

A Guide To Verifying Users for Marketplaces

Learn How Online Marketplaces Can Onboard Users and Build Trust at Global Scale with Phone Verification

Online marketplaces have revolutionized the customer experience. Now among some of the world's most valuable companies, services marketplaces have led the disruption of transport, accommodation, food, and pioneered the sharing and on-demand economies. Regardless of industry, the global success of marketplaces is built on providing a seamless experience across every step of the user journey.

Trust is also a marketplace's most valuable asset. With high volumes of users transacting around the world—who don't necessarily know or trust each other—ensuring the safety and security to both sides of the marketplace is critical.

However, trust has emerged as one of the biggest challenges for marketplaces—especially in a world where fraud is on the rise. Maintaining platform trust not only means preventing fraudsters from signing up, but also filtering out users who haven't abided by the rules of the marketplace and degrade the experience for others. Providing a safe and convenient way for users to contact each other is key to the seamless experience that keeps users returning, and earns you new ones.



More than **1 in 9** of all new accounts opened in 2017 were reportedly fraudulent



New account fraud losses increased from **\$3 billion in 2017 to \$3.4 billion in 2018**

It's now more crucial than ever to verify your users are who they say they are. Otherwise, it becomes more than just an inconvenience for you and your customers. The risk of fraudsters exploiting your marketplace isn't just about potential financial and legal costs. The far bigger risk is to your user experience and trust. If your customers on either side of your marketplace lose trust in the exchange, they will vanish.

But as a fast-growing marketplace onboarding hundreds of thousands of users around the world, how can you securely verify users at global scale without sacrificing a frictionless experience that drives sign ups?

In this guide, you will learn how to protect your users and your marketplace with the most frictionless solution for global user verification: phone verification with two-factor authentication.



User Verification: A Balancing Act for Marketplaces

In the race to acquire users, onboarding is a make or break moment in the customer experience. Ask your customers to jump through too many hoops and you risk frustrating them. But without a strong verification system, you could be exposing them to fraudsters.

Verifying users with two-factor authentication has become the standard for marketplace platforms.

What is 2FA?

2FA works by combining something a user knows (a password) and something that a user has (a phone or hardware token), to verify their identity. While it has become relatively easy for fraudsters to steal passwords it is much more difficult to steal a password and hack a second factor.

2FA can range from the extremely secure and expensive, to the relatively frictionless and cost-effective. When selecting and implementing 2FA for a growing global user base, you need to ask yourself several questions to strike the right balance between security and a seamless experience

1. One solution

Is it a single standard that works across different global infrastructures?

2. Meets Global User Experience Standards

Will it be considered an acceptable experience by users in different regions? And does it support multiple languages?

3. Failover

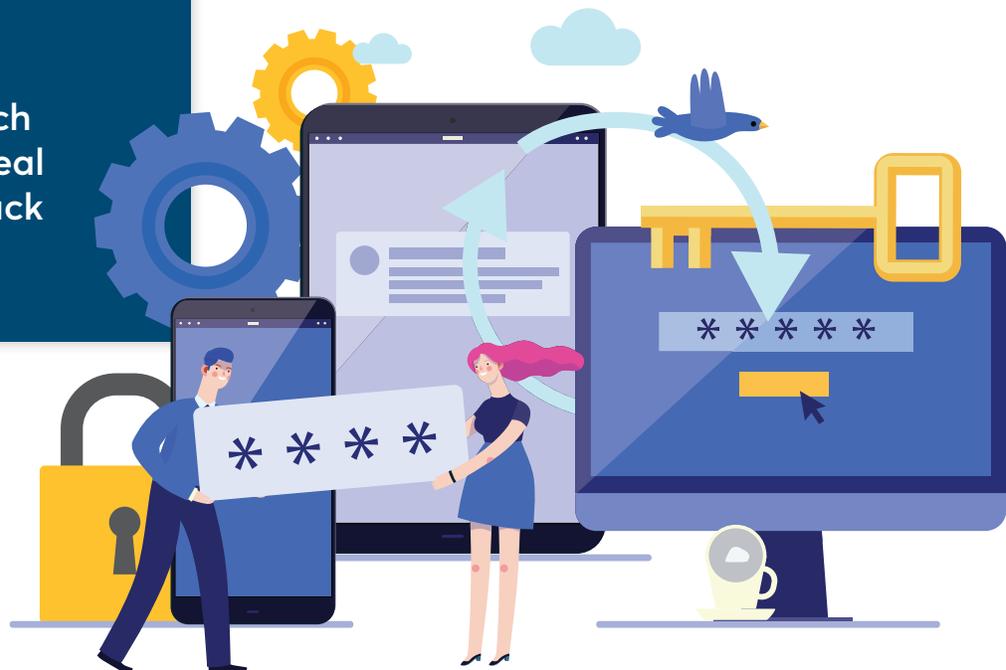
Does it automatically failover to another channel if the first attempt doesn't get through?

4. Letting Good Users In

Does it unintentionally block out good users?

5. Frictionless Experience

Will users be prepared to adopt hardware or software, or can you leverage existing devices and familiar communication channels?



Phone Verification: The Most Effective Defense for Global Marketplaces

A frictionless experience for global growth using SMS and voice two-factor authentication

When balancing a great experience with effectively validating the identity of an individual, the ideal way to accomplish this on a global scale is through phone number verification.

Phone numbers have emerged as the ultimate user identifier not only because phones have become ubiquitous but also because people retain their numbers for very long periods of time—ten years and more.

The Ultimate User Identifier



5.1 billion people across the globe can be reached via phone



90% of people read a text message within the first 3 minutes

While there are more secure and cumbersome options, it's about striking the right balance between convenience and security, and phone verification provides that balance. It's the global standard today for a smooth onboarding.

Why Phone Verification?

- Works in virtually every country
- SMS has **higher read rates** than email
- Simple experience independent of infrastructure and culture
- There is extra data behind a phone number to identify fraud
- Customizable user experience

Phone verification helps you quickly, easily, and cost-effectively verify user identity and reduce the risk of fraud. Verifying users at sign up is the first key step to stopping fraud before it happens, but when else should you use phone verification in the customer journey?

How Phone Verification Works

A user is sent a PIN—also known as a one-time-password (OTP)—in a message sent over **SMS**, **Voice**, **WhatsApp**, or **Viber**. Only the owner of that phone number gets access to the PIN. They enter it into the application to verify their identity and can then successfully register, log in, or confirm a payment. You can choose to have each PIN expire within a few minutes for added security, preventing fraudsters from using old codes to create fraudulent accounts.

1. Sign Up



Online



App

Enter phone number during account creation

2. Verify



SMS



Voice

Receive PIN by SMS or voice



Confirm PIN within application

3. Customer Onboarded



"Thanks for signing up!"
Account securely created

When Should You Use Phone Verification?

Verify users at sign up, log in, key account changes, and transactions



New Account Creation

Seamlessly Sign Up a New User and Stop Fraud Before It Happens

Onboarding new users needs to be quick and easy but also

secure, to protect your users and your platform against fake account creation. When a new user registers for your marketplace, successful phone verification at sign up links the user and their device, ensuring they are who they claim to be.



Alternative to the Password

A Stronger and User-Friendly Alternative to Traditional Passwords

By establishing a passwordless

authentication process you can improve the user experience by enabling users to log in to applications without having to recall cumbersome passwords.

Users can simply click or tap on the web or mobile application, receive a one-time PIN via **message** or **voice**, enter that code, and get immediate access upon confirmation.



Confirm Communication Preferences

Ensure Ongoing Reliable Communication with Your Users

Another reason to verify phone numbers is to establish your users' preferred communication channels from day one. By tracking how a user converts at verification, you can deliver account notifications, updates, or direct any user-to-user communication to those same channels.

For example, if a user converts on the first SMS, you can confidently use SMS for ongoing communications. Whereas if a user converts on a voice call instead of SMS, you can assume voice calls are more reliable.



Suspicious or High-Risk Actions

Validate Suspicious Behavior at Any Point in the Transaction

If a user triggers suspicion at any point—from registration to general account activity—marketplaces can place a hold on that user's account until their phone number is verified. Phone verification can be used to authenticate actions such as large withdrawals from user accounts that may be held on the platform.



Account Changes

Protect Your Users and Your Platform Throughout the Journey

It's good practice to not only verify users at sign up, but also when a change to an account is being made

such as a password reset or profile update as well as unusual activity.

When a user logs in to a web or mobile app from an unknown device (i.e. with a different IP address from the one registered in their profile) and requests a password reset, sending a PIN to verify the user can help reduce fraud and identity theft.

Getting Global Phone Verification Right

8 key considerations when validating phone numbers for marketplaces

In theory, validating a phone number sounds easy. But in reality, as a marketplace business rapidly expanding into global markets, there are several challenges you need to be aware of to make it a success.

1. Delivering SMS Pin Codes Quickly and Reliably at Global Scale

The longer it takes for a user to receive a PIN, the less likely they are to sign up to your platform, access their account, or reply to another user. To avoid your verification messages hopping from carrier to carrier, you may need to work with several SMS vendors to manage routing logic in different regions.

2. Pin Code Management and Auto-Failover to Increase Conversion

To optimize conversions, you will need to implement an automated resend of the PIN if the user hasn't entered the PIN within a certain time. Failing over to a voice call to present the PIN audibly is another option if the initial SMS doesn't convert.

3. Keeping Track of Global Compliance Requirements

When verifying international numbers via SMS or voice, you need to be aware of the complex myriad of regulations which vary around the world. If your messages do not comply with local regulations, they will be filtered and fail to reach your users.

4. Distinguishing Mobile Numbers, Fixed Lines, and Virtual Numbers

Some countries clearly distinguish landlines and mobile phones, while in others there is an overlap. You need to identify the difference to deliver the PIN to the right channel. For example, the best channel for mobile phones is SMS whereas a voice message is more effective for landlines. Identifying and blocking virtual numbers is also critical for spam and fraud prevention.

5. Providing a Localized User Experience

When you are verifying phones across the globe, you cannot rely on using the same message templates or languages everywhere. Messages need to be targeted to optimize conversion rates including country-specific, language, message format, and tone.

6. Ensuring Security

When generating a verification PIN, you need to follow industry standards for time-based one-time PINs. Balancing security with experience is critical at this step. You don't want a PIN to expire before your user can enter it, but you also need it to automatically expire if the user has not entered it within a reasonable time period.

7. Controlling Operational and Management Costs

The more verified users you onboard, the more fixed costs you will incur. Successful global verification needs dedicated teams to manage message routing, analytics as well as navigate the many different global standards and compliance requirements.

8. Improving Insight to Optimize Conversion

Less than optimal conversion rates may be the result of something unrelated to the SMS infrastructure itself. Success requires the proper insight and analytics to understand where problems may lie and what, if anything, you can do to mitigate those problems.

Want to learn more about the challenges of phone verification and how to overcome them? Read our [Top Phone Verification Challenges](#) guide.

How Global Marketplaces Verify Users with Nexmo

With over 20 billion phone verifications to date in over 230 countries, Nexmo helps global marketplace companies overcome the challenges of phone verification to seamlessly verify users around the world

BlaBlaCar Uses SMS Two-Factor Authentication to Bolster Trust and Fuel its Growth Across Europe

Carpooling

BlaBlaCar is the world's leading long distance carpooling service. With over 70 million members in 22 countries, BlaBlaCar connects drivers with empty seats to people traveling the same way.

When building BlaBlaCar, the company knew that providing safety and security to both drivers and passengers would be critical to their success.

They required a method of user verification to weed out fraudulent registrants and effectively build a peer-to-peer trust community at scale.

At the same time, BlaBlaCar needed strong conversion rates for mobile verifications to ensure consistent user acquisition as it expanded internationally.

"User verification is critically important to building organic trust with our users," said Nicolas Schwartz, former Technology Lead, BlaBlaCar. "We required a partner to help us scale this effort in our various global markets, and Nexmo did just that."

The first step BlaBlaCar takes in its user verification process is to verify a customer's phone number by sending a text message.

"If the text message takes too long to be transmitted or is not delivered, we've lost a user. Using Nexmo SMS with **two-factor authentication** greatly decreases our concerns about this," added Erwann Robin, a Technical Product Manager at BlaBlaCar.

With Nexmo, BlaBlaCar can now send SMS verification codes to new users instantly and reliably, thereby achieving significantly higher verification success rates.

Unlike other vendors that determine the quality of these message transactions from delivery receipts (which can be unreliable or even falsified), Nexmo offers **Adaptive Routing** technology that analyzes millions of conversions and determines the highest performing routes in real-time.

"Nexmo was able to provide great technology with a deeper reach into those countries where we were expanding. We needed wider coverage in those regions and Nexmo was able to readily deliver that."

- Erwann Robin
Technical Product Manager | BlaBlaCar

The results

- 15% lower SMS delivery costs
- Wider global SMS coverage
- Significant decrease in price per acquired use
- Cost savings by avoiding sending messages to duplicate or illicit numbers



Property Portal 99.co Increases Legitimate User Registrations with Phone Verification

Property

Singapore's fastest growing property portal **99.co** provides renters, buyers, and property agents with a powerful map-based property search engine for a fast and transparent search experience.

To prevent scams that often occur on classified sites, 99.co needed a reliable authentication process to verify users on both sides of its online marketplace.

Using Nexmo's **Verify API**, 99.co implemented a user authentication process where a user enters a unique PIN code when registering on the 99.co mobile app or website.

If the new user is a property broker, the API instantly crosschecks the phone number against an official broker database.

If the new user is a buyer or renter, they simply enter the PIN code they receive via SMS to gain access to 99.co property listings. This ensures agents receive high quality, legitimate leads.

Nexmo Verify API helps 99.co:

- Increase PIN code deliverability
- Boost overall user acquisition
- Prevent scam users from registering
- Reduce engineering costs
- Reduce overall communications costs by only paying for successful verifications

"It was important for 99.co to find a partner that could provide local infrastructure to ensure the highest communications delivery. The reliability, stability, and quality of the Nexmo products and infrastructure have allowed the 99.co community to thrive. We look forward to continuing our partnership as we grow internationally."

- Darius Cheung | CEO and Co-Founder | 99.co

Grab Scales Frictionless Customer Onboarding Across Asia Using SMS and Voice Verification

Transportation

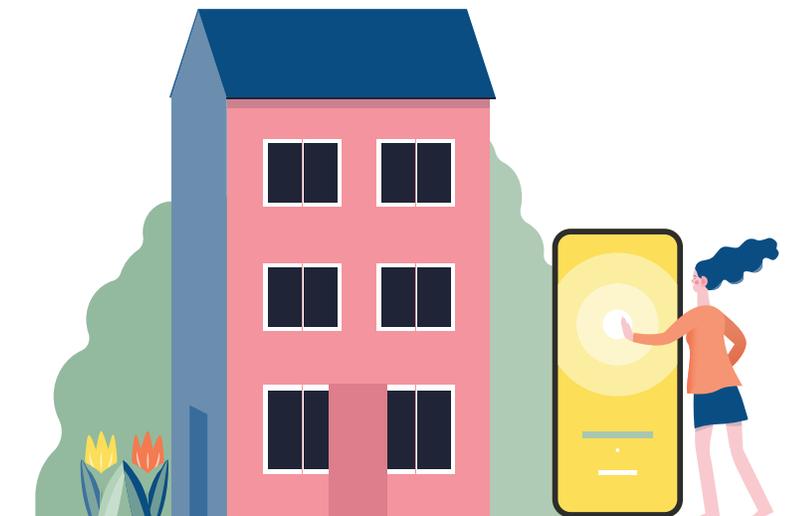
Grab is the leading ride-hailing platform that provides transportation solutions for 620 million people across 34 cities in Southeast Asia.

The Grab mission is to create the safest, most accessible transportation platform possible. To deliver on that promise, the company needed a way to scale its user verification process. However, in many of its target geographies across Southeast Asia, non-reliable carrier infrastructure meant some text messages and calls may not be delivered, which disrupted the customer onboarding process.

To overcome these challenges, Grab partnered with Nexmo to implement a phone verification process for new drivers and passengers via SMS and voice messages.

When a new user registers an account, they receive a PIN code delivered by SMS or voice. Upon entering the PIN code in the app, the user is automatically verified and granted full access to the app.

With Nexmo, Grab gained access to our worldwide carrier network and tapped into Nexmo's adaptive routing algorithm to ensure messages are delivered in real time, regardless of the user's location..



About Nexmo Verify API

Add seamless phone verification to your user journey

To maintain the growth of your marketplace, you need to protect your users and your business. Phone verification helps you filter out fraudsters while providing genuine customers a frictionless experience, on a global scale.

With the **Nexmo Verify API** you can verify any phone, anywhere. Quickly and seamlessly authenticate new or existing users with our global network to deliver verification codes that increase conversions across multiple channels.

Let us do the heavy lifting, or customize the experience for your users. The Nexmo Verify API is an all-in-one solution that lets you:

- Generate your own PIN or allow the Verify API to manage it for your application
- Choose which channels to use when verifying users, and in which order
- Only pay for what you use with pay-per-attempt or per-conversion pricing

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Beyond Verification

First impressions count. Using the Nexmo Verify API to verify users' identities adds a layer of protection and builds trust from day one. But securely onboarding users is just the beginning of your relationship. Now is the ideal time to ask yourself how else you can engage your genuine customers throughout their journey.

Make every customer interaction count by adding voice, video, and messaging to your app or service with Nexmo APIs:



Voice API - Delight and inspire by adding custom voice interactions into your app



Video API - Engage your customers with interactive live video experiences



Messaging API - Drive deeper customer engagement with messaging

Global companies such as Alibaba and Expedia rely on Nexmo to power millions of interactions every month with our easy-to-use APIs.

Speak to an Expert About How You Can Get Started with Verify.

GET STARTED