

Return fraud is on the rise

Article

The trend: Last year 13.7% of retail returns were fraudulent, up from 10.4% a year earlier, per the National Retail Federation and Appriss Retail.

- **Return fraud cost retailers \$101.91 billion**, up 20.0% year-over-year (YoY).

The data: While a wide range of schemes fall into the retail fraud bucket, the largest share of incidents last year related to returns of used merchandise and stolen goods.

- **Nearly half (48.8%) of retailers dealt with “wardrobing,”** which is when shoppers buy an item, use it, then return it even though it is not defective, [per](#) NRF and Appriss Retail.
- Over two in five (44.2%) saw consumers return shoplifted or stolen merchandise, 37.2% experienced returns of merchandise purchased on fraudulent or stolen tender, and 20.9%

faced return fraud from organized retail crime groups.

While the rates actually fell slightly YoY in several categories, the share of retailers that encountered returns using counterfeit receipts spiked to 25.6%, up from 11.4% in 2022. That may be opportunistic as criminals recognize that they can exploit the poor connectivity between retailers' online and offline systems to use counterfeit digital receipts to commit return fraud in stores.

- Return of shoplifted or stolen merchandise also grew 2.8 percentage points.

The anecdotes: The number of fraudulent “merchandise not received” complaints—when consumers complain about items missing from their online orders—more than doubled over the past few years, said **Saks CEO Marc Metrick** at the NRF Big Show, according to CNBC.

- Several **TikTok** videos related to return fraud have recently gone viral, per The New York Times. One of those videos was posted by a shopper who received a can of tuna fish instead of an ashtray. The Times speculated that someone opened the box during the shipping process, swapped out the ashtray for the tuna, repackaged the box, then returned the original item.
- The Artemis Refund Group was recently charged with conspiracy to commit wire fraud stemming from a return fraud scheme that cost retailers such as **Amazon** and **Walmart** millions of dollars, per Business Insider. The group recruited shoppers to purchase items, have the purchase refunded, and then keep or sell the refunded item.

The big takeaway: Criminals are exploiting ecommerce's growth, and the channel's rising share of overall retail sales.

- Ecommerce unlocks many opportunities for return fraud given that consumers can say they never received their order, return a different item from the one they purchased, or return a stolen product.
- To push back, retailers may have no choice but to add more friction to their returns policies. For example, 36% made some items non-returnable over the past year, per Blue Yonder.
- But they also have to walk a delicate line given that a cumbersome returns process can result in legitimate consumers buying from another retailer.

Go further: Read our [US Retail Ecommerce Returns 2024](#) report.

Changes Made to Returns Policies in the Past Year According to US Retailers, Dec 2023

% of respondents



Source: Blue Yonder, "Ecommerce Returns 2024," Jan 17, 2024

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