

Three common types of policy abuse and their effects on merchants

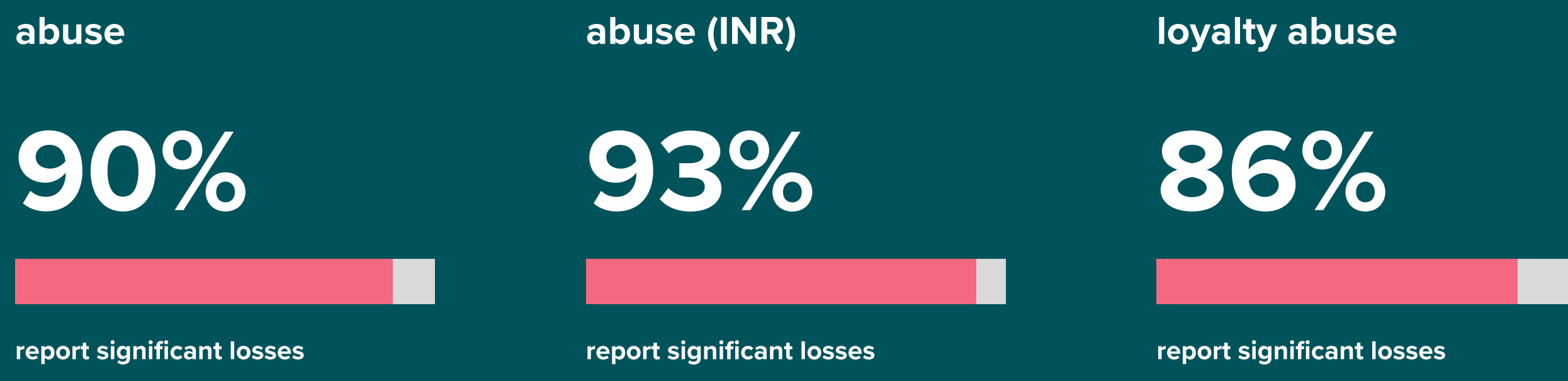
Consumers love generous return policies, promo code deals, and the convenience of online ordering.

Unfortunately, so do fraudsters. And their impact is growing.

Here's what we learned from a survey of **300+ ecommerce merchants** from around the world.



Most merchants report losses from three types of policy abuse



<p>What is it?</p> <p>When customers take advantage of a merchant's return policy by repeatedly returning items for reasons that are not legitimate or returning used or damaged items as if they were new.</p>	<p>What is it?</p> <p>When customers falsely claim they did not receive an item they ordered to score a refund or replacement.</p>	<p>What is it?</p> <p>When customers take advantage of promotional offers or loyalty programs in ways unintended by the merchant, such as:</p> <ul style="list-style-type: none"> Using multiple coupon codes for a single purchase Creating multiple new or fake emails to reuse the "new customer" promo code Exploiting glitches in online systems Returning items after receiving rewards
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Returns abuse

More costly than theft

About **half of returns** can't be restocked, and most merchants **recoup less than half** of the returned item's total value.

98% of ecommerce merchants manually review returns, which is time consuming, costly, and error-prone.

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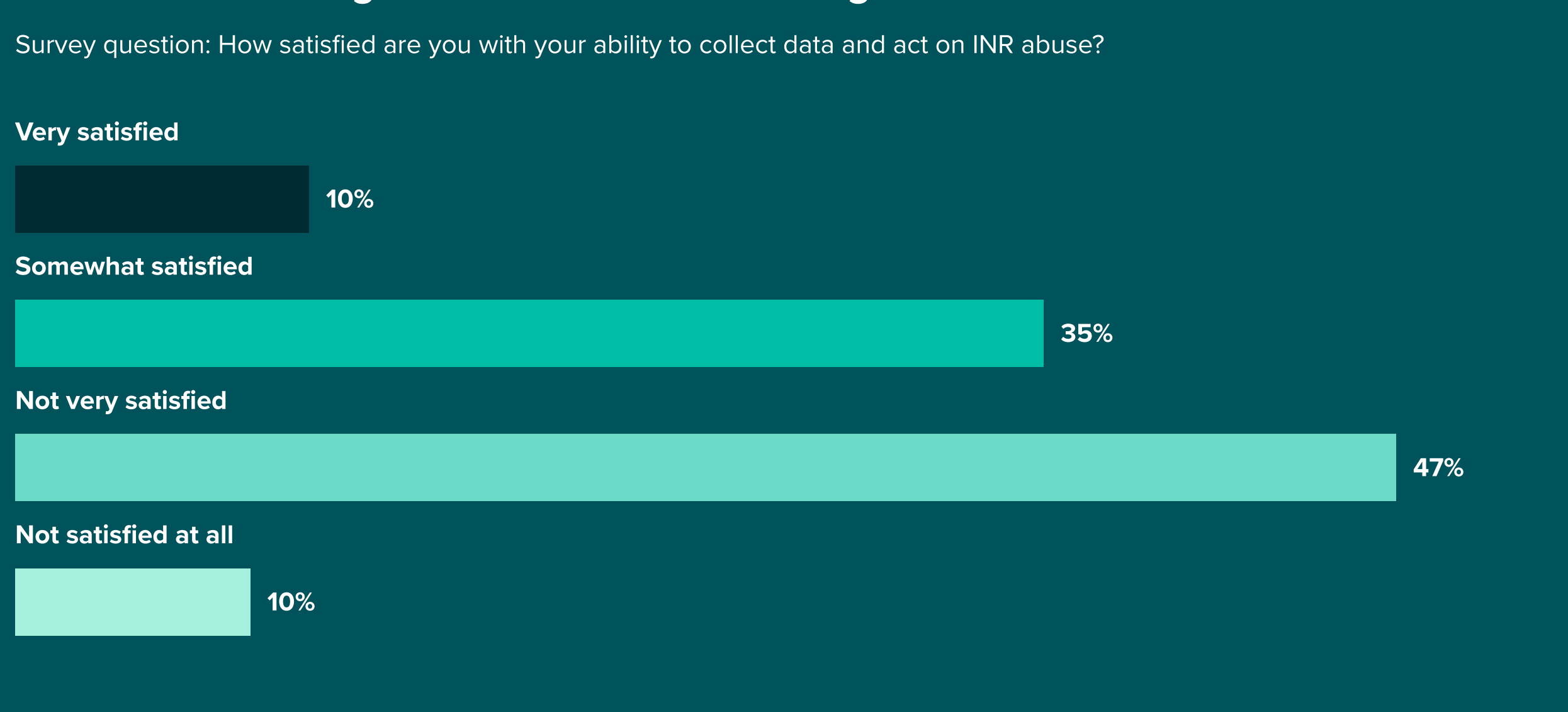
We would have been better off financially if the customer had broken into our warehouse and stolen the item vs. the expense of returning it.

—Merchant observation

INR abuse

It's hard to police

Proving or disproving claims is **prohibitively costly**, especially for global shipments with local delivery partners.



Returns abuse

A true story about false returns

<p>1 large retailer</p>	<p>2K-5K manually processed returned claims</p>	<p>100% returns acceptance</p>	<p>\$58M in refunds and returns claims</p>
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Analysis showed **\$6M** lost to abuse

The fix Automated blocking of abuser at checkout or claim

The technology gap

Automation and artificial intelligence are key to finding patterns that identify risky transactions and customers.

But merchants report they lack the automation needed.

Use of Automation to Detect Fraud and Policy Abuse

Survey question: Do you currently have automated systems (e.g., machine learning) to identify and address fraud and abuse?



Three ways to reduce policy abuse costs

<p>01</p> <p>Designate and invest in cross-functional teams for fraud and policy abuse prevention.</p> <p>Team members who aren't aware of policies or abuse trends may be less likely to spot and report them.</p>	<p>02</p> <p>Gather customer data to reveal patterns that may signal fraud.</p>	<p>03</p> <p>Automate claims reviews using machine learning to identify policy abuse quickly and accurately.</p>
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Learn more about policy abuse in [Policy Abuse and Its Impact on Merchants: Global Benchmarks 2023](#)