



Accelerating the Shift to a Cashless Society


Q3 2021 Financial Crime Report



Overview

From barter to currency to digital transactions, commerce evolves. Yet, no one expected it to develop at the breathtaking speed caused by the COVID-19 pandemic. Within months, consumers across the globe made a hard pivot to online banking and eCommerce, and they're not looking back.

This report compares Q2 2021 vs. Q2 2020 unless otherwise noted, and illustrates that six months into the second year of a global pandemic, consumers' shift to digital banking has only gotten stronger. Feedzai's exclusive data reveals:



89%
increase in
P2P payments



23%
increase in dollar amount of
online fraud attempts



259%
increase in banking
fraud attacks (AUS)

48%
decrease in cash
transactions



109%
increase in online
transactions



435%
increase in spending
at family clothing stores



680%
in travel-related purchases
(AUS)

The Financial Crime Landscape

Consumer Spending Habits Drive New Cashless Behaviors

The pandemic has changed every aspect of life, including commerce. Yet, it wasn't the fear of germs that accelerated cash's decline; it was lockdowns. The cashless behaviors truly began once a critical mass of consumers experienced the real-time convenience and accessibility of digital money.

However, a cashless society is far from nirvana. What happens to the unbanked or underbanked populations, who are often marginalized to begin with? From shuttering branches to stores that only transact digitally, cashless transactions create access issues that financial institutions will inevitably have to address.

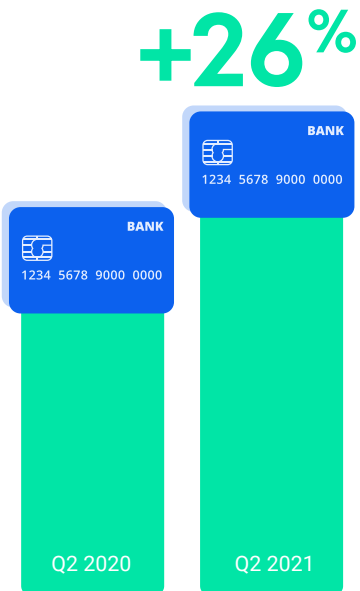
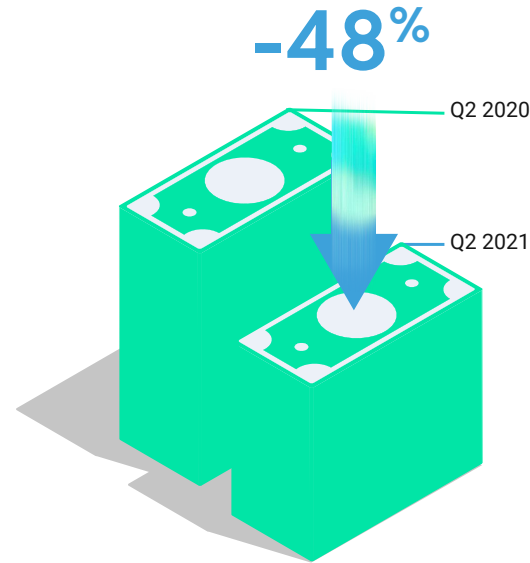
Furthermore, it's important to note that the shift to cashless is not a linear path. Cash may experience resurgences, but it will likely fade in the coming years.



Financial Crime Landscape

48% Decrease in Cash Transactions

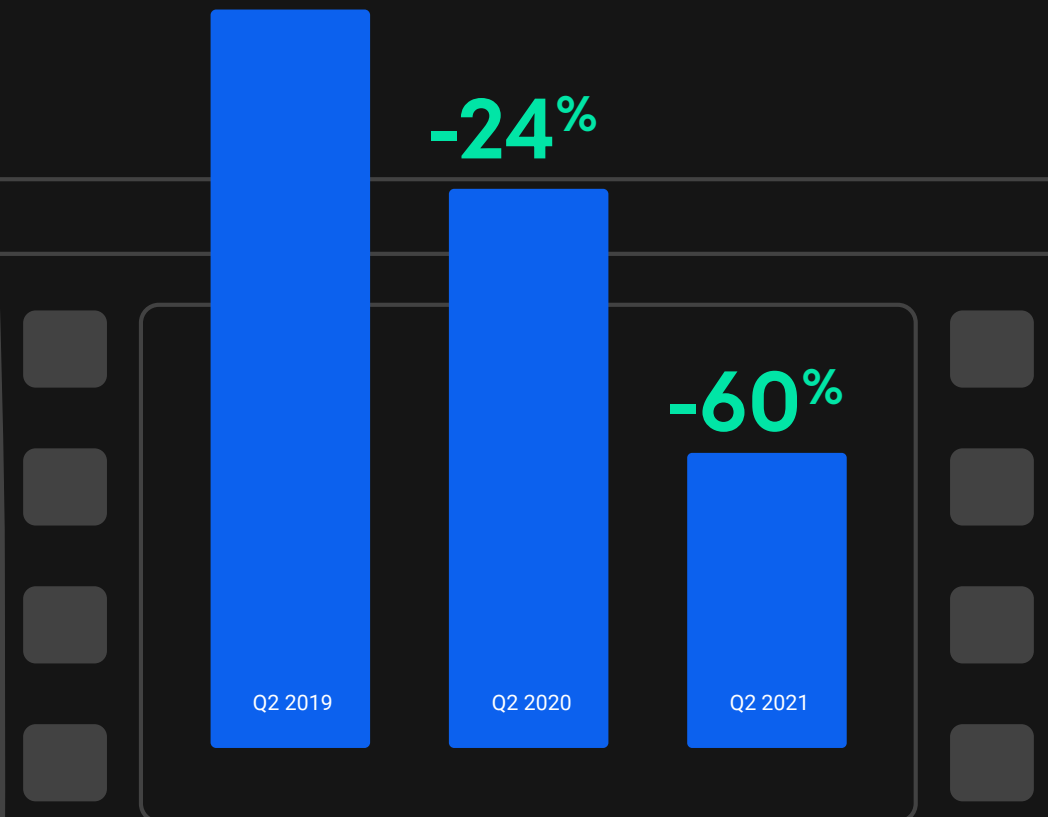
While slightly up from last quarter, cash transactions continue their downward trajectory. Comparing Q2 2019 with Q2 2021, cash use is down 48%.



26% Increase in Debit Card Transactions

Consumers might not be withdrawing cash, but they have significantly increased their debit card usage for online purchases. We saw a 26% increase comparing Q2 2020 vs. Q2 2021.

Cash Transactions Year Over Year



12% Increase in ATM Withdrawals - a False Flicker of Hope

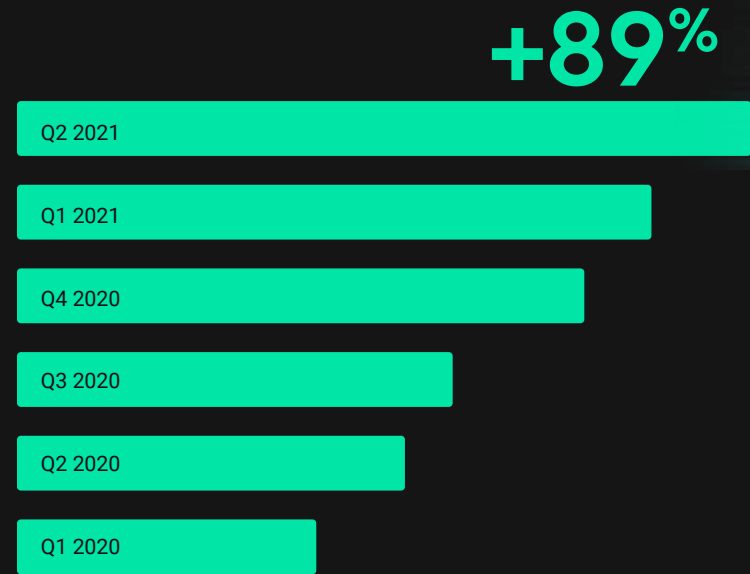
ATMs saw a slight increase in withdrawals. However, when you consider the limited hours of many banks, we'd expect there to be more ATM transactions to fill the gap of teller access - but this is not the case. When we compare pre-pandemic figures from Q2 2019 vs. Q2 2020, we see a 60% drop in cash transactions.



Financial Crime Landscape

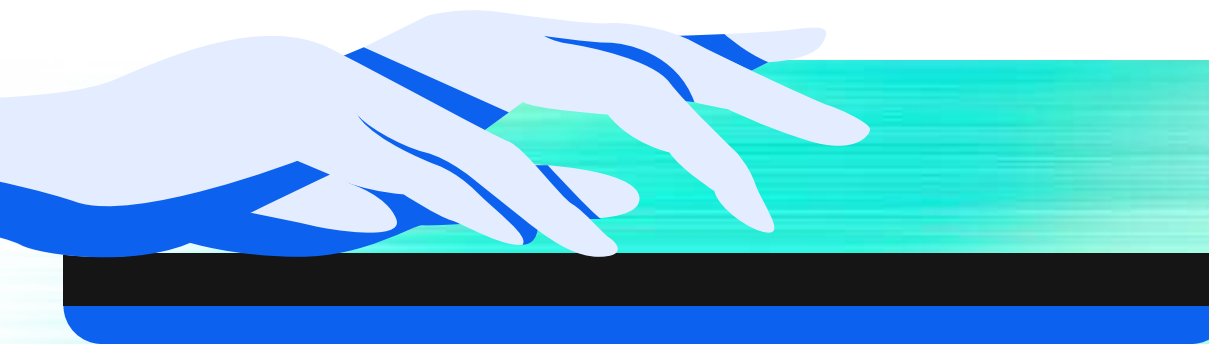
89% Increase in P2P Payments

With [85%](#) of the U.S. population owning a smartphone, over [900 million](#) smartphone users in China, and 439 million in India, it's safe to say that P2P payments were always going to be the future of spending. Most people just didn't expect the future to arrive today. The pandemic altered our financial habits, including how we pay one another. Where once we split the bill by dropping several credit cards on a table, today, one person pays, and the rest of the party picks up their smartphones to reimburse their friend.



26% Increase in Online Business Banking (EMEA)

It's not just consumers who embraced a cashless society, businesses did too. The number of online business banking transactions increased by 26% in Europe.



Financial Crime Landscape

ANZ Dollars Take Flight

Australia and New Zealand (ANZ) both experienced significant moments of reprieve from the pandemic. This gives us some insights on post-pandemic consumer behavior. From what we can see, that's great news for the travel industry.

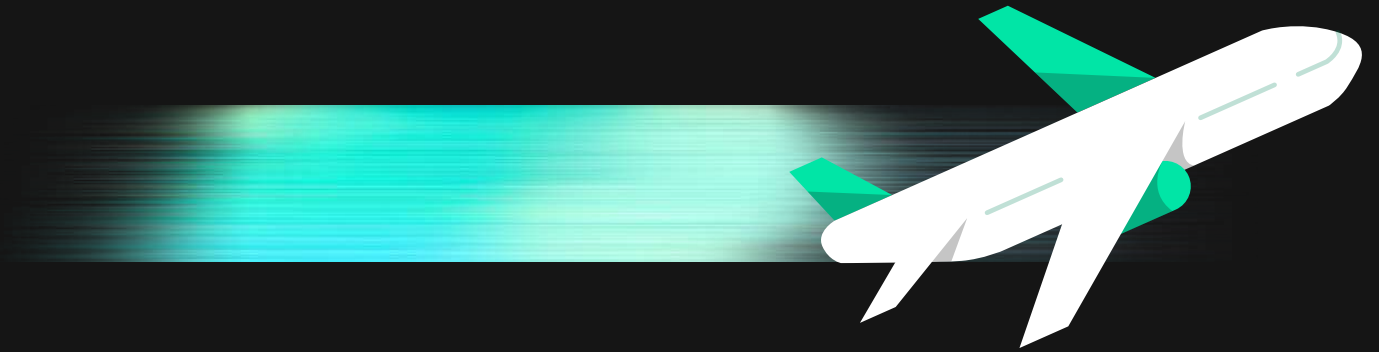
680% Increase in Airline Spending

The pandemic hit few industries as hard as it hit the travel sector. But we continue to see that travel bounces back in countries that have lifted pandemic lockdowns, even for short periods. Australia and New Zealand are great examples of this and may indicate future travel trends once COVID-19 is no longer a pandemic.

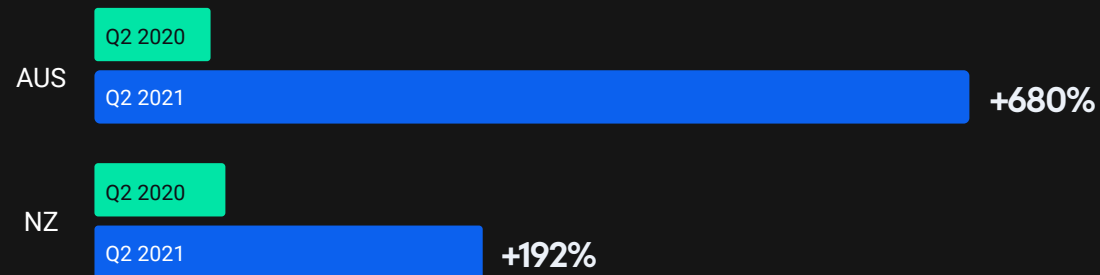
449% Increase in Cruises

While travel as a whole was hit hard by the pandemic, the cruise industry may have suffered the worst of it because of government lockdowns, global headlines reporting onboard infections, and travelers' plights featured in popular documentaries.

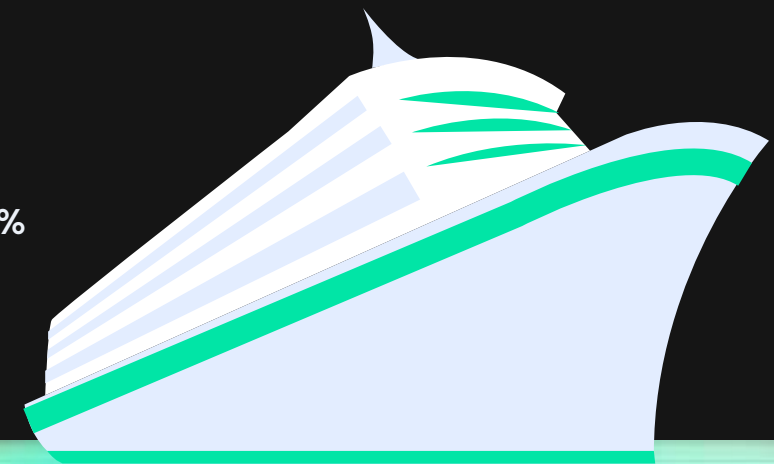
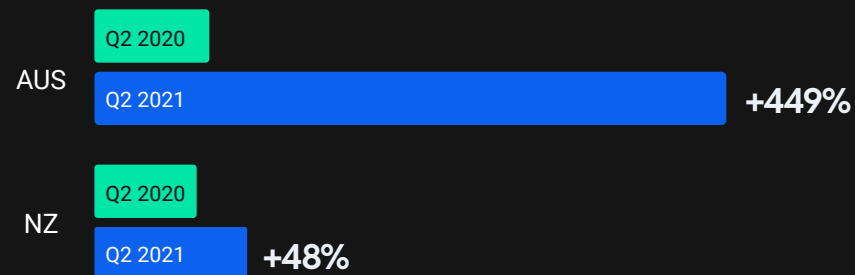
Today, onboard infections continue to make the news, making recovery particularly challenging. However, there was growth in ANZ. This once again gives us a window into how things will shake out when the pandemic is in our rear view.



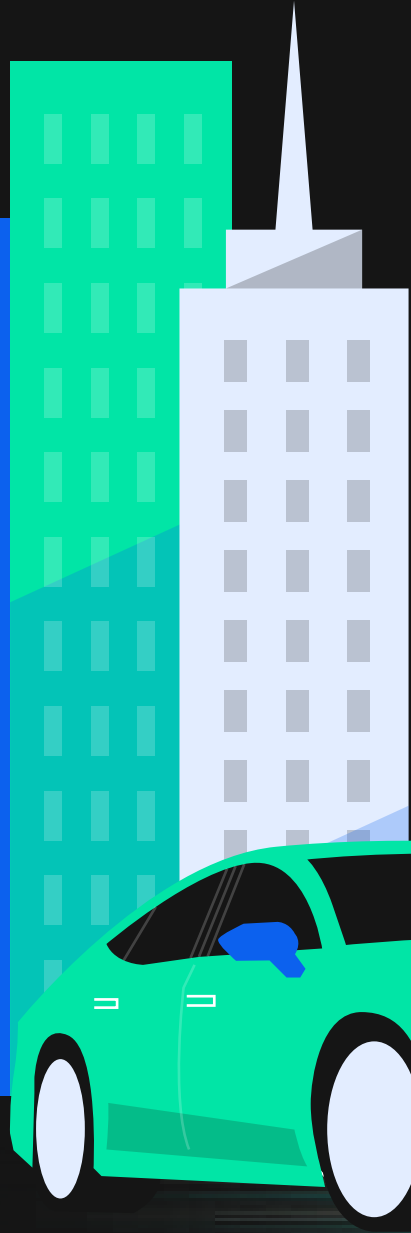
Air Travel Transactions



Cruise Transactions



Financial Crime Landscape



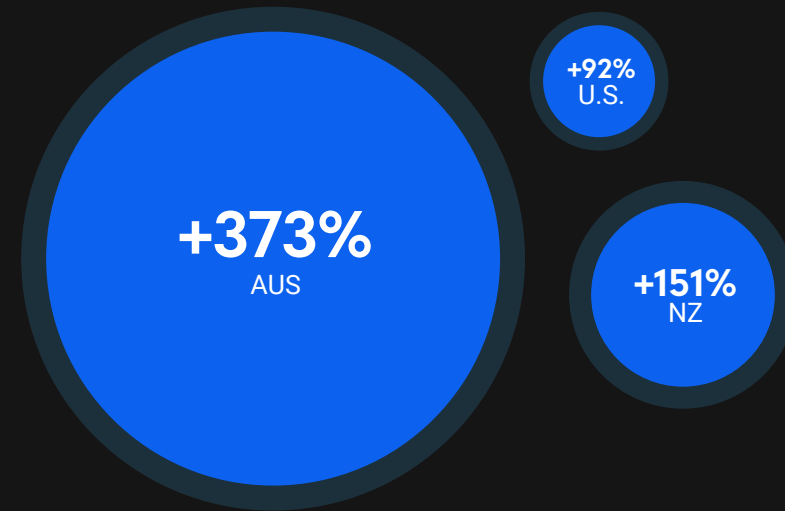
373% Increase in Hotel Spending

There's no place like home – until there's no place but home. Once lockdowns lifted, consumers were ready to be anywhere else.

221% Increase in Car Rentals

25% Increase in Car Sales

The pandemic pumped the brakes on the automotive industry. The good news is the new normal might take car sales from zero to sixty in no time at all.



Fraud Report

Here are the top five fraud scams attempted in the second quarter of 2021.

1 Purchase Scams

In purchase scams, buyers pay for items that are never delivered. Ongoing global supply chain issues mean banks and consumers must remain vigilant to protect against purchase scams.

2 Social Engineering Scams

Social engineering covers a wide range of scams based on one thing - the need for personal connection. In these scams, fraudsters manipulate people into sharing personal security information.

3 Impersonation Scams

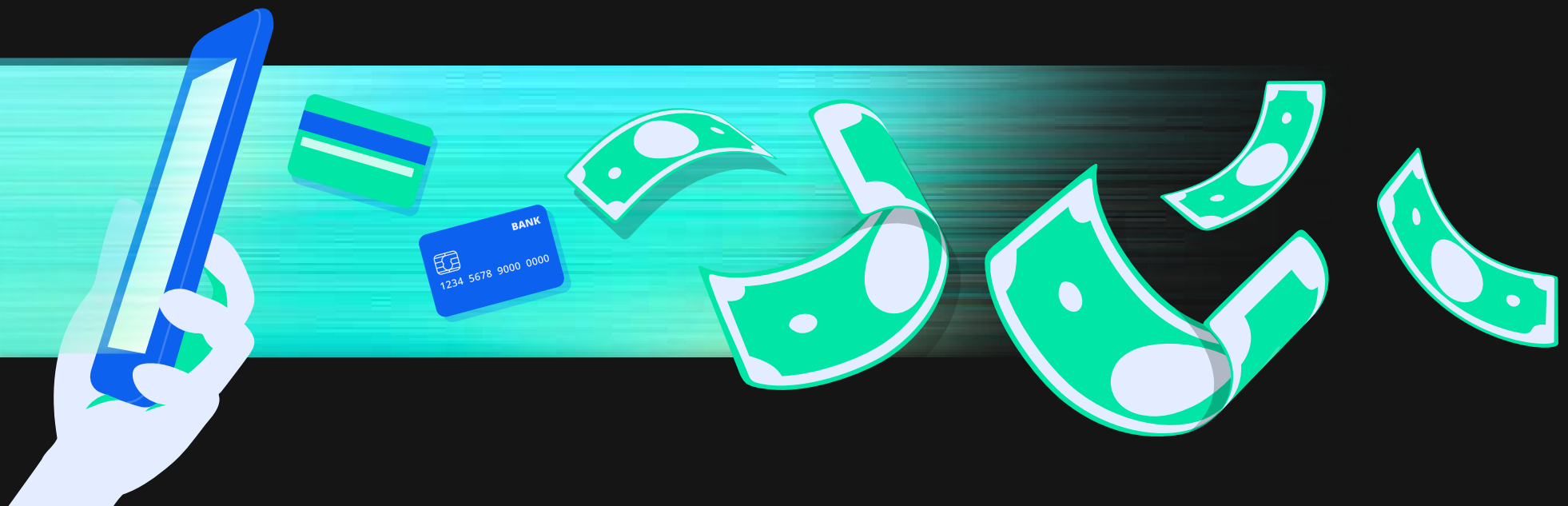
In an impersonation scam, fraudsters pretend to be government officials or other authority figures to pressure victims to give them access to their accounts.

4 Account Takeover (ATO) Fraud

Account Takeover fraud, commonly known as ATO fraud, is a form of identity theft. It's when a criminal acquires personal information or hacks devices to take over a legitimate user's digital accounts.

5 Smishing Scams

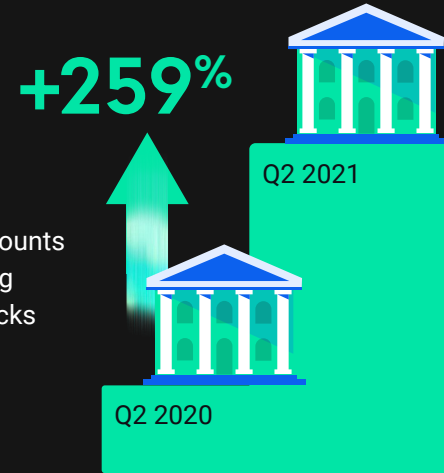
Smishing is the SMS version of phishing. Fraudsters send text messages crafted to trick consumers into sharing their personal information.



Fraud Report

259% Increase in Banking Fraud

Consumers are transferring money in and out of their accounts 45% more than they did last year, and fraudsters are taking note. In some areas such as Australia, banking fraud attacks increased by a whopping 259%.



23% Increase in Online Card Fraud 6% Increase for In-Person Card Fraud



The pandemic saw fraudsters' tastes shift from beer to champagne. The dollar amount of fraud soared by 23%.

Moreover, while the number of in-person card transactions decreased by 2%, fraud attacks increased by 6%.

Fraud from Coast to Coast

Viva Las Vegas! Especially if you're a fraudster. Here are the U.S. cities with the most pandemic tourist traffic and the largest increases in fraud.



3 Tips for Consumers to Prevent Online Fraud

Here's how consumers can take an active role in fraud prevention:

1 Listen to Your Bank

Banks are constantly studying and learning about the latest fraud trends. And they have a vested interest in keeping their consumers safe from fraud. Your bank's educational resources are designed to protect you. Make sure you read/watch them and heed their advice.

2 Use Biometrics and 2FA

Enable biometric or two-factor capabilities on your mobile devices, such as facial scans or one-time passwords. Not only do these solutions improve security, they can also ensure a much smoother experience.

3 Protect Your Information

Be mindful of text messages, emails, or websites designed to trick you into revealing personal information. If you receive a suspicious communication claiming to be from your bank, don't engage. Instead, report your suspicions to the bank.



3 Tips for Banks to Block Common Online Fraud

The more online transactions there are, the more scalable fraud operations become. In the real world, a criminal can only steal one wallet at a time. In the digital world, that number is limitless. When it comes to digital transactions, the best way to protect consumers is to know and verify the person behind the screen. Here are three tips to keep customers and companies safe from digital fraud.

1 Educate Customers

Make your customers part of your fraud-fighting team. Create short, engaging videos or interactive content that can be shared on social media or through email. The content should educate customers about prevalent scams, how to avoid them, and what to do if they become victims. Educating customers makes them the first line of defense against fraud.

2 Leverage All Available Data

Banks should review data from multiple sources, including identity data, device-based profiling and authentication, biometrics, and behavioral analytics to build profiles of normal user behavior. Using this data, banks can detect account takeover attacks and other fraud attempts.

3 Focus on Funds' Destinations

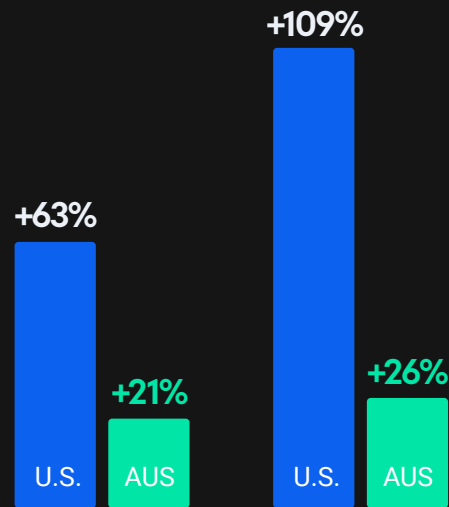
Consider where funds are deposited through profiling of beneficiaries and determine whether they have previously been seen and if they have any risk indicators.



Consumer Spending Trends

The pandemic altered consumer spending habits, and as we move through the second year, those habits are shifting again.

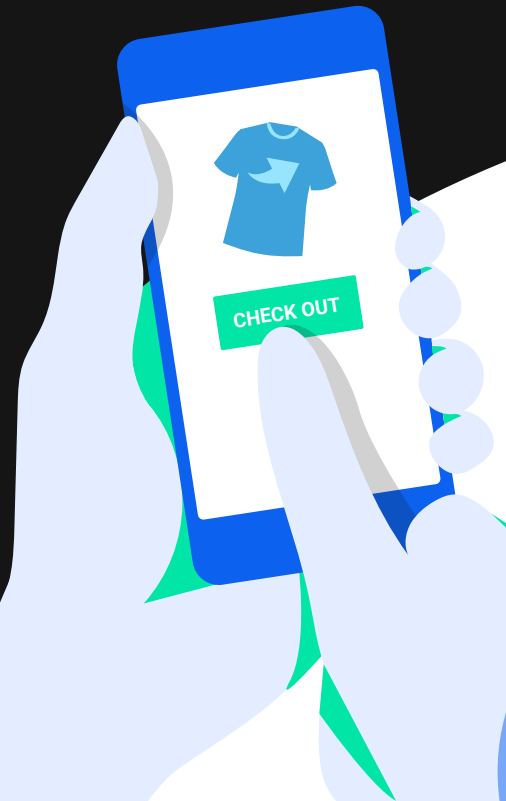
How shoppers spend has changed. Comparing Q2 2020 to Q2 2021, we see the number of in-person and online transactions have both increased. However, in the U.S., the number of online transactions is almost double the number of card-present or in-person transactions.



Card Present 2021



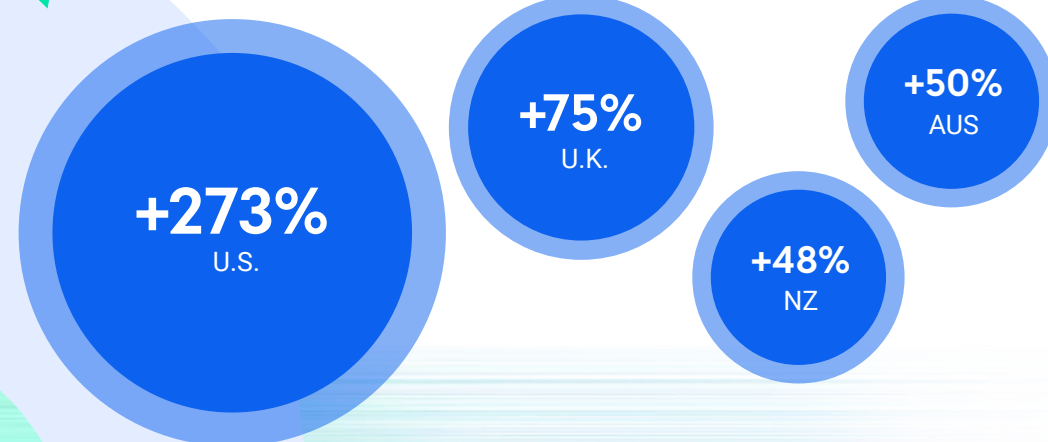
Card Not Present 2021



+273%

Increase in Clothing Transactions

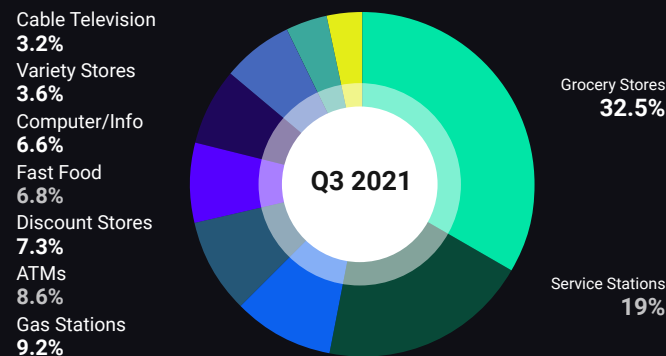
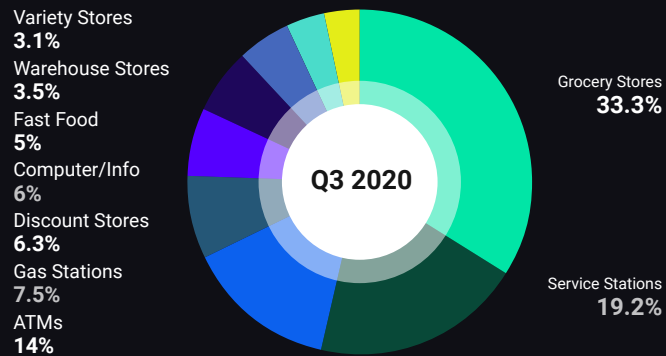
What consumers spend their money on has changed as well. As we gather again, consumers are ready to give up their lockdown leggings for more social attire. Spending on clothes increased in various countries where lockdowns were removed. Comparing Q2 2020 vs. Q2 2021, we see:



Card Spending Changes Across the Globe

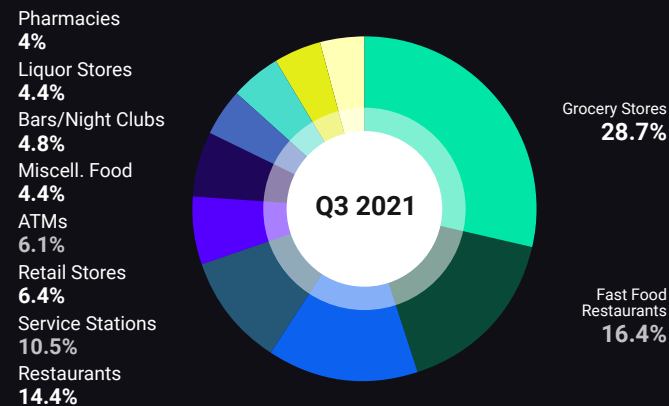
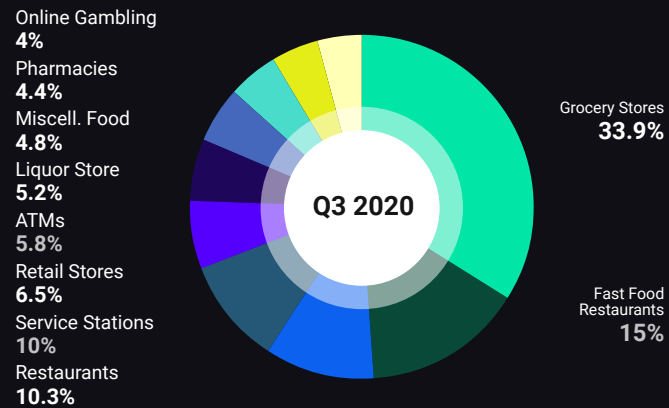
UNITED STATES Cashless Continues

In the U.S., gas stations moved up ahead of ATMs, and card purchases bumped cash-back transactions out of the top ten.



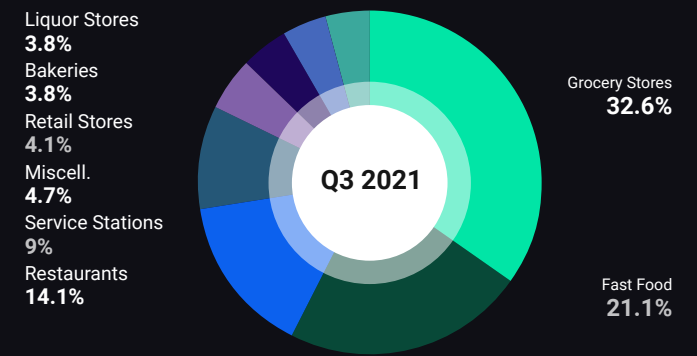
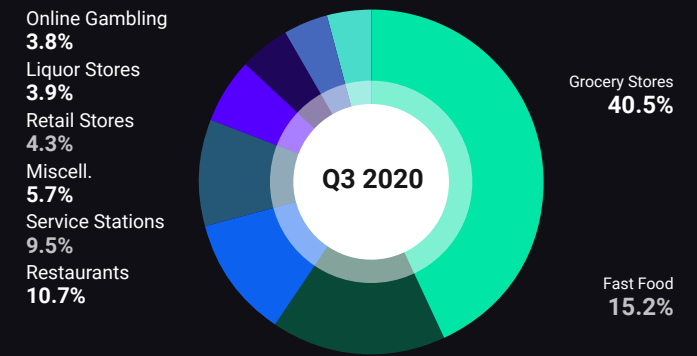
AUSTRALIA Nightlife Returns

In Australia, the end of lockdowns was evident in consumer spending: bars and nightclubs, absent in Q3 2020, made the list in Q3 2021. They bumped online gambling off the list.



NEW ZEALAND Sugar and Spice

New Zealand never suffered the types of lockdowns other regions did, but we do see some changes in consumer behavior: bars/clubs and bakeries replaced online gambling and general shopping.



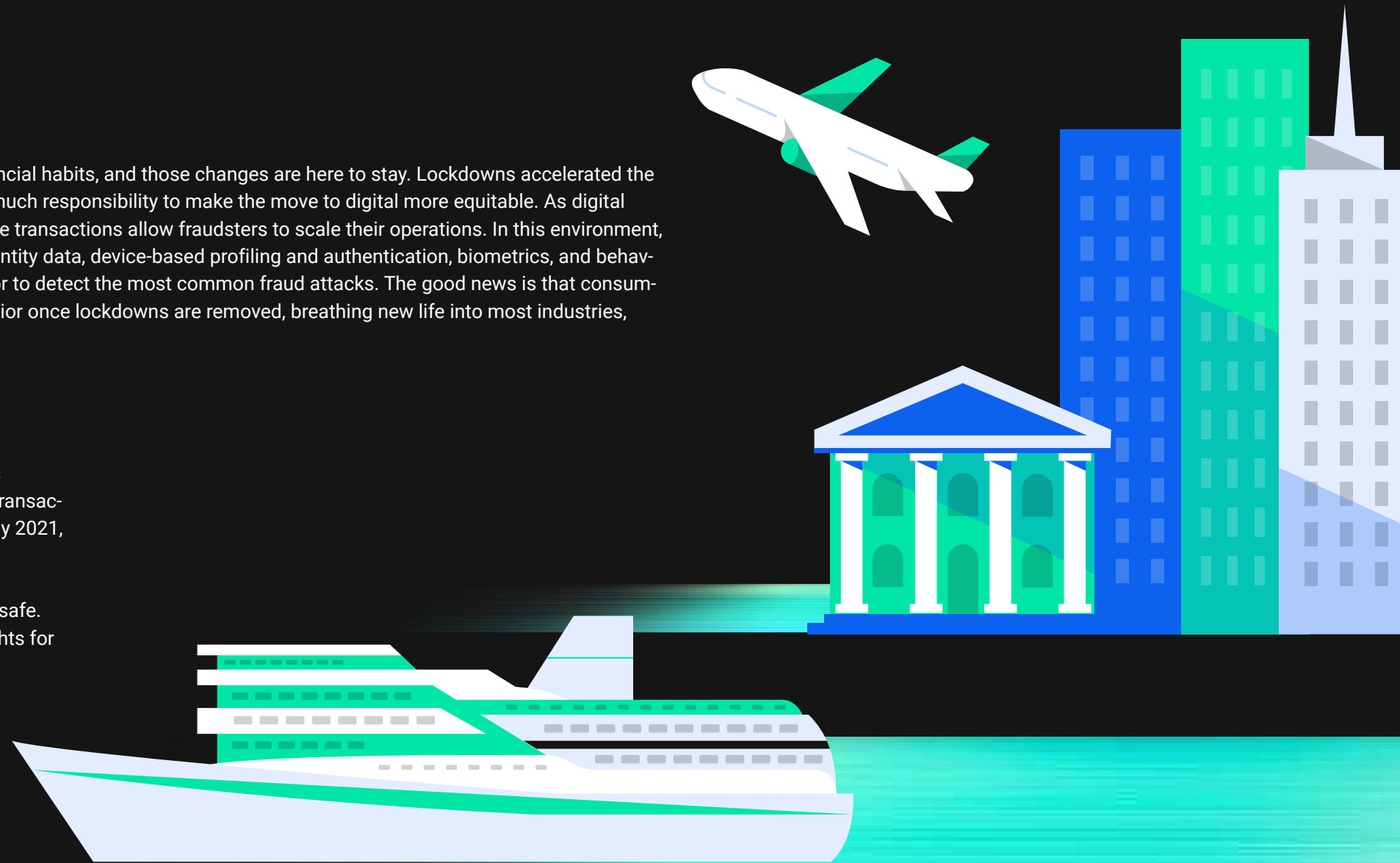
Conclusion

The COVID-19 pandemic has shifted consumers' financial habits, and those changes are here to stay. Lockdowns accelerated the move to a cashless society, and banks will shoulder much responsibility to make the move to digital more equitable. As digital transactions increase, it's important to note that online transactions allow fraudsters to scale their operations. In this environment, it is critical to leverage all available data, including identity data, device-based profiling and authentication, biometrics, and behavioral analytics to build profiles of normal user behavior to detect the most common fraud attacks. The good news is that consumers are clearly willing to return to pre-pandemic behavior once lockdowns are removed, breathing new life into most industries, including the travel industry and in-person events.

Methodology

The Financial Crime Report Q3 2021 Edition captures Feedzai's exclusive data from over 1.5 billion global transactions across all major industries from April 2021 - July 2021, except where noted within the report.

Feedzai's mission is to keep banking and commerce safe. The purpose of the report is to provide valuable insights for financial institutions.



One Platform to Manage Financial Risk & Crime

Awards and Recognition



Feedzai named a leader in SPARK Matrix AML.



Feedzai named best-in-class fraud and AML machine learning platform vendor



Feedzai named a category leader in Chartis Payment Risk 2023



sales@feedzai.com

info@feedzai.com

feedzai.com