

Check and ID Imaging Cut Fraud at the Point of Sale



by Bud Weist

Integrated imaging technology cuts bad check losses and more—transforming the POS system into the ultimate fraud fighter.

POS printers now integrate digital check and ID imaging to combat multiple forms of retail fraud. As retailers struggle to protect margins and profitability, they recognize this new class of peripheral can bring compelling returns to their POS system investments—and their bottom lines.

Solving the returned check problem

Retailers lose an estimated \$12 billion annually by failing to collect bad checks. While ECC dramatically lowers check handling costs, it does nothing to help recover returned checks.

Because ECC relies on reading MICR code on the paper check, retailers face high risk once the check is gone. If the reader can't process the MICR line, the store is left with nothing but a string of numbers and a likely loss to the retailer.

With digital check imaging, the image is scanned at checkout and stored. If a check is returned, grocers have complete information to resubmit or pursue collection. Since an estimated 80% of all e-check returns require an image for full recovery, check imaging cuts the risk of ECC by reducing bad checks and associated losses.

Improved fraud fighting power

Checks returned for insufficient or uncollected funds account for seven in ten returned POS transactions.¹ ID verification can play a central role in reducing bad check losses. As the ID is scanned at checkout, the image can be displayed on the monitor, creating a powerful deterrent to check fraud—fraudulent customers are reluctant to supply their ID knowing their license image will be captured, and will take their business elsewhere.

ID scanning can also reduce the risk of losses due to stolen merchandise returns. Customers making fraudulent returns for cash or store credit will be deterred when their ID is captured and displayed at checkout. With ID scanning, retailers can identify customers who make frequent returns, and use stored address information to rapidly locate and prosecute, lowering legal costs and losses due to theft.

The ID compliance challenge

Retailers must consistently enforce ID collection policies or risk fines and loss of liquor and tobacco licenses. ID scanning technology captures a complete image of the customer's identification card and stores the image with the transaction. Once the card is scanned, the POS application can prevent cashiers from completing an age-restricted transaction unless the ID has been verified and authenticated. ID scanning can dramatically improve legal compliance, reducing liability and risk of lawsuits.

ECC with imaging makes check payments second only to cash in cost effectiveness. Together, check and ID imaging offer an unparalleled ability to reduce retailer liability, risk and losses due to fraud.

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¹ 2002 ACH e-Check Statistics, pub. April 2003.

Collection, use and sale of personally identifiable information is subject to various laws. Anyone intending to use an ID scanner should check and comply with applicable laws. Along with collecting the ID, the store should also follow its standard procedures for ID verification and authentication.

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Benefits of Check and ID Imaging

- Provides complete check data in case MICR is misread
- Increases collection rate on returned checks
- Reduces bad check costs and losses due to fraud
- Can reduce losses associated with stolen merchandise returns
- Helps consistently enforce ID collection policy
- Reduces the risks associated with the sale of age-restricted merchandise

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