

The e-commerce fraud enigma

The impact of online transaction fraud prevention efforts





Aite Novarica Study

This study was conducted in May 2022, surveying 207 large and mid-sized U.S. e-commerce firms. The research quantifies the **impact of online transaction fraud prevention efforts and false declines** for U.S. e-commerce and digital marketplace merchants. Let's take a look at a few of our key findings!¹

Online purchases continue to increase

More than 75% of e-commerce firms expect continued double-digit growth rates in 2022. The pandemic spike did not subside, with roughly 12% of card purchase dollars were spent online as of the end of 2021.

16% of all attempted online transactions experience friction for suspected fraud risk. The average merchant reviews 16% of transactions for fraud risk.

70% of the friction is unnecessary. 52% of merchants say that more than 70% of the transactions that they manually review is ultimately approved. **10 minutes is needed for each review.** Additional insights from Experian customers suggest reviews are costly and friction is significant.

1.16% of all sales are rejected by merchants unnecessarily. These are "False Declines" – good customers rejected as suspected fraud.

- **64%** of merchants actively **track false declines** as a key metric
- **45%** specifically **track the revenue lost** to false declines

78% of merchants report friction driven by suspected fraud is increasing.

- **78%** of merchants report increasing **declines due to suspected fraud** over the last two years
- **46%** indicate an **increase of more than 5%**

How are e-commerce merchants reacting?



TOP PRIORITIES

75% of merchants identify **maximizing sales, minimizing friction, reducing false declines and better balancing sales and fraud losses** as their top priorities.



LOOKING FOR CHANGE

88% of surveyed merchants **are open to new collaborative ways** to securely share data with issuers to help with these goals.



FRAUD LOSSES

Nearly **1/2** of surveyed merchants reported **fraud losses of 15 to 24 bps-** (0.15%- 0.24% of total dollar sales).





Aite Novarica's recommendations:

After looking at the findings, to help increase approval rates and reduce the amount of false declines, it's recommended that merchants have an additional view into data beyond the authorization stream between merchant and issuer. Current data in the authorization stream is too limited.



Direct access and control over data access and use.

- Enabling merchants to augment fraud risk assessment with credible, current, deterministic data
- Control data use to drive real-time resolution, reduce friction, false declines, and review costs

How can Experian help?

Data beyond the authorization stream confidently links shoppers to their payment cards

Experian Link™

frictionless credit card account owner verification

- Only Experian Link™ associates the payment card with its owner
- Accuracy based on 1.3 billion monthly updates to card status and cardholder information

No credit inquiry is needed to link account ownership and the shopper's identity information

- Account ownership and identity information are independent from payment behavior and do not require FCRA

The Results



85%+ positive match rates for major card brands (Visa, MasterCard, Discover)



30% lift in real-time address confirmation over data in the authorization stream

- Credit card transactions in the U.S. account for 46% of total online transactions
- More than other online payment forms (debit and e-wallet) combined



Fraud rates of 10 bps

- When a card and consumer are matched, along with a limited number of address-related data points, transaction fraud rates remain in the range of 10 bps
- Where Experian Link provides no match, fraud rates are 1,000 bps



About Experian Link™:

Experian Link™ increases online credit card transaction approval rates without increasing fraud risk by linking the payment instrument with the digital identity of the card user and assessing the risks associated with both. Experian Link leverages Experian's vast data assets, including over 500 million credit card account numbers on file in the U.S. across 250 million consumers, to match the credit card to the user. Experian Link's patent-pending REST API simply and frictionlessly reduces false declines delivering an improved online customer experience, increased merchant sales revenue, reduced fraud risk, and lower operating expenses.

[Click here to learn more about Experian Link™,](#)
our frictionless credit card account owner verification solution

