

# THE ECONOMICS OF FRAUD



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*MITIGATING RISK AMIDST  
FAST GROWTH AND  
INNOVATION*

# CONTENT

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# EXECUTIVE SUMMARY

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*Business Implications*

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# Executive Summary

## Introduction



*Mitigating fraud  
within a climate of  
economic growth  
and mCommerce  
acceleration*

Fraud prevention is an issue for Asia Pacific firms – but a surmountable one. The magnitude and impact of fraud and online crime is large, particularly where fraud prevention measures are unsophisticated and awareness is low. Coupled with fast growth and innovation throughout the Asia Pacific region, increased incidence of fraud is an unfortunate outcome. Fortunately, prevention efforts are largely keeping pace.

# Executive Summary

## Introduction



*The survey results provide interesting insights and highlight the majority of firms are starting to realise that taking fraud prevention seriously can win trust.*

Positive outcomes of this increased awareness for increased fraud prevention measures include the potential to engender trust in consumers. Most firms also report being able to protect against fraud while managing incremental costs.

Differences between industries are highlighted in the survey, with telecommunications and financial services firms remaining most concerned about fraud. Retailers are lagging – considering the growth and prevalence of eCommerce for consumers, particularly in China, this suggests an area for improvement. For example, Indonesia’s booming economy and surging levels of consumer credit have turned it into a credit fraud hotspot.



# Executive Summary

## Business Implications



*Businesses are actively investing in preventing fraud*

Most businesses invest in **external suppliers** to prevent fraud

Firms report **devoting more time and investment** into fraud prevention each year.

**Rising levels of fraud** are also expected. Given the continuing growth of eCommerce and mCommerce, this is likely to be borne out.

*Firms find security prevention “challenging”, but the nature of the challenge is region-specific*

**Over half of firms** surveyed said that fraud prevention is challenging. Firms in mature markets such as **Australia** and **New Zealand** were the most sanguine, with **Indonesia** and **Malaysia** seeing the largest challenges.

**Australian** firms are most likely to expect the threat of fraud to their organisation to grow, while Malaysian firms anticipate the largest increase in related costs. This may relate to more sparing use of **external fraud prevention suppliers** in Malaysia.

**Indonesian** firms worry about **credit fraud**, chiming with a **boom in consumer credit** and **rising GDP**.

# Executive Summary

## Business Implications



*Nevertheless, they respond that customers are not overly burdened*

Firms manage to contain costs, rather than passing them onto customers. **Singaporean** firms are most likely to admit to the cost implications, but even here, **52% of firms disagree** that customers pay more.

Companies overwhelmingly disagree, by a ratio of more than nine-to-one, that their security measures **cause customers to drop-out.**

By a smaller margin, they **disagree that security slows down transactions.**

Singaporean firms are slightly less sure than others: over a quarter (**28%**) admit customers may be put off by security measures.

*Fraud prevention is an issue for Asia-Pacific firms – but a surmountable one*

Fraud is an **unfortunate outcome** of fast growth and innovation.

But prevention efforts are **keeping up.**

**Positive outcomes** include the potential for security measures to “engender trust in consumers”.



# MARKET TRENDS

Click specific topic(s) for  
respective slides

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*General Trend of Strong  
Economic Growth Across  
Asia Pacific*

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*Rising Incomes are  
Contributing to a Surge  
in Internet Use*

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*Asia Pacific is the Fastest  
Adopter of Mobile  
Commerce*

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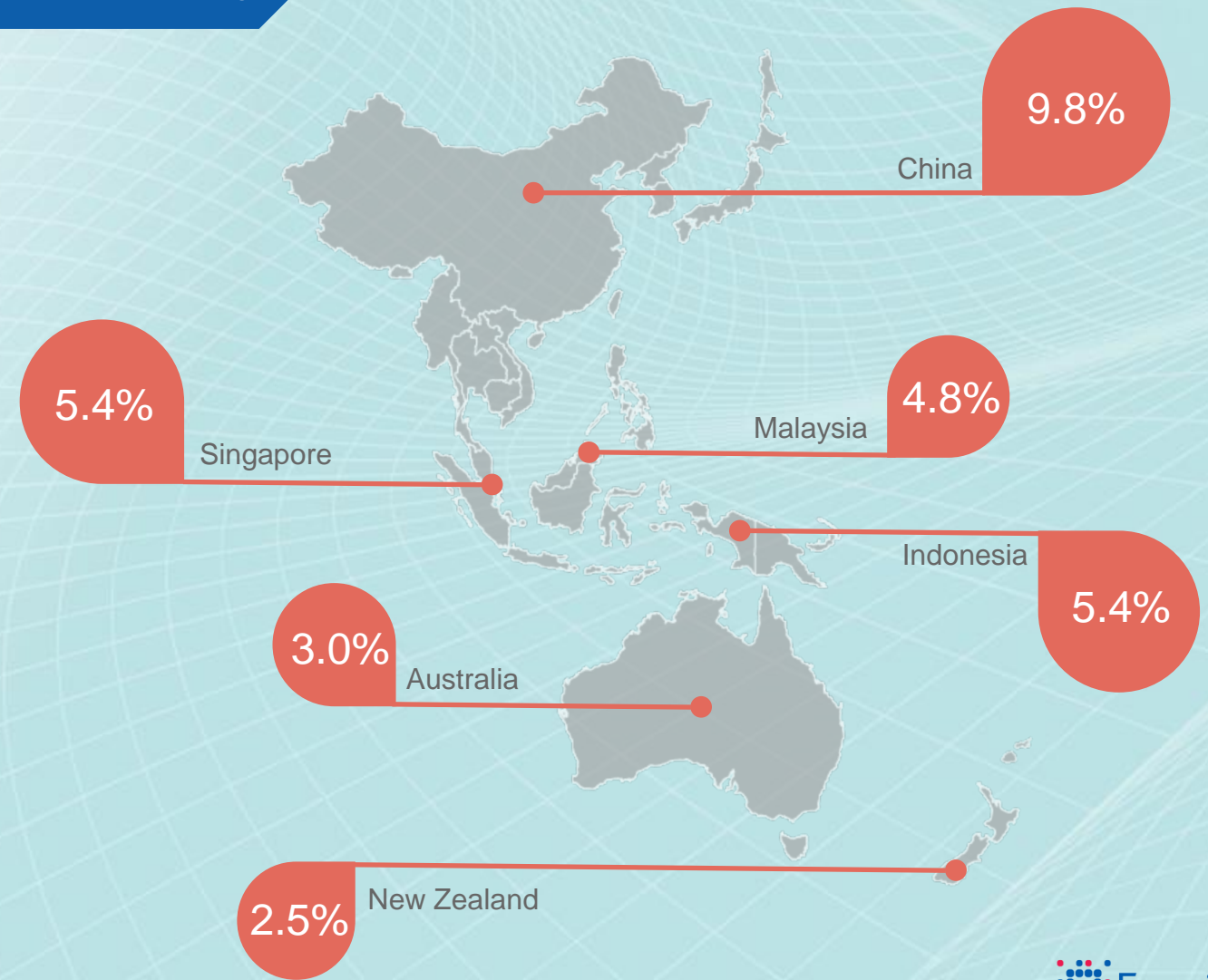
*Indonesia and China are the  
Fastest Adopters of Mobile  
Commerce Within Asia Pacific*

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# General Trend Of Strong Economic Growth Across Asia Pacific



**1.8%** OECD Average

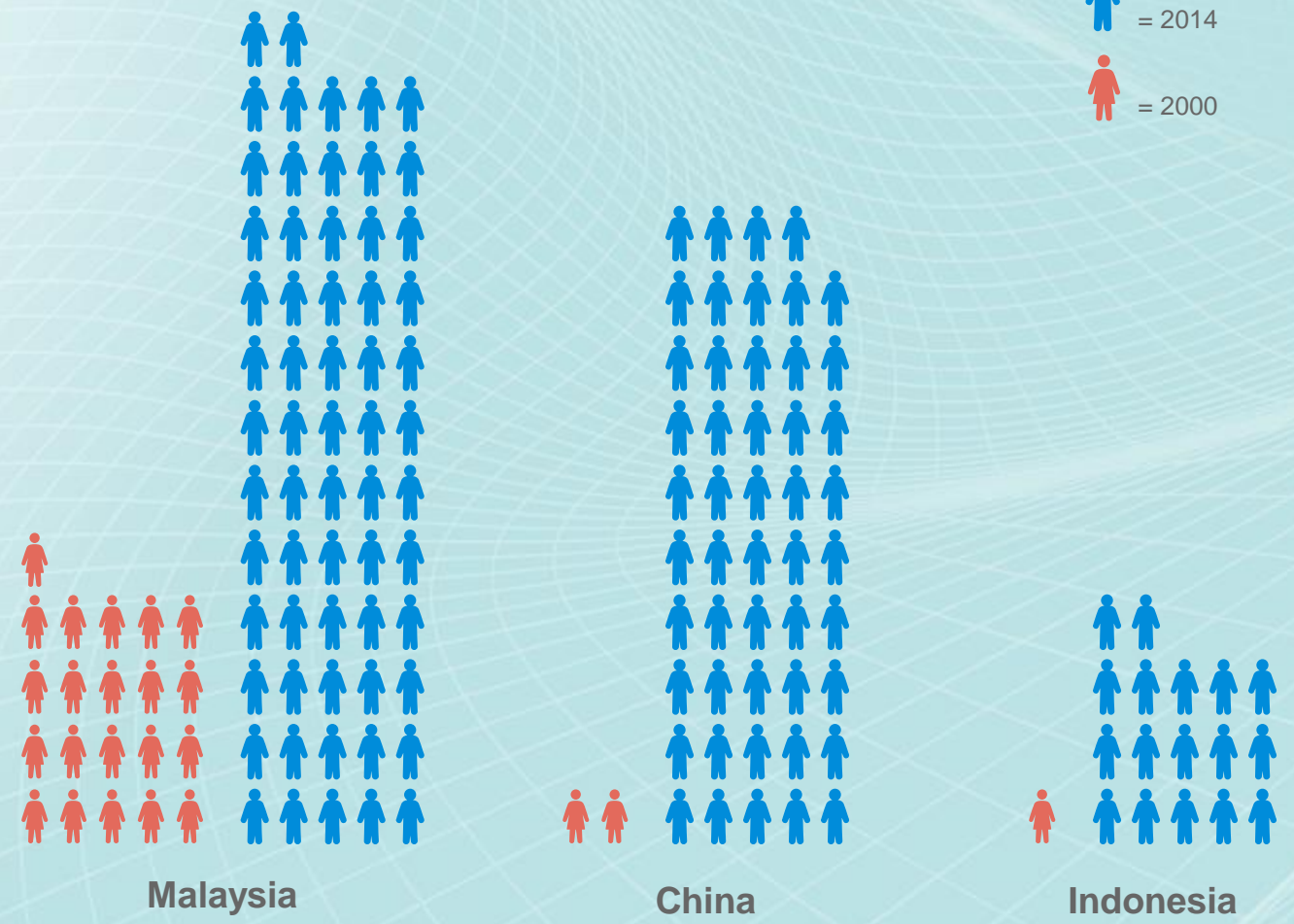


*Average annual economic growth  
2000 - 2014*

Source: Macrobond, Cebr analysis

# Rising Incomes are Contributing to a Surge in Internet Use

 = 2014  
 = 2000



*Internet subscriptions per 100 people in emerging Asia Pacific economies*

Source: World Bank World Development Indicators, Cebr Analysis

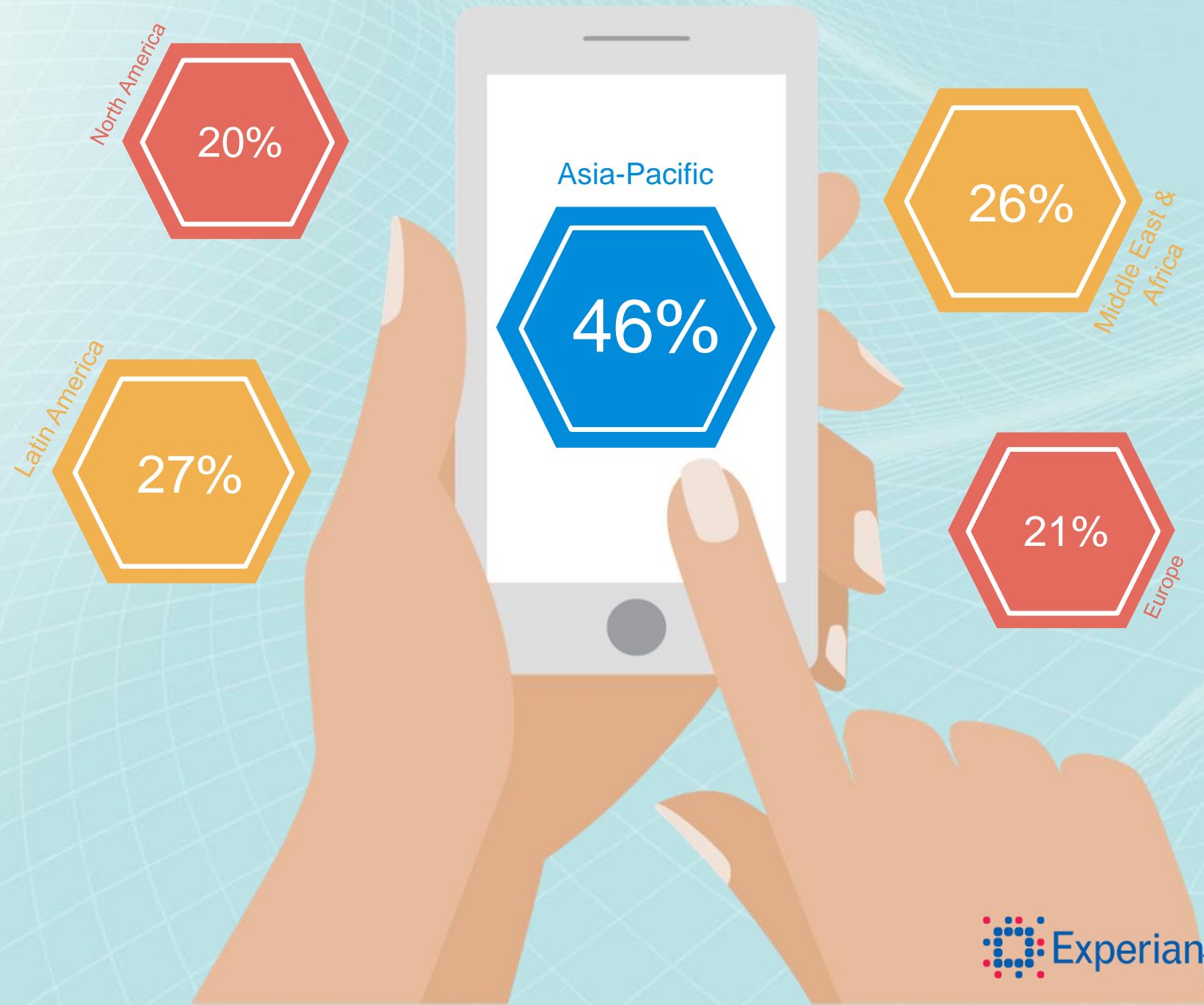
# Asia Pacific is the Fastest Adopter of Mobile Commerce

*Percentage of online shoppers who have made purchases on their mobile*

Later development can allow “leapfrogging” where economies progress straight to the next technological level, such as use of smartphones.

Relative to all online commerce, mobile shoppers are much more numerous in Asia-Pacific economies.

Source: AT Kearney’s ‘Global Retail E-Commerce Index



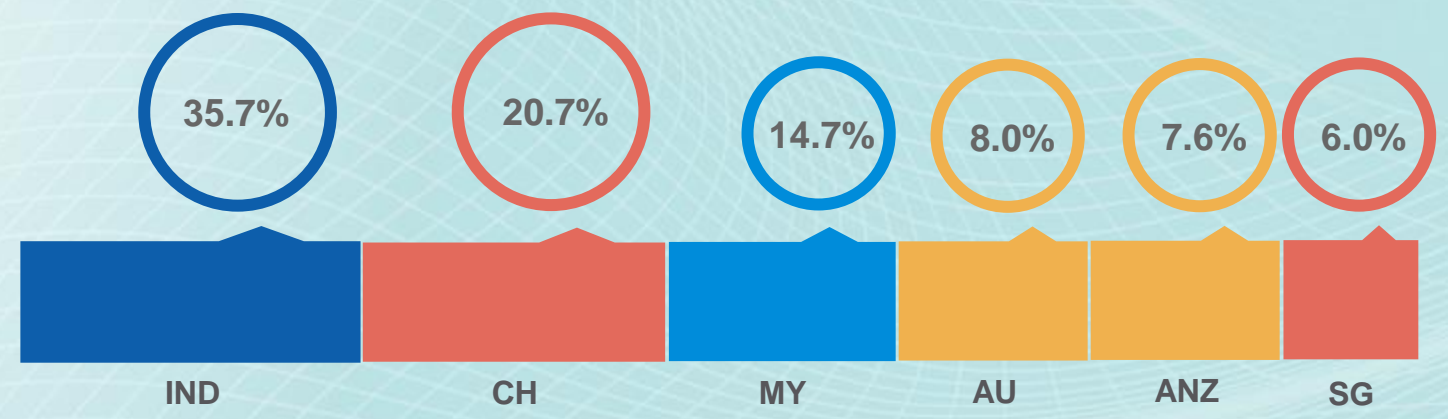


# Indonesia and China Fastest Adopters of Mobile Commerce Within Asia Pacific

IND = Indonesia  
AU = Australia

CH = China  
ANZ = New Zealand

MY = Malaysia  
SG = Singapore



## Average yearly growth in mobile subscriptions 2000 - 2014

The path of development for consumption patterns will be very different in emerging markets

Source: Macrobond, Cebr analysis

E-commerce is expanding its share of consumer spending far more rapidly than in mature economies. In e-commerce's share of total sales, China ranks ahead of markets like the US, Japan, South Korea and Australia.

E-commerce in China is projected to grow by 30% per year on average between 2013-18, compared to 14% in the US.

Economies such as China are already seeing high penetrations of mobile retailing. 46% of Asia-Pacific e-shoppers had purchased products/services via mobile, versus 20% in North America.

# FRAUD LANDSCAPE

[Click specific topic\(s\) for  
respective slides](#)

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*While Opening Opportunities,  
the Threat of Fraud is  
Growing More Rapidly in  
Fast-Growth / Emerging  
Markets*

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*Shift to Online Raises the  
Prospect of Rising Levels  
of Fraud*

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*Online Fraud Concerns  
Unsurprising Given Risks  
in Asia*

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*Firms Overwhelmingly  
Consider Rising Fraud a  
Challenge*

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*Mobile is the New and  
Growing Target in Cybercrime*

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*The Threat of Fraud Isn't  
Going Away*

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*Most Popular Purchases Online  
Include Consumer Electronics  
and Clothing*

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*Airlines are the Most Common  
Fraud Targets*

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*Fraud Transactions are  
Usually Higher than the  
Average Value of Legitimate  
Transactions*

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*Businesses in Asia Pacific Fairly  
Confident about Estimating  
Impact of Fraud*

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*Firms from Telecommunications  
and Financial Services Most  
Concerned*

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*Fraud Concentrated in the  
Largest Markets*

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## While Opening Opportunities, the Threat of Fraud is Growing More Rapidly in Fast-Growth / Emerging Markets



*Weaker legal and regulatory frameworks mean more opportunities for fraudsters. So does faster growth, which creates opportunities to get ahead of fraud prevention and regulation.*

The threat of fraud in emerging markets is greater: 60% of **Chinese (CH)** companies say fraud prevention is challenging, versus 24% of **New Zealand (ANZ)** firms.

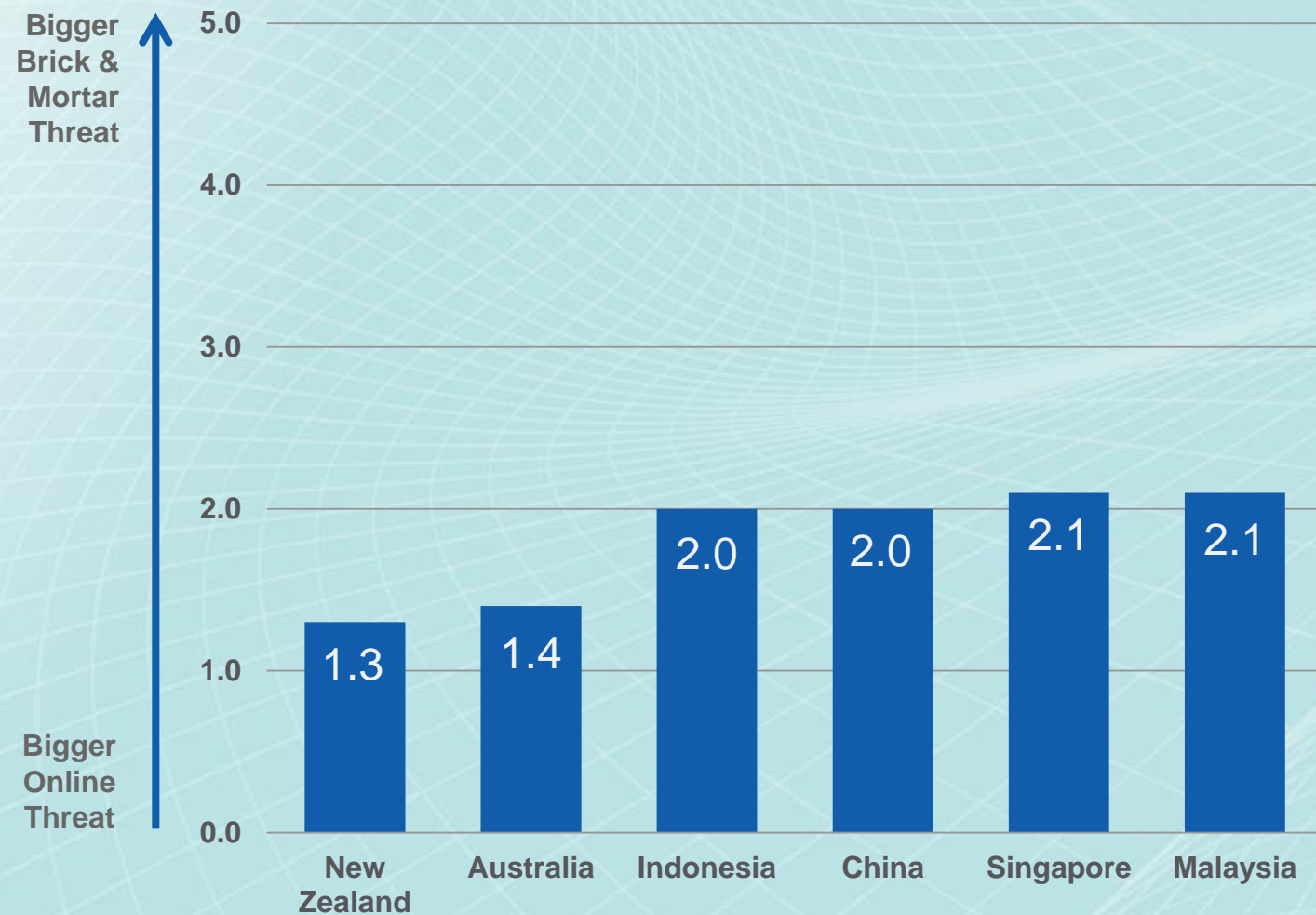
The threat also rises more quickly. 61% of **Malaysian (MY)** firms find fraud protection occupies more time and investment each year, versus 40% of **Australian (AU)** firms.



# Shift to Online Raises The Prospect of Rising Levels of Fraud

*Considering the threat of online fraud versus bricks & mortar, which is the greater?*

Source: Experian Asia-Pacific fraud survey, Cebr analysis



# Online Fraud Concerns Unsurprising Given Risks in Asia

*Map of the world's riskiest internet domains, overlaid with cybercrime loss as % GDP for selected economies*

Source: (Risk) McAfee, "Mapping the Mal Web". (Cybercrime loss) McAfee, "Net Losses: Estimating the Global Cost of Cybercrime"

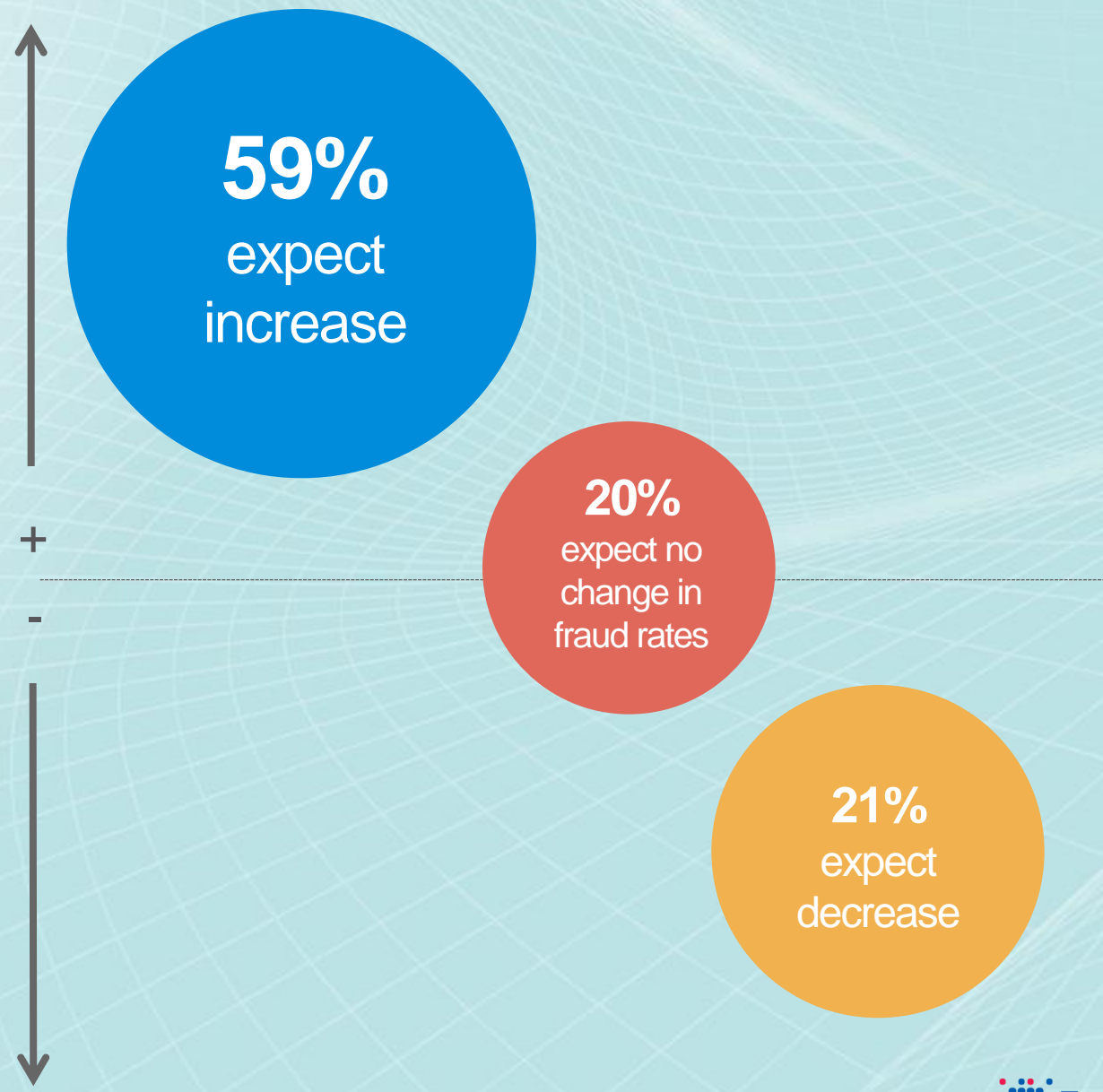




# Firms Overwhelmingly Consider Rising Fraud a Challenge

*In the next 5 years, do you see the threat of fraud to your organisation increasing or decreasing?*

Source: Experian Asia-Pacific fraud survey, Cebr analysis





## Mobile is the New and Growing Target in Cybercrime

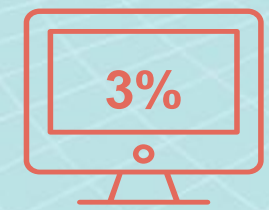
*New innovations facilitate consumer spending and create new revenue streams for businesses. However, they also mean new opportunities for fraud*

Source: AT Kearney's 'Global Retail E-Commerce Index'

### Mobile fraud is growing

# 47x

the rate of web-based fraud in the United States and similar trends are likely to be present in Asia Pacific.

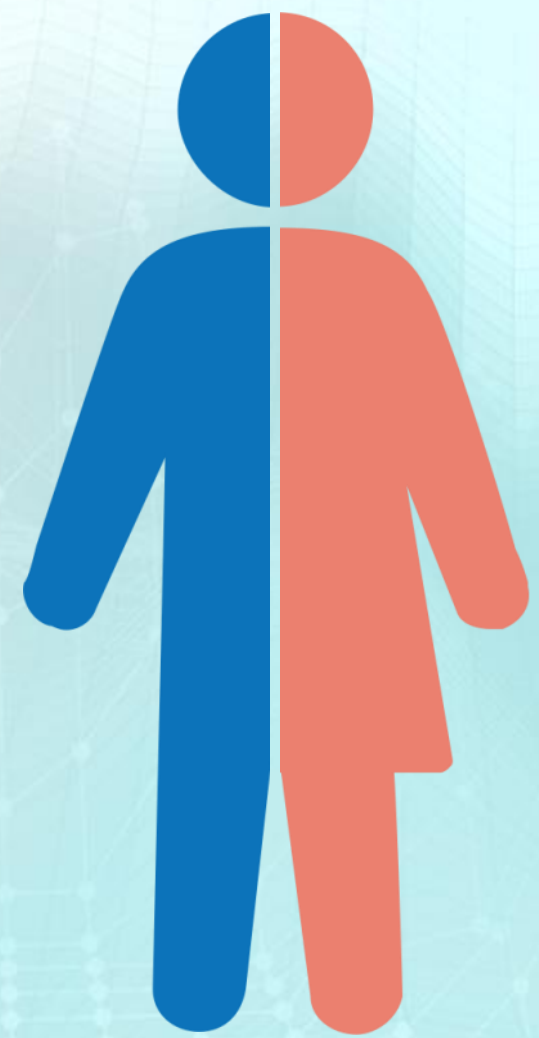


Web-based fraud growth

## The Threat of Fraud Isn't Going Away

“ *Online businesses are open 24 hours nonstop and they can be visited by anyone from anywhere, therefore it really needs a really good security system.* ”

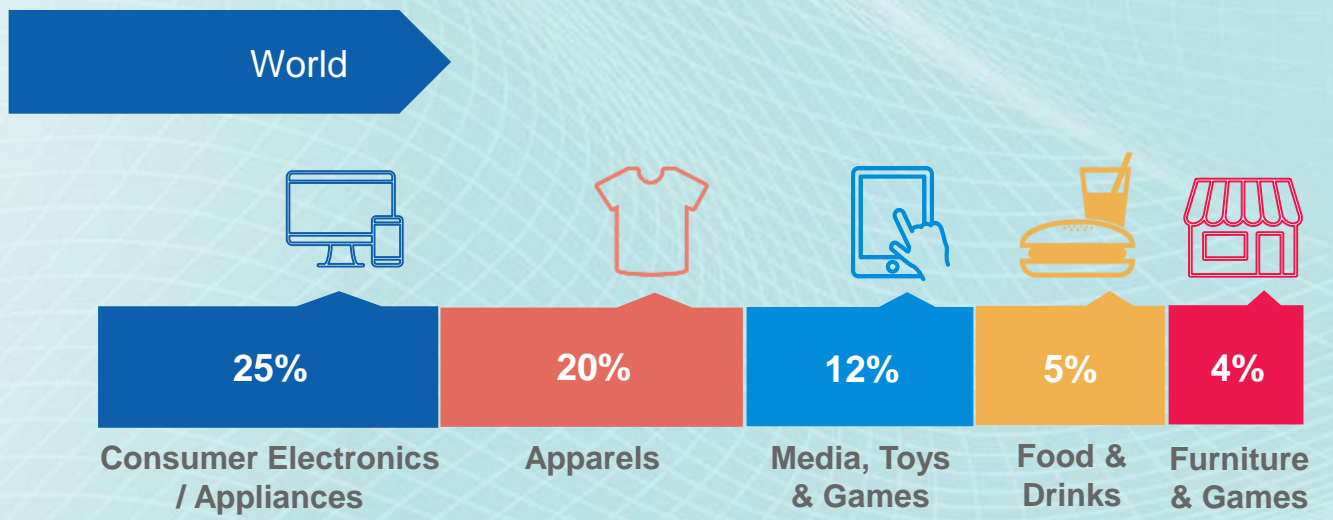
– Senior Manager  
Telecom, Indonesia



“ *As the number of banking services migrate online, security and control will gradually decrease. The government's administration and control are still not well established even though the number of users online are increasing.* ”

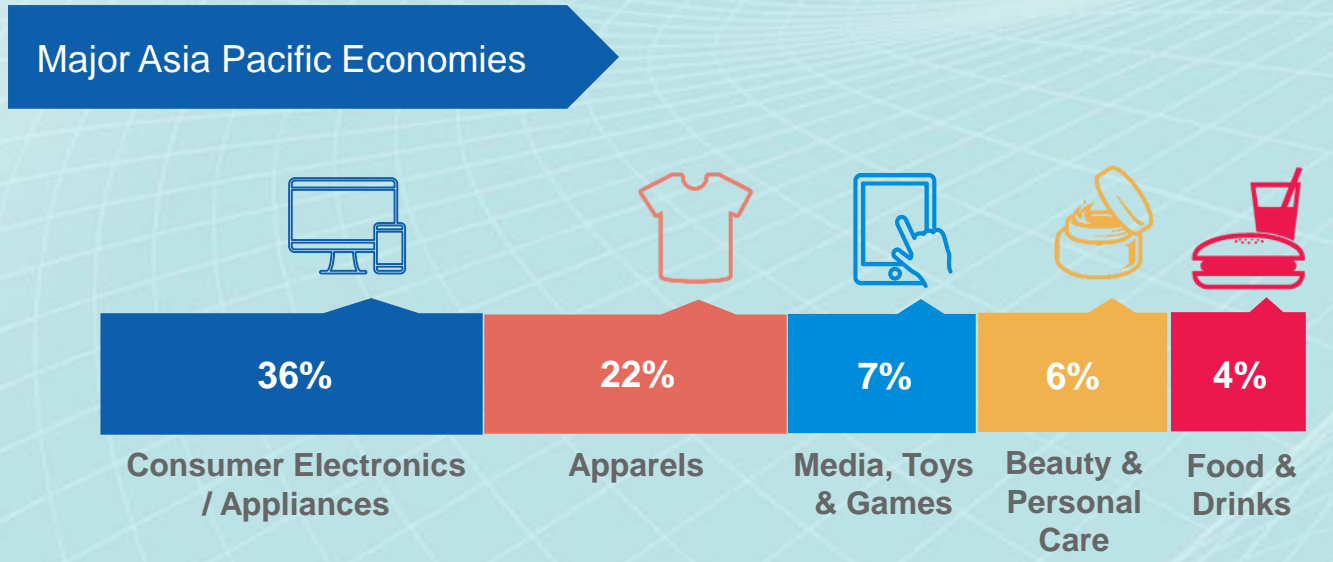
– Head of Security and Fraud Prevention  
Financial Services, China

# Most Popular Purchases Online Include Consumer Electronics and Clothing



## Different product categories' shares of e-commerce spending, world and Asia Pacific

Source: AT Kearney, "Global Retail E-Commerce Index 2013",  
\*Economies covered: China, Japan, South Korea





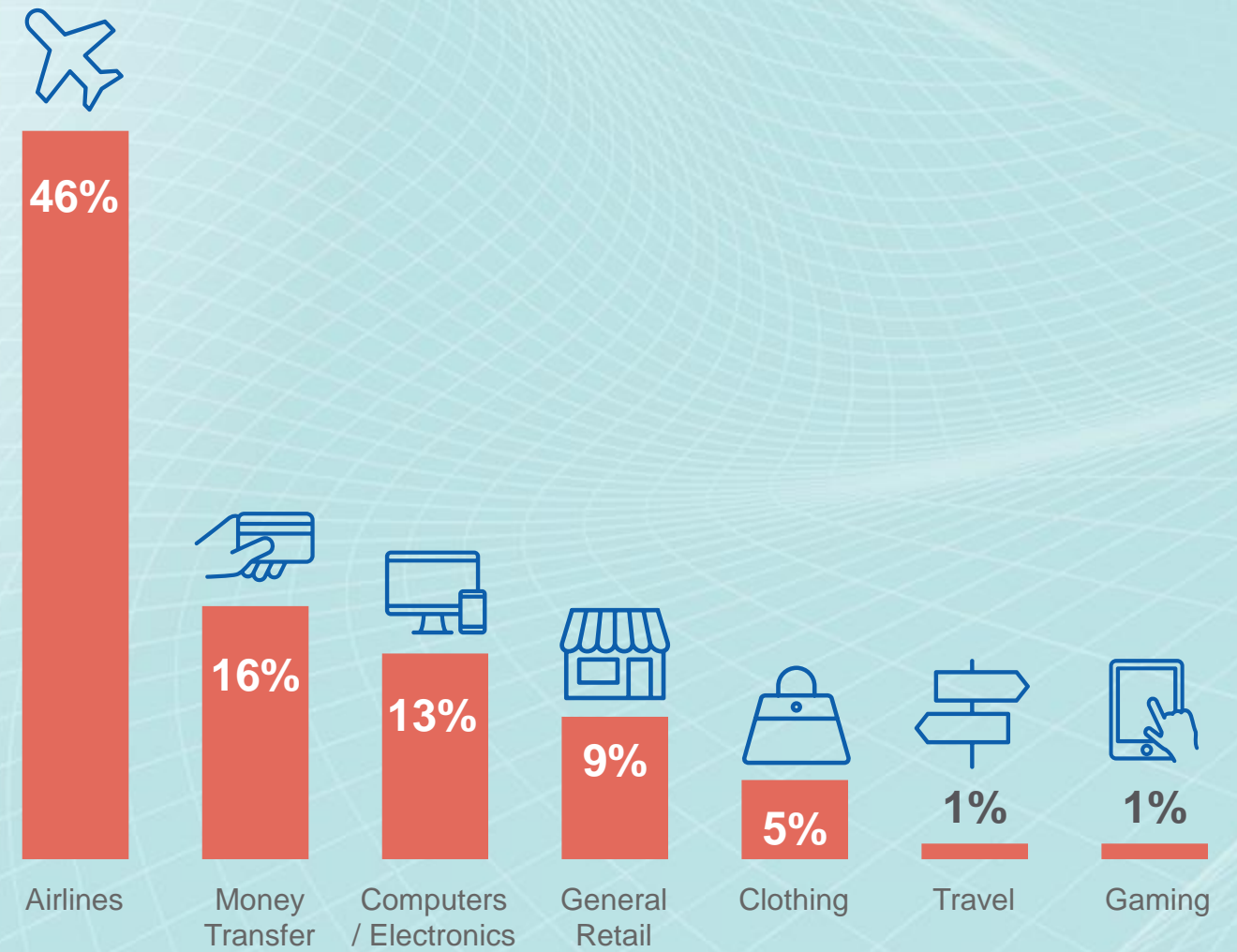
# Airlines are the Most Common Fraud Targets

*Top merchant categories affected by fraud, % of all fraudulent transactions, world*

Computers/electronics and clothing are among the biggest categories of e-commerce, at **52%** and **27%** of the Chinese market respectively.

With **13%** and **5%** of fraud targeted at these categories, they are also well-represented in fraud statistics.

Source: RSA Fraud Report "Bring on Cyber Monday: E-Commerce Merchants and Fraud"



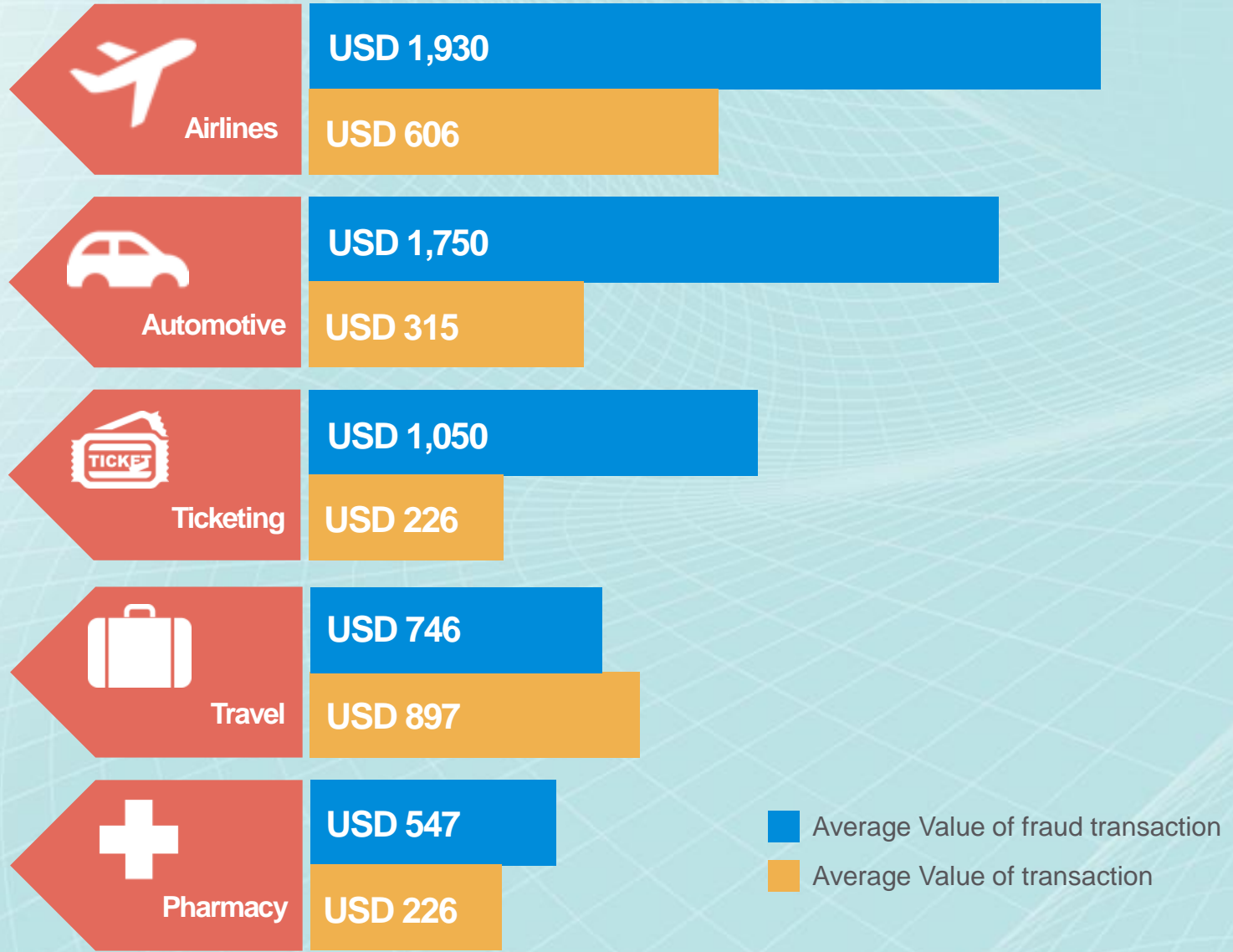
# Fraud Transactions are Usually Higher than the Average Value of Legitimate Transactions

The starting point for identifying fraudulent transactions is to concentrate on higher-value purchases.

But some also concentrate on low-value transactions, counting on the victim not noticing

Other important predictors are sellers' product categories and buyers' country of origin. Some countries – e.g. Indonesia – are now known to be hotspots for web-enabled fraud

Source: RSA Fraud Report “Bring on Cyber Monday: E-Commerce Merchants and Fraud”, 2014



# Businesses in Asia Pacific Fairly Confident about Estimating Impact of Fraud

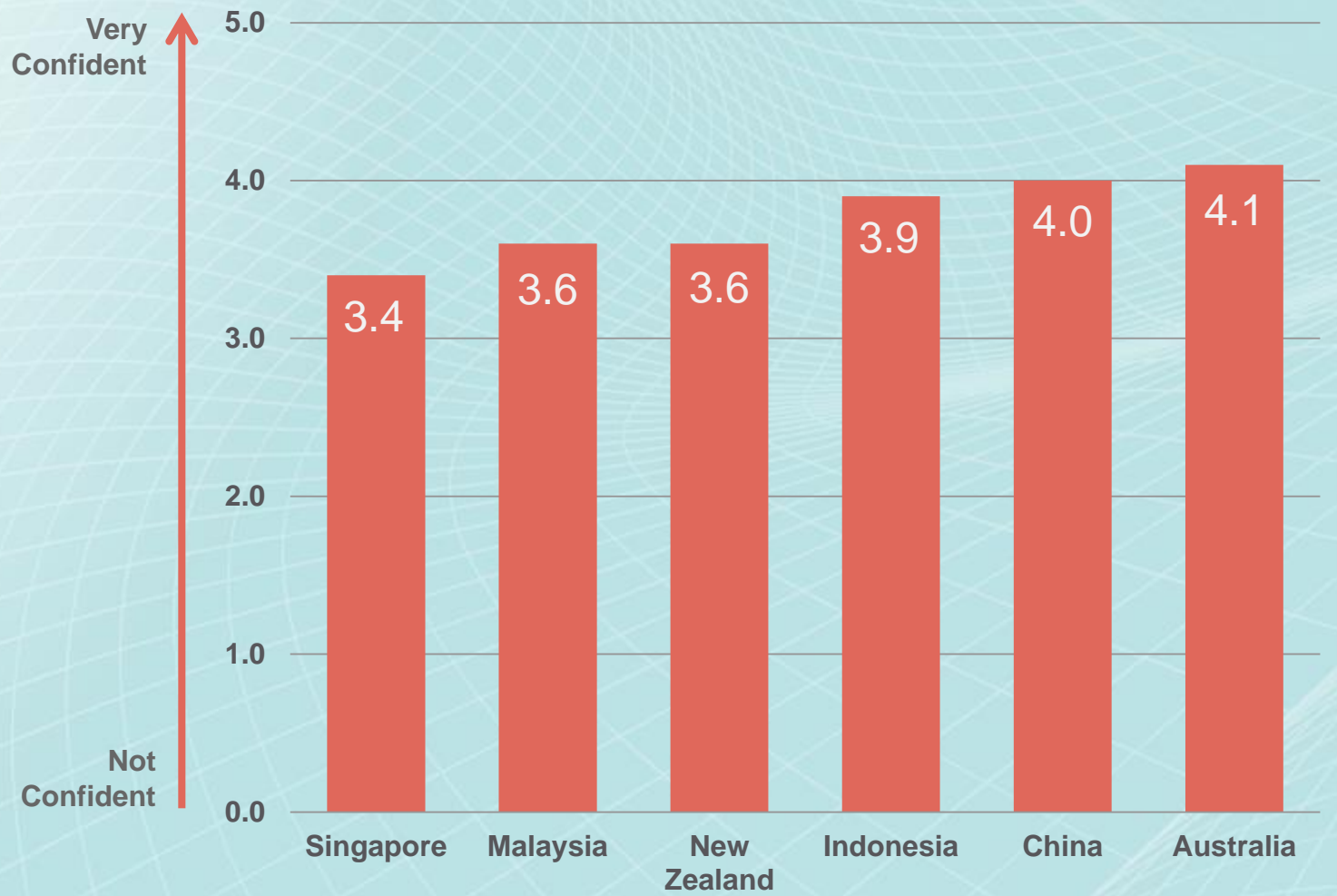
*How confident are you in your ability to quantify the financial impact of fraud losses in your business?*

Over two-thirds (68%) of firms are confident they can quantify fraud losses

This is the first step towards tackling fraud. Identifying fraudulent or suspect transactions is crucial.

With 13% and 5% of fraud targeted at these categories, they are also well-represented in fraud statistics.

Source: Experian Asia-Pacific fraud survey, Cebr analysis





# Firms from Telecommunications and Financial Services Most Concerned

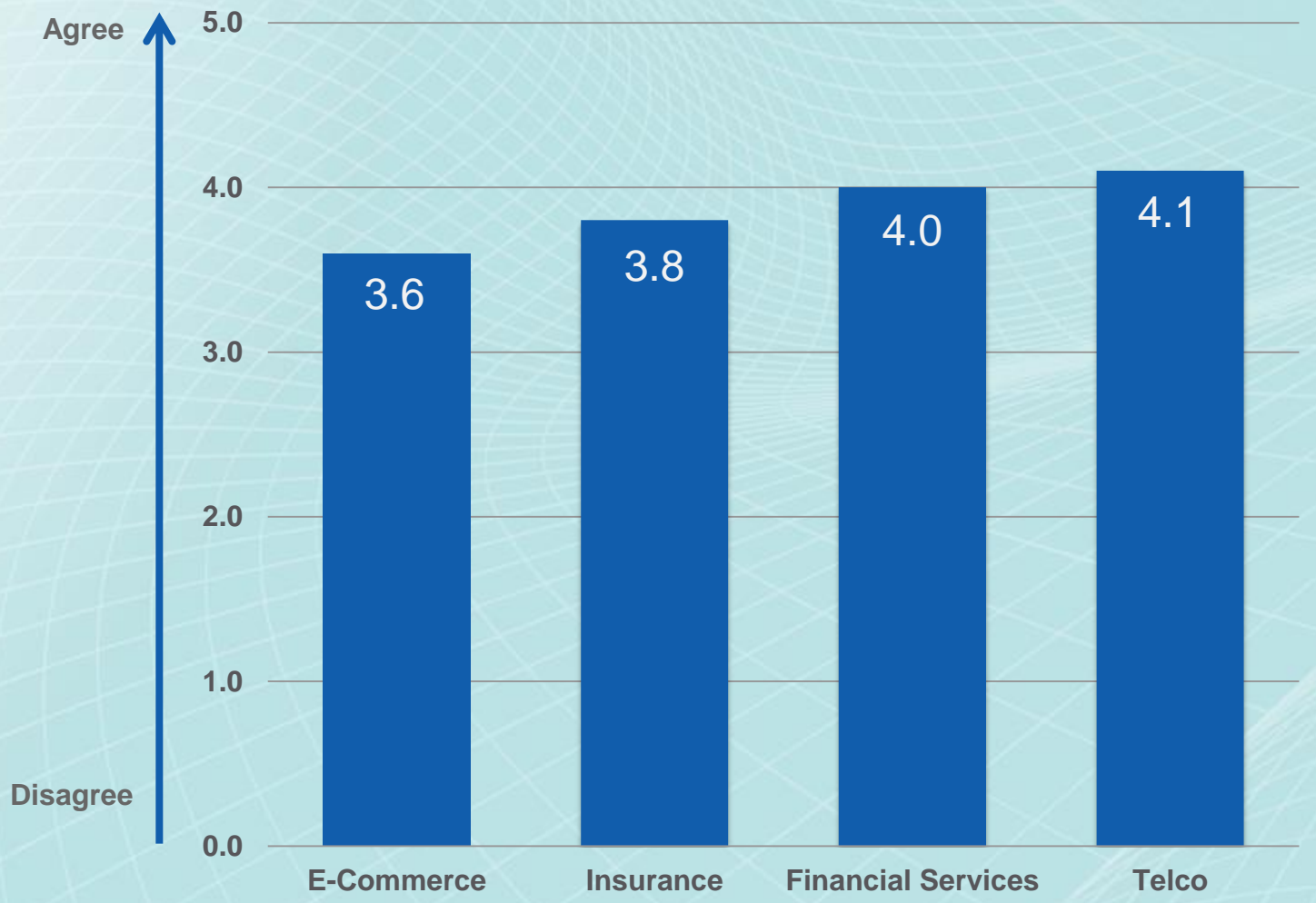
*Concerns about fraud influence everything we do*

E-commerce is less concerned about fraud.

This is paradoxical, given that some types of e-commerce, e.g. airlines, are more important targets for fraud than firms in other sectors such as financial transactions.

However, many e-commerce firms may be selling products that are not such important fraud targets. These firms would not need to be so cautious.

Source: Experian Asia-Pacific fraud survey, Cebr analysis



# Fraud Concentrated in the Largest Markets

*Fraud follows money and Asia Pacific has many attractions for fraudsters*

However, the US is still the number 1 target in the world. The reason is probably linked to income – fraudsters overwhelmingly target richer consumers, and the US has more of these than any other country.

- Products align with common fraud targets
- Risky internet domains
- Largest and fastest-growing e-shopping markets
- Fast-growing internet use
- High mobile growth

Source: RSA Fraud Report “Bring on Cyber Monday: E-Commerce Merchants and Fraud”, 2014

Top Countries by proportion of fraud attacks, %

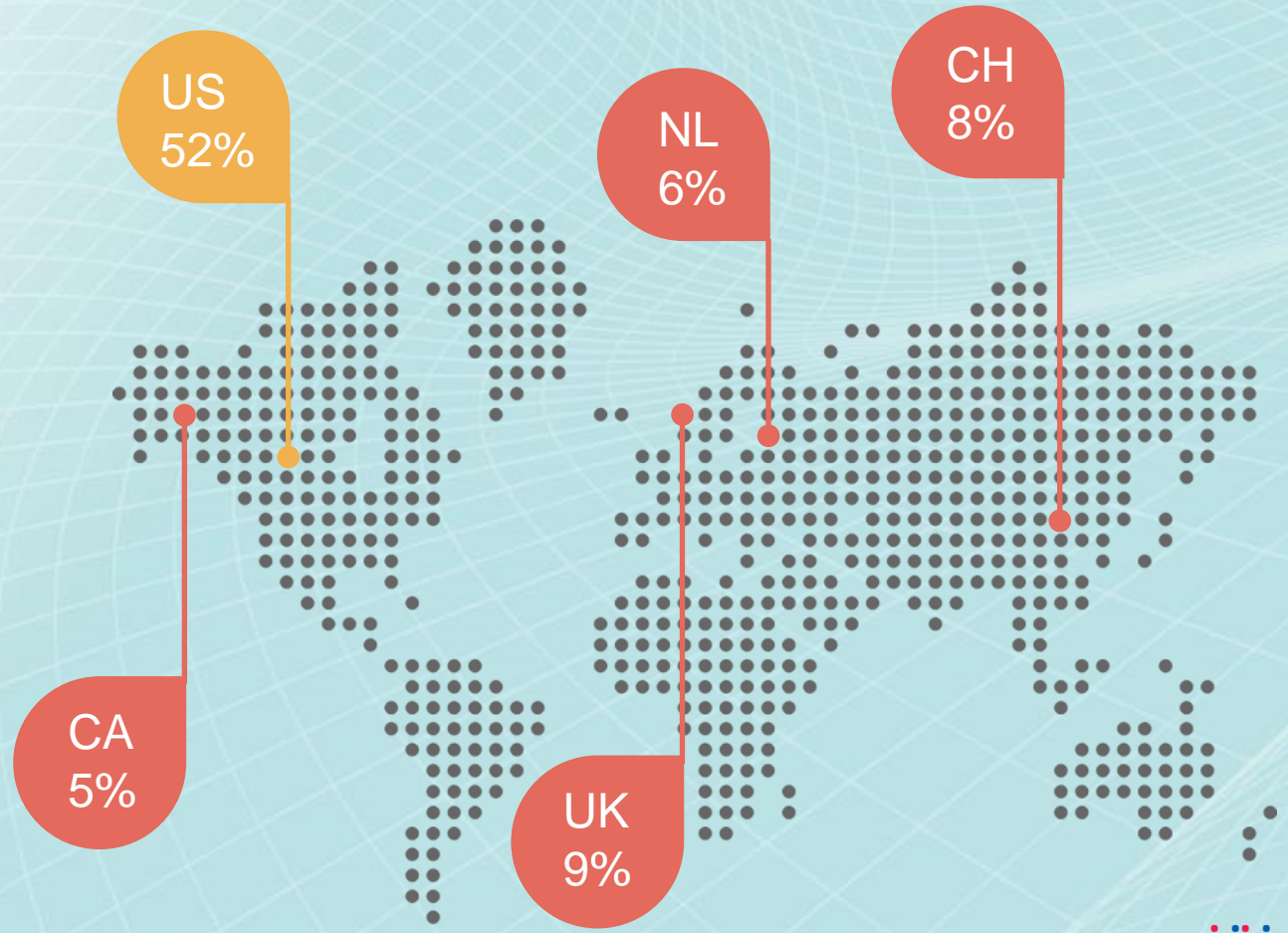
US = United States

CA = Canada

NL = Netherlands

CH = China

UK = United Kingdom



# REGIONAL INSIGHTS

Click specific topic(s) for  
respective slides

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*Different Types of Fraud  
Occur in Different Countries*

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*China*

---

*Indonesia*

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*Malaysia*

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*Singapore*

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*Australia*

---

*New Zealand*

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# Different Types of Fraud Occur in Different Countries

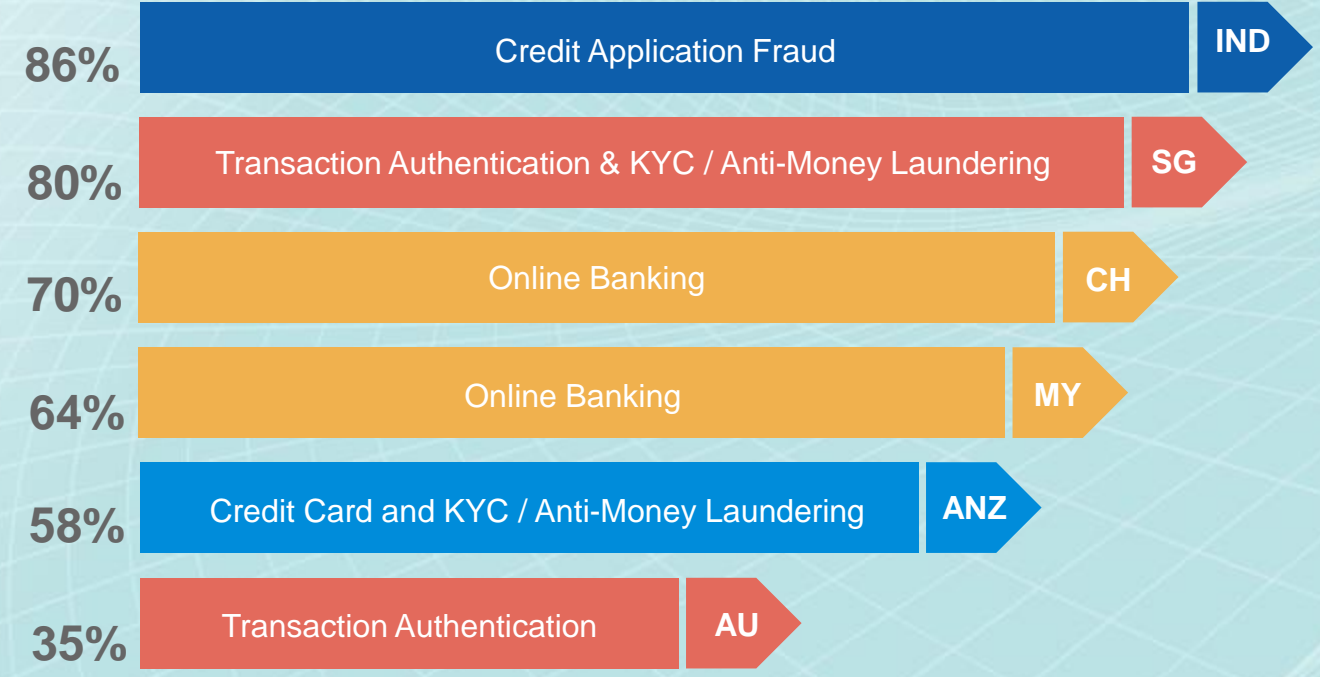
IND = Indonesia  
MY = Malaysia

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CH = China  
AU = Australia

*What type of fraudulent activity do you see growing? (top category per country, %, answers of those in the financial industry)*

Source: Experian fraud survey, Cebr analysis







# CHINA

Click specific topic(s) for  
respective slides

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*Introduction*

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*China's Explosive Online Growth  
Yield Increase of Cyber Fraud*

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*Chinese Firms are Relatively  
Secure Though Customers have  
Little Choice*

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*Chinese Consumers  
Reassured by Fraud  
Prevention Measure*

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## Introduction to China's Fraud Landscape

Despite being listed as a risky internet domain, **China scores well** in other fraud rankings. Firms report **online banking fraud** as a worry – this market has grown explosively, explaining this trend. Firms report stringent online security procedures which reassure customers



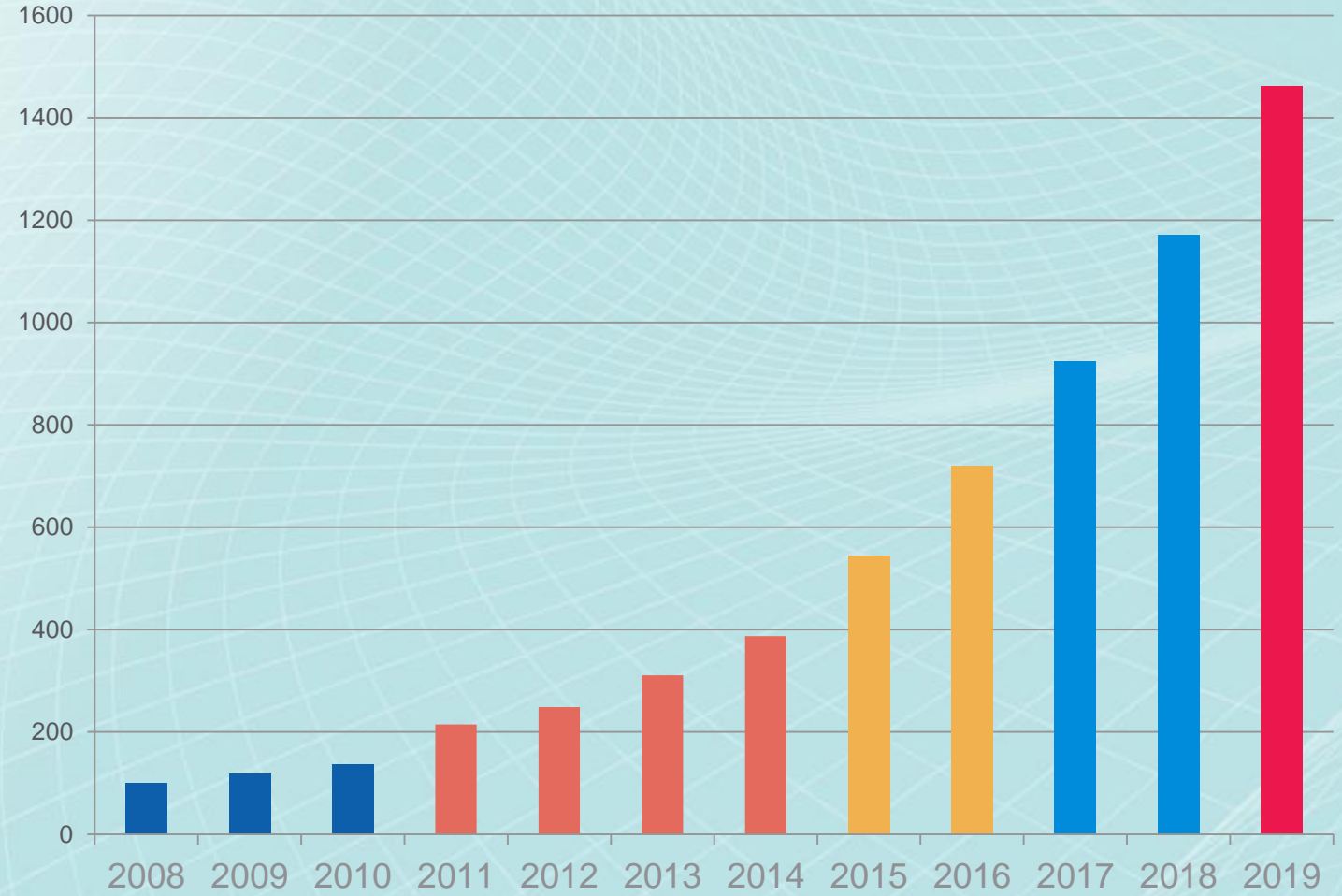


# China's Explosive Online Growth Yield Increase of Cyber Fraud

*Online banking transaction volume in China from 2008 to 2018, 2008=100*

Source: Statista, Cebr analysis

China number one fraud growth type: Online banking fraud

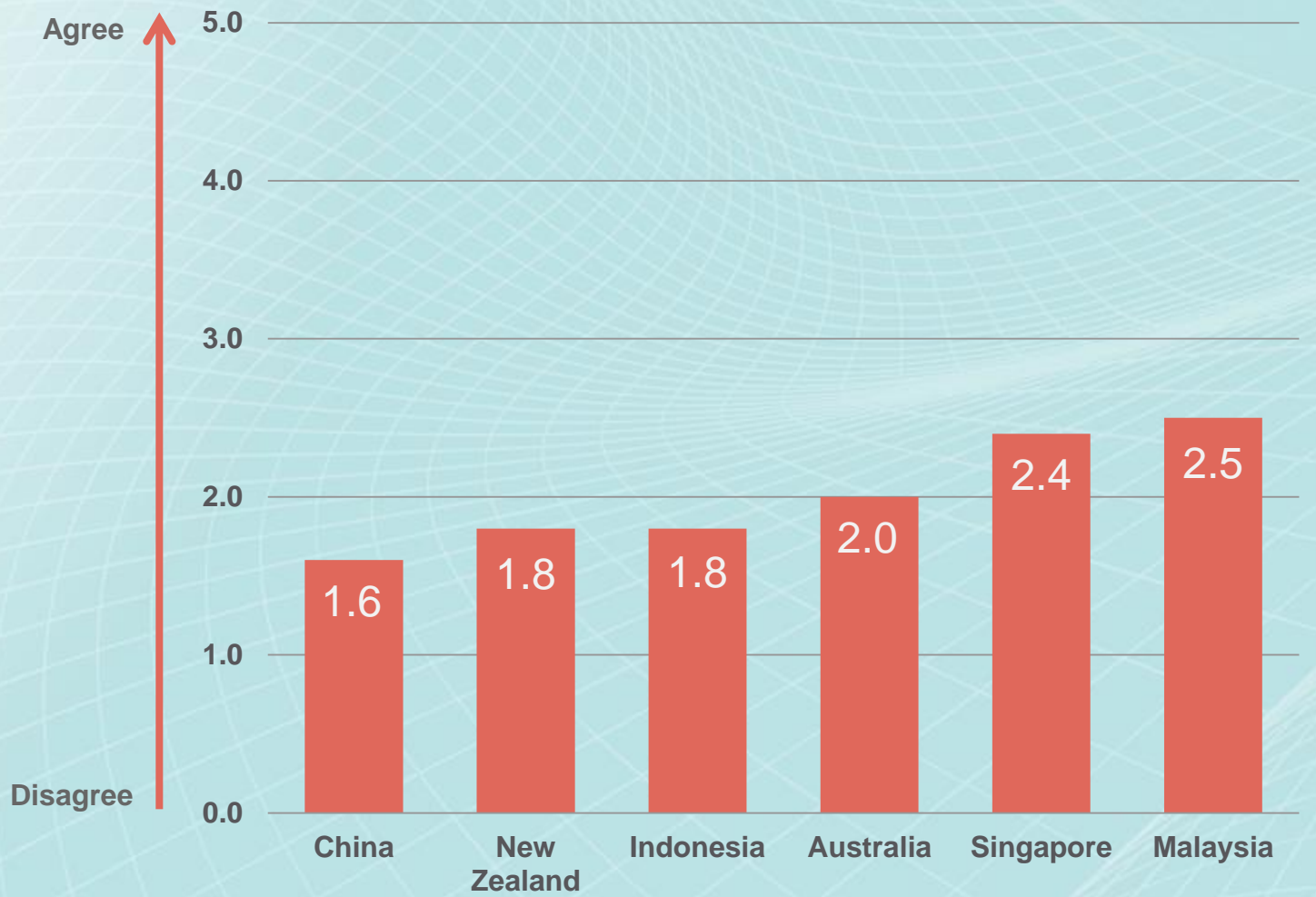


# Chinese Firms are Relatively Secure Though Consumers Have Little Choice

*To what extent do you agree or disagree with the following statements about fraud prevention? Our security protocols during transaction results in drop-outs*

China's e-commerce market is largely controlled by one firm, Alibaba, which has a 50% market share. The telecommunications industry is likewise dominated by three state-run firms.

This means little choice for consumers. Chinese firms report security prevention slows down transaction time; it also complicates customer on-boarding. But this makes less difference in a market with few alternatives. **Few customers drop out.**



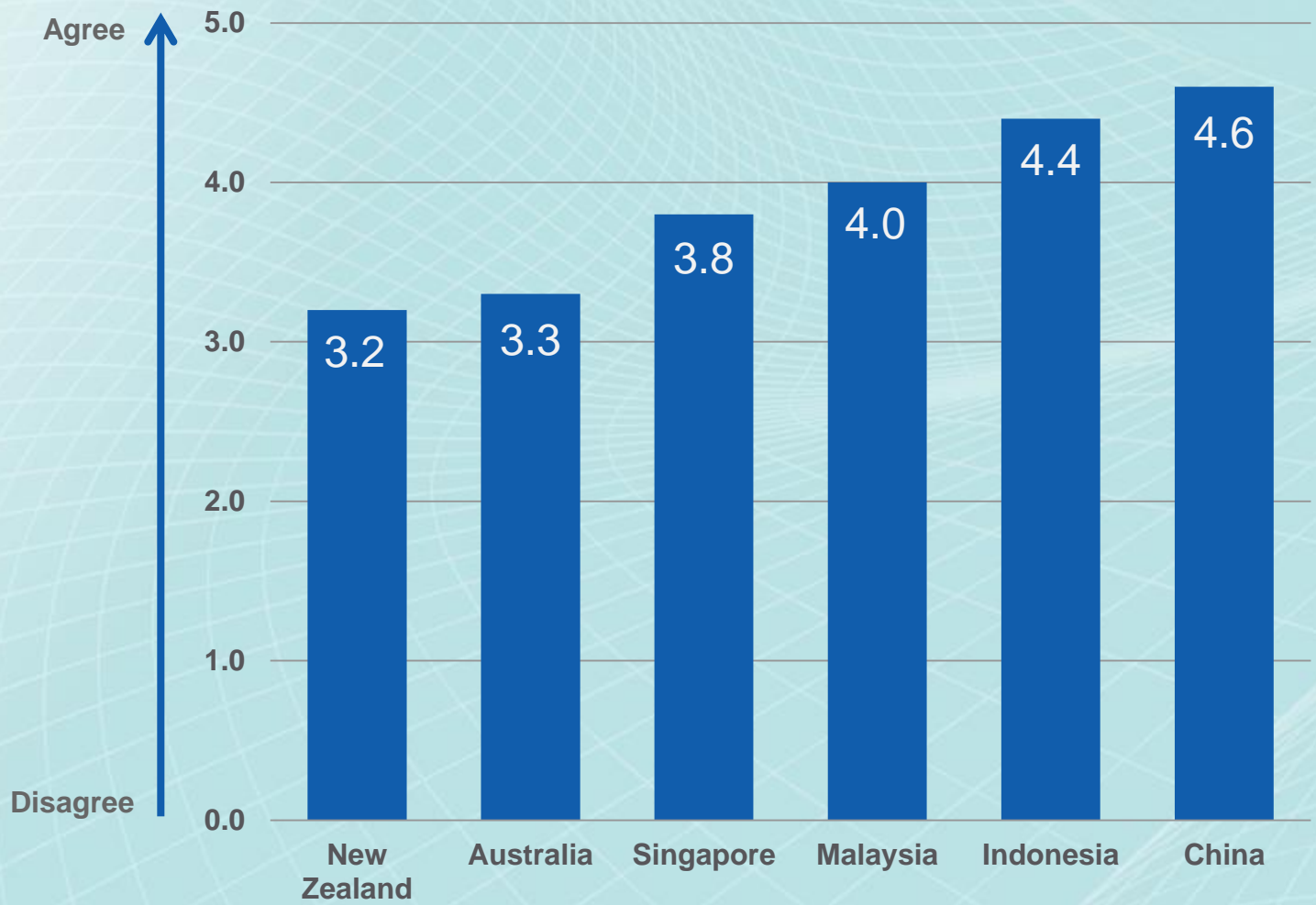
# Chinese Consumers Reassured by Fraud Prevention Measures

*Our security protocols engender trust in our customers?*

Chinese customers are reassured by reportedly time-consuming protocols.

Along with the lack of competition in the market, this helps to explain the finding that **customers do not drop out.**

Source: Experian Asia-Pacific fraud survey, Cebr analysis





# INDONESIA

Click specific topic(s) for respective slides

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*Introduction*

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*Firms Most Influenced by Fraud Tend to be Located in the Faster Growing Economies, with Indonesia Taking Lead*

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*Levels of Consumer Credit are Surging in Indonesia, with Associated Fraud*

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*Indonesia at Bottom of Fraud Index*

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*Indonesian Firms do not Think Fraud Protection Puts Off Customers*

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# Introduction to Indonesia's Fraud Landscape

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*A **booming economy** and **surging levels of consumer credit** have turned Indonesia into a **credit fraud hotspot**, with firms citing this as their **number one concern**. Indonesia performs very poorly in a global fraud index*

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# Firms Most Influenced by Fraud Tend to Be Located in the Faster Growing Economies, with Indonesia Taking Lead

## Concerns about fraud influence everything we do

A clear correlation holds between the level of firms' concern regarding fraud, and GDP growth in their economy.

China is an outlier, with businesses less concerned than one would expect.

With one of the highest growth rates, Indonesian firms have a **strong preoccupation with fraud.**

Source: Experian Asia-Pacific fraud survey, Cebr analysis





# Levels of Consumer Credit are Surging in Indonesia, with Associated Fraud

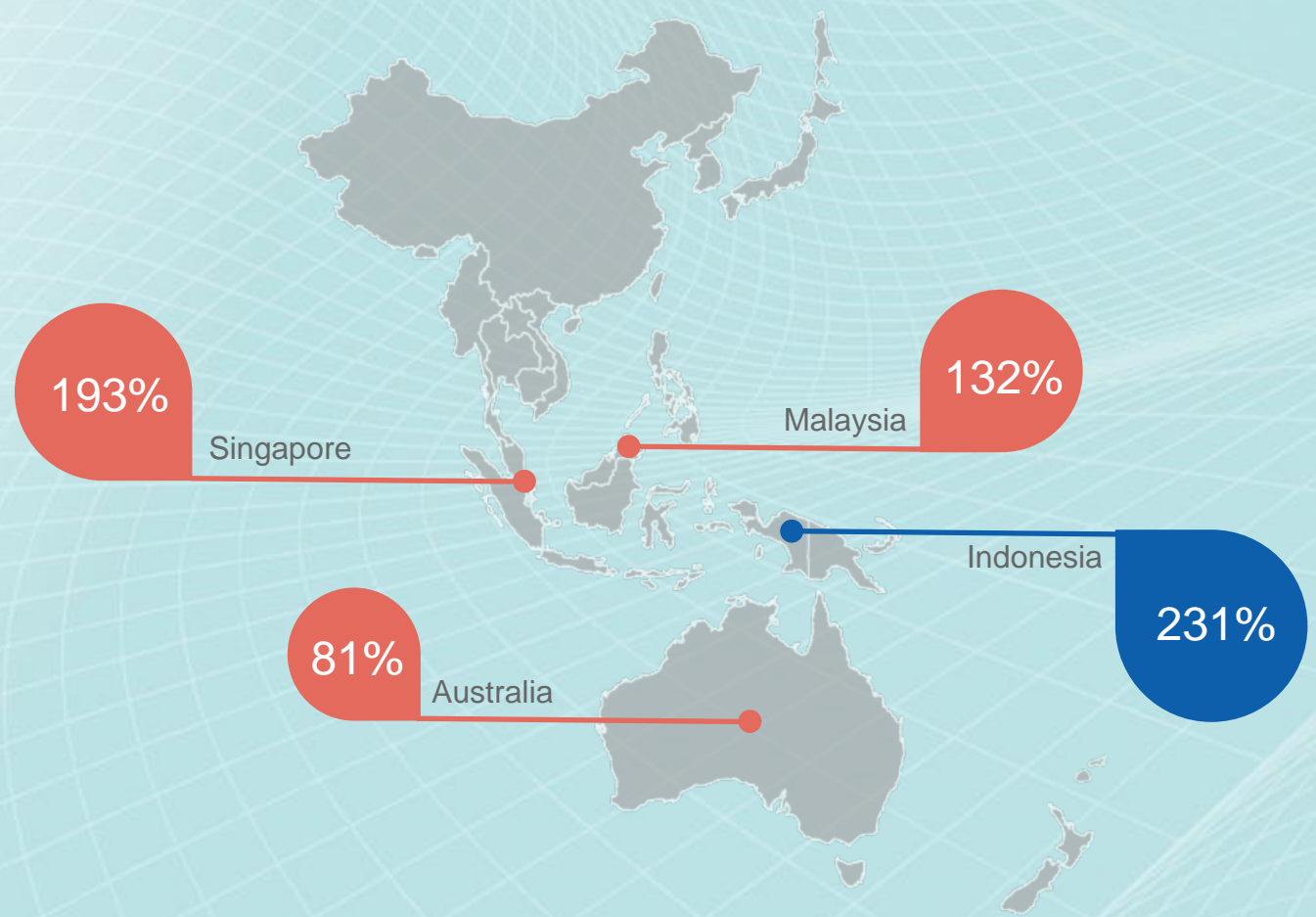
*Indonesian financial firms are **virtually unanimous (86%)** in citing **credit application fraud as no. 1** growth area.*

Consumer credit has boomed in ASEAN markets. This even applies to highly-developed Singapore, but less so to Australia.

This facilitates credit fraud as many more have credit cards and bank accounts.

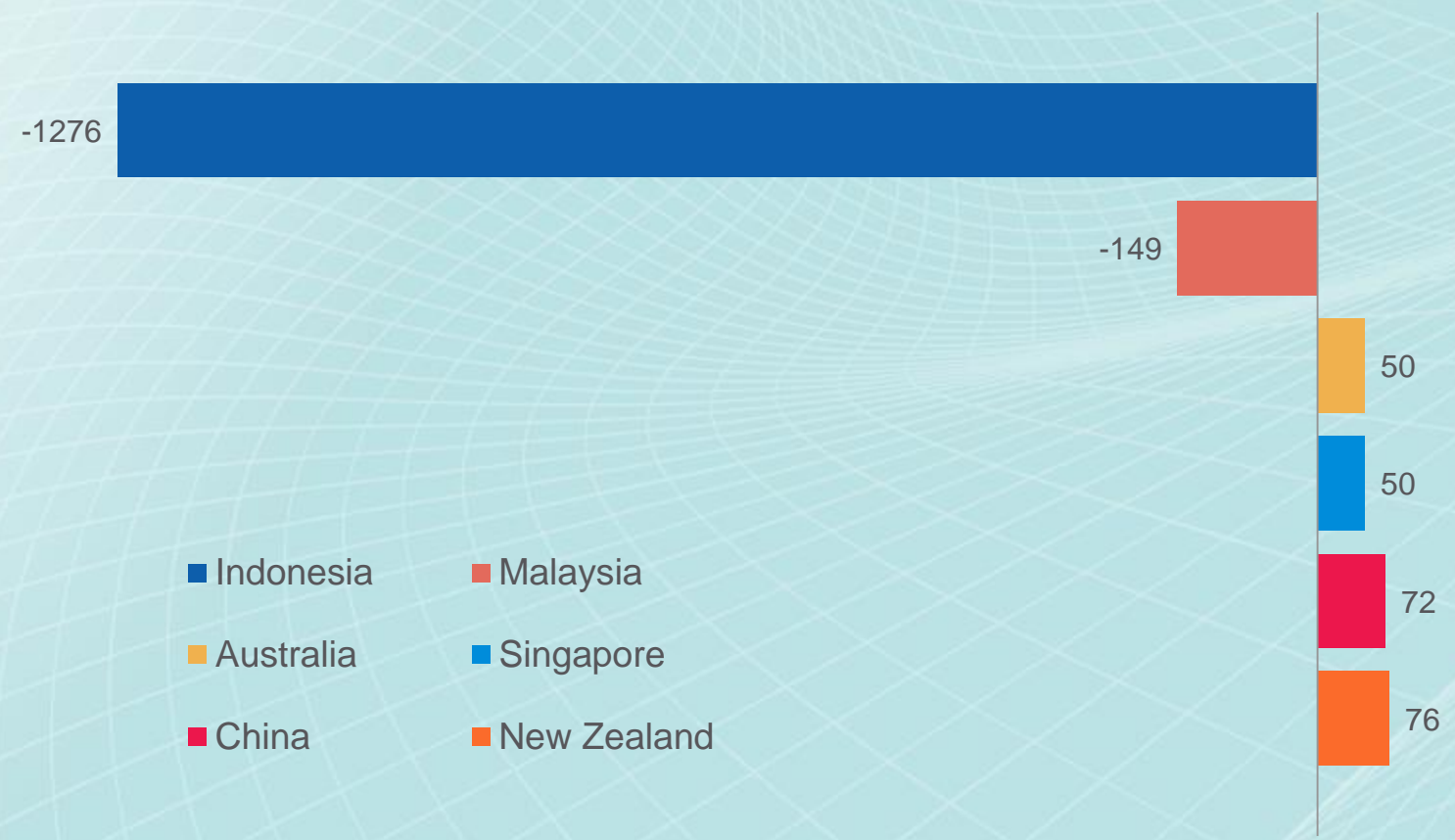
Source: Bank for International Settlements, Cebr analysis

### Increase in Lending to Households 2006 – 2014, %



# Indonesia at Bottom of Fraud Index

### Score on 2Checkout's Fraud Index, Asia Pacific Countries



*2Checkout, an online transactions firm, monitors transactions for fraud, applying statistical tests to analyse fraudulent activity.*

It scales fraudulent activity levels by the number of transactions originating from that country.

It rates Indonesia as the lowest country in the index worldwide, by some margin.

Source: 2Checkout Fraud Index 2014

- Indonesia
- Malaysia
- Australia
- Singapore
- China
- New Zealand



# Indonesian Firms do not Think Fraud Protection Puts Off Customers

*To what extent do you agree or disagree with the following statement about fraud prevention?*

*Our fraud protection measures complicate the customer on-boarding process.*

Indonesian firms may be strongly influenced by fraud, but they do not judge that prevention measures put off customers. In other countries, fraud protection measures are either less streamlined, or customers may be more demanding.

Source: Experian fraud survey, Cebr analysis





# MALAYSIA

Click specific topic(s) for respective slides

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*Introduction*

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*Clear Increase in Cyber Security Cases in Malaysia*

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*Financial Fraud the Top Source of Digital Crimes*

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*Malaysian Firms Seeing Increasing Fraud Prevention Time and Costs*

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*Malaysian Firms Least Reliant on Suppliers to Prevent Fraud*

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# Introduction to Malaysia's Fraud Landscape

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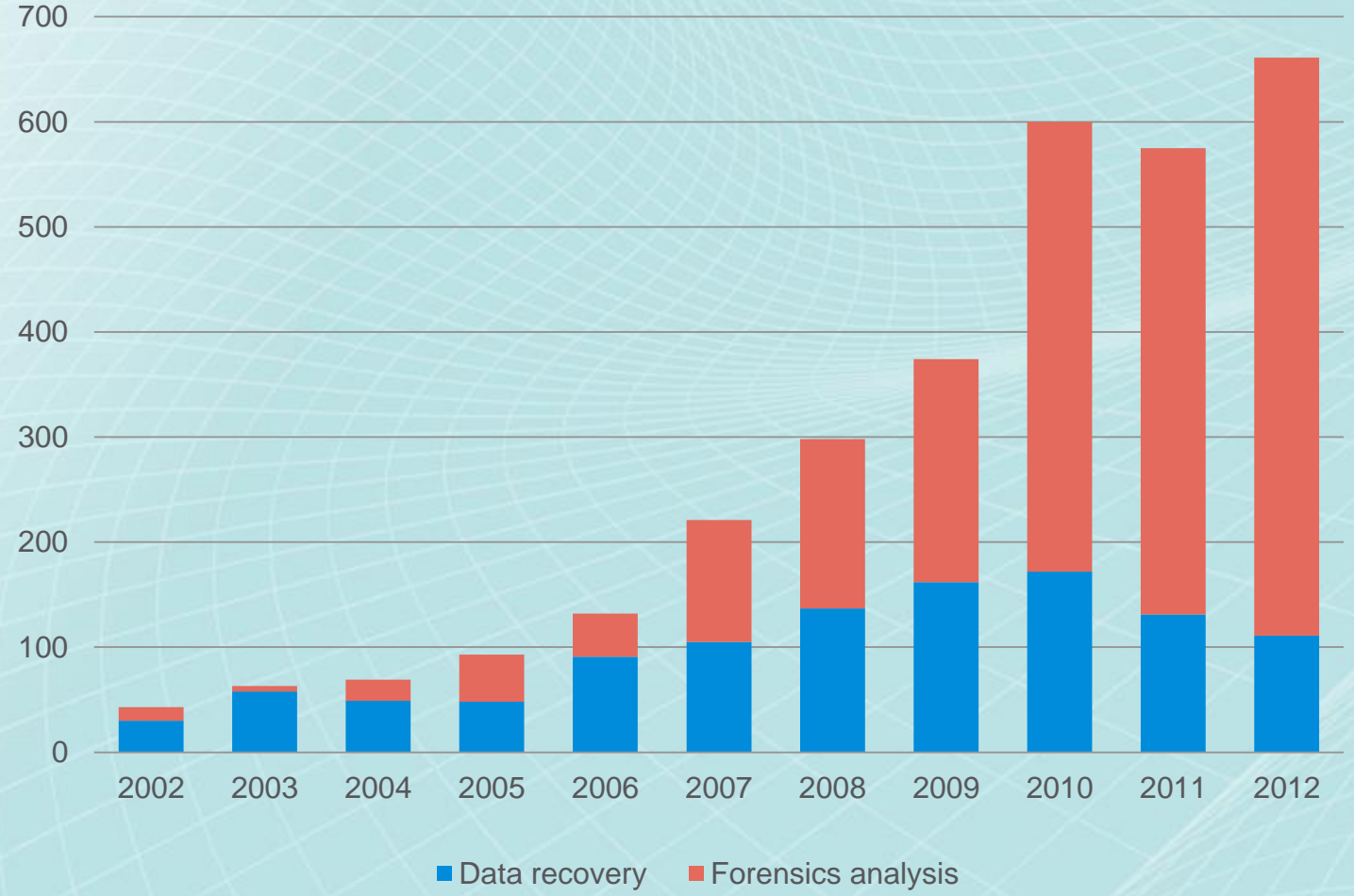
*Online banking fraud preoccupies Malaysian firms, in line with the large increase in internet subscriptions. Malaysian firms are notable for their tendency to bring **fraud prevention in-house**, in contrast with other Asia Pacific economies. Fraud prevention costs are rising rapidly, probably reflecting both factors*

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# Clear Increase in Cyber Security Cases in Malaysia

Cases received by Cybersecurity Malaysia between 2002-2012



**Online banking fraud** is top concern for financial firms.

This is reflected in the rapid rise in cases passed onto Malaysia's cyber security force

Source: Digital Forensics Department, Malaysian Ministry of Science, Technology, and Innovation, Cebr analysis



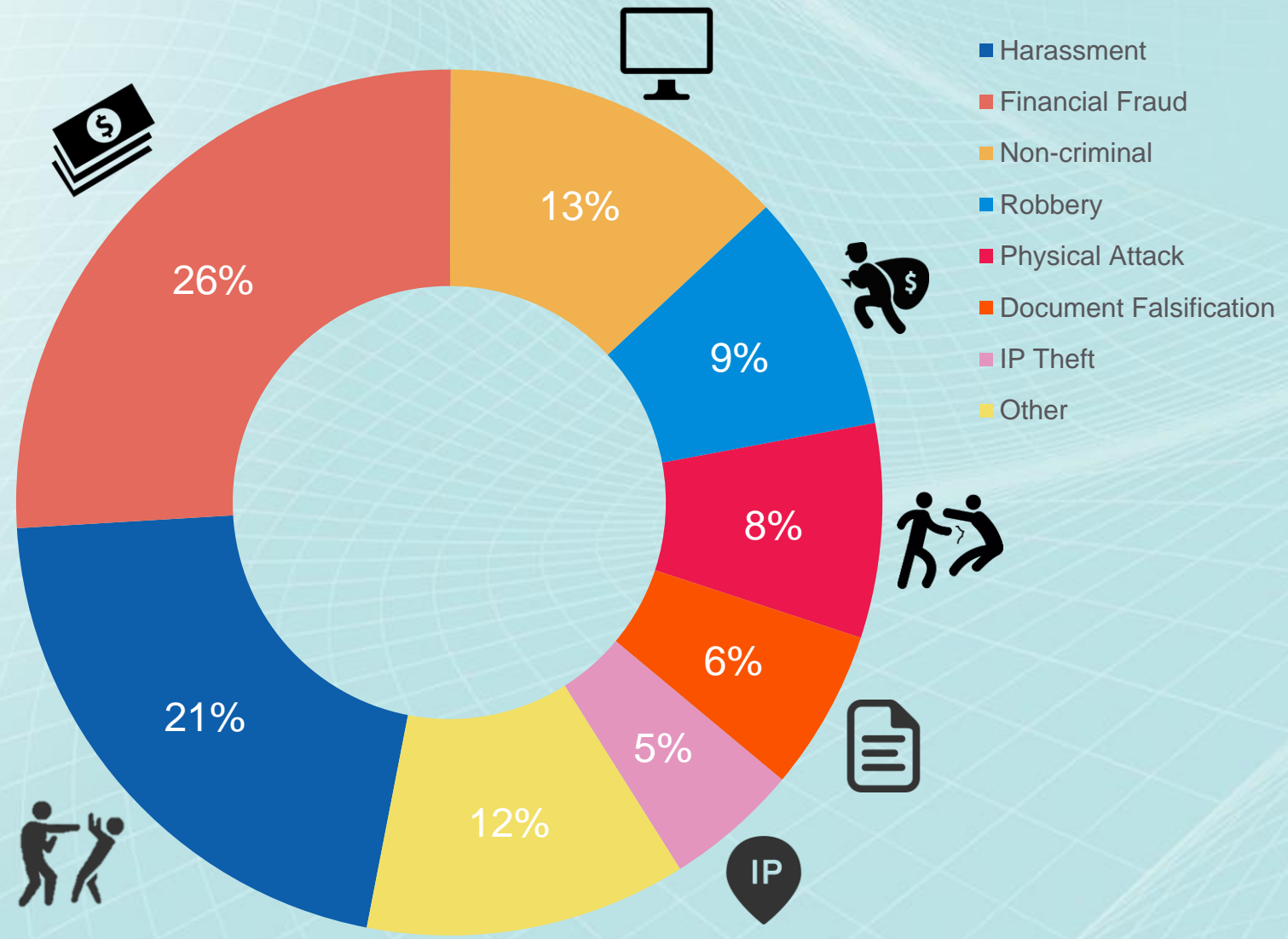
# Financial Fraud the Top Source of Digital Crimes

*Digital crime cases according to crime category in Malaysia*

Financial Fraud:

Malaysian statistics show financial fraud well in front of any other digital crime category in Malaysia.

Source: Digital Forensics Department, Malaysian Ministry of Science, Technology, and Innovation, 2007, Cebr analysis



# Malaysian Firms Seeing Increasing Fraud Prevention Time and Costs

*With each passing year, fraud protection occupies more and more of our time and investment?*

Malaysian firms respond that fraud occupies more and more of their time – which tallies with the evidence presented in terms of the increase in financial fraud. They are more likely to report increases than other Asia Pacific economies. This may relate to a reluctance to outsource to suppliers.

Source: Experian fraud survey, Cebr analysis





# Malaysian Firms Least Reliant on Suppliers to Prevent Fraud

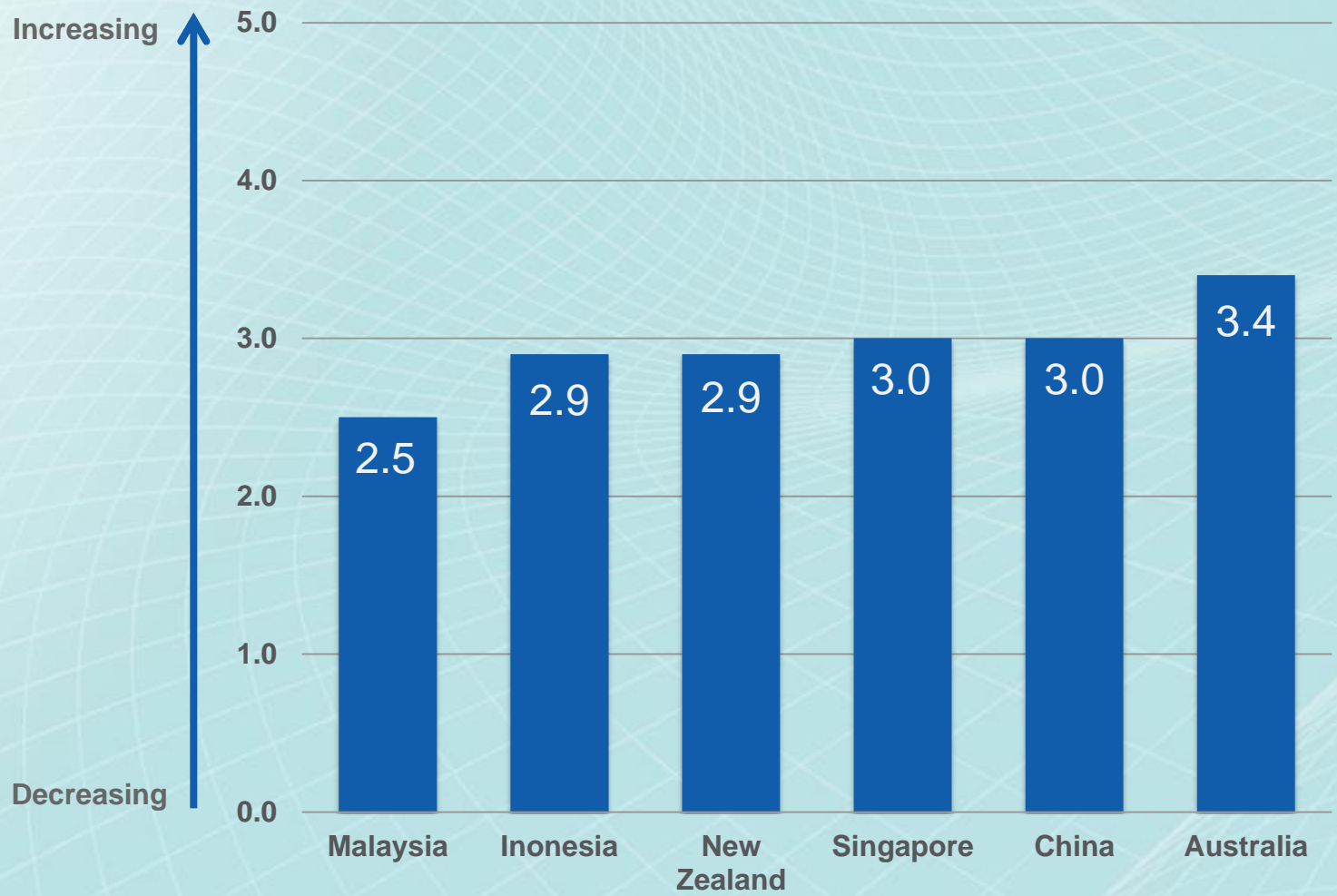
*We rely on external suppliers to keep our company and customers safe from fraud?*

The reluctance of Malaysian firms to outsource is marked.

Firms in most other economies are relatively happy to do so.

It is likely that this causes fraud prevention costs to rise – the increasing technological sophistication of fraud means that costs may rise more rapidly if firms are reluctant to rely on specialist providers.

Source: Experian fraud survey, Cebr analysis





# SINGAPORE

Click specific topic(s) for  
respective slides

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*Introduction*

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*Singapore Firms Very Stringent in  
Fighting Fraud*

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*Fraud Prevention not Costless,  
as Singaporean Firms Well Know*

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# Introduction to Singapore's Fraud Landscape

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*Singapore's status as an international financial hub raises anti-money laundering issues for firms*

*Companies here are most likely to pass on fraud-prevention costs to customers. They respond that customers drop out when faced with stringent anti-fraud measures*

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## Singaporean Firms Very Stringent in Fighting Fraud



*Anti-fraud  
measures in  
Singapore are  
strict, based on  
firms' survey  
responses.*

Stringent measures are probably necessary as Singapore is a major financial centre, which requires safeguards.

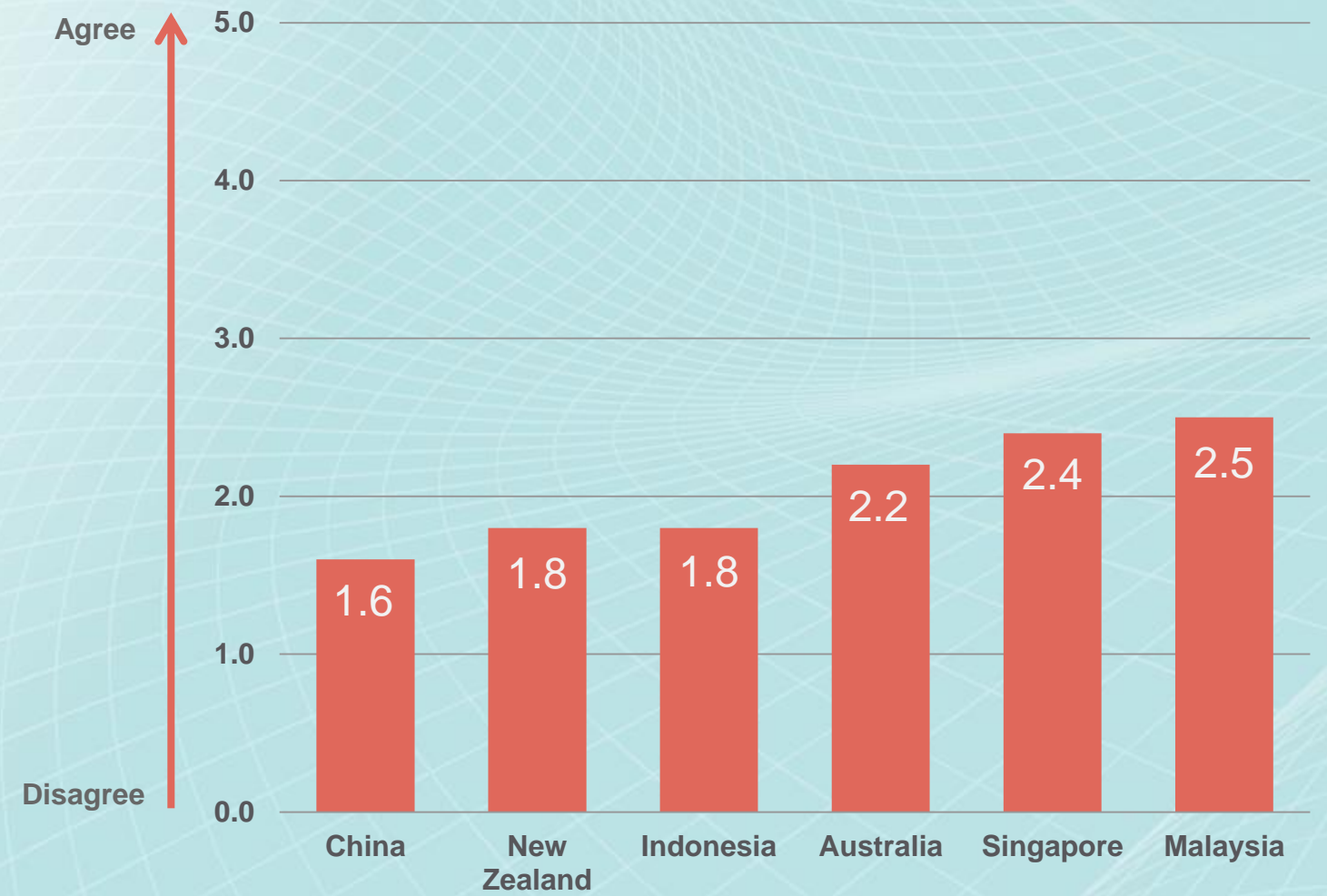
Singapore achieves a relatively good position in the Fraud Index created by online transactions company 2Checkout, with 50. (The top score is Guatemala with 89.)



# Our security protocols during transaction

## Result in Drop-Outs

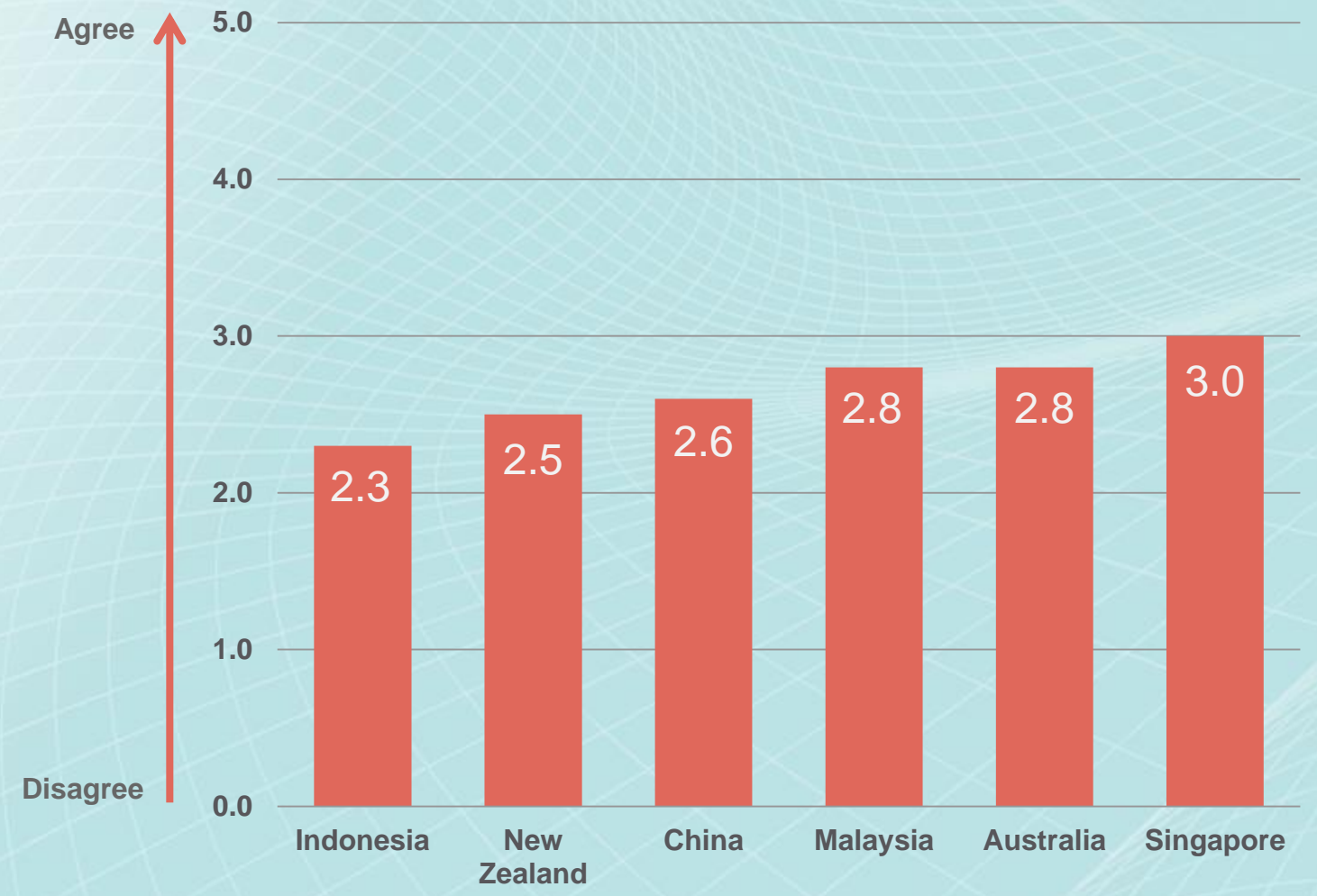
Source: Experian fraud survey, Cebr analysis



# Our security protocols during transaction

*Slows down transaction time*

Source: Experian fraud survey, Cebr analysis

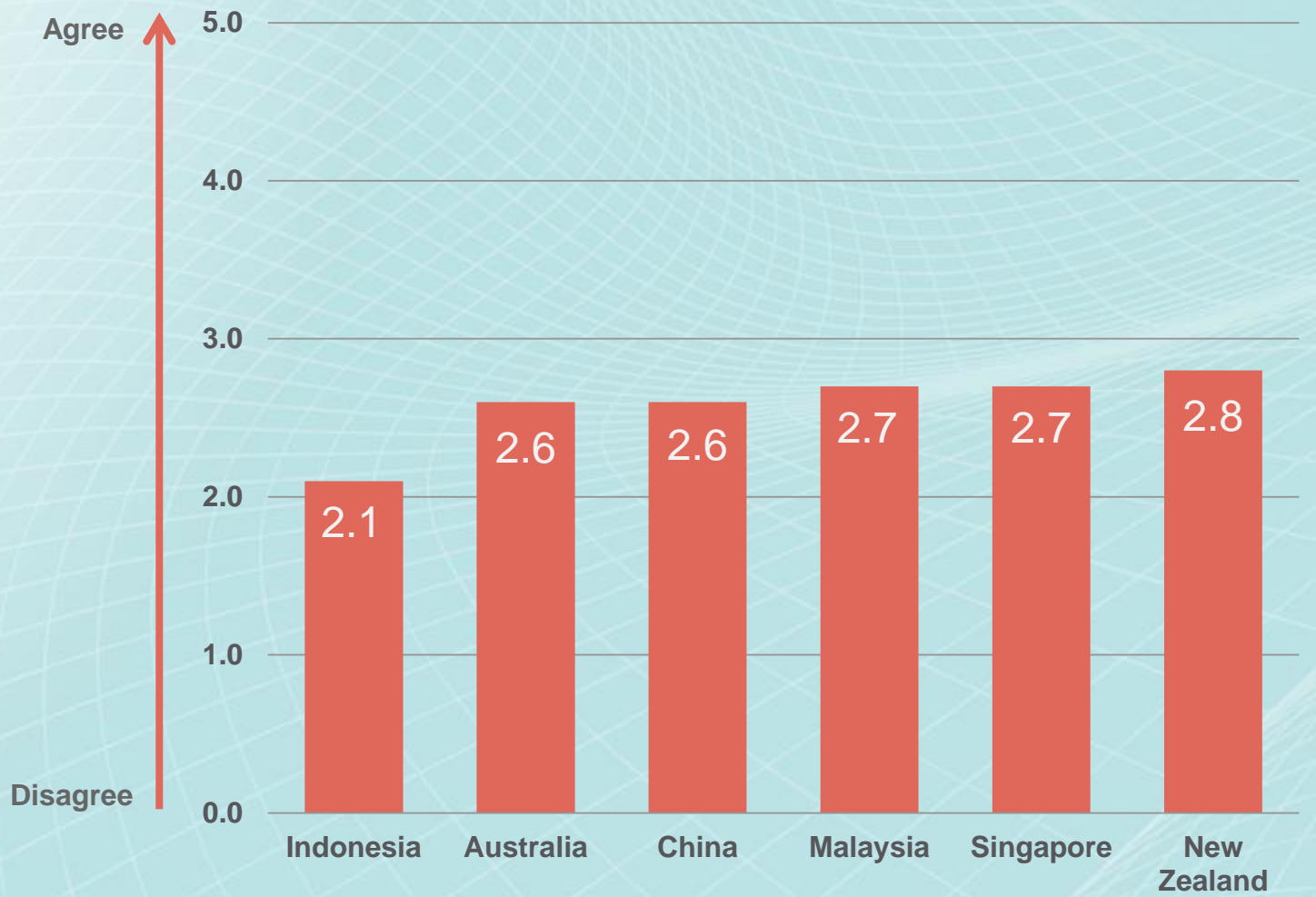




# Our security protocols during transaction

*Complicates the customer onboarding process*

Source: Experian fraud survey, Cebr analysis



# Fraud Prevention Not Costless, as Singaporean Firms Well Know

*The expense of the security measures we employ results in costs being passed on to customers*

Clearly preventing fraud is not costless. However, firms across APac disagree that costs are passed on to consumers, implying costs are contained.

Outsourcing fraud prevention is likely to help here. Singaporean firms are most likely to admit that customers pay extra, but even here the majority of firms claim not to pass costs on.

Source: Experian fraud survey, Cebr analysis





# AUSTRALIA

Click specific topic(s) for respective slides

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*Introduction*

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*Identify Theft has seen a Decrease in Australia but Other Forms of Fraud are on the Rise*

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*Australian Firms Most Concerned about Increasing Fraud Risks*

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*Australia Firms Going Furthest to Stop Fraud*

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*Victimisation Rates Still Very Low in Australia*

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*While Victimisation Rates are Low, Financial Loss is Still Substantial*

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## Introduction to Australia's Fraud Landscape

*Australia's status as a **developed market**, with firms that **do a lot to stop fraud**, pays a dividend in terms of low fraud rates. However, this does not mean complacency – Australian firms are most likely to expect fraud to rise in future*





# Identify Theft has seen a Decrease in Australia but Other Forms of Fraud are on the Rise

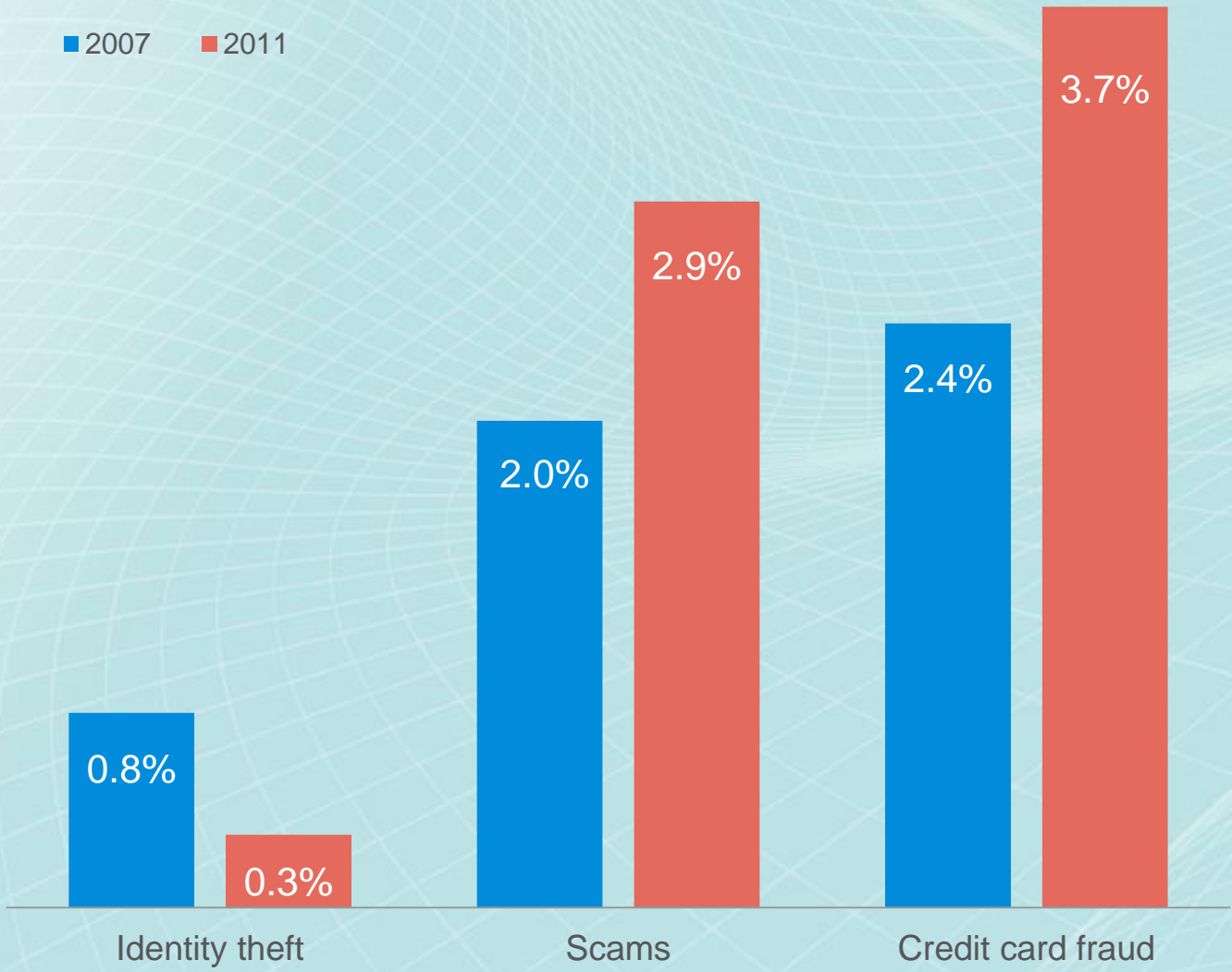
Share of population that reported to have been victims of fraud in 2011 versus 2007, by type of fraud

The fraud landscape in Australia evolved since 2011.

Scams and credit card fraud have grown in prevalence. This chimes with the views of Australian firms (see next slide), of which 60% expect an increase in the threat of fraud.

At present, the key risk identified by 50% of firms is transaction authentication.

Source: Australian Bureau of Statistics Personal Fraud Survey, Cebr analysis

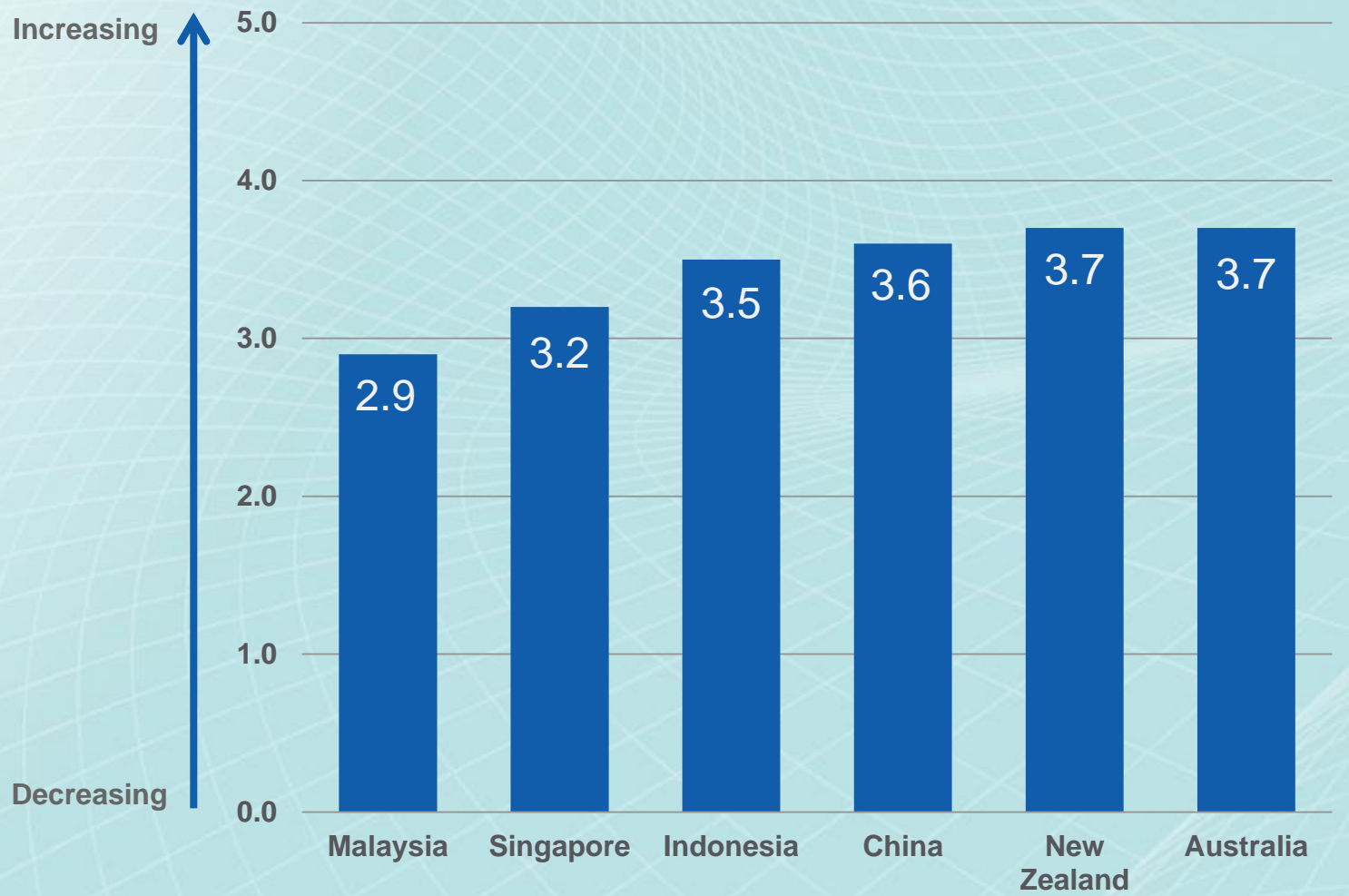


# Australia Firms Most Concerned about Increasing Fraud Risks

*In the next 5 years, do you see the threat of fraud to your organisation increasing or decreasing?*

Over the next five years, most Asia Pacific firms see fraud increasing. Australian firms expect the biggest increase in fraudulent activity over the next five years.

Source: Experian fraud survey, Cebr analysis



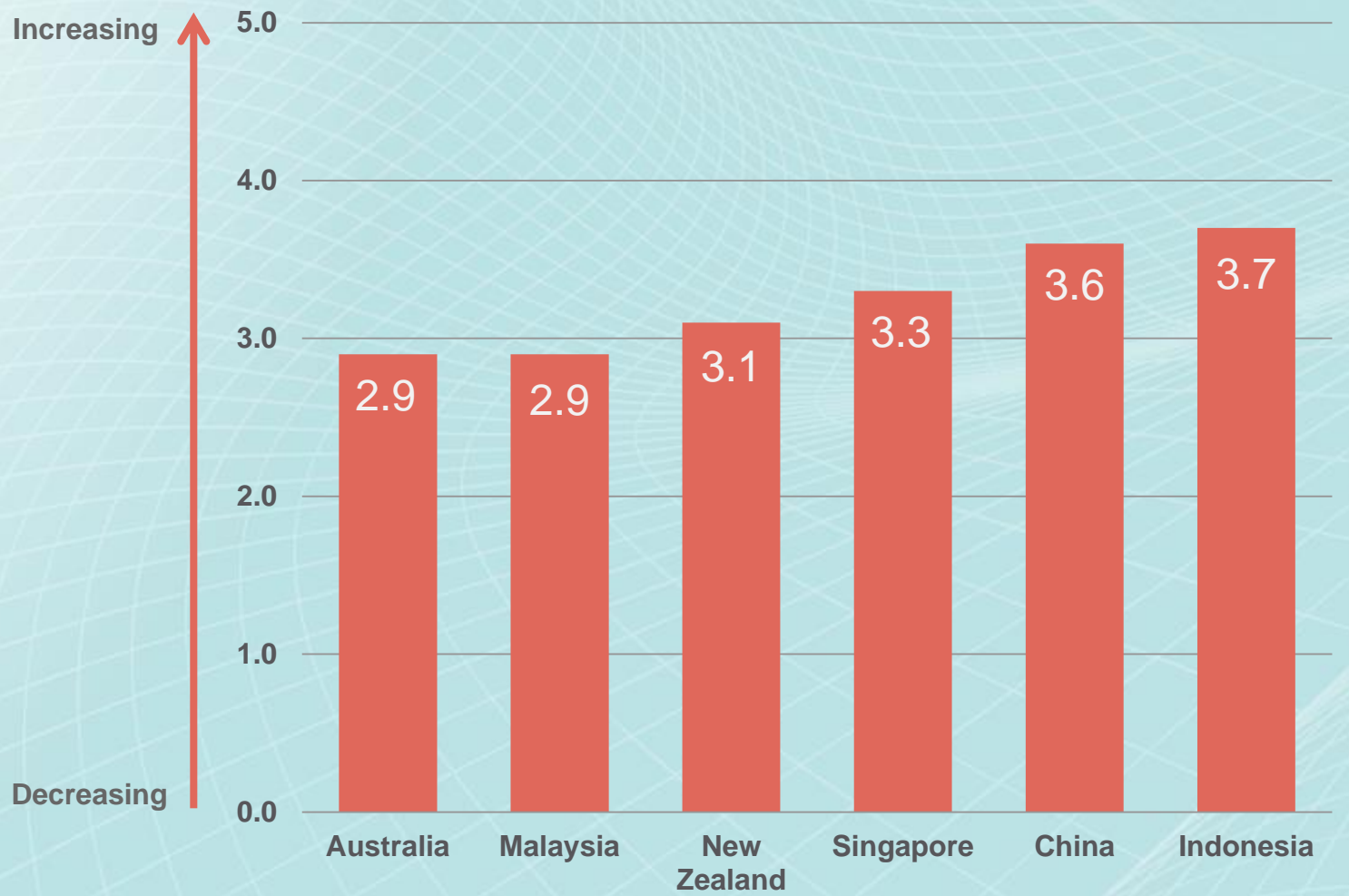


# Australian Firms Going Furthest to Stop Fraud

*How well does the following statement describe your company? We only do what is required by law when it comes to security*

On average, 19% of firms across Asia Pacific respond that legal requirements are as far as they go to stop fraud. In Australia, only 3% of firms agree with that

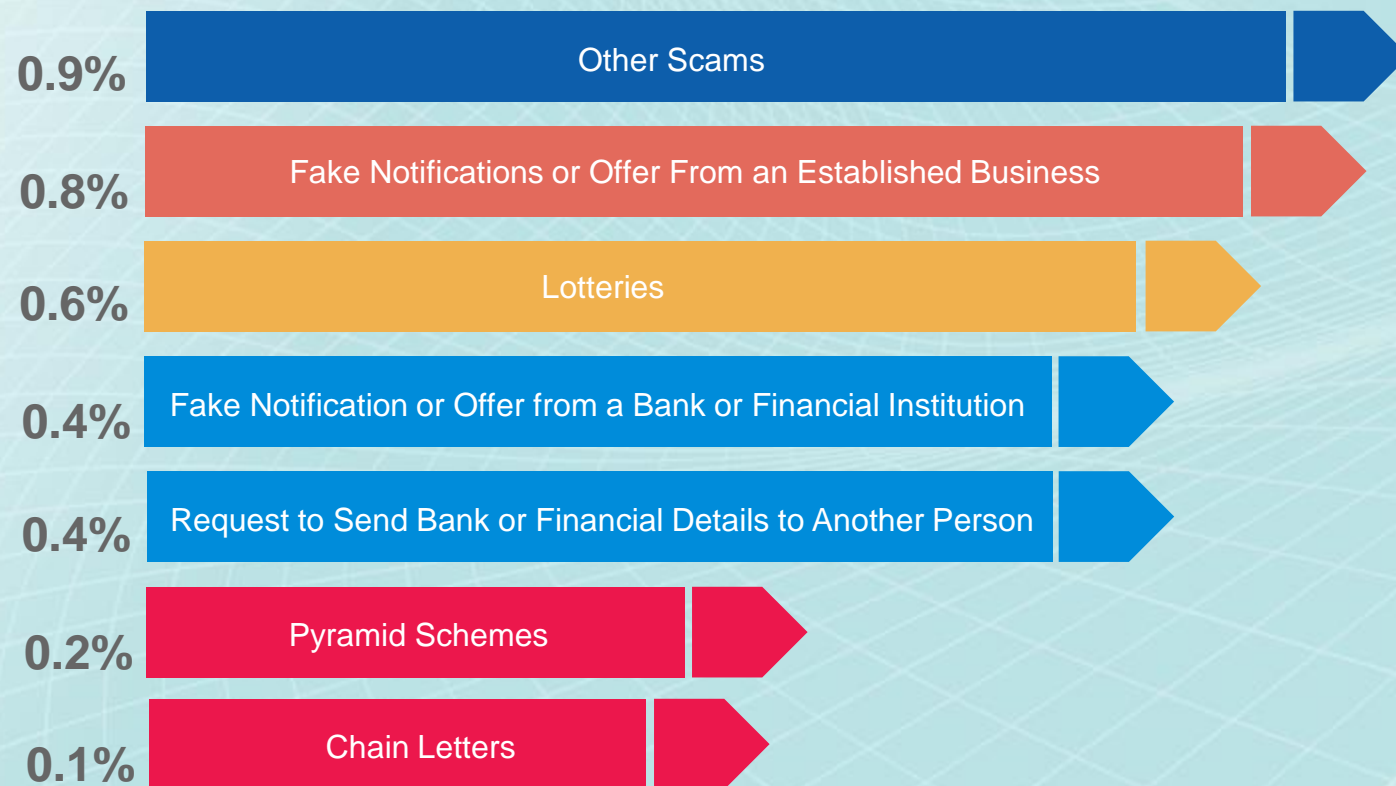
Source: Experian fraud survey, Cebr analysis



# Victimisation Rates Still Very Low in Australia

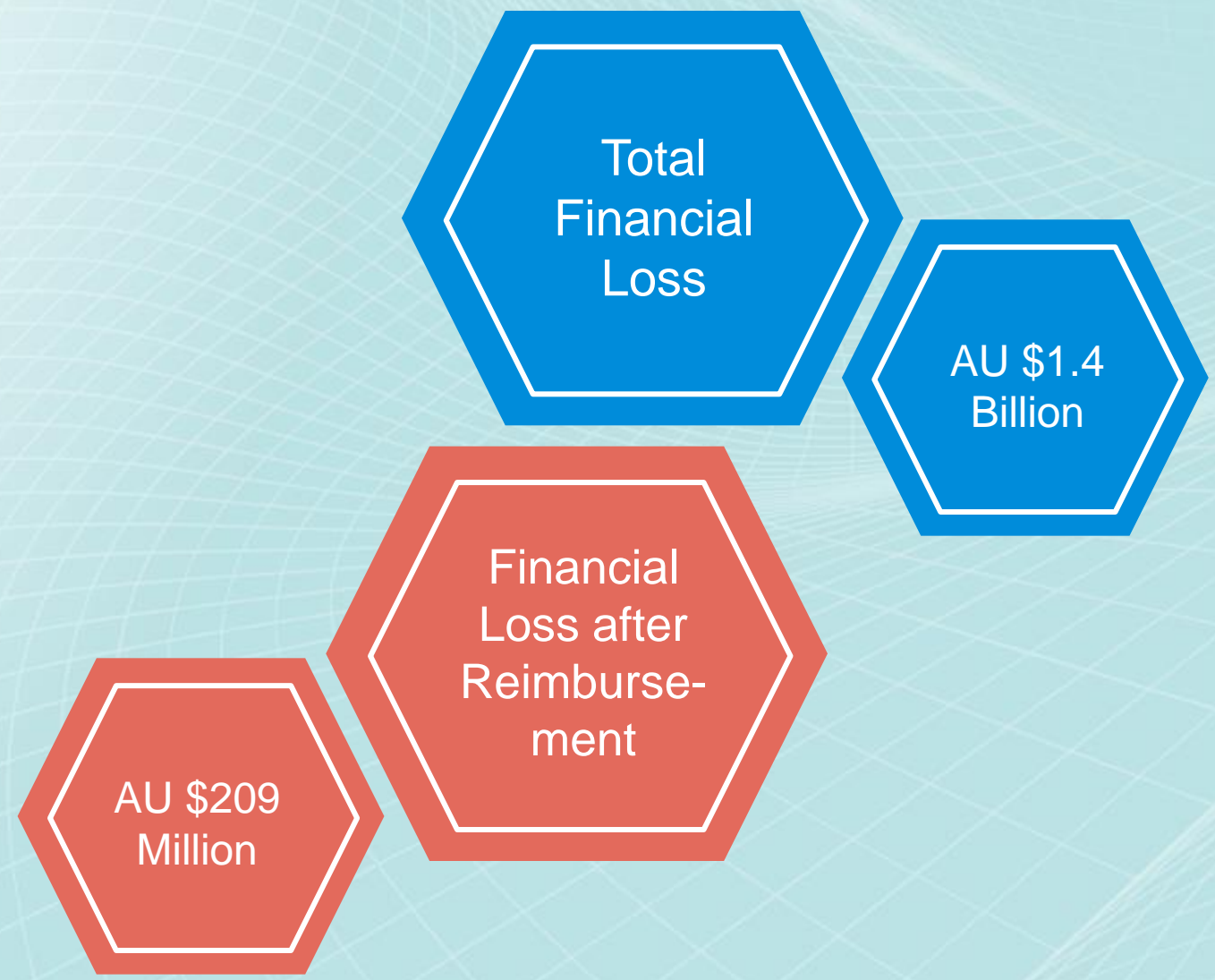
*Share of population reported to have been victims of fraud in 2011, by type of fraud*

Source: Australian Bureau of Statistics Personal Fraud Survey, Cebr analysis





# While Victimization is Low, Financial Loss is Still Substantial



Source: Australian Bureau of Statistics Personal Fraud Survey, Cebr analysis



# NEW ZEALAND

Click specific topic(s) for  
respective slides

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*Introduction*

---

*Trade Off in New Zealand Between  
Security and Speed*

---

*Fraud not a Large Corporate  
Challenge in ANZ Markets*

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# Introduction to New Zealand's Fraud Landscape

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*New Zealand firms, given their responses, appear to place more importance on consumer convenience than on fraud prevention. As a small market, the fraud landscape is less serious than other countries*

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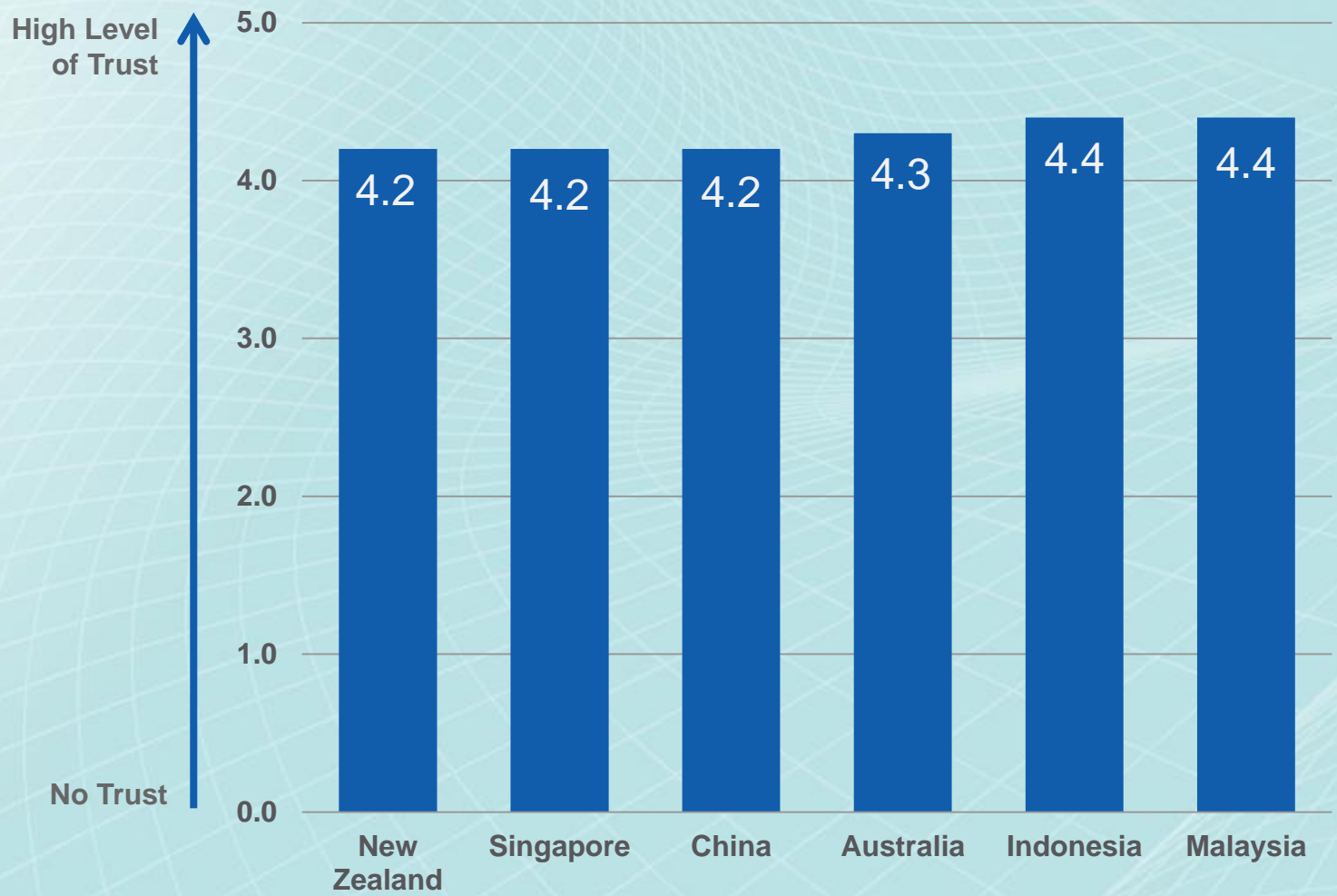
# Trade Off in New Zealand Between Security and Speed

*Though on the rise, firms appear to be tackling fraud effectively. How much trust do you think your customers have in you when they think about their security and identity protection?*

Though New Zealand firms disagree that their security slows customers down or causes them to abandon transactions (as seen in Slide 49) responses suggest that consumers trust firms less than in other markets.

This represents the trade-off between security and convenience well.

Source: Experian Asia-Pacific Fraud survey, Cebr analysis





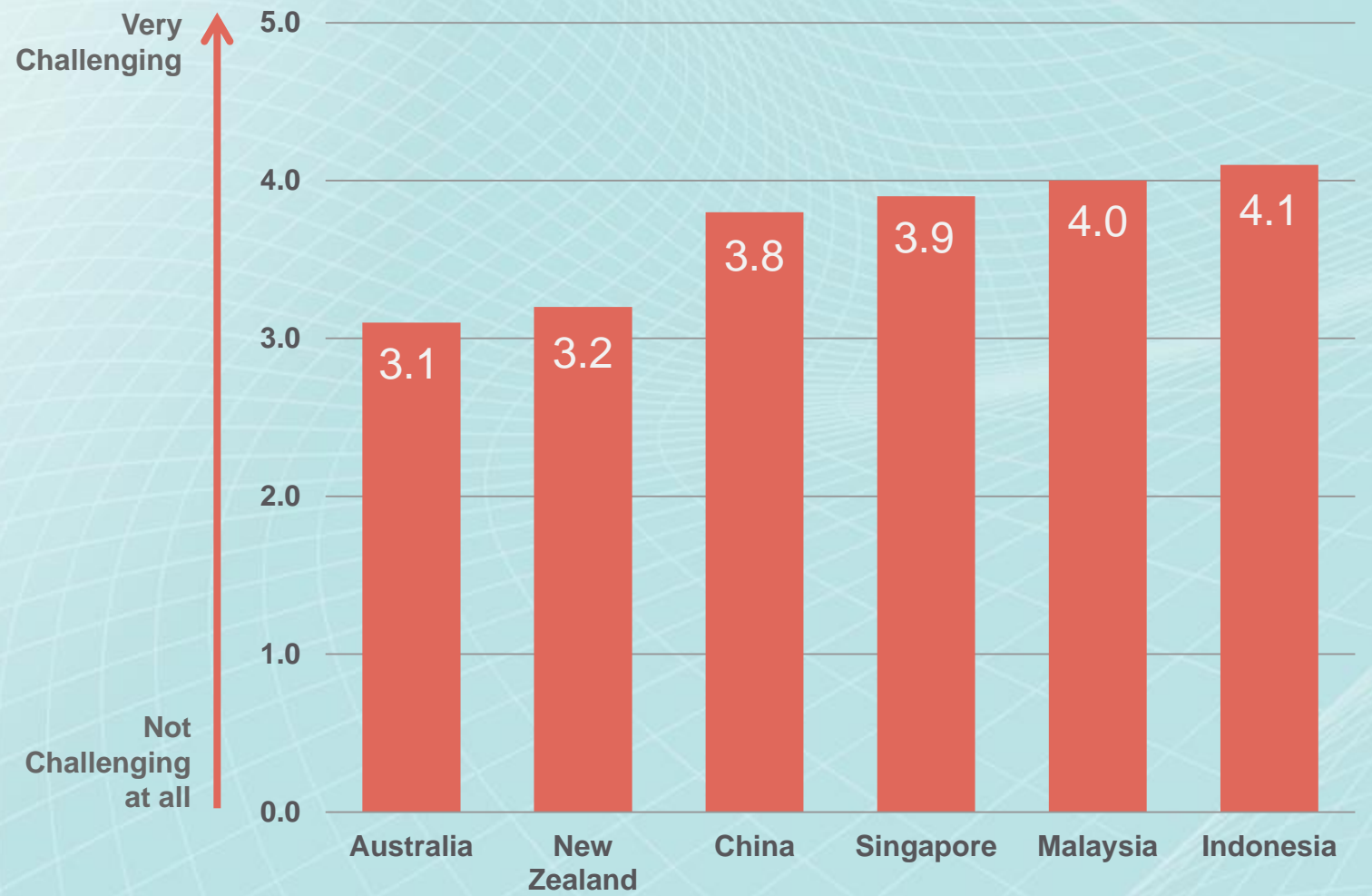
# Fraud not a Large Corporate Challenge in ANZ Markets

*Considering the time, effort and concern your company directs towards fraud prevention, how challenging would you say the prevention of fraud is to your organisation?*

Compared to elsewhere in the Asia Pacific area, fraud prevention does not seem to challenge New Zealand firms greatly.

Given the previous patterns, it may be that ANZ firms concentrate more on customer convenience. This is likely to be a market with a calmer fraud landscape; it also has the best score in the region according to **2Checkout's Fraud Index** for fraud risk.

Source: Experian Asia-Pacific Fraud survey, Cebr analysis



# INDUSTRY INSIGHTS

Click specific topic(s) for  
respective slides

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*The Path of Development for Consumption Patterns Will Be Very Different in Emerging Countries*

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*Financial Services Firms Most Worries about Online Fraud*

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*Financial Services Firms Facing Diverse Range of Threats*

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*Fraud Prevention in Financial Services Mostly Relying on Internal Systems*

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*E-Commerce Firms Very Conscious of Time Implications*

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*Customer Relationships Potentially Damaged by Delays Due to Fraud Prevention*

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*Insurance Firms Slower, but On-Boarding Implications Less Serious*

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## The Path of Development for Consumption Patterns Will Be Very Different in Emerging Markets



E-commerce is expanding its share of consumer spending far more rapidly than in mature economies. In e-commerce's share of total sales, China ranks ahead of markets like the US, Japan, South Korea and Australia.

E-commerce in China is projected to grow by 30% per year on average between 2013-18, compared to 14% in the US.

Economies such as China are already seeing high penetrations of mobile retailing. 46% of Asia-Pacific e-shoppers had purchased products/services via mobile, versus 20% in North America.

# Financial Services Firms Most Worried About Online Fraud

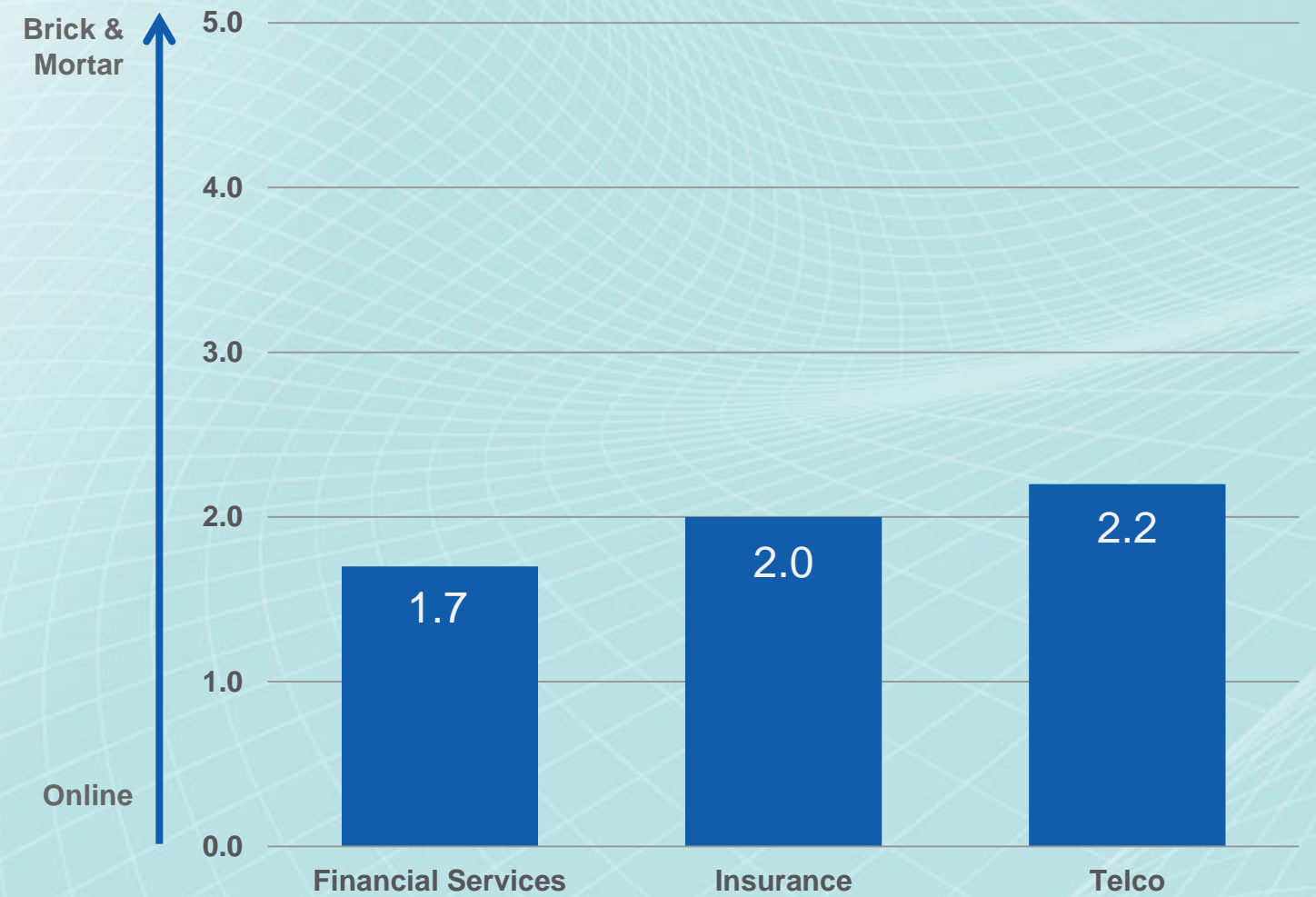
Considering the threat of fraud 'online' vs 'bricks & mortar' (physical stores), to what extent are they different or the same?

All sectors surveyed were more concerned about online fraud.

This effect was most strongly observed in the financial services industry, of which only 7% of firms saw bricks and mortar stores as the biggest threat.

These firms have to remain wary as online banking continues to grow in popularity.

Source: Experian fraud survey, Cebr analysis





# Financial Services Firms Facing Diverse Range of Threats

The rise in e-commerce increases the opportunities for defrauding some firms in Asia Pacific.

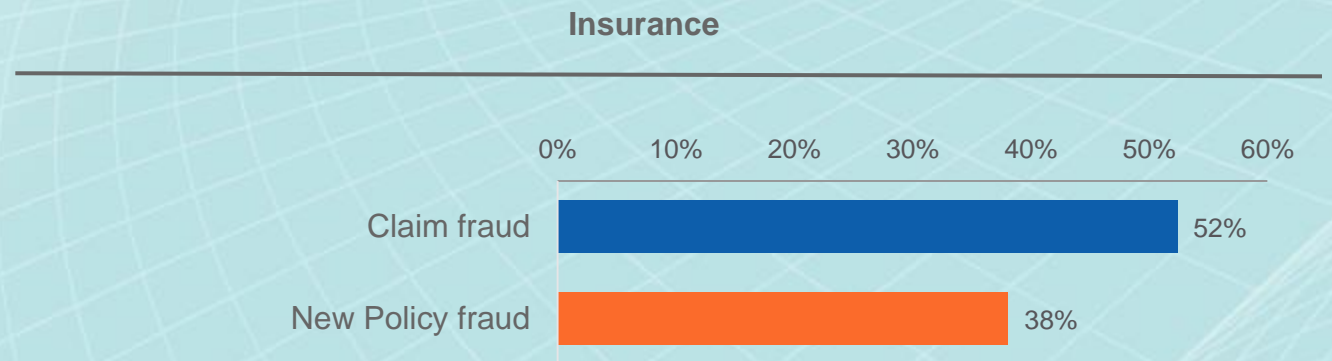
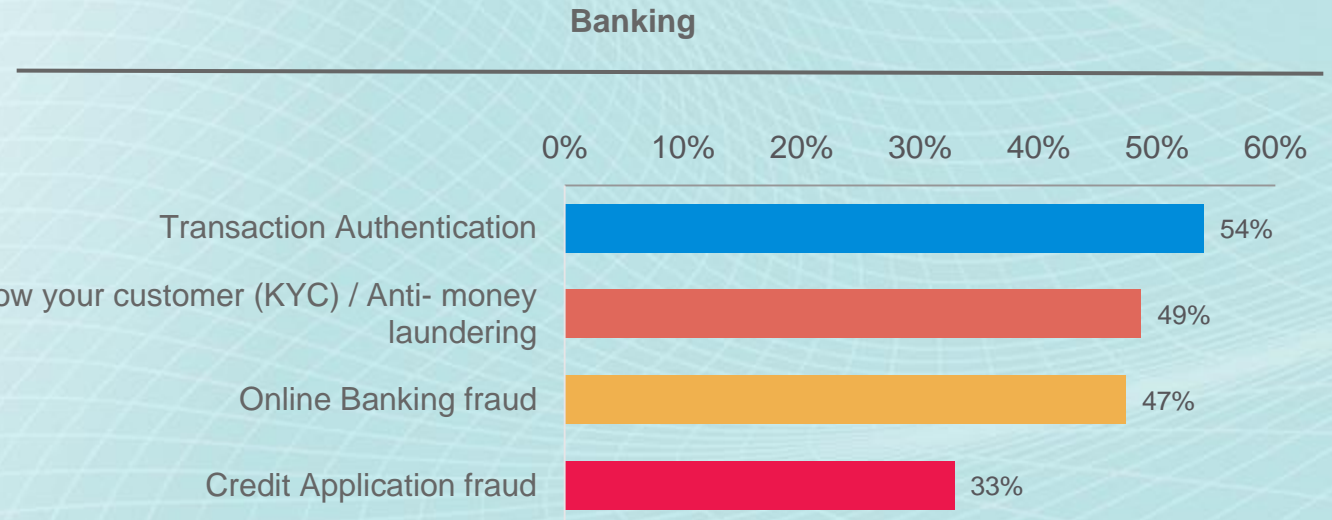
Financial services firms face a diverse range of threats.

Transaction authentication fraud has been cited as the fastest-growing type.

Insurance, telco and eCommerce face two main threats each; in the case of e-commerce, payments fraud dominates the landscape.

Source: Experian Asia-Pacific Fraud survey, Cebr analysis

## What type of fraudulent activity do you see growing?



# Financial Services Firms Facing Diverse Range of Threats

The rise in e-commerce increases the opportunities for defrauding some firms in Asia Pacific.

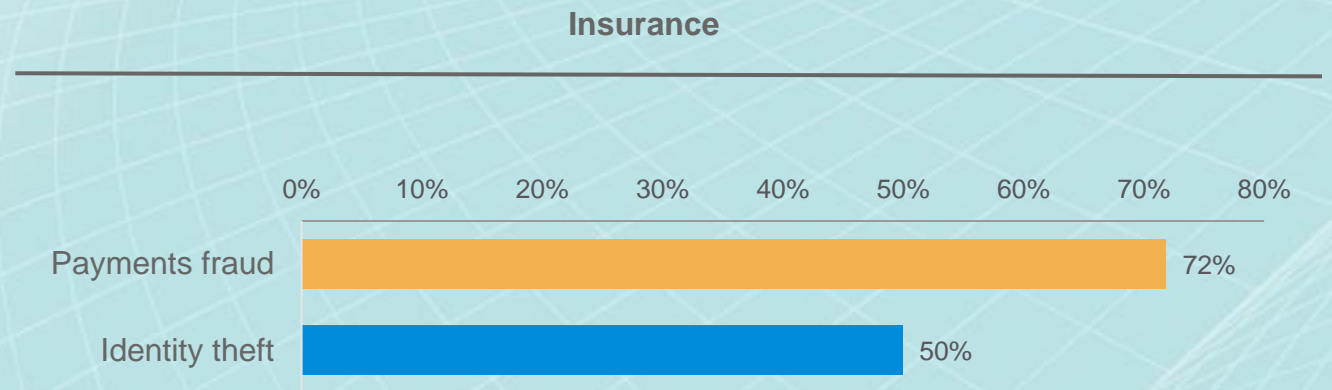
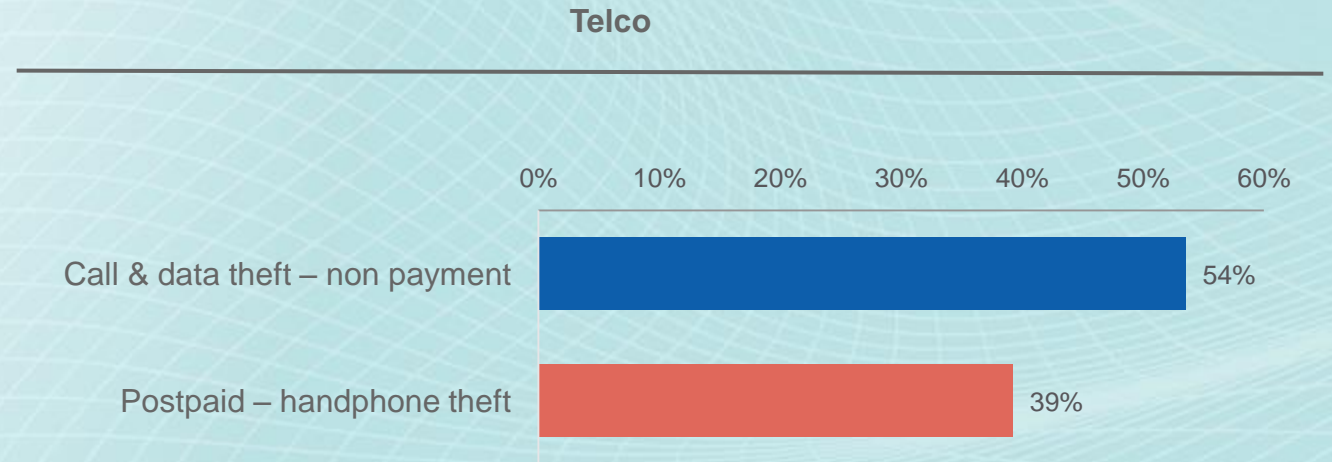
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Source: Experian Asia-Pacific Fraud survey, Cebr analysis

## What type of fraudulent activity do you see growing?





# E-Commerce Firms Very Conscious of Time Implications

*Our fraud prevention measures slow down transaction time.*

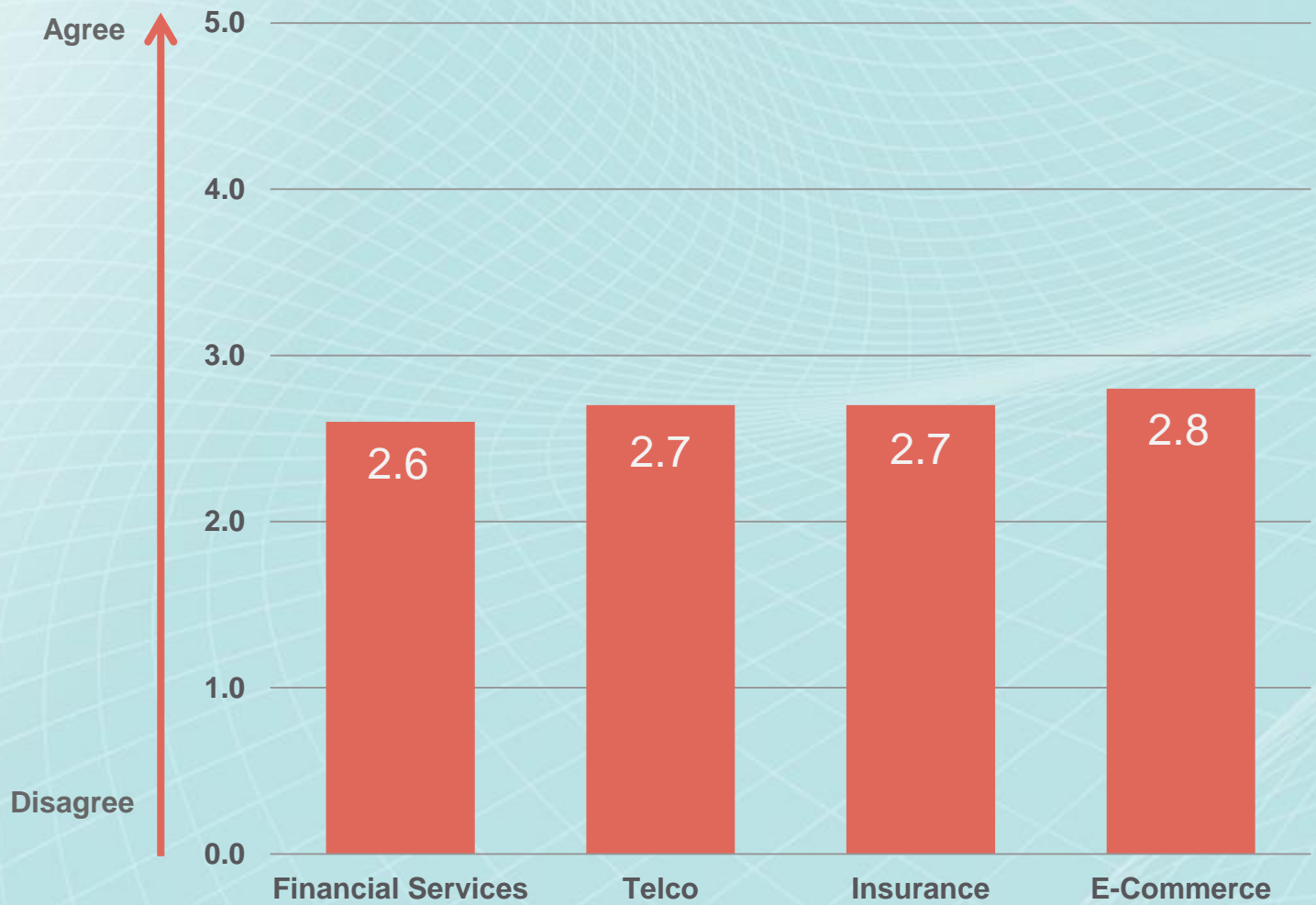
In e-commerce and m-commerce, speed is a key consideration.

Nevertheless, they are more likely than the average firm to report a slowing down of transactions due to fraud prevention.

This may be a problem. For instance, Econsultancy reports\* that 74% of users will abandon a mobile site after waiting five seconds, and that 46% would not return to a poor performing site.

Source: Experian fraud survey, Cebr analysis

\*Econsultancy – “The importance of speed for mobile commerce”



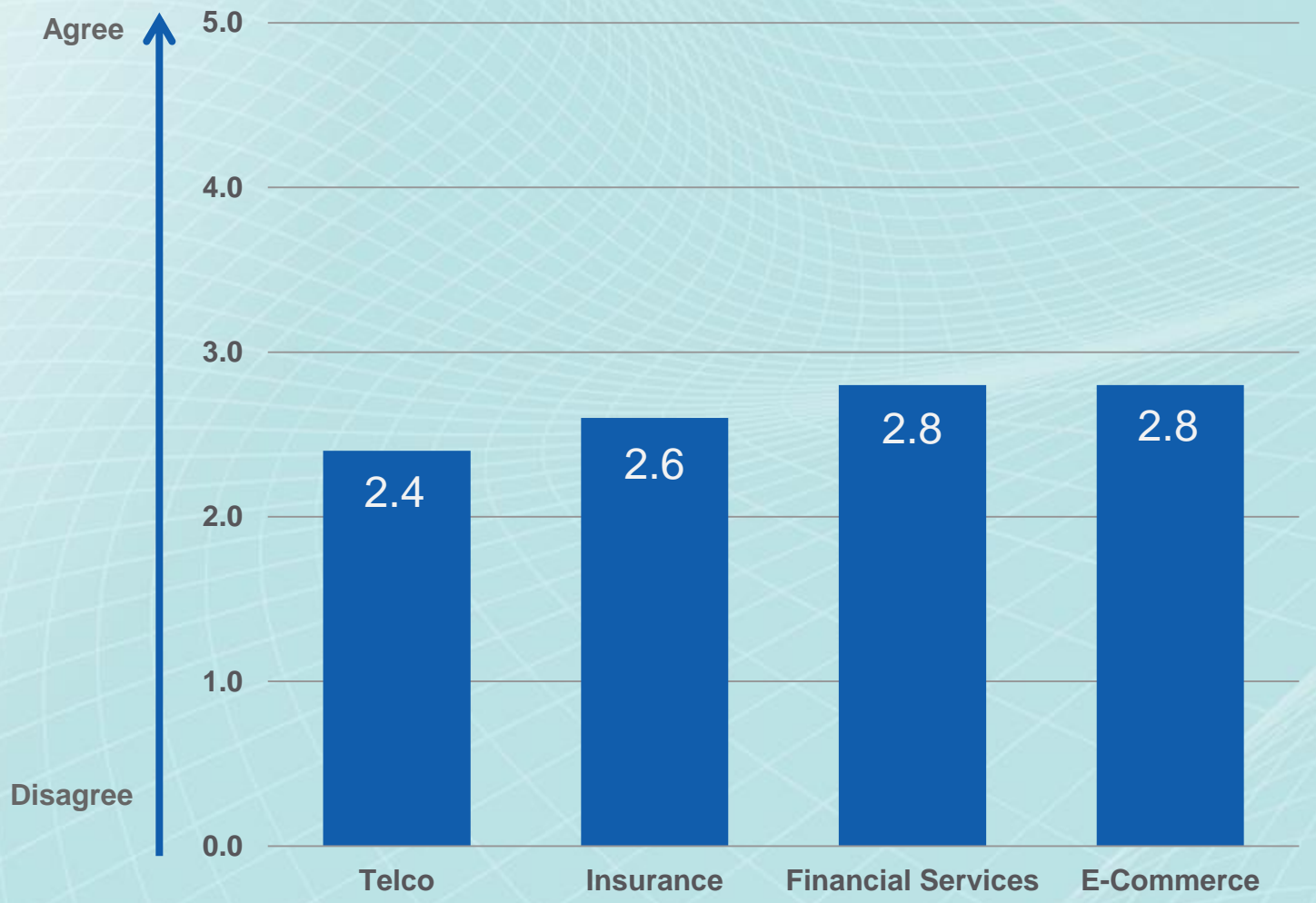
# Customer Relationships Potentially Damage by Delays Due to Fraud Prevention

*Our fraud protection measures complicate the customer on-boarding process*

E-commerce firms' responses also imply that customer relationships may be damaged by time implications of fraud-prevention measures.

Customers are demanding in all web-based activity, but e-commerce is particularly critical. Going to a competitor is a simple matter in internet/mobile shopping.

Source: Experian fraud survey, Cebr analysis







## Insurance Firms Slower, but On-Boarding Implications Less Serious

However cost of fraud may be more serious in these slower industries.

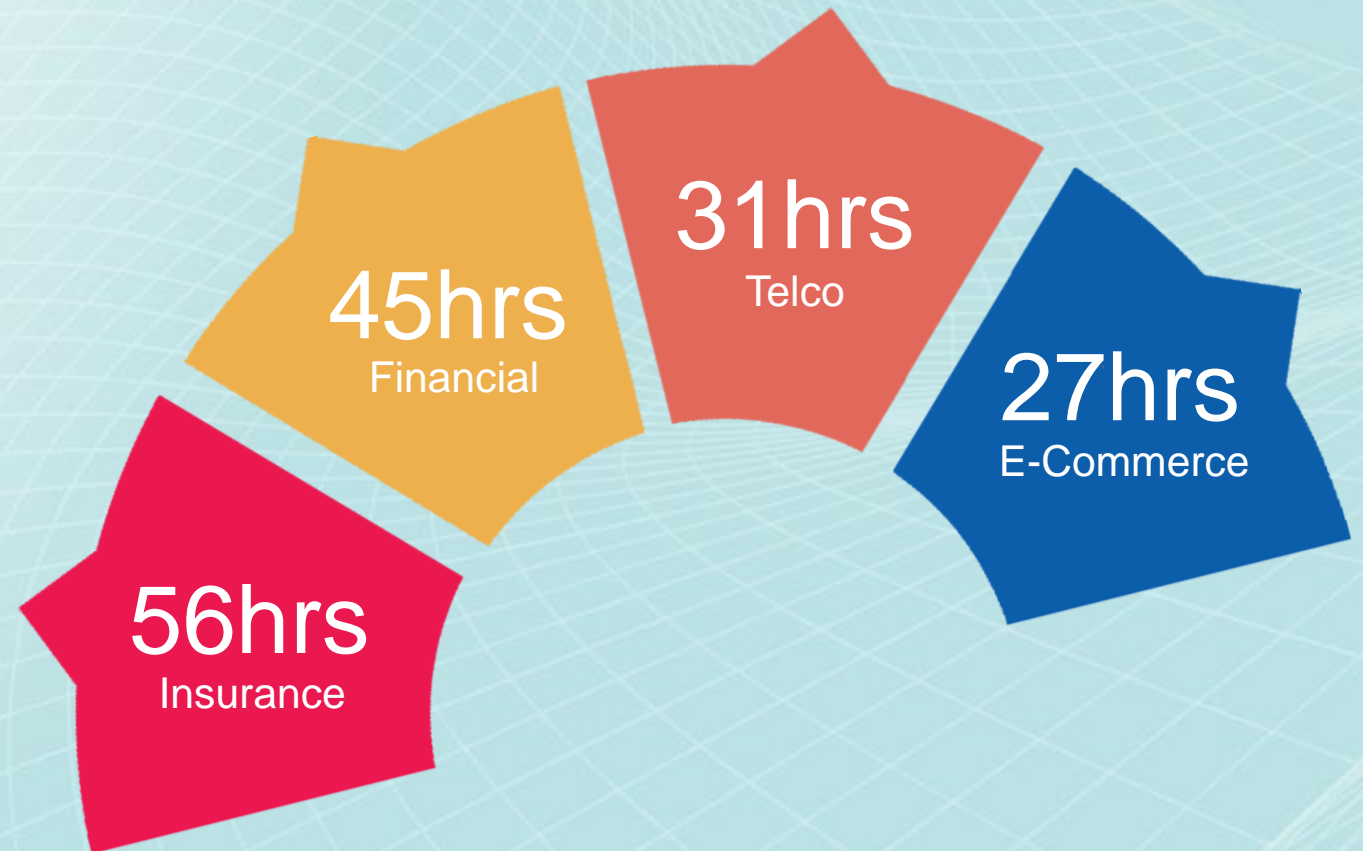
The time that firms take to authenticate new customers also varies widely by industry.

In e-commerce, as time is a more sensitive issue, this is relatively quick. Insurance firms can take more than twice as long.

The cost implications of potential fraud incidents may also be more serious in these slower industries.

Source: Experian fraud survey, Cebr analysis

Estimate of Customer Authentication Time, Hours



# CONCLUSION

Click specific topic(s) for respective slides

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*Firms Anticipate Rising Fraud*

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*Non-Quantifiable Costs of Fraud Transactions in Addition to the Purely Financial Losses*

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*Conclusion*

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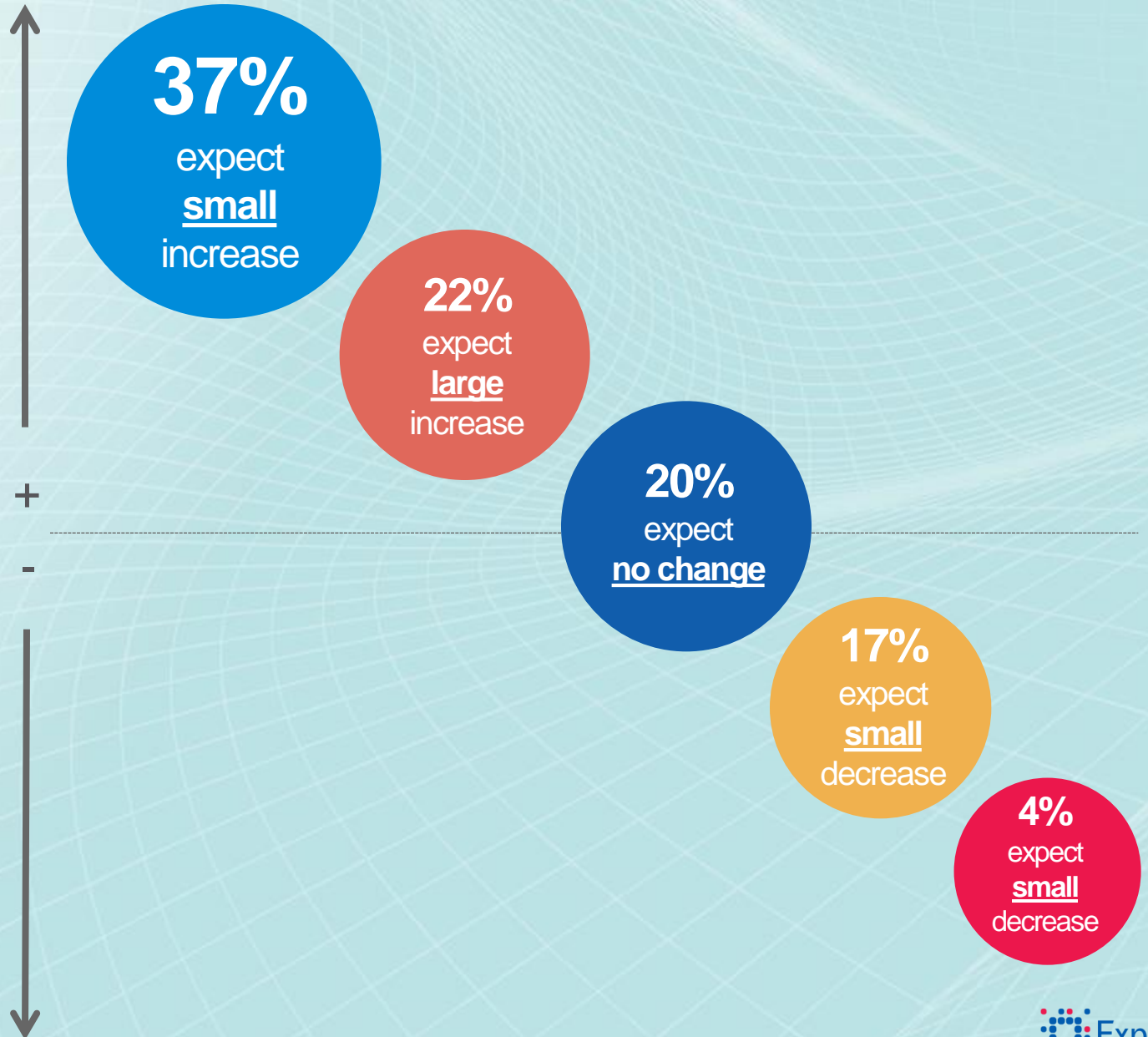
# Firms Anticipate Rising Fraud

*In the next 5 years, do you see the threat of fraud to your organisation increasing or decreasing?*

The rise in e-commerce increases the opportunities for defrauding some firms in Asia Pacific.

- No matter where, firms face challenges.
- **Indonesia** and **Malaysia** have very high fraud rates, by global standards.
- **Indonesia** struggles with credit fraud in particular.
- **China** has soaring online banking rates, with associated fraud prevalence.
- **Singapore** has very stringent anti-fraud measures.
- **Australian** firms are most likely to expect growth in future.

Source: Experian Asia-Pacific Fraud survey, Cebr analysis





## Non-Quantifiable Costs of Fraud Transactions in Addition to the Purely Financial Losses



The monetary and human resource costs to banks, businesses, and other financial institutions involved in the recovery and reimbursement of the losses incurred by victims;



The costs of organisational resources allocated towards combatting personal fraud on the part of law enforcement agencies and regulatory bodies;



The opportunity cost of the time spent by victims in reporting fraud and recovering their money, identity, and/or credit history;



The psychological harm inflicted on victims, particularly issues relating to blame and loss of trust in others which can have devastating flow on effects to other inter-personal relationships;



Broader costs to the economy and society in general such as loss of confidence and trust in conducting business online, both on behalf of consumers and businesses.



## Conclusion



*Markets in Asian-Pacific economies remain some of the fastest-growing in the world.*

China is rebalancing its economy in favour of consumers. And these consumers are becoming some of the most avid e- and m-shoppers in the world.

Fraud will continue to grow and there are serious threats in the area, especially in Malaysia and Indonesia, whose high fraud rates could worsen as the trends that spurred them – consumer credit and online banking growth – continue.

*Different countries face specific kinds of threats, even within the same region.*

These are very different economies. While internet giants in China may be able to have onerous security procedures – which consumers may even find reassuring – those in Singapore have to bear in mind the trade-off between security and convenience.

Australian firms' diligent efforts to prevent fraud seem to be paying off with low victimisation rates. But they still expect fraud to grow.

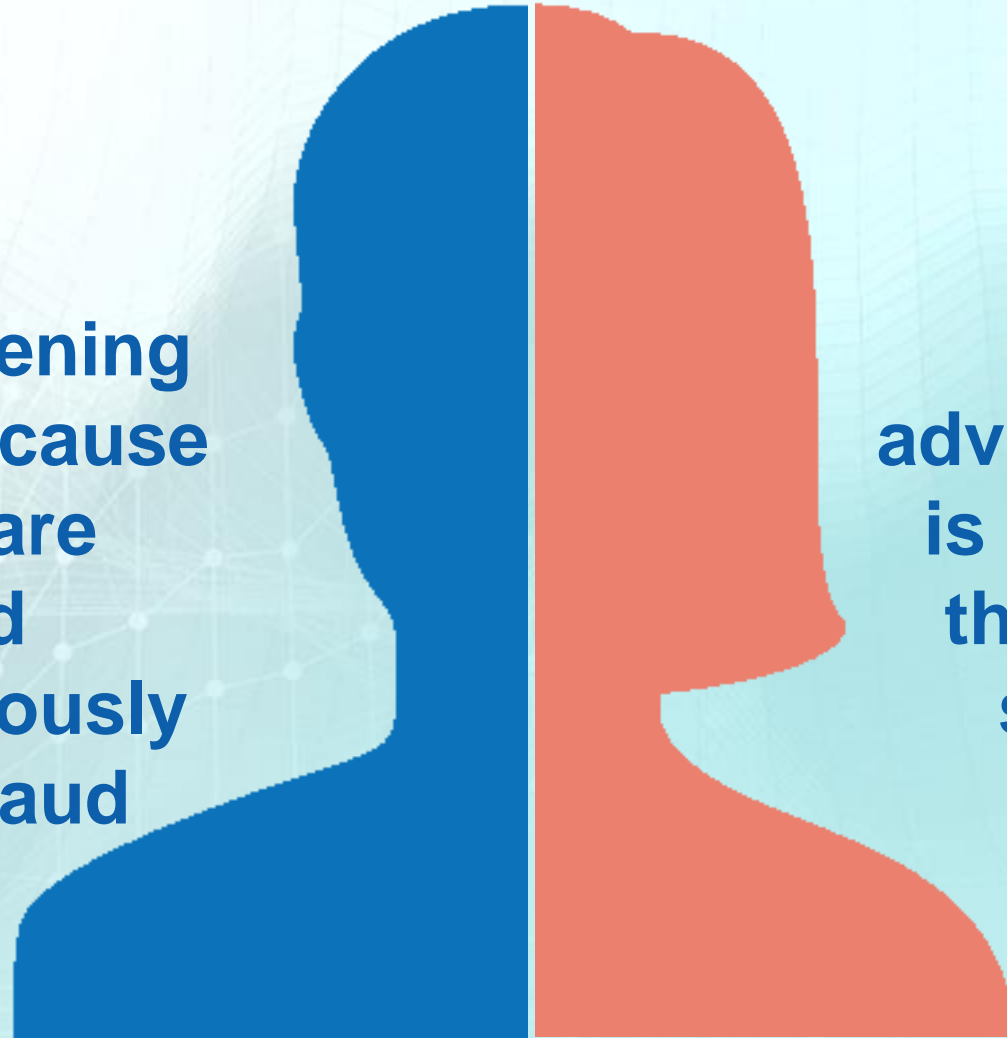
*Fraud brings (a little) good news as well: firms that take it seriously can win trust*

Chinese consumers find fraud prevention measures most reassuring, but the reassurance effect is observed throughout Asia Pacific.

Most firms also report being able to protect against fraud with little by way of extra costs.



“**Fraud is happening more often because technologies are advancing and creating previously unthinkable fraud trends.**”



**As technology advances, the easier it is to do transactions, the more gaps in the system for fraud to take place.”**

**– Director,  
Insurance, Indonesia**



# Fieldwork Methodology

*The report on The Economics of Fraud – Mitigating Risk amidst Fast Growth and Innovation in Asia Pacific was commissioned by Experian.*

The study was conducted with 164 senior fraud management executives across 6 markets from September 2015 to January 2016.

The findings were further analysed by the Centre for Economics Business and Research (CEBR) to evaluate the correlation between the macroeconomic trends as well as the eCommerce and mCommerce trends when it came to fraud transactions in the Asia Pacific region.

**Markets included in the study**  
Australia, New Zealand, China, Singapore, Indonesia, Malaysia

**Fieldwork Methodology**

All interviews were conducted through CATI (Computer Assisted Telephone Interviewing) methodology

**Target Audience Definition**

Senior fraud Management professionals who have significant authority in planning and implementing fraud prevention measure for their companies in the financial services, telecom, insurance and e-Commerce verticals



# CONTACT INFORMATION

*Leisl Pillay, Marketing Lead*  
[Leisl.pillay@sg.experian.com](mailto:Leisl.pillay@sg.experian.com)





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