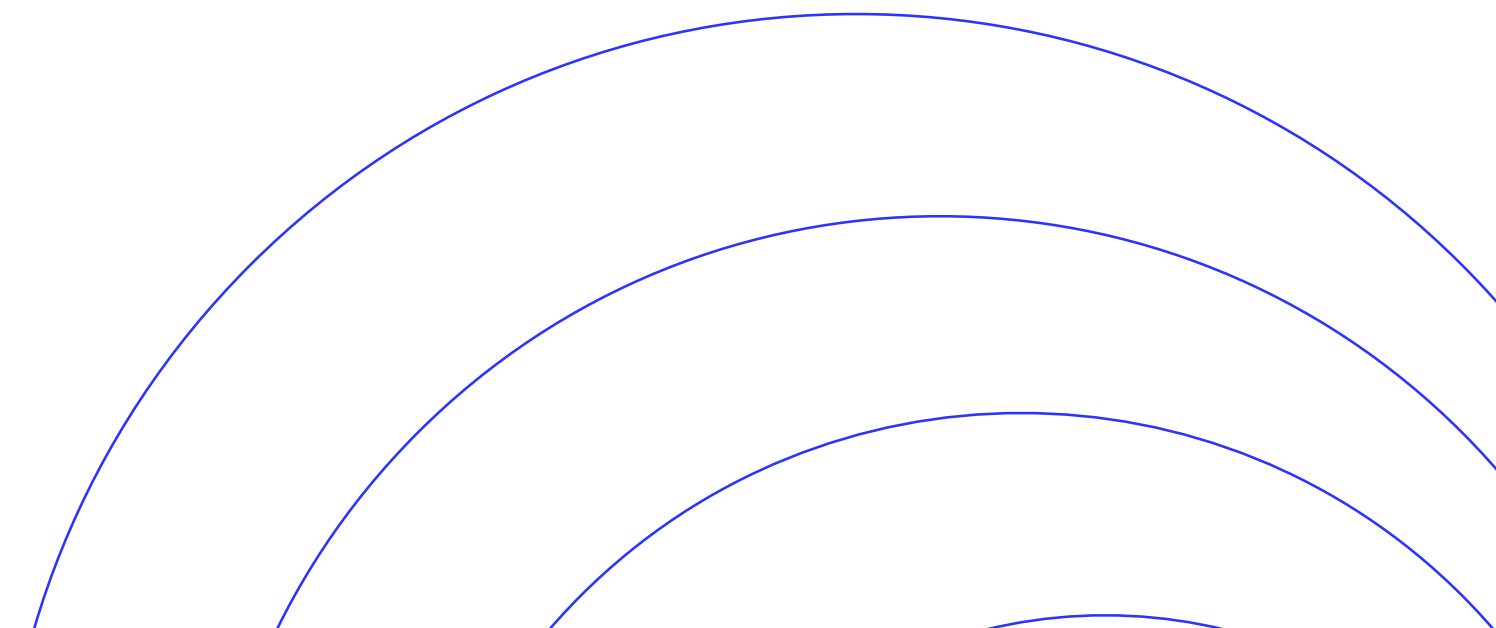


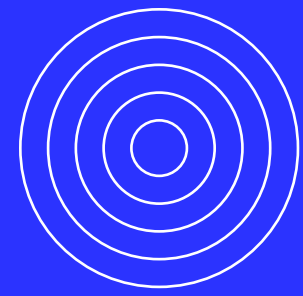


2024 CONSUMER FRAUD REPORT

REVEALING RETURN ABUSE IN THE U.K.

Strategies to effectively combat it





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In 2023, fraudulent returns increased to an estimated 13.7%*.

To uncover the who, what, and why behind this growing problem, we surveyed 1,000 online shoppers and have some key insights to help you tackle this challenge.

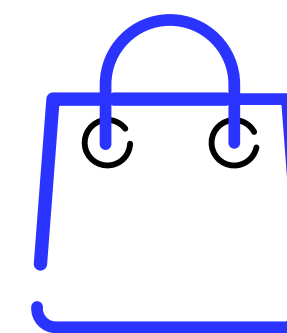
*According to National Retail Federation data



Introduction

In 2023, return fraud accounted for a staggering \$101 billion in total losses for retailers. This equates to retailers losing approximately \$13.70 for every \$100 worth of returned merchandise — and this doesn't account for unfavourable returns behaviours, like ordering multiple items for “fit” just to return them.

Return policy abuse, fraud, and other unfavourable return behaviour will only continue to grow as online sales do — leading to higher financial losses, operational costs, and inventory reconciliation challenges. This growing problem threatens to impact the retailer's growth, profitability, and sustainability goals.



To better understand the challenges confronting retailers, Loop surveyed 1,000 U.K. online shoppers about their returns-related behaviours to reveal the escalating issue of return policy abuse.

Read on to discover our key findings as well as strategies to mitigate these obstacles and enhance the **post-purchase experience**.

Return policy abuse, explained

From unfavourable behaviours to blatant fraud, return policy abuse encompasses a range of actions that exploit or manipulate a company's return policy for personal advantage.

For example, **unfavourable consumer return-related behaviours** may not be explicitly against a retailer's return policy, but they affect the brand's bottom line. These can include:

- **Bracketing**, the practice of ordering multiple items to try on or out, knowing most will be returned
- Attempting to return a product that doesn't qualify for a return (e.g., final sale, past the specified return period)

Return abuse refers to behaviours that take advantage and test the boundaries of retailers' return policies, including:

- Purchasing with the intent to request a return and still retaining the product
- Falsely claiming a functional item as defective for a discount or refund
- **Wardrobing**, or the practice of wearing/using an item and then returning it after



And finally, there's **return fraud**, which are actions that are intentionally deceptive and potentially violate laws, including:

- **Empty box fraud**, or the practice of returning an empty box or a cheaper item instead of the original purchase, known as empty box fraud
- Claiming a product never arrived to receive a duplicate item or refund
- Buying items using a stolen or borrowed credit card and trying to process refunds to a different card

The consumer motivations behind return policy abuse

With our survey revealing that **38% of U.K. respondents have either engaged in at least one of the aforementioned behaviours themselves or know of someone who has in the past 12 months**, the question arises: What are the root causes and motivations of return policy abuse?

We discovered that some U.K. consumers' intentions are more malicious than others. For instance:

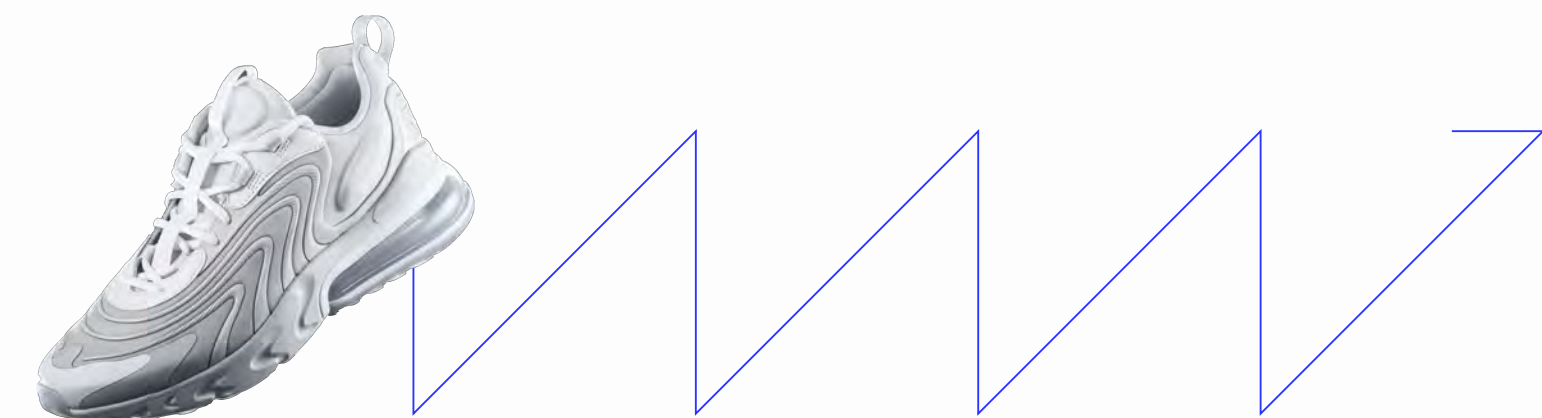
- **27% of online shoppers** say they engaged in return policy abuse behaviours because they planned to use the item for a specific event and then return it (i.e., wardrobing).
- **17% say they were taking advantage** of a lenient return policy.
- **7% say they wanted to keep/gift** the item without paying for it.

On the other hand, **59% of online shoppers** say they engaged simply because they needed to determine the size/fit of the item. And **21% say they wanted to keep the item** but needed the money they'd already spent. Not so bad, right?

In fact, two-thirds of online shoppers agree it's common for them to order multiple items with the intention of returning some or all of them so they can easily determine their preferences — and **15% admit they've engaged in bracketing** at least once a week.

It's clear consumers prioritise flexibility in their shopping experiences: **63% agree** that all other things being equal, if a brand let them wear/use items with the ability to return some or all of them, they would choose to use them over a company that wouldn't let them wear/use items. Additionally, **98% of online shoppers agree** that retailers that offer flexible and extensive return policies care more about them as customers.

While determining fit and size is important for customers, it can harm retailers by contributing to higher return rates, operational challenges in restocking, and potential financial losses. Providing flexibility and curbing abuse is a fine line. Because whether intentions are nefarious or not, retailers' bottom lines take a hit when return policy abuse occurs.



3 steps to minimise returns policy abuse

Whether it's mailing an empty box or wearing an outfit to a wedding before returning it, **return policy abuse** and other unfavourable activities pose financial challenges for businesses. These incidents underscore the urgent need to implement robust measures that ensure the integrity of return processes and curtail misuse.

- **Be explicit about your return policy and add repercussions if necessary.** Ninety-one percent of online shoppers either always (33%) or sometimes (58%) review a return policy before making a purchase. This means outlining what is and isn't allowed in your policy can help minimise policy abuse behaviours. Prominently displaying your return policies and practices on your website can set clear expectations and guide customers toward more responsible interactions.

Additionally, a third of online shoppers say if they had to pay a fee to make a return, they would be less likely to engage in these behaviours. Consider offering free returns to loyalty program members only. Paying a return fee may help dissuade more casual fraudsters from misusing return policies.
- **Analyse patterns and identify repeat offenders.** To effectively tackle returns abuse, evaluate prior customer behaviour and check for patterns of returns. If a shopper is recognised as engaging in return fraud and tries to initiate another return, they won't be able to complete the process automatically. Rather, they'll be prompted to communicate with the customer service team to ensure they can't exploit the system again.

Further, when a customer makes a return, ask for feedback and analyse data-driven patterns to identify product issues. This information enables you to make necessary adjustments to product descriptions. With more accurate product information online, you can discourage the more harmless types of bad return behaviour.



- **Emphasise the impact on your business and the environment.** Among U.K. consumers who have never engaged in return policy abuse, 67% say they have never done so because they felt guilt over potential ethical or moral concerns, 14% cite fear of legal consequences, and 13% worry about the impact on the business/retail industry. Additionally, over half (54%) of online shoppers either strongly or somewhat consider the potential environmental consequences when deciding whether to make a return.

You can leverage this insight by educating your customers on the impact returns have on your business and the environment. By emphasising your brand values, the environmental consequences, and ethical considerations associated with returns, you can encourage more responsible shopping behaviour and foster a sense of accountability among customers.

Crack the return fraud case with Loop

As online sales continue to grow, so will the prevalence of return fraud and abuse. That's why tackling return policy abuse must be a top priority in 2024. Achieving a balance between customer satisfaction and mitigating abuse is essential for sustaining a healthy bottom line and ensuring that return policies serve their intended purpose.

As you tackle these challenges, Loop can assist you in recognising fraudulent activities, and in certain instances, proactively preventing them before your brand takes a hit. We also help provide valuable insights into the performance of your returns through data-backed insights and machine learning, enabling you to promptly make informed decisions and adjust strategies (like improving product descriptions) as needed.

Ready to root
out return fraud
behaviours?

[Book a demo](#)



Stay in THE LOOP

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

[Book a demo](#)