

WHAT IS E-COMMERCE RETURN ABUSE?

Return abuse in e-commerce refers to the intentional manipulation or exploitation of online return policies to gain an unfair advantage, resulting in financial losses, logistical strain, and inventory challenges for retailers. E-commerce returns cost retailers significantly more than in-store returns, due to added factors like shipping costs, restocking, and potential reselling challenges. While return policies are crucial for customer satisfaction, many customers and fraudsters exploit these policies, turning e-commerce return abuse into a costly challenge.

eCommerce Returns Landscape

26.4%

Of all online purchases returned
US 2023

30% – 60%

Cost of processing return as a % of item's original price

13.7%

Returns from online purchases that are abusive

\$52B

Lost to eCommerce Return Abuse
US 2023

TYPES OF RETURN ABUSE IN E-COMMERCE



Stolen Tender Purchase Returns

Use a stolen credit card to buy the item online, and then return the goods for cash, gift cards or store credits which are impossible to claw back. Retailer also needs to deal with disputes that follow.



Reseller Abuse

Purchase limited release or valuable items in the hope of reselling them at a markup. If unable to sell, return the items for free. Reseller abuse hurts legitimate buyers that run up against low or no inventory.



Bricking

Purchasing a working electronic or hardware item, stripping it of valuable components and returning it. Bricked item's are mostly unsellable and those that are run the risk of exacerbating reputation risk.



Empty Boxing

Purchasing valuable items and returning boxes that on inspection are empty, contain thrash or random products of no value. Most retailers side with the consumer for such returns if this is their first attempt.



Counterfeiting

Switch original merchandise with hard to detect counterfeit items purchased from hard to police third party sellers. Missing a counterfeit switch places the product in inventory increasing reputation risk.



Wardrobing

Wardrobing involves buying an item online, using it briefly, and returning it as "unused" or "unworn" for a full refund. In e-commerce, this often occurs with high-end fashion, electronics, and seasonal items.



BOGO / BMSM Abuse

Returning free item or lower value item to drive a steep discount on the anchor item. Abusers may also return only the full-price item while keeping the free or discounted item.



Return Shipping Label Fraud (FTID)

Altering a shipping label to redirect an empty package to an incorrect address. The scammer then requests a refund, claiming that the company mishandled the return.



Free Shipping Abuse

Customers fill their baskets to qualify for free shipping, and return the unwanted items for “free” later. This form of abuse often leads to high operational costs for retailers both on forward and reverse logistics.



Bracketing

Bracketing is the practice of buying multiple sizes, colors, or versions of a product with the intent of returning all but the preferred one. While this is not abuse, it does burden return and inventory processing.



Guarantee Abuse

This abuse involves repeatedly purchasing items with satisfaction or performance guarantees, returning or exchanging them repeatedly for upgrades, or making false claims about defects.



Item Not Received Fraud Claims

INR fraud claims occurs when a customer submits a false claim for a refund & retains the purchased items often alleging that the goods were not received or that the purchase was made by someone else.

THE IMPACT OF RETURN ABUSE ON E-COMMERCE RETAILERS

Return abuse presents both direct and indirect challenges for e-commerce retailers. Direct costs include lost revenue, additional labor costs for inspection, and restocking expenses. Indirect impacts include logistical disruptions, increased fraud prevention costs, and inventory management complications. Notably, excessive abuse often leads retailers to tighten return policies, which can discourage legitimate customers, potentially harming customer satisfaction and loyalty.

As e-commerce sales continue to grow, addressing return abuse has become a priority. Retailers are now investing in predictive analytics, AI-powered fraud detection platforms like **Pinch AI**, and comprehensive customer return histories to identify suspicious patterns. By enforcing return limits, requiring proof of identity for high-value returns, and segmenting return policies, retailers are working to balance customer satisfaction with the prevention of return abuse.

