



How Costway Leveraged Automation to Streamline Operations and Sustain Its Successful Global Brand Strategy



143%

increase in
approval rate



54%

reduction in the
cost of fraud



99.7%

decrease in
chargeback rate

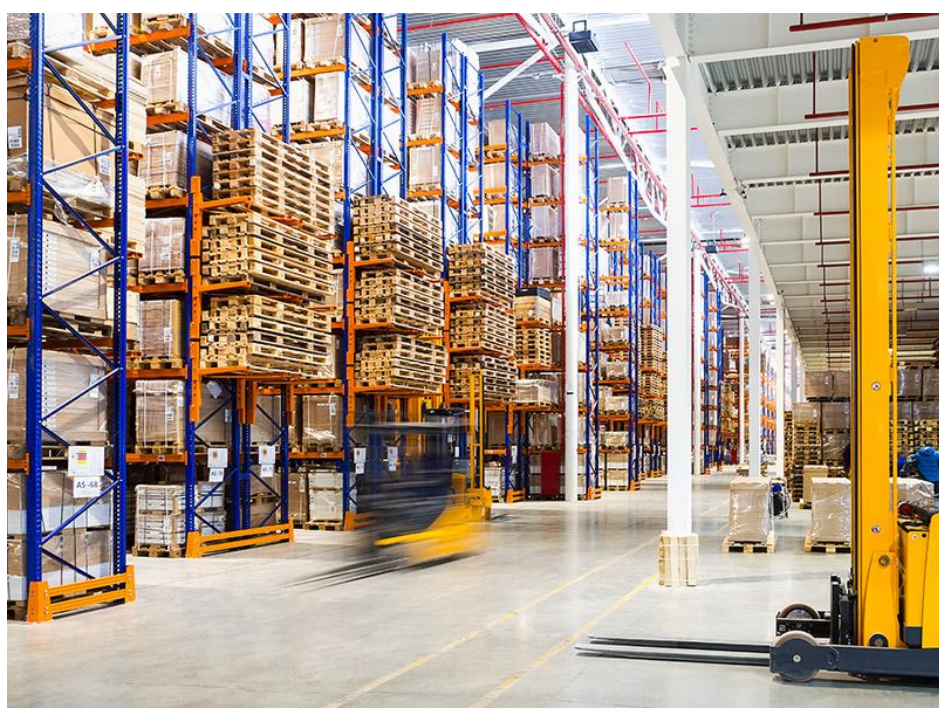
Meet Costway

Founded in Ningbo, a furniture manufacturing hub just south of Shanghai, Costway relies on a network of trusted local suppliers to export quality furniture at the best possible price. The initial strategy was to expand via international marketplaces. In 2008, they were among the very first China-based Amazon stores selling in the US. Leveraging the wide-reaching fulfillment flows of major marketplaces proved to be an effective strategy. They grew rapidly and established their presence in North America and Europe.

By 2015, seeking to build a more personalized relationship with overseas customers, Costway chose the US to launch its first branded online store. Their unmatched quality-to-price ratio caught the attention of large merchants, leading to successful partnerships with Macy's, Walmart, Wayfair, and others. Today, Costway is one of the top pure play home retailers, serving more than 10 million customers every month and fulfilling approximately 10,000 orders daily via localized websites.

“After being hit by the fraud ring, we needed to rebuild our reputation with the bank. Our payment provider advised us to use Riskified to show that card payments were under control. It proved successful: very soon our approval rate not only bounced back, but it also was higher than it's ever been.”

Jerry Xia
Vice President



The Challenge

China is the world's leading furniture exporter. With an innovative cross-border strategy, Costway successfully navigated the crowded market. But in the context of global expansion and hyper-growth, the rigidity of their rule-based fraud management system proved itself inadequate. Because suspicious transactions were diverted to a China-based manual review team, the difference in time zones caused delays, while unfamiliar shopping and fraud patterns created vulnerabilities.

In early 2018, Costway's US online store was hit by a fraud ring. In a matter of weeks, the retailer saw its fraud rate soar, bank declines increase, and found itself enrolled in Visa's Excessive Chargeback Program (ECP). It not only led to a drop in revenue, but the likelihood of a freeze of their merchant account also became very real. With a chargeback rate between 14%-16% and less than half of the orders being approved, they needed to take action.

The Solution

A Riskified partner and Costway’s payment gateway recommended our AI-powered chargeback guarantee solution. Our analysts were confident that our technology and extensive global merchant network would enable a two-stepped strategy: first, lower the fraud rate to meet Visa’s acceptable thresholds and exit the ECP as fast as possible; second, boost the approval rate to make up for lost revenue.

In three months’ time, the chargeback rate on their US orders was reduced by 99.5%. Costway was no longer considered an Excessive Chargeback Merchant and their approval rate rose by more than 140%. And early on in the partnership, Costway experienced firsthand just how efficient Riskified’s fraud protection was: targeted by a large bot attack, none of the 1,300 fraudulent checkout attempts succeeded.

Pleased with performance in the US market, Costway decided to submit all of their transactions to Riskified for review. With our chargeback guarantee in place, revenue growth and expansion across geographies have become completely risk-free.

“Our partnership with Riskified is the perfect example of a positive business case: the approval rate went up, chargebacks have drastically gone down, and we can now safely pursue our global growth strategy with confidence.”

Jerry Xia
Vice President



RESULTS

Growth at its full potential

143%

increase in approval rate

Optimized business expansion

54%

reduction in cost of fraud

Selling anywhere with confidence

99.7%

decrease in chargeback rate

Generating more revenue

9.51M

additional annual sales



“The overall cost of fraud was a major pain point. It included chargebacks and related fees but also wasted marketing spend, and the damage to the customer lifetime value. We estimate it represented 6.5% of our total revenue. Riskified has allowed us to reduce those costs by more than half.”

Jerry Xia
Vice President