

# Fraud Prevention in Ecommerce Report 2021/2022

Best Practices Into Stopping Fraud to Convert More Orders and Increase Revenue



Endorsement partner:



Key media partner:



# Arvato Financial Solutions

## Buy Online, Pick Up in Store (BOPIS) Is the 'New Normal', Yet Poses Risks for Online Retailers



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Jan Florian Richard ■ *Director Global Strategic Partnerships* ■ Arvato Financial Solutions

**The growth of omnichannel shopping is one of the biggest trends in the retail industry. The Retail Industry Leaders Association has listed omnichannel presence as the No. 1 'imperative' for the upcoming years. BOPIS, as part of a modern omnichannel strategy, is becoming a necessity in ecommerce but also comes with a price tag due to fraud and additional operating costs.**

About two-thirds of shoppers buy online and pick up in store multiple times per year. Why? The consumer benefits from greater flexibility and control as online purchases can be picked up in store at the shoppers' convenience. The time-consuming search for goods in store is eliminated while hands-on 'inspection' is still ensured, combined with the option of instant in-store returns. On top, potential shipping costs can be avoided. The pandemic has further boosted the relevance of BOPIS as customers are either banned from in-person shopping or focus on avoiding contacts. According to a Shopify [study](#), 64% of pre-pandemic BOPIS shoppers use the service more often than before the 'new normal'.

### **Almost half of the TOP 500 merchants already offer BOPIS.**

At first glance, there are a lot of benefits also to the merchant as delivery and packing costs are reduced while generating the opportunity of staying in touch with the customer face-to-face. However, some of the consumer benefits come at the expense of the retailer. BOPIS requires additional in-store storage capacity – leaving some retailers to re-invent their entire in-store set-up. One example: according to RetailWire quoting Corie Barry, CEO of Best Buy, the company is 'shrinking its sales floor in four locations in Minneapolis from 27,000-square-feet to 15,000-square-feet in

order to make more space for the staging and fulfilment of the newly popular services'. That's almost half the floor plan! While Best Buy is experiencing tremendous success, the 'new normal' is certainly leaving some merchants struggling for answers to adapt to the ultra-boosted omnichannel environment they are facing. Some merchants are especially overwhelmed in handling 'instant' BOPIS orders as customers tend to show up in the store before the order has actually been processed by brick-and-mortar operations.

While these operational issues should not be underestimated, the potentially biggest merchant headache associated with BOPIS is fraud. Fraudsters are increasingly recognising the weakness of some retailers' BOPIS processes and are taking advantage of the short timeframe between order creation and in-store pick up.



## Every minute counts

BOPIS fuels the need for fast and accurate fraud management. The lack of some vital shopper information (e.g. lack of shipping address) and time sensitivity puts stress on merchant fraud management. Less data means less information available to fraud engines in assessing risks automatically. Many large US retailers promise customers that BOPIS orders are ready for pick up in 30 minutes or less. Hence, there is hardly any time left for fraud departments to manually check orders flagged for potential abuse. Fraudsters use exactly that short window between purchase and pick up to avoid manual verification by retailers. This can either lead to tighter BOPIS fraud rule sets (and thus likely higher false positive rates) or elevated fraud levels. Especially in peak seasons, this becomes a massive pain. For many large customers, we have implemented agile 24/7/365 teams able to respond to urgent order review requests at any time. As they are mainly working in merchant overarching teams across the globe, we can handle peaks much easier than a single merchant ever could.

## Should you care about BOPIS? You betcha!


Studies indicate that by 2024 **at least 40% of all sales in the US will be generated via BOPIS**. I see also great opportunities for the European market as well. Implemented correctly, it bridges the gap between in-store and online sales nicely – creating win-win scenarios the industry has been longing for in years. And I do not believe that stores will be degraded to warehouses: almost 50% of all shoppers make additional purchases in the store while picking up their BOPIS order – that calls for attractive floor plans. However, retailers need to be aware – especially of bogus orders conducted by criminals.

[Click here for the company profile](#) 



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**Arvato Financial Solutions** provides integrated financial services in the order-to-cash life cycle to renowned international brands so they can focus on their core business. As their backbone to growth, the Arvato Financial Solutions team of 7,000 experts works to make sure client's credit management runs effortlessly and efficiently.

Company		Arvato Financial Solutions	
		<p>Arvato Financial Solutions provides professional financial services to renowned international brands as well as respected local businesses — allowing them to leave their credit management to a professional. The services centre around cash flow in all segments of the customer lifecycle: from risk management to payment, factoring, and accounting services to debt collection.</p>	
Background information			
Year founded	1835 (Bertelsmann Company)		
Website	<a href="https://finance.arvato.com/en/solutions/payment-financing-services/managed-fraud-services/">https://finance.arvato.com/en/solutions/payment-financing-services/managed-fraud-services/</a>		
Target group (Merchants/ecommerce; PSP/acquirers; SMBs; Banks/FS; Corporate; Fintech; Telecom)	Merchants/ecommerce PSP/acquirers Banks/FS Corporate		
Supported regions (US; Europe; Middle East; APAC; Africa; LATAM; India; China; Global)	Global		
Contact	tina.thellmann@arvato.com		
Company's motto	Your backbone for growth		
Member of industry association and/or initiatives	Merchant Risk Council, EHI Retail Institute		
Core solution			
(Fraud/risk management and decisioning platform; Customer authentication; Identity verification; Behavioural biometrics; Data provider and intelligence; Chargebacks management; Bot risk management; KYB/Merchant onboarding; KYC)	Fraud/risk management and decisioning platform Identity verification Chargebacks management Bot risk management		
Core solution/problems the company solves	Unblocking as many orders as possible that were flagged for manual order review – 24/7/365		
Technology			
(On-premise; Cloud enabled; Native cloud; Hybrid)	Cloud enabled		
Data input			
Identity verification	proprietary capability	third party	both
Identity document scanning	x		
Video scanning			
Personally Identifiable Information (PII) validation			
Small transaction verification			
Email verification	x		
Phone verification	x		
Social verification	x		
Credit check			
Compliance check			
<a href="#">View company profile in online database</a>			

<b>Online authentication</b>	<b>proprietary capability</b>	<b>third party</b>	<b>both</b>
Behavioural biometrics		x	
Physical biometrics		x	
Device fingerprinting		x	
Geo-location	x		
Remote access detection		x	
Mobile app push		x	
3-D Secure 2.0		x	
Hardware token		x	
One-time passwords		x	
Knowledge-based authentication	x		
<b>Intelligence</b>	<b>proprietary capability</b>	<b>third party</b>	<b>both</b>
Abuse list	x		
Monitoring	x		
Address verification	x		
Credit bureau		x	
Information sharing	x		
<b>Data ingestion/third-party data</b>			
Stateless data ingestion and augmentation		x	
<b>Methodology</b>			
Machine learning (Rule-based; Supervised ML; Unsupervised ML; Hybrid)	N/A		
<b>Decisioning</b>			
(Manual review; Case management; Decision orchestration)	Manual review Case management Decision orchestration		
<b>Chargeback management</b>			
(Chargeback dispute; Guaranteed fraud protection)	Chargeback dispute		
<b>Business model</b>			
Pricing model	Pricing is per transaction and based on volume and complexity.		
Fraud prevention partners	More information available upon request.		
Year over year growth rate	200%		
Number of employees	300 (for Order Reviews)		
Future developments	Working on Fraud Guarantees		
<b>Customers</b>			
Customers reference	Fashion, PSPs, fraud provider, marketplaces		

# Fraud or not? That is the question.

When automated fraud engines reach their limits, Manual Order Review steps in. This avoids rejecting orders falsely classified as fraud and helps retaining good customers.

Here you will find the people who will be at your side in the fight against Fraud:

✉ [fightingfraud@arvato.com](mailto:fightingfraud@arvato.com)



This is how it works:

