

Online Retail Fraud Attempts Increased by 30% in Past Year

New ACI Worldwide benchmark data of top global retailers reveals surge in 'card-not-present' fraud activity, warns of new pathways to fraud in EMV environment

NAPLES, Fla.--(BUSINESS WIRE)-- As retailers and consumers prepare for the holiday shopping season, they should brace for a higher level of fraud online and across all channels, according to new benchmark data from [ACI Worldwide](#) (NASDAQ: ACIW). The data*, based on hundreds of millions of transactions from large global retailers, forecasts consumer behavioral shifts and warnings ahead of this year's holiday shopping season.

Principle findings include:

- Significant increase in card-not-present (CNP) fraud attempts over 2014
 - Fraud rates by volume have increased: in 2015, 1 out of 86 transactions is a fraudulent attempt vs. 1 out of 114 transactions in 2014
 - Fraud attempt rates by volume have increased by 30 percent compared to 2014 as consumers shop with more devices online and card issuers are slower to shut down accounts after fraudulent activity
 - The shift to more secure EMV chip cards (effective in the U.S. October 1, 2015) will tighten controls on card present transactions, leaving fraudsters to look at eCommerce channels for attempts
- Due to recent data breaches and the continued shift to online shopping, retailers cannot risk a conservative approach this holiday season
 - Fraud attempt rates by value have increased by 33 percent compared to the same period in 2014
- The current trend is lower fraudulent spend amounts—but at a higher frequency
 - Fraud average ticket value (ATV), or a retailer's average size of individual sales by credit card, has decreased by \$9.00 over the past year from \$282 to \$273
 - Lower shipment costs, decreasing cost of goods and the ubiquity of coupons are contributing factors to a lowered ATV
- New types of fraud—and fraudsters
 - Card issuers are still working through their EMV plans, and fraudsters are keenly aware that there are less aggressive controls in EMV entry mode

"When it comes to fraud, 2015 is likely among the riskiest season retailers have ever seen; and it is critical that they prepare for a significant uptick in fraud, particularly within eCommerce channels," said Mike Braatz, senior vice president, Payments Risk Management, ACI Worldwide. "Our findings suggest that merchants must be even more vigilant and shore up eCommerce fraud protocols, which may leave online shoppers more vulnerable."

- New paths to fraud in 2015
 - Digital Downloads (Virtual Gift Cards or eGifting) has the highest attempted fraud rate at 9.55 percent, followed by next day/overnight at 6.57 percent, international (2.38 percent) and buy online/pickup in store (2.15 percent)
 - Buy online/pick up in-store attempted fraud rates are expected to increase by 28 percent this holiday season as a result of EMV being deployed within the card-present environment
 - Retailers do not require consumers to re-run cards when they pick up products in store, making this an attractive option for fraudsters

"We can't overstate the benefit of a targeted risk strategy based on peak holiday periods to ensure maximum revenue while also minimizing false positives," continued Braatz. "It is also critical for retailers to implement a real-time fraud solution, which continuously monitors fraud behavior and trends across all channels, both online and in-store."

A key component of the UP Payments Risk Management solution, ReD Shield is a premier CNP fraud detection and prevention solution for eCommerce merchants. ACI's UP portfolio of solutions orchestrates all aspects of payments processing for any payment type, any channel, any currency and any network. ACI recently bolstered its cross-border eCommerce payment and CNP capabilities with the acquisition of PAY.ON, a leader in eCommerce payment gateway services.

*Research Methodology

Analyzed payment transaction data from a sampling of leading U.S. and European retailers using ACI ReD Shield between January and July 2015 compared against the same period in 2014.

Terminology:

- Volume is the number of transactions, comparing last year to this year, like for like global retail customers
- Value is the amount of the transaction, comparing last year to this year, like for like global retail customers
- Fraud Attempt Rate: a transaction associated to any one or more of the following:
 - data point confirmed fraud as a result of a merchant verifying
 - data point matched a record in ReD Shield global screening negative database - Chargebacks, Credit Card Numbers being sold online in underground chat channels, or reported as fraud by an Issuer
 - pattern matching a recent confirmed fraud behavior

About ACI Worldwide

ACI Worldwide, the [Universal Payments](#) company, powers electronic payments and banking for more than 5,600 financial institutions, retailers, billers and processors around the world. ACI software processes \$13 trillion each day in payments and securities transactions for more than 300 of the leading [global retailers](#), and 18 of the world's 20 largest banks. Through our comprehensive suite of software products and hosted services, we deliver a broad range of solutions for payment processing; card and merchant management; [online banking](#); mobile, branch and voice banking; [fraud detection](#); trade finance; and [electronic bill presentment](#) and payment. To learn more about ACI, please visit www.aciworldwide.com. You can also find us on Twitter [@ACI Worldwide](#).

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