# Retailers lose $101 billion to return fraud amid soaring $743 billion returns in 2023



Retailers are facing a significant and alarming trend in the form of return fraud, with recent estimates indicating that consumers returned a staggering $743 billion worth of merchandise in the United States in 2023 alone, according to the National Retail Federation. This figure includes an eye-watering $101 billion attributed to fraudulent returns. The escalating misuse of return policies has become a pressing concern for retailers, as it challenges the delicate balance between maintaining satisfying customer experiences and safeguarding profit margins.

The tactics employed by some consumers to exploit these policies have grown increasingly sophisticated, moving beyond mere frivolity to more elaborate schemes. These include returning empty boxes or modified items, and fabricating receipts to claim refunds on products never purchased. Such actions not only place substantial financial strain on retailers, but they also undermine the integrity of return policies that are designed to foster customer loyalty.

In an effort to address this growing dilemma, retailers are enhancing their return procedures. Saks Fifth Avenue, for example, has implemented heightened surveillance measures and now requires customers to present photo identification during returns. This endeavour is part of a broader strategy aimed at distinguishing between reliable customers and those who may habitually abuse return policies. Such strategies may help mitigate losses while still aiming to maintain a swift and positive customer experience.

Research suggests that many consumers are aware of their own problematic behaviour regarding return policies. A survey of 4,000 shoppers in the U.S. and the U.K. revealed that nearly half admitted to misusing lenient return policies in the past year. Among those surveyed, 29% confessed to leveraging returns to avoid paying full prices, and about 30% stated they had returned clothing simply because they could not afford to keep them. Lauren Beitelspacher, a marketing professor at Babson College, noted that the pandemic exacerbated an already existent problem. "In order for retailers to minimise consumers’ risk, they offer free returns and free shipping, and people just went nuts and took advantage of it," she explained.

Moreover, the alarming statistics indicate that return fraud accounted for approximately 13.7% of all returns in 2023, matching nearly $101 billion in losses—meaning that for every $100 worth of returned goods, retailers suffered around $13.70 due to fraudulent activity. This has led many businesses to reconsider their return policies. While flexible return options are essential for attracting younger consumers—who are often deterred by stricter policies—they can also open the door to abuse. Retailers must navigate this landscape carefully to foster loyalty while defending against revenue loss.

Surveys continue to underscore the critical impact of return policies on purchasing decisions. For instance, a study by Blue Yonder showed that 90% of participants consider a retailer's return policy in their buying choices. Indeed, the trend is particularly pronounced among younger generations, including Gen Z and millennials, who are less likely to shop with retailers that impose stringent return guidelines.

The landscape of retail is changing, influenced heavily by evolving consumer behaviour and the rapid rise of e-commerce. As online shopping expands, so too have the opportunities for return fraud, prompting the emergence of schemes like “refunds as a service,” where cybercriminals provide illicit assistance with fraudulent returns for a fee. Major UK retailers, including River Island and Trainline, are now investing in advanced technologies and collaborations to combat these threats.

Ultimately, as they grapple with the realities of return fraud, retailers are being forced to refine their return policies. Striking the right balance remains a formidable challenge; businesses are caught in a cycle where stringent measures may alienate customers while leniency exposes them to fraud. The road ahead will likely involve not only adjustments in policy but also further investments in analytics and technology to identify and curb suspicious behaviours effectively.

## Reference Map:

* Paragraph 1 – [[1]](https://retailwire.com/shoppers-taking-advantage-return-policies/), [[4]](https://www.retailtouchpoints.com/topics/consumer-trends/nrf-returns-reach-14-5-of-sales-in-2023-fraud-contributed-101-billion-in-losses)
* Paragraph 2 – [[2]](https://apnews.com/article/097106bb82e290eae54f9af95aa554e6), [[6]](https://www.retaildive.com/news/retailers-lost-billions-fraudulent-returns-2024/736393/)
* Paragraph 3 – [[3]](https://www.fibre2fashion.com/news/e-commerce-retail/49-of-shoppers-in-uk-us-exploit-flexible-return-policies-survey-302318-newsdetails.htm), [[5]](https://www.businesswire.com/news/home/20240122585010/en/New-Consumer-Survey-Reveals-How-Pervasive-Returns-Fraud-and-Policy-Abuse-Are-Among-U.S.-Retail-Shoppers)
* Paragraph 4 – [[1]](https://retailwire.com/shoppers-taking-advantage-return-policies/), [[3]](https://www.fibre2fashion.com/news/e-commerce-retail/49-of-shoppers-in-uk-us-exploit-flexible-return-policies-survey-302318-newsdetails.htm), [[4]](https://www.retailtouchpoints.com/topics/consumer-trends/nrf-returns-reach-14-5-of-sales-in-2023-fraud-contributed-101-billion-in-losses)
* Paragraph 5 – [[1]](https://retailwire.com/shoppers-taking-advantage-return-policies/), [[6]](https://www.retaildive.com/news/retailers-lost-billions-fraudulent-returns-2024/736393/), [[7]](https://www.pymnts.com/news/retail/2024/brands-rethink-policies-as-returns-fraud-escalates-with-ecommerce-growth/)

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## Bibliography

1. <https://retailwire.com/shoppers-taking-advantage-return-policies/> - Please view link - unable to able to access data
2. <https://apnews.com/article/097106bb82e290eae54f9af95aa554e6> - Saks Fifth Avenue has implemented enhanced measures to combat online return fraud, including increased surveillance and requiring customers to show photo IDs when making returns. This initiative is part of a broader effort to address the growing issue of return fraud, which costs retailers $101 billion annually, accounting for 13.7% of all returns. The company plans to differentiate handling of returns between good customers and potential abusers to address the problem without significantly delaying refunds.
3. <https://www.fibre2fashion.com/news/e-commerce-retail/49-of-shoppers-in-uk-us-exploit-flexible-return-policies-survey-302318-newsdetails.htm> - A recent survey of over 4,000 US and UK adults found that 68% believe retailers make it too easy to abuse return policies, with 49% admitting to doing so. Many exploit policies to avoid paying full prices or to use and return expensive items they couldn't otherwise afford. Younger consumers and those facing financial pressure are key drivers. Retailers face a tough balance between preventing abuse and maintaining loyalty.
4. <https://www.retailtouchpoints.com/topics/consumer-trends/nrf-returns-reach-14-5-of-sales-in-2023-fraud-contributed-101-billion-in-losses> - In 2023, return fraud contributed $101 billion in losses for retailers, meaning that for every $100 in returned merchandise, retailers lost approximately $13.70 to return fraud. Retailers are testing in-store policy changes and limiting the flexibility of online returns to combat this fraud while aiming to maintain customer satisfaction by strengthening service levels through frictionless and seamless end-to-end experiences.
5. <https://www.businesswire.com/news/home/20240122585010/en/New-Consumer-Survey-Reveals-How-Pervasive-Returns-Fraud-and-Policy-Abuse-Are-Among-U.S.-Retail-Shoppers> - A survey of 1,000 U.S. consumers who have made a return in the last 12 months revealed that nearly 4 in 10 admit to engaging in return policy abuse or fraudulent behaviors. Over half of shoppers (54%) agree they commonly engage in 'bracketing'—ordering multiple items to determine size/fit, with the intention of returning at least one item. Return policy abuse and fraud pose significant challenges to retail brands.
6. <https://www.retaildive.com/news/retailers-lost-billions-fraudulent-returns-2024/736393/> - Retailers in 2024 lost $103 billion due to fraudulent returns and claims, according to a consumer returns report from Appriss Retail and Deloitte. Fraudulent returns accounted for about 15% of the projected $685 billion in returns for 2024. Total returns were 13% of overall retail sales, which reached $5.19 trillion for the year just ended. Retailers are increasingly adjusting their return policies to combat fraud.
7. <https://www.pymnts.com/news/retail/2024/brands-rethink-policies-as-returns-fraud-escalates-with-ecommerce-growth/> - As online shopping grows, so does the opportunity for fraudulent activity, with some consumers taking advantage of return policies in ways that were not intended. One trend causing concern is the emergence of 'refunds as a service,' a scheme where cybercriminals assist individuals in claiming fraudulent refunds for a fee. Major U.K. retailers, including River Island and Trainline, are responding to this challenge by adopting advanced technology and collaborative efforts to combat this growing issue.