

# CNP FRAUD CONSUMER IMPACT:

## ANXIETY THAT REDUCES CREDIT AND DEBIT CARD USAGE

### EFFECTS OF CNP FRAUD: MORE THAN JUST CHARGE OFFS AND EXPENSES

Growing card-not-present (CNP) credit and debit card fraud causes more harm than just the billions of dollars in losses and expenses to financial institutions (FIs) and merchants. CNP credit and debit fraud creates cardholder anxiety and negatively affects consumers' online shopping behaviors. Cardholder CNP fraud events reduce online shopping, payment card usage, and causes consumer attrition for more than half of all online shoppers. FIs, merchants

and industry supporting players need to act now by introducing new CNP fraud prevention methods that diminish rising losses and costs while alleviating cardholder angst. Industry providers will benefit from introducing new fraud prevention methods that increase consumer trust and confidence that their payment card data will be kept safe while shopping online.

**56% of consumers changed shopping behaviors after a fraud event**

Which statement best matches your final thoughts about online shopping after a fraudulent charge?

(n=497)



Sparks Research: Online shopper survey, 2016

### 78% OF ONLINE SHOPPERS WANT MORE PROTECTION FOR THEIR PAYMENT CARD WHEN SHOPPING ONLINE

Fraudsters are now more than ever before focused on CNP fraud and targeting online shoppers. The surge in online shopping and rising CNP fraud increases consumer anxiety about the safety and security of their debit and credit card account information. This impacts all online shoppers irrespective of age, the type of card they use (credit, debit or prepaid debit) or whether or not they have had a previous fraud event. Consumer research, conducted in February 2016 of 1,013 online shoppers, reveals that more than three quarters of consumers would like more assurance about their payment card security when shopping online.

### 30% OF CONSUMERS USE THEIR DEBIT AND CREDIT CARDS LESS AND 12% SHOP ONLINE LESS AFTER A FRAUD EVENT

Keeping credit and debit cardholders safe while shopping online is vital. FIs, merchants, and online shoppers all suffer from CNP fraud consequences. The aftermath is evident with 15% of consumers closing their credit or debit card accounts, 12% of consumers using the replacement card less, and 3% of consumers not using the replacement card at all. In addition, 14% of consumers changed where they shopped online and 12% shopped online less often.

### FINANCIAL INSTITUTIONS, MERCHANTS & PAYMENT COMPANIES SHOULD INTERVENE NOW BEFORE IT'S TOO LATE

FIs need to offer solutions to increase cardholder confidence when conducting all types of CNP transactions, including ecommerce and phone orders. Fraud prevention solutions should lessen fraud and allay cardholder fears that payment card information will be compromised. FIs that deploy state-of-the-art fraud prevention strategies insulate themselves from charge-offs and card re-issue expenses while also assuaging cardholder anxiety. Consumer angst results from fears of further fraudulent charges and the possibility of identity theft. Consumer angst is also caused by the effort required to remove false statement charges, canceling cards, waiting for replacement cards to arrive, and re-establishing re-occurring payments on accounts. These are not trivial matters and leads to significant inconveniences for consumers.

48% of consumers want more security assurance when shopping online

Which statement best sums up your feelings toward online purchases?  
(N=1,013)



Sparks Research:  
Online shopper survey, 2016

*“CvvPlus is a product designed for simplicity and practical value, a logical fit to solve an emotional problem, one that does not discriminate based on age or fraud experience, simply, the mission of the product is to reduce fraud, thus alleviating an emotional problem.” – Sparks Research*

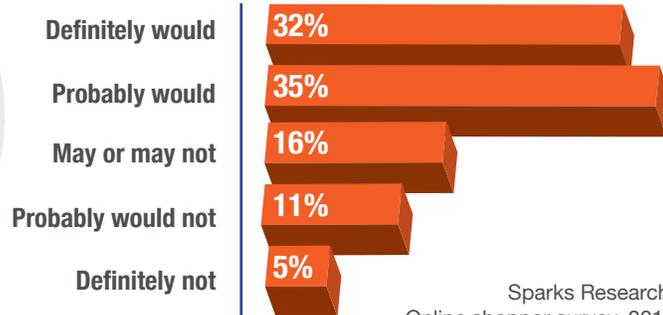
## CONSUMERS WANT ADDED SAFETY WHEN SHOPPING ONLINE AND WILL TAKE EXTRA STEPS IN ORDER TO BE MORE SECURE AFTER A FRAUD EVENT

CvvPlus – a new payment card security feature - is designed for simplicity and practicality. By decreasing CNP fraud, CvvPlus will calm consumer anxiety and provides the “green light” to shop online more frequently and with confidence. The CvvPlus service works by replacing the static Cvv2 code printed on the plastic card with a daily security code. Consumers can receive their daily CvvPlus security code in any number of ways; via a text message or email; in a mobile app, on an FI online banking site, app, or by text-on-demand. The CvvPlus code can be used on any card type (debit, credit, and prepaid) or any card brand (American Express, Discover, MasterCard, Visa and private label).

**The problem is evident. The need for a solution is apparent. CvvPlus is a product to help FIs, merchants, and payment cardholders reduce stress and take the insecurity out of online shopping.**

67% of consumers are willing to adopt a new behavior to increase their security when shopping online

Would you use a card feature that replaced the security code printed on your payment card with a daily code?  
(N=1,013)



Sparks Research:  
Online shopper survey, 2016



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