

Reduce the Abuse

Give Your Best Customers the Flexible Returns Policies They Deserve



FORTER[®]

Flexible returns policies are no longer the exception, but the rule. Your returns policy helps determine how and where consumers shop.

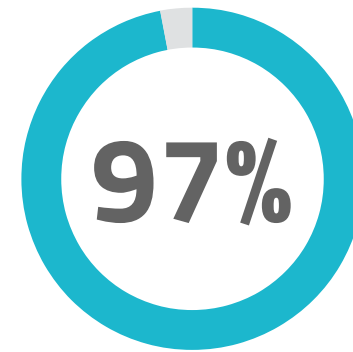
80% of shoppers are deterred by inconvenient policies and expect free returns¹.

23% of shoppers will abandon their carts if returns options are poor².

56% of consumers report Buy Online Return in Store (BORIS) options to be very important³.

72% of consumers report the ability to initiate returns online to be very important⁴.

Customers today want easy, seamless returns experiences. In-store and online returns options are most frequent and reported to be most important with consumers shopping with Apparel & Accessories (55%), Electronics (10%), and Health and Beauty (9%) retailers⁶. While flexible returns are becoming a bigger requirement for consumers, these policies are also becoming a bigger target for abuse.



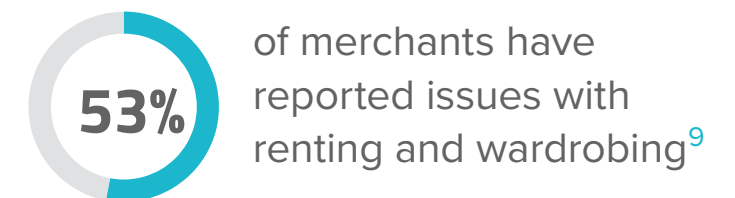
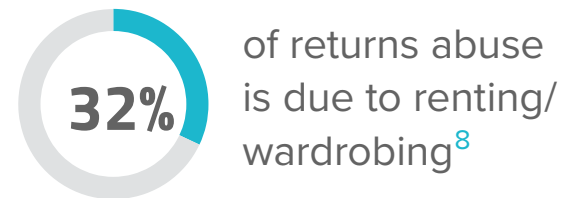
say that returns policies impact their likelihood to actually purchase with a retailer⁵.





Renting / Wardrobing:

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



Returns Fraud

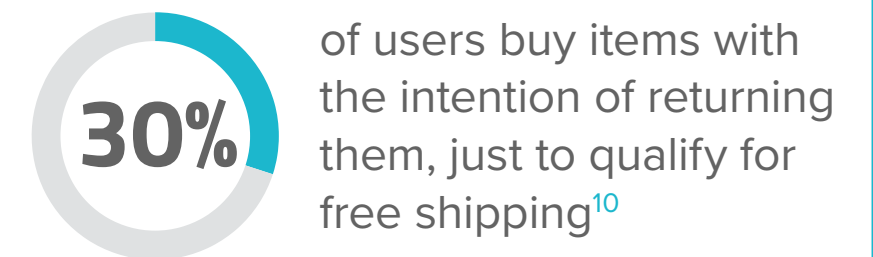
Abusers return a different (and less valuable) item while collecting the value of the original item.

Repeat Offenders

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

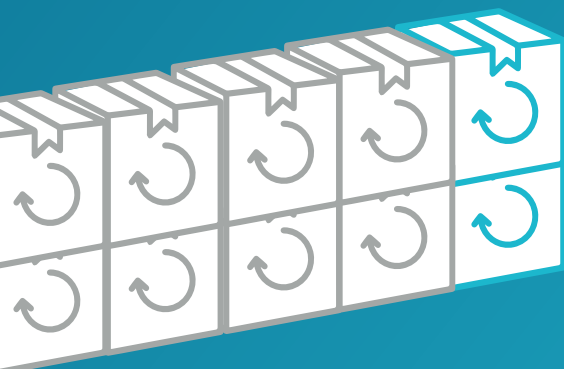
High Return Rates

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



What is Returns Abuse?

Unlike fraud perpetrated by cyber criminals, returns abuse occurs when good customers (or those who may look like “good” customers), take advantage of a merchant’s program or policies for their own gain. Returns abuse costs US retailers an estimated \$24B annually⁷.



20% of returns are categorized as abusive or fraudulent¹¹

The Widespread Impact of Returns Abuse

Returns abuse is a growing problem in-store and online. Returns abuse can impact your business in the following ways:

Lost Profits



Operational Overhead

Costs associated with processing returns, shipping fees, and the cost of restocking inventory cut into potential revenue streams.

One retailer did \$499 million in sales but spent \$531 million on returns, after accounting for processing costs and lost sales¹³



Poor Customer Experience

The costs of returns abuse can prevent merchants from building out or supporting a best-in-class returns program that their customers want. This results in a poor customer experience that reduces the lifetime value of both new and existing customers.



One Fortune 500 Apparel and Accessories retailer saw approximately 20% of its orders ultimately returned. Between 6-8% of those returned orders were found to be made by legitimate customers or committed by serial returns abusers. Overall, over 1.5% of their sales were abusive and should have been mitigated.

Current Approaches for Fighting Abuse Aren't Enough

The tension between offering returns benefits while accurately identifying and preventing abusive behaviors has proven a struggle for merchants.

Research indicates that merchants are either unaware of the true impact and costs associated with returns abuse or have awareness of the issue, yet are not equipped to adequately combat it on their own.



Merchant Prioritization of Returns Abuse

58%

of merchants say that reducing returns abuse is a high priority for their company

17%

of merchants say that they have made major changes to address returns abuse/fraud.¹⁴

Current approaches to combating returns abuse include:



Manual Review

Merchants rely on large teams of manual reviewers to review accounts, transactions, and return requests for abusive behavior. These are often simple checks – due to limited data available and a need for expediency – that merchants might also supplement with a blacklist.



Rules-based Tools

Merchants currently use rules to flag, stop, or block accounts that meet very specific criteria (e.g. has returned over 80% of orders in the last year).



Restricting Returns Programs and Policies

Leading enterprises, including L.L.Bean, REI, and Costco, have all amended their lifetime returns policies to more limited time frames (typically one year from the date of purchase) or restricted their returns policies in order to combat abusive behaviors.

The pain points associated with these approaches are:



Manual Review

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Manual reviews for returns abuse generally rely on evaluating basic data points tied to the user's account or email address. For instance, the review might focus only on how many returns a customer has made in the last quarter, lacking full context about a user's behavior. These basic checks fail to catch more sophisticated fraudsters who can easily create new accounts or change their email address. Manual processes require ongoing training, and the manpower required limits the ability to scale during peak periods or flash sales.



Rules-based Tools

PAIN

Static rules flag only very specific actions, behaviors, or components for an account and aren't able to identify serial abusers who have created new accounts or email addresses. Rules can not proactively stop returns abusers before they have already taken advantage of your business. Without the ability to have a comprehensive view of the user, this approach could inaccurately stop legitimate customers and harm your overall customer experience.



Restricting Returns Programs and Policies

PAIN

Nearly 60% of consumers consider a merchant's return policies when determining where to shop¹⁵. Merchants that feel returns abuse pain typically limit returns eligibility (59%) or impose stricter inspection processes for returned items (50%)¹⁶. However, these more limited policies negatively impact customer conversion and retention.

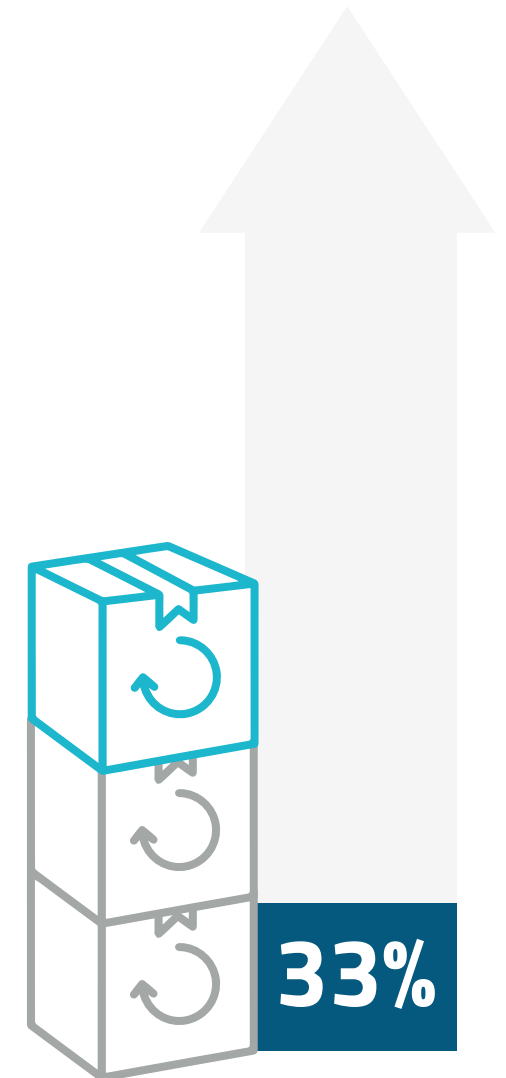


The Way Forward

Your returns policy significantly impacts whether consumers will do business with you. 98% of consumers state that a retailer's return policy influences their online shopping activities¹⁷. As consumers expect more flexible returns options, businesses need to ensure they have the proper precautions in place to protect their bottom line.

Cyber-criminal fraud is no longer the only vulnerable area of the business. Good customers are taking advantage of unprotected merchant policies for their own benefit. And merchants are eating 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.

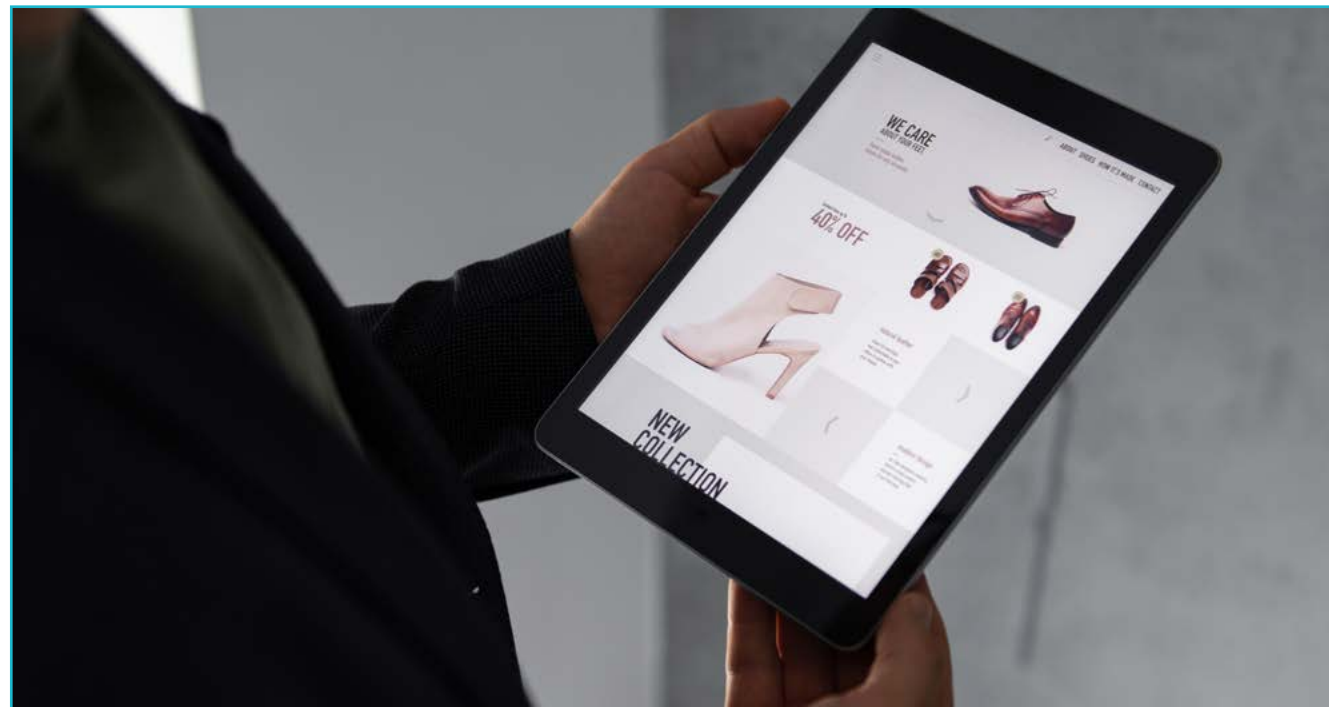


Returns abuse rose by 33% between H2 2018 and H2 2019¹⁸

You must have the following to address this challenge:

A Tailored Solution and Process Fit to Your Unique Business

Returns abuse looks different for each merchant. Tailor your approach to handling returns abuse according to your unique business needs – business policies, risk appetite, how you want to handle abuse, and more. As these factors vary from merchant to merchant, it is essential that any solution and process you put into place to combat returns abuse is specially tailored to suit your unique business.



Enforce Returns Policies in Real-Time

While it is important to be able to identify abusers, it is equally critical to be able to enforce your business policies once you detect a returns abuser. Real-time decisions – at the point of registration, returns initiation, and at the point of checkout – provide you with an opportunity to stop and block returns abusers before they can commit abuse and hurt your bottom line. Dynamically add or lift restrictions based on user behaviors to give your business the flexibility to best serve your customer ecosystem.



Accurately Approve Legitimate Returns

You need to be able to accurately identify abusive behavior on your site to stop it before it hurts your bottom line. In order to accurately distinguish abusive behaviors from legitimate consumer returns activity, you need access to a wide network of data beyond your own business ecosystem. By leveraging insights and learnings from other businesses across the globe, you can proactively identify and stop serial returners and abusers before they target and impact your business.

Detect Abusers Hiding Their Identity

Because it is easy for returns abusers to hide their identity (e.g. by creating new accounts or changing their email address), it is essential to be able to detect these abusers. Otherwise, those hiding their identity or committing repeat abuse will circumvent your systems and processes. Merchants need to have capabilities for their teams to uncover hidden connections between user accounts and accurately identify abusers, ensuring that only abusive returners are stopped without impairing the returns experience for your most valued customers



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.

Offer generous returns policies.

Reduce the abuse.

Reach out to info@forter.com to learn how we can help you keep returns abuse at bay.



1. The Real Cost of Returns for Retailers
2. Forter primary research
3. *ibid.*
4. *ibid.*
5. *ibid.*
6. *ibid.*
7. Naughty or nice: 3 things to know about fraud during the holiday season
8. Customer Returns in the Retail Industry
9. Forter primary research
10. *ibid.*
11. *ibid.*
12. *ibid.*
13. The Unsustainable Cost of Free Returns
14. Forter primary research
15. *ibid.*
16. *ibid.*
17. *ibid.*
18. Forter Fraud Attack Index



ABOUT FORTER

Forter is the leader in e-commerce fraud prevention, protecting enterprise merchants during each stage of the customer life cycle. Going beyond transaction monitoring, the Forter system detects other threats such as attempts at account takeover and return abuse.

With the expertise of dedicated teams, Forter is trusted by Fortune 500 companies, leading enterprises and fast-growing digital disruptors throughout the US, Europe, and Asia. Forter annually protects more than \$140 billion in online commerce transactions for more than 500 million consumers globally.

Forter is on the Forbes Fintech 50 (2018 and 2019) and the Deloitte Technology Fast 500, was named to Fast Company's Most Innovative Companies (2018), and received a 2019 MPE Award for Best ID, Security, and Anti-Fraud Solution.

Learn More at www.forter.com

