

WHITE PAPER

By David Speights, PhD,
Chief Data Scientist
and Bob Walters, SVP-Sales,
Appriss Retail

Fighting Return Fraud During the Holiday Season

The holidays are truly a wonderful time of the year—eventful, energetic and hopefully, extremely profitable for retailers. However, this exciting season can also present unique challenges to retail companies. Holiday returns can hinder potential revenue boosts, costing money as well as employees' valuable time. During these months of gift-giving, retailers face the very real threat of merchandise return fraud. For this reason, they must work carefully to find a balance between preventing the multi-billion dollar problems of retail fraud and abuse, and maintaining fair and consistent return policies that accommodate their holiday and regular loyal consumers.

The return counter is an ideal place for retailers to provide excellent customer service and allow flexibility to those requesting returns and exchanges, especially during the holiday hustle and bustle. But these can also be accomplished while taking a firm stance on curtailing fraudulent and abusive returns. Retailers nationwide are taking this proactive approach to ensure that the misdeeds of illegitimate consumers do not impact valued consumers.

The Reality of Holiday Return Fraud

Retailers can experience return fraud in a wide range of forms during the holidays, all of them expensive and inconvenient. Most often, according to the Federation's (NRF) 2017 Organized Retail Crime Survey, criminals will return merchandise that has been stolen, either for cash or for store credit. Other fraudsters will use falsified, stolen or reused receipts to return store goods. Still others engage in "renting" or "wardrobing," in which the person purchases an item—such as a videocamera or dress—uses or wears it once, and then takes it back to the store for a refund.

"Criminals have long been fond of using a 'woe is me' mantra because of the economy, but the truth remains that most return fraud is more 'greed' than 'need,'" explained Joe LaRocca, former senior asset protection advisor for the NRF. "In many cases, return fraud is committed by people who use technology to produce counterfeit receipts or take advantage of lenient return policies by stealing large quantities of merchandise and returning it to dozens of stores without a receipt."

While retailers fight return fraud all year long, the problem worsens considerably when the holiday season arrives. According to the NRF "Holiday FAQs," 20–30 percent of a typical retailer's annual revenue occur during the holiday season. In a separate study, the 2017 Organized Retail Crime Survey, NRF estimated that retailers should expect 13 percent of the sales to be returned, and of those, 11 percent would be fraudulent. This equates to \$3.4 billion in revenue loss during this critical selling period. While these statistics are from studies in the United States, European and Canadian retailers experience similar peaks during the holidays.

In line with a growing trend (particularly noticeable in omnichannel transactions) 27 percent of consumers bought items specifically with the intent to return them later. These are not all wardrobing/renting scenarios; many consumers postpone their final purchase decisions until they have the products at home. Unwanted products are returned.

Retailers have access to unprecedented methods for stopping return fraud and abuse, as well as other rampant forms of retail crime, during what should be their most exhilarating and lucrative season.

Tips for Reducing Retail Revenue Shortfall During the Holiday Season

Retailers have access to unprecedented methods for stopping return fraud and abuse, as well as other rampant forms of retail crime, during what should be their most exhilarating and lucrative season. For companies using return fraud authorization systems, industry leaders offer the following guidelines to ensure that holiday "returners" are treated fairly—without allowing additional fraud:

- **Allow More Flexibility During this Season**—For retailers that use a receipt age limit and wish to provide a more lenient receipt age policy during the holidays, retail experts recommend allowing for returns on receipts that are older than normal but only during a brief window. For example, consider a policy that, between Dec. 20 and Jan. 31, allows receipted returns on purchases that occurred after Oct. 31.
- **Ensure Consistent Use of Fraud Prevention Tools**—Retailers should resist the temptation to forsake their automated return tools in lieu of transaction speed, as this can be counter-intuitive to the reported metrics showing both returns and return fraud spike at this time of year. Consistent use of such tools prevents fraudulent and abusive returns that could otherwise fly under the radar.
- **Don't Underestimate the Importance of Proper Staffing at the Return Counter**—Retailers that have invested time, money and resources to hire seasonal workers should maximize the opportunity to impact customer service during this ideal time. Many consumers making returns are visiting that particular store for the first time and it's a chance to make a positive, lasting impression. Know your return patterns and staff the return desk accordingly.
- **Maintain a Smooth Return Process with Proper Training**—Nothing is more frustrating than having a slow-moving line caused by employee confusion over return policies and procedures. In addition to appropriate return transaction training, consider providing a simple script to each new employee to help guide them through common questions and scenarios at the return counter.
- **Seize the Opportunity to Convert Lost Sales into Revenue**—Don't forget that returns are lost sales, and utilize any ideas or resources to help convert these returners into buyers. There's an unprecedented level of foot traffic in your store at this time of year—maximize it by giving the returner a reason to keep shopping and spending their refunds with you, right now, instead of spending it weeks from now or with a competitor. 

Americas +1 949 262 5100

Europe/Middle East/Africa +44 (0)20 7430 0715

Asia/Pacific +1 949 262 5100



APPRISS[®]
RETAIL

apprissretail.com