



# The 7 Challenges of Online Identity Verification

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How Trust will Drive the Growth of the Sharing Economy

“For the sharing economy to continue to expand, the players within it will need to find ways to authenticate the identity of consumers... Identifying, and upholding, quality and trust metrics will be critical to success in this evolving model.”

*The Sharing Economy, PWC*



**Do you know who your customers are?**

**Do you know what your customers expect from you?**

**Ease of use is table stakes, and **TRUST** is essential.**

# INTRODUCTION

**The Sharing Economy is transforming how we interact and conduct business, commerce, healthcare, and more.** It is “upending mature business models across the globe” and it’s growing like crazy.<sup>1</sup> The sharing economy has created endless opportunities on the Internet. Now people are able to find, secure, and do a job almost as quickly as they can order a meal.<sup>2</sup> They are able to get a ride easily, deliver a package, get their home cleaned, fill a shift, hire a plumber, get groceries delivered, rent homes for vacation, pack boxes – simply and instantly.

The sharing economy is real-time, cost-effective, inherently flexible, and fundamentally collaborative. Almost half of US consumers can name a sharing economy company and 19% of the total US adult population has engaged in a sharing economy transaction. These numbers will grow significantly over the next few years. But research shows improvement areas are required in order to reach a broader audience or provide a wider range of services to maximize the opportunity.

As the sharing economy is built on interactions between partners and consumers, lack of trust is the most important hurdle. The absence of a standardized, fully reliable method of verifying the identity of participants and equipping them to prove the authenticity of

their credentials could pose a real challenge to the success of sharing economy participants.<sup>3</sup>

The maturation of the sharing economy depends on frictionless identification of participants and their qualifications to secure transactions, even before they happen. While most companies understand the need for online identity verification, they lack the resources and capital required to organically establish checks that are effective, efficient, and secure for everyone involved.

89% of Sharing Economy participants say that the success of a transaction is based on the trust between providers and users.

This white paper examines seven major hurdles to effective, efficient, and consistent online identity verification. Along with each of these issues, you’ll learn actionable steps to secure your business and demonstrate that your marketplace is a safe, transparent place for people to engage in peer-to-peer interactions.

## 1 The Online Identity Verification Process Creates Friction

**A good online identity verification system should be nearly invisible.** The sharing economy is continuing to grow and diversify, and customers are going to pick the businesses that offer simplicity and an assurance of security. Conversely, if onboarding is too lengthy, rigid or intrusive, a would-be participant experience ends before it ever started.<sup>4</sup>

The level of risk and investment into an online engagement may determine how willing someone is to tolerate a multi-layered identification process. The verification process has to be low-anxiety yet thorough – and clearly worthwhile. As sharing economy platforms scale to new geographies, more specialized services, and more demanding customers, verification becomes even more complicated and time-consuming.

The many potential approaches to online identification can easily result in a high-friction experience for users. By implementing an approach that is focused but flexible, you can remove some of the stress and risk of trying to understand which processes can accurately identify each individual in your growing and changing peer-to-peer user base in a rapid and cost-effective manner.

## 2 There is no Single Definition of Online Identity Verification

**Traditional identity verification is a relatively standard process.** Most people are compliant with (even comforted by) requests for ID in offline environments like banks or airports.<sup>5</sup> But in this digital world, despite of billions of online interactions (personal, enterprise, government), there is a lack of understanding of what identity verification means. Even the terminology varies widely by source and channel.

As consensus grows around the definition of online identity, so will the comfort level among users who will have a better sense of what they are being asked to share for verification purposes and how that information is used to keep them secure.

The onus falls on the sharing economy companies to decide what components to include in the identity verification process. Additionally, separate components will contribute different levels of security and verification. Hence it is up to the companies to figure out which components of the identity verification system need to be outsourced or can be developed internally. It will be imperative to find the right combination that will provide the appropriate cost versus performance balance.

### 3 Identity Verification Processes Change by the Moment

**The sharing economy is young and growing.** Fresh players and segments are continuing to come online almost daily. With the introduction of new marketplaces, new opportunities and new risks comes the challenge of practices and compliance required to build the trust needed to keep these marketplaces growing safely.



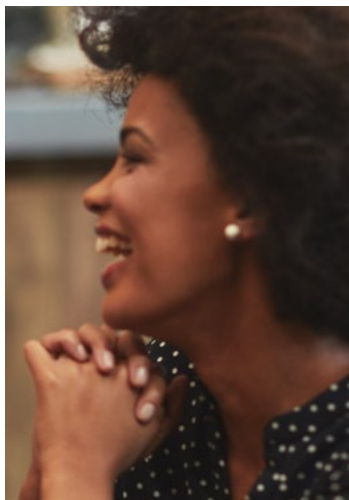
At the moment, there are no standard verification requirements because guidelines and privacy regulations change frequently and inconsistently across industries and geographies. A couple of times every year, companies are faced with updating their processes in order to comply with necessary laws and meet state and national regulations. Likewise, as peer-to-peer platforms begin to bring together providers and buyers from across new state and international boundaries, verification is complicated by a lack of proof-of-identity standardization. Additionally, companies like yours need to update the verification processes when you enter into a different type of activity that has different verification and credentialing criteria.

Another reason could be when you want to differentiate from your competition with better verification. It could be to address a concern with safety, possibly triggered by a current event that raises public awareness.

Until a common and shared set of identification measures can be reached, companies that manage their own online ID verification must be hyper-vigilant in order to protect their community of users and to mitigate compliance risks. You need to have a partner that is focused on market and regulatory changes and knowledgeable about the necessary steps to stay ahead of dynamic requirements.

## 4 Online Identity Requires a Lot of PII

**Personally identifiable information (PII) is very prevalent in processes that distinguish or trace individual identity.** It can include someone's full name, Social Security Number or credit information, and is linked to a secondary source of personal information like date and place of birth, or mother's maiden name.



PII is just the start — You need the capability to filter and tap into the data in a way that protects your customers and your business.

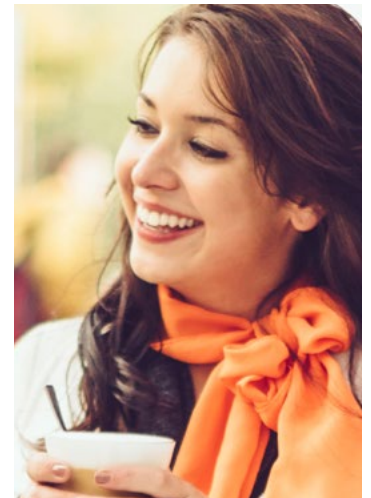
Online identity verification measures require PII. As wary as many consumers are about providing this information online, many organizations are reticent about holding onto it. Even as online identity gathering and security measures become more sophisticated, there remains

widespread concern about how to secure personal data from a hacker capable of serious harm upon acquiring an SSN, home address or date of birth. <sup>6</sup>

The concerns are valid. Companies that choose to house PII face a host of unnecessary risks and potential liabilities. But in the same way that many companies have moved away from housing customer credit card data, you do have the option to minimize the required amount of PII internally. Outsourcing this function to an online identity verification specialist assures the security of your users' information and keeps your risk to a minimum.

## 5 Current Methods Reveal Very Little ‘Real’ Information

The challenges around PII are compounded by the fact that PII may actually reveal very little about a person’s qualifications. PII does not reveal much that is useful for creating security and comfort between participants in a sharing marketplace. Knowing someone’s name, birthday, or Social Security number tells you nothing of the



qualifications that make them a valuable partner – and even less about personal qualities that will impact the transaction’s nature. Review based scores are highly inaccurate and easy to manipulate. Processes to remove inaccuracies are not well established, making it dangerous to use them in isolation in your verification process.

Sharing economy companies need a way to understand the real qualities of participants to clarify what they can and cannot do for others in the marketplace. Of course, the importance of knowing specific qualifications can vary by the sensitivity of the marketplace itself. For example, it’s important to know that if you order an Uber or Lyft driver, the name and face of the person who arrives to drive you matches the one on the screen. And it’s important to be

Because PII is focused mainly on straight data, it may be insufficient to inform more ‘rich’ and changeable elements of someone’s identity.

able to verify that the individual has a clean driving record. Consider online communities where users can schedule virtual clinical ‘appointments’. Verifying that the medical certifications for the individual providing medical advice are real is vital to your health and wellness.

## 6 You Must Verify (and Re-Verify) Constantly

**Online identity verification is complex and successful verification is vital to the health of your brand.** Companies working to grow a vibrant user base have to keep up with the changes within it. They also have to show proof that they are doing so. This might include performing background checks to verify and then re-verify providers and consumers on either side of the marketplace.

Efforts like TSA Pre ✓ have succeeded in systematically involving each individual in creating, confirming, and maintaining private identification data.

These efforts may require large amounts of time and financial resources than are available. Keeping up with constant verification needs should not be a challenge for your developers. It costs time and money, and ignoring it leaves you vulnerable to events that could seriously impact your brand.

Whether it's verifying new users' profiles or keeping user credentials up to date, a dynamic online identity verification solution will help you to make good on the all-important promise that legitimate individuals are engaged in your secure marketplace.

## 7 Regulatory Requirements Add Complexity

**With the sharing economy positioned to double in size every year, it's not surprising that online security and privacy regulations are becoming more complex and thorough, particularly in industries that require large amounts of PII.**<sup>7</sup>

You already know that fundamentals like full name, date of birth, and home address must be authenticated. Beyond those details, however, there is a wide variance in the number and type of data sources engaged to confirm someone's identity.<sup>8</sup> The rapid growth of these marketplaces means that companies must be up to date with a wide range of security and privacy regulations that are often set far from headquarters.

While legal compliance with HIPAA, FCRA, FDIC is mandatory, those standards are the minimum required and do not always significantly benefit your security posture to data breaches which can have adverse impact to your brand. Going above and beyond these requirements is essential so your partners and customers feel confident whether or not you are providing a secure business environment.



# IN FIRST PERSON

## Online Identity Verification from Your Customer's Perspective

"I'm fine with sharing my information with your company but can you prove that it will be safe?"

"Can you make the approval process fast? I just want to get on with my business."

"I filled out a form for a different company yesterday. Why do I have to do it again?"

"I have gained new skills and certifications. Why didn't the system get updated automatically with that information?"

I want a unique online ID is safe, standard and belongs to me. I want the process of entering my information to be simple. And when I do business with someone on your platform, I want the peace of mind that my information and the transaction will be safe.

Make it easy for me to use my identity online and to know that the person I'm dealing with in your platform has an authentic set of credentials. Make it worthwhile to share my information. I have lots of choices online, and if these basic expectations aren't met, I'm probably just going to abandon and go elsewhere.



# CONCLUSION

## Online identity verification is complex and dynamic.

**From making sure your customer identification process is intuitive and thorough, to minimizing the risks of managing PII, the effort requires an incredible level of diligence.** Participants are balancing restraint to fill out multiple online forms with an active desire to pursue the efficiencies of the sharing economy.

With that in mind, ensuring that every participant in the collaborative space has a simple, third-party verified online identity is vital to the success of your brand. You need an experienced partner who understands these points and can assure they are managed effectively.

Put the security of your company into the hands of a partner that can keep the identity of your users up-to-date, keep you compliant, and separate you from the risks of holding and managing highly sensitive data.

- Ensure that you are able to verify the identities of all users involved in a transaction
- Give people ownership of their own online ID, eliminating the need to house private information inside your system Confirm (and automatically re-confirm) the credentials of your user base
- Thwart potential threat actors from stealing the PII of those participating in your marketplace
- Confirm (and automatically re-confirm) the credentials of your user base
- Protect individual identities, reducing your risk because only the owner can store, keep, and employ the data

## How to Spot the Right Solution

- Is the solution simple enough?
- Does it keep your user base secure?
- Can you quickly and accurately identify users?
- Does the system keep you compliant?
- Is the solution standardized and scalable?
- Can your team keep your solution resilient?

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Evident is a startup focused on adding authenticity to the Internet. At Evident, we simplify the complicated world of personal data and security giving companies and individuals the ability to embark on trusted interactions and transactions like never before.

Evident is your verification partner. Evident provides identity verification, background checks, certifications and credentials relevant to your platform. Using Evident, you can enable workers to distinguish themselves based on their skills and certifications. With Evident, you'll be fully informed.

Based in Atlanta, GA, Evident is led by a dedicated team of cybersecurity veterans and backed by investors with a long and successful history in internet security.

For more information, visit [www.evidentid.com](http://www.evidentid.com).



Trust between strangers