back."

IT VP, US merchant organisation





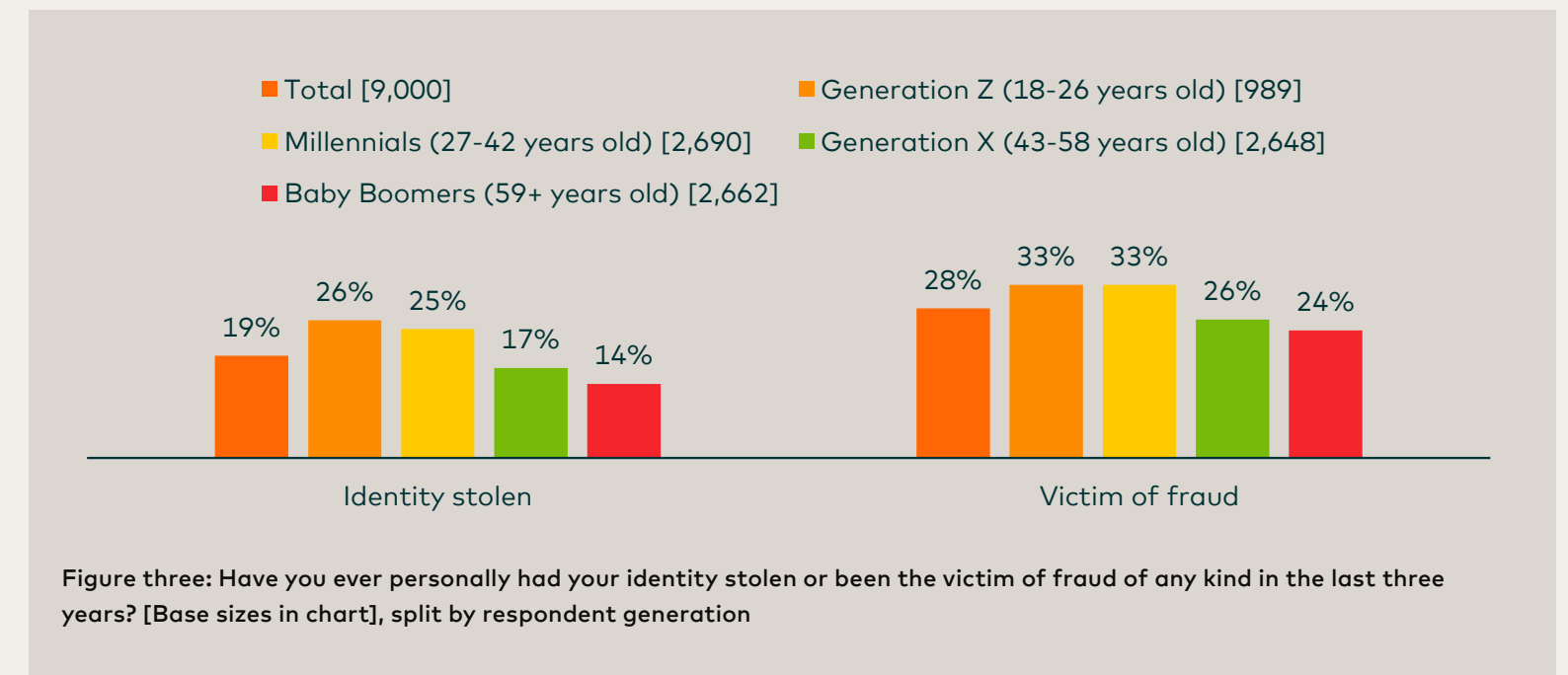
### Consumer consequences

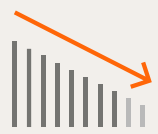
Organisations should do all they can to secure their systems, using the right tools to ensure that their customers have confidence in every digital interaction. Unfortunately, around a fifth (19%) of consumers report their identity being stolen and over a quarter (28%) report falling victim to fraud in the last three years. Consumers under 40 are more likely to report that their identity was stolen or have fallen victim to fraud, perhaps because they are more active users of mobile apps and websites. However, these consumers are also the least likely to say that trust is absolutely crucial; perhaps preferring speed and convenience.

Despite this willingness to take risks, given their familiarity with using apps and websites, younger consumers must not become complacent. Indeed, experiencing an attack can impact individuals not only financially but also psychologically.

According to the stats, consumers worldwide who experience financial loss report losing an average of \$533. Moreover, more than six in ten consumers (60%) report that, as a result of having their identity

stolen or being the victim of fraud in the last three years, they experienced stress or anxiety. While any monetary or time loss is not inconsequential for consumers, the impact that stress and anxiety have on people could be much longer lasting. Organisations can use this to their advantage. By reassuring consumers that eradicating fraud is at the forefront of their minds, consumers can feel safe in the knowledge that these organisations are taking fraud seriously, further elevating consumer confidence. There are also benefits for the organisation in limiting fraud.





### Organisational consequences

Once a consumer has been impacted, organisations need to be wary of how they will react next. As seen in the previous section, once consumer confidence is broken, it will be hard to rebuild.

"It does still take time to build up that trust. In some cases, it could take years with some customers. Sometimes we don't have the benefit of waiting years because obviously, we're in a competitive market"

Chief Risk and Compliance Officer, European finance organisation

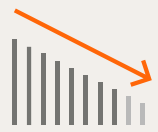
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"Fraud takes a lot of resources. That's probably the biggest pain point. Then, it could impact your reputation as a bank as well."

Chief Operating Officer, US finance organisation

Over three quarters (77%) of consumers surveyed report they would either be very or extremely likely to trust a company less in the future if they were to experience fraudulent activity when using its mobile app or website. On top of this, a similar proportion (71%) report that they would not use that company again in the future.





## SECTION TWO: THE IMPACT OF FRAUD

Consumers in their late 50s, early sixties are the most likely to report these two actions. Given the importance of consumer trust and the vast array of choice consumers have, organisations should be wary of losing customers to competitors who do a better job in this area.

Furthermore, it's not just consumers who have been directly impacted by fraud that organisations need to be wary of. This is because 69% of consumers would be extremely likely or very likely to tell others and 42% would post negative feedback online. The research highlights that both actions are more likely to be reported by consumers under 26, considering they are most likely to report falling victim to fraud or having their identity stolen. Therefore, getting this under control is of paramount importance to organisations. While companies will have lost the confidence of the impacted consumer, they also stand to hurt their brand reputation with other consumers who read the negative feedback.

### I'd be extremely or very likely to do the following if I experienced fraudulent activity when using a company's mobile app or website

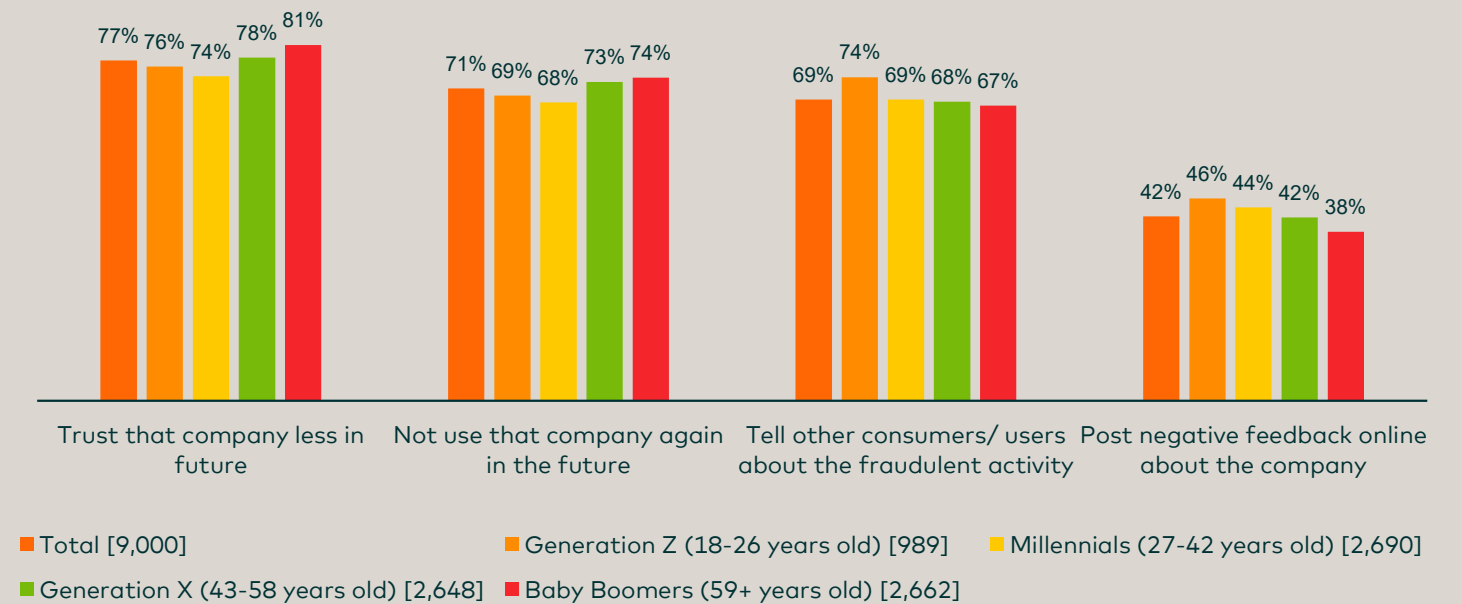
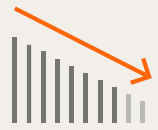


Figure four: How likely is it that you would do the following if you were to experience fraudulent activity when using a company's mobile app or website? [Base sizes in chart] showing respondents who said "Extremely likely" or "Very likely", split by respondent generation



## SECTION TWO: THE IMPACT OF FRAUD

"We don't want people to be defrauded on our platform because that's obviously not very good for the brand image."

Commercial Operations, Asian marketplace organisation

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There is a fine line for organisations to tread: they need to protect their customers, give them a brilliant experience and enable trust all at the same time.

"I can tell you that one of the most frustrating things there is trying to find that happy medium between providing a simple experience for the customer and protecting the bank against fraud. Very, very hard to find that sweet spot."

Chief Operating Officer, US finance organisation

With trust becoming even more important for consumers and fraud becoming more sophisticated, organisations need to strike the right balance between risk mitigation and customer experience.





## Section three: Build trust and drive revenue by using the right technology

If organisations adopt the right identity verification technologies, they can protect themselves and their customers, all while offering a frictionless customer journey where building trust is at the forefront of every touchpoint. This is something that consumers are ready for. Due to the amount of choices they have available to them, over two thirds (67%) of consumers agree that they don't have much patience for sub-par digital experiences.

"Companies have to strike a balance between the friction that you have so as to not drive away good users, while still figuring out the bad actors. In this case, the authenticator app is, in my opinion, an example where the friction is just too high, even for genuine users."

**Head of Operations, European finance organisation**





### SECTION THREE: BUILD TRUST AND DRIVE REVENUE BY USING THE RIGHT TECHNOLOGY

The vast majority (92%) report they want a fast, frictionless experience when using a company's mobile app or website. However, they also want it to be as trustworthy and secure as possible. Consumers want the best of both worlds and it's on organisations to deliver this or risk losing customers to the competition.

"You want to try and make the customer journey as quick as possible, with the least steps as possible"

Head of Finance, European marketplace organisation

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Consumers experience frustration with the identity verification processes across organisations' apps and websites. Organisations need to ensure that they have the right tools to verify their customer's identity without causing them frustration, as this could impact their levels of confidence with the brand.

"If we don't have that identification verification in check, there will be a lot more buyers that are not getting what they paid for."

Head of Business Development, Asian marketplace organisation





## SECTION THREE: BUILD TRUST AND DRIVE REVENUE BY USING THE RIGHT TECHNOLOGY

The frustration is more likely to occur during the account creation process, but also exists when they log in to their account and when they are completing a transaction.

### Have experienced frustrations when asked to verify my identity when completing the following actions

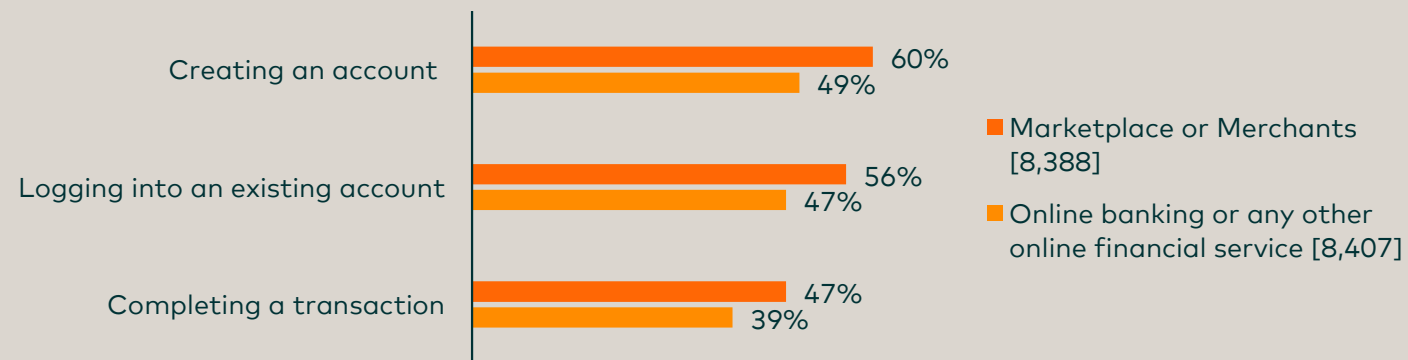


Figure five: Have you ever experienced any of the following frustrations when asked to verify your identity during the creation of an account, logging into an existing account or completing a transaction on the following companies mobile app or website? Base: If Marketplace or Merchants or online banking/any other online financial services = "Yes"

Areas that have caused identity verification frustration among consumers include:

There being too many separate steps in the verification process

The platform being difficult to use

Being asked too many questions/ having to provide too many pieces of information to verify their identity

The process taking too long



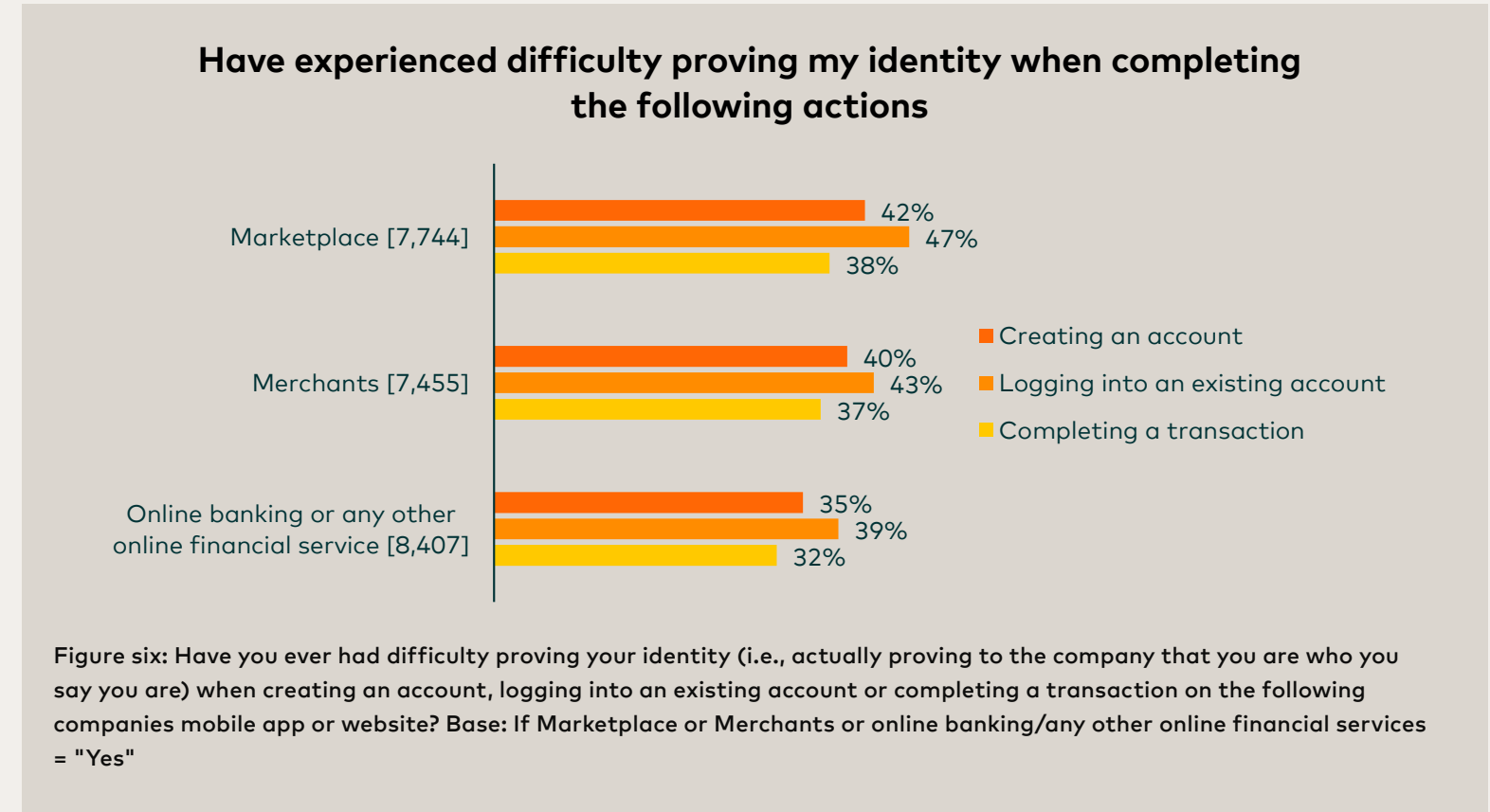


### SECTION THREE: BUILD TRUST AND DRIVE REVENUE BY USING THE RIGHT TECHNOLOGY

In all of the areas surveyed, younger consumers are more likely to have experienced these frustrations. This could be because they have high expectations that the websites and apps they use will be fast and seamless. They place less importance on trust and identity verification and therefore find these additional checks frustrating, while their older counterparts are more patient.

All of these areas could be solved by employing easy to use, frictionless identity verification technology. This would eliminate the frustrations and provide consumers with the seamless but secure digital experiences they crave, all the while cultivating a stronger sense of consumer trust in the brand.

Consumers also report having difficulty proving their identity while completing these same actions. In this instance, the difficulty is more commonplace when they are trying to log into their existing account. Again, it is younger consumers who are more likely to report these frustrations.



"We see that if we can adopt the technology or the process before our competitors, we can benefit our organisation and add values to the bank. Technology is not a cost centre, it's a profit centre."

Head of IT, Asian finance organisation





## SECTION THREE: BUILD TRUST AND DRIVE REVENUE BY USING THE RIGHT TECHNOLOGY

"[...] one customer genuinely was purchasing a bunch of espresso makers for his café businesses. Again, it was a bad experience because he was spending a lot of money. We were holding his order for multiple days to try to figure out what was happening."

Director of Marketplace, US marketplace organisation

It's clear that currently consumers are not having a great experience when it comes to their identity verification. But what organisations should really worry about is how consumers respond once they've experienced frustration or difficulty.

### The impact of identity verification frustrations

The frustrations consumers experience cause them to reevaluate their shopping and banking preferences.

Around three quarters of respondents who had frustrations verifying their identity with a marketplace or merchant dropped out as a result of the frustration. The same can be said for between 66% and 70% of respondents who experienced the same when using an online financial services platform, such as online banking.

### The frustration experienced when verifying my identity caused me to abandon or drop out of the following activities

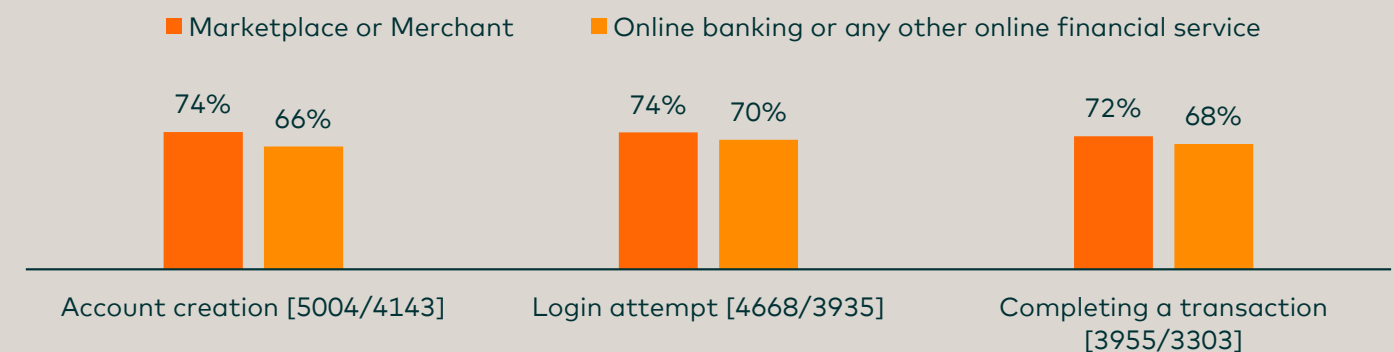


Figure seven: Has the frustration you experienced when verifying your identity ever caused you to abandon or drop out of an account creation, login attempt or a transaction on the following companies mobile app or website? [Base in chart – marketplace or merchants/online banking] If Marketplace or Merchants or online banking/any other online financial services = "Yes"

Older generations are slightly less likely to report that the frustration experienced when verifying their identity has caused them to abandon or drop out of the aforementioned activities. This further supports the fact that younger generations expect fast, seamless experiences.

Furthermore, having difficulty proving their identity has caused consumers to abandon what they were doing and go to a different company.



## SECTION THREE: BUILD TRUST AND DRIVE REVENUE BY USING THE RIGHT TECHNOLOGY

### I abandoned the process and went to a different company to complete my online purchase/that does the same thing

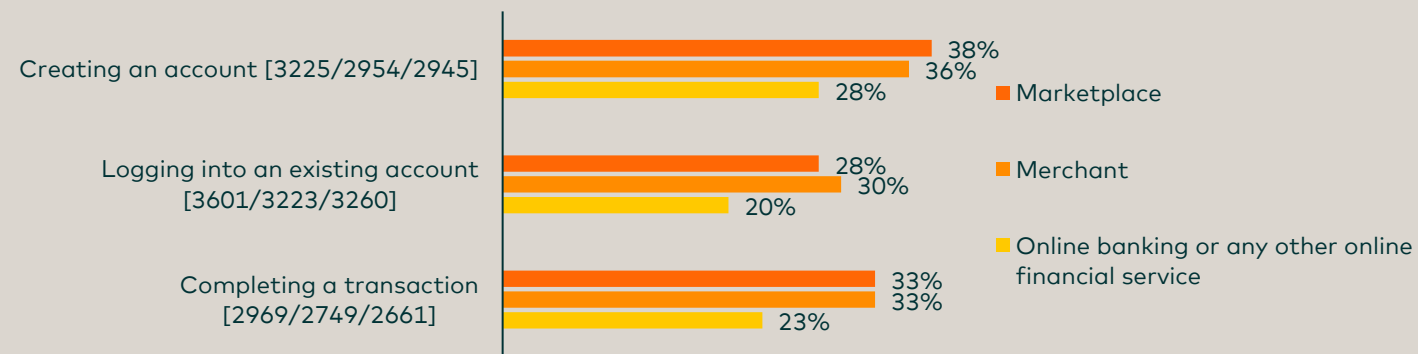


Figure eight: As a result of having difficulty proving your identity when using on the following companies mobile app or website, what did you do next for the following actions? [Base in chart marketplace/merchant/online banking] Respondents who had difficulty proving their when doing the following actions on the following companies mobile app or website. Showing only those who said they abandoned the process and went to a different company to complete their online purchase/went to a different company that does the same thing

This is more likely to happen when consumers are using a marketplace or merchant but does still occur when using an online bank or other financial service.

"I would say it's around 50% to 60% of customers abandoning the application. They might open the link to see what information is needed and then quit the process because they need time to gather the information. This is why the abandonment rate is high."

Head of Business Development, Asian marketplace organisation





### SECTION THREE: BUILD TRUST AND DRIVE REVENUE BY USING THE RIGHT TECHNOLOGY

If organisations can't improve their online verification process, they risk losing out in a number of ways. If genuine customers are unhappy with the experience or struggle to be processed through the identity verification steps, they will go elsewhere, losing trust in that company. However, if organisations don't introduce robust verification processes, they risk falling victim to fraud and again losing that consumer confidence. And if this fraudulent activity gets out into the public domain, it could put off potential consumers from transacting with them, as they too would lose confidence in that company.

Additionally, organisations should keep in mind the varying needs of their consumers - both younger and older.

"There's been a massive lift in repurchase and retention on those customers that have been specifically verified. I believe that's a bit twofold. One, they're getting a discount on a gated offer and two, we know exactly who they are, so it's helped us improve our messaging downstream"

eCommerce & Marketing SVP, US merchant organisation

Ultimately, it's in the best interests of organisations to improve their identity verification processes, to protect their reputation and continue to build trust in their brand and product offerings.



# Conclusion:

Organisations must adapt to the everchanging landscape they find themselves in. Operating digitally with limited human interaction creates identity verification challenges, which have not been an issue in the past.

The lack of human interaction requires organisations to employ different tactics to prove consumers are who they say they are. But this trust goes both ways. Organisations also need to gain the confidence of the consumer. This can be a challenge, particularly if consumers have experienced fraud or read accounts of other consumers/businesses being impacted.

The balancing act of verifying a customer's identity (in order to protect the organisation) without causing consumers too many frustrations (hence eroding consumer trust) is a challenge that organisations must overcome. By using the right identity verification tools, organisations can keep this balance in check.

Using identity verification technology will ensure that customer interactions are frictionless, providing them with a positive user experience that solidifies their desire to remain a trusted and loyal customer. This technology will also allow organisations to elevate this experience for consumers. As the research demonstrates, consumers from different generations approach trust in different ways. Organisations can take advantage of this and tailor the experience across the different age groups. This will further build confidence with their consumers while also fortifying the security of the organisation.

Trust needs to be baked into everything that organisations do. Once consumer trust is broken, it will be a struggle to get it back. Technology will help businesses strike the right balance between identity verification and seamless customer experience.



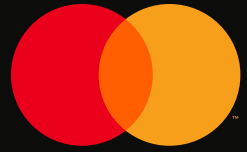
# Methodology:

Mastercard commissioned independent market research agency Vanson Bourne to conduct 9,000 quantitative interviews online with consumers who had used either a marketplace, merchant and/or online bank/other online financial service at some point in their life. They were surveyed on their experience of identity verification when using mobile apps or websites from these types of organisations, as well as their feelings about fraud and consumer trust.

To complement this research, 30 qualitative in-depth interviews were also conducted with senior business decision makers who had knowledge of or responsibility for identity verification within their organisation. These respondents worked at either marketplaces, merchants or online bank/other online financial services organisations.

Both studies took place throughout June and July 2023 across a number of different countries including: US, Canada, UK, Germany, France, Australia, Singapore and Indonesia.

All interviews were conducted using a rigorous multi-level screening process to ensure that only suitable candidates were given the opportunity to participate.



# About us

## **About Mastercard**

Mastercard is a global technology company in the payments industry. Our mission is to connect and power an inclusive, digital economy that benefits everyone, everywhere by making transactions safe, simple, smart and accessible. Using secure data and networks, partnerships and passion, our innovations and solutions help individuals, financial institutions, governments and businesses realize their greatest potential. With connections across more than 210 countries and territories, we are building a sustainable world that unlocks priceless possibilities for all.

## **About Vanson Bourne**

Vanson Bourne is an independent specialist in market research for the technology sector. Their reputation for robust and credible research-based analysis is founded upon rigorous research principles and their ability to seek the opinions of senior decision makers across technical and business functions, in all business sectors and all major markets. For more information, visit [www.vansonbourne.com](http://www.vansonbourne.com).