Merchants Facing Increasing Challenges in Mitigating Fraud Losses

LexisNexis Fraud Multiplier\textsuperscript{SM} calculates the cost of fraud shouldered by merchants. For every $1 in fraud loss, the LexisNexis Fraud Multiplier\textsuperscript{SM} calculates the cost to the merchant.

In 2015, every $100 of fraud, costs a merchant $223

mCommerce and International Merchants Take Greatest Hit to Revenue From Fraud
(fraud as percent of revenue)

<table>
<thead>
<tr>
<th>Year</th>
<th>Large eCommerce Merchants</th>
<th>mCommerce Merchants</th>
<th>International Merchants</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.53%</td>
<td>0.80%</td>
<td>0.69%</td>
</tr>
<tr>
<td>2014</td>
<td>0.85%</td>
<td>1.36%</td>
<td>1.21%</td>
</tr>
<tr>
<td>2015</td>
<td>1.39%</td>
<td>1.68%</td>
<td>1.56%</td>
</tr>
</tbody>
</table>

Merchant Stopping More Fraud, But Still Losing Ground

Attempted Fraudulent Transactions per Month

- 2012: 80 Completed, 90 Prevented
- 2015: 177 Prevented, 156 Completed

Up to 7 times more difficult to prevent fraud in remote channels than in person

Spending on Fraud Mitigation
(including fraud prevention solutions, manual reviews, and physical security)

- Large eCommerce Merchants: $115k in 2012, $133k in 2015
- mCommerce Merchants: $80k in 2012, $90k in 2015
- International Merchants: $102k in 2012, $125k in 2015

FRAUD IS DEFINED AS FRAUDULENT AND/OR UNAUTHORIZED TRANSACTIONS, FRAUDULENT REQUESTS FOR A REFUND/RETURN, BOUNCED CHECKS, AND LOST OR STOLEN MERCHANDISE, AS WELL AS REDISTRIBUTION COSTS ASSOCIATED WITH REDELIVERING PURCHASED ITEMS (INCLUDING CARRIER FRAUD). THE RESEARCH COVERS CONSUMER-FACING RETAIL FRAUD METHODS AND DOES NOT INCLUDE INFORMATION ON INSIDER FRAUD OR EMPLOYEE THEFT. THIS STUDY, CONDUCTED FOR LEXSINEXIS® RISK SOLUTIONS BY JAVELIN IN MARCH 2015, ESTABLISHES THE ACTUAL COST OF FRAUD AS BORNE BY U.S. MERCHANTS AND PROVIDES SPECIFIC GUIDANCE FOR THE INDUSTRY. LEXSINEXIS AND THE KNOWLEDGE BURST LOGO ARE REGISTERED TRADEMARKS OF REED ELSEVIER PROPERTIES INC., USED UNDER LICENSE. TRUE COST OF FRAUD IS A SERVICE MARK OF LEXSINEXIS RISK SOLUTIONS INC. LEXSINEXIS FRAUD MULTIPLIER IS A SERVICE MARK OF REED ELSEVIER PROPERTIES INC. COPYRIGHT © 2015 LEXSINEXIS. ALL RIGHTS RESERVED. NXR11182-00-0815-EN-US