



What American Consumers Want

Riskified's Consumer
Survey Revealed



A Report for
Online Retailers

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Introduction

Competing in the current eCommerce environment is a bit like being a ringmaster at a circus. A merchant's work includes no small amount of carnival barking, not to mention a fair share of high-wire acts, feats of strength, and taming dangerous beasts.

To stay current, retailers have to keep track of evolving shopping trends. And to stay profitable in a rapidly changing marketplace, merchants have to approve more orders, operate more efficiently, and fend off the costly threats of fraud, account takeovers, chargebacks, and false declines.

Riskified's 2019 Consumer Survey Report is a bit different from other studies in our [Resource Center](#). Rather than focus on a particular industry, this report centers on consumers themselves—what they really want, how they really shop, what inspires trust. To develop these insights, Riskified conducted a [survey](#) in which 5,000 American consumers across all demographic, geographic, and financial boundaries answered questions about their eCommerce behaviors. We asked what makes them loyal to a particular merchant and what factors make the difference between a sale and shutout.

Although there were some major themes—which we'll explore in this report—many of the responses didn't fit a pattern. But if there's one unifying theme of our survey findings, it's this: The margin for error for merchants is incredibly thin. Every misstep or seemingly tiny obstacle has the capacity to cause damage in a highly competitive landscape.

Riskified works to help merchants make the customer journey as frictionless as possible from the start to the finish of a purchase. And so, this report includes analysis on how to get ahead and stay ahead while maintaining the perfect balancing act between the endless needs of consumers. Inside you'll find insights on:

How consumers buy — when they shop and which devices they use

How to court Millennial shoppers and why they're different from others

The major roles that friction and fraud play in the customer experience

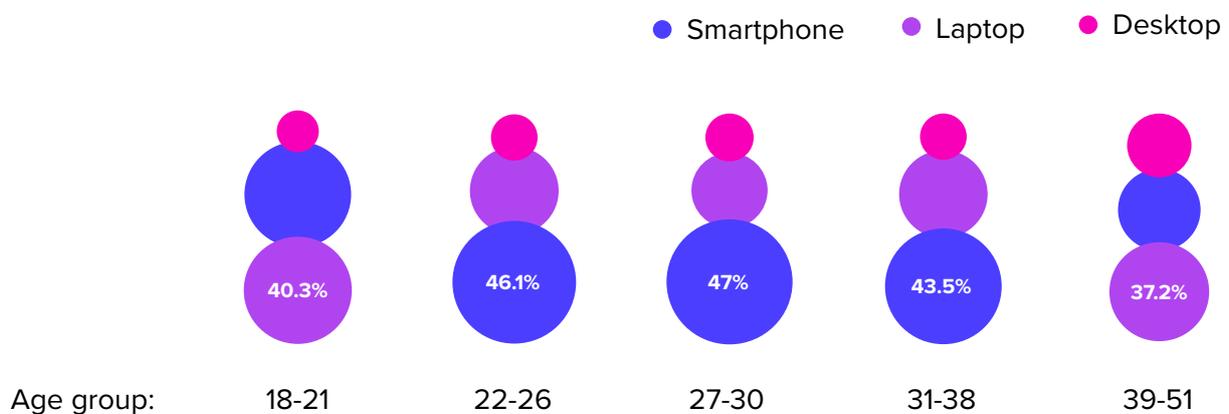
Factors that impact customer satisfaction and likelihood to return to a merchant

What keeps a shopper from ultimately making a purchase

A diversity of devices

One surprise (and challenge) we observed about how American consumers make their purchases is the myriad ways they actually pull the trigger. The youngest shoppers we surveyed (18-21) are nearly even split between laptops and phones (40.3% vs. 39.8%), followed next by the mobile Millennials (22-38), who are more faithful to their smartphones (44.9%) than any other device.

How American consumers make purchases



Source: Riskified consumer survey, December 2018

Following Millennials, shoppers in older age brackets tend to use a combination of laptops, desktops, tablets, and phones. But all told, responses were pretty split across devices. While laptops rule the digital roost (36.9%) for purchases overall, shoppers using smartphones (30%) aren't too far behind.

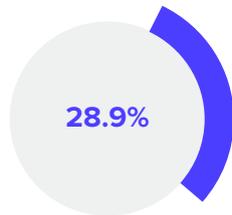
How to stay balanced

With such a plurality of ways to make purchases, our survey results reveal how crucial it is for merchants to optimize their operations for mobile devices.

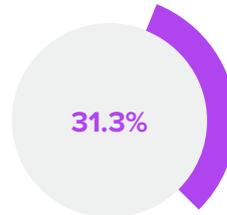
As recently as two years ago, over 90% of merchants were still using the same tools to manage fraud across web and mobile transactions.

Unfortunately, outdated fraud solutions designed with only desktop shoppers and geographical data in mind are often thrown off by on-the-go shoppers using tablets and smartphones over cellular connections. Instead of relying on analysis that uses consumer behavior and machine learning, information that makes sense—a shopper traveling in Prague with a shipping address

in Phoenix—becomes a liability. As a result, online shoppers also tend to encounter more false declines because of higher rates of AVS (address verification system) mismatches.



US consumers make online purchases several times a week.



US consumers make a purchase online while in a store where the exact same product was sold.

Source: Riskified consumer survey, December 2018

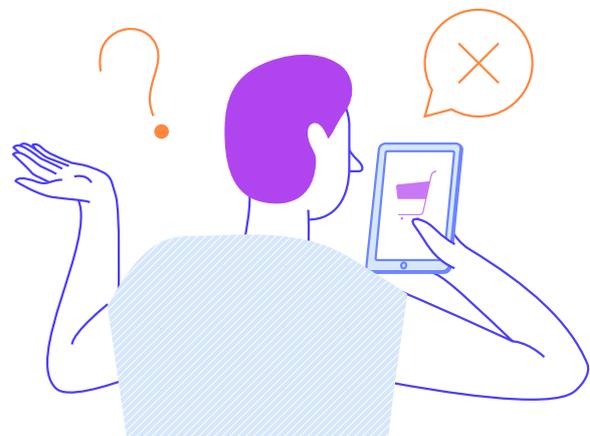
The chaos stirred up by the growing device diversity can be calmed by embracing technology that helps merchants quickly, smoothly, and safely verify legitimate mobile buyers and avoid false declines and lost revenue. For example, Riskified's machine-learning models evaluate orders against billions of prior transactions to spot legitimate patterns from users across the globe. By doing so, we're able to determine which orders are risky and which are legitimate with an extremely high level of accuracy. An order that might have

been declined by a legacy solution after a shopper incorrectly entered a zip code on a small, mobile-device keyboard is evaluated holistically and approved.

But protecting against fraud isn't the only reason for merchants to devote resources and focus to mobile. What our survey also revealed is that safe and seamless mobile ordering will also ensure that a customer doesn't end up holding an eternal vendetta against a merchant should they face a false decline. Speaking of which...

The wronged customer

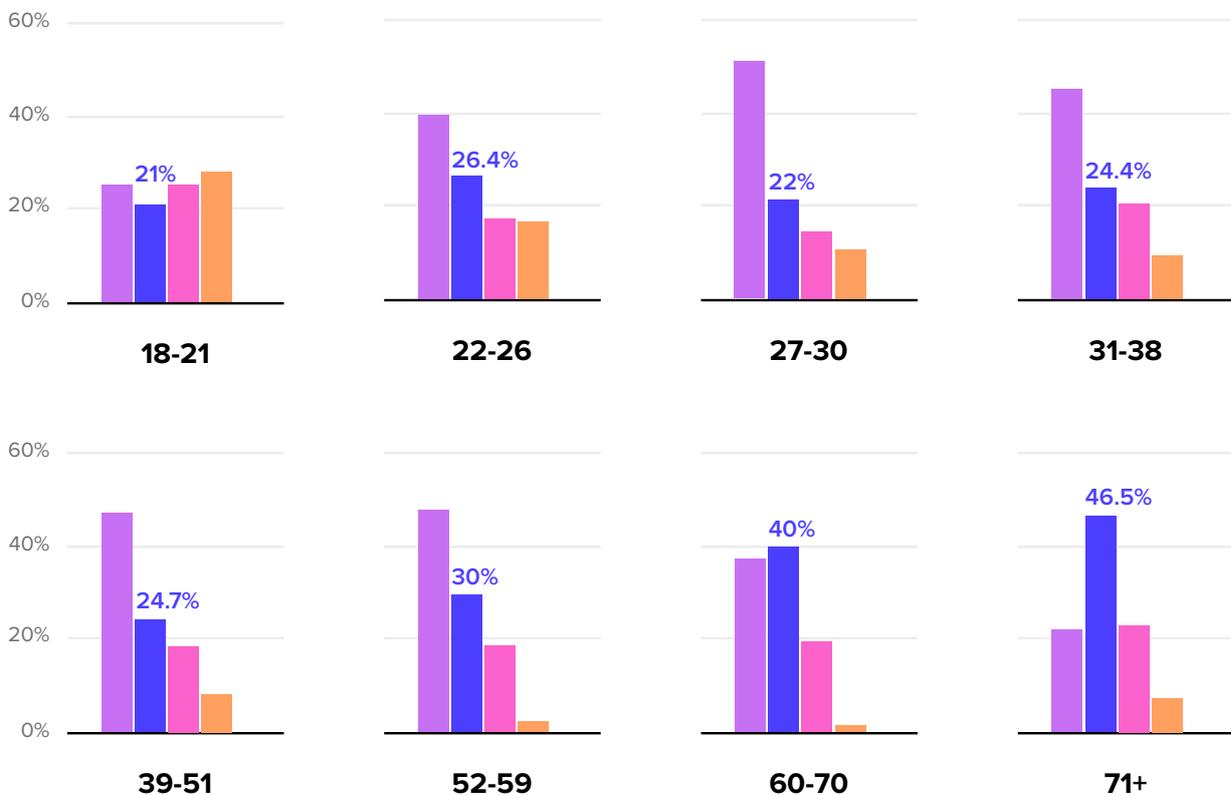
Two major revelations of our consumer survey center on how shoppers react to being declined and who they tend to blame when they are victims of fraud. It's a double edged sword, and making the wrong decision has serious consequences. Whether it's a fraudulent charge on a credit card or an incorrect decline, these results show the importance of making the right decisions when evaluating orders.



First, it's important to know that measuring fraud by lost revenue doesn't fully account for the total costs incurred by even just one incident. Fraud is a cost that compounds. Fraud and its associated costs are already expected to cost merchants over \$500b in 2019, whether it's from chargebacks, false declines, lost products, or hours squandered to manual review. However, our survey also found that nearly 30% of shoppers who experienced credit card fraud blamed the merchant that approved the fraudulent transaction—even though the merchant is also a victim and likely had no part in losing the victim's credentials in the first place.

Who was at fault for the fraudulent charges (by age)

- The organization that lost the credit card details / experienced a breach
- The merchant who accepted the payment
- The bank that approved the charges
- You, as your card/information was used for the charges

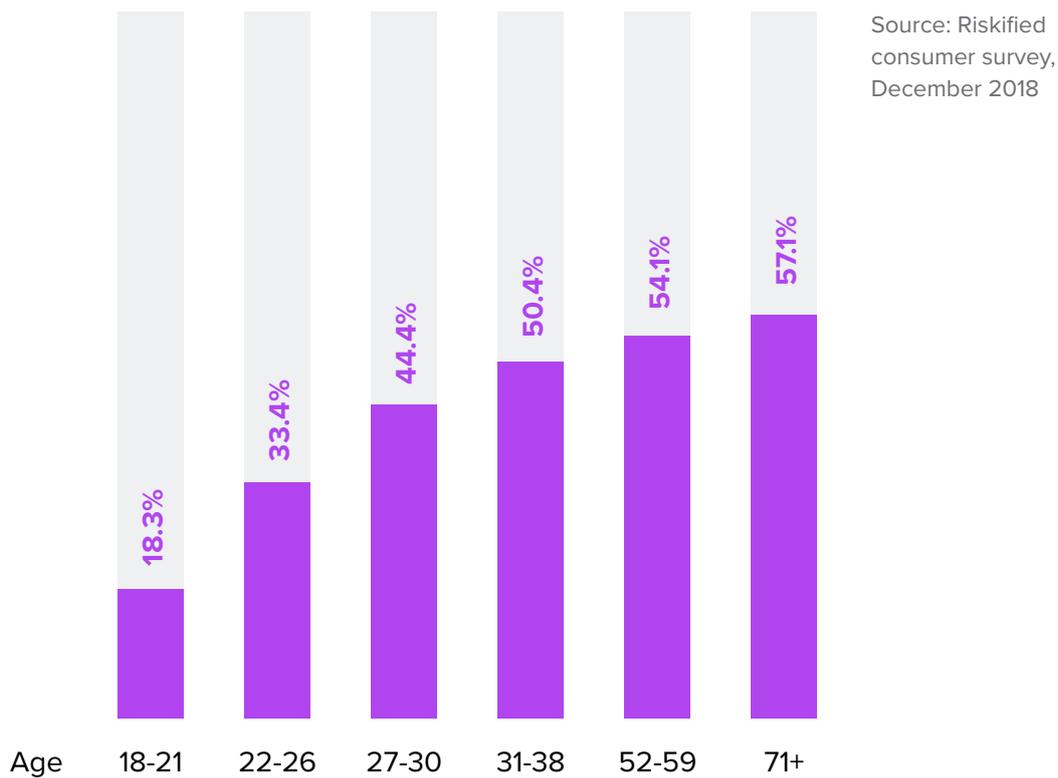


Source: Riskified consumer survey, December 2018

More alarmingly, 49% of customers reported that they do not return to an online retailer after a fraud incident has taken place. That number rises to 55.3% for victims of an Account Takeover. These costs are unaccounted for in most estimates of the damage done by fraud, but they are significant. Merchants work hard to develop loyal, long-term customers, investing heavily upfront to bring shoppers to their site with the hope of recouping that investment for years in the future. When those shoppers' information is used to successfully make fraudulent purchases, that goodwill is

squandered, and that investment is lost. All of these tough pills would be easier to swallow if fraud rates were contained and confined to a contortionist's box. But the unexpected reach of fraud in the marketplace was yet another distressing find in our report. In total, a jaw-dropping 49% of respondents said they had been the victim of credit card fraud—with that number moving above 50% for all age groups aged 31 and over. Those results suggest that victimhood is a near inevitability as eCommerce shoppers age.

Prevalence of eCommerce credit card fraud (by age of victims)

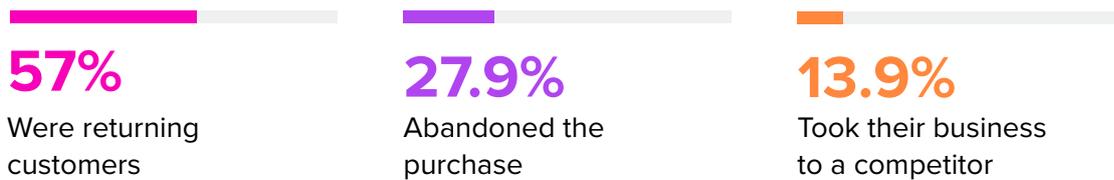


Perhaps more frustrating than fraud itself are false declines, which represent time, loyalty and revenue all squandered in completely avoidable fashion. 29.6% of our survey respondents told us they had an order wrongly declined, and nearly 57% of those shoppers were returning customers. Well, they were returning customers. That high lifetime value that all merchants seek had

been achieved! They came back! But not for long after a false decline. 27.9% of declined customers abandoned their purchase, while another 13.9% took their business to a competitor. And that's how an unforced error becomes a lifetime loss.

26.9% Of respondents suffered a false decline

Source: Riskified consumer survey, December 2018



How to right the wrongs

One sure-fire way to counter false declines is to enrich data with IP address information, including proxy detection to avoid unnecessary declines. As a result, billing and shipping mismatches that would foil other fraud measures won't faze you—and a merchant can safely approve more orders.

As recently as 2017, the average merchant had roughly 1.5% of their revenue consumed by false declines. In a marketplace increasingly built for nimble players and online upstarts, businesses can't afford to

say no to legitimate customers. Moreover, consumers will happily pay more for a smoother process. According to a Gartner report, providing an "excellent" experience makes customers 4.5 times more likely to pay a premium price.

But knowing whether a buyer is legitimate isn't worth much if a merchant can't figure it out quickly. This brings us to the next pain point of eCommerce merchant life in 2019: the time crunch.

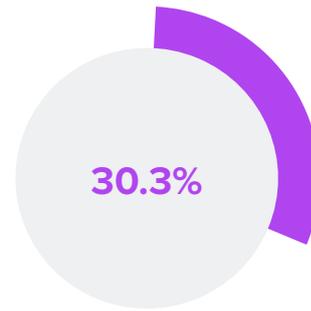
Timing is everything

There may be no bind worse for a merchant than the struggle between time and money. And with the Golden Age of eCommerce only just beginning, the ability to be both right and fast is only becoming more important.

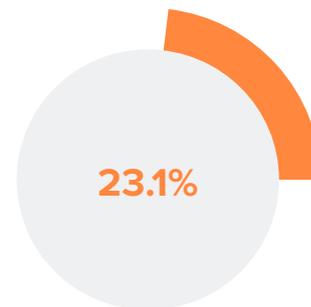
According to our survey, nearly a quarter (23.1%) of shoppers told us that they have made a purchase on the day of an event or a major holiday. More remarkably, nearly a third (30.3%) have bought a gift online while on the way

to a birthday party. Whether it's a baby shower or a last-minute lunch, a consumer's tendency to procrastinate puts an enormous strain on the merchant to approve an order quickly, which, as we already know, can be scary.

But the buzzer-beating shopping habits of American consumers also means that the more complicated and layered a checkout process is—whether for design or for security—the more likely it is that a customer will leave their cart in the virtual queue. One of the major reasons that shoppers gave for abandoning their carts (16.1%) was encountering a checkout process that wasn't friendly or optimized for mobile.



Bought a gift online while on the way to a birthday party.



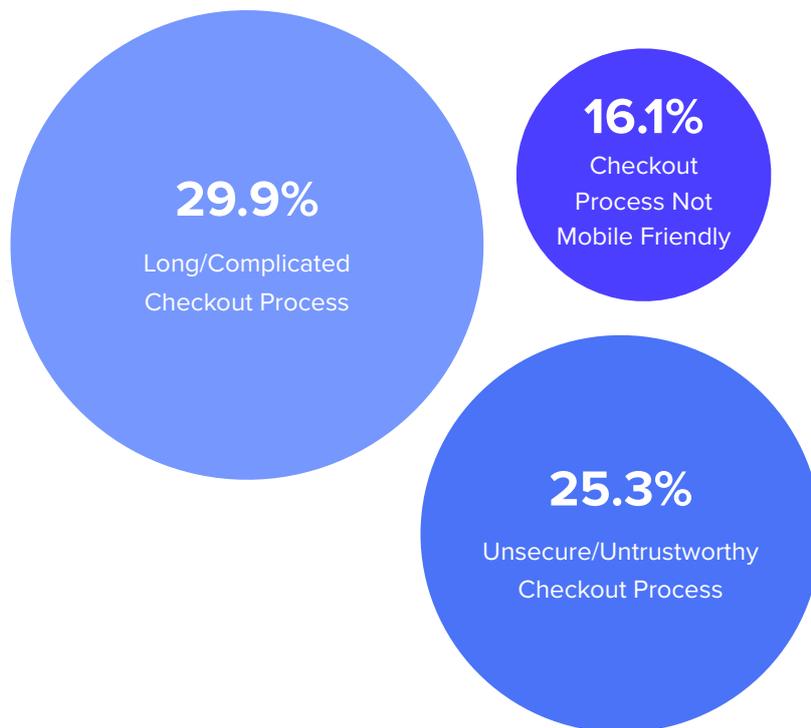
Made a purchase on the day of an event or a major holiday

Source: Riskified consumer survey, December 2018



Cart abandonment is a real problem, with 84% of respondents reporting that they abandoned a purchase before completion. While many consumers abandon their carts after deciding they don't truly need to make the purchase, others disappear when they encounter hurdles in the payment process.

In fact, the top reasons given for abandoning a purchase were that the checkout process was either too involved and complex or that it didn't look trustworthy enough.



Source: Riskified consumer survey, December 2018

How to keep the pace

While finicky customers will always be a problem, limiting the friction they encounter will win a lot of the battles. It's important for merchants to get out of their own way when a shopper wants to complete a purchase by streamlining the process for all parties involved.

Approving orders quickly without having to resort to frustrating, invasive tactics like checking a customer's ID or calling them in order to verify them is one way to reduce friction. Meanwhile, adding a text-message confirmation after the customer has already clicked "purchase" gives the shopper another opportunity to rethink the transaction.

But approving orders quickly isn't the only time pressure. Turning to an end-to-end fraud solution eliminates the need for manual reviews, which also take valuable hours off the clock.

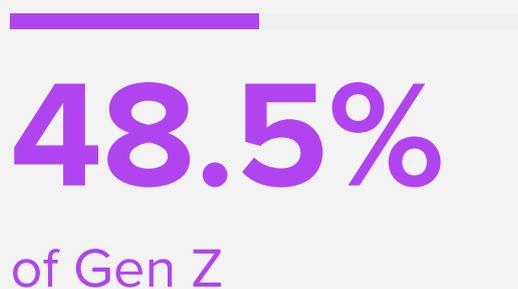
The thrifty (sometimes shady) customer

Our survey revealed a nation of thrifty consumers who check their balances often and hunt carefully for deals. Sometimes, they will go to some incredible (and even unethical!) lengths for a good deal. Nearly one-third of American consumers (31.3%) reported to making a purchase online while in a store where the exact same product was sold.

From there, things get a little bit devious. In our responses, over a third of shoppers (37.5%) confessed to either “probably” or “definitely” creating multiple email addresses to score discounts and promos.

Even more shocking, we encountered a high number of shoppers who told us that they had reported a legitimate order as

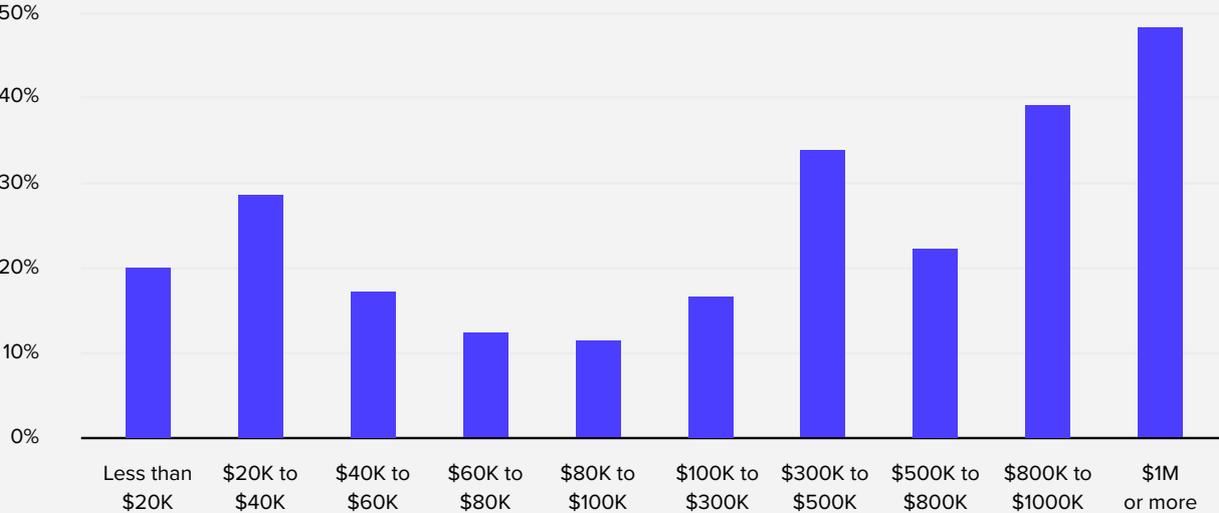
Have you ever used multiple email addresses to get additional discounts?



fraudulent—a phenomenon known as “liar buyer.” While a majority of respondents told us that they believe it’s wrong to report a valid purchase as fraudulent, the higher the income bracket, the more likely a customer

was to be stricken with “liar buyer” syndrome. Some respondents actually told us that it was simply easier to declare a charge as fraudulent than to bother returning it!

Percentage of respondents who have reported a legitimate charge as fraudulent



Skimming out the scam

For a seller, the accumulation of these micro-scams eats away at precious revenue and marketing budgets designed to build new customer bases. To combat this promo abuse, a merchant can try to outlaw multiple accounts. But before promo abuse can be stopped, a merchant has to be able to detect it. At Riskified, we rely on behavioral analytics and dispatch our web beacon to suss out fraud large and small, even those John Q. Scammers scheming on referral and first-time discounts.

Many of the solutions to eliminating these losses come down to finding ways to keep operations running smoothly. While liar-buyer is hard to prove, Riskified recommends coordinating with a delivery provider that offers proof of delivery. Even clarifying the charges on a statement can make a difference: Over 33% of customers say they reported a purchase as fraudulent when they simply didn't recognize the charge.

But the biggest boon to keeping fraud, false declines, and chargebacks in check as well as loyal customers coming back is to have an ally that's always watching out for you. As new trends, different scams, and quirky loopholes emerge, Riskified will be following closely—across all industries and at all times.



Conclusion

By partnering with an end-to-end solution, merchants can increase approval rates and eliminate costly chargebacks and manual reviews. Those have been Riskified's traditional benefits since we first struck out to change the eCommerce world in 2013. But in 2019, that's simply not enough anymore.

As eCommerce merchants continue to innovate, the expectations of American consumers have also risen. They expect a multitude of fulfillment options, and they demand that merchants provide them securely. For a business to stand out, offering an excellent product or service is not enough — it's also about limiting confusion, limiting friction, providing reassurance, and creating the smoothest possible purchase journey every single time. It's hard to do that alone. That's what we're here for.

More about us

Riskified is an AI platform that optimizes the online shopping journey. Inaccurate decisions, outdated banking systems and high-friction verification methods cost merchants billions of dollars. Riskified's suite of products protect retailers across industries, geographies, and channels. Global brands trust our platform to protect their eCommerce revenue and support their growth.

To find out more about our solution, visit our [website](#) or contact us directly: hello@riskified.com

Never miss another
revenue opportunity

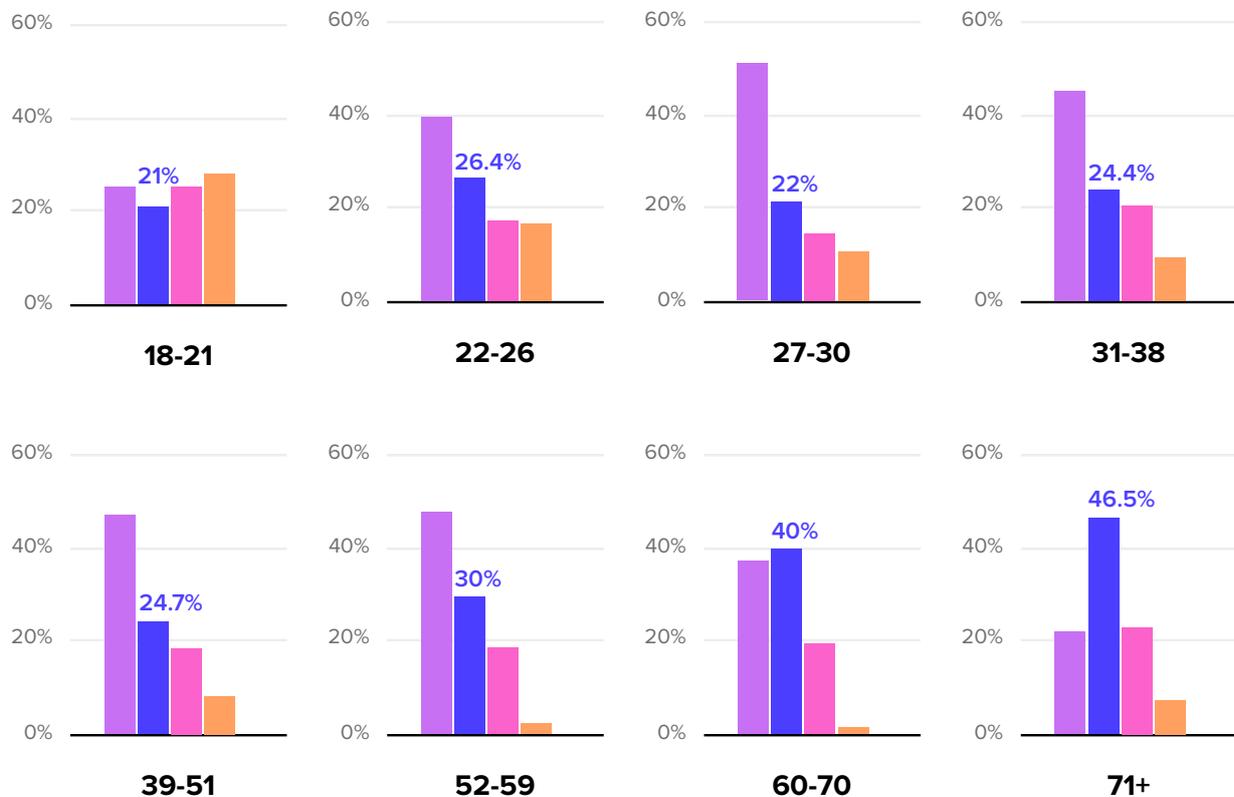
Learn more



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