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Amazon Sellers Plagued by Surge in Scam Returns

Merchants receive junk instead of returned purchases, a sore point as they say Amazon's policies favor customers

By [Sebastian Herrera](#) [Follow](#)

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Nicole Barton, one of the millions of merchants who sell products on [Amazon](#) AMZN **0.82%** ▲ .com, had to rebuild her business after a peculiar sort of theft became overwhelming.

Her online store, where she sold clothing and apparel, was overrun with fraudulent returns. Amazon shoppers regularly switched Coach wallets for no-name dupes and Nike football cleats for flip-flops.

She tried to get Amazon's help, but filing complaints became a hit-or-miss process. She eventually changed her inventory and now sells consumable products like pet supplies, which has significantly reduced theft.

"A lot of people don't realize they are affecting small businesses when they do that," Barton said of return fraud.

Amazon has built one of the world's most efficient delivery systems. Yet people regularly ship junk back to sellers and claim they are returns, often with little to no penalty, merchants say. Amazon has long believed in a system based on pleasing customers above all, including easy returns, but that ethos has hurt the merchants who make up most of its online sales.

Return theft represents one sore point in what has become an often contentious relationship between Amazon and its independent sellers. The Federal Trade Commission's continuing lawsuit against the retail giant deals in part with how the company treats its sellers. Amazon is also facing new competition for its merchants from other e-commerce firms.

An Amazon spokeswoman said the company has "no tolerance for fraudulent returns at Amazon." She said the company invests significantly in detecting and preventing fraud, including employing teams devoted to the issue, and that it provides sellers resources to report abuse and receive reimbursements.

The National Retail Federation says return fraud has become a "major issue for our industry." About 13.7% of returns in 2023 were fraudulent, accounting for \$101 billion in overall losses for retailers, the federation said. As more consumers have adopted online shopping, return theft has become prevalent and Amazon hasn't done enough to stop it, sellers said.

Barbara Boschen sells household items but has received TV cable boxes and used soap bars. Jess Nepstad, who sells outdoor coffee products like a travel French press, said he has gotten back Christmas ornaments and toy planes. Kevin Fox, also an Amazon seller, received used dog-nail trimmers for what should have been human nail clippers.

Another merchant who sells hair gel said one shopper sent back gel that didn't match the texture or color they sell and that also appeared to have been used. One merchant who sells Nike hats received back a used, non-Nike hat with what looked like a Nike sticker from the original hat.

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“I accept that returns are part of doing business, but I don’t think we should be held responsible for people who think they’re getting one up on Amazon, and it’s really us,” Boschen said. Some sellers said they see scam returns weekly.

Sellers count on Amazon to recover money lost from scam returns. But they say the time and effort required to submit a retail-theft claim isn’t often worth it because it can take weeks to be processed, and even if Amazon accepts it, the seller might not get the full amount back for what the item costs. Many times, sellers say they just take the loss.

Theft comes both from networks of thieves as well as individuals who knowingly scam

retailers. The frauds can happen in several forms, such as returning used items or shoplifted items or counterfeit products.

As the nation's largest online shopping platform, Amazon is a big target for return theft. The company doesn't disclose the overall financial impact of the phenomenon. Online forums coach people on how to make a fraudulent return.

Amazon said it works with law enforcement to investigate and catch illegal activity involving its retail operations. The company last year sued an international organization named REKK, which Amazon claims systematically worked with customers and employees to steal millions of dollars through fraudulent refunds. Amazon also now uses some tools that it says better track products as they go to customers and can detect stolen items.

Sellers say it isn't enough and that the changes are mostly beneficial to shoppers. Some have asked for Amazon to create more friction for customers by giving merchants more control over verifying returns before a refund is processed.

When people send back packages, they can box them up themselves and drop them off at locations such as UPS. Shoppers typically have to pick a reason for their return but aren't required to provide much detail or prove what is in a package. Amazon starts processing refunds almost immediately.

Those who sell clothing and apparel or high-price items such as electronics can be particularly at risk.

There have also been cases where Amazon accidentally repackages a faulty product during a return, sends it as new to another customer, and the seller gets in trouble for it.

For merchants, return theft is an example of what they see as broad indifference from Amazon. The FTC lawsuit says Amazon [takes one of every \\$2](#) that an independent business makes from its website. It also argues that Amazon forces its sellers to use its logistics and advertising services to achieve success on the platform. Amazon has said the lawsuit is flawed and that it has been a trusted partner for millions of sellers.

Addressing the problem is likely to remain a challenge for Amazon since easy returns are a core aspect of its attractiveness to many customers.

Some shoppers buy a case of products, like deodorant sticks, and take one before returning the rest, Amazon sellers say.

At an executive meeting around 2004, someone asked Amazon founder [Jeff Bezos](#) how the company would handle bad actors in the returns process, according to Cayce Roy, a former vice president at Amazon.

Bezos said that above all, the company would have to put customers' needs first when it came to returns and that it should be smart enough to use its systems and data to catch bad

actors.

Balancing the needs of sellers and customers was easier then, Roy said. But as Amazon has grown into a massive online store and become more automated, that has become more difficult.

“Amazon is now working with unprecedented scale,” said Roy, now chief executive at e-commerce fulfillment company Standvast.

Amazon’s relationship with its sellers is in some ways more critical now than ever. The company is facing competition from newer e-commerce entrants such as TikTok and Temu. Temu [has targeted U.S.-based merchants](#) to expand its business.

TikTok has been spending heavily to build a logistics operation and tried to lure Amazon’s sellers. Temu has grown rapidly in the U.S. by selling bargain items and [has spent billions of dollars on advertising](#).

Amazon lowered some seller fees for cheap apparel items and is focused on [bolstering its quick delivery](#) to keep its advantage.

Write to Sebastian Herrera at sebastian.herrera@wsj.com

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Videos

