



# Digital Trust & Safety: Combating the Evolving Complexities of Payment Fraud



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## Understanding the Risk of the Changing Payments Landscape

Fraudsters are always looking for new ways to attack. They understand the need to constantly change their tactics and strategies to evade fraud prevention specialists, and continually improve their methodologies. As credit card fraud becomes increasingly difficult, these cybercriminals are now increasingly turning to alternate payment methods as vectors of attack. And they are finding success because companies are not prepared to handle the threat.

Consumer payment choices have exploded in recent years. Increased adoption of new payment methods like cryptocurrency and in-app purchases makes them huge targets. This change has forced merchants to reevaluate their strategic focus, **with increased attention on alternative payment methods becoming increasingly critical to effective fraud prevention.**

The data in this report came from a survey Merchant Fraud Journal conducted of its readership. We asked fraud prevention leaders at some of the world's leading brands how they currently conceptualize the risk of this changing payments landscape.

Their responses shine a light into how companies are approaching the current situation, and some of the blind spots they have in their plans for the future.



**Video Game Currency**



**Cryptocurrency**



**Site Credits**



**Food + Alcohol**



**Event/Tour Tickets**



**Gift Cards**

## The New Payments Landscape

The stakes are high.

For starters, younger consumers drive alternative payments adoption. New [research indicates](#) that 42% of millennials and 35% of Gen Z feel confident using at least one form of alternate payment method.

Moreover, the trend is accelerating. As mobile e-commerce increases, consumers are looking to new payment methods to decrease friction. So much so that purchases from in-app purchases are estimated to have risen [23% in 2020](#).

Adding to the urgency is the fact that even to payments methods considered highly niche even a few years ago. For example, MasterCard recently published a [cryptocurrency survey](#) that found 40% of consumers across the Americas, Asia, Middle East, and Africa plan to use crypto to purchase something within the next 12 months.

All of this adds up to the reality that although traditional credit card transactions aren't going away any time soon, increasingly widespread adoption of other payment methods is inevitable. What is today considered 'alternative payments' will increasingly become known simply as 'payments'.

Fraudsters are aware of this. But our data shows merchants are not preparing for this new reality.

## The Need for Trust Remains Constant For Consumers

That blind spot is a big problem for merchants. Because despite all the disruption to the payments landscape, there is one thing that remains constant—trust continues to be the most important factor for consumers when deciding to make an online purchase.

[Research from Sift](#) shows that **56% of consumers would abandon a brand if they fell victim to fraud.**

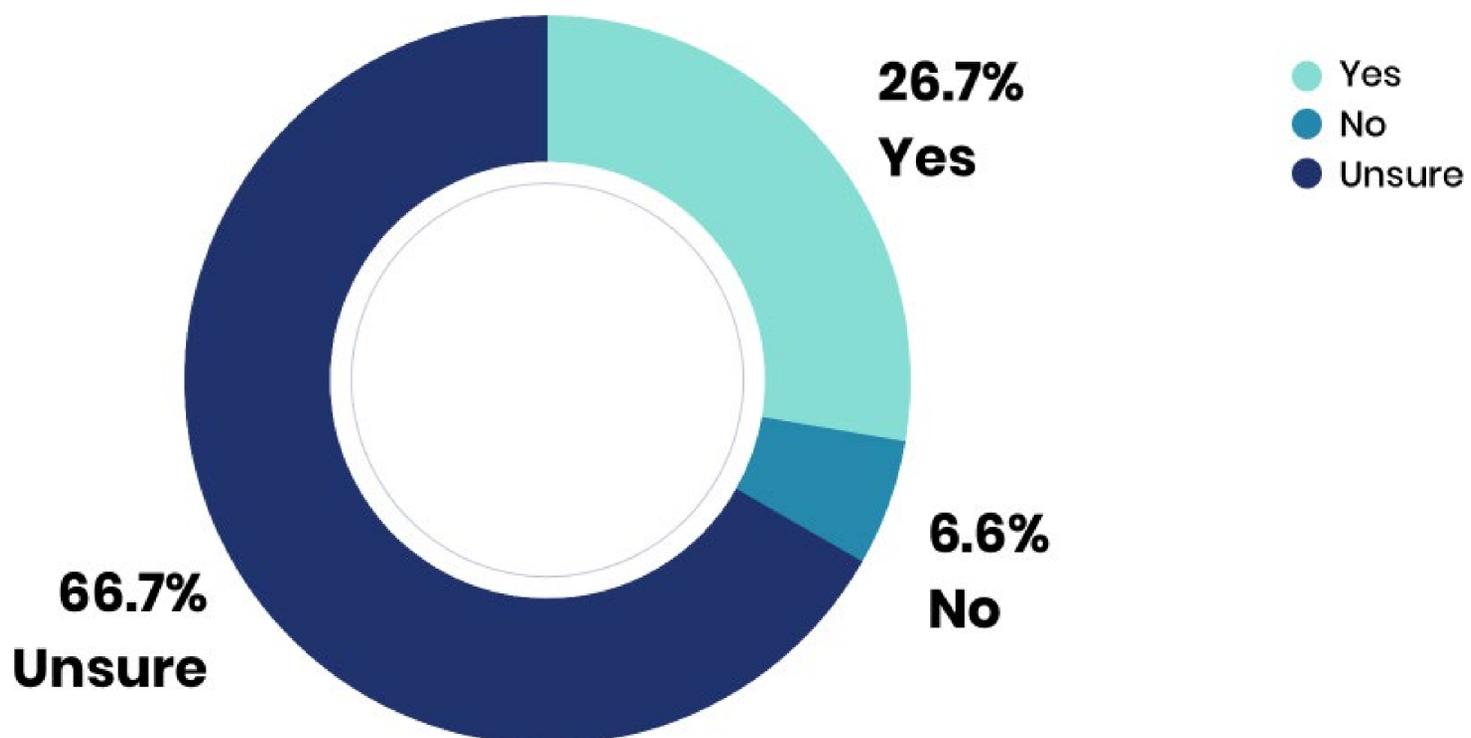
Even as the payments landscape rapidly shifts away from traditional credit card payments, fraud prevention professionals must continue to provide the same level of consumer protection against fraud. If they don't, consumers will quickly lose trust in the brand and go elsewhere.

## Do you plan to expand the number of payment methods you accept in the next 12-24 months?

Against this backdrop, we asked fraud leaders about their current plans for alternative payments adoption. We expected to see a shift, but we were surprised by just how large it is. Our data shows 25% of fraud prevention leaders plan to expand the number of payment methods they accept over the next two years. **Incredibly, just 6% of leaders said they would definitely not expand to additional payment methods.**

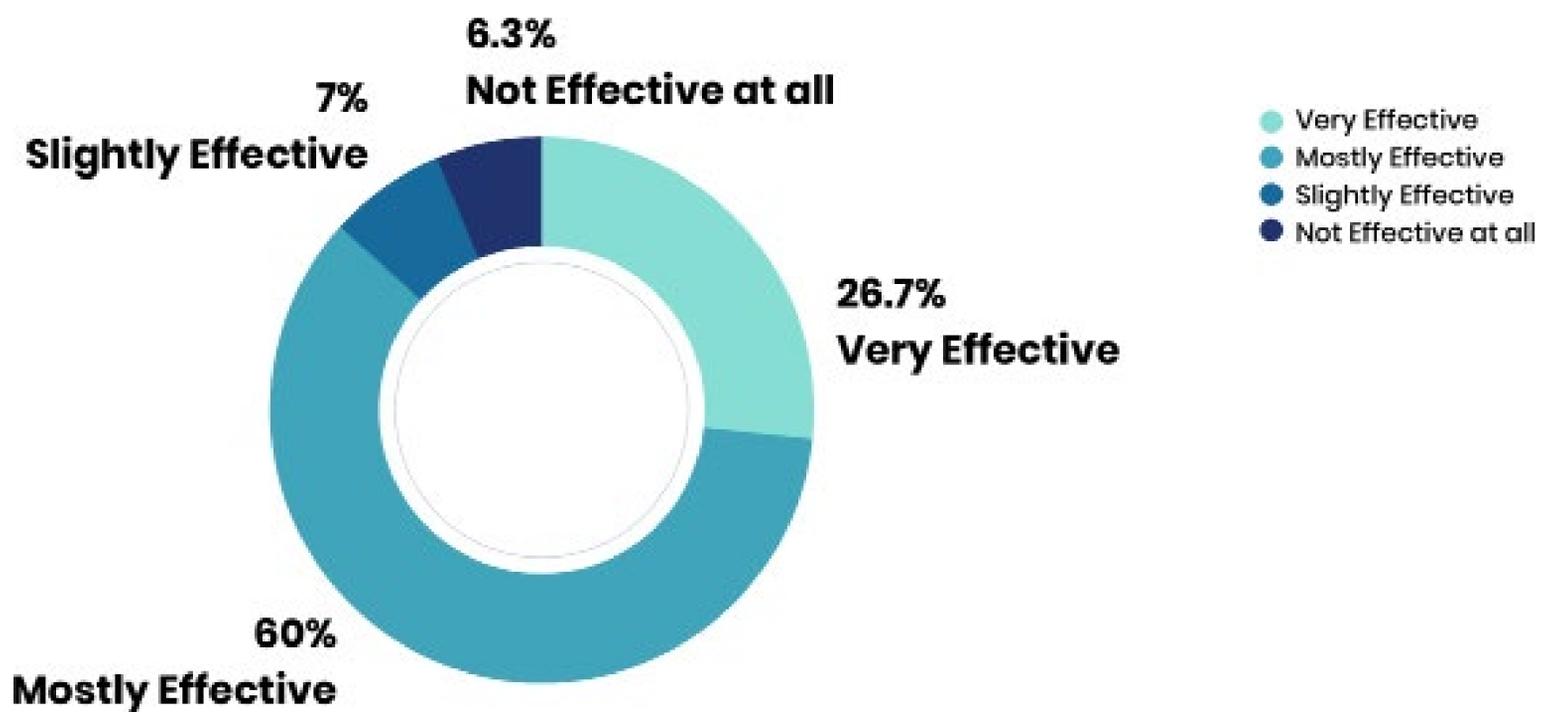
The need to prepare for alternative payments to make up a larger portion of merchants' overall payments ecosystem is apparent. Fraud leaders know they must start to prepare for a world where the focus on traditional credit card chargeback prevention expands to place equal emphasis on non-traditional vectors of attack.

Which is why it is so shocking to find that despite being aware of the dangers, many fraud leaders are currently not prepared to handle the growing threat.



## How effective are you at preventing e-commerce fraud from sources other than credit cards?

We asked merchants, given the plans to expand payments in the near future, about their ability to handle e-commerce fraud from non-credit card sources. Their response shows a worrying lack of preparedness to meet this growing challenge.



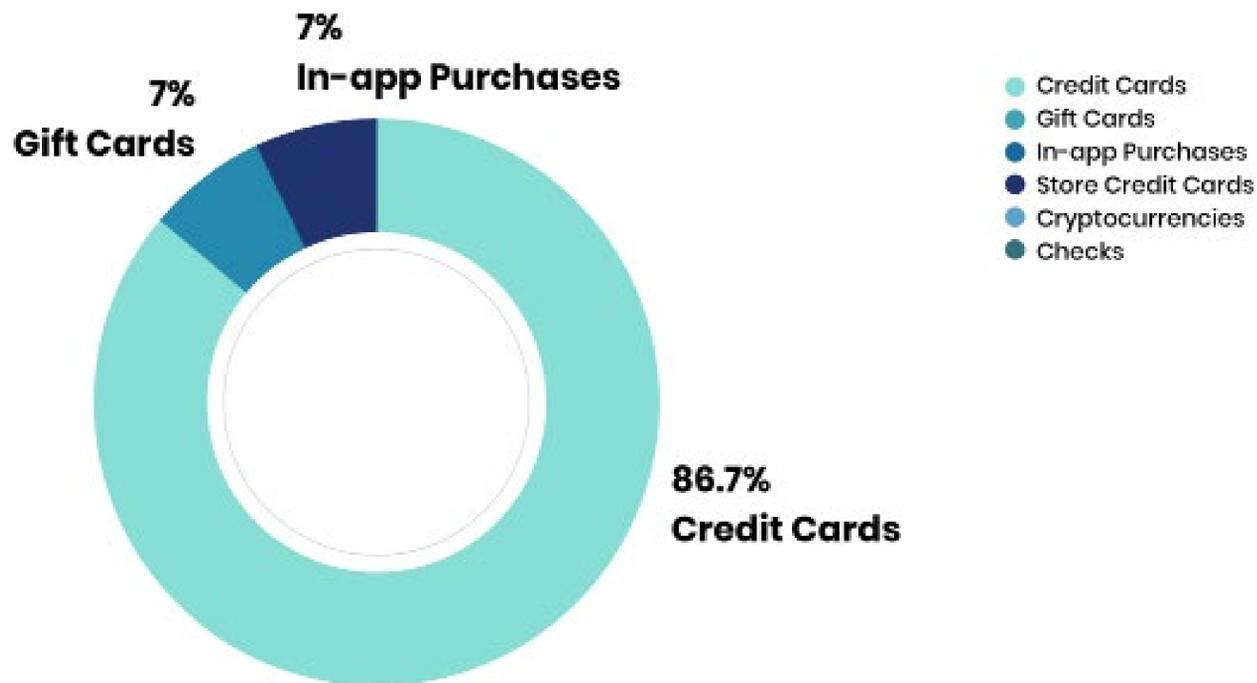
### Only 26% of leaders said they were very effective at preventing fraud from sources other than credit cards:

We found another worrying trend when interpreting this data. 60% of fraud leaders said they were “mostly effective” in preventing alternative payment fraud. It’s unthinkable that these leaders would accept this level of efficiency in their credit card fraud prevention. And given that fact, we assumed investment in increasing their ability to detect and stop these kinds of attacks would be a top priority.

Shockingly, what we found was actually the exact opposite.

## Which type of eCommerce fraud do you invest the most in preventing?

Despite the combination of an increasing threat and unpreparedness to handle it effectively, when asked which type of e-commerce fraud leaders invest the most in preventing, 86% said credit card fraud:



The conclusion is clear: Fraud leaders continue to under-invest in preventing fraud from the alternative payment sources being increasingly adopted by younger generations. These sources will only continue to grow in future, and accounting for a larger and larger percentage of the fraud attacks professionals will need to defend against.

## Fraud Prevention Leaders Must Act Now to Maintain Trust

Cybercriminals have shown a remarkable ability to find and exploit gaps in merchants' defenses. It will be no different this time. And customers will expect the same level of protection, even as the percentage of payments, and the gross dollar value of transactions, increasingly shifts away from where fraud prevention leaders — by their own admission — are most effective.

This doesn't change the fact that maintaining the trust of your consumers as they move to alternative payment methods is critical.

To ensure they continue to meet the demands of consumers, fraud teams must find a way to create and adopt new fraud prevention strategies and tactics that can scale with this growth. Those that do will continue to successfully defend against fraud attacks while maintaining the trust that is critical to succeeding in today's competitive e-commerce markets.

To learn more about how you can scale your fraud operations with digital trust and safety, visit [Sift.com](https://sift.com).

## Sources

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*“If everyone is moving forward  
together, success takes care of itself”*

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Henry Ford

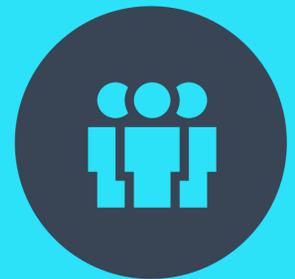


# About MFJ

Merchant Fraud Journal is an independent and unbiased publication dedicated to empowering online sellers to greatly reduce the impact of eCommerce fraud on their businesses. Its core mission is to break the silos surrounding merchants' internal fraud prevention processes by bringing together industry professionals to share their knowledge with one another.

Unfortunately, the business process knowledge needed for online sellers to greatly reduce the impact of eCommerce fraud is scarcely available right now. There is no single forum and resource where merchants, payment professionals, and other industry professionals could go to get educated on the myriad of challenges they face.

We seek to fill that gap by being a resource that collects insight from industry thought leaders and fraud prevention tool experts on topics such as chargebacks, false positive declines, account takeover fraud, friendly fraud, data breaches and more. Our goal is to help honest businesses quickly understand their security options and take action, so they can get back to focusing on their core business activities.



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