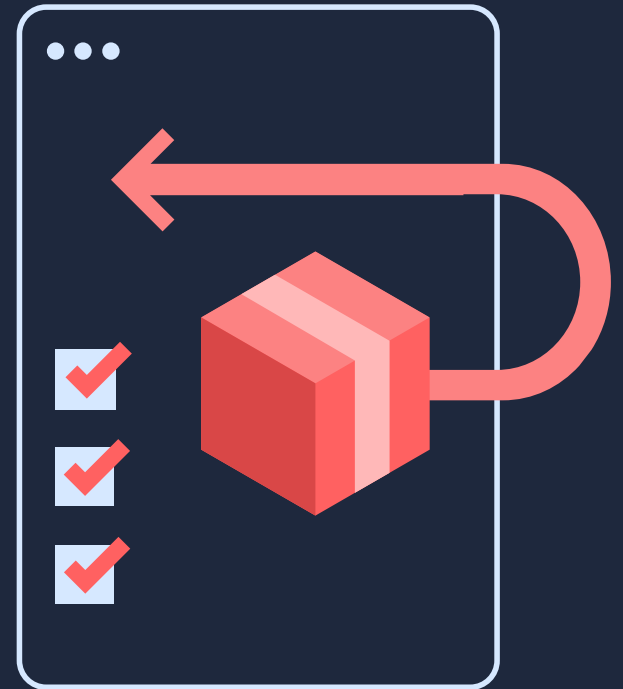


Return to Sender

How to reduce the hidden costs of returns abuse



The current state of returns

With a shifting global commerce climate, flexible returns policies are no longer the exception, but the rule. Your returns policy helps determine how and where consumers shop.

- 80% of shoppers are deterred by inconvenient policies and expect free returns¹
- 56% of shoppers report Buy Online Return in Store (BORIS) options to be very important²
- 75% of shoppers said that returns experiences would impact whether they would shop again with a retailer³

COVID-19 conditions propelled all businesses to double down on their digital and omnichannel strategies, including extending their returns policy timelines to better accommodate shoppers' needs. However, without the proper precautions in place, returns abuse is costing merchants significant revenue.



Returns abuse costs UK retailers an estimated **£4.8B** annually⁶



On average, **8%** of returns are fraudulent⁵



23% of shoppers will abandon their carts if returns options are poor

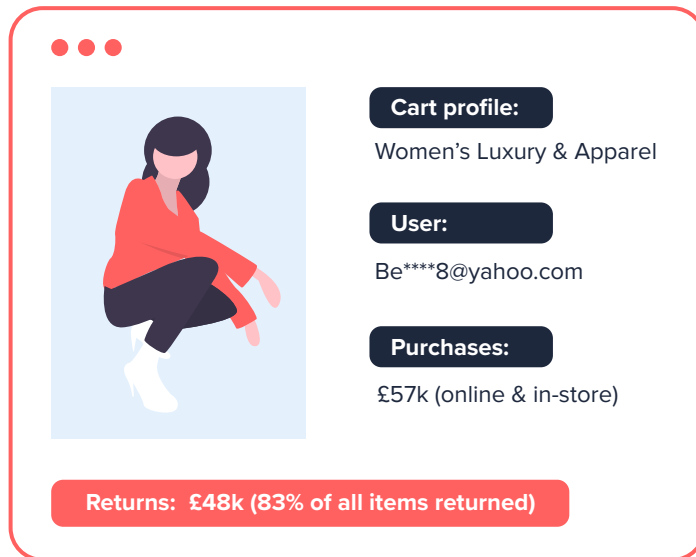
What is returns abuse?

Returns abuse is different from fraud perpetrated by cyber criminals. Instead this abuse occurs when good customers (or those who may look like “good” customers), take advantage of a merchant’s returns program or policies for their own gain. Types of returns abuse include:

Renting/wardrobing:

Abusers purchase items, wearing or using them, and then return the items back to the store for a refund.

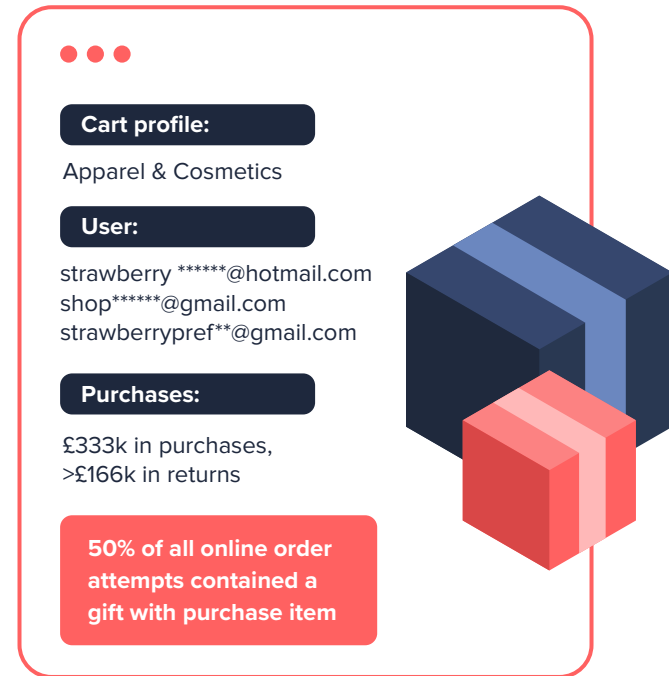
- 53% of merchants have reported issues with renting and wardrobing⁷



A shopper at a global retailer was discovered to have returned 83% of all purchased items. As an amateur fashion blogger, she purchased items, wore them once to feature on her social media accounts, and then returned them to the retailer.

Gift with purchase:

Abusers return a different (and less valuable) item while collecting the value of the original item.

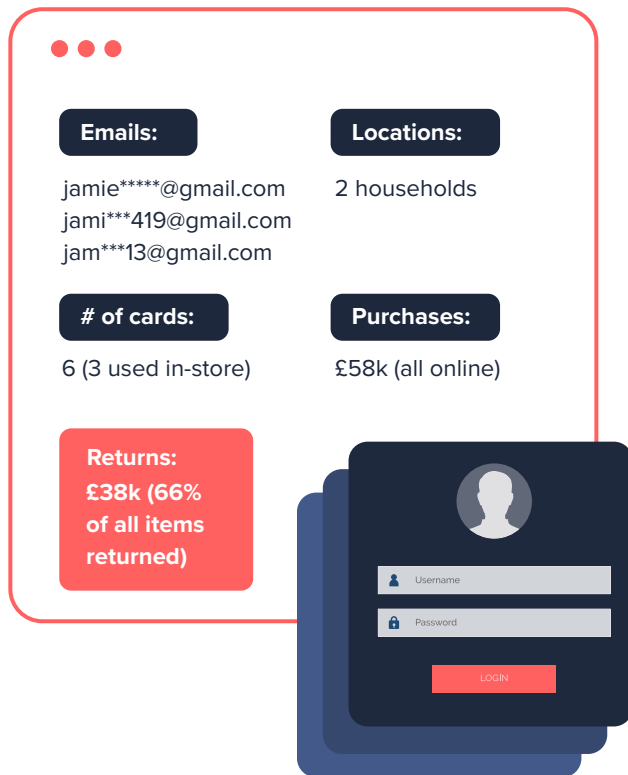


This user created multiple accounts and purchased items that would typically include a gift with purchase. The user would then return the item without the gift to reap the reward of the return.

Identity manipulation:

Sophisticated abusers set up multiple accounts and use multiple payment methods to hide their identities and avoid detection.

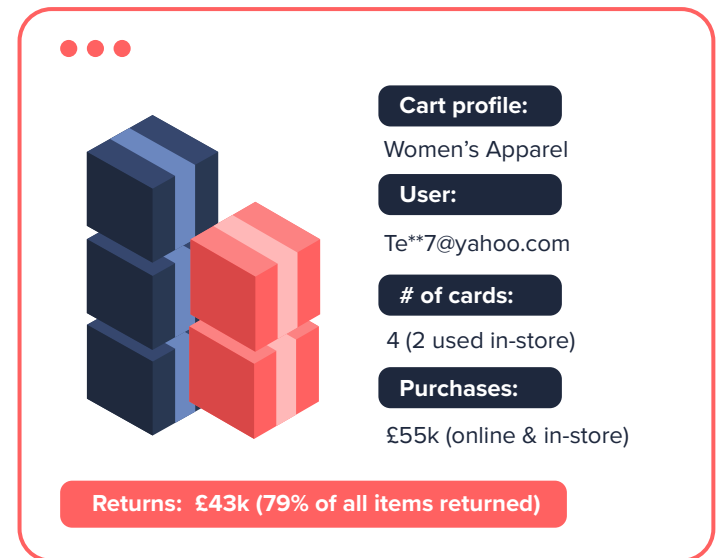
- In the example below, this repeat offender returned 66% of their purchases



Free shipping abuse:

Consumers return a high percentage of their orders back to the merchant for a variety of reasons.

- 30% of users buy items with the intention of returning them, just to qualify for free shipping⁸



What does returns abuse cost you?

The tension between offering returns benefits while accurately identifying and preventing abusive behaviors has proven a struggle for merchants. Returns abuse is a growing problem and after a busier than ever online holiday shopping season in 2020, returns abuse is likely to continue to increase in the coming months. Returns abuse can impact your business in the following ways:



Lost profits

- For every £100 of returned items, this is costing merchants approximately £5.90 in returns fraud¹⁰



Operational overhead. Costs associated with processing, shipping, and restocking inventory cut into potential revenue. The average return represents 30% of the purchase price.

- One retailer did £365 million in sales but spent £390 million on returns, after accounting for processing costs and lost sales¹¹



Poor customer experience. The costs of returns abuse can stop merchants from being able to offer differentiated returns policies. L.L.Bean, once known for its lifetime returns policy, ended this offering in 2018 citing high rates of abuse. The policy now extends only for one year, negatively impacting retention and reducing lifetime value.



58%

of merchants say that reducing returns abuse is a high priority for their company, but only...



17%

say that they have made major changes to address returns abuse or fraud.⁹

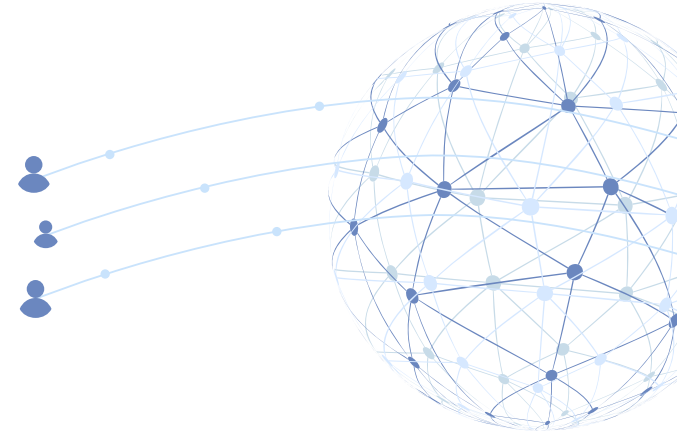
The way forward

Cyber-criminal fraud is no longer the only vulnerable area of your business. Customers are taking advantage of unprotected policies for their own benefit. And you are bearing the costs. To protect your business, ensure that you can accurately identify returns abuse (especially when abusers are trying to hide their identity) and effectively enforce your business policies.

1. Identify returns abuse

Proactively identify and stop abusers by tapping into Forter's robust global merchant network that processes over \$200B in transactions and knows over 850M unique identities globally.


850M



2. Detect hidden serial abusers

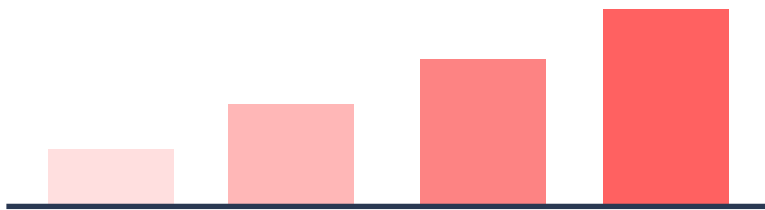
Identify abusers that are attempting to hide their identity or behaviors to avoid detection with Forter's patented identity linking technology, (e.g. using different email addresses, channels, credit cards, etc.).

- Forter's identity linking technology helped a leading global retailer identify and stop the serial abuser who had purchased over £57k worth of merchandise and returned nearly £48k of it by uncovering hidden connections



3. Tailor policy enforcement

Returns abuse looks different for each merchant. Tailor your approach to handling returns abuse according to your business needs – business policies, risk appetite, how you want to handle abuse, and more. For example, merchants can customize tiers for enforcement:



1	Send warning email to customer account
2	Restrict policies - no free shipping
3	Restrict policies - no free shipping, limit return window to 30 days
4	Block the transaction, not worth doing business with them

Offer flexible returns, without abuse

Armed with these capabilities, you can deliver a best-in-class returns abuse program – all while protecting your profits and enhancing your customer experience. The time is now to invest in an enterprise-grade platform that delivers the most accurate decisions in real time to protect your business and your legitimate customers.

Forter is the leader in online fraud prevention

Processing over \$200B in e-commerce transactions and protecting over 850M consumers globally from credit card fraud, account takeover, identity theft & more.

The company's identity-based fraud prevention evaluates the trustworthiness of every shopper in real time, across the entire customer journey. Forter's integrated fraud prevention platform is fed by its rapidly growing global merchant network, underpinned by predictive fraud research and modeling, and the ability for customers to tailor the platform for their specific needs. As a result, Forter is trusted by Fortune 500 companies to deliver exceptional accuracy, a friction-free consumer experience, and increased revenue through a higher approval rate. Forter was recently named the Leader in E-Commerce Fraud Prevention by Frost & Sullivan. Learn more at www.forter.com to see how we can help you keep returns abuse at bay.

Endnotes:

1. [The Real Cost of Returns for Retailers](#)

2. [Ibid](#)

3. [Returns Day Becomes National Returns Week as Package Volume is Predicted to Reach 8.75 Million](#)

4. [Appriss Retail Consumer Returns in the Retail](#)

5. [Naughty or nice: 3 things to know about fraud during the holiday season](#)

6. [Asos to blacklist 'serial returners'...](#)

7. Forter primary research, conducted February 2020.

8. Forter primary research, conducted February 2020.

9. Forter primary research, conducted February 2020.

10. [\\$428 Billion in Merchandise Returned in 2020](#)

11. [The unsustainable cost of free returns](#)

