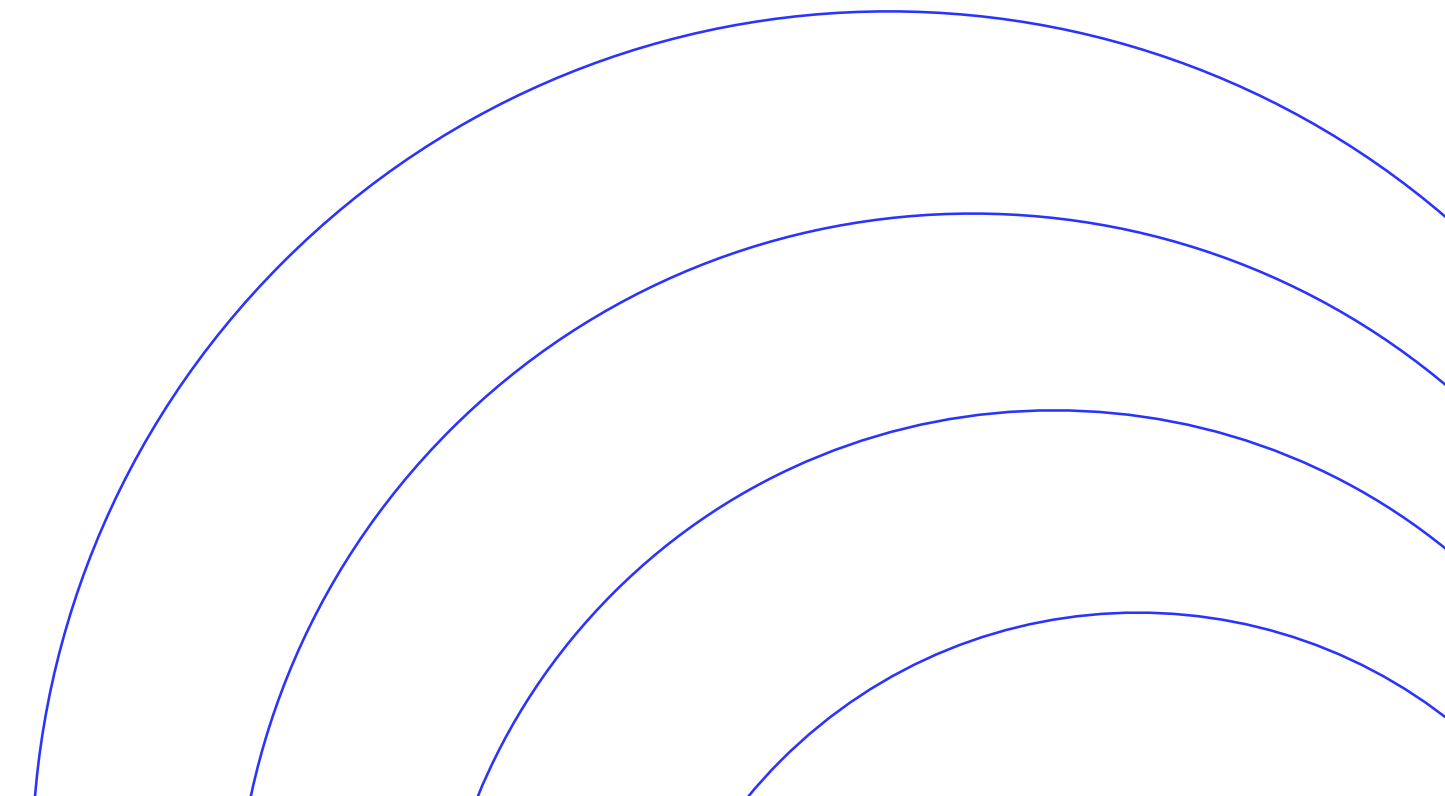




2024 CONSUMER FRAUD REPORT

WHAT IS RETURNS ABUSE?

How you can protect your brand in 2024





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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.

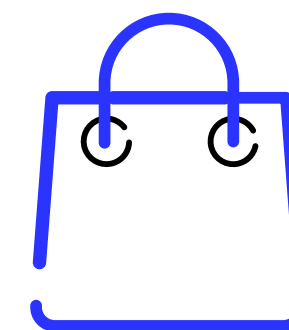
*According to National Retail Federation data



Customer returns are par for the course in the retail landscape, particularly in the ecommerce space, where the average return rate hovers [around 16.5%](#).

Yet a significant portion of these returns – [13.7% according to NRF data](#) – are the result of abusive or fraudulent return practices, resulting in \$101 billion in losses in the United States retail industry last year. Abusive and fraudulent returns undermine retailers' sustainability efforts, erode profit margins, and raise costs for legitimate customers.

To gain a better perspective on the challenges our merchants are facing, Loop surveyed 1,000 US online shoppers to uncover the who, what, and why behind the growing problem of returns abuse and other unfavorable consumer return-related behaviors.



We discovered that nearly 40% of U.S.-based online shoppers admit that either they or someone they know had engaged in return policy abuse, fraud, or other unfavorable return-related behaviors within the past 12 months.

Read on to find out what our survey results uncovered — and how you can minimize the damages of returns abuse while still providing an excellent **post-purchase experience** to your shoppers.

What is the difference between return policy abuse and fraud?

Return policy abuse, fraud, and other unfavorable consumer return-related behaviors exploit the return process. These activities exist on an ethical spectrum — from minor policy bending to outright criminal activities. No matter how you slice it, these types of consumer behaviors harm a brand's bottom line. Let's explore the differences between each type of behavior by looking at a few examples of each.

Unfavorable consumer return-related behavior

- Ordering multiple items to try on or out, knowing most will be returned, also known as **bracketing**
- Attempting to return an item ineligible for return (e.g., final sale, past the allowed return window)

Abuse

- Wearing/using an item with the intention of returning it after the fact (i.e. **wardrobing**)
- Buying an item with the intention of requesting a return and still keeping the product
- Claiming that a functional item is defective to receive a discount/refund



Fraud

- Returning an empty box or less expensive item than the original item purchased
- Purchasing items with a stolen/borrowed credit card, then attempting to have the refund processed to a different credit card
- Claiming an item never arrived to receive a second product and/or refund

Key insights

Our survey revealed that among the 39% of respondents who have either engaged in one of the aforementioned behaviors or know of someone who has in the past year, a significant portion are repeat offenders. Alarming, over a quarter of shoppers who admit to committing return policy abuse, fraud, or other unfavorable return-related behavior do so **at least once a week**.



	AT LEAST ONCE A WEEK	ONCE A MONTH	LESS THAN ONCE A MONTH	NEVER (IT'S SOMEONE I KNOW)
Wore/used an item, knowing it would be returned	30%	11%	31%	27%
Claimed that a functional/non-damaged item was defective to receive a discount/refund	26%	15%	27%	32%
Claimed an item ordered online never arrived to receive a second product and/or refund	24%	13%	29%	34%
Bought an item with the intention of requesting a return and still getting to keep the item	24%	15%	28%	33%
Tried returning an item with the knowledge that it wasn't eligible for a return	25%	12%	29%	35%
Ordered multiple items knowing most/all items would be returned	25%	17%	38%	20%

Why do returns abuse and fraud happen?

Retail returns abuse is steadily climbing. In 2022, the NRF counted [10.4% of returns](#) as fraudulent, with that percentage growing to [13.7% in 2023](#), noting that consumers are increasingly comfortable taking advantage of flexible return policies to engage in wardrobing or bracketing.

Some respondents admitted to more nefarious motivations, such as engaging in these behaviors because they only needed an item for a specific event (36%), were taking advantage of a lenient return policy (23%), or simply wanted to keep the item without paying for it (15%).

But other instances of return policy abuse are more justifiable — and may not even be considered abuse depending on consumer intent at purchase or the retailer's return policy. The line between customer convenience and business protection is sometimes blurry.

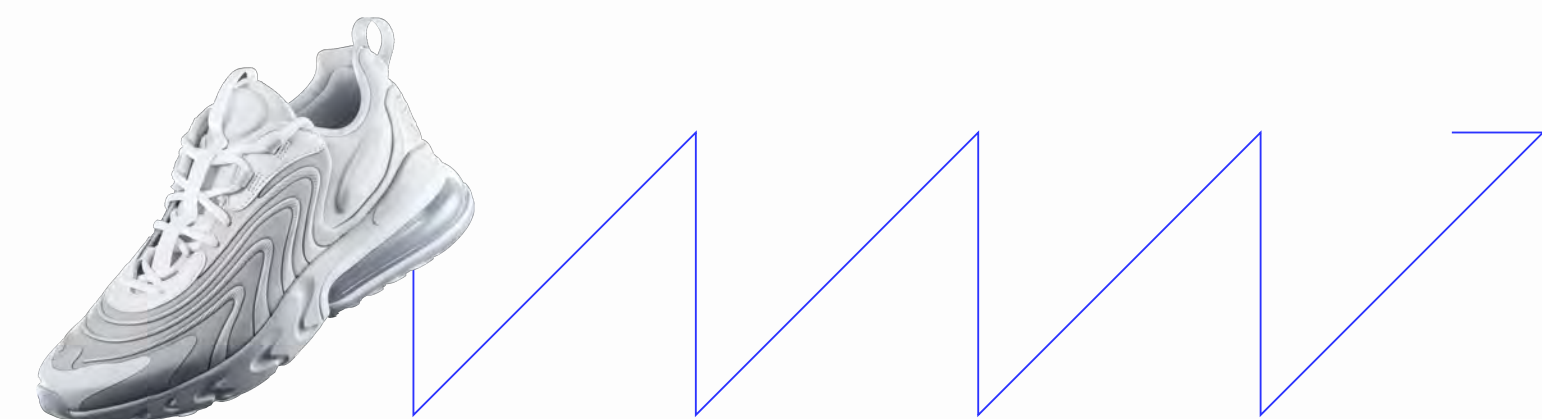
Consider bracketing, which isn't necessarily abuse, but does harm the retailer. Over half (54%) of respondents engaged in one of our listed behaviors because they needed to determine the size/fit of the item. Nearly a third (31%) said they simply needed to get the money back that they'd originally spent on the item. Understandable and common motives, right?

If customers had their way, many of these activities would be standard aspects of the online shopping experience — similar to how Allbirds' shoppers are given a 30-day, no-questions-asked [window to return or exchange a product](#) they're not happy with.

Here's what our surveyed shoppers had to say about their preferences around online shopping and returns:

- **At-home fitting rooms: 51% of respondents 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 their size or fit preference.
- **Trying before buying: 72% agree** that all other things being equal, if a company lets them wear/use items with the ability to return some or all of them, they would choose to buy from that company over a competitor that doesn't let them wear/use items.
- **Flexible returns: 96% of respondents agree** that retailers who offer flexible and extensive return policies care more about them as customers.

Regardless of how you label it — inconvenient but legitimate, abusive, or truly fraudulent — the rise in these behaviors impacts retailers' bottom lines. It's up to each brand to balance its capacity for loss against the type of customer experience it wants to provide.



What can retailers do to combat returns abuse and fraud?

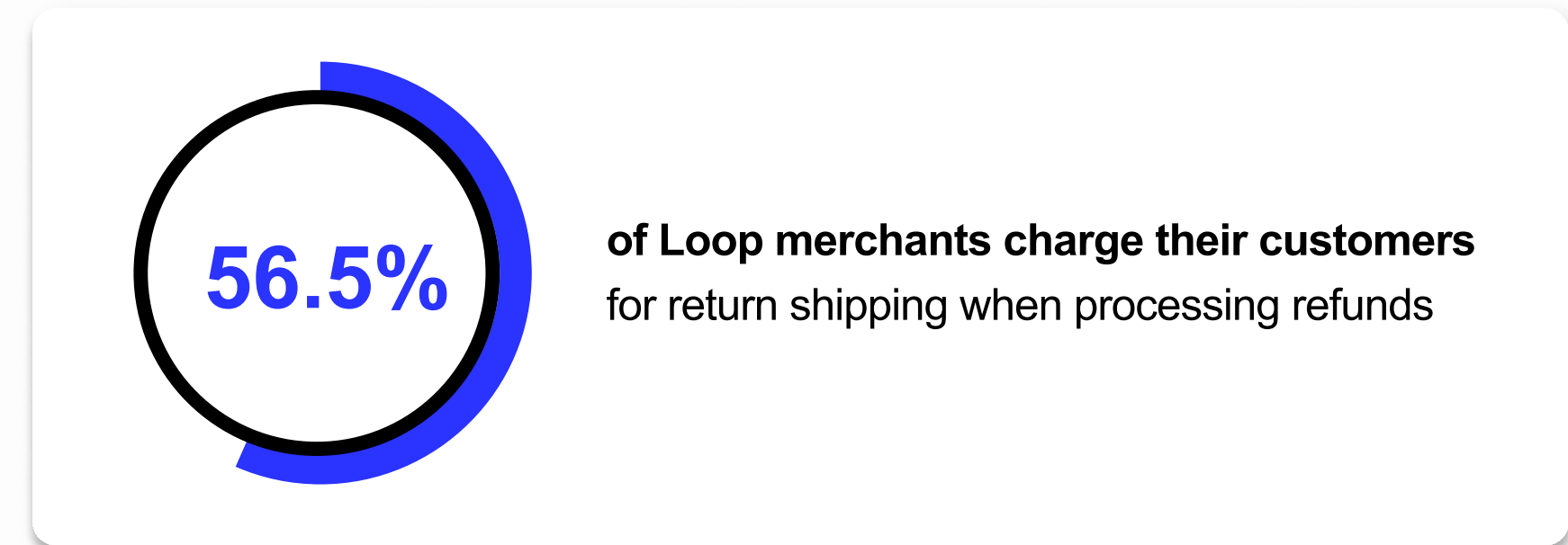
Understanding shoppers' motivations and attitudes towards returns abuse can help you craft strategies that resonate with your customers. While there's no one one-size-fits-all approach, the following steps can help you build out your [return fraud strategy](#):

- **Clearly outline what is (and isn't) allowed:** Given that 95% of online shoppers either always (40%) or sometimes (55%) review a return policy before making a purchase, explicitly outlining allowed and prohibited behaviors can help limit minor instances of policy abuse.

For example, one of our current customers, [Princess Polly](#), requires shoppers to confirm they've seen the return policy before starting the return process, which acts as a safeguard for preventing the return of damaged or non-compliant products.

- **Customize your return fee strategy:** While our survey indicates that 82% of online shoppers have come to expect free returns and exchanges, retailers are increasingly adding a charge for return shipping: [56.5% of Loop merchants](#) charge their customers for return shipping when processing refunds, though only 16.3% do for exchanges. We've also discovered that charging a fee for returns would dissuade over a third of respondents (37%) from engaging in fraud or abuse.

Introducing fees to mitigate fraud is an important lever to consider in your [post-purchase strategy](#). But on a more granular level, retailers can combat fraud by personalizing the return process based on the individual customer and return type. For example, retailers might choose to exclusively offer free returns to loyalty program customers and first-time purchasers, or only offer free returns on exchanges.



- **Investigate, analyze, and adjust:** As a reminder, over half of customers agree it's common for them to engage in bracketing (ordering multiple items with the intention of making at least one return to determine the size/fit of an item). This practice highlights a key customer pain point: the difficulty of determining preference based on online information alone.

By asking consumers for return-related feedback and analyzing data-driven patterns, retailers can identify the root cause of returns, so that they can identify product issues and adjust product descriptions accordingly. Educational moments, such as providing more accurate size measurements or improved product photos, can go a long way in deterring more harmless types of return policy abuse.

- **Name the repercussions:** Among online shoppers who have never participated in return policy abuse, respondents say it's primarily because they worry about ethical/moral guilt (67%), have a fear of the legal consequences (14%), or worry about the impact on the business/retail industry (13%). Additionally, over half (53%) of online shoppers either strongly or somewhat consider the potential environmental consequences when making a return, and 23% said they would be less likely to engage in return policy abuse if they knew the behavior would have a negative environmental impact.

By emphasizing your brand's values, as well as the consequences that could result from instances of abuse, you can appeal to customers' emotional, moral, and logical inclinations — encouraging them to think more carefully before purchasing an item they don't intend to keep.

- **Adjust the experience based on behavior:** Retailers should find some reassurance in the fact that the majority of consumers disapprove of retail abuse: 62% of online shoppers say that they never condone returns abuse and 61% state that they have never engaged in such behaviors, nor do they know of someone who has. Even among the 39% minority, fraud primarily occurs among a small number of repeat offenders.

So, one solution may be to segment customers based on their prior behavior. If a shopper is identified as a return fraud perpetrator and then attempts another return, they won't be able to automatically complete that action. Instead, they'll be required to talk to the customer service team to prevent them from abusing the system again.



Solve the case with Loop

Return policy abuse and fraud continue to gain ground and evolve year over year as consumers opt for the convenience (and reduced oversight) ecommerce offers.

And these actions aren't unique to U.S. consumers — we're seeing this trend across the U.K. and Australia, with 38% and 40% of consumers in these regions (respectively) admitting to committing returns abuse or knowing someone who has in the past 12 months. **(Hint: Keep an eye out for our forthcoming case file exploring return abuse specifically in these regions!)**

When fighting return policy fraud and abuse, ask yourself: Does the punishment fit the crime? Return fraud detection is an increasingly important problem for brands to solve, helping you preserve customer-centric **post-purchase experiences** for innocent shoppers, while proactively rooting out the minority of perpetrators who abuse the system.

As return fraud and abuse continue to rise, it's critical to have a proactive plan in place to tackle it. Loop can help you more easily identify the fraud that's happening, and in some cases prevent it before it costs your business. We can also help you understand how your returns are performing with data-backed insights so you can course-correct quickly.

Learn how
to mitigate returns
abuse with the help
of seasoned experts

[Book a demo](#)



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

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