

Insight Guide

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# Global ecommerce in 2020

Redefining the retail experience  
as shopping patterns change



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## Summary

Global ecommerce has become dominated by mobile, with thriving retailers and ecommerce merchants embracing it as foundational to the customer experience. In leveraging mobile, however, merchants face significant risk as fraudsters focus on exploiting retailers' deep digital connections with consumers.

Fortunately, retailers can combat fraud and grow their businesses with a friction-right approach that authenticates user transactions along the customer journey. Using a multilayered method of identity proofing and authentication, retailers can scale the protections they offer to match consumer expectations for brand experiences that are easy and safe.

**32%**

increase in mobile commerce transactions in 2019<sup>1</sup>

**78%**

of ecommerce transactions came from mobile devices in 2019<sup>1</sup>

**118%**

increase in potential fraud from mobile devices in 2019<sup>1</sup>

<sup>1</sup>TransUnion consortium data

Innovation in retail needs to focus on meeting three critical consumer expectations:



#### TRANSPARENCY

The ability to find any product at the best price, regardless of where one is in the world.



#### CONVENIENCE

Making purchases should be simple, and will occur at the time and location of a consumer's choosing.



#### VALUE

Consumers want more for their money, beyond just a product or service. They not only want purchases that help them live better lives, but they expect their purchases to be easily obtained.

# Retail Innovations: Delivering Great Experiences, Goods and Services

## Mobile use across the customer journey fuels innovation

Ecommerce today is all about mobile and declining brand loyalty, as consumers want to be able to shop from anywhere, from any retailer of their choosing, globally. Research shows that 78% of ecommerce transactions come from mobile devices<sup>1</sup>, and global ecommerce is climbing rapidly – in 2019, it was projected to increase by 20.7% to \$3.5 trillion.<sup>2</sup>

The brick-and-mortar experience is still critically important. The majority of consumers prefer to make purchases in-store, and ecommerce only represents 14% of global retail sales.<sup>2</sup> However, smartphones have changed the game. They enable retailers to enhance the in-stores experience with personalization and convenience, by connecting location and customer identity and by offering mobile incentives.

This is key, since approximately 79% of consumers say personalized service plays an important role in determining where they shop.<sup>3</sup> In addition, 63% of consumers reference their mobile phones while shopping in stores in order to compare prices, check inventory availability and look for offers and coupons.<sup>3</sup>

Together, these attributes make ecommerce the clear platform of choice for retailers.

<sup>2</sup>eMarketer, Global Ecommerce 2019

<sup>3</sup>BRP Consulting, 2019 POS Survey

Retailers are competing heavily for these connected consumers. The following trends are positive disruptors that retailers should embrace in order to meet consumer expectations for transparency, convenience and value, while fostering the brand trust that builds loyalty:

### Cross-border selling

Consumers want to be able to make purchases from non-local brands, requiring:

- Local languages
- Currency conversion
- Global fulfillment
- Regulatory compliance
- Payment options
- Delivery and shipment tracking

### Seamless commerce

Consumers want convenience, flexibility and speed when shopping, driving:

- Click-and-collect
- Mobile order-ahead
- Deposit online, full payment in person
- Payment installments
- E-wallets
- Cashierless checkout
- Mobile-enabled kiosks
- Next- or same-day delivery
- In-store inventory visibility

### Enhanced in-store experience

Consumers want more reasons to come into a store, including:

- Learning about products hands on
- Customizing products with expert help
- AI-integrated fitting rooms
- Product training
- Community programs

Over 58% of ecommerce transactions in China, India and Brazil are cross-border<sup>4</sup>

There are 25 Amazon Go cashierless stores in the US<sup>5</sup>

18,000+ Apple product training sessions are available per week<sup>6</sup>

<sup>4</sup> JP Morgan, 2019 Global Payments Trends Report

<sup>5</sup> Amazon Inc., Amazon Go

<sup>6</sup> Apple, Inc., Today at Apple





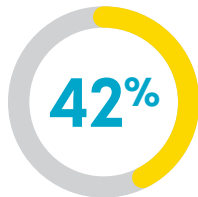
# Resolving the Top Fraud Trends Retailers are Facing

It's true that we've seen a decrease in fraudulent methods such as promotion abuse (in which cybercriminals access accounts to drain benefits awarded to loyal customers, or create new accounts to exploit promotions), but that isn't necessarily something to celebrate. In fact, the most likely reason that promotion abuse decreased 42% between 2018 and 2019<sup>1</sup> is that fraudsters focused on more lucrative schemes such as account takeover. Even card-not-present fraud, which is still a major issue for merchants, isn't the main focus for cybercriminals.

Instead, as retailers invest in mobile experiences, criminals are taking note and attempting to mimic common consumer behavior.

Sophisticated tactics are being employed to perpetrate fraud at every opportunity, which led to a 118% increase in risky transactions from mobile devices in 2019.<sup>1</sup>

In order to stop fraud while keeping good consumers happy, we strongly recommend a fraud prevention program that addresses the following trends:



## Promotion abuse decreased

between 2018-2019 because fraudsters focused on other lucrative schemes

## Obsess over customer identities

# 347%

INCREASE IN ACCOUNT TAKEOVER FRAUD IN 2019<sup>1</sup>

### ○ ACCOUNT TAKEOVER

Fraudsters gaining access to accounts using credential stuffing, romance scams, social engineering, phishing or hacking.

### ○ BEHIND THE NUMBERS

Customer accounts are loaded with valuable personal information. They are a prime target for criminals, who use sophisticated tactics to break in, steal credit cards and make fraudulent purchases from these accounts. Retailers should consider adopting continuous risk assessment models as a means of protecting customer identities and transactions.

## Don't give up the goods

# 391%

INCREASE IN SHIPPING FRAUD IN 2019<sup>1</sup>

### ○ SHIPPING FRAUD

Criminals taking over a customer account, but not changing the shipping address in order to avoid detection. Once the package has shipped, the criminal intercepts it at the carrier and then changes the shipping address. This method is often used to avoid detection that the account has been taken over if the shipping and billing addresses do not match.

### ○ BEHIND THE NUMBERS

The growth in ecommerce has led to a dramatic increase in shipping fraud, with more fraud rings accessing customer accounts and email accounts to track and redirect in-transit shipments before delivery. Retailers can combat shipping fraud by adding device risk checks at checkout.

## Seamless verification at checkout

# 69.8%

OF ONLINE SHOPPING CARTS ARE ABANDONED<sup>7</sup>

### ○ SHOPPING CART ABANDONMENT

In-depth identity proofing and authorization processes, unwarranted denials, and lengthy fraud reviews that create friction.

### ○ BEHIND THE NUMBERS

When consumers are ready to check out, their patience is limited. Don't lose sales because your fraud prevention program is disruptive. Instead, implement friction-right verification and authentication methods that benefit the customer experience.

## Actively monitor false positives

# \$340<sup>B</sup>

ESTIMATED LOST REVENUE FROM FALSE POSITIVES<sup>8</sup>

### ○ FALSE POSITIVES

Good transactions getting declined by automated fraud platforms, acquirers, payments processing or manual reviews, simply due to suspicion of fraud.

### ○ BEHIND THE NUMBERS

Denied transactions are likely to cause good consumers to leave your site. Retailers without sound systems for recognizing good consumers would benefit from the right device-based reputation program.

<sup>7</sup>Baymard Institute, 41 Cart Abandonment Rate Statistics

<sup>8</sup>Aite Group, The Ecommerce Conundrum: Balancing False Declines and Fraud Prevention



# Modern Solutions for Modern Problems

## Friction-right, not frictionless

In 2019, 78% of the ecommerce transactions from our retail subscribers originated from mobile devices. To remain competitive, retailers need to enhance all aspects of the mobile consumer experience, from optimizing the mobile platform to delivering a friction-right experience.

A friction-right experience delivers on the notion that consumers want digital transactions that are fast and simple, while containing just enough friction to make them feel secure. This balances convenience for shoppers, while layering in smart fraud protections that are appropriately calibrated to the level of risk.

In a recent study, 63% of consumers reported that they've abandoned a transaction due to a poor identity proofing process. A good friction-right experience treats transactions uniquely, allowing good customers to more easily transact while enabling you to uncover risk signals. This leads to a reduction in abandoned shopping carts and false positives, while continuing to safeguard against fraud and identity theft.

## An integrated mobile experience

A recent study found that 87% of consumers think brands need to put more effort into providing a seamless experience, while 90% expect consistent interactions across all mobile and web channels.<sup>9</sup> This is why winning retailers are using mobile to differentiate their brand and achieve customer satisfaction. They're balancing convenient, fast and smooth transactions with a healthy dose of due diligence for security and peace of mind.



63% of consumers reported that they've abandoned a transaction due to a poor identity proofing process



87% of consumers think brands need to put more effort into providing a seamless experience, while 90% expect consistent interactions across all mobile and web channels

<sup>9</sup> V12 Data, <https://v12data.com/blog/25-amazing-omnichannel-statistics-every-marketer-should-know/>





# 95%

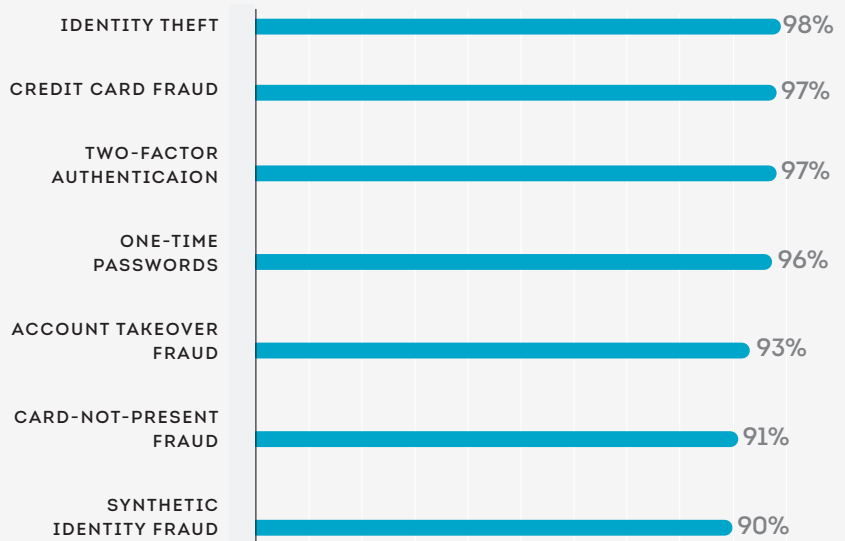
## of shoppers view additional identity validation as positive

To win market share, your mobile services have to balance an optimal customer experience and consumer data security without increasing the risk of fraud. Implementing a robust fraud solution that combines third party data, device intelligence and a cooperative fraud network will lead to success.

### Give your consumers the protection they value

Consumers understand the risks of sharing their personal data while shopping. With more than 90% reporting being familiar with different types of fraud, they can see the value of the security features you provide. In fact, 95% of shoppers view additional identity validation as a positive part of their experience.<sup>10</sup>

Consumers have a high level of awareness of fraud and anti-fraud techniques:



<sup>10</sup> TransUnion Holiday Retail Fraud Survey, 2019 Insights



# 52%

OF CONSUMERS REPORTED THAT THEY WOULD NOT SHOP WITH A RETAILER THAT HAD EXPERIENCED A DATA BREACH



To meet consumer expectations and build trust in your brand, it's important to assess how you protect and use your consumer data. This can be achieved via a multilayered identity proofing and authentication framework that leverages the unique identity features of mobile devices, such as immediacy, location and biometrics.

## The Ecommerce Consumer Data Bill of Rights

In a recent survey, 52% of consumers reported that they would not shop with a retailer that had experienced a data breach.<sup>11</sup> To earn consumer trust, you need to demonstrate a responsible stewardship of their data. We like to think of this as an Ecommerce Consumer Data Bill of Rights:

- **I EXPECT TO SHOP WHEN AND WHERE I WANT.** My whole life is on my phone, so please offer a secure mobile shopping experience.
- **I WANT YOU TO RECOGNIZE ME.** I'm okay with you associating my devices with my account if it helps you recognize who I am.
- **I EXPECT YOU TO HONOR THE VALUE OF MY IDENTITY.** Criminals want my data; you need to do all you can to protect it.
- **I EXPECT IT TO BE EASY TO DO BUSINESS WITH YOU.** I value convenience, and don't want hefty risk controls to slow me down.
- **LET ME DECIDE TO SHARE MY INFORMATION.** Don't require me to set up an account just to make a purchase.
- **I EXPECT YOU TO PROTECT MY ACCOUNT.** Be sure to confirm important changes, unusual shopping behavior or major purchases taking place in or from my account.
- **IF YOU'RE NOT SURE IT'S ME, PLEASE ASK.** I want you to verify my identity if you see a new device accessing my account.
- **I WANT YOU TO BE SMARTER THAN THE CRIMINALS.** I'll do my part to protect my data and I'm trusting you to do the same.
- **I EXPECT YOU TO SHOW ME THE VALUE OF MY DATA.** Don't ask me for my data if it's not going to be used to help me.

<sup>11</sup>The Consumer Perspective on the Fraud Balancing Act, TransUnion



# Get the Protection You Need and That Your Consumers Demand

Whether consumers log in to their accounts through a website or mobile app, they all rely on their devices to experience your brand. TruValidate enables you to confidently verify consumer data identities, authenticate consumers at every touchpoint, and stop fraud in real time. With our risk insights, device information and analytics, you can improve your digital fraud prevention, expedite customer engagement and provide a friction-right customer experience.



Improve digital fraud prevention



Expedite customer engagement



Provide a friction-right customer experience



**TRUVALIDATE UNCOVERED MORE THAN 100 MILLION RISKY ECOMMERCE TRANSACTIONS FROM MOBILE DEVICES IN 2019**

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Learn more about our identity proofing, risk-based authentication and fraud analytics solutions. Contact your TransUnion representative or visit [transunion.com/truvalidate](https://transunion.com/truvalidate).

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#### About TransUnion

TransUnion is a global information and insights company that makes trust possible in the modern economy. We do this by providing an actionable picture of each person so they can be reliably represented in the marketplace. As a result, businesses and consumers can transact with confidence and achieve great things. We call this Information for Good®.

A leading presence in more than 30 countries across five continents, TransUnion provides solutions that help create economic opportunity, great experiences and personal empowerment for hundreds of millions of people.

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