NOFRAUD

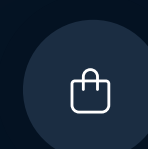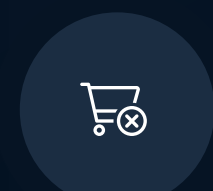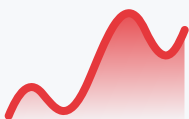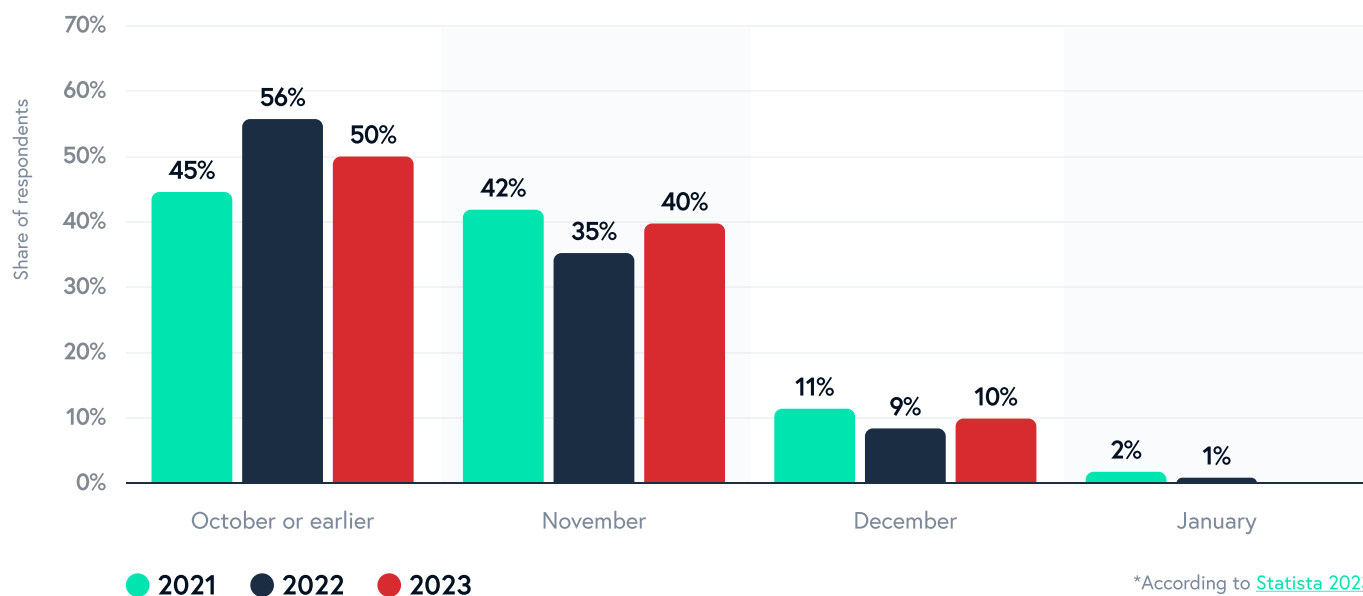# Celebrate More Revenue this Holiday Season

Protect your eCommerce business from fraud losses.

NOFRAUD

The holiday shopping season is in full swing!

The holiday shopping extravaganza is well underway, fueled by a unique blend of inflation, inventory challenges, and supply chain uncertainties. Consumers, eager to secure gifts before prices surge, are continuing the trend of diving into holiday shopping before December rolls around. As this festive spree gains momentum, so does the risk of fraud. Predictions for Q4 2023 reveal friendly fraud as the leading threat, with an anticipated attempt percentage of 20%, followed by 3% for account takeover and 1% for promotional abuse. ACI Payments has also reported an increase in BNPL fraud attempts, citing a near 6% increase in Q3 2023 as compared to last year and further predicting a 2% increase this holiday season.

Bar chart — Share of respondents

	October or earlier	November	December	January
2021	45%	42%	11%	2%
2022	56%	35%	9%	1%
2023	50%	40%	10%	

*According to Statista 2023

It is well documented that as soon as shopping increases, fraud increases. A new study from Juniper Research has found that the total cost of eCommerce fraud to merchants will reach $48 billion in 2023.

According to Adobe, mobile shopping will overtake desktop for the first time! The company anticipates over half (51.2%) of online spending will take place on mobile devices this holiday season, a milestone reflecting improved small screen shopping experiences.

The US accounts for over **42%** of global fraud by value, despite representing less than 7% of banked individuals globally.

Reducing fraud and prioritizing customer experiences across all devices is crucial to capturing more revenue this holiday season.

Decreasing Holiday Fraud Costs:
A Two-Pronged Approach

1   ## Eliminate Fraud

Learn about common fraud tactics and how to detect and prevent them. Any indication of deception or disguise should raise a red flag. Fraudsters will attempt to mask their true identity, so using a proxy, a burner phone, creating a new email address, or shipping to a freight forwarding company are often telltale signs of fraud, and those orders should be carefully scrutinized.

Another area of concern is identifying fraudulent chargeback claims. Dissatisfied customers may dispute a charge out of disregard for the merchant, out of spite in response to a negative experience with a business, or as an easier alternative to returning an unwanted item. Good customer service and an easy-to-follow return policy are reliable defenses against this type of fraud. Repeat offenders should be put on a customer block list, and effort must be invested in gathering evidence and composing compelling chargeback representments to win fraudulent chargeback disputes.

2   ## Improve Customer Experiences

The second objective in effectively reducing fraud-related costs is ensuring that your fraud prevention solution is not rejecting legitimate customers or causing shoppers excess friction. An easy way to improve customer satisfaction is by offering a guest checkout for new customers and autofill options for returning customers. This will save customers time and effort at checkout. Not burdening your customers with unnecessary data collection or necessitating the registration of a store account will increase conversions.

Fraud Predictions for 2023

A Longer Holiday Season = Extended Fraud Risk

McKinsey partner, Tamara Charm, says that this year's shoppers are showing different shopping behaviors. Most noticeable is a general down-trade mood amongst consumers. Although consumers may be in decent financial shape, there is an air of pessimism and shoppers are downtrading because they're worried about what might come next.

Charm also says, "consumers — rather than rushing to the shelves, to their phones, or to websites to buy something before everything runs out — are instead lengthening the holiday season. Their number-one concern is, 'When can I get the items that I want at the best price possible?'"

Be sure to have a seamless checkout experience for shoppers when they are ready to buy. Fraud prevention measures that hinder a smooth customer journey will result in abandoned carts and lost revenue. Use fraud protection solutions that reduce false declines and remove friction during checkout.

Anticipate an Increase in Friendly Fraud

A spike in chargebacks will inevitably follow a spike in sales. Even when you are properly vetting your customers, legitimate cardholders often submit fraudulent chargeback claims. This is known as friendly fraud or chargeback fraud.

This type of fraud is difficult to detect preventatively but can often be won via proper chargeback representment. Keeping good records and encouraging customers to reach out directly to your business if they are unsatisfied with their purchase will help mitigate friendly fraud.

The Soft Underbelly of eCommerce

Businesses that rely on manually reviewing orders for fraud will be more vulnerable during peak seasons when teams are spread thin, and fulfillment centers are flooded with orders. Fraudsters often exploit this vulnerability and place their orders in the early morning and add expedited shipping in hopes that the fraud team will be too overwhelmed with getting orders shipped and will be lenient with fraud review. Look out for suspicious orders placed at odd hours to stay protected against fraud opportunists.

Top targets for fraud during the holiday season:

Electronics

Jewelry

Home Goods & Appliances

Athletic & casual footwear

Designer clothing + Accessories

Alcohol & Tobacco

Regular Day vs Holiday Season number of false declines

Regular Day

3 out of 5 declines are actually legitimate

Holiday

4 out of 5 declines are actually legitimate

The State of Fraud Report highlighted several types of attacks that are likely to remain prevalent through the crucial holiday shopping period.

Types of Fraud Attacks to be on the lookout for:

Account Takeover

Curbside and buy online, pick up in-store schemes

Return fraud

Automated card testing

Synthetic identities

Mule fraud

Promotion abuse

Unathorized reselling

Other fraud attacks to look out for

✓ **Gift card fraud**
Using gift cards during the holiday season is very common. Gift cards are a popular choice for fraudsters since they don't have the same level of protection as credit cards.

✓ **Buy Now Pay Later (BNPL) fraud**
Given the delayed nature of BNPL payments and the typically low value of each payment, fraudsters can make several illegitimate payments using stolen card details before the fraudulent activity is noticed.

✓ **False item-not-received claims**
"Item Not Received" fraud is one of the top strategies scammers use to commit friendly fraud. As many as 32% of friendly fraud cases are cited as "order not received." a type of fraud can be difficult for businesses to detect; but by using NoFraud Chargeback Management, the burden of managing disputes is taken off your plate — even for non-fraud-related claims like "defective merchandise," "item not as described, "and "item not delivered."

Tips and Tricks

Don't Rely on Gateway Filters

Rules-based filters that automatically decline orders with an AVS mismatch are overly simple and can result in a high false decline rate. Instead, opt for fraud solutions that take a holistic view of risk and trust indicators.
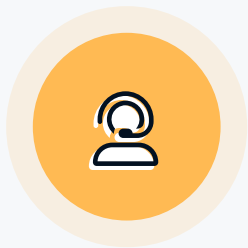
Don't Overburden Your Customer Service Team

Manually reviewing orders during the busy season can become hectic and leaves room for errors. With a full-service fraud solution, you'll identify more fraud, increase sales, and decrease false declines and chargebacks.
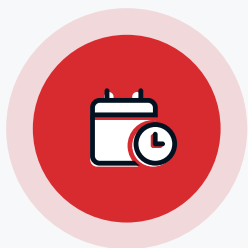
Beware the Holiday Hangover

Many businesses loosen their fraud prevention policies during the holiday season to keep up with the influx of orders only to be dismayed by the number of chargebacks that appear in January. Now is not the time to relax your fraud strategies. Full-service fraud prevention companies can help you weather busy seasons without adding additional staffing.

Improve Customer Experience

Ensure a Seamless CX across devices.

At 85%, <u>checkout abandonment is highest on mobile</u> devices. While a smartphone offers easy online browsing, completing a complicated checkout on the phone is often too uncomfortable for consumers. Make sure your site is optimized for mobile.

Ensure Compatibility with Third Party Payment Platforms

Third-party payments are favored by many consumers as a welcome alternative to creating yet another store account. Avoid abandoned checkouts due to the unavailability of the consumer's preferred payment option.

Lightning-Fast, Frictionless Order Completion

Moving customers swiftly from cart through checkout has a significant impact on revenue. 44% of eCommerce shoppers choose where they shop <u>based solely on the checkout experience</u>. Consider upgrading your checkout by removing friction and offering a one-click checkout option.

Benefits of NoFraud's Full Service Fraud Prevention Solution

✔ **Reduce Cost**

NoFraud offers a financial guarantee against fraud chargebacks, reduces fulfillment delays, and eliminates overhead fraud costs of maintaining an in-house fraud protection solution.

✔ **Add Revenue**

NoFraud has the capability of accepting orders that internal fraud teams and other solutions reject on suspicions of fraud. Manual review is conducted on select transactions by NoFraud experts for high-risk or high-value orders.

✔ **Elevate Customer Experiences**

NoFraud removes layers of friction and reduces false declines. Build brand loyalty and positive reviews by offering your customers speed and security.

✔ **Best in Class Customer Success**

NoFraud's 4.8 star G2 reviews describe the service as responsive, collaborative, and tailored to their customers' needs.

NoFraud Checkout

A quick, efficient checkout facilitates increased conversions in the short term and creates excellent customer experiences that encourage shoppers to return to your site.

Our entire checkout process is never more than one page and can be as quick as one click. Shoppers using NoFraud Checkout don't ever need to create an account or remember a password. It is compatible with third-party payment platforms and apps and is optimized for mobile shopping.

NOFRAUD

Real-time fraud prevention and minimal fields that adapt to each customer's risk level eliminate many layers of friction for shoppers while providing full protection for eCommerce merchants.

Moving customers swiftly from cart through checkout has a significant impact on revenue.

Make the most of the upcoming Holiday Season by being prepared to roll out promotions early, providing a great customer experience, and staying ahead of the fraud curve. If you suspect that your approval rate could be improved and that your fraud prevention efforts may be blocking legitimate customers, you may want to explore a more advanced fraud prevention solution or try a side-by-side comparison with another solution.

Ready to learn more?

Set up a trial with a fraud analyst and see how NoFraud will benefit your business, by approving more orders, relieving your internal teams from manual review, and having a positive impact on your bottom line.

✓ Start a Free 2-week Trial Today