

## Return Fraud Earns Retailers' Wrath

By Michelle Singletary  
Sunday, December 10, 2006; F01

Are you a serial returner?

By that I mean, do you routinely return items, especially holiday gifts? If so, be forewarned. Some retailers have resorted to using a computer database to track customer returns and catch fraudulent or excessive returns.

Return fraud, which by the way includes bringing back used merchandise for a full refund, will cost retailers \$3.5 billion this holiday season, according to a recent report by the National Retail Federation. For the year, the retail industry says it stands to lose \$9.6 billion from fraudulent returns. Meanwhile, returns are expected to accelerate after Christmas.

In its first survey that looked specifically at return fraud, the federation found that the most popular form of such fraud is the return of stolen merchandise. No surprise there.

However, retailers also complained about the use of bogus merchandise receipts. With a high-quality scanner and printer, people can copy and alter receipts, making it easy to return stolen goods. They use the fake receipt (or one they may have found in the trash near the store) to return an item so they can get cash for the shoplifted merchandise.

But more than half the companies polled reported a more old-fashioned way of stealing. In this scam, a customer returns merchandise that has been used but that he or she never intended to keep. These returns involve everything from computers to digital video cameras to clothing. The industry calls this practice "wardrobing." People just want to use the items for special occasions -- a graduation, Christmas party or wedding.

Most frequently, wardrobing involves women returning special-occasion dresses. In this scheme, a woman will wear the dress, tuck away the sales tag and then return the dress to the store for a full refund. That's fraud.

In many cases, retailers cannot resell these goods, at least not for the full retail price. That means the retailer has to discount the item as used merchandise. And just who do you think pays for this?

We all pay for it, either through higher retail prices or tougher return policies. Return fraud has become so prevalent that 25 percent of retailers in the federation survey said they will be restricting their return policies this holiday season. Return fraud is so bad, 70

percent of retailers in the federation survey said they've changed their policies in recent years to curtail this type of stealing. One of the most common policy changes has resulted in "no receipt, no return."

"Unfortunately, because of an increase in return fraud, retailers are being forced to strike a delicate balance between servicing loyal shoppers and discouraging opportunistic criminals," said Joseph LaRocca, vice president of loss prevention for the National Retail Federation.

Some retailers are also using the services of the Return Exchange of Irvine, Calif., to monitor returns and catch thieves. The company provides fraud and abuse detection products to track excessive or illegal merchandise returns.

Stores that use the Return Exchange will ask a customer for a driver's license or some other government-issued identification when he or she returns an item. The ID is used to track the customer's returns. A return may be refused if the database detects possible fraud or the consumer has exceeded the store's limit on returns. If you are denied a return because of a report from the Return Exchange, you can ask for a free "return activity report." That's a history of your return transactions, including the date and time you brought back an item, whether you had a receipt and the dollar amount of the return. The Return Exchange says it does not share data between retailers.

So how can you keep from having a return rejected? Here's how:

- Before you buy, check the store's written return policy. And don't just rely on the cashier or a clerk. Look for the written policy that should be posted in the store.
- Don't assume that a store's Internet retail operation has the same return policy as its bricks-and-mortar operation. Before you buy, remember to ask who pays the shipping costs for an exchange or return. Some merchants will pick up the delivery charges for exchanges, but not for returns.
- Ask for a gift receipt. Only about 49 percent of people giving gifts during the holidays include a gift receipt, according to the federation.
- Keep all your receipts. Many retailers still allow you to exchange merchandise without a receipt. However, without a receipt, the retailer may only provide store credit for the lowest price the item has sold for in recent weeks. And please, people, if you don't need your receipt, then destroy it to keep someone from fraudulently using it.
- Keep all the original packaging, including tags, rebate material and the instruction manual. Some retailers won't accept returns unless the item is in its original package. In addition, many stores now impose a restocking fee if an item has been opened. The fee can cost from 5 to 25 percent of the item's price tag, according to Newgistics, which provides retailers with return tracking technology. Typically, retailers charge a restocking fee on electronic equipment. But increasingly, you may see restocking fees on other items.

Although return policies have toughened, 89 percent of consumers still find stores' policies fair, according to the federation. So it seems if armed with the right information, you can have a happy return.