

RETAIL

High-ticket items more prone to fraud due to bigger payouts: Forter

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Online fraud within business is becoming more prominent. Image credit: the Guardian

By BRIELLE JAEKEL

Luxury retailers and brands need to be more diligent than others in protection against fraud, as the sector saw a 38 percent increase in attacks within a year.

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High-priced items such as luxury goods and jewelry are proving to be more prone to fraud attacks as fraudsters can see substantial payouts from only one item.

"Fraud attack rates are consistently on the rise, up 13 percent in the past year overall, with new methods of attack and abuse being utilized more frequently," said Michael Reitblat, CEO and cofounder at Forter, New York. "With the increase in recent data breaches comes an increase in account takeovers (ATOs).

"Between Q3 2016 and Q3 2017 we saw a 31 percent increase in ATOs, proving that fraudsters are understanding the value of user accounts and have easier access to them than ever before," he said. "Additionally, we saw a 38 percent increase in fraud for the luxury sector, which is over two times higher than the overall fraud rates across industries."

Forter defines luxury goods as high-priced items within jewelry, clothing and accessories from brands such as Rolex and Louis Vuitton, all of whom accept international orders.

Fraud growth

As marketers and retailers take greater security measures against online fraud, the number of successful attacks is expected to go down.

From the first quarter of 2018 to the second, luxury saw a slight drop in fraud percentages, which could allude to brands fighting back.



Graph of luxury fraud, with Yaxis modified for view. Image credit: Forter

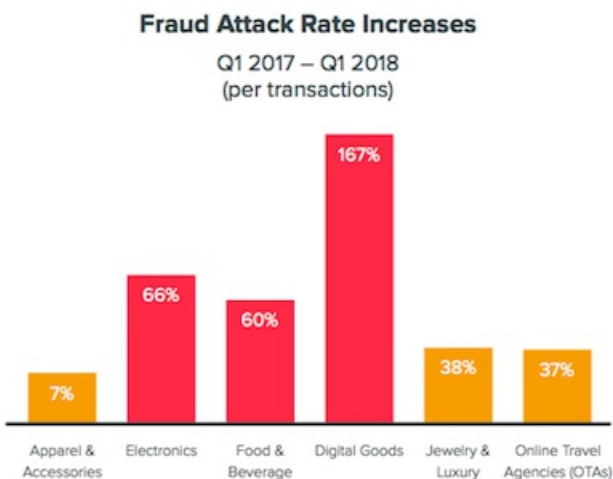
While high-priced items are popular targets for attacks, digital goods by far see the most fraud. The digital goods industry saw an increase of 167 percent in fraud attack rates within a year, per transaction.

Electronics also saw a significant hike, with a 66 percent increase in fraud.

Apparel and accessories goods not categorized as luxury saw the lowest growth in fraud, with only a 7 percent increase.

The sector itself continues to grow, as consumers become more comfortable with shopping for clothing and accessories online. Its low fraud rates, compared to other sectors, can only increase customers' confidence in ecommerce apparel shopping.

Last year, the industry even saw a 10 percent decrease in fraud. But it is not just luck that allows this sector to do well against fraud, as attackers like to fit into the mass audience and buy in bulk for resale without going noticed.



Graph on fraud attack rates by sector. Image credit: Forter

These retailers and brands are fighting hard against fraud, with seasonal hires and third-party partners that protect strongly against attackers.

The luxury sector and others should follow suit, as ecommerce continues to grow.

Additional insight

During a fraud prevention webinar on 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 story](#)).

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.

More fraud is happening on desktop than mobile, according to another 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 ([see story](#)).

"While merchants have historically focused on fraud at the point of transaction, we are seeing increases in other methods of attack and abuse," Mr. Reitblat said. "The increase in ATOs is significant, but 'friendly fraud,' also known as policy abuse, such as return abuse, coupon abuse and referral abuse, is also on the rise.

"During the Q4 holiday season, return abuse spiked by 119 percent, and in the second half of 2017 overall policy abuse increased by 93 percent," he said.

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