

## Bernardo Lustosa

Clearsale



“ I saw an opportunity to reduce e-commerce fraud. ”

<b>COUNTRY</b>	Brazil
<b>INDUSTRY</b>	Technology
<b>EMPLOYEES</b>	3,500
<b>YEAR SELECTED</b>	2011
<b>PARTNER</b>	Pedro Paulo Chiamulera
<b>WEBSITE</b>	<a href="http://www.clearsale.com.br">www.clearsale.com.br</a>

## COMPANY SNAPSHOT

Give ClearSale credit for leading the e-commerce fraud management market in Brazil. ClearSale enables e-commerce systems to identify suspicious behavior, assign a risk factor, and reject or flag a risky order for manual review. With other fraud management systems, clients may have transaction refusal rates of up to 20% and fraud rates of 5%. By focusing on the “good” customers, ClearSale decreases the refusal rate to just 3% and the fraud rate to 0.5%, increasing clients’ revenue by more than 20%. Its clients include Carrefour, Claro, and Americanas.

Pedro has always been passionate about two things: technology and sports. In 1993, he received a degree in Computer Science from Point Loma Nazarene College in San Diego, where he was a star athlete. He competed in the 110 and 400 meter hurdles in two Olympics (Barcelona in 1992 and Atlanta in 1996). This thirst for competition also translated to his professional life. In 2000, Pedro joined Softway, a Brazilian software house. But after one year, he left to follow other independent pursuits. He wanted to create an IT company to rival Softway, and first worked with fashion retailer C&A to develop its fraud management system. During these experiences, Pedro identified an opportunity. After the Internet market bounced back following the dotcom bust, e-commerce stores were popping up, but none of them had any experience with fraud management and were losing money. In 2001 he founded ClearSale to fill this gap and soon won his first client: Submarino’s, one of Brazil’s first online retailers.

Initially, ClearSale offered a simple platform to evaluate the risk of fraud, but lacked any statistical intelligence. Pedro knew there was still a big problem (and opportunity), as companies continued spending significant manual resources and losing money. He thought he could lower the fraud rate and increase accuracy by analyzing consumers’ profiles. He started doing this himself, but it was inefficient and impossible to scale. His IT expertise was not enough to overcome this challenge. In 2004, he met Bernardo, a statistician with a Masters in Economics and a Doctorate in Business Administration. Previously Bernardo had worked on datamining projects for companies such as C&A, Caixa Econômica Federal and Banco Ibi. ClearSale’s revenue was not enough to support both partners, so until 2006 Bernardo kept his job and worked nights and weekends at ClearSale. It was not until Bernardo joined ClearSale that it developed its current system: a fraud management process based on statistics, IT, and human analysis.

In 2004 the entrepreneurs began working with Americanas, the largest e-commerce retailer in Brazil. To develop a new, more rigorous system, Bernardo spent a year analyzing 1.6 million historical transactions, running data through a risk scoring platform and comparing it to real IP data. Using the results, he developed a statistical model that is automatically applied in all transactions. The model leverages a continuously growing database of historical transactions across all clients, allowing ClearSale to reduce unnecessary time spent on manually reviewing transactions while simultaneously increasing the accuracy of rejected transactions. For example, the model compares a CPF number (an individual’s tax registration number in Brazil) with CPF numbers that have already been used in frauds; the purchase address index with number of frauds in the region; and the purchase value with the average purchase value from that CPF. Then it generates the risk of fraud. When the risk is high, the transaction is reviewed by analysts. ClearSale’s goal is to never refuse a good customer.

ClearSale is dominating Brazil’s e-commerce market, which has grown rapidly over the last several years just last year. Global e-commerce sales are expected to reach almost a trillion dollars by 2013, benefiting from positive trends including the continued roll-out of broadband, increasing user comfort shopping online and the decline of brick-and-mortar retailers. ClearSale can empower millions of Brazilian consumers by protecting the companies that serve them.

---