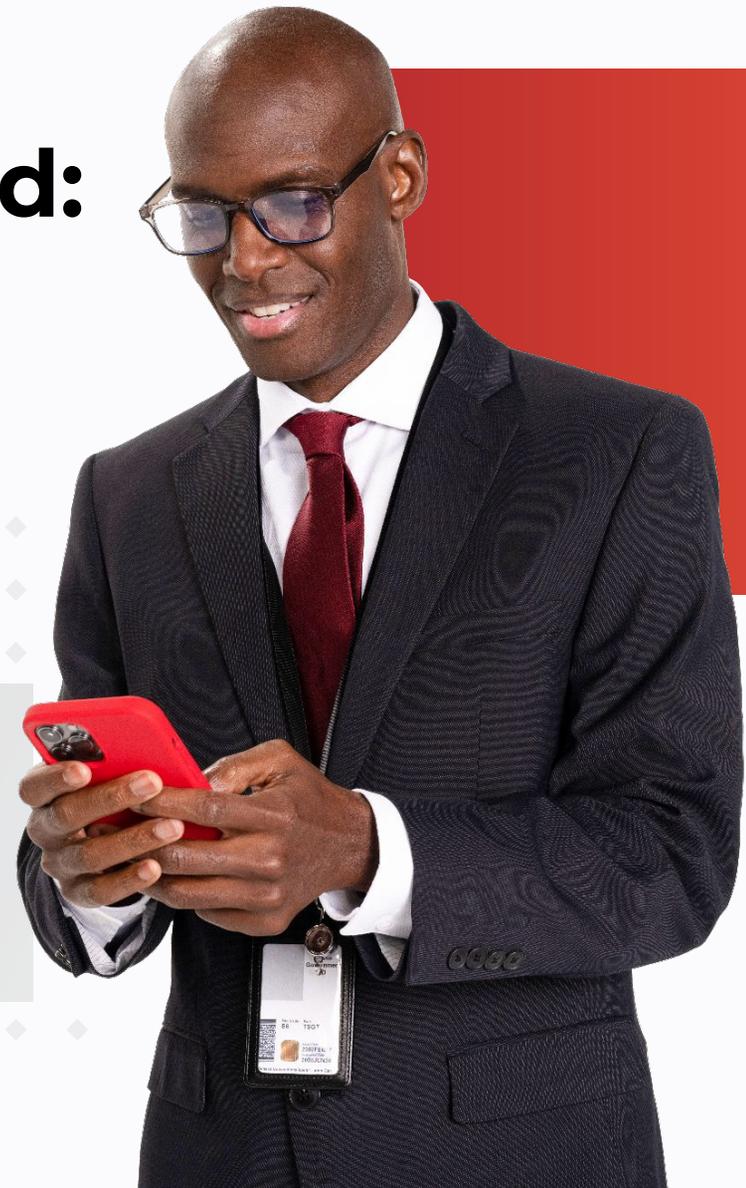# The Hidden Costs of Fraud: Beyond Financial Loss

How Fraud Erodes Trust, Skews Data, and Impacts Operations

EBOOK

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EBOOK | The Hidden Costs of Fraud: Beyond Financial Loss

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Unseen Costs:
The Full Impact of Fraud

Fraud has evolved into a complex business challenge that amounts to more than just monetary loss. Fraud losses due to account takeover (ATO) and new account fraud (NAF) are costing enterprises billions annually. Additionally, new and innovative attack vectors, fueled by the rise of artificial intelligence (AI), are growing at alarming rates.

ATO attacks increased by **24%** year-over-year in 2024, following a massive **354%** increase in 2023.[1]

Yet, the true cost of fraud is often hidden, eroding customer trust, skewing analytics, garnering regulatory probes, and overwhelming operational teams. The initial funds lost is just the beginning of a "domino effect" of additional costs likely to be incurred. Lost business due to reputational damage, resources spent on investigation, mitigation, and recovery, and non-compliance fines and legal costs extend fraud's impacts far beyond what was taken, threatening an organization's entire wellbeing.

The threat environment is growing at an unprecedented pace, driven by technological advancements and a shift to digital-first interactions. Fraudsters now have access to new tactics that are not only more complex but also far harder to detect. Techniques like synthetic identity fraud—where fake identities are created by combining real and fabricated information—have become increasingly prevalent, wreaking havoc on an unprecedented scale.

3X to 4X more

The **true cost of fraud** for merchants and financial services companies can be as much **3X to 4X more** than the initial funds lost.[2]

> $10 Billion

Total fraud losses reported to the Federal Trade Commission exceeded $10 billion in 2023, a 14% increase from 2022.[3]

1. *Sift Q3 2024 Digital Trust Index:*
   https://sift.com/index-reports-account-takeover-fraud-q3-2024?aliId=eyJpIjoiU3QxV1BmVFZ5a
   XFKcjh2WSIsInQiOiJXRUxtbDFycXdjTVdndERJcVd3VndRPT0ifQ%25253D%25253D
2. *LexisNexis, 2023 True Cost of Fraud Study:*
   https://risk.lexisnexis.com/insights-resources/research/us-ca-true-cost-of-fraud-study
3. *Federal Trade Commission data:*
   https://www.ftc.gov/news-events/news/press-releases/2024/02/nationwide-fraud-losses-top-10
   -billion-2023-ftc-steps-efforts-protect-public

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Rising Fraud Sinks All Boats

Digital channels, while essential for nearly all modern businesses, have become the primary attack surface. With as much as over half of all fraud losses now stemming from digital interactions, organizations must contend with a wide array of threats, from payment fraud to account manipulation.2 This new fraud environment demands modern tools and a proactive approach to ensure user safety and trust remain intact.

87% of global consumers are concerned about identity theft or fraud.

Key Trends

- **AI's Role in Fraud:** Deepfakes worldwide have increased tenfold year-over-year, with some regions seeing increases **over 3,000%**.

- **Synthetic Identity Fraud:** The fastest-growing type of financial crime, costing lenders billions annually. Fraudsters exploit stolen personal data to create entirely new, fabricated identities.

54% of IT decision-makers are concerned that AI technology will increase identity fraud.

Industries Under Attack:

Retail:
Struggling with chargebacks and promo abuse. Ping Identity helped one of the largest online retailers in the U.S. achieve **$5 million** in projected fraud cost reduction.

Financial Services:
Facing rising threats from synthetic identities and loan fraud. Ping Identity worked with one of the largest credit unions in the U.S. garner over **$600,000** in fraud cost savings in just six months.

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Impacts Beyond Financial Loss

Fraud's toll on businesses extends far beyond immediate monetary losses. It reshapes priorities, burdens teams, and erodes trust—all of which are crucial to maintaining a competitive edge. While initial financial costs are quantifiable, the downstream costs and effects of fraud are equally damaging and often overlooked.

These hidden costs manifest themselves through operational inefficiencies due to costs for resolution teams and distorted analytics, customer churn driven by degraded trust and loyalty, and sometimes even regulatory fines and legal fees, which when combined, threaten an organization's long-term growth and sustainability.

To thrive in today's digital-first environment, businesses must understand the deeper impacts of fraud.

Ready to take fraud prevention to the next level? Discover how to protect your business and customers today. **Download the Guide**

1. Customer Trust Erosion

Fraud can have deep impacts on customer relationships, leading to reduced conversion rates, churn, and diminished customer satisfaction overall.

78% consumers say that security is important when interacting with brands.

2. Brand Damage

74% of retail and ecommerce businesses reported damage to their brand and reputation

75% said they had difficulty establishing trust with customers due to fraud.[2]

3. Operational Overhead

80% Fraud management (mitigation, investigation, and recovery) overwhelms teams, increasing resource allocation by as much as 80%.[2]

4. Skewed Analytics

Fraudulent accounts distort personalization metrics, leading to misaligned business strategies, costing organizations time and resources.

5. Regulatory Fines & Legal Fees

77% of organizations cited increased compliance requirements, and 74% said they received fines by regulators due to fraud.[2]
Luckily, there are digital identity capabilities that can empower businesses to fight back.

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Combatting Fraud Early With Digital Identity Solutions

The fight against fraud requires more than manual monitoring, traditional tools, and reactive measures. Thwarting fraud effectively means addressing identity crimes that serve as fraud's roots. Stolen identities, compromised credentials, and synthetic profiles are the starting point of the financial losses waiting at the end of the schemes.

Identity fraud detection and prevention capabilities are critical to stopping fraud at its source, offering proactive, multi-layered defenses that adapt to evolving threats.

By integrating technologies like User and Entity Behavior Analytics (UEBA), these systems create robust safeguards that enhance security without compromising user experience.

IAM is not just a tool—it is a strategic necessity in today's increasingly complex fraud environment.

1. Shift Left on Fraud Prevention

Stopping fraud early in the user journey—during account creation and login—reduces downstream costs.

2. Reduce Manual Reviews

Fraud detection is largely automatic, with flagged sessions handled by manual reviewers who review the session to determine if there's fraud afoot or there's a false positive.

3. Utilize AI and Behavioral Analytics

Using behavioral biometrics and real-time risk scoring enhances detection capabilities.

4. Enable Multi-Layered Security

Combine identity proofing, multi-factor authentication (MFA), and liveness detection to create a robust defense system.

5. Go Passwordless

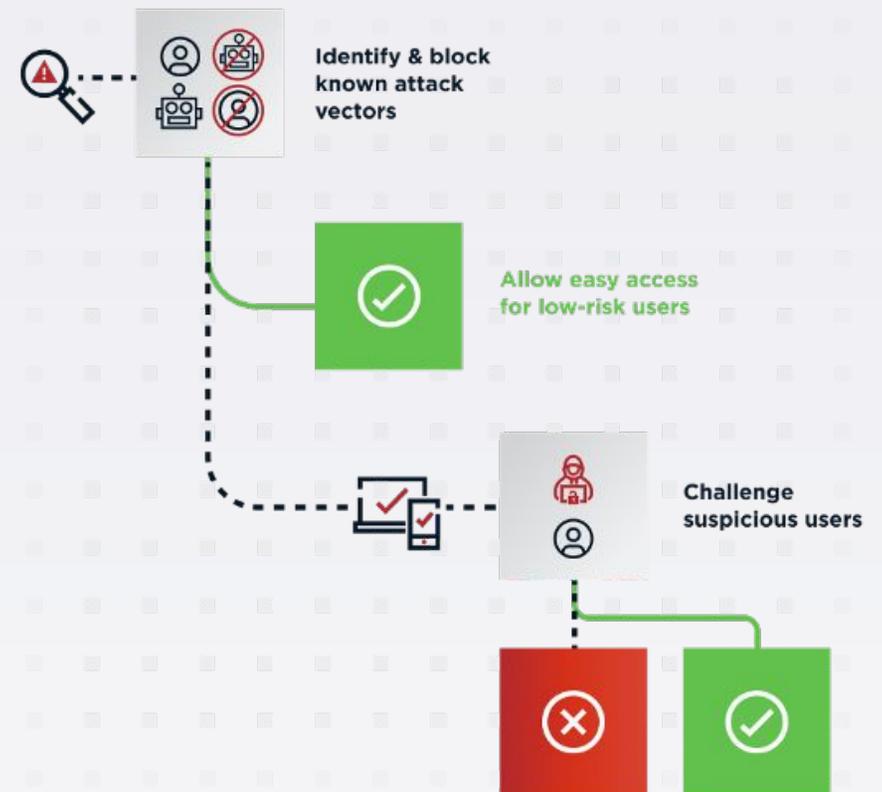Passwords are the #1 security threat to organizations. They compromise security and add unnecessary steps for users.

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Advancing Your Fraud Prevention Strategy

Fraud's accelerating costs demand immediate action to mitigate their wide-ranging impacts. Businesses must first acknowledge that fraud is no longer an isolated issue but a multi-faceted challenge affecting every aspect of operations. Addressing the financial losses alone is insufficient when trust, analytics, and operational efficiency are at stake. By adopting a holistic fraud prevention strategy, organizations can tackle these challenges comprehensively and proactively. Fraud is a dynamic threat, but with the right combination of technology, strategy, and collaboration, organizations can safeguard their future while building brand loyalty.

Identify & block known attack vectors

Allow easy access for low-risk users

Challenge suspicious users

Don't let fraudsters dictate your customer experience. See how leading brands are combating fraud and preventing threats. **Download the eBook**

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Hear From The Experts

Gartner.

- [2024 Gartner® Magic Quadrant™ for Access Management](#)
- [2025 Gartner® Critical Capabilities for Access Management](#)

FORRESTER®

- [The Forrester Wave™: Customer Identity and Access Management Solutions, Q4 2024](#)

kuppingercole ANALYSTS

- [2024 KuppingerCole Leadership Compass: Passwordless for Enterprise](#)
- [2024 KuppingerCole Leadership Compass: CIAM](#)

Combat the hidden costs of fraud
Safeguard your organization today
Download the Guide

At Ping Identity, we believe in making digital experiences both secure and seamless for all users, without compromise. That's digital freedom. Ping enables enterprises to combine our best-in-class identity solutions with third-party services they already use to remove passwords, prevent fraud, enable Zero Trust, or anything in between. And they can do it all with a simple drag-and-drop canvas. That's why more than half of the Fortune 100 choose Ping Identity to protect every single digital interaction for their users, while making experiences frictionless. Learn more at www.pingidentity.com.

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