

Product: Nexmo's Verify API
Use Case: 2-factor authentication
Industry: Online Retail

Vinted

OVERVIEW:

Vinted is an international online marketplace for second-hand clothing for women, men and children. Users make money by selling their unwanted clothes via an easy-to-navigate app that currently supports 52 million listings from across 10 countries.

CHALLENGE:

The site saw an increase of fraudulent transactions, such as purchases made with stolen credit card information. Traditional methods of customer authentication proved to be either ineffective or too cumbersome and unscalable.

SOLUTION:

Nexmo's Verify API with two-factor authentication and a "pay-on-conversion" model.

RESULTS:

Suspicious users are now verified via their phone numbers, using a fast, simple, and frictionless method of user authentication. Fraudulent users are proactively blocked from completing transactions.

IMPACT:

With Nexmo's "pay-on-conversion" pricing model, Vinted is charged only for successful verifications—not fraudulent users whose numbers can't be verified. With Nexmo, Vinted is both protecting legitimate transactions and saving money.



Nexmo Verify is Vinted's First Choice Against Fraud for Secondhand Clothing Marketplace

For those facing such first-world problems as "too many clothes in my closet" or "I'm bored with my wardrobe," a social marketplace for pre-owned clothing might be just the mobile app that can help. Vinted, a rapidly growing Lithuania-based company with 20 million members around the world, lets users unclutter their closets and make money by selling their unwanted clothes via an easy-to-navigate online retail outlet.

Sellers create listings for their clothes, chat with interested buyers, and then complete easy online transactions.

In 2008, Vinted co-founders Milda Mitkute and Justas Janauskas established a prototype website where women could trade their clothes in their country. The concept caught on and the business soon expanded into Germany, and in 2010, Vinted launched a site in the United States. Then, in 2012, Vinted released its mobile app, and as a result, saw as much as a 30% increase in marketplace traffic.

Vinted merchandise spans all demographics—men, women and children—and sellers can choose to offer discounts. In addition, Vinted does not charge any sellers' fees. Sellers can post and sell merchandise at no cost. Currently, the app supports 52 million listings from across the USA, UK, Germany, Austria, France, Lithuania, Poland, Czech Republic, The Netherlands and Spain.

Finding Nexmo: The Need for Extra Protection Against Fraudulent Buyers

Vinted wanted its transaction processes to be quick and simple. But, as a company grows, that level of simplicity can heighten the risk of fraudulent transactions such as purchases made with stolen credit card information. Traditional methods of customer authentication proved to be either ineffective or too cumbersome and unscalable. That was until Nexmo's Verify API entered the process.

One of the reasons we chose Nexmo rather than other SMS verification vendors was because the pricing model for Nexmo's Verify API is unique and very, very attractive for us. Nexmo's charges are based on successful verifications only. If we are checking just the suspicious members that are flagged, it means that we're not spending money on those fraudulent users because their numbers will not be able to be verified. That saves Vinted a lot of money.

- Danielius Isiunas
Vinted | Product Manager

Danielius Isiunas, Product Manager at Vinted, explained, “The bigger you are, the more attractive you are to fraudulent people and groups who try to utilize stolen credentials or stolen credit cards to make transactions. When we began to notice that was happening on our site, we recognized that we needed to do something beyond what was already in place.”

Vinted used a layer of security that Isiunas likened to a “black box” that calculated user behavior and gave a score based on the probability of fraudulent usage. “We already had this score system in place, which was successful in defining or anticipating fraudulent activity. However, when we identified someone as fraudulent through a negative score, the only action we could take was to ban the user. What we needed was a more frictionless action.”

After considering a variety of possible solutions, Vinted decided that SMS verification would be the best approach for this problem. SMS verification allows you to flag suspicious behaviors at any point in the transaction by creating rules for monitoring different stages of the process. If a user triggers suspicion at any time during the process, —from registration to any other point in the transaction— that user is flagged and will not be able to continue the transaction until their phone number is verified.

According to Isiunas, not every transaction needs to be verified. Verification only “kicks in” for those transactions that have been flagged as suspicious.

Nexmo's Pricing Model Saves Money

Another consideration for Vinted is that they didn't want to automatically ban a user when a flag came up, because they must factor an error rate into the transactions. “SMS verification gives the user the benefit of the doubt, and we don't ban them unless they cannot be verified,” said Isiunas.

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Nexmo has been a perfect fit for Vinted. Verifying suspicious users via their phone number struck the perfect balance between speed, ease of use, and security, establishing an out-of-band trust anchor to proactively deter fraudsters from completing a transaction. Plus, the Nexmo Verify API's “pay-on-conversion” model was perfectly aligned with Vinted's growth strategy; quick and simple, yet cost effective. When fraudsters are proactively stopped, more genuine customers are allowed through Vinted's door and the marketplace becomes a safer environment for all parties concerned.

Today, Nexmo's Verify API is an important part of Vinted's fraud detection engine. With this critical tool in place, Vinted is poised to further expand its successful business.

