A PAPER MADE BY
FREEING RETURNS

PROJECT

AVOIDING MERCHANDISE RETURN FRAUDS AND KEEPING BUSINESSES SAFER AND BETTER

MERCHANDISE RETURNS FRAUD

How fraudsters commit fraud, and how you can avoid them

ABOUT US

WHO IS FREEING RETURNS?

Freeing Returns began its journey when Barbara Jones founded Lillii RNB, a Retail IT Product and Services company specializing in Point of Sale technology.

From then on, we've worked with some of the largest retailers in the world, enabling them to customize, modify and enhance their POS systems.

This leads the team to become one of the leading providers of retail technology - specializing in security and payments.

As the years progressed, Barbara saw how online retailers are vulnerable to fraud. From then on, it has been her mission, along with her equally brilliant team of developers and partners, to create a safer and better place for online retailers to do business.

Thus, Freeing Returns was founded. Freeing Returns' main mission is to educate online retailers about all the types of return fraud in the industry and equip the retailers with the right technology to avoid getting victimized by fraud imminently.

RETURNS FRAUD

[noun] rə-tərns frôd

refers to the act of returning merchandise to a retailer for a refund, in violation of the merchant's stated returns policy. The merchandise may be ineligible for a refund because it was purchased from another retailer, or because the item is used, or was marked as otherwise ineligible for a refund before purchase. [1]

[1] 911, C. (2021, April 1). Return Fraud: What It Is, and How Merchants Can Fight It. Chargebacks911. https://chargebacks911.com/return-fraud/#:%7E:text=Return%20fraud%20refers%20to%20the,merchant%27s%20stated%20returns%20policy

THE PROBLEM

A business that has a solid returns policy is a customer's best friend. This gives them a sense of security and flexibility. Thus, making them more confident in their purchasing decisions.

On the other side, your returns policy shows your dedication and commitment to your brand and its quality.

However, no matter how good your policy return is, some people want to take advantage of it for their self-serving intentions.

DAMAGES RETURN FRAUDS BROUGHT TO THE RETAIL INDUSTRY IN 2020

Let the numbers show you how return frauds are an imminent danger for retail stores.

USD 428 billion

The estimated cost of returns made by consumers last 2020, according to the National Retail Federation and Appriss Retail .

Common Returned Items

19.4 %

were auto parts.

11.5 %

were houseware items

11.5%

were home improvement products.

12.2 %

were apparel items.

USD 25.3 billion

of merchandises returned in 2020 were found fraudulent

USD 7.7 billion

worth of items bought online were found fraudulent.

Retailers lose USD 5.90

for every USD 100 return merchandise accepted.

USD 101 billion

the average cost for holiday returns.

PREVENT RETURN FRAUDS

Remember, an ounce of prevention is worth a pound of cure. Here are some of the most common types of return frauds that you can detect and avoid.

Receipt Fraud

Receipt fraud is the criminal act of utilizing or reusing receipts or falsifying receipts to return items for profit.

How Receipt Fraud happens

E-Reciepts

Fraudsters use e-reciepts or sales invoices from purchasing items online, but returning goods in store, for a profit,

Fake Reciepts

Fraudsters purchase fake receipts online or goes as far as forging receipts just to get a profit.

Shoplifting with a receipt

Fraudsters purchase fake receipts online or goes as far as forging receipts just to get a profit.

WARDROBING

Commonly known as wear-and-return, a type of fraud where fraudsters purchase merchandise for short-term use but with the intent to return the items for a full refund after using it once.

How to Identify Wardrobing

Signs that item has been used like odors, stains, alterations.

Missing tags or tags attached with different securing mechanism.

Who are the usual suspects of Wardrobing?

63%
College Students

58%
Employees who make $50K / year

61%
People on managerial positions

TENDER LIQUIDATION

This type of scam happens when fraudsters an item with counterfeit money or stolen credit card, and returning said item in exchange for store credit.

How to Prevent Tender Liquidation

1. Always ask for ID with the credit card or debit card.

2. Compile lists of serial returners and take note of their names and addresses.

3. Track patterns of suspicious serial returns. If so, refuse return privileges in the future.

4. Make sure in-store credits has the name of the returner, so that no other customer can use it.

CROSS RETAILER RETURNS FRAUD

The act of returning or exchanging purchased items at another retail or store for cash or store credit.

PRICE ARBITRAGE

The act of purchasing items that are differently priced, but similar-looking merchandise and claiming that the cheaper item is expensive upon return.

SWAPPING OR SWITCH FRAUD

The act of purchasing fully functional items and returning a different yet identitical items that are damaged or has been previously owned.

The purpose of the perpetrator is to return the said merchandise for money, and resell the legit item elsewhere.

SHOPLISTING

Commonly known as shoplifiting with stolen or found receipts. They use these receipts to find items in a retail store and return them for a fraud.

EMPLOYEE THEFT

This is where it gets trickier. Associates or employees can find a valid receipt in your POS system to return items.

Some might even place higher price label on previously lowered price labels on merchandise with the intention of returning said item at a high price point.

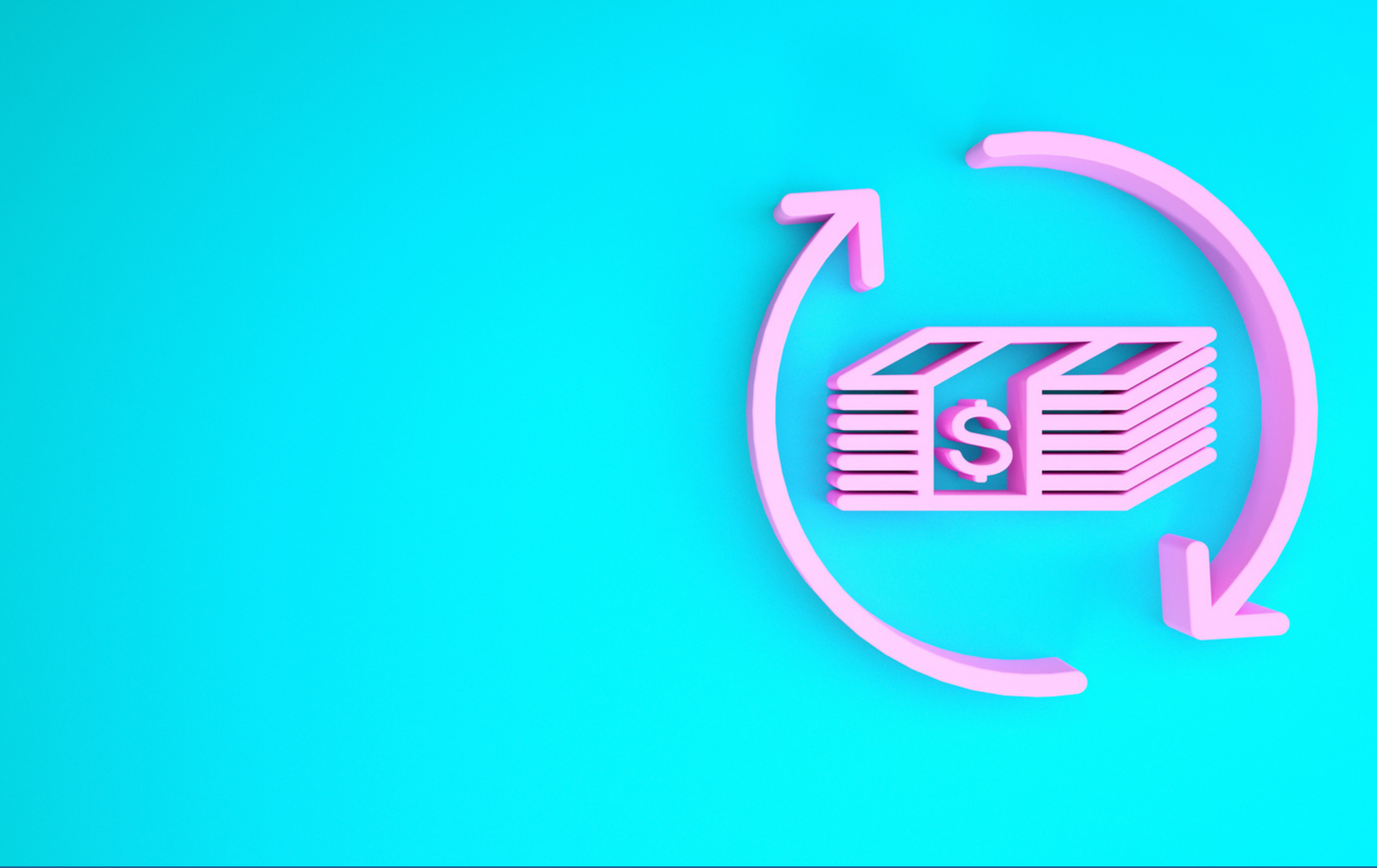
DISCOUNT ABUSE

Also known as coupon fraud. This happens when an individual, whether customer, vendor or even an agency takes advantage of a promotion, abusing the store's Coupon Policy.

Fraudsters may redeem said coupon multiple times, or simply use them to gain money or items and services.

PHISHING

This is a serious threat of identity theft where fraudsters send out emails to unsuspecting customers and ask for their user ID, passwords, credit card or banking details and other personal information.



CHARGEBACK FRAUD

Commonly known as friendly fraud. This occurs when fraudsters pose as customers claiming that his/her credit card has been stolen and then ask for a refundafter receiving the purchased goods or services.

CARD TESTING

This happens usually with e-commerce stores. This fraud happens when individuals practice creating and testing the validity of a credit card number, in order to use it on another website to commit fraud

MERCHANT FRAUD

A type of fraud that occurs when a certain merchant account is used without the intention of operating a legitimate business transaction.

Fraudsters will set-up a website then sells and receives the payment for non-existent items.

CREDIT CARD FRAUD

A type of fraud where fraudsters make online purchases using stolen credit cards details - whether they're in physical possession of said stolen credit card or a product of a phishing scam.

END THE FEAR OF MERCHANDISE FRAUDS TODAY.

It's safe to say that we are no stranger to fraudulent activities and we know how to prevent it from happening in your businesses.

We love to hear about what we can do for your business's safety today and tomorrow.

We're always a call or message ahead.
phone| email

Or simply schedule a demo with our retail security and anti-fraud experts.