

## Online merchants struggling to cope with the ‘fragmentation of fraud’

*Worldpay research identifies ‘perfect storm’ as 79% of merchants admit the growing number of markets, sales channels and payment methods is making effective fraud prevention difficult*

**London, 2<sup>nd</sup> December 2014** – More than three-quarters of online merchants (79%) believe the growing proliferation of markets, purchasing channels and payment methods pose a significant challenge for effectively dealing with fraud, according to the *Fragmentation of Fraud* report released today by global payments specialist [Worldpay](#). Only one in five (20%) online merchants stated they are very confident about their ability to manage new fraud threats and half (50%) find it difficult to keep up with fraud trends.

“What is clear is that in this ever-changing eCommerce landscape fraud is becoming more difficult for online merchants to manage,” says Kevin Dallas, chief product and marketing officer, Worldpay e-commerce. “As merchants continue to expand their cross-border operations, sell through more channels and offer more payment methods to meet local customer needs, keeping abreast of new fraud threats is becoming increasingly challenging.”

### **More channels**

The report, which surveyed employees responsible for fraud prevention at more than 250 international online merchants, found that almost three-quarters (73%) plan to operate through new channels in the next two-three years. However, 77% believe that a multi-channel approach makes fraud prevention more difficult and 76% feel it makes them more open to fraud attacks.

### **More countries**

International online merchants sell to an average of 14 countries, yet 70% admit they struggle to keep ahead of fraudulent activities within those different markets. With three quarters (76%) of online merchants stating that they expect international orders to make up a greater proportion of their customer orders in two years’ time, these issues are only set to intensify.

### **More payment methods**

As alternative payments continue to grow in popularity, the greater variety of payment methods merchants’ offer is also seen as a risk to fraud prevention. 63% are struggling to keep ahead of fraudulent activities across different payment methods. And among merchants accepting specific payment methods, there is greatest concern about fraud for credit cards (82%), virtual currencies (82%), e-wallets (78%) and mobile payments (75%).

“Thanks to the internet, the world is a smaller place and most people can now buy goods from any country,” says Tony Sales, convicted fraudster. “Unfortunately so can criminal gangs. Using fake payment methods, from stolen credit card numbers to mobile wallet accounts, they can systematically attack companies around the world. The information contained in this report provides true insight into how fraudsters will attack online merchant’s systems over the coming months and years and should give online merchants a wake-up call to respond.”

With the threat of fraud only set to increase, merchants are concerned they do not have the resources to manage fraud effectively. The main barriers to being able to reduce fraudulent orders are not having a dedicated omni-channel fraud and loss prevention method (57%) and lack of time to investigate and implement methods that could better manage fraud (49%). 82% also feel that a partnership approach with a fraud expert is critical to keeping ahead of threats.

“Data from our RiskGuardian risk management tool shows that, on average, 2.6% of transactions are rejected because of fraud. To a merchant with an annual turnover of \$50 million that’s a loss of \$1.3 million – so it’s critical that merchants can effectively fight fraud,” concluded Dallas. “Merchants should look for a risk management tool that gives them a holistic view of fraud threats, including all payment types, channels and countries. I’d also advise them to work closely with a partner that understands fraud threats to ensure they can continue to fight fraud as their businesses grow and eCommerce continues to evolve.”

Diarmuid Considine, Senior Commerce Operations Manager at Skype comments, “This is a valuable contribution to the community of fraud professionals as it helps benchmark each company’s strategy, both in terms of resource management and channel/region focus. Like all good surveys, it helps you to start to ask the right questions and to reflect on the direction you should be taking your company.”

### **What is keeping online merchants up at night?**

Merchants feel the key challenges when it comes to identifying and preventing fraud are:

- **The growth of mobile payments – 70%**
- **Purchases from particular countries – 65%**
- **The number of channels they use to sell – 60%**
- **The number of countries operated in / sold to – 58%**
- **The growth of ewallets – 54%**

**ENDS**

### **Notes to editors**

Research carried out by Loudhouse in September and October 2014.

274 interviews were conducted among those responsible for online fraud management in international merchants (with \$50m+ turnover or equivalent) across five verticals, based in the UK, USA, China, Russia, Japan and India.

### **About Worldpay**

Worldpay is a leading global provider of payment and risk services, processing millions of transactions every day. Core services include card acquiring, treasury, gateway, alternative payments and risk management. All of which can be provided with a single integration to Worldpay.



Over 15 years, we have become the preferred partner and advisor to the world's largest retailers, making global payments simpler every day for over 400 leading retailers.

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