

The Rise in Returns Fraud



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Methodology

Loop surveyed 600 full-time associates/analysts+ based in the U.S., U.K., and Australia, working in the retail industry and with a level of insight/responsibility into their company's return process. The survey was conducted between June 5 and June 11, 2024. Due to rounding, some responses may not add up to exactly 100%.

New research finds returns fraud and policy abuse continue to rise. Here's how retailers can fight back

As we settle into the second half of 2024, shoppers and retailers around the globe agree that **bad behaviors are on the rise throughout the returns process.**

Earlier this year, our research found nearly [four in 10 consumers](#) report that they or someone they know has engaged in returns abuse or fraud within the past 12 months. To help identify solutions to this worrisome trend, we set out to understand how retailers across the U.S., U.K., and Australia feel about the escalation of returns fraud and policy abuse, as well as any preventive measures at play.

It's no surprise this consumer behavior is mirrored in the concerns of the 600 global retailer leaders at the enterprise-level organizations we surveyed. Respondents identified **returns fraud** and **policy abuse** as the top trends having the most significant impact on their companies today, even outranking factors like high operational costs and supply chain disruptions.

What's more, among retailers that have experienced returns fraud or policy abuse over the past 12 months, 90% agree that their company has experienced an increased rate of these challenges over the same timeframe.



Unpacking the rise in returns fraud and policy abuse

Retailers agree that returns fraud and policy abuse significantly impact their companies.

What's the difference between "returns fraud" and "policy abuse"?

Returns fraud is when a customer does something criminal or otherwise clearly wrong to exploit the return or exchange process for their gain. For example, when a customer knowingly sends back a box of paper when they were meant to return sneakers, we'd call that returns fraud.

Comparatively, **policy abuse** is when a customer repeatedly engages in a behavior that takes advantage of a return policy, but the behavior isn't necessarily against policy or illegal. This could include a customer who has ordered from the same store 10 times and has made returns on all orders, clearly wearing the items and returning them after a single use.



Trends having the most significant impact on companies today.

	Globally	Australia	U.K.	U.S.
No. 1	44% Returns fraud	42% High operational costs	64% Returns fraud	53% Returns fraud
No. 2	43% Policy abuse	39% Policy abuse	49% Policy abuse	42% Policy abuse
No. 3	38% High operational costs	33% Supply chain disruptions	37% High operational costs	36% High operational costs

➔ **99%**

of respondents' companies have experienced some type of returns fraud or policy abuse in the past 12 months. However, Australian retailers deviate from the group, expressing greater concerns over high operational costs and supply chain disruptions. This may be influenced by behavioral differences seen in Australian shoppers along with trends in Australia, which tend to lag about 12 months behind US trends, so an uptick in the future is probable.

Types of returns fraud or policy abuse companies have most frequently experienced in the past 12 months.

	Globally	Australia	U.K.	U.S.
No. 1	53% Quality disputes	66% Quality disputes	51% Customer tried returning an item that wasn't eligible for a return	47% Quality disputes
No. 2	44% Customer tried returning an item that wasn't eligible for a return	TIE 47% - Customer bought an item with the intention of requesting a return and keeping the item - Wardrobing	45% Quality disputes	45% Chargeback fraud
No. 3	38% Wardrobing	42% Customer tried returning an item that wasn't eligible for a return	35% Wardrobing	41% Empty box fraud
No. 4	37% Customer bought an item with the intention of requesting a return and keeping the item	28% Empty box fraud	33% Customer bought an item with the intention of requesting a return and keeping the item	38% Customer tried returning an item that wasn't eligible for a return
No. 5	30% Empty box fraud	14% Chargeback fraud	31% Bracketing	33% Wardrobing

Most commonly, returns fraud and policy abuse occur via quality disputes, customers trying to return an item that isn't eligible for a return, and wardrobing (e.g., customer wore/used an item and returned it). This perspective largely matches the behaviors consumers identified as the most common examples of return policy abuse in our survey earlier this year. This includes wearing/using items knowing they'll be returned, as well as buying an item with the intention of requesting a return and still getting to keep the item.

Shoppers' top examples of return policy abuse.

No. 1	68% Wearing/using an item, knowing I would return it
No. 2	62% Buying an item with the intention of requesting a return and still getting to keep the item
No. 3	60% Claiming that a functional/non-damaged item is defective to receive a discount/refund
No. 4	58% Claiming an item ordered online never arrived to receive a second product and/or refund
No. 5	56% Purchasing items with a credit card that was not my own, and then attempting to have the refund processed to my own credit card

Motivations for consumers' bad behaviors are clear. So are the consequences.

Globally, retailers attribute the rise in returns fraud and policy abuse to our current economic climate, which is leading shoppers to exploit return policies to improve their financial situation.

Other top drivers of this behavior include dissatisfaction with product quality or performance, and a desire to use items temporarily without purchasing. While returns fraud and policy abuse present unique challenges to retailers, respondents largely feel these actions are motivated by the same set of factors.

Primary reasons respondents believe consumers engage in

	returns fraud	policy abuse
No. 1	43% Current economic climate leading shoppers to try to exploit return policies to improve their financial situation	45% Dissatisfaction with product quality or performance
No. 2	41% Dissatisfaction with product quality or performance	36% Current economic climate leading shoppers to try to exploit return policies to improve their financial situation
No. 3	35% Desire to use items temporarily without purchasing	36% Desire to use items temporarily without purchasing
No. 4	29% Honest misunderstanding of return policies	33% Honest misunderstanding of return policies
No. 5	26% Impulse purchase regret	24% Impulse purchase regret

Shoppers are largely aligned on these core drivers. When asked about the motivations behind their own behaviors, consumers who said they or someone they know had engaged in returns abuse or fraud within the past 12 months ranked similar product quality and economic factors highly.

Top reason consumers engaged in returns fraud/policy abuse

No. 1	58%	Needed to determine the size/fit of the time
No. 2	32%	Planned to use the item for a specific event and then return it
No. 3	28%	Wanted to keep the item but needed the money already spent
No. 4	21%	I took advantage of a lenient return policy
No. 5	18%	I was frustrated by an overly strict return policy

One area where retailers and consumers disagree? The urgency required to counteract this trend.



95% of respondents agree their company is taking the rise in returns fraud and policy abuse among customers seriously, with 55% strongly agreeing.

The need to address returns fraud and policy abuse among global retailers is clear — and all of the most significant consequences of unaddressed returns fraud or policy abuse point to major cost hurdles.

Biggest consequence of returns fraud or policy abuse when left unaddressed

No. 1	24%	Loss of revenue
No. 2	^{TIE} 16%	• Deterioration of customer trust • Increased operational costs • Damage to brand reputation

The CX implications of returns fraud and policy abuse

While global retailers are serious about addressing returns fraud and policy abuse, are the systems they have in place working? **Unfortunately, less than half of respondents (46%) rate their company's detection and prevention measures as very effective.**

01

It's worth noting the complexities retailers face when tackling policy abuse and returns fraud. First, the behavior is hard to nail down. It's difficult to determine a shopper's true intent when making a return, and fraudulent tactics are constantly evolving.

02

Second, manually addressing this behavior involves significant time and cost considerations. And third, there's a delicate balance of implementing detection and prevention measures without negatively impacting the customer experience (CX).

03

Maintaining a good CX was the top challenge respondents say their companies face when addressing returns fraud or policy abuse. In fact, the majority of respondents report that they prioritize CX over fraud or abuse prevention, underscoring the complexity of this issue.

Top challenges companies face in addressing returns fraud or policy abuse

No. 1	52% Maintaining a good customer experience
No. 2	44% Accurately determining whether a customer is fraudulent/abusive or just picky
No. 3	38% Accurately detecting fraud/abuse before it occurs
No. 4	37% Reducing the amount of time spent manually identifying and confirming fraud/abuse
No. 5	35% Rising operating costs
No. 6	28% Understanding the impact fraud and abuse are having on the company
No. 7	26% Understanding the right way to address fraud/abuse once it's been identified
No. 8	08% Managing excess inventory that accumulates from returned products

Our findings reveal a gap between intention and implementation — global retailers understand the need to more effectively halt returns fraud and policy abuse, but are unsure how to balance detection and prevention strategies with happy, repeat shoppers.

Companies’ priorities in balancing customer experience and fraud prevention

Globally	Australia	U.K.	U.S.
55% We prioritize customer experience over fraud or abuse prevention	74% We prioritize customer experience over fraud or abuse prevention	53% We prioritize customer experience over fraud or abuse prevention	40% We prioritize customer experience over fraud or abuse prevention
20% We prioritize fraud or abuse prevention over customer experience	22% We prioritize fraud or abuse prevention over customer experience	31% We prioritize fraud or abuse prevention and customer experience equally	38% We prioritize fraud or abuse prevention and customer experience equally
25% We prioritize fraud or abuse prevention and customer experience equally	05% We prioritize fraud or abuse prevention and customer experience equally	17% We prioritize fraud or abuse prevention over customer experience	22% We prioritize fraud or abuse prevention over customer experience

Solutions

However, in an ideal world, retailers don't have to choose between CX and fraud prevention. Here are three key steps to get there:



01 Examine consumer-level behaviors as a primary defense mechanism

Personalization is just as valuable when processing returns as it is elsewhere in a customer engagement. The ability to differentiate between a shopper who has a history of operating against policy versus one who does not is critical to addressing this issue without tarnishing CX. Brands should modify their return policy or go as far as blocking returns from those identified to be knowingly committing fraud, while not impacting the experience of the average shopper.

In most cases, shoppers aren't trying to get away with anything. Whether or not they've engaged in examples of return policy abuse in the past 12 months, 63% of shoppers say these behaviors are never acceptable. Guilt over potential ethical and moral concerns is the top reason why shoppers who haven't engaged in examples of return policy abuse in the past 12 months haven't done so.

Exposing these trends at the customer level ensures you're using customers' own behaviors and level of understanding to determine how you treat them.

02 Educate first, then take action

Policy abuse among shoppers is often well intentioned — most shoppers say they commit fraud and/or abuse for mostly innocent reasons, while retailers assume the top reasons are more negative.

For example, the top reason shoppers may grow more likely to engage in these types of behaviors in the future is a lack of clear guidelines on what constitutes return policy abuse. Likewise, 57% of shoppers agree that when shopping online, it's common for them to order multiple items with the intention to return some or all of them so they can easily determine preferences.

Together, these findings remind us that the customer isn't the enemy. Rather, shoppers — and retailers — benefit from increased education and clearer guardrails to encourage compliance with return policies. For instance, shoppers purchasing multiple versions of the same item to find the right fit points to the need for clearer product information during the shopping experience. This could include improving fit charts or product images using returns data to limit the need for excess returns in the first place.

Be direct in your returns policies and encourage shoppers to stay informed about updates. Revisit your return policies frequently and make updates based on shopper behaviors and market trends. 37% of shoppers always review a retailer's return policy before making a purchase online, and another 55% sometimes do. Nearly half (44%) of respondents' companies review and revise their return policies quarterly — a third (33%) review and revise them monthly.

	Globally	Australia	U.K.	U.S.
Monthly	33%	53%	28%	18%
Quarterly	44%	35%	45%	53%
Biannually	14%	8%	13%	21%
Annually	7%	3%	13%	7%
Less than once per year	2%	3%	2%	2%



03 Establish clear consequences for returns fraud versus policy abuse

When possible, treat returns fraud and policy abuse as separate initiatives — even if they may be motivated by similar reasons.

Among respondents whose companies have experienced returns fraud or policy abuse in the past 12 months, tightened return policies, permanently banning repeat offenders from making future purchases, and implementing return fees are the most common actions taken in response.

Tightening returns policies and introducing new cost considerations are effective countermeasures because they align with shoppers' top deterrents for these types of behaviors. Shoppers report that they would be less likely to engage in these behaviors under the following circumstances:

- 01 If I had to pay a fee to make the return (36%)
- 02 If I knew there would be legal consequences for my actions (26%)
- 03 If I was aware the behavior would result in a permanent ban from making future purchases with that retailer (24%)

Actions companies have taken in response to returns fraud or policy abuse among customers

	Globally	Australia	U.K.	U.S.
No. 1	47% Tightened return policies	46% Permanently banned repeat offenders from making future purchases	58% Tightened return policies	52% Tightened return policies
No. 2	41% Permanently banned repeat offenders from making future purchases	41% Highlighted negative environmental impact of returns	42% Offered store credit or exchange instead of a refund	46% Modified the online return process to require more detailed customer input
No. 3	37% Implemented return fees	36% Implemented return fees	39% Implemented return fees Permanently banned repeat offenders from making future purchases	40% Highlighted negative environmental impact of returns
No. 4	35% Highlighted negative environmental impact of returns	32% Tightened return policies	33% Required photo uploads before approving a return	37% Permanently banned repeat offenders from making future purchases
No. 5	34% Modified the online return process to require more detailed customer input	30% Required photo uploads before approving a return	32% Modified the online return process to require more detailed customer input	35% Implemented return fees

Success in this arena is all about achieving the right balance, and knowing your customers. While a one-size-fits-all list of consequences may deter your worst offenders, it's also likely to negatively impact CX for your best shoppers. Instead, introduce opportunities to retrain good customers who are committing policy abuse so they stick around — while more directly deterring shoppers from committing fraud, preventing them from doing so again in the future.

Don't let returns fraud and policy abuse get you down. Instead, get to work.

Though returns fraud and policy abuse are surging, you can combat them with the right mix of strategies. A thoughtful and dynamic approach to returns management will help you navigate the challenges of returns fraud and policy abuse, protecting your business while maintaining a loyal and satisfied customer base.

Ready to take control?

[Book a demo](#)

