

# 6 COMMON TYPES OF E-COMMERCE SHIPPING FRAUD AND HOW TO PREVENT THEM

The online holiday shopping season is here and is poised to be bigger than ever this year, thanks to a global pandemic that's discouraging brick-and-mortar shopping. However, businesses aren't the only ones cashing in on the holiday shopping frenzy. Fraudsters are actively seeking opportunities to make their own holiday merry and bright and are turning to shipping scams to make it happen.

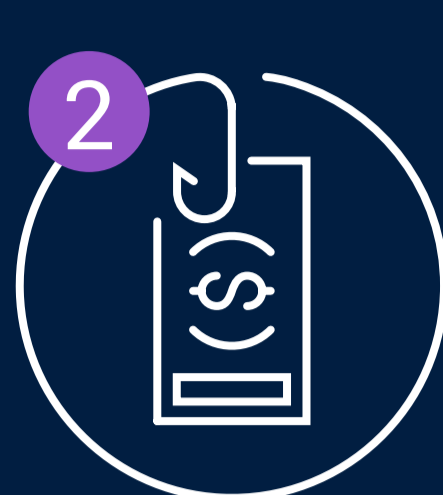
Here's a closer look at E-commerce fraud today and some best practices for E-commerce vendors to detect and prevent shipping and delivery fraud before it ruins the spirit of the season.

## DID YOU KNOW? SHIPPING FRAUD BY THE NUMBERS



SHIPPING FRAUD  
**+37%**

In just one recent year, shipping fraud (in which fraudsters divert stolen goods to their own address) in the US increased by 37% and billing fraud (in which fraudsters use a victim's stolen address to purchase goods) increased by 34%.



EVERY \$1 OF FRAUD  
**+7.3%**

Every \$1 of fraud ends up costing US retailers and E-commerce merchants 7.3% more in 2020 compared to 2019, from \$3.13 to \$3.36.



BOPIS FRAUD  
**+55%**

Buy online, pick up in store (BOPIS) fraud has increased by 55% in 2020 so far.



2019 HOLIDAY SEASON -  
**60,000**

POTENTIAL SCAMS

In the 2019 holiday season, there were over 60,000 potential scams targeting 26 popular online retail brands during just the first 20 days of November.

## HOW DOES SHIPPING FRAUD OCCUR?

Shipping fraud can take many forms, many of which are difficult for companies to detect when viewed individually.



### 1 FAKE ACCOUNTS:

Massive fake accounts are created to reroute packages, commit identity theft, or track criminal shipments.



### 2 PACKAGE REROUTING:

Thieves use another person's credit card with their real address (which doesn't get flagged because the credentials are legitimate), then change the delivery address once the order is placed.



### 3 MISSING PACKAGES:

Customers order items, then claim they were never received.



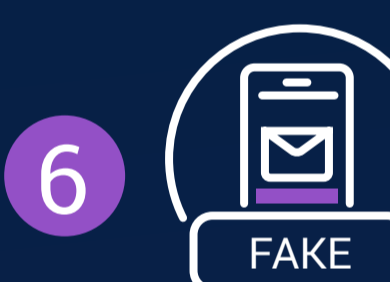
### 4 UNDELIVERABLE GOODS:

Fraudsters intentionally use a non-existent address and track the shipment. Once the status is updated to "undeliverable," the fraudster contacts the company to update the address, resulting in higher fees for merchants.



### 5 CHANGE IN SHIPPING SERVICE:

Criminals place an order, then contact the company to switch to their preferred shipping service. These shipments aren't usually tracked because merchant systems aren't set up to do so, and it can be hard to prove delivery.



### 6 FAKE SHIPPING NOTIFICATIONS:

Customers receive fake emails about an issue with shipping or delivery, which may prompt them to unknowingly download malware.

## TIPS FOR E-COMMERCE FRAUD PREVENTION



### 1 VERIFY THE SHIPPING ADDRESS:

Verification is a first step toward E-commerce fraud detection and prevention. Make sure the address is authentic and matches the customer's details. Look for red flags like freight forwarders, third-party addresses, and vacant properties that can't be traced back to the customer.



### 2 USE AN ONLINE ORDER TRACKING SYSTEM:

Track every item's journey as it travels to the customer.



### 3 USE SHIPPING INSURANCE:

Insurance offers cash replacement for items that are lost or damaged in transit.



### 4 COLLECT SIGNATURES:

Expensive items or orders should require a signature upon delivery.



### 5 DEPLOY A COMPREHENSIVE FRAUD DETECTION SOLUTION TO DETECT SHIPPING FRAUD:

A comprehensive fraud detection solution that utilizes machine learning, device intelligence, rules engine and linkage analysis can look at all transaction and account data in real time to uncover coordinated attacks, fake accounts, and package rerouting on a large scale.

In these uncertain times, fraud is on the rise. This trend is sure to continue over the holidays, and merchants must take every precaution to vet their orders and stop shipping fraud before it happens.

Learn more about how to prevent E-commerce fraud by downloading the ebook **Stories from the Frontline: E-commerce and Marketplace Fraud** today.

Stories from the Frontline:  
E-commerce and Marketplace  
Fraud

DOWNLOAD THE EBOOK



#### Sources:

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- Fortner Fraud Attack Index, Ninth Edition, September 2020.
- LexisNexis, 2020 True Cost of Fraud Study: E-commerce/Retail Report, July 2020.
- Consumer Reports, Don't Let Online Shopping Threats Spoil Your Holiday Season, November 2019.