

E-commerce companies are increasingly becoming victims of fraud



CRIFBÜRGEL interviewed e-commerce companies from Germany, Austria and Switzerland about their experiences of fraud in online commerce. The results are clear: 97 percent of online shops in Germany have already faced fraud or attempted fraud (Austria: 87 percent; Switzerland 92 percent). In addition, 73 percent of the German survey participants stated that fraud in their shops had increased (55 percent) or strongly increased (18 percent).



"Fraud prevention in online shops is becoming increasingly important. There are now hardly any online merchants who have not already suffered financial losses as a result of organised fraud. The fraudsters' methods are becoming more and more professional and difficult to understand," commented Christian Bock, Managing Director of CRIFBÜRGEL.

Four fraud trends in e-commerce: falsified data and identity theft top the list

According to the online merchants surveyed, there are four main fraud trends in e-commerce in Germany. Fraudsters most frequently use falsified name or address data. Around 97 percent of German shops were affected by this form of fraud. Identity theft follows in second place: 91% of companies had already come across customer pretending to be a completely different real person. 84 percent of merchants were affected by a type of fraud where the buyer knows in advance that he cannot or will not pay the invoice linked to the transaction, but the goods are still sent from the retailer to the non-paying customer. More than half of fraud cases (58 percent) are the result of stolen payment data (e.g. credit cards).

More than half of online shops have experienced a financial loss in excess of €10,000 in the last 12 months.

The effects of these fraudulent activities can take different forms. The most important effects of corporate fraud are reputational damage, legal costs and direct financial loss. For the majority (70 percent) of the German companies surveyed, the highest individual loss due to fraud was less than €5,000. However, one in six online shops reported losses of between €5,000 and €10,000. Almost one in ten companies (9 percent) suffered individual losses of over €25,000 due to fraud. When asked about the total amount of damage incurred in the last twelve months, 34 per cent of German online shops had a loss of less than €5,000. However, 56 percent of online retailers suffered a loss of more than €10,000 in just one year.

One-third of shops implement fraud prevention measures themselves

The survey also shows that online shops in Germany are already dealing intensively with fraud. For example, 91 percent of the companies surveyed stated that they were already taking measures against fraud. Manual checking by employees is the most common measure (90 percent). 77 percent of online shops have their own customer list to prevent fraud. A quarter of e-commerce companies use so-called fraud filters on a name and address level to detect fraud. One-third of online shops in Germany implement all fraud prevention measures themselves. 58 percent of German companies also make use of external service providers. "Large online shops now have their own fraud detection departments. Technical progress and digitalisation are encouraging the emergence of new fraud methods. Small and medium-sized companies in particular often do not have the resources to carry out all the checks themselves. This is where outsourcing can be used to take even more efficient action against fraudsters. CRIFBÜRGEL sees itself as a solution provider and helps the e-commerce industry to identify customers and avoid fraud attempts. With an intelligent decision logic, various risk and fraud tools can be used based on a set of rules. For example, we automatically check orders for fraud patterns using defined fraud features, such as the end device used," says Christian Bock.

About the study

The survey on "Fraud in online trading" was conducted by CRIF between December 2018 and April 2019 throughout the DACH region. Around 120 online and mail order retailers from CRIF's customer base in Austria, Germany and Switzerland were surveyed.