

RETAIL

Fraud continues to permeate ecommerce, growing yearly: report

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Brands and retailers continue investing in teams and tools to combat fraud and its ripple effects. Image credit: Unsplash

By KATIE TAMOLA

As the ecommerce landscape is ever-evolving, payment options expand and revolutionize, brands and retailers constantly strategize fraud prevention practices.

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The damage fraud does to a brand's bottom line is both clear and sizeable, as respondents from a new [report](#) from Verifi shared that 3.6 percent of ecommerce revenue was lost to payment fraud globally in 2022, an uptick from 3.1 percent in 2021. Regarding how fraud is most prevalent, phishing/pharming, card testing, identity theft and first-party misuse remain the most common fraud attacks, with each affecting more than three in 10 merchants globally.

Verifi issued this survey in November - December of 2021 to 1,060 merchants across North America, Latin America, Europe and the Asia-Pacific region involved in ecommerce fraud and payment management.

Fracturing fraud

As time goes on, instances of fraud remain and, in some cases, increase.

For the second consecutive year, respondents indicated that several areas or instances of fraud behavior have grown.



For the second year in a row, respondents indicated that several areas or instances of fraud behavior have grown. Image credit: Shutterstock

Respondents reported that 3.4 percent of their revenue was lost to payment fraud from domestic orders in 2022, an increase from 3 percent in 2021.

Merchants also reported that fraud led to a 3.4 percent rejection rate for domestic orders and a 6 percent rejection rate for international orders in 2022.

Domestic ecommerce orders that were determined fraudulent came in at 3.1 percent in 2022, an increase from 2.6 percent in 2021. The number of international ecommerce orders that were determined fraudulent consisted of 3.4 percent in 2022, an increase from 3 percent in 2021.

Three-point one percent of ecommerce orders led to chargebacks in 2022, reflecting yet another increase from 2021 which saw 2.7 percent of ecommerce orders lead to chargebacks.

Brands and retailers continue investing in teams and tools to combat fraud and its ripple effects.

In 2022, merchants are spending about an average of 10 percent of their ecommerce revenues to manage payment fraud, which is the same amount as 2021.

In contemplating how to further combat fraud in the future, 48 percent of merchants say they will always have fraud but want to reduce it, while 12 percent say they have plans to eliminate it.

Nineteen percent of merchants also said they will only review fraud for business-specific policies, while 21 percent said it remains a core part of their strategy.



Fraud can fracture consumer faith in ecommerce practices.

Regarding the most prominent fraud-related challenges, 33 percent of merchants say it is identifying/responding to emerging fraud attacks; 31 percent say it is keeping up to date on regulations or rule changes by payment system/card networks; 30 percent say it is changing business models quickly due to COVID-19; 29 percent say it is effectively using data to manage fraud.

In implementing fraud prevention tools, 41 percent of global merchants use payment card verification, 39 percent use identify validation services and 37 percent use two-factor authentication.

The power behind fraud

It goes without saying that fraud can negatively impact a brand and consumer's relationship. Fraudulent purchases affect both sides and can even lead to consumer hesitancy to return purchases.

Nearly half of shoppers in the United States have dealt with credit card fraud, with many victims not returning to the retailer after the incident, leaving merchants in a precarious position.

Credit card fraud has varying repercussions for retailers, who have to pay for the cost of the fraud and also see a damaged reputation and revenue loss ([see story](#)).

Implementing top technology and staying vigilant are crucial tactics for brands in combating fraud.

From returns of stolen goods to wardrobing, fraudulent returns represent billions in losses for retailers, but companies can combat scams with heightened training and technology ([see story](#)).

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