

7 cybersecurity risks for retailers



In Canada, 21% of businesses have experienced a cybersecurity incident that affected operations.¹

These seven risks can affect retailers from a financial, operational, and customer experience perspective.

Online refund fraud

Perpetrators create a fake receipt, claim ordered goods never arrived, or use a stolen credit card for an online purchase — then request a refund or exchange.

Financial/operational impact

- ▶ Financial loss
- ▶ Loss of goods
- ▶ Lost staff time



Customer experience impact

- ▶ Inaccurate inventory
- ▶ Potential stock-outs

IoT devices/retail hardware

Hackers gain access to connected retail hardware (order shipment trackers, inventory management software, etc.) to infiltrate a retailer's system.

Financial/operational impact

- ▶ Network/system exposure
- ▶ Business/product information breach



Customer experience impact

- ▶ Inaccurate inventory
- ▶ Customer data exposure
- ▶ Negative branding/consumer mistrust

\$81 is the average cost per compromised record of a data breach in Canada.²

Third-party vendors

Fraud or cybersecurity breaches occur with vendors who provide operational/digital services, which then compromise a retailer's systems. In some cases, phony vendors target retailers.

Financial/operational impact

- ▶ Financial loss
- ▶ Reputation damage



Customer experience impact

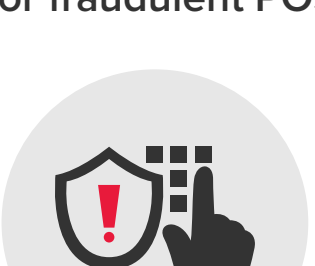
- ▶ Customer data exposure
- ▶ Poor shopping experience if in-store systems are affected

POS skimming

Perpetrators use point of sale (POS) machines to copy customers' debit or credit cards. Malware or fraudulent POS machines may be used.

Financial/operational impact

- ▶ Reputation damage
- ▶ Business and IT disruption



Customer experience impact

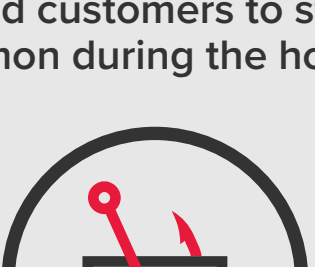
- ▶ Exposed banking information/theft
- ▶ Customer mistrust

Phishing/spoofing attacks

Cybercriminals impersonate a retailer, customer, or supplier and email phishing links to employees and customers to steal money or implant malware. This is especially common during the holiday shopping season.

Financial/operational impact

- ▶ Financial loss
- ▶ Business and IT disruption



Customer experience impact

- ▶ Customer data exposure
- ▶ Poor shopping experience due to ensuing security measures

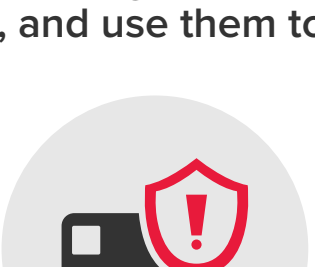
30% of phishing emails get opened.³

Gift card hacks

Perpetrators tamper with gift cards or use bots to crack the combinations, and use them to make purchases.

Financial/operational impact

- ▶ Financial loss
- ▶ Reputational damage



Customer experience impact

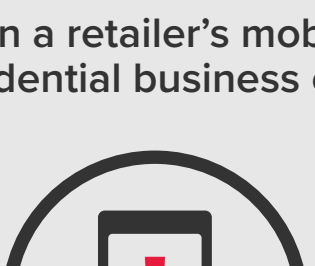
- ▶ Loss of gift card balance
- ▶ Negative branding/customer mistrust

Mobile app hacks

Hackers target vulnerabilities in a retailer's mobile app to gain control of it and potentially access confidential business or customer information.

Financial/operational impact

- ▶ Compliance penalties for loss of customer information
- ▶ Financial losses to repair mobile app



Customer experience impact

- ▶ Customer data exposure
- ▶ Poor shopping experience

150M users were affected after the breach of a U.S. retailer's mobile app in 2018.⁴

How can retailers protect against cyberattacks?

A cybersecurity program is no longer a nice-to-have, it's a business essential for all retailers — but it's not easy to do alone. The BDO team can work with you to assess your cybersecurity vulnerabilities, to create a proactive plan that includes:

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|---|--|
| Strong returns policies and security policies | Penetration tests |
| Employee training on cyber threats and information security | Privacy audits |
| Financial audits | Vendor risk management audits |
| IT controls audits | Payment card industry data security standard (PCI-DSS) assessments |
| Vulnerability assessments | Cyber crisis management and recovery plans |
| Social media audits | |

Sources:

- <https://www150.statcan.gc.ca/n1/daily-quotidien/181015/dq181015a-eng.htm>
- <https://www.ibm.com/security/data-breach>
- <https://enterprise.verizon.com/resources/reports/dbir/>
- <https://www.forbes.com/sites/paullamkin/2018/03/30/under-armour-admits-huge-myfitnesspal-data-hack/#2517b1e6cc54>