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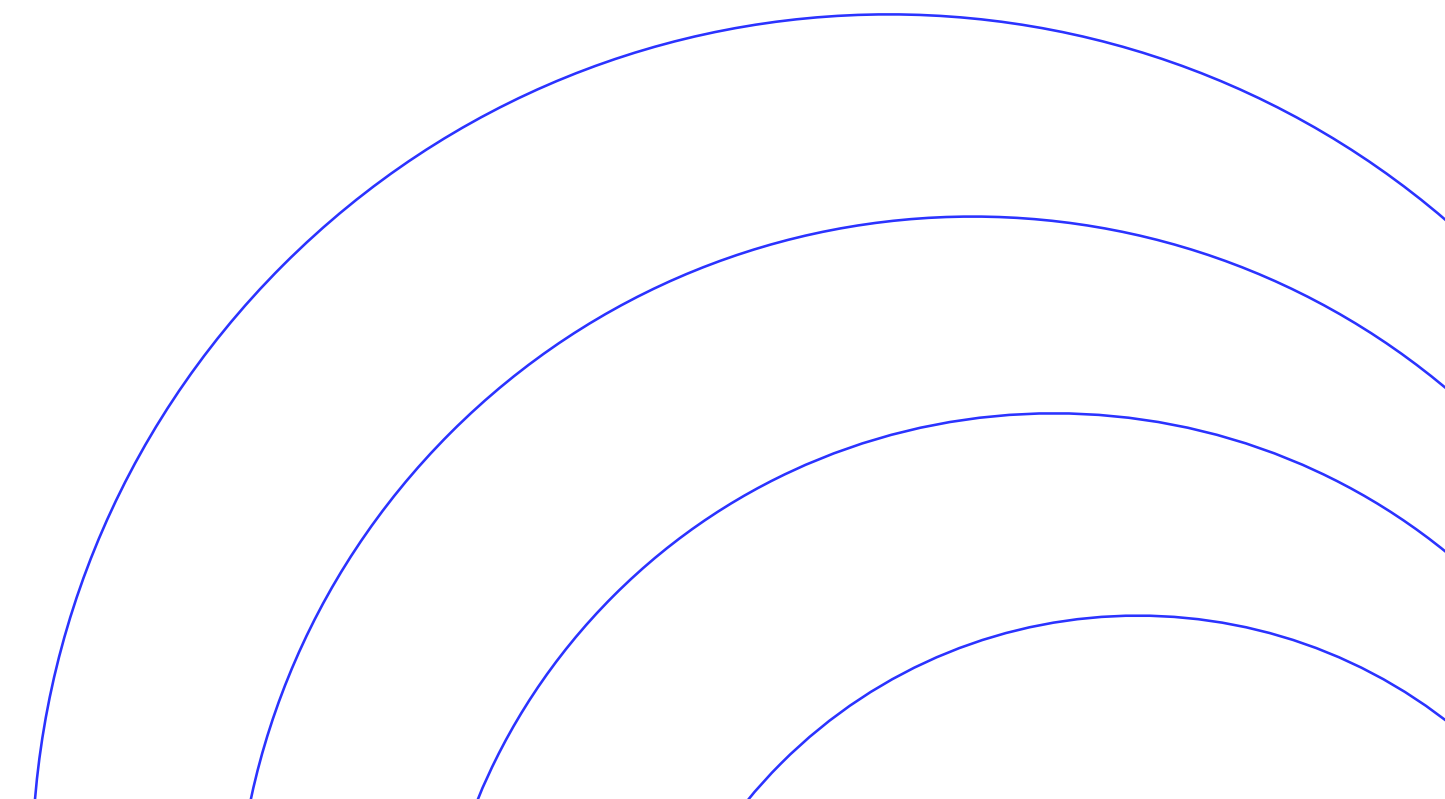
2024 CONSUMER FRAUD REPORT: AUSTRALIA

RETURN ABUSE EXPLAINED

Why it happens and how to prevent it

Contents

Introduction

Think your brand is immune to return fraud and abuse? New data on shady customer practices says otherwise.

From returning already-worn items to claiming a perfectly fine item is defective, return abuse and fraud is a major issue for retailers around the globe. These behaviours not only harm retailers' bottom line, but also increase costs for all customers.

Australian retailers aren't excluded from the growing problem — in fact, 4 out of 10 Australian consumers admit they have (or know someone who has) engaged in at least one abusive, fraudulent, or other unfavourable return-related behaviour in the past 12 months.
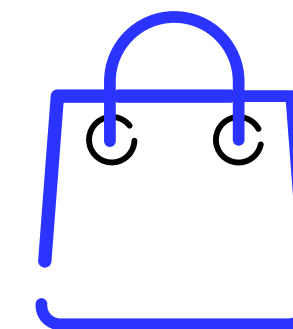
To better understand the problem, Loop surveyed 1,000 Australian online shoppers about their returns-related behaviours.

Continue reading to explore our findings — and how you can minimise instances of return abuse while providing customers an exceptional **post-purchase experience.**

What is return policy abuse and fraud?

C onsumers who engage in return policy abuse, fraud, and other unfavourable return-related behaviours exploit loopholes and leniencies in the return process. From ethical grey areas to criminal territory, these actions exist across a broad spectrum.

Unfavourable consumer return-related behaviours do not typically violate return policies, but they can still harm a retailer's bottom line. This category includes behaviours like:

- Ordering multiple items to try, knowing most will be returned
  — otherwise known as **bracketing**

- Attempting to return an item ineligible for return (e.g., past the specified return date)

Return abuse refers to actions that intentionally push the limits of return policies' intent, which most merchants view as a breach of their policies. Return abuse includes behaviours like:

- **Wardrobing**, or wearing or using an item with the intention of returning it

- Claiming that a functional item is defective to receive a refund or discount (i.e.**quality disputes**)

Return fraud involves deliberate deception and often violates laws. This category of misconduct includes behaviours like:

- **Chargeback fraud,** or purchasing items with a stolen or borrowed credit card and attempting to have a refund processed to another card

- **Empty box fraud,** or returning an empty box or less expensive item than the original item purchased

Though the ethical shades may vary from small-scale policy bends to outright fraud, the sheer number of consumers who have (or know someone who has) engaged in these behaviours poses a significant challenge for Australian retailers.

Drivers of returns abuse and fraud

So, why do consumers engage in various types of return-related behaviours? Here's what we uncovered:

- **At-home fitting rooms:** When asked which returns-related behaviours they have engaged in, we found that online shoppers are most likely to engage in bracketing (79% have done so at least once). But when we asked why they engage in this type of behaviour, 62% said they needed to determine the size/fit of the item — pointing to non-malicious intentions and perhaps room for improvement for retailers' product size guides.

- **One-wear only:** **Around a third (32%) of online shoppers** engaged in return abuse, fraud, and other unfavourable return-related behaviours because they planned to use an item for a specific event, then return it.

- **Spender's remorse:** Trailing closely behind, **another 31% of online shoppers** in Australia blame their return policy abuse behaviours on their desire to keep an item, but needing the money they'd already spent.

The vast majority of Australian consumers (96%) agree that retailers that offer flexible and extensive return policies care more about them as a consumer. So while a seamless returns process remains a critical part of the shopping experience, how can retailers ensure a quality return experience while protecting their brand?

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3 ways retailers can prevent return abuse and fraud

T he solution to return abuse and fraud isn't one-size-fits-all. With various factors driving fraudulent and unfavourable return-related behaviours, the solution can be complicated. But by taking a data-driven approach to understanding your shoppers' behaviours, you can better protect your bottom line while ensuring convenience for your customers.

- **Understand current levels of fraud and abuse to identify low-hanging fruit.** The first step in minimising return abuse and fraud? Assess how often these behaviours are occuring so you can pinpoint areas to improve the post-purchase experience.

  For example, consider the 62% of Australian consumers that engage in unfavourable return-related activities to determine the size or fit of an item. Without the ability to use or try on an item in-store, online shoppers have to rely on customer reviews and the retailer's product descriptions to determine sizing. With this in mind, consider asking consumers for feedback on a product's fit during the return process so you can adjust product descriptions accordingly.

  Given the desire of many Australian retailers to expand to the U.S. market, it's also important to ensure accuracy and clarity in your size chart conversions for international markets. Another option is to incentivize customers to leave detailed reviews of their purchases that help guide other shoppers' sizing decisions.
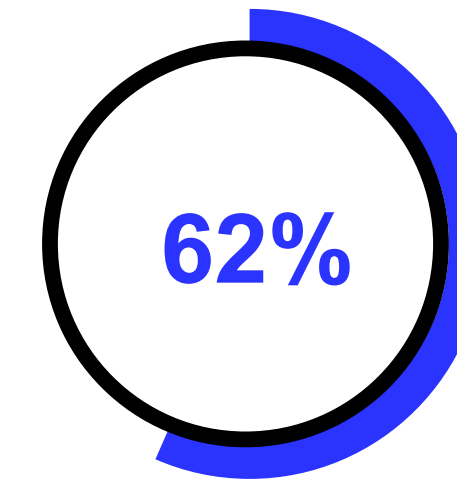
62% of Australian consumers engage in **unfavourable return-related activities** to determine the size or fit of an item.

- **Lay down the (returns) law.** The majority of shoppers **either always (39%) or sometimes (53%)** review a retailer's return policy before making a purchase online. **One in five shoppers** also say that a lack of clear guidelines about what constitutes return policy abuse would make them more likely to engage in these behaviours. Knowing this, it makes sense to be upfront with your customers about what is — and isn't — acceptable in terms of return-related behaviours.

  Clearly outline your brand's return policies and best practices, and make them available to customers on your website and throughout the purchase journey. It's also smart to appeal to shoppers' emotions and moral compass. After all, **25% of online shoppers** are less likely to engage in return abuse and fraud if they knew it had a negative environmental impact.

- **Leverage data to provide personalised experiences.** Given that **62% of online shoppers** believe engaging in return fraud and abuse is never acceptable (and **60% have not engaged** in these behaviours at all in the past year), you have to treat every customer as a unique case. One way to do this is by adjusting the post-purchase experience based on past shopper behaviour.

  For example, you can segment shoppers based on their previous behaviours by identifying return fraud perpetrators. If a customer from the perpetrator segment attempts another return, you can require them to speak with a customer service representative before they can make the return to prevent misconduct. Meanwhile, shoppers who haven't been flagged for previous unfavourable behaviours can complete their returns without added friction.

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Tired of losing money to return abuse? Get Loop on your side

R eturn policy abuse and fraud remains a significant challenge to retailers as consumers continue to take advantage of online shopping's convenience and lenient return policies. Combating these behaviours requires you to take a delicate approach, balancing shoppers' desire for flexibility and convenience with the necessity to prevent outright criminal activity.

Loop is your go-to partner in fraud detection. We can help you identify the fraud that's happening and prevent it from impacting your business. With data-driven insights, we can also provide a clear picture of how your returns are performing so you can optimise the experience for customers.

Ready to put a stop to return abuse and fraud?

Book a demo

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Find out why over 3,000 brands trust Loop to lower return costs, increase revenue, and make happier customers.

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