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Credit Card Fraud Prevention in a Digital Age

May 16th was a regular day at Widespread Electrical Sales. Circuit breakers, bus plugs, all kinds of electrical products were being sold, reconditioned, and shipped just like any other day. It turned out that on this day, however, the company would have to deal with an issue that's all too familiar, yet easy to forget until it happens: credit card fraud.

This particular case involved an order for 200 small amperage Cutler Hammer Arc-Fault circuit breakers for a next-day early AM delivery. The particular products ordered along with the delivery method were the first warning signs. Large quantities of smaller ticket items are generally ordered by contractors or other wholesalers; in this case the customer pretended to be a wholesaler. Ultimately the credit card authorized successfully and the order shipped; however all it takes in this situation is the purchaser having the correct billing address on file for the card. The sales rep did some due diligence by calling American Express to validate the credit card information, and was given the green light.

The next day, May 17th, the same customer placed an order for 200 more Cutler Hammer Arc-Fault breakers of slightly higher amperage, again for next-day early AM delivery. Again, the credit card ran fine, and again the order shipped. Given that this customer was thought to be a legitimate wholesaler at the time, it wouldn't be too surprising if they had some large orders to fulfill involving these breakers, so the sales rep was not particularly suspicious.

The day after this, on May 18th, was when the customer over-played their hand. They placed yet another order for a large quantity of Siemens and Square D Arc-Fault breakers; however this time the customer provided a different credit card for the order. The new credit card had the same name and address on file, which did lend itself to some credibility, however three orders within three days of large quantities is enough to raise eyebrows, even when it is a wholesaler.

Upon further investigation, the shipping address on these orders was not the same as the billing address, which is generally the biggest give-away in these situations. No address verification service will be helpful in this situation, so it is up to the seller to do some research. Some good steps to take include researching the company the customer claims to be from online, and utilizing online resources to find the shipping address they gave to legitimize it. If there is any contact information on the website, try to contact the company and verify this order, or that the representative placing the order is really an employee. Looking the address up on Google Maps Street View can be helpful as well. If the shipping destination looks like some random residential address instead of an office or warehouse as would be expected, this is a dead give-away. Finally, if all else fails, request a payment method that is harder to conduct fraudulently, such as a wire transfer or having a check sent overnight prior to shipment. Although this might cost an order, this is better than the alternative of losing out on both the money from the order AND the product.

According to ACI Worldwide, a company dealing in electronic payment systems, 46% of Americans have had their credit card information compromised at some point in the last 5 years. Knowing this statistic, no organization should be surprised when they're targeted by a credit card scammer, but even when suspicions are raised it can be hard to know whether an order is fraudulent for sure. That's why it's important to stay vigilant, and have a protocol in place to deal with potential fraud; otherwise it can be

quite costly in the end. Scott Vaughn of Widespread will be working with PEARL board members to outline detailed protocol information for fraud prevention, to be posted on the PEARL website.