

CONSUMER STUDY

Why Consumers Bend the Rules for Retail Returns

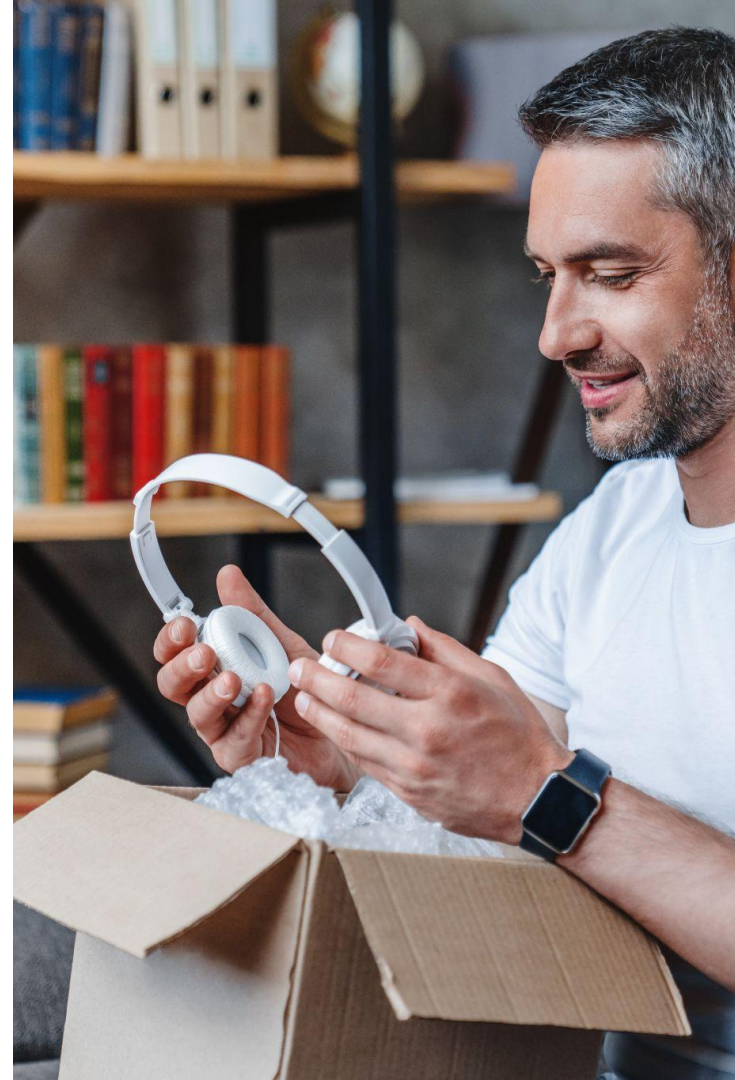
Understanding the behavior, motivations, and deterrents.



Consumer returns cost retailers more than they should.

The National Retail Federation (NRF) reports that [10.6% of online returns are fraudulent](#)—over **\$23 Billion** in 2021. Large-scale criminal activity aside, it's often a retailer's best customers who are taking advantage of the system and contributing to this loss. From claiming an item wasn't received, to fibbing about return reasons to get free shipping, to "wardrobing" (e.g. intentionally buying a TV for a big event and then returning it)—these small bites from consumers erode margins and add up to a big problem for retailers.

How can you better identify questionable activity and take measures to mitigate it, while not alienating customers? We conducted this consumer research to illuminate the scale of these activities, what motivates them, and what may prevent them. These insights can help you develop the right strategy to better identify potential leakage and personalize your returns program with a blend of incentives and deterrents to address these issues in a targeted way.



Executive summary



Only 35% of consumers abide by the rules and adhere to return policies—that leaves almost two-thirds of consumers taking advantage of loopholes in the system. The most common activity is around falsely reporting damage or missing packages or sending back ineligible items. Reversing legitimate credit card charges (which the payments industry traditionally characterizes as friendly fraud) accounts for a fairly small portion of customer activity at just under 11%.

1

Most online shoppers who bend the rules are more likely to respond well to convenience.

- Nearly 40% say that if returns weren't such a hassle (e.g. if home pickup were offered), they'd be more likely to do the right thing.
- By making it easy to report issues like extra items or packages, retailers can close some of the loopholes people take advantage of out of pure laziness.

2

Intentional policy abuse can be deterred by adding additional checkpoints in the system.

- Requiring a photo upload to prove damage, enforcing account login or receipt to initiate a return, and steering suspicious returns in-store when possible will go a long way to preventing this behavior.

3

Wardrobing may be the hardest behavior to curtail.

- 31% of those who wardrobe say they “can’t afford these one-off purchases” even though they’re more financially secure than average.
- Men are more likely to practice this behavior, across multiple product categories.
- Directing to an easy rental option might deter some of this behavior, but wardrobers may be more responsive to punitive repercussions like blacklisting.

Definitions and breakdown

Nearly two-thirds of customers take advantage of returns loopholes.



Policy Abiding

35% will do the right thing every time, even when it's the retailer's mistake and a hassle for them.



Rule Bending

60% bend the rules out of convenience, or won't bother to report a mistake in their favor.



Policy Abusing

25% intentionally take advantage of policies for monetary gain.



Wardrobing

25% buy items *with the intention* of using once or twice and then returning for a full refund.

Note: These percentages represent everyone who exhibits this behavior, resulting in some overlap among those who bend or break rules.



**Inconvenient returns experiences
make it hard to do the right thing.**

The spectrum of questionable behavior

Bending the rules

An advantage gained primarily through inaction, a lie of omission, or exploiting loopholes rather than malicious intent.

Examples:

- Clicking whichever return reason will get them free shipping, even if it's not true.
- Not bothering to report an extra item or shipment.
- Claiming an item is a gift so they can make a return without the receipt.

VS

Abusing policies

Intentional customer deception and "friendly fraud" per the payments industry definition (reversing legitimate charges).

Examples:

- Falsely reporting an item damaged or missing.
- Falsely claiming an item was received damaged when the consumer damaged it themselves.
- Requesting the credit card company reverse the charges on a legitimate purchase.

Most consumers bend the rules out of laziness.

Although there is good reason for retailers to have a little friction in the returns experience, many online shoppers don't have the patience to do the right thing, especially if they feel it was the retailer's mistake. They'll also bend the rules if they've misplaced the receipt or missed the returns window.

"It was incredibly inconvenient to return the extra shipment and I didn't get any benefit from it"

"They made it so hard to do the right thing that I didn't"



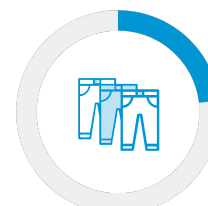
26.1%

Clicked whichever reason code to get free return shipping



24.9%

Returned without a receipt by claiming it was a gift



23.9%

Received extra item by accident but didn't report it.



21.9%

Reported an item or package not received, but then found it



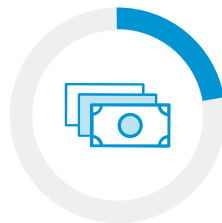
15.0%

Shipped back ineligible items

Others exploit loopholes for out-of-policy returns or attempt to obscure the value of goods.

Offering an instant refund when the return is dropped in the mailstream is a great practice that can drive loyalty. However, it's important to keep track of customers who take advantage of the system and exclude them from the policy.

"Returns policy was 2 weeks after the order date so by the time you get your order you have little over a week to return items you don't want and I didn't think that was fair so just chanced it in store."



20.8%
Used an "instant refund" policy to return ineligible item



18.7%
Returned item but kept the "gift with purchase"



14.4%
Returned discounted item without receipt in hopes of higher refund

Although 58.5% of those who bent the rules said it was easier to abuse the system online, more tried to take their chances in store:

Returned in store because they are more likely to take it back even though it's out of policy or damaged.

22.3%

Returned by mail because I'm more likely to get a refund without anyone checking the item.

16.3%



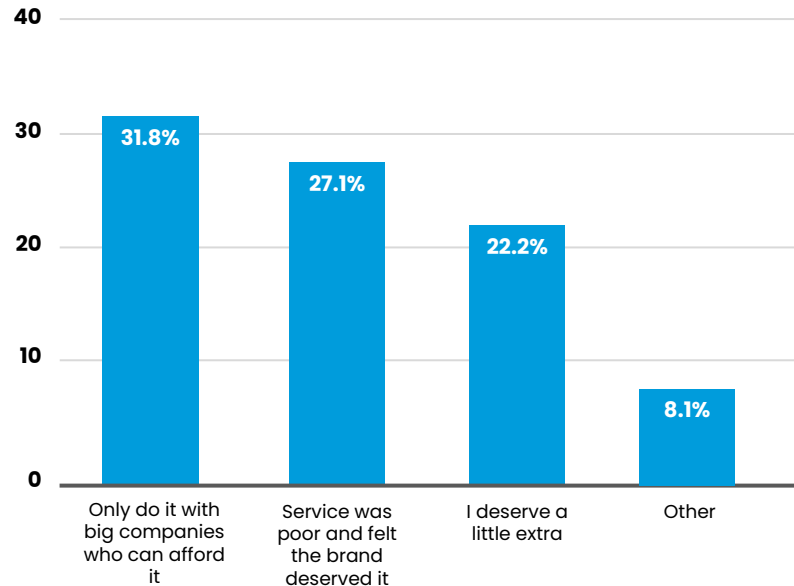
Consumers justify this behavior as just part of doing business.

"Loss is factored into business and I'd recently gotten a friend subscribed to their service so I figured it evened out for them financially."

"Returning an item that was the seller's mistake is a burden."

"They give free returns or no hassle returns on some items but not others so I feel it's okay."

Reasons consumers bend the rules



Of the people who reported other reasons, the majority had to do with the hassle of resolving the matter in the "right way".

Rule bending is more prevalent in the US, but UK consumers are more vengeful.

Service dissatisfaction was the #1 reason given by consumers in the UK (31% vs. only 23% in the US).

We see a much higher frequency of these activities in the US, justified by assuming the retailer can easily afford it.

Financial security is not really the issue - nearly 66% of those in the UK and 78.4% of those in the US who bend the rules say they are financially comfortable.



30.8%

Service was so poor, I felt the brand deserved it in retaliation.

29.4% It's not a big deal - I only do it with big companies who can afford it.

22.6% I spend enough money with this retailer, I deserve a little extra.

5.5% Another reason

23.8% None of these apply to me.



34.4%

It's not a big deal - I only do it with big companies who can afford it.

23.1% Service was so poor, I felt the brand deserved it in retaliation.

21.8% I spend enough money with this retailer, I deserve a little extra.

11% Another reason

27.2% None of these apply to me.

Frequency:



● Once or twice

● More than once or twice/regularly

85% of rule bending activity is preventable.

Inconvenience drives most people to bend the rules – **nearly 40% said if it weren't such a hassle to return, they would do the right thing.** Only 15% of those surveyed said none of these suggestions would deter them, which means 85% of this activity could be reduced with basic measures including:

- offering more convenient returns options like home pickup, additional nearby drop-off locations, boxless and printerless returns
- providing an easy way to report extra items
- requiring users to process returns online (rather than providing a return label) which prevents ineligible returns

It's notable that only 11% say they wouldn't do this if they are a loyalty program member.

Finding the right balance between making returns easy while also adding a bit of friction in the right places is definitely an art. But one-size-fits-all will no longer cut it—it's important to personalize the returns experience to address different types of customers.

See [our playbook](#) to get started.

Convenience is key



37.7%
Offer convenient
return methods



22.3%
Easy reporting
of extra items

Other deterrents:

Require photo
proof of damage

Concern for
environmental impact

Require account login
or order number

Loyalty program
membership

Serial returners

These two types of serial returners share common characteristics so are easily mistaken for one another. But it's critically important to distinguish them, since **bracketing is legitimate shopping activity** while **wardrobing is abusive**. Here's a quick guide.

Wardrobing

Misusing the retailer as a free rental service, purchasing and using items once or twice and then returning them.

Hallmarks:

- A pattern of purchasing expensive or rarely used items and returning them.
- EVERYTHING in the order gets returned.
- Items are generally the same size.
- Look for signs of use or wear.
- Infrequent customers (e.g. buy a TV once a year).

VS

Bracketing

Purchasing multiple items of different sizes, colors, styles to try on at home, returning what doesn't work.

Hallmarks:

- Purchases multiple sizes, colors, or styles of items.
- May return many items in an order, but usually not all.
- Items will not show signs of wear.
- Look for pattern of subsequent purchases or exchanges that demonstrate better understanding of fit/sizing, or indicate they are frequent legitimate customers.

***Learn more** about how consumers are turning their living rooms into fitting rooms.*



Customers capitalize on common shipping issues to game the system.

Policy abusers primarily make false claims of damage and missed deliveries.

Almost 30% of consumers who admit to this intentional abusive behavior are doing it more than once or twice, and they're practicing an average of 1.6 of these activities.

If there is a silver lining here, it's that only 10.6% say they've reversed charges on a credit card versus falsely reporting damaged or missing items, which can be mitigated.

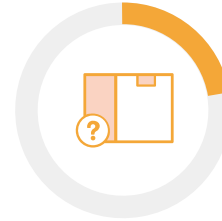
"I have done these type of things when I was an active drug abuser ... it's a very common way to make money... now I believe it's not right period... for any reason"



42.4%
Blamed retailer for damage consumer caused



26.2%
Falsely reported damaged item



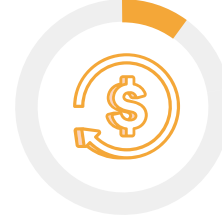
24.1%
Falsely reported item not received



30.9%
Bought & returned item purely for the gift with purchase



21.7%
Intentionally shipped back the wrong item



10.6%
Reversed charges on legitimate purchase



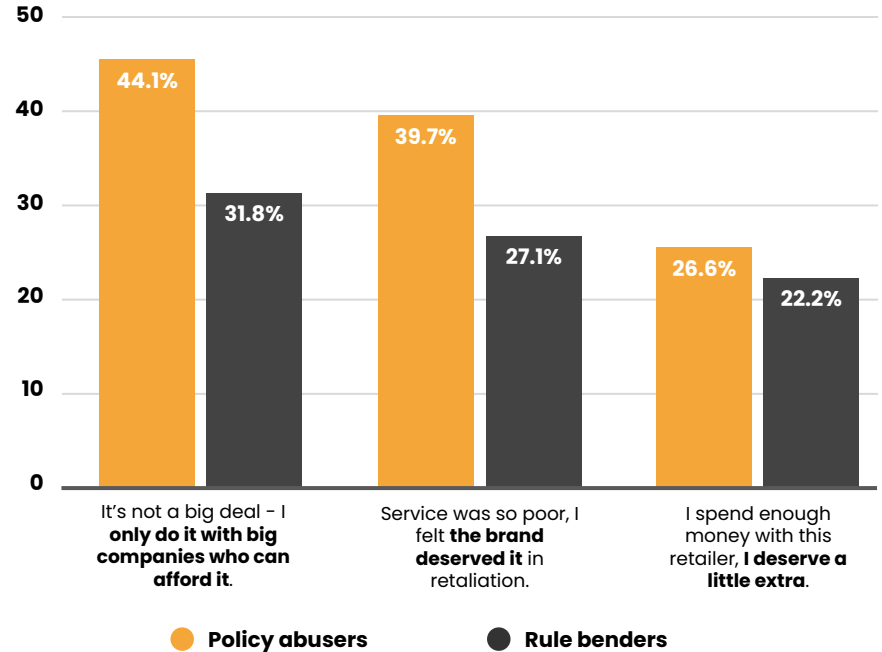
Policy abusers are more likely to justify their actions by demonizing the business.

"They will claim it back in their Tax Returns"

"You have insurance"

"If I get a free gift with purchase and I'm returning the purchase, I'm not going to return your "free" gift, that probably cost the company less than a dollar."

Reasons for policy abuse



Nearly 60% of those who abuse policies are in the UK, but those in the US are more active.

About 58% of policy abusers are in the UK but only 20% admit to doing it more than once or twice. But the 42% of them in the US are doing it at a much higher frequency—a whopping 43% admit to doing this more than once or twice.

Overall, these consumers are most likely to be struggling financially, which seems to contribute to their behavior.



58.2%

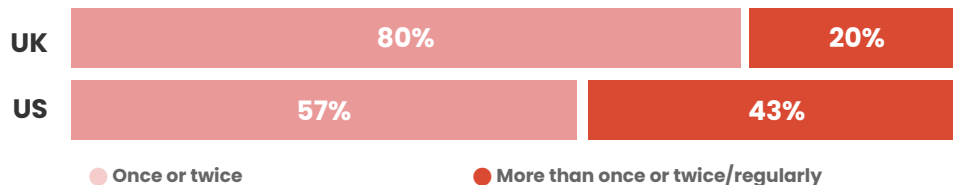
UK policy abusers



41.8%

US policy abusers

Frequency:



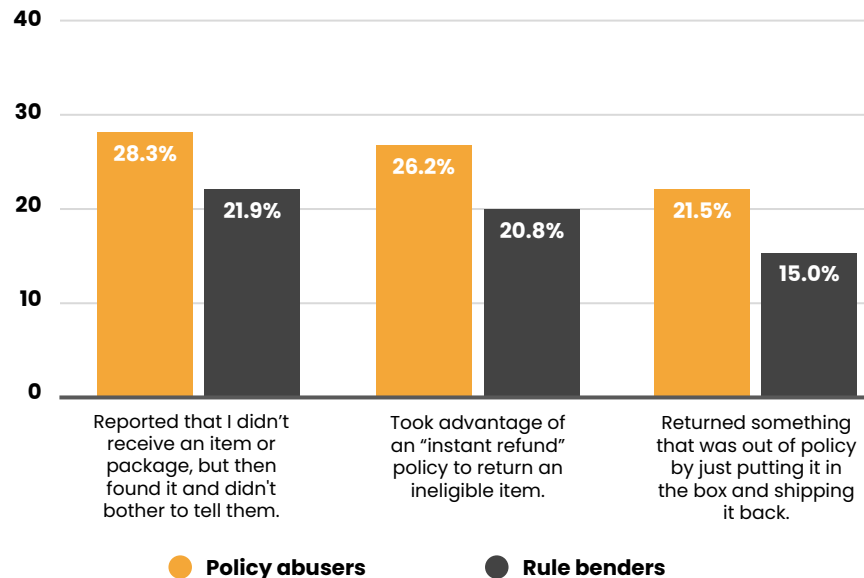
They're also more likely to take advantage of return policy loopholes.

Those who intentionally lie about missing or damaged packages also take advantage of more casual opportunities like accidental duplicate shipments, instant refund options, and making ineligible returns.

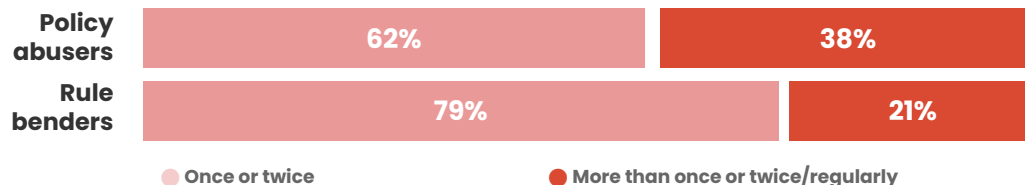
They're also doing it much more frequently: 37.6% admit to doing these things more than once or twice vs. 21% of all those who bend the rules.

"It's too much of a pain to try and return something if I received it by accident. I feel like that's the retailer's oversight, not mine, so why would I put in extra work?"

Common return policy exploits



Frequency:





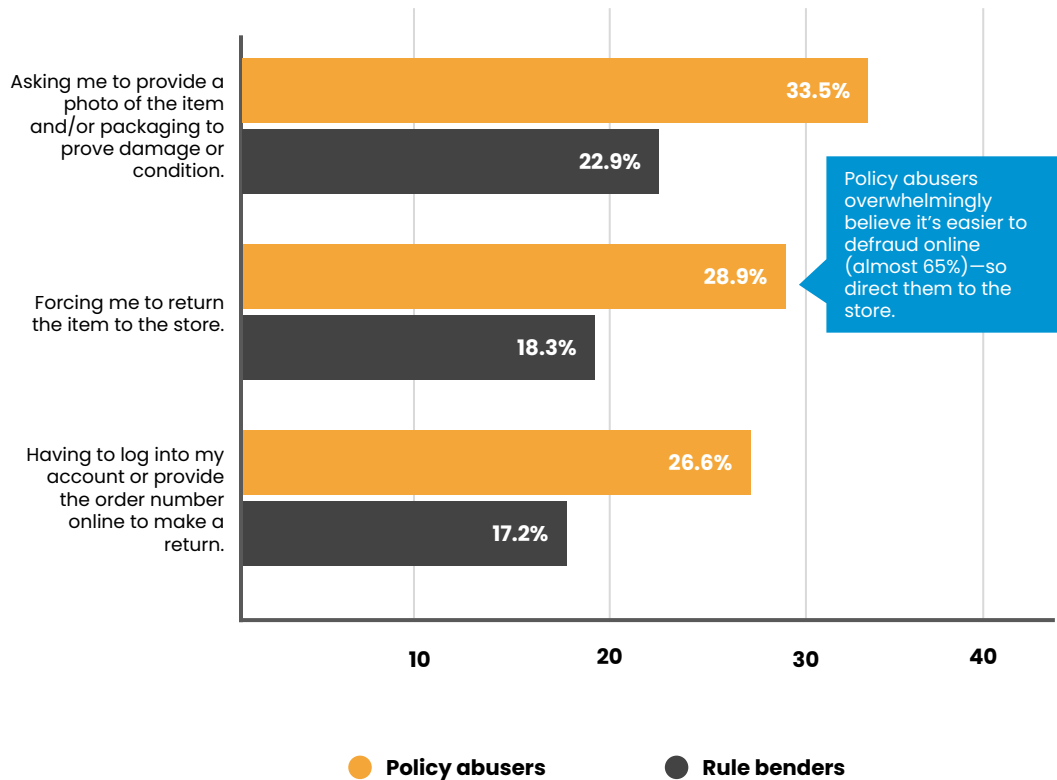
However, policy abusers are more easily deterred from bad behavior with simple measures.

As opposed to those who bend the rules who are motivated by convenience, those who commit policy abuse are far more likely to respond to adding a bit of friction into the system:

- requiring a photo upload to prove damage
- insisting the return be made in-store
- requiring they log into their account or provide the order number to make a return

In fact, only 6% of policy abusers said none of the measures we proposed would deter them from bending the rules vs. 15% of more casual rule benders.

What would prevent you from doing this?





**Wardrobing turns every retailer
into a rental service.**



Wardrobing—the practice of buying items to use once or twice and returning them—spans categories.

“Craft item that I needed for a project at uni when I was a poor student.”

“I was abroad and couldn't find a printer”

“It was a tool i have never needed b4 and never needed again. used it once for 15 secs”



Garment for special occasion

42.5% US
53.1% UK



Household item

39.3% US
27.4% UK



Beauty products

18.6% US
22.5% UK



Jewelry or luxury item

17.9% US
17.1% UK



Luggage for trip

18.6% US
13.1% UK



TV for big game

17.5% US
12.2% UK

Men are heavier wardrobers than women.

Women are much more likely to wardrobe garments than any other type of item, whereas men are equal opportunity wardrobers across a greater variety of categories.

Men are also doing this more frequently: 44% of men admit to wardrobing more than once or twice versus 32% of women.

"I used to buy a sump pump every year to drain our pool. I'd then clean it thoroughly, pack it up as good as new and return it."

Average number of wardrobing categories:

1.7x
Men

**#1:
household item**

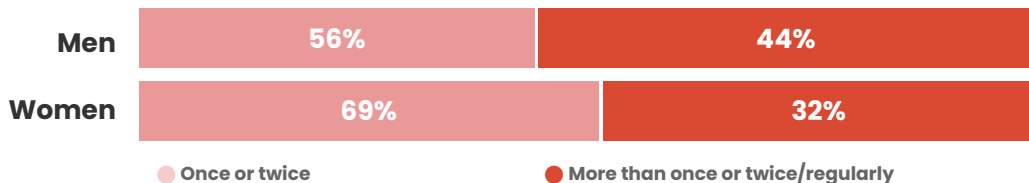
42.5% - household item
36.2% - garment for special occasion
22.4% - cosmetics or beauty products
18.1% - jewelry or luxury item
18.5% - TV for a big game or event
21.3% - luggage for a trip
8.7% - other

1.5x
Women

#1: garment for special occasion

57.6% - garment for special occasion
25.7% - household item
18.5% - cosmetics or beauty products
17.0% - jewelry or luxury item
12.0% - TV for a big game or event
11.2% - luggage for a trip
4.4% - other

Frequency:



Wardrobers selfishly seem to view retailers as their personal rental services.

"I was cold and needed a coat while out"

"It's a product that is meant for years of continuous service. I only needed it for four hours once a year."

"It was for a specific thing not for life"

Wardrobers don't feel a responsibility to purchase & keep items they want if they won't be used frequently. Their number one reason is "they can't afford it"—though clearly they can, as **this group is more financially secure than average.**

I can't afford these one-off purchases.	30.6%
It doesn't make sense to buy something and keep it if I'm only going to use it once or twice.	20.6%
Service was so poor, I felt the brand deserved it in retaliation.	19.3%
I spend enough money with this retailer, I deserve a little extra.	19.1%

Wardrobers justify this behavior assuming that these items are not really "used" and can be sold again:

I am only using them for social media photos , so they're not really used.	22.3%
It's no big deal - the item will get sold again or used as a sample.	21.1%
I only do it with big companies who can afford it.	20.4%



Besides steering them towards true rental options, wardrobers may be deterred by threats of being banned.

Wardrobers know what they are doing is wrong, and are more likely to take advantage of big companies—23% said they wouldn't do this with a small brand. 28% actually said that their own conscience would prevent them from wardrobing—but obviously it hasn't yet!

The best course of action to prevent wardrobing is to be vigilant about identifying serial wardrobers and warning them about repercussions. Retailers can start by reducing perks like instant refunds back to original tender, and escalate quickly to blacklisting.

Certain **incentives** or options may prevent wardrobing:

If there were a convenient rental option instead.	26.0%
If a brand gave me perks or rewards for being a loyal customer .	20.2%
If I felt the brand really cared about me or trusted me .	16.4%
If the brand made it easier to make a return or exchange .	16.4%

Deterrents include potential punishment if caught:

I'd worry about getting banned or blacklisted from that store if I did it too much.	20.0%
I'd worry about getting flagged by my credit card company or having it impact my credit score .	18.7%
I'd worry about getting arrested/ legal repercussions .	16.4%



**What retailers can do to
prevent returns leakage.**

Focus on plugging the holes in the online channel.

Perhaps due to the faceless nature of ecommerce, **abusers overwhelmingly feel it's easier to game the system online.** With the continuing shift towards ecommerce, the potential losses are only amplified.

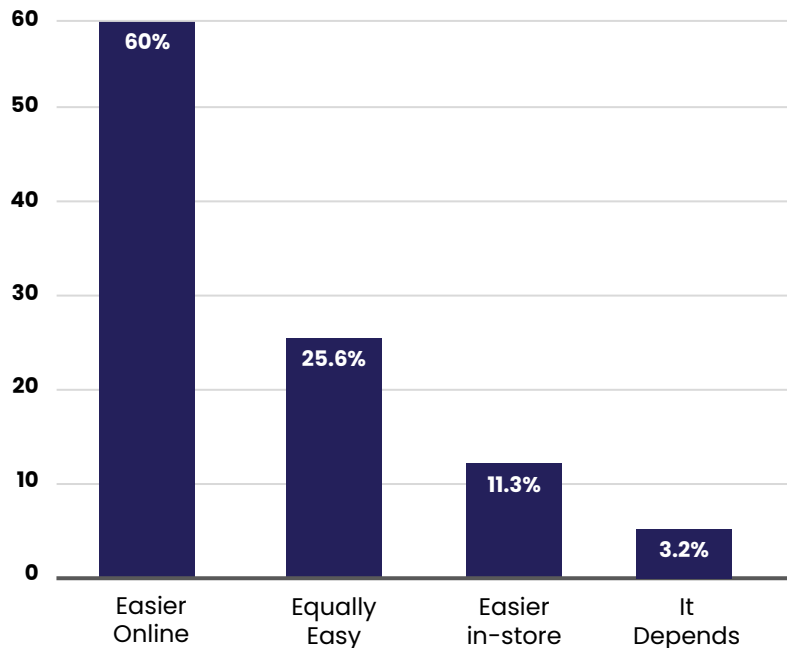
However, **retailers can personalize the online experience at scale** using automation to deter abuse once they know [what to look for](#).

On the flip side, for the 35% of policy-abiding customers, you can also personalize the experience to reward and incentivize loyalty. See [our article in Forbes](#) for how to treat these customers.

"online unless you get a store employee who doesn't care. they don't want to deal with you and give you whatever you want so you go away."

"Some people know how to manipulate machines, others know how to manipulate people. So both are fair game depending on the case."

Is it easier to abuse online or in-store?





Playbook to close return loopholes

By personalizing the returns experience to fit different personas, criteria, and signals, you can curb abusive behavior while rewarding good behavior and VIP customers.



Assess your exposure and identify areas of focus:

- ❑ **Analyze your unique returns fraud profile** to understand trends and biggest areas of leakage. Which types of abuse are most common or high volume for you?
- ❑ **Keep in mind the spectrum of customers from VIPs and loyalists to frequent abusers**, and develop a plan based on large segments and common characteristics.
- ❑ **Use levers including return options, timing and tender of refunds.** Instant refunds or [keep-the-item returns](#) should be reserved for the best customers; those with a pattern of abusive behavior may need to wait until the return is validated or offered store credit instead of a cash refund.

Tune your policies, using incentives and deterrents to steer desired behavior:

- ❑ **Expand convenient returns options** to offer more drop-off locations or add home pickup. Make it easier for the customer to report and return extra items or packages.
- ❑ **Add more checkpoints in key areas** such as requiring a photo upload to prove damage, directing suspicious returns in-store, and letting wardrobers know you're paying attention with reduction of benefits quickly escalating to blacklisting.
- ❑ **Reward customers who deserve it** with trust and benefits that recognize their loyalty and honesty.

Automate these personalized return journeys at scale:

- ❑ **Set up rules-based automation to personalize the returns experience based on your mapping.** Your return platform provider should be able to help you with this.
- ❑ **Do a quick real-time data call to your database, credit bureau, or fraud prevention provider** during a return to determine customer status and history. If there's a high potential for abuse, steer accordingly.
- ❑ **Bear in mind there is no silver bullet, so test and learn** to find the right mix of convenience and friction that reduces abuse but doesn't alienate your best customers.



Methodology

This study captured sentiments through an online survey conducted in April 2022.



2,104 consumers

1,076 in the US
1,028 in the UK



**Returned at least one
online purchase
in the last 6 months**



72% financially secure

14.4% has extra funds
57.2% comfortable
28.4% scraping by



60% female
40% male



18-65 years old

8% 60+
31% 45-60
35% 30-44
26% 18-29



50% suburban
30% urban
20% rural



Narvar is on a mission to simplify the everyday lives of consumers.

Narvar pioneered how brands engage with consumers beyond the “buy” button through branded order tracking, delivery notifications, returns and exchanges. Today, Narvar’s comprehensive Post-Purchase Platform empowers 1200+ of the world’s most-admired brands including Sephora, Patagonia, Levi’s, Sonos, Warby Parker, Home Depot, LVMH, and L’Oréal to deliver transparency, build trust, and grow customer lifetime value. Recognized by Fast Company multiple times as one of the most innovative companies, Narvar simplifies the everyday lives of consumers.

For more information, visit narvar.com.

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