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Luxury shoes, jewelry most popular targets of holiday fraud: Forter

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The holiday shopping season is peak time for retail fraud. Image courtesy of Nordstrom

By SARAH RAMIREZ

The holiday season is a busy time for shoppers and criminals alike, as consumers are at a higher risk for fraud at the end of the year, with brands such as Christian Louboutin and Balenciaga seeing double the number of attempted attacks.

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According to Forter's [2018 Fraudster Wish List](#), spikes in fraudulent activity correspond with the peak holiday shopping seasons. Designer watches and shoes are the luxury goods most at risk for fraud.

"Expensive items lead to a more substantial payouts for online criminals," said Michael Reitblat, CEO and cofounder at [Forter](#), New York.

"Fraudsters tend to target high-end gifts that are valuable but not too pricey so they can slip under retailers' radars unnoticed," he said. "This is relatively easy to do in many cases since lots of ecommerce merchants still rely on antiquated manual review systems that can't scale adequately when demand increases like during the holiday season."

High alert

Mid-range luxury items are among fraudsters' favorites. Criminals are usually drawn to goods that are both valuable and easy to resell without drawing heavy scrutiny from retailers.

There are several types of holiday retail fraud.

One of the most common forms of online fraud is account takeover (ATO) in which criminals access consumers' account information and begin making purchases. Discount and return abuse is also common, especially around the holiday season.



Criminals often look to resell mid-range luxury items. Image credit: Neiman Marcus

The increase in fraud also coincides with a large increase in ecommerce holiday sales, including sales of luxury goods.

Between Black Friday and Cyber Monday, luxury footwear from Christian Louboutin and Balenciaga were targeted at twice their normal rate. Swiss watchmaker Tissot was also attacked by fraudsters at a rate 2.5 times greater than its average.

As sales this Black Friday and Cyber Monday reached new heights, consumers are becoming more comfortable buying luxury products on mobile devices.

According to online watches and jewelry marketplace TrueFacet, while this year's mobile traffic stayed steady over 2017 the platform's mobile conversion rates nearly doubled. Jewelry sales also edged out watches as the top sales category at TrueFacet, as the holidays mark peak gift-giving time for hard luxury items ([see story](#)).



Luxury watches and footwear are popular targets of fraud. Image courtesy of TrueFacet

Seasonal apparel, including outerwear and waterproof boots, were also targeted at the start of the holiday shopping season.

As high-end beverage makers start to become more accustomed to ecommerce sales, they leave themselves vulnerable to fraud as well.

High-end silver tequila and cognac were the most popular alcohol for fraud popular enough to easily resell, but still affordable enough to avoid suspicion from sellers.

Buyer beware

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, according to an earlier report from Forter.

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.

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 ([see story](#)).

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.

Throughout 2017, there was a 47 percent increase in shipping fraud, and a 60 percent increase in the West. The average amount of funds lost from fraud per zip code last year was \$855 ([see story](#)).

Brands and retailers that successfully curb fraudulent activities have a higher number of successful purchases and reduce the number of chargebacks from consumers.

"If a shopper realizes they were swindled and refutes a charge on their credit card statement, the merchant is often responsible for reimbursing them for their loss," Mr. Reitblat said. "Since luxury goods are pricey by definition, just a handful of disputed transactions can really eat into a high-end merchant's revenue, making effective fraud prevention particularly critical in this sector.

"While the number of fraud attacks overall spikes dramatically during the holiday season, the fact that the percentage growth year-over-year isn't higher indicates that only a fraction of the data stolen in breaches this past year have been used to commit fraud at this point," he said. "I expect that the sensitive details pilfered in 2018 will continue to pop up in unexpected places for years to come."

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