FRAUD HAS RISEN SIGNIFICANTLY FOR E-COMMERCE MERCHANTS

Fraud attempts are up 45%

Every $1 of fraud costs $3.20 for mid/large merchants

The amount of successful fraud has DOUBLED

Strong sales of digital goods & services**

- These are faster transactions with higher risk
- 41% cite identity verification as a top digital sales challenge

Increased mobile channel transactions

- 47% allow M-commerce versus 30% in 2017
- 41% cite device ID and manual reviews as top challenges
- 62% more fraud for mobile channel sellers

More non-traditional transaction methods

- 41% of sellers rank this as a top challenge
- 48% of digital transactions through alternative channels (apps, 3rd party payment providers, virtual currency, etc.)
- 64% say mobile payments add risk
- 56% of mobile fraud through use of mobile apps

Rise of botnets and synthetic identities

- 73% say combatting botnet activity is becoming overwhelming
- Of those citing identity verification as a challenge, 64% point to a rise in botnet activity while 89% point to the rise in synthetic identities

It’s a perfect storm of identity verification challenges

Fraud mitigation solutions are not being used optimally

- 96% use an average of 8.2 solutions
- But there’s limited use of solutions

- 54% use real-time transaction tracking
- 41% use digital ID/fingerprinting
- Up to 54% use identity authentication
- 39% use automated transaction risk scoring

E-commerce merchants need to use a multi-layered solution approach

Transaction Risk Scoring

ID Authentication

Transaction/ID Verification

experience...

Lower % of budget for manual reviews***

Lower cost for every $1 of fraud losses***

Lower fraud costs as a % of revenue***

- 40% 17% $3.66 $2.59 3.34%
- (avg. 3-4 solutions)
- (avg. 5+ solutions)
- $1.24%

*Mid/large e-commerce merchants are defined as those which generate $10M+ revenues annually (small merchants generate <$10M annually), with 80% or more of these revenues from remote (online, mobile) channels.

**Digital goods/services are those stored, delivered or used in electronic format.

***Based on 2018 True Cost of FraudSM survey respondents; results can differ for other e-commerce merchants based on various other factors and are not a prediction or promise of the same outcomes.

This research covers consumer-facing fraud methods and does not include information on insider fraud or employee theft. This LexisNexis Risk Solutions 2018 True Cost of Fraud study was conducted for LexisNexis by KS&R. It establishes the cost of fraud through different payment channels. LexisNexis and the Knowledge Burst logo are registered trademarks of RELX Inc., used under license. LexisNexis Fraud Multiplier is a service mark of RELX Inc.

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