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Unhappy returns

Retailers encourage more communication with customers to avoid chargeback fraud

By Gene Park

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The old adage goes, "The customer is king," but the recession has forced some businesses to rethink that philosophy, sorting out the paupers from the princes.

When the recession hit, return fraud began to rise, many retailers reported.

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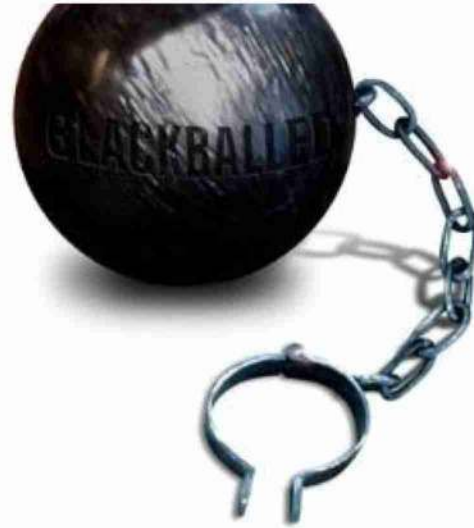


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charge but keeps the product.

The site was started to help businesses protect their profitability, said BadCustomer.com President Brien Heideman in Los Angeles. Since its inception, the Web site has created a growing database, which stands at about 7 million customers.

"We're not compiling that list to blackball these customers," Heideman said. "We're really trying to help educate the customers in the best way to deal with their issues with companies."

Businesses can check with the database to see if a customer has a history of chargebacks. Chargebacks, forcing a return of money through the customer's bank, are part of the Federal Reserve regulations to protect consumers. But Heideman said fraudulent chargebacks have been on the rise since the recession hit.

Chargebacks can cost businesses a pretty penny. Bank charges can be as high as \$2,500 for the merchant.

"So not only do they lose out on the revenue, they also have a loss on the product," Heideman said. "Times are certainly tight. Companies are doing everything they can to tighten their belts."

Communication is key in making sure your name does not end up on BadCustomer.com, Heideman said.

Heideman said the customer often might not know how to deal with the issue, just relying on the chargeback mechanism.

Nationwide the retail industry was projected to lose about \$9.6 billion last year due to return fraud, according to the National Retail Foundation.

Two-thirds of retailers changed their return policies last year to account for fraud, the foundation said. Many corporations now rely on large databases of deadbeat customers.

Among them is Los Angeles-based startup [BadCustomer.com](#). More than 1,000 retailers and online merchants use the site to keep track of customers known for return or "friendly fraud," when a customer disputes an online

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"If there's a problem like when you order something online, the biggest thing we encourage is to call the company and try and work something out," he said. "I understand the easy way is to do a chargeback and not deal with it, but you want that relationship with the merchant as well."

He said the businesses he works with all strive to give good customer service, and they would rather bend over backward to assist a customer than see another chargeback hit.

The national Better Business Bureau also offers tips for small businesses to defend against friendly fraud:

- » Businesses should verify the buyer's billing address before sending any merchandise. Some businesses have found that simply paying for an address verification service works well.
- » Use a shipper that tracks delivery. Some shipping firms provide signature confirmation as well.
- » Retailers who do not ship tangible items, but provide downloads or access to sites, should have a plan in place to deny access to products or services.
- » Clearly state your return policy, including any product guarantees, time restrictions, condition requirements or fees.
- » Be prepared to state your case to the credit card issuer. Keeping a thorough and organized record of the case, including delivery records and return policy, will increase your chances of a favorable resolution.

"Here's the Deal" helps consumers stretch dollars in these tough economic times. It runs every other Monday. E-mail **Gene Park** at gpark@starbulletin.com.

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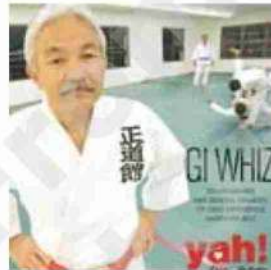
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