

INDIA'S E-COMMERCE MARKET IS WORTH AN ESTIMATED \$38 BILLION

COD is by far the preferred payment method in the country. Vign Jain, CEO and Director of Jewellery retailer Orra, says this method is especially problematic in the jewellery category, which often sees more than 50 per cent returns. "In the majority of cases the goods are returned because of fake orders with wrong addresses and customer details. The still bigger issue is theft and pilferage, where goods are replaced or stolen from pilfer-proof packages."

SCAMMERS ABOUND...

Pooja Vishant, Associate Editor at industry website IndianOnlineSeller.com, says fraudulent buyers and order abuse are the biggest problems online sellers face. Furthermore, the customer-friendly 30-day, no-questions-asked return policy allows customers to use and abuse products and return them simply stating they're not happy with the product. "These issues are part and parcel of this growing industry. But with time marketplaces have improved their seller policies."

She points out that the return period for electronics products has been reduced to seven days, and certain brands only entertain returns if accompanied by a service report from their centres. "Fashion and lifestyle is still vulnerable, but with time we should be able to scrutinise all the categories against such fraudulent activities."

Meanwhile, online shopping has taken "friendly fraud" to new heights, Jain says. "With friendly fraud, a customer receives an item and disputes it, getting a full refund while also being able to keep the item."

"Whether a chargeback claim is decided in a retailer's favour or not, the retailer is charged a fee and, over time, multiple chargebacks can leave a retailer without a payment processing provider."

He says an estimated 86 per cent of chargebacks are fraudulent, which is bad news both for retailers and customers. "Chargebacks are designed to protect customers from scams, but in recent years customers have begun using them in the place of refunds."

The perception that the customer is always right seems to extend to credit-card companies, who put the burden of proof on retailers when making a decision on a dispute."

However, the industry adapts. Jain points out that companies such as Amazon have reduced the COD limit from Rs50,000 to Rs10,000. They also do thorough background checks before confirming an order.



Amazon and others have reduced the cash on delivery limit from Rs50,000 to Rs10,000 to prevent or mitigate fraud.

Others take it a step further by blacklisting certain areas. "Most TPLs don't deliver goods in excess of Rs4,000 value to states earmarked as high risk," explains Shah, adding that Uttar Pradesh, Bihar and Punjab tend to be more prone to thefts due to greater poverty levels.

Vishant says, "Many metropolitan cities are still not very favourable, including industrial areas and slums in Mumbai or Kolkata. Many such areas have been delisted from marketplaces for COD orders."

...BUT IT'S NOT ALL THAT BAD

However, K. Satyanarayana, Director of logistics and delivery company Evon Express, believes the reality isn't quite as grim. He agrees order abuse is a "matter of concern", but says the numbers are "minuscule" and that it would be unfair to generalise fraud as an industry-wide problem.

Besides, companies have adequate risk coverage in place along with secured infrastructure like electronic surveillance and various robust enterprise solutions. "They keep reinventing solutions around security and controls framework to mitigate instances," says Satyanarayana.

"Some also have in-house security and risk assurance functions towards ensuring focused efforts in this direction."

And looking five years ahead, he expects fraud to reduce with the proactive use of technology and alternative payment methods.

But Jain senses that even with payment gateways and logistics companies constantly upgrading their systems and processes, online fraud will only increase as e-commerce continues to grow. Shah agrees, pointing out that most of the methods used for fraud are not sophisticated or difficult to replicate.

Vishant, meanwhile, says it's the negative that tends to make the news. "Marketplaces are unearthing such cases and their investigation and fraudulent risk management teams are getting stronger," she says. "In five years, e-tailers would have learnt the ropes of curbing fraudulent buyers."

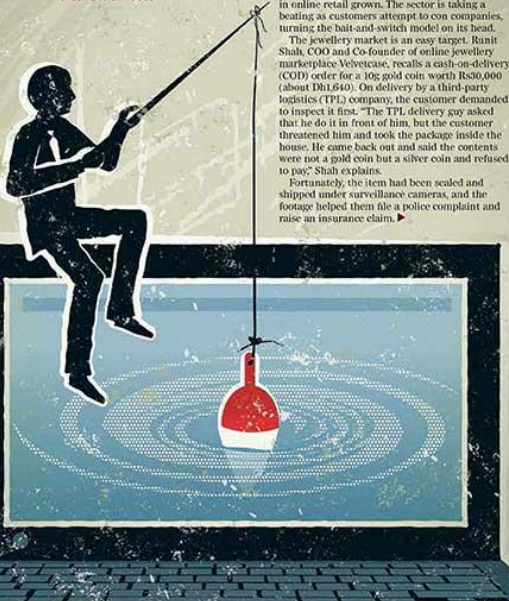
"After all, the fall strength of a hero in any movie comes forth only when confronted with the villain. We do wait patiently as the movie progresses, right?"



BUYERS TURN TO BAIT

Consumers are increasingly vulnerable to cybercrime in the digital revolution. But now fraudulent customers are challenging e-tailers to up their game

BY DEEPAK KARAMBELKAR
SPECIAL TO GN FOCUS



The modus operandi is simple: order an expensive item online, switch it with a similar but cheaper one, and send it back for a full refund. Rinse and repeat.

As India's e-commerce market grows to an estimated \$60 billion (about Dh220.52 billion) in gross merchandise value by 2020, as per Google and AT Kearney's *Digital Retail 2020* report, so too have incidents of fraud in online retail grown. The sector is taking a beating as customers attempt to con companies, turning the bait-and-switch model on its head.

The jewellery market is an easy target. Ranit Shah, COO and Co-founder of online jewellery marketplace Velvetcase, recalls a cash-on-delivery (COD) order for a 10g gold coin worth Rs30,000 (about Dh1,640). On delivery by a third-party logistics (TPL) company, the customer demanded to inspect it first. "The TPL delivery guy asked that he do it in front of him, but the customer threatened him and took the package inside the house. He came back out and said the contents were not a gold coin but a silver coin and refused to pay," Shah explains.

Fortunately, the item had been sealed and shipped under surveillance cameras, and the footage helped them file a police complaint and raise an insurance claim. ▶

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