

RETAIL

Fraud continues to be a growing threat for luxury retailers

April 16, 2018



Online fraud within business is becoming more prominent. Image credit: Saks Fifth Avenue

By BRIELLE JAEKEL

Despite the increase of security measures being introduced by financial institutions and retailers, fraud rose by 30 percent last year, leaving luxury retailers on alert.

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More fraud is happening on desktop than mobile, according to a report by Experian, with 53 percent happening on desktop and 29 percent on mobile. The report is urging consumers to be careful with their financial information by only using trusted sites, which means luxury retailers should enhance their online security.

“The volume of data breaches each year combined with the easier access to the dark web has made stolen personal information residing in those marketplaces more accessible for criminals,” said Mike Gross, director of fraud product strategy at Experian. “The availability of compromised data—both payment and identity—allows fraudsters to gain access to legitimate online accounts and create synthetic identities.”

Fraud in location

Throughout 2017, there was a 47 percent increase in shipping fraud, and a 60 percent increase in the West.



Shipping delivery is becoming a problem. Image credit: Amazon.

The average amount of funds lost from fraud per zip code last year was \$855.

There were 133,015 reports of fraud in 2017, of which 92 percent were through a credit card and 7 percent through direct billing, third-party transfers or prepaid gift cards.

Overall, half of all fraud in the United States last year occurred in only five states: California, New York, Florida, Oregon and Delaware.

Delaware and Oregon were considered the riskiest states for the second year in a row in both shipping and billing fraud, making up 18 percent of attacks. Delaware's fraud growth was beyond 300 percent and Oregon's was just under that figure.



As online shopping becomes more popular, so does fraud. Image credit: Saks Fifth Avenue.

While Florida remains one of the top at-risk states for fraud, it did see a decrease in the amount of fraud from last year.

The most at-risk city was South El Monte, CA, which saw an increase of 230 percent in fraud within a year.

Washington saw fraud double year over year in 2017.

Additional insight

During a fraud prevention webinar Sept. 19, an executive from Forter stressed that sales can be drastically impacted by accurate anti-fraud software.

Forrester's webinar session, "How Fraud Prevention Can Create Value for You and Your Customers," in partnership with Forter, revealed that after three years of using its fraud prevention software, retailers could acquire more than \$150 million in online annual revenue. Forrester and Forter's research shows that false positives are the most common, and the most hurtful result, as businesses are losing out on potential revenue ([see more](#)).

Now that retail is so heavily integrated with data, the fraud opportunities are vast and most consumers are concerned

with falling victim to an attack.

More than 87 percent of consumers are worried about credit card security when it comes to shopping, according to another survey from Radial. Retailers need to be sure to ease consumers' fears by providing the utmost security ([see more](#)).

"The dark web used to take a strong understanding of technology, now it simply takes downloading a file and automating the submission of thousands of applications or transactions simultaneously spread across multiple websites," Mr. Gross said. "Criminals use both real and fake identity information to open up fake credit card accounts in people's names to automate online."

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