

RETAIL

Fraud attack growth in 2016 poses threat to retailers

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Credit cards with chips are on the rise

By BRIELLE JAEKEL

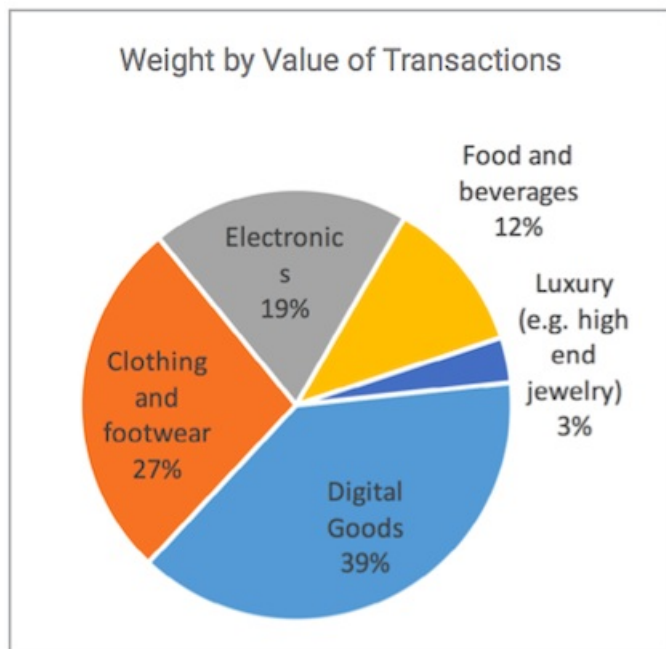
As credit card security is a substantial worry for today's customers, every \$10.50 out of \$100 of luxury goods is at risk for fraud as per PYMNTS.com's Global Fraud Attack Index.

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Fraud affects a wide range of retailers, and luxury is not immune to that, and within the past four quarters it has become an even bigger issue with a 137 percent increase. During the first quarter alone there were 34 attacks for every 1,000 transactions overall and the problem has since been growing.

Fraud attacks

During the second quarter of 2015, there were only 15 fraud attacks out of every 1,000 transactions, and it has since climbed 126 percent. Fraud attacks rose 26 percent from the 2015 fourth quarter to the first quarter of 2016.



Transaction data graph

Digital goods are leading the pack for the most increase in attacks with a 186 percent increase due to the quick rise in technology. However, apparel has seen a decrease in security breaches by 19 percent.

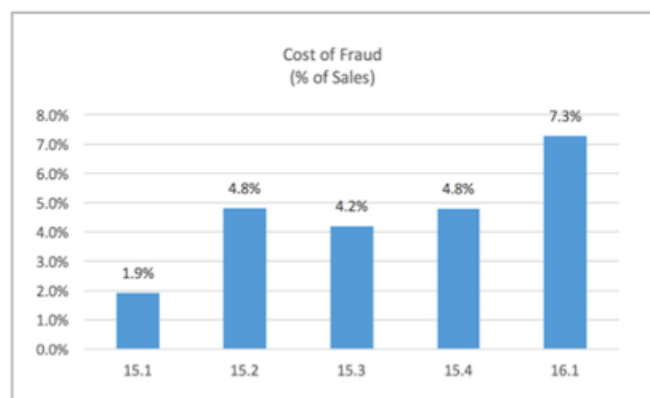
Overall financial security attacks in the U.S. have spiked 26 percent since October 2015. Luxury retailers are seeing a risk increase of 38 percent.

Since the second quarter in 2015 to the first in 2016, the fraud rate on luxury goods has more than doubled.

Consumers making transactions overseas to Europe had the largest number of fraud attacks and saw 127 percent more than domestic.

Security breach

From the beginning of 2015 to the start of 2016, fraud susceptible transactions jumped from \$2 out of \$100 to \$6. The overall cost of fraud has jumped a significant 52 percent from 2015's fourth quarter to 2016's first and increased 14 percent before that from 2015 Q3 to Q4.



Cost of fraud

For luxury alone, there was a jump in attack rates from 43 per 1,000 transactions to 93 per 1,000. However, this does not translate across retail sectors with food and beverage only see six attacks for every 1,000.

There is no industry where the essential tension of online fraud prevention is more apparent and more pressing than luxury goods ([see more](#)).