

Verified by Visa Case Study

NWA Gets Great Mileage Online With Verified by Visa

Challenge

Looking to gain greater efficiencies by increasing online reservations, Northwest Airlines sought a way to encourage more passengers to buy through its Web site. At the same time, Northwest wanted to minimize the risk and impact of online fraud.

Solution

Northwest Airlines chose to deploy Verified by Visa in April 2004, with the goal of providing an additional layer of fraud protection for consumers, while drastically reducing liability for fraud-related charges for the airline. Since implementing the program, Northwest has seen substantial increase in online sales. The company has also realized significant reductions in the staff time required to deal with fraud, a significant reductions of fraud liability, and greater satisfaction from Verified by Visa cardholders.

Pioneering Airline Looking to Gain Greater Sales Altitude Online

Like every airline today, Northwest Airlines was looking for ways to remain competitive at a difficult time in the market for traditional air carriers. The company knew that it had to look for ways to cut costs and become more efficient in booking passengers on its flights.

Because of its direct connection between passenger and airline, the company's Web site offered one of the best ways to sell to customers – and helped generate loyal passengers. The Web channel is so efficient that the airline doesn't charge passengers the \$5 fee associated with booking by telephone.

But Northwest also knew that many consumers felt uneasy using their payment cards online because of the fear of fraud. Northwest also needed to deal with fraudulent purchases on its Web site from lost or stolen cards. That required time-consuming and expensive investigations requiring numerous follow-up phone calls and database checks by employees.



With the majority of its online transactions coming through the use of Visa payment cards, Northwest turned to Verified by Visa to address the fraud issue – and consumer confidence – head on. Using a consumer-selected password and personal phrase, which ensures only the registered Visa cardholder can complete an online transaction, the service enabled Northwest to decrease fraud related costs, increase sales on its Web site, and deliver on its promise of a better customer experience.

“Verified by Visa is making our customers feel safer and more secure about their transactions,” said Brian H. Ficek, manager of E-Commerce Sales and Strategy for the Minneapolis/St. Paul-based airline. Northwest Airlines has experienced a roughly 25% increase in online bookings since it implemented Verified by Visa.

Verified by Visa, combined with other internal fraud tools used by the airline, has had a substantial impact on fraud. With limited liability for charge-backs, and dramatically reduced back-end processing time for Visa cardholder purchases, Northwest has reduced costs significantly.

“Fraud is nowhere near the levels we were seeing before,” Ficek said. “And no other card company offers the charge-back protection Visa has. The savings to Northwest Airlines is substantial.”

Industry-Leading Payment Network Technology

Visa provides Verified by Visa through its industry-leading payment network technology. The service relies on the 3-D Secure protocol developed by Visa. The protocol, which uses encryption and multiple passwords to protect personal information, has become a standard for ensuring secure and confidential payments online. Secure 3-D has been adopted by numerous providers of turnkey merchant software and licensed by other major payment card providers.

Consumers with Visa payment cards from a participating financial institution can activate the security tool quickly and easily by confirming their identity, selecting a unique password, and a second “personal phrase” to add another layer of protection.

After sign-up, each time the consumer enters the activated card number at a participating merchant's site, the information is transmitted to the Visa payment network using high-level encryption and behind multiple firewalls to ensure the greatest possible security. The network then replies with the consumer's personal phrase and requests his or her password. By verifying that the personal phrase is the correct one, the cardholder verifies that the request for the password is legitimate. Only when the cardholder replies with the correct password is the transaction processed and the purchase completed – providing assurance for both cardholder *and* merchant.

Ficek said the airline has received significant positive feedback from both consumers and top Northwest management about the use of Verified by Visa on the nwa.com site. Consumers feel far more comfortable using the site versus competitors without the service, and management likes the bottom-line benefits the company enjoys from offering that added value to its customers.

Verified by Visa Offers a Compelling Package of Benefits:

- Highest level of peace of mind, security for shoppers
- Limited liability on fraud-related charges
- A five basis point reduction on the merchant discount for qualifying transactions

Easy deployment of technology for most common e-Commerce platforms

About Northwest Airlines

Founded as a mail carrier in 1926, Northwest Airlines began passenger flights in 1927, the same year of Charles Lindbergh's solo flight across the Atlantic. Northwest is today the world's fifth largest airline. Northwest and Northwest Airlink together operate over 1,500 flights to more than 750 destinations in 120 countries worldwide, among them more than 200 nonstop flights between the United States and Asia each week.

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