

## **Consumer Fraud: The Hidden Threat**

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Fraud is the cause of the failure of one out of every three U.S. businesses. When people think about fraud, they tend to focus on fraud by employees--theft, pilfering, lying about credentials. However, fraud by consumers--especially middle-class customers-- is a growing problem. While shoplifting has long been a concern, businesses now suffer losses from customers who think they are simply getting a good deal when they commit the following unethical actions:

#### Price-tag switching

Customers enter a store and find the item they wish to purchase. They then remove the price sticker and replace it with the sticker from a lower-priced item. In effect, they unilaterally decide to convert the desired item into an item on sale. At a price they set! Businesses are robbed of the price difference.

#### Item switching

In other cases, the customer wishes to buy an item but to do so in an altered form. Women frequently find that devious customers have switched the tops or bottoms of matched sets. A size 8 suit now has a size 8 skirt coupled with a size 10 jacket because someone else wanted a suit with a larger size 10 skirt. The customer has "customized" a suit at the expense of the store. For the store likely will find it difficult to sell the mismatched suit.

#### Returning used items

Some stores have generous return policies. They know that customers may buy an item, take it home, and then decide that they do not like it as much as they thought they did. Or, after purchasing the piece, the customer may discover a flaw in the item. There is nothing ethically wrong about asking for a refund under these circumstances. It is, however, a form of fraud to purchase a cocktail dress, to wear the dress to a party (thereby getting the desired value out of the dress), and then to return it for a refund. To combat this deceit, many stores now will accept only returns that still have the original price tag attached. Even this policy has proved inadequate. Customers simply tuck the price tag up the sleeve and wear the garment anyway. Stores now are attaching price tags to the fronts of dresses in order to make it impossible to wear and then return the garment.

Consumers have become so brazen that some are urging this fraud as a way to cut wedding costs. One bride advocated buying the bridal gown, bridesmaid dresses, and tablecloths, hiding the price tags and then returning them all the day after the wedding. Her strategy hurts not only the stores but all the other consumers of wedding goods. The thief relies upon the basic honesty of other purchasers who pay the stated price, keep the stores in business, and thus make the goods available for unethical customers like her. If many people were to adopt this bride's strategy, other would-be brides would find themselves out of luck when it comes time to plan their weddings because many wedding businesses would have gone bankrupt.

#### Lying to get discounts

Businesses often offer special discounts for the very young or for retired persons. Stores can insist upon seeing the adult's ID before issuing discounts to the elderly. But, in the case of children, businesses typically rely upon parents to verify the child's age. Parents increasingly lie about the child's age in order to get a discount. These parents often could easily afford to pay the higher rate but delight in "getting a good deal." These fraudulent strategies may well become more common as falling prices on the internet

accustom people to low rates. If brick and mortar operations are perceived as charging too high a rate, customers likely will lie in an attempt to set their own prices.

#### Misrepresenting a purchase

Grocery stores are vulnerable to another type of fraud. The consumer claims to have purchased some cans of soup but not to have received the items. The receipt should show all purchased items. Yet sometimes the packer neglects to put certain items into the bags. Unscrupulous consumers will accuse the store of this type of oversight and insist upon having the item replaced for free. Since the item was never purchased, the store loses the purchase price. In this case, the consumer steals from the store by taking advantage of the store's reluctance to confront customers in a case that truly may involve a not uncommon oversight on the store's part. The above strategies clearly involve using some form of deceit with a view to defrauding the store or vendor. Middle class consumers engage in other behaviors that push the ethical envelope.

#### Altering the terms of the sale

When customers buy an item they implicitly accept the stated terms of the sale--e.g., the given price and the refund policy. Yet, customers attempt to alter these terms in several ways. They may bring back goods and demand a refund after the refund period has expired. Or they may discover that an item they bought earlier in the week has now gone on sale, and they may insist upon getting a rebate. On the one hand, customers are asking for the same treatment given "preferred" customers who are allowed to return items long after the exchange period has elapsed. On the other hand, it is the store's right, not the customer's, to decide who qualifies as "preferred." Furthermore, the customer who wishes to get a better deal is perfectly free to ask the salesperson whether the desired item is likely to go on sale and when. If the store shares this information with its salespeople, they presumably may pass it on to the customer. The customer then may wait for the item to go on sale. Of course, the item may sell out in the interim. But that is a risk the consumer assumes in exchange for getting a chance to get the desired item at a lower price. Given that the customer has her own legitimate strategies and options for getting a better price, she is not ethically warranted in trying to renegotiate the terms of the sale. She is trying to have it both ways: she wants the store to honor these terms yet she does not want to abide by these terms herself.

Almost every consumer knows of friends or family members who have performed one of the above acts. While we like to think that others are thieves, here is a case those of us in the middle class must turn our gaze upon ourselves. As Pogo used to say, we have met the enemy and he is us.