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Businesses expect retail fraud to grow

Economic downturn likely sends more thieves to darken stores' doors for holidays, experts say.

Jaclyn Trop / The Detroit News

When a major electronics manufacturer opened a box of returned merchandise and found a tombstone instead of a television, the discovery did more than sound a grim warning for retailers in recession -- it served as an omen of more brazen retail cons to come.

"In an economic downturn, more people get pushed into lives of crime," said David Perry of Cupertino, Calif.-based security software provider Trend Micro.

Holiday shopping amid a recession creates fertile ground for retail fraud against retailers and shoppers, Perry said. Desperation makes shoppers more likely to steal -- but also renders them more vulnerable to theft.

This recession, however, has a sharper bite than the downturns Michigan suffered during the early 1980s and the first Gulf War. "Back then, the Big Three had double their current market share," Farmington Hills-based retail analyst Kenneth Dalto said. "But the job market is different. People get desperate when they're not working."

In hard times, troubled retailers trim their security budgets, reducing the number of guards and anti-theft devices in stores and inadvertently opening the floodgates for fraud. In Michigan, professional theft rings are growing as more first-time swindlers join their ranks, according to experts.

Many of these amateur crimes will take place in toy stores, Dalto said.

"Emotionally, people won't be able to make the break from getting their children gifts," he said. "Christmas is everything for children."

In Metro Detroit, "all types of credit card fraud is increasing," said Officer Andy Breidenich, retail liaison for the Troy police department. Breidenich said that his department does not keep figures on the frequency or dollar amount of retail theft in the area.

Thieves are becoming more sophisticated, generating false gift cards with authentic barcode

information, he said.

J.C. Penney Co. saw a spike in shoplifting and "suspicious returns" at the start of the holiday shopping season, according to Denise DiPasquale, loss prevention manager for the store at Oakland Mall.

When people grab bundles of multiple items, "you know they're going to sell it because that's how they're surviving," DiPasquale said. "We've been hearing a lot of, 'I was going to sell it on the street so I could buy my groceries.' "

Liberal return policies, which retailers will implement this holiday season to gain a marketing advantage, will further aid criminals.

With more competition for consumer dollars, "stores don't want to risk offending any shoppers," said Peter Junger, president of Siras.com in Redmond, Wash., which works with manufacturers to develop systems to regulate returns.

More than half of retailers surveyed by the National Retail Federation said they planned to give consumers more time to return an item and allow exchanges without proof of purchase. Meanwhile, return fraud is expected to cost retailers \$3.5 billion this holiday season.

Innocent shoppers can get tangled in these schemes. When a professional band of thieves stuffed iPod boxes with ceramic fragments of comparable size and weight, retailers accepted the sealed packages without question. The "iPods" found their way back onto shelves, where they were picked up by unsuspected consumers, Junger said.

"The burden of proof is on them now," Junger said. "The legitimate customer is now being viewed as the bad guy. Then it hurts the stores because the customer ends up saying, 'I'll never shop here again.' "

Shopping is not any safer on the Internet, where bargain-hunters lower their defenses and take risks on unknown discounters. "Ordinary people are more likely to take a chance with their money," Perry said.

Security concerns take a backseat to the lure of a deal.

"People typically assume that because something says it's safe, it will be safe," said David Lamkin, president of Net Sense, a Web development and software company in Clinton Township. "When you're susceptible to identity theft, you don't generally know" until the damage is done.

Phishing scams, where criminals masquerade as financial institutions or Nigerian businessmen to obtain personal information, also are on the rise as shoppers roam the Web, credit card in hand. The concept resurfaces in tough economic times and has roots in a centuries-old scheme called the Spanish Prisoner, where thieves convinced their victims to supply money to help release a high-profile prisoner in exchange for a generous reward upon liberation.

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