

## Cloud Based Data Breach Detection for Merchants and Banks



**Canh Tran - CEO**

### **About Rippleshot**

In our 15 years of experience identifying and mitigating card fraud, we've seen the problem grow from a transaction-level headache to a commerce-threatening phenomenon. In 2012 the founders came together to change the fight against fraud by creating Rippleshot.

**Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine**

**CEOCFO: *Mr. Tran, what is the concept at Rippleshot?***

**Mr. Tran:** The concept is that it is a cloud based software that detects data breaches to protect merchants and banks.

**CEOCFO: *What do you understand that perhaps others do not?***

**Mr. Tran:** We are not in business of preventing data breaches. We view it as that data breaches are going to happen, it is not a matter of if they are going to be breached but it is a matter of when. We are saying that you need to have a good alarm system to detect data breaches when they do happen as opposed to just trying to prevent it. I think there is a business in preventing, securing a company's network and traffic to try to prevent it but there also needs to be technology to monitor your systems 24/7 to detect data breaches. We have that type of technology and then when a data breach happens, we tell you early on so that you can take action to mitigate your losses.

**CEOCFO: *Do the companies that are providing security have a means of letting one know when there has been a breach or is that an area that they typically do not cover?***

**Mr. Tran:** If you also have the means to alert a company when there is a data breach, the difference is that we are monitoring credit card transaction, financial data, whereas most security firms are monitoring network, IT traffic to look for suspicious activities. We use a completely different data set than they are.

**CEOCFO: *Where were the challenges in putting your technology together?***

**Mr. Tran:** For us, it is a big data algorithmic type of technology. The challenge for us is to get enough data to view a cross section of the payment system across the United States and expanding worldwide to be able to see that view of the payment system and give the alerts that we do.

**CEOCFO: *Where are you in the development and/or commercialization process?***

**Mr. Tran:** Version one of the product is available now. We are signing on merchants and banks for the monitoring system and for pilot testing.

**CEOCFO: *Is it easy to reach the appropriate people to introduce the concept? What are you finding and do people believe you can really do it?***

**Mr. Tran:** Traditionally, I would say that it is fairly hard to reach some of the decision makers such as in the banking world and or merchants, but because of the prevalence of data breaches today, particularly with what happened to Target five months ago. Subsequently, we are talking about 40 million cards that were compromised, maybe 70 million personal identity information; almost one out of every three Americans. Now I think that data breaches are in the national consciousness. The CIO and just yesterday, the CEO of Target lost their job due to the data breach. I think that it is easier for us to have those conversations now than six months

ago. That is with the banking side. On the merchant side, we are having very positive interest because merchants do not have this type of system to monitor their point of sales.

**CEOCFO: *What happens when you detect a data breach?***

**Mr. Tran:** We monitor almost all the point of sales terminals across the United States in a cloud based format and we do that 24/7, we monitor all the transactions that go through those point sale terminals. If there are suspicious activities that are different patterns, we mark where we see that and that is where the fraud is occurring on those point of sale terminals, but that is not where the data breach occurred. How our system works is it monitors across the payment system, looks for suspicious patterns that are the tell tale signs of fraud and then we are able to quickly determine where the common point of data breach occurred. It is not where the fraud occurred but it is where all those cards were used in one place at one period of time.

**CEOCFO: *After you detect this what happens next?***

**Mr. Tran:** We offer a platform for banks and a platform for merchants. The platform for banks, once the system detects that there is a data breach at this particular merchant, it tells exactly when that breach occurred and exactly where. For a bank, it helps to be able to reissue those cards. We can tell the bank that this number of cards of yours are compromised at this data breach so that in the short term you need to create decision rules to stop the spending on these fraudulent cards, and in the long term, you need to reissue those cards. For a bank, we are saving them 20-25 % of their fraud losses because we are able to detect data breaches early and re-issue those cards.

**“Rippleshot offers a solution that banks and merchants and pretty soon, corporations do not have. I think it is a disruptive technology that can really make a difference for our clients.” - Canh Tran**

**CEOCFO: *Does reputation play in there as well?***

**Mr. Tran:** Absolutely. Brand reputation and consumer trust. For merchants, what we offer is that mark system. Once there is a data breach, we can alert them so that they can take actions to fix the breach, notify the consumers that are affected, and preserve their brand reputation. What happens is that the breach only affects a certain amount of people and it varies from state to state, then a merchant can fix that breach, notify the consumers that are affected without having to issue a press release. They can do this discreetly, quietly and fix the problem. If the data breach becomes a certain size where a certain number of consumers are affected, then they have to issue a press release and notify the public. To your point, protecting brand reputation and consumer trust is a big issue for banks and merchants.

**CEOCFO: *Who has been using the service and what have you found so far?***

**Mr. Tran:** The top four categories of types of merchants affected by breaches are: Number one are grocery retail stores and supermarkets. That is the number one merchant that is affected by data breach. Number two are gas stations. Number three are fast food restaurants and number four are regular restaurants. I would say that aside from banks, community banks and credit unions, typically on the banking side, it is super regional communities and credit unions that are really enthusiastic about our service. On the merchant side, it is grocery stores, grocery chains, gas station chains, fast food restaurants and restaurants as well as large retail chains.

**CEOCFO: *What have you taken away personally from previous ventures that has been most helpful as the product has been developing and in commercialization?***

**Mr. Tran:** Compared to previous ventures, I think that for a product to be successful and to get out in the market, it has to solve a very strong pain point, it has to offer a great value proposition and there needs to be a mechanism to make it easy for the customers to buy the product. You need a whole ecosystem to help you succeed.

**CEOCFO: *What are the next steps for Rippleshot?***

**Mr. Tran:** We want to provide the best alerting system that we can for merchants. We are also expanding geographically. This is a solution that also works well in Europe and Asia and we are also expanding the

product line in terms of being able to protect more than just merchants and banks and also protect corporations.

**CEOCFO: *What do you need to do for that expansion that would be different?***

**Mr. Tran:** Geographically, it is a matter of understanding the partners and relationships in these new markets. On the new product side to protect corporations, it is acquiring a different data set that we believe we have a strong insight into acquiring.

**CEOCFO: *You recently presented at FinovateSpring. How would you rate the experience?***

**Mr. Tran:** It was fantastic. On one hand, I feel that Finovate as a Fin Tech conference is a very well run, extremely important conference for the VC community and the banks and executives. From our prospective, we learn a tremendous amount at Finovate both in terms of how our products are received with VCs and to us, more importantly with respect to the banking community. We found that there is a great deal of interest with regional, super regional, credit unions and community banks in our product because there is not anything out there for them and they are very excited about it. For us, it was a tremendously successful conference.

**CEOCFO: *Are you funded for you next steps or will you be seeking partnerships or funding?***

**Mr. Tran:** We are finalizing our first round of funding right now.

**CEOCFO: *Put it together for our readers Why pay attention to Rippleshot?***

**Mr. Tran:** I believe that based off of our approach, Rippleshot offers a solution that banks and merchants and pretty soon, corporations do not have. I think it is a disruptive technology that can really make a difference for our clients.

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**BIO:** Canh Tran is an entrepreneur with over 25 years of experience focused on big data and predictive analytics. Throughout his career, Canh has worked with large-scale data such as retail point of sale, payment transactions, credit, social and search information to solve sales, marketing, fraud, and credit problems.

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