

## 2016-17 Global eCommerce Fraud Survey

### Question

Welcome to MRC's Global Fraud Survey, the industry's most comprehensive study on eCommerce fraud rates and risk management practices.

The topics covered in this online fraud survey include:

- Global Performance metrics
- Comparison across sales channels
- Manual review practices and performance metrics
- Mobile fraud

The survey will take approximately twenty (20) minutes to complete, and you can begin the survey and resume at any point as needed.

Please note that your identity and the identity of your company will remain anonymous. Participants who complete the entire survey will be entered into a drawing to receive one of two \$500 Visa® Gift Cards.

Please click "Next" to begin the survey.

Is your company a member of the Merchant Risk Council (MRC)?

- Yes **(1)**
- No **(2)**
- Don't know

Which of the following best describes your role in managing eCommerce fraud in your organization?

*Note: Throughout this survey, when we refer to eCommerce we're including orders placed via webstore, mobile/tablet and telephone and kiosk.*

- Ultimately responsible (1)
- Influence policy and fraud management decisions (2)
- No involvement at all (3)

What goods or services are the primary source of your eCommerce revenue?

- a. Digital Goods, Online Services OR Event Tickets
- b. Subscription Services
- c. Physical Goods
- d. Travel Services
- e. Services, excluding travel
- Other (please describe) \_\_\_\_\_

**In this section we ask about your business, including your sales channels and countries you accept orders/bookings from.**

**Please note that throughout the survey when we refer to eCommerce, we mean any channel through which a customer can place a non-store order. This may be through your website or a mobile device.**

Which of the following order channels does your organization support?

*Please select all that apply.*

- Webstore or online store (1) (ecommerce website that is typically accessed via a desktop or laptop computer)
- Mobile commerce (via mobile-optimized website or mobile app) (8)
- Telephone/call center or mail order channel (4)
- Kiosk (5)
- Physical store(s)/ (Brick & Mortar)(6)
- Third-party marketplace
- 

What is your estimated annual eCommerce revenue (includes sales through online and mobile channels) for 2016?

*Instruction: Please include revenues on all orders received and handled by your **global** eCommerce operations including orders received from other countries which you export goods or services to fulfill.*

Please estimate your annual eCommerce revenue

- Less than \$500,000 (1) (Euro conversion)
- \$500,000 - \$5m (2)
- \$5m - \$25m (3)
- \$25m - \$50m (9)
- \$50m - \$100m (4)
- \$100m - \$1b (5)
- Over \$ 1b (6)
- Unable to share (7)
- Don't know (8)

What is the average order value of your organization's ecommerce sales channel?

- less than \$10 (Euro conversion)
- \$10-25
- \$26-50
- \$51-100
- \$101-150
- \$151-250
- >\$251 (also include Euros equivalent in parenthesis)

Is your primary product/service paid for in one-time transactions or via recurring payments?

*Select one*

- One-time transactions (e.g. Books, DVDs)
- Recurring payments (e.g. subscriptions)

- Insert an 'eCommerce' definition: By 'eCommerce', we mean any channel through which a customer can place a non-store order. This may be through your website or a mobile device.

What percent of your annual eCommerce revenue comes from mobile devices?

- % of annual eCommerce from mobile app or browser: \_\_\_\_\_%
- Don't know
- We don't track this

When determining the country of origin for ecommerce orders which of the following do you primarily use:

*Select one.*

- Bill to country
- Ship to country
- IP Address country
- Website country
- Other (please describe): \_\_\_\_\_

Which of the following regions do you accept eCommerce orders from?

- Africa (1)
- Asia Pacific (2)
- Europe (3)
- Middle East (4)
- North America (5)
- Latin America (6)
- All of the above (7) [*Keep position ♦ Exclusive*]

Please select ~~h~~ your 5 largest countries in terms of ecommerce sales (select up to five)?

**North America (i)**

- United States (52) [*Keep position*]
- Canada (53) [*Keep position*]

**Latin America (c)**

- Brazil (15) [*Keep position*]
- Mexico (16) [*Keep position*]
- Argentina (17) [*Keep position*]
- Chile (18) [*Keep position*]
- Peru (19) [*Keep position*]
- Columbia (20) [*Keep position*]

**Europe (e)**

**Central and Western Europe (ce)**

- Austria (24) [*Keep position*]
- Germany (25) [*Keep position*]
- Switzerland (26) [*Keep position*]
- United Kingdom (27) [*Keep position*]
- France (28) [*Keep position*]
- Belgium (29) [*Keep position*]
- Ireland (30) [*Keep position*]
- Italy (31) [*Keep position*]
- Netherlands (32) [*Keep position*]
- Spain (33) [*Keep position*]

Venezuela (21) [*Keep position*]

Portugal (34) [*Keep position*]

#### Asia Pacific (b)

Japan (4) [*Keep position*]

China (5) [*Keep position*]

Hong Kong (6) [*Keep position*]

Taiwan (7) [*Keep position*]

Australia (8) [*Keep position*]

New Zealand (9) [*Keep position*]

Singapore (10) [*Keep position*]

India (11) [*Keep position*]

Thailand (12) [*Keep position*]

Indonesia (13) [*Keep position*]

South Korea (14) [*Keep position*]

#### Middle East (d)

United Arab Emirates (22) [*Keep position*]

Saudi Arabia (23) [*Keep position*]

#### Africa (a)

South Africa (1) [*Keep position*]

Kenya (2) [*Keep position*]

Nigeria (3) [*Keep position*]

#### Scandinavia (g)

Denmark (35) [*Keep position*]

Finland (36) [*Keep position*]

Sweden (81) [*Keep position*]

Norway

#### Eastern Europe (h)

Russia (37) [*Keep position*]

Czech Republic (38) [*Keep position*]

Estonia (39) [*Keep position*]

Greece (40) [*Keep position*]

Hungary (41) [*Keep position*]

Latvia (42) [*Keep position*]

Lithuania (43) [*Keep position*]

Poland (44) [*Keep position*]

Slovakia (45) [*Keep position*]

Turkey (46) [*Keep position*]

Ukraine (47) [*Keep position*]

Bulgaria (48) [*Keep position*]

Croatia (49) [*Keep position*]

Serbia (50) [*Keep position*]

Romania (51) [*Keep position*]

**In this section, we ask more about your fraud management and chargeback metrics.**

**Note: We're defining fraud as orders that your business accepted but was unable to collect payment on due to fraud i.e. chargeback refunded canceled, blocked etc.**

What are three main KPI's that are most important to you for managing fraud?

- Fraud rate – transaction amount (percent of your annual eCommerce revenue you lose due to payment fraud)
- Fraud rate – transaction count (out of 1000 transaction, if you were unable to collect payment on 10 transaction the fraud rate is 1%)
- Confirmed fraud rate (cases known to be fraud due to chargebacks or investigations) – transaction amount
- Chargeback rate (Chargeback is defined as a transaction where the card issuing bank disputes a previously authorized transaction)
- Rate of refunds issued (suspicion of fraud) – transaction amount
- Friendly fraud rate – transaction amount (chargeback issued after items received by genuine cardholder)
- False positives (blocked transactions confirmed not to be fraud) – transaction amount

- Order rejection rate or **Blocked rate** (order is automatically or manually rejected for processing/cancelled prior to shipment or service fulfillment)
- Order authentication rate (% of transaction that you authenticate due to suspicion of fraud via 3-DS, two factor authentication etc.)
- Manual review rate – transaction amount (Manual screening is defined as those orders that are not processed or delivered automatically and go through a manual / back office analysis to determine if they should be accepted or rejected.)
- Manual review rate – transaction count
- Chargeback rate of transactions manually reviewed and accepted

**When estimating the total cost of eCommerce fraud for your business which of the following do you include?**

*Please select all that apply.*

- Cost of lost goods/services (1)
- Shipping and other order fulfillment costs (2)
- Order review and other risk management costs (3)
- Additional fees/costs associated with the payment transaction (e.g. chargeback fees) (4)
- Chargeback dispute fees and costs associated with disputing chargebacks (5)
- Refunds/Credits issued to customers who claim fraud but did not submit a fraud chargeback claim (6)
- Estimates of revenues lost due to rejecting valid customer orders (7)
- All of the above costs (8) [*Exclusive*]
- Other costs – please describe: (9) \_\_\_\_\_ [*Other*]

**Fraud Rate by Revenue**

What percent of your annual eCommerce revenue do you lose due to payment fraud globally?

Note: This includes fraud chargebacks received, as well as credits/refunds issued directly to customers who claim not to have placed an order as well as chargeback fees.

- Percent of annual eCommerce revenue lost to payment fraud: \_\_\_\_\_% **(1) <go to Q11>**
- Don't know **(2) <go to Q11>**
- We do not track **(3)**

What percent of annual eCommerce revenue do you lose to payment fraud on orders for your top 5 countries?			
	% of eCommerce revenue lost	Don't know	Do not track
^from top 5 - Country#1^	_____	?	?
^from top 5 - Country#2^			
^from top 5 - Country#3^			
^from top 5 - Country#4^			
^from top 5 - Country#5^			

What percent of global annual eCommerce revenue do you lose to payment fraud for the following <b>payment methods</b> ?				
	% of eCommerce revenue lost	Don't know	Do not track	Do not accept
Credit/Debit Cards	_____	?	?	
Direct debit / Pull bank transfer				
Open invoices				
PayPal				
_____				

For the following channels, what percent of your annual revenue from that channel do you lose due to payment fraud globally?			
	% of eCommerce revenue lost to payment fraud	Don't know	Do not track
Webstore (1)	_____	?	?
Option only offered where Q1 = 2 or 3 Mobile commerce (mobile-optimized website or mobile app) (2)	_____	?	?
Option only offered where Q1 = 4 Telephone/call center or mail order			

**Order Reject Rate/Blocked Rate**

What percent of annual eCommerce orders do you **reject** due to **suspicion** of fraud for each of your top 5 eCommerce countries? (e.g. order is automatically or manually rejected for processing/cancelled prior to shipment or service fulfillment)

	% of orders rejected due to suspicion of fraud	Don't know	Do not track
^from top 5 - Country#1^	_____	?	?
^from top 5 - Country#2^	_____	?	?
^from top 5 - Country#3^			
^from top 5 - Country#4^			
^from top 5 - Country#5^			

What percent of accepted annual eCommerce orders were fraudulent (i.e. fraud rate by order) for top 5 countries?

*(Consider orders where you received a fraud chargeback OR a **credit issued** directly to a customer who claimed not to have placed the order.)*

	% of accepted orders that turn out to be fraudulent	Don't know	Do not track
Country 1	_____	?	?
Country 2	_____	?	?

What was your annual **gross fraud related chargeback rate** for orders from <top 5 country from Q7>?

Please provide the percent of eCommerce orders for which you have received chargebacks due to fraud in the past 12 months.

**Note:** A chargeback is defined as a transaction where the card issuing bank disputes a previously authorized transaction.

	Percentage	Don't know	Do not track
Overall company (Globally)			
^from top 5 - Country#1^			
^from top 5 - Country#2^	_____	?	?
^from top 5 - Country#3^	_____	?	?
^from top 5 - Country#4^			
^from top 5 - Country#5^			

**Of the eCommerce fraud chargebacks you dispute, what portion do you "win"?** (hover over definition for win- When chargeback funds are returned to the merchant)

Please enter a whole number from 0 to 100.

- Don't know (1)
- Do not track (2)

Of your total fraudulent eCommerce orders, what percent are due to fraud chargebacks from a bank or other payment provider?  
For example: If your chargeback rate is 0.6%, and your fraud rate by order is 1%, the portion of fraud-coded chargebacks is 60%

	q9aa_1 - Percentage	q9aa_2 - Don't know	q9aa_3 - Do not track
Percent of total fraudulent orders which are fraud-coded chargebacks (1)	_____	?	?

**Please rank the order of fraud attacks frequently experienced by your company.**

#1 representing the MOST frequently experienced vs #11 representing the LEAST frequently experienced.

Please double click to make your selection, you can also use arrow to move your selection up or down.

- \_\_\_ Account takeover (1)
- \_\_\_ Affiliate fraud (2)
- \_\_\_ Botnets (3)
- \_\_\_ Clean fraud (4)
- \_\_\_ Friendly fraud (5)
- \_\_\_ Identity theft (6)
- \_\_\_ Phishing/pharming/whaling (7)
- \_\_\_ Re-shipping (8)
- \_\_\_ Triangulation schemes (9)
- \_\_\_ Coupon/Discount/Refund abuse (10)



Card Testing (11)  
 Money laundering (12)  
 Other (Please specify) (13) \_\_\_\_\_ [Keep position  Other]

With determining high risk countries in mind, please list the top 5 countries where you have highest % of rejected orders due to suspicion of fraud (using country of origin to determine country)

PRESENT SAME COUNTRY LIST AS Q7 – full country list

What has been your greatest ecommerce fraud challenge over the last 12 months?

*Please select up to three challenges.*

- Lack of internal expertise
- Lack of sufficient internal resources
- Identifying / responding to emerging fraud attacks
- International expansion
- Gaps in fraud tool functionalities
- Updating fraud risk models (e.g. score)
- Tracking friendly fraud
- Tracking false positive
- Keeping up government regulations or rule changes by payment systems / card networks.
- Other (please describe): \_\_\_\_\_

Which of these fraud detection tools does your organization use or plan to add to assess eCommerce payment fraud risk?

*Please select all that apply.*

	Tools currently use	Tools plan to add in the next 12 months	Do not use or plan to add in the next 12 months
<b>Validation Services</b>			
Address Verification Service (AVS)			
CVN (Card Verification Number – CVC2, CVV2, CID etc.)			
Payer Authentication (3D Secure): Verified by Visa / MasterCard SecureCode / American Express SafeKey			
Telephone number verification/reverse lookup			
Postal address validation services			
Geographic indicators/maps			
Email verification			
Credit history check			
Complete Identity paid-for public records services			
Social networking sites			

Biometric indicators (e.g. voice recognition, keylogging, clicking)			
Two factor phone authentication (In-App, SMS, Email link, etc.)			
Search engine results			
<b>Your Proprietary Data / Customer History</b>			
Fraud scoring model – company specific			
Positive lists / whitelists			
Customer order history			
Customer website behavior/pattern analysis			
Negative lists / blacklists (in-house lists)			
Order velocity monitoring			
Proxy detection			
<b>Multi-Merchant Data / Purchase History</b>			
Shared negative lists – shared hotlists			
Multi-merchant purchase velocity / identity morphing models			
<b>Purchase Device Tracing</b>			
Device fingerprinting			
IP-geolocation information (country, city etc.)			
- Geo location (traditional laptop/desktop)			
- Geo location (Mobile device, tablet)			
Other (please specify): _____			

**Of the tools your organization currently uses to detect eCommerce payment fraud, please select the three most effective tools?**

Do you use the same or different fraud tools between mobile and web channels to manage fraud?

- Yes we use same tools for all channel
- No, we use a different combination of tools per channel
- Don't know

What tools are most important to use to manage fraud in the mobile channel?

- List the tools that are selected as currently use

What percent of eCommerce orders do you **manually screen** for fraud?

*Please enter your response in numeric form as a whole number, i.e. 1-100, without a % sign. Your best estimate is fine.*

- % of orders requiring manual review: \_\_\_\_\_ % **(1)**
- Don't know

- None – we do not conduct any manual reviews **(2) <go to Q after manual review>**

Of the eCommerce orders you **manually** review, what percent do you decline?

*Please enter your response in numeric form as a whole number, i.e. 1-100, without a % sign.*

- % of orders declined after manual review: \_\_\_\_\_%
- Don't know
- We don't track

How many eCommerce orders does a reviewer complete per hour?

- Number of orders \_\_\_\_\_
- Don't know (2)
- Do not track (3)

How many full time employees are allocated to your organization's fraud team?

*This includes following functions (Fraud policy & management (including tuning of fraud rules), Fraud analyst / data analytics, Chargeback investigation, Manual review)*

- Number of full time employees in fraud team \_\_\_\_\_
- Don't know (2)
- Do not track (3)

Do you outsource any of these fraud management functions?

- Fraud Modeling/Scoring
- Fraud third party information
- Fraud tools
- Fraud policy & management
- Fraud analyst
- Manual review
- Chargeback management and disputing

Which department is responsible for fraud management within your organization?

Where is the fraud team located within organization?

- Finance
- IT/Technology
- Operations
- Marketing
- Sales
- Customer Service
- Other: \_\_\_\_\_

Which of these best characterizes your **top priority** strategies/focus areas for improvement over the next 12 months?

Please select up to four options.

- Improving automated detection and sorting accuracy
- Streamlining manual review tasks and workflow
- Improving process analytics
- Better managing omni-channel fraud
- Improving chargeback dispute process
- Outsourcing portions of the review/screening operation
- Other (please specify): \_\_\_\_\_
- Don't know

### QC1 - QC1

[Force Number of Items: Min 1]

Would you like to receive an advance copy of the research results and be entered into the drawing for one of the two \$500 cash prizes?

*Select all that apply*

- I would like to participate in the drawing (1)
- I would like to receive a copy of the research results (2)
- None of the above (99)

### QC - QC

[Open Text]

Please provide your name and email address so that we may send you the research results from this study and/or notify you regarding the drawing:

*Your answers will be kept completely confidential and your email will be used only to send you the report and enter you in the drawing*

Name: (1) \_\_\_\_\_

Email: (2) \_\_\_\_\_

**Complete –**

*The Merchant Risk Council and CyberSource would like to sincerely thank you for participating in this year's eCommerce Fraud Survey.*

*For more information about the MRC, please click here.*

<http://www.merchantriskcouncil.org>

## **Fraud Tool Descriptions (for the tool question hover over)**

### **Address Verification Service (AVS)**

This is the address verification check done by the banks as a part of a standard card authorization. It verifies whether the address (street number) and post code provided by the purchaser match that on file for the card holder. Merchants then make decisions based on the response “Match”, “Partial Match”, “No Match”, “Unavailable”.

### **CVN (Card Verification Number – CVC2, CVV2, CID etc.)**

Refers to the 3 or 4 digit card verification number printed –\_not embossed –\_typically placed on the back of the card. This number is never transferred during the card swipes (magnetic or physical).

### **Verified by Visa**

Is a system developed by Visa where Visa card holders can register a password for their cards and when one of their registered cards is used online they are prompted to enter the password to verify their identity and authorize the purchase.

### **MasterCard SecureCode**

Is a system developed by MasterCard where MasterCard card holders can register a password for their cards and when one of their registered cards is used online they are prompted to enter the password to verify their identity and authorise the purchase.

### **Telephone number verification/reverse lookup**

Services providing information associated with a phone number (name, address, etc.).

### **Postal address validation services**

Refers to using post office and other address databases to verify valid shipping addresses.

### **Paid for public records services** (e.g. Experian, 192business etc.)

Private services offering information on individuals, addresses etc.

### **Customer order history**

Using a customer’s prior order history to determine if an order is likely to be valid.

### **Customer website behavior/pattern analysis**

Analyzing website traffic and flow for fraud analysis. Profile how fraudsters navigate website as compared to valid customers.

### **Order velocity monitoring**

Business rules that analyze the total number of orders an individual customer places and flag orders if the customer places too many orders during a certain period of time.

### **Multi-merchant purchase velocity/identity morphing models**

Models that compare current order information to an external database of multi-merchant transaction histories, looking for attempts to disguise identity and purchase frequency via cycling of customer information (such as different names and addresses attached to the same card number).

### **Device “fingerprinting”**

Fingerprinting is a non-invasive technique for examining the unique characteristics of any browser-connected computer, digitizing these characteristics, and maintaining a list or database of devices which have this characteristic. In a number of cases this may result in only one machine. Based on experience with the device, a merchant can decide if the device is (1) trusted, (2) unknown, or (3) not trustworthy.

### **IP geolocation information**

Refers to the ability to look up an internet user’s IP address and identify the geographic area (country, state, city etc.) assigned to that IP address.

### **Case management system**

A system that manages the workflow associated with orders marked for review. Typically provides fraud analysts a “review dashboard” that displays all data available to disposition the order, including reasons the order was marked for review. May also support routing of cases by reviewer specialty, product category etc.