CUSTOMER FRAUD AND BUSINESS RESPONSES: Let the Marketer Beware

KELLY TIAN
BILL KEEP

QUORUM BOOKS
CUSTOMER FRAUD AND
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This book is dedicated to Kent Smith, whose privately owned business enterprise is an icon of what we envision is the type of firm least susceptible to customer fraud—one that through the highly individualized treatment of customers creates personal relationships that voluntarily bind customers to the practice of honesty.
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In recent years managers of marketing organizations have increasingly complained that customer fraud is having a significant negative impact on profits. Marketing managers have observed evidence that customers steal or consume goods without payment, using strategies of deceit that bypass traditional deterrence efforts established for in-store shoplifting. However, they do not have specific information on the variety of fraudulent acts that customers commit, the methods that render these acts successful, and reasons customers commit fraud. Marketers in some industries, such as the insurance industry, are under directives from the federal government to devise ways to deter customer fraud.

The importance of understanding the nature, methods, and motivations of customer fraud lies in the burden that such acts place on organizations and the public. Beyond threatening the viability of marketing organizations, particularly those that operate on small profit margins, customer fraud costs the public. Customers pay higher prices for goods to cover marketers’ revenue losses attributable to customer fraud. Customers are deprived of new products that offer improved functional benefits because research and development resources are diverted from true innovations to the development of anti-theft devices. Honest individuals are often penalized when marketers, in an attempt to limit their susceptibility to customer fraud, institute policies that curtail benefits to all customers.

This book reports the findings of a study in which more than 250 middle- and upper-middle-class Americans told stories about actual incidents in which they used deceit to break rules or norms established by marketers, thereby gaining an advantage. These stories were written and returned to the authors anonymously in the mail. Allowing individuals to tell their
stories of customer fraud, rather than respond to a checklist, enabled the collection of honest descriptions of actual fraudulent acts. This is because, in telling stories, individuals could present their customer fraud acts from their points of view, explain what prompted them to attempt customer fraud, and tell how they felt afterward. The opportunity to gain the reader’s sympathy encouraged respondents’ honest reporting of how they “pulled one over” on a marketer. Analysis of the written stories resulted in the fullest cataloging and richest description to date of customer fraud acts and the methods that customers employ to secure their success. The stories also revealed explanations for why customers consider committing fraud and then repeat this behavior, often telling other consumers about their experiences.

The intended audience is individual marketing practitioners, including managers and employees of retail and service organizations and of retail security and loss-prevention organizations. These practitioners are provided insights into a variety of new customer fraud strategies, receive information on vulnerabilities in their current marketing strategies that render them susceptible to customer fraud, are informed of the reasons customers commit fraud, and are warned that customer fraud appears to be achieving status as a socially acceptable behavior that individuals are willing to share with friends. Drawing from these insights, the book presents practitioners with an arsenal of detection and deterrence strategies aimed at combating customer fraud, and guidelines for implementing them in ways that do not alienate customers. The stories reveal that customers commit fraud as a form of resistance to modern business practices, many of which they perceive to be unjust. Thus, the book emphasizes recommendations for how to satisfy customers’ needs that give rise to fraud acts, improve customer relationships, and reestablish trust in marketing exchanges.

We believe the book will also be of interest to academic professionals conducting research or teaching in the areas of ethics, criminology, marketing, and sociology. Bringing together the multitude of individual customer fraud acts into the collection presented here results in a surprising, even shocking picture of customer behavior in a highly industrialized and economically wealthy society. Although we address the ethicality of customer fraud behavior and its ties to current cultural trends in the introductory chapters, we view this work as an invitation to open public discussion of the place of truth-telling in the marketplace.

As an overview of the book, the chapters in Part I lay the foundation for understanding customer fraud. Chapter 1 introduces middle-class customers as the new fraud offenders and documents the need for candid reports of customer fraud activity. The chapter then describes the data that we drew from in compiling the book’s findings, introduces the notion that customer fraud is a special class of consumer resistance behavior, and concludes with a discussion of the ethicality of the customer fraud acts uncovered by the study. Chapter 2 is introduced by offering a conceptual definition of
customer fraud that clarifies the requisite conditions for an act to constitute customer fraud. This clarification is then followed by discussion of the cultural, legal, and societal forces that provide the broader context in which customer fraud behavior has become commonplace. Key among these is the modernization of businesses that has created both opportunities and motivations to commit fraud among middle-class Americans. Chapter 3 introduces the notion that customer fraud reflects a specific form of consumer resistance to modernized business practices. This chapter is introduced with a brief discussion of the origins of consumer resistance, after which consumer resistance is described in terms of its characterizations, goals, the role of employees in preventing or favoring it, and businesses’ co-optation of consumers’ resistance acts to create positive business outcomes. The case is then made that customer fraud has emerged at the same time other creative forms of resistance against modernized marketing institutions are becoming widespread.

Prior to Part II, those readers interested in aspects of the survey design that were engineered to secure honest responses on the sensitive topic are referred to the Appendix. The Appendix offers, in layman’s terms, the details of the research method and data source of the information that is presented in the book. The sample of middle- and upper-middle-class Americans is described, along with the method employed to get them to write elaborate stories about actual incidents in which they used deceit to break rules or norms established by marketers and thereby gained an advantage. Because the method was successful in eliciting honest and detailed stories of customer fraud, this Appendix has been included as a guide for those interested in studying related sensitive phenomena. However, other readers wishing to move from Chapter 3 directly to the description of the findings in Part III may do so without interrupting the story of customer fraud told in this book.

The study’s findings are presented in Parts II through IV. In Part II, more than 80 customer fraud acts that emerged from the data are described. The variety corresponds with recognition that forms of resistance are manifest in a myriad of customized, *bricolage* ("do-it-yourself") tactics (cf. Aubert-Gamet 1997, p. 32). These acts are organized into seven areas of strategic interest to marketing managers. These areas reflect the elements of the marketing mix that customers have altered or appropriated in their resistance attempts to divert resources from marketers to themselves.

Part III discusses the reasons customer fraud acts succeed, first disclosing the practices marketers maintain that are vulnerable to customer fraud, and then elaborating the methods that customers have devised to target marketers’ vulnerabilities. Briefly here, the methods are lying, performance complaining (i.e., theatrical expressions of dissatisfaction), self-dealing, double-dealing, and conning. The description of these five methods reveals how customers reject marketing organizations’ structures that attempt to
control them in their prescribed role as “partial employee,” a role whereby customers are given responsibilities and perform tasks for the purpose of reducing the marketers’ costs. The structures that marketers set up to shift responsibilities from the organization to customers are revealed to be the very structures that customers use to pull off fraud schemes. For example, marketers set up equipment that encourages consumers to scan their own groceries, a role formerly fulfilled by employees. However, customers potentially recoup the cost of their labor by bypassing the scanner for some items.

Part IV explains why middle-class customers consider committing fraud and then repeat this behavior, often telling other customers about their experiences. Four chapters are ordered in a sequence reflecting the dominant process of committing customer fraud whereby: (1) various aspects of the marketplace lead customers to perceive that marketers do not offer certain desired goods, a given exchange is unfair, or the marketer is opportunistic, and these in turn result in dissatisfied, frustrated, or resentful customers, (2) these negative feelings prompt consideration of available resources with which they can “pull off” a fraud scheme (notably, some of these are resources manufactured by the marketer), (3) the subsequent customer fraud behavior is followed by feelings, which surprisingly are more often positive emotions such as “satisfaction with the ‘customized’ offering that was obtained,” “pride in having resolved a consumer problem,” and “duping delight” (i.e., delight in having “pulled one over,” Ekman 1985), and finally, (4) individuals construct justifications for their commission of customer fraud that involve various ways in which fraud acts restore fairness to an exchange that otherwise would be skewed in favor of the more powerful marketing organization. Additional processes are recognized that are prompted by customers’ perceptions that desired luxury and leisure foods are unaffordable or that an opportunity to commit fraud has presented itself. The processes are discussed in terms of their correspondence with perviously recognized goals of resistance—“reciprocal deviance” (i.e., retaliation for an organization’s deviant acts), “direct equity restoration” (i.e., diversion of resources as a self-awarded recompense for an otherwise disadvantageous exchange), and the reward of obtaining a customized offering.

The concluding discussion centers on the need for marketing organizations to remain attuned to the continual interplay between their establishment of new structures and individuals’ creations of new means to divert resources via customer fraud. Illustrations are provided of how customer fraud has emerged with new marketing formats, such as the Internet, and have evolved to keep pace with structural barriers that marketers put in place. Notably, a means of partial reprieve from this cycle is offered in recent work from the consumer resistance perspective. This perspective suggests that customers’ attempts to divert marketers’ rules, norms, and other structures can be “positive” if they can be used to improve the offering or
the process (Aubert-Gamet 1997). Thus, among the managerial insights stemming from the findings, emphasis is placed on the new marketplace offerings and exchange processes suggested in the stories. These offerings and processes could preempt customer fraud by satisfying needs or alleviating problems that individuals now resolve via acts of deceit. This means of customer fraud intervention comes closer to fulfilling the marketing concept—the business philosophy espoused by most marketing organizations whereby satisfying the consumer’s needs is paramount.
I

THE EMERGENCE OF CUSTOMER FRAUD ACTIVITY
LET THE SELLER BEWARE

MIDDLE-CLASS CUSTOMERS AS THE NEW FRAUD OFFENDERS

Retailers and manufacturers have voiced complaints that nonviolent forms of thievery, likely committed by middle-class adult customers, are contributing to revenue losses (see Lee 1996; Stevens and Chiem 1998). Goods are stolen or acquired at less than the marketers’ price in ways that are not detectable by deterrence plans and equipment used to discourage in-store shoplifting. The prevalence of dishonest customer activities is reflected in marketers’ implementation of new customer policies aimed at deterrence (see Lee 1996; Stevens and Chiem 1998; Tharpe 1996). As examples, Nintendo placed a 90-day time limit on merchandise returns from retailers after receiving returned boxes from customers who had filled them with soap, scrap metal, wood, or almost anything that would effect the weight of a game machine. L.L. Bean similarly adopted a time limit on returns when they discovered that customers were returning for full refund L.L. Bean merchandise they had bought at garage sales. Nordstrom began attaching the price tags for party dresses to the left breast of the outside of the garment after discovering that when price tags were attached to the sleeve, customers commonly wore the dresses with the price tags attached but tucked inside, to facilitate returning them.

Despite the implementation of these deterrence strategies, marketers remain in a quandary, trying to account for and minimize lost merchandise, unachieved profit margins, and unbalanced cash registers. Nationally, estimates of in-store retailers’ lost revenues that are attributable to customer dishonesty annually exceed $17 billion (Bird 1997). Customer dishonesty
also appears problematic for manufacturers as indicated by their implementa-
tion of new policies aimed at deterring dishonest customer behavior. Marketers of services have also reported problems. In the insurance indus-
try, for example, the estimated cost of dishonest claims filed by customers exceeds $79 billion (Brostoff 1996).

Identifying and describing customers’ deceptive acts—that, similar to other dishonest acts committed against marketers for personal gain, might appropriately be considered “fraud”—is a necessary first step toward deter-
terence aimed at reducing revenue losses. As will be discussed, although customer fraud has been examined in university-sponsored studies, the half dozen studies conducted from 1992 through 1996 identified only a narrow range of acts and motivations for customer fraud. Previous studies consistently found that Americans disapprove of customer fraud, are intolerant of such transgressions, and exhibit higher ethical standards than the popular press would have us believe (e.g., Dodge, Edwards, and Fullerton 1996; Fullerton, Kerch, and Dodge 1996).

This book presents the results of recent research that we conducted that differs from previous works on fraud. Our work documents the customer fraud practices of middle- and upper-middle-class consumers, the preferred target markets for many retailers and manufacturers. Our research more fully identifies the variety of customer fraud acts that individuals succeed at “pulling off,” uncovers customers’ motivations for practicing these forms of deceit, and explores their justifications. Because our examination of fraud against marketers focuses on the deceit practiced by the middle class, as opposed to merely shoplifting of adolescents and professional fraud artists that have been the focus of most prior works, new insights are offered into how businesses may devise strategies that combat customer fraud. These insights were gleaned by recognizing customer fraud as a form of consumer resistance to business practices of the modern era.

THE NEED FOR CANDID REPORTS ON CUSTOMER FRAUD ACTIVITY

Most training and trade books on retail security and loss prevention are limited in scope, not fully informing marketing managers about customers’ various fraudulent acts. These publications have focused instead on discussions of fraudulent acts committed by employees and “professional fraud artists,” generally described as individuals of lower socioeconomic status than the middle class and those who make their living by deceiving marketers. Through such publications, business managers have been equipped with an understanding of the types of fraudulent acts committed by employees, including schemes of shortchanging the cash registers, making fraudulent returns, and stealing. Also disclosed are the fraudulent acts of professional fraud artists that include acquiring goods with bad checks,
fraudulent credit cards, and/or counterfeit money, duping cashiers with quick change schemes, and returning shoplifted merchandise. Marketing organizations, legal authorities, and professional consultants continually update deterrence plans aimed at curbing fraud perpetrated by employees and fraud masters. However, such deterrence plans fail to protect against much of the customer fraud documented here.

Customer fraud is different from employee and professional fraud in that it is practiced by individuals constituting an organization’s target market—the business executive, schoolteacher, or homemaker. Because, as members of the target market, these customers have the financial resources to make a purchase, they are able to choose methods that differ from those of individuals who make a living committing fraud. For example, customers can commit fraudulent acts that require initial monetary outlays. They can also contrive sophisticated plans that bypass store policies, procedures, and legal penalties by violating specific honor codes that marketers trust customers will follow.

Unlike the practice of recording and disseminating to managers the specific tactics of fraud masters’ schemes, details of how customers commit fraud are sketchy. Uncovering these details has not been an objective of previous university-sponsored studies of customer fraud. Rather, studies have obtained adults’ ratings of the wrongfulness of a predetermined list of dishonest consumer incidents (e.g., Dodge, Edwards, and Fullerton 1996; Fullerton, Kerch, and Dodge 1996; Muncy and Vitell 1992; Rallapalli, Vitell, Wiebe, and Barnes 1994; Rawwas, Strutton, and Johnson 1996; Vitell, Lumpkin, and Rawwas 1991). The predetermined lists used in these studies identify only select sets of fraudulent acts that were in keeping with their respective research objectives. Specifically, prior objectives have involved examining fraud in specific contexts, such as in retail store environments (e.g., Cole 1989; Jolson 1974; Wilkes 1978; Zabriskie 1972) and purchasing situations where the buyer and seller are in direct contact with each other (e.g., Dodge, Edwards, and Fullerton 1996; Fullerton, Kerch, and Dodge 1996). Another research objective that has similarly limited identification is that of developing measurement scales for assessing ethical beliefs. In these studies the list of fraudulent acts consists of a small sample intended to represent the types of ethical judgments faced by consumers (Muncy and Vitell 1992, p. 300; Vitell and Muncy 1992, p. 588). More importantly, prior studies have omitted the use of consumers as sources for identifying various fraudulent acts with the result that the most successful acts (those bypassing managers and store security personnel) are likely unknown. The earliest study relied on reports of customer service employees from a single department store (i.e., Zabriskie 1972), Jolson’s (1974) subsequent study identified acts from interviews with six department store security officers, Wilkes’s (1978) later study identified acts from informal interviews with an undisclosed number of marketers, other studies report that
acts were developed by marketing ethics researchers and informed by prior research (Fullerton, Kerch, and Dodge 1996; Muncy and Vitell 1992), and remaining studies employed lists of acts developed in earlier research (see Exhibit 1). Notably, two studies have reported seeking incidents of customer fraud from students for the purpose of assessing whether areas of ethical decision-making were adequately represented by a list of acts constituting a measure of ethical beliefs (Muncy and Vitell 1992; Vitell and Muncy 1992). The finding that one-third of the situations offered by the students were not included in the list suggested to us that obtaining customers’ descriptions of fraudulent incidents could aid the understanding of this phenomenon.

At the outset of our research we also expected that motivations for customer fraud would be distinct from those of other categories of fraud offenders. Because middle-class adult customers are less motivated to commit fraud to survive economically, their motivations likely differ from those of professional fraud artists, who engage in fraud primarily for monetary or material gains (see Jackson 1994). Their motivations also likely differ from adolescent offenders, who have been found to commit fraud for reasons of peer pressure and excitement or sensation-seeking (see Cox, Cox, and Moschis 1990). Our review of previous studies revealed few attempts to identify consumers’ motivations for committing customer fraud. A couple of studies have explored relationships of subscales that are created from ratings of fraudulent acts with personality traits and/or attitudes toward business, government, and other people; however, the magnitudes of identified relationships have been weak (Rallapalli et al. 1994; Vitell and Muncy 1992). Notably, the variables explored as potential motivators of fraud were not those suggested by individuals committing customer fraud nor by formal theories of fraudulent behavior. Identifying customers’ motivations for committing fraud, in addition to being useful for developing deterrence strategies, should shed light on the problems that customers face in their exchange relationships with marketers. Equipped with this knowledge, marketers could attempt to resolve customers’ problems as a means of deterring fraud that does not alienate customers or negatively affect sales.

Customer fraud behavior also potentially differs from other categories of fraud with respect to the justifications that individuals present for their behavior. Such justifications would seem necessary for individuals to preserve a positive self-image. Professional fraud artists often view themselves as “outsiders” of society, such that engaging in deceit against marketing organizations is not viewed as rendering them any less accepted by the mainstream, and does not pose a conflict or threat to their self-image (see Jackson 1994; cf. Goffman 1963). In comparison, middle- and upper-middle class individuals who are target customers of marketers constitute the mainstream. Deceitful behavior could potentially render them “outsiders” if other members of the mainstream were to express disapproval of cus-
Customer fraud acts (see Goffman 1963). Notably, consumer samples drawn to represent the national population have evaluated acts involving deceit as “wrongful” or “unethical” (Dodge, Edwards, and Fullerton 1996; Fullerton, Kerch, and Dodge 1996) when not provided with an opportunity to explain circumstances that might render the acts “understandable.” Thus, to combat seeing themselves as outsiders, customer fraud offenders would be expected to develop justifications, not only to preserve their self-image but also to promote the acceptability of their behaviors to others in their social group.

Candid reports on customer fraud activities, including motivating factors and the justifications for practicing deceitful behavior, provide the foundation for devising effective strategies for dealing with customer fraud behavior. Because unlike some other categories of fraud offenders, customer fraud offenders constitute businesses’ target market, deterring customer fraud is potentially more strategically complex. Marketers are challenged to prevent customer fraud in ways that do not lower profits or sales.

In the past, some preventive measures have been misguided in their presumed effect and have resulted in lawsuits. For example, with the increase of “get tough on fraud” policies among retail stores, chain corporations such as Dillard’s department stores, Eckerd, Eddie Bauer, Kmart, Wal-Mart, and Zayre have lost civil lawsuits charging false imprisonment, malicious prosecution (Keckeisen 1993), and/or race discrimination (Holmes 1997). Although written guides have recently emerged to aid retail executives in the prevention of shoplifting without getting sued (Budden 1999), a similar guide is needed that covers a broader spectrum of middle-class customer fraud acts and the sensitive deterrence issues associated with them. Guides for customer fraud deterrence likely will be less able to rely on protection provided by legal statutes. This is because, as Budden (1999) points out, retailers must be able to demonstrate that they had “probable cause” for detaining an individual suspected of theft to be exempted from civil suits, as allowed by the conditional privilege of merchant protection statutes. However, as will be shown in the chapters that describe customer fraud acts in detail, many of these acts lend themselves to establishing “probable cause,” and require new security measures for the collection of this evidence. For other customer fraud acts, no conceivable security measures would ever assist in establishing probable cause.

Some previously employed preventive measures that have reduced losses due to customer fraud have had the unintended consequence of reducing sales. Polaroid Corporation found that they lost impulse sales when retailers began keeping Polaroid film under lock and key as a security measure (Deutsch 1998). Still other preventive measures are avoided because of concerns that they will negatively affect customers’ view of the firm’s service quality. For example, detection of false insurance claims, which requires iterative questioning of customers who submit claims and independent
Exhibit 1
Types and Variations of Customer Fraud Acts

Product Acquisition Fraud
Shoplifting
- walking out with merchandise hidden on one’s person
- walking out with merchandise openly displayed on one’s person as if owned
- lying to the cashier about the quantity of identical merchandise being purchased
- placing extra merchandise inside package of paid-for merchandise so it will not be scanned
- consuming food items while in the store and leaving without paying
- failing to return to pay for merchandise when one inadvertently walks off without paying

Covertly Rebanding Packaged Merchandise
- swapping individual complimentary components sold and priced together as one product with components of other goods to obtain customized product without purchasing two sets of the same type of good
- self-assorting merchandise packaged in multiple units of identical goods to obtain variety at the same price per unit or at a lower price per unit
- re-assorting goods packaged as “variety packs” to obtain a uniform pack at the same price per unit

Covertly Manipulating “Set” Price Information of Merchandise
- switching price tags of two goods to purchase desired product at lower price
- scratching off top price to receive older, lower price
- swapping the boxes of two goods so that the lower bar-coded price will be scanned
- hiding good merchandise to negotiate a lower price on identical type but damaged merchandise
- removing price tags from merchandise and attempting to negotiate a lower price as if it’s unknown
- switching price tags on merchandise and having an accomplice pay for a desired item at the lower price

Product Return Fraud
Returning Store Merchandise to Retail Stores Under False Pretenses
- buying with the intention of “borrowing” for a short term and then returning merchandise for full refund
- returning an old, used, or damaged product as if newly purchased to obtain a refund or replacement
- misrepresenting the way in which a returned product was broken when caused by consumer misuse
- returning merchandise for full price and intentionally not disclosing that it was purchased at a discount
- buying undesired “on-sale” versions of a brand and returning to obtain desired version at the sale price
- returning new or used merchandise once it goes on sale to obtain identical merchandise at the sale price
- returning merchandise to a different retailer
- claiming warranty on goods acquired in a resell market
- “performance complaining” or arguing obviously unallowable returns to encourage the manager to acquiesce
- capitalizing on variation in salesclerks’ enforcement of return policies when a claim is initially denied

Returning Merchandise to Manufacturers Under False Pretenses
- using a warranty on a used product to obtain a replacement that is returned to a retailer for full refund
- intentionally damaging a product after use and returning it as a manufacturer’s defect to obtain a replacement
- gathering old merchandise from various sources and returning under false identities to claim multiple products
- “performance complaining” to secure products without payment

Services Acquisition Fraud
Covertly Violating Norms or Rules of Service Contracts or Memberships
- faking ownership of a service contract or membership
- faking qualifications to obtain a service, service contract, or membership
- buying a long-term service contract to cover needs of an occasion and then canceling when the bill is received
- covertly breaking the rules of an existing service contract

Covertly Violating Norms or Rules Established for Noncontractual Service Transactions
- violating “pay-per-consumption” norms (e.g., filling water cup with soda at a self-service drink stand)
- violating “pay-per-person” norms (e.g., avoiding per-person surcharges on hotel rooms)
- violating “pay-per-position” norms (e.g., avoiding fees for reserved seating that is not used)
- “performance complaining” to avoid standard fees (e.g., exaggerated or contrived displays of dissatisfaction)
Exhibit 1 (continued)

Fraud in the Use of Sales Promotions

Missusing Coupon and Rebate Offers
• redeeming coupons or rebates for wrong merchandise
• redeeming expired coupons
• reusing coupons rather than rendering them to the retailer upon usage
• faking ownership of coupons intended for others in the marketers’ target market

Missusing Discount Offers
• falsely claiming a status upon which discount eligibility is based
• “performance complaining” to secure discount benefits unintended by the marketers’ discount offer
• patronizing a retailer with the intention of abusing their discount offer

Taking “Unintended” Advantages of Promotional Gift Offers
• taking advantage of “limited to one per person” sales promotion gifts on a repetitive basis, often via the use of false names and addresses or multiple visits to the store
• accepting free gifts offered for initiating a service under false pretenses
• swapping “give-away” gift promotions from intended product to desired product
• accepting gifts contingent upon willingness to listen to a sales pitch, and then not attending the sales presentation

Fraud in Dealings with Marketers’ Negotiators

Deceiving Sales Negotiators
• using “bait and switch” tactics that involve committing to a larger quantity sale to obtain discounted pricing from the negotiator, and then making a planned purchase involving a smaller quantity
• planning to capitalize on sellers’ pricing errors by requesting price quotes from various sellers of the same organization in expectation of a favorable pricing mistake
• obtaining information from a sales representative, from whom the purchase knowingly will not be made, for the purpose of using it to negotiate a better deal with a salesperson of a different organization
• contriving decision making criteria that are not satisfied by the marketer’s product to negotiate a lower price

Deceiving Insurance Claims Negotiators
• inflating the value of or amount of an otherwise legitimate insurance claim
• contriving a property insurance claim (i.e., faking a theft of nonexistent, lost, or unwanted property)
• falsely reconstructing the process of incurred harm so that it is covered under an insurance contract

Fraud Committed with Employee Accomplices
• returning merchandise that was purchased by an employee at an employee discount for a refund at the full retail price
• obtaining “free” or discounted goods from employees and reciprocating with larger than usual tips

Fraud Capitalizing on Marketers’ Pricing, Collection, and Distribution Errors
• paying the labeled price on merchandise that obviously possesses an erroneous price tag without notifying the store
• failing to correct employees’ billing or change-making mistakes that benefit the customer
• accepting and using incorrectly delivered products without payment to the marketer
verification of the value of losses, is given a low priority so a company can concentrate on customer satisfaction. Customer satisfaction is achieved by paying claims quickly with a low level of interference (Grove 1995). The result has been escalating losses due to customer fraud that executives are uncertain how to combat.

Government and consumer protection organizations that effect changes in public policy also need information useful in deterring customer fraud. At stake for these latter organizations are the costs of customer fraud to the consumer public at large. Fraud lowers business revenues, which in turn lowers the amount of taxes generated to fund public services. Lost income taxes have been estimated to be between several hundred million dollars and as much as $1 billion annually (Budden 1999). Individuals pay higher prices for goods to cover marketers’ revenue losses attributable to customer fraud. In illustration, the American Insurance Association estimates that falsified insurance claims account for 25 cents of every dollar that consumers pay in premiums (Hartnett-Barry 1996). In the absence of strategic insights into deterring customer fraud, marketers institute policies that limit their susceptibility to dishonest acts but at the same time penalize honest individuals. As a case in point, a number of health insurers have implemented a policy to deny cosmetic surgery expenses to avoid abuse by doctors and patients seeking coverage for “vanity work,” though the policy indiscriminately denies the corrective surgery expenses of children with facial deformities, women who have had mastectomies, and accident victims with scars and burns (Jeffrey 1998). Finally, customer fraud results in suboptimal resource allocations within society. To allocate research and development resources to the innovation of anti-theft devices that are attachable to their products and packages, manufacturers such as Polaroid are diverting resources away from innovations that would provide new or improved functional benefits to consumers (Deutsch 1998). Greater understanding of the variety of customer fraud acts and customers’ motivations and subsequent rationales should suggest ways in which government agencies and consumer-advocate organizations might partner with businesses in deterring customer fraud.

OVERVIEW OF THE BOOK

This book fills the gap between the little that is known about customer fraud and what marketers and public policy makers need to know. It reports the findings of a study of customer fraud acts committed by middle- and upper-middle-class Americans. Our research produced in-depth descriptions of the variety of fraudulent acts that customers commit, deep understanding of the background factors influencing customer fraud, and, identification of the justifications that middle-class customers offer in defense of their deceitful practices. These findings culminated in recognizing
customer fraud as a form of consumer resistance to modern market practices. That is, individuals practice deceit to obtain customized offerings that otherwise are not allowed by modern businesses’ standardization of pricing, return policies, warranties, and other aspects of the exchange. By describing the “behind the scenes” details of specific customer fraud acts and the motivations and justifications for them, this book is a valuable tool for managers and public policy makers. Further, by explaining, in layman’s terms, the psychological and sociological processes that underlie this special form of consumer resistance behavior, insights are revealed into how managers might preempt customer fraud activity by better managing customer relationships.

The Source of Our Report of Customer Fraud Activity

As an overview, the study participants told stories about actual incidents in which they used deceit to break rules or norms established by marketers and thereby gained an advantage. That is, they told stories of how they committed acts of customer fraud against retailers, manufacturers, and service providers. The stories were written by their tellers and returned anonymously in the mail to an academic research institution. As we fully disclose in the Appendix, which offers details of the research method and data, the survey incorporated a number of techniques that have been devised to aid the study of socially sensitive topics. However, key among these was asking people to relay in their own words a tale of a fraudulent incident. Allowing individuals to anonymously tell their stories of customer fraud, rather than respond to a checklist of fraudulent acts, enabled the collection of candid and honest descriptions. This is because, in telling stories, individuals could present their customer fraud acts from their points of view, explain what prompted them to attempt customer fraud, and how they felt afterward. The opportunity to gain the reader’s sympathy encouraged these upscale Americans’ honest reporting of how they “pulled one over” on a marketer, as the following stories illustrate.

Megan shares her fraud strategy for dealing with high market prices . . .

Megan does not like to spend very much on clothes. She will buy clothing at [Regional Department Store A] when it is on sale. If the price goes down later during the season, she will buy the same item again, switch tags with the item purchased earlier and return the item with the earlier receipt. Example—she bought a summer top in April or May for $14.99. At the end of the season the same top is selling for $6.99. She will buy the top again at $6.99, put the $14.99 tags on the new top, return the top and get $14.99 back. Therefore saving $8.00 on that one item.

[The Regional Department Store A’s] markup is ridiculously high—even when it’s on sale. So the second price should be the real price. They make enough money from the people who can afford the higher prices. Megan thinks she is being a smart
shopper. If the difference in prices was only a couple dollars, she would not go to the trouble of buying the second item and then returning it. (F, 44)

A couple discloses their fraud strategy for dealing with “required” contracts . . .

My husband and I signed up for one of those great gym memberships. The kind where they lock you in for 2 years and make it very difficult for you to ever break free from the contract. Well, I definitely broke the marketer’s rules and expectations. This is how the story goes. When we decided to try to end the membership we said that we were moving out of state. I wrote them a letter and their response was that they needed proof that we now resided elsewhere. I was at the time in the real estate business and had the capacity of getting my hands on a lease. I typed up a phony one, with an imaginary lessor, street address, the whole nine yards. I had it sent to my parents in the state where I said we were moving so they could send it off to the credit department of the gym. I wanted to make sure that the return address coincided with where I said we were living. Well, it worked. We never heard from them again.

To be quite honest, it scared me to death. I was fearful of being locked up for mail fraud. Fortunately, nothing happened to me. I do think that it is ludicrous that companies make you commit to such lengthy contracts and then try and screw up your credit if you try and get out of it. (F, no age provided)

Chris relays how, as an underpowered consumer, he takes on the insurance provider . . .

Chris had an old Corvette, which he took care of meticulously. After years of ownership and care, he grew tired of caring for it. He tried to sell it but couldn’t get the money he wanted. He found out he would get more if the car was stolen. He then paid two friends to steal and dispose of the car. He received the insurance check and was happy with his decision. He was motivated by money and had no regrets or ill feelings about it. He paid his friends with some of the money from the check and everyone involved was happy. They believed it was a case of David, the insurance policy holder, and Goliath, the provider. (M, 41)

Analysis of more than 250 written stories like these resulted in the fullest cataloging and most detailed description to date of customer fraud acts and the methods that customers employ to secure the success. Responses are placed in seven categories reflecting types of customer fraud acts that differ with respect to the areas under marketers’ strategic control in which they take place: (1) product acquisition fraud, (2) product return fraud, (3) service acquisition fraud, (4) fraud in the use of sales promotions, (5) fraud in negotiations, (6) fraud committed with employee accomplices, and (7) fraud capitalizing on marketers’ pricing, collection, and distribution errors. Several of these seven categories consist of subcategories that are more refined in the sense of more narrowly pinpointing the marketing strategy domain in which the acts occur (Exhibit 1).

The stories also revealed explanations for why customers consider committing fraud and then repeat this behavior, often telling other consumers
about their experiences. The importance of the study’s findings lies in revealing the range, variation, and similarities of the customer fraud experiences that upscale Americans initiate. What is at issue at this stage of learning about customer fraud is not how many people responded in a particular way, but the fact that there exist previously undocumented acts, methods, and motivations for customer fraud that can be identified and understood. And, although the customer fraud acts, methods, and motivations that are disclosed here might eventually be calibrated once they are more fully understood, we avoid presenting any illusory sense of precision or predictive power through quantification (cf. McGrath, Sherry, and Levy 1993).

The Consumer Resistance Perspective

Interpretations of textual data such as that offered by consumers’ stories usually suggest an organizing framework that integrates findings at different levels of meaning into some unifying theme (Rafaelli et al. 1997; Spiggle 1998). The findings regarding the types of fraudulent acts, the methods that render these fraudulent acts successful, and middle-class individuals’ motivations and rationales for committing fraud did suggest an encompassing framework—that of the consumer resistance perspective (De Certeau 1984; Penaloza and Price 1993). Consumer resistance refers to individuals’ practice of a strategy of appropriation in response to structures of domination, as represented by marketing organizations (Penaloza and Price 1993). “Appropriation” here refers to claiming property or rights for oneself to the exclusion of marketers, their employees, or other customers, as well as assigning particular purposes to objects and processes that were unintended by the marketing organization. Powerful marketing institutions are able to set the formal rules or norms of exchange, including terms of the exchange, processes of executing the exchange, and the expected roles of customers. Consumers practicing resistance reject the dominant values and norms of marketers, desiring “to do their own thing” (Aubert-Gamet 1997; Harvey 1989; Rosenau 1991). In doing so, consumers assert counterpower and are at times able to reappropriate resources that otherwise would accrue to the marketer.

Oftentimes, customers’ rejection of marketers’ rules and attempts at appropriating their resources are for purposes of creating a customized offering that does not exist in the marketplace (Aubert-Gamet 1997). Modern businesses’ practices of standardizing product offerings, services, and the structures and processes through which these are delivered have largely limited the availability of customized goods and individual treatment (Ritzer 1993). This lack of choice and individual treatment leads consumers to assert counterpower aimed at avoiding such standardization practices, which they perceive are forced upon them by more powerful marketing organizations.
The three previously provided customer fraud stories offer illustrations of the resistance expressed in customers’ fraud acts. Megan does not allow the regional department store to control prices of merchandise, including changing the prices near the end of the season to help lower its inventory costs. The standardized pricing policy does not meet her personal preference not to pay much for clothing. Disagreeing with high margins, Megan diverts the marketers’ sales promotion strategy. She does so by buying duplicate items later in the season, attaching the original higher-priced tags to the new merchandise, and then returning the “altered” good to the store. In doing so she recoups or appropriates the difference between the high price she paid and the sale price of the good later in the season. In essence, she has rejected adherence to the rule created by marketers that customers wishing to buy fashions early in the season must pay a higher price. Doing so enables her to customize the product to her personal needs—she obtains the fashionable clothes she wants, when she wants them, and for the price she wants to pay.

Similarly, in the second story, the couple feels trapped by the requirement to sign a two-year contract to join a gym. The couple would prefer joining a gym for the same monthly fee but without a two-year contractual commitment. However, in lieu of other options, they join. When they lose interest in their exercise regimen, paying for a service that they do not want seems “ludicrous.” They do not merely accept the contract period established by the more powerful marketer: rather, they “do their own thing.” They appropriate the right to stop payment for the service under the written agreement. They do so by conning the marketing institution into believing that they have met the contract’s exit terms. They have broken the marketers’ implicit rule that customers will not lie or subvert contractual arrangements. Similar to Megan’s customization of a product, this couple has customized a service offering to fit their needs—they avoid the required long-term contractual offering and are able to exercise on a pay-per-usage basis.

In the final story, Chris uses an insurance company to avoid the hassle of selling his car while still collecting its “fair market value” as determined by the company. Notably, this price is higher than Chris thought he could obtain by selling his car. Using a strategy similar to the gym members’, Chris fakes meeting the terms of his contract by staging a theft of the car. Chris has appropriated the insurance provider’s service offering for purposes other than those intended by the marketer. In essence, he too has created or customized a new service for himself that does not exist in the market. What Chris has appropriated seems to be the automobile equivalent of whole life insurance. The car is covered against losses during the term of use, and as the car becomes older, the policyholder “cashes out,” recouping all of his prior insurance payments (and more).
It is important to note that the consumer resistance perspective was not considered in the design or motivation of the study. Rather, its applicability emerged after the interpretation of the data and the organization of findings into types of fraud acts, methods of execution, and justifications for committing fraud. This is partly a function of the research process, in which the data were allowed to “speak for themselves.” That is, findings were allowed to emerge from the story data rather than trying to make the data fit a predetermined framework.

The recognition of resistance themes only after the organization and interpretation of the customer fraud data may also reflect that resistance has historically been difficult to identify. Consumer researchers studied complaining behavior and criticism via word of mouth long before recognizing them as resistance behaviors (Penaloza and Price 1993). Further, the link between customer fraud and resistance behaviors may have been initially obscured because most prior studies of consumer resistance have been on overt or visible forms of resistance (e.g., Aubert-Gamet 1997; Penzola and Price 1993) such as public protests rather than the covert tactics of deceit that characterize customer fraud.

As will be evident at various places in the book, the resistance framework is useful for assisting marketers and public policy makers in developing customer fraud deterrence plans. Briefly here, a key benefit of the consumer resistance perspective is learning how resistance tactics might be retrieved from customers to suggest new products, new uses of products, or improve customer relations (Aubert-Gamet 1997). The process of co-opting consumers’ resistance tactics to form new marketing strategies can result in marketers’ developing solutions that address customers’ needs without decreasing the organization’s productivity. However, to the extent that newly standardized strategies restrain individuals, consumers may in turn devise methods of resisting them.

The iterations of interplay between consumers’ resistance and businesses’ co-optation of resistance acts can be viewed as discourse put into action, if only because consumers’ voices are not heard unless they act. It is a bit of a paradox that consumers need to use resistance acts to make their wants and needs known in an era in which marketers espouse the “marketing concept,” whereby satisfying customers’ wants is the primary business philosophy through which other organizational goals are achieved. We speculate that, in part, this may reflect marketers’ concerns for relinquishing control that they presume to have through standardized, presumably “efficient” structures that remain in place as hallmarks of the modern business era. The customer fraud acts described in this book reveal that such structures are inefficient to the extent that the standardization prompts fraud acts. The findings open the door to rethinking some of the standardization practices of modern businesses.
The paradox of consumer resistance behavior against organizations designed to meet customers’ needs may also reflect the imperfect and incomplete information collected in the increasing trend toward market quantification that has accompanied the modern business era. One result may be that many consumer needs and wants have become obfuscated. The customer’s “voice” is lost in such quantified methods, that instead give authority and voice to the market researcher. The gathering of quantified data (e.g., through surveys and from Point of Sale [POS] scanners) has likely made it difficult for consumers to convey or articulate their wants, especially those not anticipated by marketing managers and included in checklist type questioning. Further, current marketing research may fall short of fully ascertaining customers’ wants and needs, as consumers may become aware of their need only when they encounter obstacles in the marketplace. To the extent that customers are able to meet their wants and needs through resistance acts, they may be unable to recall or identify these as problems when asked in traditional customer surveys. Underlying the resistance acts of customer fraud disclosed in this book are customers’ wants and needs that are officially prohibited by marketers’ current structures, policies, and exchange procedures. The revelation of these desired offerings here, in customers’ own words, offers the potential for marketers to be more proactive in satisfying customers’ needs, preempting the need for action-oriented expressions of dissent via customer fraud.

The Ethicality of Customer Fraud

Some customer fraud acts discussed in this book, such as shoplifting and price tag switching, are illegal acts, whereby an ethical norm has become a formal code in the form of a legal rule. In theory, legal rules represent the social consensus regarding a specific behavior or act. The legal rule prescribes with some precision an individual’s duties. Alleged breaches of these duties by an individual are determined by clearly defined procedures, intended to honestly and fairly resolve disputed matters. An individual who violates and is prosecuted under a retail theft law is subject to sanctions such as paying compensation to the marketer, paying a fine, attending educational or rehabilitation programs, or imprisonment. Thus, illegal customer fraud behaviors may be regarded as “unethical,” given that society has gone through the process of turning certain standards of customer conduct into legal rules. (Lax enforcement of a law, however, may signal that the ethical principle behind the law is losing force.)

Legal norms generally represent a minimum social code of conduct to which everybody should adhere (McDowell 2000), raising the question of whether there is a higher level of social conduct expected of customers that is governed by ethical principles. That is, are the more numerous customer fraud acts that are not legally sanctioned also ethical? Ethical standards,
like legal rules, are also capable of securing individuals’ compliance to norms of behavior. Although they cover a broader domain of everyday life, they are not as universally accepted as laws are. In part, this is because the duty to act, rather than being specified legally, arises from a variety of sources, including personal convictions and cultural notions about proper and improper actions that we learn as children (McDowell 2000). Breaches of ethical duty incur the social and psychological penalties of blame from others and guilt, rather than legal sanctions.

The question of the ethicality of customer fraud behavior likely holds interest for ethicists and academic social theorists. However, in grappling with the question and the decision to discuss it here, an important consideration was the value of this information to marketing practitioners and public policy makers. Most of the customer fraud behaviors identified in the study are not legally sanctioned. Further, among those that are, many are not enforceable, such that compliance, if achievable, is voluntary and thus reliant on the forces of ethical principles. Addressing whether nonlegal forces are in place and can be influenced to curb customer fraud activity seems instrumental to understanding strategic options for deterrence. If customer fraud acts are not considered by society as unethical, marketing practitioners and public policy makers need to focus on influencing the passage of legal rules that sanction a select set of discoverable acts of customer fraud.

If we used individuals’ behavior as an indicator of acceptance or approval of customer fraud, the argument might be made that middle-class individuals do not view customer fraud behavior as unethical. Most all of the respondents in our study of more than 250 middle-class adults told a detailed story about a recent act of committing customer fraud. These findings emerged with a high rate of response such that it is unlikely that largely “immoral” or “amoral” individuals selectively responded to the study. And although not nationally representative, these survey results corroborate the commonly reported perceptions that Western culture faces an “ethical crisis” in which most individuals exhibit behavior that in a former time was considered “unacceptable” (McDowell 2000, p. 5). However, ethics scholars have warned that it is dangerous to use conduct as a basis for determining whether an ethical norm is functioning. This is because we often act in ways we should not. Indeed, researchers have compiled lists of disapproved behaviors that most everyone has performed and used these to form measures of “lying,” “impression management,” or the “tendency to respond to questions in a socially desirable manner” (Paulhus 1984, 1991). Of particular relevance here, deceiving others or telling lies is one of the disapproved behaviors that most all individuals have performed at some time or another (Paulhus 1984, 1991).

We concur with McDowell (2000, p. 16) that “a better indicator of a real and functioning norm is the felt need to give an excuse... Beyond the broad claim that there are no ethical obligations at all, any other excuse is a tacit
admission of the binding force of the ethical system and usually of the ethical norm or obligation in question.” Most all of our 250 participants offered excuses. We feel it is reasonable to suggest that they perceive deceit as unethical, and that knowledge of this norm prompts them to offer excuses for their customer fraud acts. Individuals may readily apply this ethical norm, as telling the truth is one of the more fundamental moral principles we are taught as children. Truth-telling is still thought of as a good thing in the informal codes of morality, and although informal moralities permit exceptions such as the tactful lie, they do have limits that prevent the clear misleading of other parties (McDowell 2000, p. 105).

We suggest, however, that although customer fraud behavior presently constitutes unethical behavior, it could eventually fall within the boundaries of accepted behavior. This speculation is grounded in our data. Specifically, the common use of excuses that are accepted could indicate that the ethical standard is changing. As McDowell (2000) notes, any system of ethics needs to account for acceptable excuses if it is to be complete, because no ethical principle applies to all people in all contexts. Excuses, if valid, hold the power of exempting people who allegedly violate an ethical principle from responsibility for their actions. “When a general rule is regularly disobeyed and a justification is routinely offered and accepted for such violation, the rule loses its claim to validity” (McDowell 2000, p. 8). The story data that we present documents that excuses are commonly used and accepted by the customer who deceives a marketer for personal gain. Individuals’ acceptance of their own excuses as adequate justification frees them from guilt and/or concerns for losing social esteem. This freedom enables the individual to repeat acts of customer fraud. Justifications for prior acts of customer fraud (e.g., “it is fair play since marketers make a habit of deceiving customers”) may even become the motivation for new acts.

Excuses for customer fraud offered by participants in our study include their reasons their behavior should be treated as an exception to the ethical standard and from the psychological and social penalties for violating the standard. We label these “justifications” in the study because the consumer committing the act views the excuse as valid (see McDowell 2000). Excuses also include contextual information surrounding the customer fraud incident such as motivating factors. Although readers may challenge the validity of these excuses, for practical ethics, it is the actor who is the most important judge of whether an excuse is valid (McDowell 2000). If the actor is able to persuade herself that the excuse is a valid justification, the ethical standard will have little influence in controlling the person’s actions (McDowell 2000).

Our participants’ motivations and justifications point out that far from being amoral or immoral, middle-class customers face competing or conflicting norms when attempting to fulfill the principle of truth-telling in the marketplace. Rather than casually disregarding this ethical principle, many
lament “the need” or “necessity” of resorting to fraudulent behavior to achieve goals of a higher priority. Their stories suggest that truth-telling has been sacrificed or compromised because it competes with the norm of achievement, which is displayed in the form of material success. Individuals’ ability to acquire consumer goods that display their success is impeded by their lack of negotiating power in the marketplace. With the rise of large, powerful, modern corporations, individuals have lost substantial ability to negotiate terms of an exchange. The majority of justifications offered by the customer fraud offenders of our study are linked to frustrations that arise from modern corporations’ practices of standardizing offerings, dehumanizing the purchasing process, and practicing efficiency without regard for ethical principles—such as being truthful to customers. These customers have applied the ethical principle of truth-telling that may have governed customer behavior in earlier times, when store owners were neighbors and individuals with less power than modern corporations. Although still applying the principle to customer behavior in the present, their defenses suggest that times have changed such that the principle is outdated for the present day marketing context.

The feeling that the truth-telling principle is outdated for today’s marketplace seems to be at the heart of some individuals’ use of other principles to defend their customer fraud practices. Included among these principles are norms that have their origins in other informal moral rules in society that have been identified by McDowell (2000). In illustration, the justification that “marketers are less deserving of loyalty because they are the opposition” has its roots in the principle of “be true to your own kind,” in which the out-group members are not considered trustworthy and thus, can be taken advantage of without feeling any guilt. The new principle that may be evolving from this justification is one in which truth-telling is not an appropriate standard for commercial dealings. Such a principle resolves the dissonance for individuals who view the goal of participating in the market as maximizing their economic benefits. For these individuals, behaving ethically feels irrational, as it results in a less advantageous economic outcome than does unethical conduct. As a second illustration, the justification that “marketers that do not protect themselves deserve to be deceived” (what we call the “sitting duck” defense) seems a variation on the belief that one has a duty to refuse to be exploited. When exploitation occurs, it is a societal norm that the harmed party should demand excuses and explanations.

Here we present individuals’ excuses and explanations for customer fraud with the hope that this research will encourage the ethical duty to avoid deception in the marketplace. We do not view the burden of this ethical duty to be primarily the customer’s. Rather, we encourage marketers to redesign structures and the delivery of goods and services in ways that minimize pressures for customers to behave deceptively. At stake for both
parties in preserving this ethical boundary is the integrity of the marketplace. In committing customer fraud, individuals provide businesses with incomplete or untrue information. The ability of businesses to collect, validate, and analyze market information is an issue of market integrity that directly affects market efficiency. That is, when information regarding consumers’ wants and needs is inaccurate, markets absorb more resources to accomplish a comparable amount of exchanges, and thus are less efficient. In addressing the issue, marketers must take responsibility for their own acts of deception, that in many instances provide the motivation for customer fraud. Further, in reviewing customers’ justifications, marketers will want to reconsider the cost-effectiveness of many of their standardized and dehumanizing practices that we link here to the costs of customer fraud.

CONCLUSION

Customer fraud is an emerging form of consumer resistance behavior in which middle-class individuals practice deception against marketing organizations for the purpose of gaining a marketplace advantage that in the absence of such deceit would not be available. Customer fraud detection and deterrence efforts must be devised without alienating the offenders’ peers. Given this goal, understanding customer fraud from customers’ perspectives is critical to minimizing revenue losses while maintaining or enhancing relationships with customers.

Based on fraud stories told by customers who pulled them off, this book provides marketing managers and public policy makers with insights into a variety of new customer fraud strategies, information on vulnerabilities in current marketing strategies that render marketers susceptible to customer fraud, and new reasons customers commit fraud. Managers are warned that customer fraud appears to be achieving status as a socially acceptable behavior that individuals share with friends. Customer fraud is considered unethical, as evidenced by individuals offering justifications for customer fraud acts to exempt them from responsibility. However, the customer fraud stories in our study suggest the potential for the truth-telling principle to be supplanted with other principles that treat customer fraud acts as falling within the domain of accepted behavior. As members of the majority of marketers’ target group, these new fraud offenders offer challenges to detection and deterrence that are not met by current systems developed to prevent fraud by employees or professional fraud artists. From customers’ perspectives, customer fraud acts are forms of resistance to structures and practices imposed on them by dominating, powerful marketing organizations. These marketers’ standardization of exchange practices often result in marketplace experiences that individuals view as disadvantageous or unfair to customers or unsatisfactory with respect to providing desired customized offerings or individual treatment.
Drawing from these insights, the book presents practitioners with an arsenal of detection and deterrence strategies aimed at combating customer fraud, and guidelines for implementing them in ways that do not alienate customers. Recommendations offered in the book are not limited to strategies of detecting fraud for purposes of intervention or penalizing the perpetrators. Rather, equal emphasis is given to resolving customer problems with marketplace offerings and practices that otherwise prompt middle-class target customers to consider fraud as a means of problem resolution. The latter emphasis reflects that customer fraud is a social phenomenon supported, facilitated, or prompted by broader contexts within the United States that serve to validate or “legitimise” such behavior. Further, because the stories reveal that customers commit fraud as a form of resistance to modern business practices, the book also offers and emphasizes recommendations for how to satisfy the unmet needs that prompt such resistance.
The social environment that encourages customer fraud

The emergence of customer fraud activity as a significant problem for marketers appears tied to three forces in society that create a cultural climate that encourages fraud. These are

1. the declining social stigma of practicing deceit against business organizations;
2. the authorization of deceit in the marketplace by businesses’ own fraudulent acts and the legal systems; and,
3. the modernization of society in which the vast majority of businesses seek profits via efficiency, calculability, predictability, and control over employees and customers.

An understanding of these forces provides a cultural background that is useful for interpreting individuals’ stories about their customer fraud acts. Consistent with traditions of interpreting consumers’ stories (Thompson 1997), we acknowledge that our own immersion in this background literature took place not only before but also during the interpretation process, as the stories began to suggest the relevance of these cultural trends. These trends appear as threads interwoven throughout our collection of customer fraud stories, and it is the combination of these trends in conjunction with the story data that enabled us to identify customer fraud as a form of consumer resistance. Prior to describing each trend, we first clarify what constitutes customer fraud behavior.

The definition of customer fraud

In prior marketing research, customer fraud has been defined simply as “consumer dishonesty” (Cole 1989, p. 107; Wilkes 1978, p. 67; Zabriskie
Customer fraud refers to an act or course of deception that is practiced by individuals against retailers or manufacturers with a view toward gaining an advantage in the exchange that would not be available without covertly breaking the rules or norms of customers’ exchange behavior established by marketers. Deception includes acts in which individuals construct lies or misrepresentations, as well as acts in which individuals unexpectedly conceal information from another (Ekman 1985). Deception that is detected may subject the deceiver to criminal prosecution and/or social disapproval. Notwithstanding criminal prosecution, whether or not fraudulent behavior is labeled and viewed as “criminal” or “deviant” by the deceiver and others depends on the social acceptability of the act (see Scheff 1966; Schur 1971). Because social legitimacy of a given act may be granted by some groups but not others (e.g., consumers but not marketers), we have avoided defining customer fraud in terms of attaining “unfair” advantages over marketers via deceptive behaviors. This is because any specific deceptive act against marketers might be labeled by individuals as a customer’s attempt to restore justice or fairness in the outcome, despite being labeled by marketers as a customer’s attempt to secure an unfair outcome. Further, any two individuals might view the unfairness of the same act differently. In its entirety, our conceptual definition is implicitly consistent with Steiner, Hadden, and Herkomer’s (1976) view of a specific form of customer fraud (i.e., price tag switching) as involving acts that do not commonly serve as an individual’s primary identity or way of life. Thus, our conceptualization encompasses the acts of the business executive, schoolteacher, or homemaker who, among other things, practices deception against marketers and thus is an amateur relative to the “fraud master” whose income, professional status, and way of life derive from deceiving marketers (see Jackson 1994).

By requiring that the customer undertake the act of deception with an eye toward securing an advantageous exchange, a number of deceptive consumer acts practiced against marketing organizations are excluded, as will elaborated later in this chapter. Among excluded deceptive behaviors are a host of resistance tactics such as sabotage, vandalism, and product tampering (Fullerton and Punj 1993). The anonymous creation and posting of disparaging information about a marketer on Internet “hate sites” (Kopp and Suter 1999) are also excluded, given that these are generally undertaken to disparage the marketer’s reputation rather than to improve the customers’ terms of exchange for a product or service. Further, the requirement that customer fraud involve deception distinguishes it from the majority of identified acts of resistance that are overt rather than covert, such
as peaceful protests or customers behaving abusively toward marketing personnel.

THE DECLINING STIGMA OF PRACTICING DECEIT AGAINST BUSINESSES

The social labeling perspective of deviance, a theory developed in the social psychology disciplines during the 1960s (Scheff 1966), explains how the negative social labeling (i.e., stigmatization) of specific behaviors in society serves to establish the boundaries of ethical behavior, and thereby influences or “keeps in check” the frequency and spread of occurrence of the labeled behavior. (“Deviance” here is a “catch-all” descriptor referring to any negative label assigned to individuals because their behavior falls outside of what the mainstream deems socially acceptable.) Labeling theory also suggests how, in the absence of such stigmatization, the boundaries expand to incorporate formerly disapproved behaviors as “accepted” or “normal” practice. The labeling theory perspective can be applied to the phenomenon of customer fraud behavior to suggest that this behavior can gain acceptability within society.

The Changing Nature of What Is Considered Deviant

Prior to social labeling theory, deviance was viewed as something inherent in an individual. A “deviant-by-nature” perspective was reflected in numerous studies that examined the physical characteristics and psychological traits of convicted criminals and the institutionalized mentally ill to create a profile of the “deviant.” However, this perspective was challenged by researchers who proposed that “criminal” status is designated by courts and legal systems that are biased in prosecuting and passing guilty sentences. Evidence suggested that an act was more likely to result in a criminal sentence or official labeling and institutionalization as “mentally ill” for those of lower socioeconomic status than those of higher socioeconomic status (Becker 1963; Sutherland 1940; Turk 1969; see also reviews of more recent evidence by Giordano 1983 and Shapiro 1990). Recognizing such evidence, the social labeling perspective of deviance challenged the “deviant-by-nature” perspective by recognizing that deviance is a relativistic concept. “Social audience is the prime factor in whether a person becomes labeled as deviant” (Dailey 1974, p. 25). Becker’s (1963) argument that society creates deviance has stimulated extensive study of societal reaction to a behavior:

Social groups constitute deviance by making rules whose infraction constitutes deviance, and by applying those rules to particular people and labeling them as outsiders. From this point of view, deviance is not a quality of the act the person commits, but rather a consequence of the application by others of rules and sanc-
tions to an “offender.” The deviant is one to whom that label has been successfully applied; deviant behavior is behavior that people so label.

Social labeling theory further recognizes that individuals incur not only the legal and social penalties for having committed a given act, but also the personal and social deficits of being negatively labeled. These latter deficits are often referred to as “secondary labeling” because the label possessed by the person, rather than the initial act for which the person became labeled, evokes negative reactions and evaluations from others.

Studies of different societal reactions to an action across groups or changing societal reactions to an action over time support the relativistic nature of deviance espoused by labeling theory. Different societies will not always view the same behavior as deviant. For example, a display of dependency incurs negative sanctions in Western society, where independence is the dominant value, but dependent behavior is the goal of socialization in Japan (Rotenberg 1974). In business-to-business transactions, sellers offering bribes to buyers is accepted practice in some cultures, whereas it is illegal in others. Even within a given culture, a behavior or action that is defined as deviant in one time period may be defined as a normative behavior (i.e., in a neutral manner) in another time period. In this way, designations of deviance are much like “fashions.” In an illustration offered by Heckert (1989), French impressionists, when they introduced their work in the 1860s, were considered “deviant” by the artistic establishment and their society. Their works reflected stylistic acts of removing black and brown from their paintings and producing paintings composed of clear colors and their mixtures. The creation of such works went against the whole system of instruction and patronization of art in France that promoted the repetition of formulas. The artistic establishment labeled these artists as deviants who were mentally disabled or “mad,” as reflected in the presentation of their childlike work as art. However, by the 1890s, the works of Manet, Monet, Renoir, Sisley, Bazille, and other impressionists gained social acceptance and acclaim.

Awareness of the penalties of being labeled serves to limit individuals’ enactment of behaviors that they know will subject them to stigmatization by the larger group. However, as the case of the French impressionists suggests, societal attitudes toward a given act may change over time such that attempts by officials to negatively label individuals’ behavior may not result in secondary labeling (i.e., negative reactions from others as a result of the label). Thus, the individual committing the act does not risk becoming an “outsider” among social peers. Further, to the extent that official labelers (e.g., government organizations, marketers) must respond to changing societal values, attempts to officially label an act may change over time. Following from labeling theory, whether customer fraud emerges as acceptable behavior within society is in part determined by whether it is officially
negatively labeled by legal institutions and marketers, and whether other consumers accept such labeling and respond to it by treating fraud offenders with less social regard.

**Practicing Deception Against Businesses Is Not Clearly “Deviant”**

There is evidence that social groups and reference groups are encouraging individual customers’ use of deceit against marketing organizations and that the number of people who personally find fraudulent acts “acceptable” is increasing. Some of the few fraud participants who have been apprehended by store security and/or police have been taken away for legal processing in disbelief, professing “but, all my friends steal here” (Berner 1996). Such disclosures indicate that customers appear to be sharing information on where and how to commit fraud rather than concealing from friends that they engage in such behaviors. Daytime talk shows have had guest speakers who educate consumers on how to live the “faux life,” promoting the idea that “the upscale life is so worth living that deception, cheating, and theft are a small price to pay for it.” (Schor 1998, p. 5). Web sites have emerged selling publications that equip buyers with strategies for deceiving various types of marketing organizations. One particular site, www.loompanics.com, lists a variety of “how to” handbooks instructing customers on the art of cheating. Among these, *Economic Sodomy* teaches customers how to con bankers, doctors, lawyers, and stockbrokers. *How to Steal Food from the Supermarket* purportedly discloses “why you should steal food” and then promises that the 67-page guide written by a supermarket security guard will give your budget a boost! Learn all the ins and outs of shoplifting success, including: Do-it-yourself markdowns • Scamming the scanner • How to dress for success • Defeating store security • And much more, including the one mistake that trips up most shoplifters and the one item you must bring shoplifting with you. This offer is not available in stores.

Other Loompanics guides provide instructions on how to forge documents for use in insurance fraud, including details on the necessary computer equipment and software. The purchasers of these “how to” guides are encouraged to supplement these readings with *Ask Me No Questions, I’ll Tell You No Lies*—a guide for those “caught in the act” on how to survive being interviewed or interrogated by store security and police. As these messages and guides affirming the normalcy of committing customer fraud emerge in the media, industry surveys are indicating an increase in customers’ perceptions of the acceptability of fraud. For example, in the insurance industry, where customer fraud losses are estimated to be $79.9 billion, a 1995 survey conducted by the Insurance Research Council found that approxi-
mately 30 percent of Americans approve of such frauds as “claims padding,” an increase of 10 percent since 1993 (Brostoff 1996).

This trend toward increased acceptability of customer fraud is important. Given the size and power of the middle class, attitudes and behaviors of this group could expand (and may have already expanded) the ethical boundaries of larger society to include customer fraud acts. Becker (1963, pp. 17, 143) has explained that rules emerge from the initiative of moral entrepreneurs who function to create and enforce rules in society, and whose ability to do so derives from their political and economic power. Collectively the middle class holds such power. Hence, their acceptability and enactment of customer fraud may be legitimized in the courts (if only by default). Authorization of deceit in the marketplace via court rulings seems to already be present in American culture.

THE AUTHORIZATION OF DECEIT IN THE MARKETPLACE

The authorization of deceit in the marketplace provides a context that discourages the social stigmatization of customer fraud practices and instead grants these practices social legitimacy. In the United States, some practices of covertly breaking marketers’ rules regarding customers’ exchange behavior, such as shoplifting and price tag switching, have already been formally negatively labeled as “unlawful,” and thus subject the customer to criminal prosecution if detected. However, other practices are allowed to flourish in a climate of deceit. In American culture, social psychology scholars Robert Wolk and Arthur Henley (1970), who have studied deceit in various areas of everyday life, have observed that marketplace transactions take place in a “climate of deceit.” In a climate of deceit, dishonest acts should be expected by both buyers and sellers and are thereby “authorized” (Ekman 1985). Thus being authorized, customers’ fraudulent acts that become known to others may be considered “appropriate” rather than inappropriate, and may even command praise rather than contempt.

The Authorization of Deceit by Businesses’ Own Fraudulent Acts

The climate of deceit surrounding the American marketplace, according to Wolk and Henley (1970, pp. 13–14), results from the “routine recognition that lying is epidemic in businesses.” When salespeople lie about prices or delivery dates, such lies are “hardly worth discussion.” As these are “the normal exaggerations of commerce,” customers expect to hear these lies and might be “startled” if they did not (p. 39). Academic researchers have noted that the promoted “savings” from buying a good “on sale” are so commonly inflated by marketers that consumers view such promotions
with skepticism (Urbany, Bearden, and Weilbaker 1988). Consumers have learned to discount deceptive reference price claims in which the sale price is compared with a “puffed” or exaggerated price that ostensibly represents the former charge for the product, a competitor’s price, or a suggested manufacturer’s price (Blair and Landon 1981; Liefeld and Heslop 1985).

Deceit in the form of companies and their sales representatives misrepresenting the value of goods has been legitimately authorized in recent court cases. The 1996 case of the United States v. Brown (79 F3d 1550, 1561; 11th Cir 1996) clarifies the meaning of “scheme to defraud,” and legitimizes America’s climate of deceit. As reviewed by Jennings (1997), the case involved a real estate development corporation that sold homes at higher prices than their market value (sometimes as much as double the market value) by recruiting gullible customers from Snowbelt states. The company paid for prospective buyers’ visits to inspect the homes and set up its own financing subsidiary to make qualifying easier, which it did by using only other homes sold by the company in the appraisal rather than comparable quality homes of independent builders, which were sold for much less. Salespeople pitched the homes as “good investments” to the buyers, approximately 85 percent of whom used the financing offered by the development company. The U.S. Attorney’s office indicted the top management on charges of mail fraud and conspiracy, in which all four executives were sentenced from five to ten years in jail and $500,000 each. The 11th circuit court reversed the conviction on the grounds that no reasonable juror could find that a person of ordinary prudence about to purchase a home in Florida would rely on a developer’s representation about it’s value. Therefore, the court concluded that there could be no “scheme to defraud” within the meaning of the federal mail fraud statutes. Misrepresentation involving value, rather than quality, resulted in application of common law fraud standards to the federal mail fraud statutes, such that the standard of “reasonable reliance” applied. Concluding that only a fool would rely on a seller for information on the market value of a home, the court ruled that no juror could find reasonable reliance since a buyer could easily verify the value. Although the conduct was underhanded and took advantage of unsuspecting customers, the court did not consider it fraud. Essentially, the opinion concluded that “discoverable deception is not fraud” (Jennings 1997, pp. 396, 398).

The court decision reinforces the message that caveat emptor, “let the buyer beware,” is the dictum of the marketplace. This Latin phrase means that a customer should be cautious and alert to the possibility of being cheated. That is, let the purchaser buy at his own risk. Warnings that buyers are at risk of being cheated are posted in more than a thousand recent Web sites that attack various marketers for their dubious behavior. These notices equip buyers with defense strategies, most often involving recommendations to research the business and its practices before buying.
In a climate of deceit made pervasive by businesses’ practices and courts’ opinions, customers may come to view fraudulent behavior in the marketplace as “fair play” in a game like poker, where deceit is expected and its skillful application considered a mark of good gamesmanship. Numerous customers whose stories are retold in this book prefaced or concluded their customer fraud stories with their perception that businesses and their representatives are unscrupulous in their dealings with customers and engage in fraudulent behavior of their own. They conveyed that in light of the authorization of deceit enacted by businesses, marketers should anticipate similar deception from customers, and create countermeasures such as building its cost into prices. Like the courts, the upscale customers quoted here expressed that “discoverable deception” does not lead to fraud guilt. These storytellers report contempt for “gullible” marketers who failed to keep databases and records useful in detecting deceit. Their stories cast a retort to caveat emptor, let the buyer beware: “Let the Seller Beware.”

The Authorization of Customer Deceit by American Legal Systems

The seller should beware in that, in what might be considered fair turnaround, the American legal system has been evolving to unintentionally encouraged customer deceit as well as to be biased against penalizing customer fraud. In illustration of the former, it appears likely that the 1978 bankruptcy code, intended to spur risk-taking, has instead encouraged customer deceit. During each year of the 1990s, more than a million Americans declared bankruptcy (Frum 2000). Middle-class individuals appear to be running up credit card debt that they know they cannot repay and plan to default on. Certainly the temptation is present, as easy bankruptcy with low penalties allowed by the code sends the message to consumers that life is a game that can be played on a “heads-I-win-tails-you-lose” basis (see Frum 2000, A14). In a Wall Street Journal report, Frum (2000, A14) presents evidence that filings have increased during years when the economy was relatively strong, and suggests that “Americans are not going bankrupt because they’re economically hard-pressed, but because they have figured out that bankruptcy today is neither uncomfortable nor embarrassing. Under the 1978 code, you can go bankrupt and keep the house, the car and the retirement account. You can use bankruptcy to evade alimony, rent and college loan payments.” As a result “the limits of financial responsibility were dramatically reduced, to the point where a great many people shrugged off the very idea that paying debts is a moral obligation.”

Biases against penalizing customer fraud also appear to exist in the legal system. Businesses prefer not to prosecute because of concerns that acquittals will result in civil suits for “malicious” prosecution, the costs of which far exceed the losses of the dishonest acts originally prosecuted (Holmes
Criminal prosecutors tend to devote attention and resources to crimes that are bigger and more spectacular than nonviolent customer crimes (Treaster 1998). Prosecuting attorneys are reluctant to accept customer crimes because judges and other enforcement officials show empathy toward defendants from social backgrounds similar to their own (i.e., middle- and upper-middle-class status; see Shapiro’s 1990 review). Prosecuting attorneys are also discouraged from accepting customer crimes because the numerous incidents would increase the reported crime rate and thereby lower their professional standing (Herndon 1972). Notably, the latter state of affairs is but one example of the irrationalities produced by the modernization of businesses and society that facilitate customer fraud.

THE MODERNIZATION OF SOCIETY

It is likely that attitudes of “let the seller beware” and customer fraud behaviors have spread with the modernization of society. Sociologists say that modern society possesses four operating principles: (1) efficiency, (2) calculability, (3) predictability, and (4) control (Ritzer 1993). Efficiency refers to finding the one best way of accomplishing a task and then making this way standard procedure to achieve economies of scale. Calculability involves quantifying tasks to assess quality. Predictability is achieving consistency in performance through the use of rules and regulations to control variations. Control requires directing the behavior of employees and customers, largely through the use of automated technologies that diminish the need for human labor. As chronicled in George Ritzer’s (1993) book *The McDonaldization of Society* (so named because McDonald’s serves as the paradigm case of modernization), the modernization of business that pervades American society has produced the rational result that businesses have grown in size as well as profitability and the irrational result that employees and customers are “dehumanized.” Notably, the growth in size makes acts of customer fraud easier to “pull off,” and dehumanizing treatment may either motivate customer fraud or provide the offender with justification.

Modernized Business Practices Render Customer Fraud Acts Easier to “Pull Off”

Dishonest customer acts have become easier to “pull off” with the modernization of society, contributing to the contradiction recognized by Ritzer (1993) whereby businesses designed for efficiency become inefficient. A number of practices aimed at achieving efficiency have been evolving in ways that render modernized businesses more susceptible to dishonest customer acts than their predecessors. Corresponding with the efficiency-related goal of achieving economies of scale, the number of fran-
chised and nonfranchised chain stores has increased with modernization. The centralization and standardization that accompanies chain-store operations contributes to marketers’ ability to predict outcomes via the offering of consistent products or services and methods of delivery across store locations, over time, or across employees. However, standardizing the delivery process also increases customers’ ability to predict what policies, procedures, and interactions govern the exchange, such as those tied to returning products. Equipped with such predictive power, customers may with some confidence devise schemes to bypass or circumvent the intent of product return policies and procedures. Also corresponding with the efficiency-related goal of achieving economies of scale, store sizes are becoming larger and the number of salespeople per square foot is decreasing. Effectively, marketers have shifted their labor costs to customers, who now serve as “partial employees” (Kelley, Donnelly, and Skinner 1990) who must span long aisles with less assistance than in the past to find, retrieve, and decipher information about the goods they are seeking. However, in shifting these responsibilities that were once the domain of paid employees to unpaid customers, marketers also increase customers’ power. That is, marketers increase customers’ custodial care of merchandise before they have paid for it. Equipped with the greater predictability of the processes and procedures of exchange and empowered with increased custody over merchandise, customers in a modernized society are well positioned to execute fraud acts without detection.

Another aspect of modernization that makes customer fraud acts easier to carry out, is the transformation of jobs into low-skill and low-pay positions (Ritzer 1993). The implication is that hourly-wage store clerks likely have more to lose by calling attention to suspected fraudulent returns than they have to gain by exposing the customer. Ekman (1985, p. 20) notes that “In many deceits the victim overlooks the liar’s mistakes . . . collusively helping to maintain the lie, to avoid the terrible consequences of uncovering the lie.” Clerks might anticipate that by calling attention to a suspected fraudulent return, they will elicit heated confrontations with the suspected offender, spend time in the debate that detracts attention from other customers, and risk good standing with managers if they are wrong. Accusing, detaining, or arresting customers without exposing the store to civil liability suits requires extensive knowledge of and training in appropriate legal procedures (Grover 1992; Keckeisen 1993)—something that modernization, with its emphasis on employee specialization requiring little training, has not fostered. If employees are correct in detecting fraud, their manager’s praise, if received, may be shortlived because of the need to attend to other customers neglected during the experience and concerns regarding whether the treatment of the detained customer was procedurally correct.
Modernized Business Practices Provide Motivations for Committing Customer Fraud

At the same time that customer fraud has likely become easier to execute, the types of motivations for committing customer fraud have expanded with the modernization of society. The expansion of motivations for customer fraud potentially derives from both outcomes of our modernized society—the growth in the size and standardization of businesses and the dehumanizing treatment of customers. The growth in the size and standardization of businesses and the pervasiveness of modernization in our society limits customers’ power to customize or personalize the marketplace exchange and its outcomes. Few nonmodernized alternatives exist (Ritzer 1993). Thus, customers find themselves faced with standardized product and service offerings, and standardized prices, and no negotiation power to alter them. Further, because efficiency and predictability practices of modernization have resulted in widespread application of Fredrick Taylor’s principles (i.e., breaking down jobs to simple tasks that are performed repetitively by an employee to achieve efficiency), employees of such institutions are paid low wages for their application of limited skills. These employees possess little autonomy to deviate from prescribed rules and regulations of transactions with customers. Thus, in many modernized businesses, customers cannot find a person with authority with whom they can “deal” when they perceive they have justification for an individualized offering or price. In many modernized businesses, customers cannot even find a person with whom to deal. Instead they must air their requests via phone and then navigate a menu-driven answering machine that offers prerecorded, standardized answers that often are inadequate responses to customers’ inquiries that may be unique and individual. In contrast, prior to the spread of modernization, buyers could attempt to secure an individualized offering or price by negotiating face-to-face with sellers, who often were the owners of small “mom and pop” or family-owned operations. Thus, in American society where acting individualistically is central to people’s sense of identity (Markus and Kitayama 1991), customers find their individualistic needs or desires unmet by the standardized offerings and exchange procedures. Further, they find a gap between what marketers promise with endorsements of the marketing concept—to satisfy individuals’ wants and needs—and the uniform, mass-marketed offerings that marketers deliver. Although circuitous and guileful, customer fraud may offer individuals a means to close this gap.

The inability to negotiate personal and individualized marketplace outcomes may reflect one way in which the modernization of society is dehumanizing for customers, and other dehumanizing aspects likely increase willingness to act on motivations to commit customer fraud. When engaging in marketing transactions in a modernized society, customers are most likely dealing with employees who perform few skills at low wages. Be-
cause the positions are not rewarding, employee turnover is high. In many modernized marketing institutions, the average length of employment of those who interact with customers is two to three months (Ritzer 1993). Thus, as Ritzer (1993) points out, customers and employees are not likely to become familiar with each other or to hold genuine concern for each others’ lives. This contrasts with earlier periods of business when customers often developed friendships with store owners. Prior research has demonstrated that willingness to harm others increases as social distance (and hence lack of familiarity) increases (Milgram 1974). With few recurring interactions with the same employee, and/or with employees perceived to have little vested interest in the marketing organization, customers may further perceive the exchange as one being made with the large and anonymous marketer. Wolk and Henley (1970, p. 39) suggest that when targets of deceit are anonymous, “There is little or no residue of guilt because the deceived are so impersonal as to be almost unreal. Because there is no personal confrontation with the target of the deceitful act, the burden of guilt is easily ignored or dismissed, and deceit easily justified.” When a target of deceit is anonymous, it is easier for the deceiver to indulge guilt-reducing justifications that the target is not really harmed, does not really care, or deserves or expects to be misled (Ekman 1985; Wolk and Henley 1970). Thus, the commission of customer fraud in a modernized society may not incur the social costs of losing a member of one’s social network as might have occurred in earlier time periods, and may also escape the negative emotions of guilt. The implication is that with the modernization of businesses, it has become easier for customers to act on their motivation to commit fraud.

CONCLUSION

As presage to presenting a study that gives prominence to middle-class individuals’ voices and interpretations of their own customer fraud acts, this chapter considered the linkages of this emerging social phenomenon with several contexts in American culture. Evidence was offered suggesting that the media has contributed to a decline in the stigmatization of fraud committed against marketers as “deviant” or “unethical” behavior, that the United States legal system has legitimized sellers’ and buyers’ practice of deceit in the marketplace via court rulings and the inadvertent failure to prosecute customer crimes, and that the pervasive modernization of businesses has created both opportunity and motivation for customer fraud. We do not propose that these are the only cultural forces that encourage customer fraud.

It seems plausible that other cultural trends are operating to encourage customer fraud, though these were not directly suggested by the story data. McDowell’s (2000) study of ethical behavior among individuals holding professional jobs points out a number such forces. Modern urban life that
has contributed to a breakup of close communities and tight family structure makes it easier for individuals to engage in ethically questionable behavior because it lessens the fear of social blame. Related to the breakdown of close communities, the norm to “mind your own business” is widely practiced such that individuals who do become aware of others’ fraud acts may not express their disapproval. The breakdown of communities with shared values may also underlie a societal trend toward resorting to laws to control behavior in areas that were formerly governed by ethics. The result may be that individuals have begun basing their decisions on what is legal rather than what is ethical. Finally, marketing scholars have noted the secularization of society (Belk, Wallendorf, and Sherry 1989), such that priests, ministers, and rabbis may less often serve as counsel on day-to-day ethics questions that arise in life.

However, the cultural, legal, and societal forces elaborated in this chapter lay the groundwork for understanding the personal stories of customer fraud told by middle-class individuals that are presented throughout the book. Among these forces, the pervasive modernization of businesses appears to the most direct precipitator of customer fraud. Stories reveal that middle-class individuals undertake fraud acts as a form of resistance to the control and power of large, standardized marketing operations.
CUSTOR ER A FORM OF RESISTANCE TO MODERN BUSINESSES

The emergence of customer fraud corresponds with the appearance of a host of new consumer resistance tactics. Collectively, these resistance tactics suggest that consumers are creatively finding ways to assert counter-power against large modern corporations. Among these, customer fraud is unique in that this form of resistance is part of the everyday life of individuals who employ various tactics in day-to-day market transactions. Before we discuss customer fraud as a form of consumer resistance, we review the origins and characterizations of other forms of consumer resistance. We also describe how businesses have adopted methods to reduce the incidence and negative effect of consumer resistance acts other than customer fraud. In doing so, we open the possibility of learning from what marketers know about types of consumer resistance.

ORIGIN OF CONSUMER RESISTANCE

The notion of consumer resistance to modern businesses and to the dehumanization and lack of individual treatment that they impose has its origins in the postmodern era. In the absence of consumer resistance, Americans might fall to the perils spelled out in the warnings of numerous writers of the 1950s that:

long-standing American traditions of individualism were vanishing and being buried beneath the empires of the great corporations, the sprawl of prefabricated towns, and the reorientation of culture around the imperative of consuming homogenized mass-produced goods. Although the poverty and deprivation of earlier times had been largely overcome, in the “affluent society” that had succeeded those
difficult decades the descendants of the pioneers were in danger of being reduced to faceless cogs in a great machine, automatons in an increasingly rationalized and computerized system of production that mindlessly churned out cars, TVs, bomber jets, and consciousness all for the sake of the ever-accelerating American way of life. (Frank 1997, p. 10)

The fear that consumers would evolve into “automatons” was clearly off the mark, as consumers persistently exert their independence and desire for control in the marketplace. According to the postmodern view, individuals, like their premodern ancestors, play an important role in constructing their own lives. Rather than merely responding to pre-engineered social structures that marketers design to secure predetermined, unvarying, uniform responses, consumers are proactive in using these structures to create a variety of individual and personalized experiences (see Boje and Dennehy 1993).

The suburban shopping mall provides an interesting example. The mall was created during the modern era to achieve efficiencies. The mall design accomplished this by drawing a larger number of consumers to a given area than could any single store, while reducing each store’s overhead costs. The size of the suburban shopping mall was based on the premise that a customer’s probability of shopping in a particular shopping center becomes larger as the size of the center grows. The mall design also reflected an attempt to increase the amount of consumer purchases by linking stores that offered less frequently sought goods (i.e., parasite stores) with those offering frequently sought goods (i.e., destination stores). Destination stores were usually large stores offering significant product depth and variety, such as a department store. Some large specialty stores known as “category killers” also constituted destination stores. The presumption was that trips to destination stores would result in spontaneous or impulse purchases from parasite stores physically linked to them.

However, customers have used the mall for purposes not anticipated or intended by real estate development corporations and marketing institutions who design them to increase sales by a formula of store combinations. Some individuals view the mall as a meeting place where social interactions are easily arranged (Bloch, Ridgway, and Dawson 1994). Teenagers of the early 1980s used mall parking lots as areas for “cruising” in automobiles to “see and be seen” by their peers. Other customers use it as a free-of-charge escape or getaway, whereby they can enjoy the displays, the music, and the scents that are piped through the stores (Babin, Darden, and Griffin 1994) without spending. Still others construe it as the perfect indoor track and use it to stay in shape during winter months (cf. Aubert-Gamet 1997).

This illustration makes clear that the structures set up by marketers to convey a singular meaning (i.e., shopping convenience that facilitates spending) often have multiple meanings to customers. Some of these meanings are potentially threatening to the firm’s productivity. Masses of teenagers
using the malls as cruising sites may dissuade adults with greater buying power from patronizing the malls on weekend evenings. Individuals using the mall as a walking track may make the mall seem crowded, thereby discouraging the entry of customers who wish to make purchases. The multiple ways in which consumers use malls points to a key aspect of resistance—the claiming of property or rights for the customers’ own use in response to structures of domination imposed by marketing institutions (Penaloza and Price 1993).

Customers’ appropriation of property or rights might be clearer when considering a problem experienced by fast-food restaurants. In this setting, consumers have resisted marketers’ control and created a more pleasing environment of their own construction while penalizing the marketers who sought to control them. Fast-food restaurants have been designed with hard floors, uncomfortable chairs, food that does not require silverware and various other features intended to limit customers’ time in the restaurant. By limiting the customers’ time in the dining area the marketer can serve a greater number of people (Ritzer 1993). However, teenagers wishing to use the sites for meeting places have merely left the uncomfortable setting of the restaurants and taken food out to the more comfortable seats in their cars (and the more visible seats on their car hoods). By tying up parking spaces, which they can legitimately do because they carry the restaurant’s food out to their cars, teenagers have subverted marketers’ attempt at controlling their behavior and constructed their own benefits package. The intended consequence of marketers’ strategy—to achieve high customer turnover—is also thwarted.

Thus, individuals practicing resistance rebel against the ready-made functions of structures, rules, exchange processes, and roles by interpreting them differently, adding meaning to them, or diverting them from their original purpose (Aubert-Gamet 1997). In rejecting the dominant values and norms, consumers assert counterpower and are at times able to reappropriate resources that otherwise would be taken by the marketer.

CHARACTERIZATIONS OF CONSUMER RESISTANCE

The way in which resistance is exercised may be characterized along at least five dimensions that have implications for how organizations are able to deal with these acts. These characterizations, some of which are interrelated, are as follows:

- resistance from outside or inside the market,
- resistance via collective action or individual action,
- resistance in “legitimated” forms or radical forms,
- resistance acted out overtly or covertly, and
- resistance that results in psychological rewards or material rewards.
Notably, the first three dimensions appear under different labels across works on consumer resistance (e.g., Aubert-Gamet 1997; Penaloza and Price 1993). The latter two dimensions have not been explicitly commented on in prior marketing studies, and were identified as a result of working on the customer fraud project.

**Resistance from Outside the Market or Inside the Market**

Acts of resistance may emerge from outside or inside the market. Acts of resistance from outside the market are those in which individuals use nonmarketing institutions to contest marketing institutions’ offerings, rules, and procedures of exchange. These acts include attempts to protect consumers’ rights by reporting marketers’ deceptive acts to government organizations such as the Better Business Bureau or state attorney generals’ offices. The Better Business Bureaus and offices of state attorney generals have served as clearinghouses for negative word of mouth, such that individuals’ reports of unfair business practices are collected and disseminated to inquiring customers. In contacting the latter agency, customers may even subject the marketing institution to inspection and potential penalties for its deceptive or unfair practices. Individuals may avail themselves of such protective services that exist outside of the market when they have unique problems, needs, or experiences in the exchange process that are not being met by modernized marketing organizations.

Consumers may also seek the services of attorneys, mediators, or consumer advocate groups to protect consumers’ rights and claim restitution from marketers of faulty products or poorly delivered services. With the aid of attorneys, dissatisfied consumers enjoined a class-action suit against the Home Shopping Network and Proteva Inc., a computer manufacturer, that allegedly failed to pay rebates offered in promotions, sold used products as new, and ignored customer service complaints (Albright 2000). State-appointed mediators have assisted in balancing power held by large automobile manufacturers and consumers who have purchased new automobiles that were “lemons.” Advocate groups for consumer privacy influenced Equifax’s decision to stop using information on individuals from its credit files in databases that are sold to other marketers (Penaloza and Price 1993; Smith 1992). Consumer advocate groups often employ additional resistance acts aimed at influencing public policy, such as writing letters to Congress, lobbying government agencies, and encouraging voters’ support of consumer protection legislation.

Acts of resistance that emerge from inside the market involve attempts to effect change by using as tools of the resistance the structures that are set in place by marketing institutions. Resistance from inside the market debunks the notion that you “can’t fight fire with fire” or Audre Lorde’s idea that “you can never dismantle the master’s house with the master’s tools”
Consumer resistance acts from within the market have only recently been recognized. Some of these acts involve appropriating the marketing institutions themselves. Protesters in France exhibited such resistance to the opening of a new McDonald’s. Angered in part by the culinary hegemony that McDonald’s represents, protesters occupying the restaurant offered customers an alternative meal of baguettes stuffed with cheese or foie gras in an effort to steer customers away (Kluger 1999). Other acts appropriate marketers’ communication mediums for influencing customers. Adbusters, a consumer advocate group, created a parody of the Absolut Vodka print ad, depicting a similar visual presentation but with the altered text: “ABSOLUT NONSENSE. Any suggestion that our advertising campaign has contributed to alcoholism, drunk driving, or wife and child beating is absolute nonsense. No one pays any attention to advertising” (see Penaloza and Price 1993). Still other acts attempt to appropriate tools and tactics that marketers use to communicate expected roles and behaviors of consumers as a means of controlling them. One such tool is interior design. Marketers design aspects of service environments in an effort to control customers (Aubert-Gamet 1997; Bitner 1992). Some banks in southern Florida have removed their carpeting and soft, comfortable chairs and sofas, replacing them with marble floors and little furniture. The environment symbolically conveys an effort to keep their older clients from remaining in the bank longer than the period of their bank transaction. When clients talk on more personal levels with tellers and investors, these employees have less time to pursue other, new business. However, as a form of resistance, older clients can complain to the bank that the floors are slick and that there are no structures to “latch onto” if they fall. Resistance here is an effort to create an awareness of a legal and financial liability among the bank’s management, and to shift or influence the bank managers’ view of the environment. The elderly clients might resist in other ways such as scheduling office appointments for typical inquiries in order to be seated in a comfortable seat, arriving in motorized carts for which their seat is provided, or acquiring desired social interaction by repeatedly calling on the telephone.

**Resistance Via Collective Action or Individual Action**

Consumers seeking redress or changes from marketers may act in groups, taking collective action, or as individuals. As an example of resistance acts from outside the marketplace, lawsuits can be brought against companies in the form of class action suits or by individual customers. Groups such as the Sierra Club and Greenpeace can lobby the Food and Drug Administration (FDA) to promote labeling of genetically engineered agricultural products; individual consumers can write letters to Congress requesting such labeling. Similarly, both collectives and individuals can
carry out resistance from within the market. Consumer activist groups protesting genetically engineered agricultural products can publish parody advertisements depicting strawberries with the fins of the arctic flounder, whose genes were injected to make the strawberry frostproof. Individual consumers may choose to buy from farmers’ markets where they can ask about the growing process and the use of genetically engineered seeds. Or, as another example, an observation was made prior to the study reported here of an individual resistance act paralleling collective ones, such as those produced by Adbusters. The observation was of a highly visible three-story historical home on a corner lot of “Main Street” in a midsized town. The home, which had obviously suffered considerable fire damage, displayed a large, seemingly commercially produced plastic banner that extended from the column on one end of the home, around the column at the opposite end, and around the corner to the other visible side. The banner prominently displayed the logo of an insurance company and read “Insured by [XYZ Insurance Company]” followed by a parody of their ad slogan. The “promotion” left no doubt in the observer’s mind that the company had defaulted on its contractual promises, at least in the eyes of the insured.

Although both collective and individual resistance acts may take forms either outside the market or within the market, collective acts seem to occur more commonly as resistance outside the market. Class action lawsuits are a common example. Individual resistance acts relative to collective acts may occur more commonly as resistance within the market. In part, this may reflect some people’s view that working through collective effort is inefficient. Consumer collectives have themselves become modernized. The bureaucracies of government agencies, law firms, and consumer protection and social-cause organizations require that individuals in need of these services make appointments, fill out formal complaints, and conform to the standardized processes set up for complaint resolution. The inefficiencies, lack of immediacy, and in some cases the costs of such processes are not practical for dealing with many, many individually perceived losses or injustices in the marketplace. And, although the amount of the customer’s time and money to employ a formal advocate may be greater than the loss incurred in the marketplace, the latter is still of enough importance either financially or in principle to seek redress. Thus, to address losses, injustices, or need for individualized treatment, individuals employ forms of resistance that they themselves may implement. Traditional forms of individual resistance include complaining to members of the marketing organization and when this fails, complaining via word of mouth. Arguably, the benefit of the latter is mostly that of reducing negative emotion through “venting.” Based on prior research suggesting that a dissatisfied customer spreads bad news about a company to nine or ten other people (TARP 1981), the power of any one individual to affect a firm’s reputation seems insignificant. The target market of today’s megafirms is too broad based, and too
dispersed for a single customer’s “bad-mouthing” of the marketer to fellow shoppers to be considered “counterpower”—that is, until recently.

Recent evidence suggests that individual consumers are seizing new means of resistance that are powerful enough to gain marketers’ attention. As a case in point, with the growth in household use of the World Wide Web, the dissatisfied individual customer may spread criticism that reaches a multitude of the marketer’s potential customers. Electronic groups or communities that exchange messages may include up to thousands of participants (Sproull and Faraj 1997). Internet technology has empowered individual consumers in a way that was likely not imagined when many marketers eagerly claimed the communication tool for their own promotional purposes. Anyone with $70 can buy a Web address that can be used to post negative information on any topic (Kopp and Suter 1999). These sites, known as “hate sites,” “anti-fan sites,” or “sucks sites,” have Web site locations that are identified by the company name followed by “sucks.com” or preceded by “I hate.” Such listings ensure that the hate site will appear when an individual enters the company name into a search engine. One customer thrown out of Wal-Mart after arguing with an employee hired a Web design expert and created www.Walmartsucks.com, a site that has since drawn written attacks from more than 1,500 customers (France 1999). Sometimes an entire retailing industry is targeted, as with www.carbuyingsucks.com. Retailers of services have also been targeted. The individual who created www.chasemanhattansucks.com placed his site on the Web after becoming frustrated because it took the company several months to correct a banking error (France 1999). Other similar sites have targeted airlines (www.delta-sucks.com), restaurants (www.charthousesucks.com), service industries (www.travelsucks.com), and even America Online (www.aolsucks.org). Hate sites such as these often use trademarked logos and copyrighted digital images on their sites to express aversions to a company or product (Kopp and Suter 1999). Thus, without the finances of a collective, an individual may launch a parody of a marketer’s ad similar to the strategy of Adbusters. An individual need not set up his or her own site to assert resistance power, because just airing a written complaint against the company on an established Web site may reach a volume of potential customers. That these customers’ assertions of counterpower have gained marketers’ attention is evidenced in the host of strategies that companies have employed to deal with hate sites (France 1999). These include the hiring of services to monitor what is being said about them on the Internet, buying up Web sites under their names and all possible negative extensions (i.e., ihate, sucks, blows) before the name is taken, and suing hate site creators. Notably, lawsuits have met with little success, as Web posters are protected by the First Amendment (France 1999).
Resistance in “Legitimated” Forms or Radical Forms

Illustrations of consumer resistance behaviors provided up to this point have been legitimated forms. That is, they are forms recognized in broader society as adhering to a sense of being “civilized” (e.g., peaceful, not involving destruction of property) as a means of influencing or attempting to secure redress from marketing institutions. Customers’ participation in boycotts, picketing, and complaining to customer service representatives all reflect legitimated forms of resistance. In contrast to these, other acts of resistance are radical in the sense that they may be “uncivilized” (i.e., not peaceful, destructive). In some cases such resistance acts have been declared illegal. Examples include billboard sabotage, computer hacking to alter marketers’ customer files, and vandalism of store fronts. Some forms of resistance are designed in relation to the form of control they are attacking. For example, members of ACT UP, an organization resisting the FDA’s lengthy drug approval process for AIDS medications, chain themselves to the wheels of trucks shipping pharmaceutical products as a radical form of protest (Elsbach and Sutton 1992).

There is evidence that some consumer resistance strategies involve combining legitimated and radical forms. Elsbach and Sutton (1992) document how consumer cause organizations engage in overt, conventional forms of resistance (i.e., peaceful protests) to gain media attention to the social cause and heighten awareness of the cause among potential supporters. The organization employs a strategy of using both legitimate and radical forms of resistance, but decouples them by claiming that the radical acts are those of individuals acting on their own behalf rather than as agents of the consumer cause organization. The dual but decoupled strategy enables the consumer organization to get the attention of prospective members (through radical resistance), and then capitalize on this awareness by offering an organization that is associated with more normative or acceptable forms of resistance. Elsbach and Sutton offer as illustration the case of consumer environmental protection groups. Some of these organizations that openly practice more conventional forms of resistance (protests, counteradvertising campaigns) have covertly used the radical resistance tactic of “tree spiking,” whereby trees are visibly tagged as “spiked” and are thus dangerous to tree harvesters who attempt to cut them down. Use of this tactic has sometimes led to tree-harvesting accidents with the result that news of the accused organization appears in the media. The organization is able to publicly denounce its participation in or approval of such acts, while gaining media attention, which it then uses to drive up membership enrollment in the organization known for its more legitimate resistance acts.

The case involving environmental cause organizations suggests a pre-planned strategy of employing both legitimate and radical forms of resis-
tance. However, the use of legitimate and radical resistance acts could reflect escalating attempts at asserting counterpower. The initial protests against McDonald’s in France, involving the giving away of alternative meals, were “genteel”; however, the protests turned “nasty,” with resisters dumping mountains of fresh manure as well as rotted fruits and vegetables in the parking lots (Kluger 1999). Here again, the choice appears a symbolic one, reflecting protest against McDonald’s use of genetically engineered farm products in its meals.

New forms of resistance have emerged that appear difficult to characterize in terms of “legitimate” or radical. For example, one individual posting a hate message on the Internet targeting Radio Shack alleged that the company supports the Ku Klux Klan (France 1999). The tactic may best be described as use of a legitimate form in a radical manner.

**Resistance Acted Out Overtly or Covertly**

Overt forms of consumer resistance that are publicly or nonanonymously acted out will most often be legitimated ones, whereas covert resistance acts (involving deception, particularly with respect to the identity of the actor) will most often be radical ones. This may stem in part from the fact that covert activity assists in avoiding the legal penalties that are placed upon many radical acts.

However, examples may be found of overt acts that are radical. Members of ACT UP who chain themselves to trucks delivering pharmaceuticals are overt in their radical form of resistance. Individual customers who act out rage or are interpersonally abusive in other ways toward marketers’ employees are resisting in forms that are both overt and radical. Parodies of such behavior have appeared in pop culture. In the movie *Falling Down*, a frustrated customer played by Michael Douglas, holds up a fast-food restaurant at gunpoint, demanding to “have it his way.” However, publicly shocking consumer resistance behavior is not just a thing of fiction. A *Wall Street Journal* report recounted an incident of overt but radical resistance to the airline industry’s norms of behavior for its passengers. When a couple decided to have sex during an international flight despite being obviously visible to other passengers, the airline pilot was required to intervene, shouting over the speaker, “This is not a shag house!” (Nomani 1998).

The latter illustrations suggest that some forms of consumer resistance are inherently linked to being overt or covert. Being interpersonally abusive to salespeople is naturally overt. However, there are likely many situations in which consumers have a choice in whether to resist overtly or covertly. For example, consumers may resist either overtly or covertly when retail establishments such as Circuit City, as a matter of procedure, attempt to collect personal information on consumers, such as their name, address, and phone number, at the time of purchase. Customers may overtly
refuse to give such information. Alternatively, they may act covertly, by
giving the marketer incorrect information. In such cases, the decision to use
either overt or covert forms of resistance may reflect what’s at stake for the
customer. For example, enticed by the discounted prices offered in the Plus
Card Program that Kroger uses to link customers’ purchases to personal in-
formation, a customer may choose to sign up for the card, but give false per-
sonal information.

Resistance that Results in Psychological Rewards or
Material Rewards

Resistance may result in psychological rewards or material rewards. Psychological rewards have not been previously examined in consumer re-
sistance discussions. However, in the organizational behavior literature,
where researchers have studied employees’ attempts to resist the dominant
structures of their employers, researchers have posited that employees
who commit resistance acts experience feelings of relief from injustice or
feelings that justice has been restored (e.g., Greenberg 1990). To elaborate,
researchers have found that employees do not fully concede to pay cuts or
pay levels that they perceive to be unfair, even for short durations. When
pay cuts of short duration have been imposed, making exit (i.e., leaving the
firm) a less desirable form of resistance, employees have been observed to
steal more from the company than employee groups whose pay has not
been cut (Greenberg 1990). It is notable that the stolen goods are of little per-
sonal value to their takers (i.e., mechanical parts for aerospace and automo-
tive industries), suggesting that the reward for such resistance behavior is
primarily psychological—the perceived restoration of justice or the satis-
faction of revenge.

Although not explicitly discussed in the consumer domain, these psy-
chological rewards and others seem likely outcomes of consumers’ resis-
tance behavior. The setting up of hate sites would seem to offer the psycholog-
ical rewards of perceived restoration of justice or the satisfaction of re-
venge. Advertisement parody, billboard sabotage, computer hacking, and
various forms of vandalism would similarly seem to offer these rewards.
However, additional psychological rewards appear likely in the consumer
domain. Participation in collectives such as consumer advocate groups that
engage in acts of resistance such as boycotting, lobbying, and picketing,
likely shape an individual’s distinctive self-image (cf. Tepper 1997), and
thus offer the psychological reward of enhancing one’s self-view. An addi-
tional psychological reward stems from the notion that what is being re-
sisted is oftentimes the standardization of offerings, processes, and
interactions. That is, if consumers’ resistance attempts result in the success-
ful customization of a consumer experience, then they might also enjoy the
satisfaction of having resolved a customer problem.
Material rewards (money, goods, or property of personal value) have not been widely discussed in prior works on resistance, though it is easy to see that resistance acts such as employee theft could involve the taking of goods that are of personal value to the resister. In consumer contexts, theft in the form of shoplifting has not been considered a resistance behavior but rather behavior that is economically motivated or driven by thrill-seeking. However, the consumer resistance phenomenon of hate sites does suggest that consumer resistance acts can lead to material rewards. Some companies, such as Dunkin’ Donuts, have purchased or attempted to purchase the hate site addresses from their original disgruntled owners as a means of shutting them down (France 1999; Kopp and Suter 1999).

BUSINESSES’ CO-OPTATION OF CONSUMER RESISTANCE ACTS

Consumer researchers have suggested that the offerings and processes that individuals divert through their resistance attempts are not always hindrances to businesses’ activity or productivity that require measures of prohibiting the behavior. Resistance attempts may be “retrieved” to improve the offering or the process (Aubert-Gamet 1997). A resistance attempt is referred to as a “positive diversion” when it can be used to the advantage of the marketer by including it in a planned decision for improving the process or offering (Aubert-Gamet 1997). The process of converting a positive diversion to a useful marketing strategy is commonly referred to as the “co-opting” of consumer resistance attempts. Numerous cases of “successful” co-optation of consumers’ resistance attempts have been observed beginning in the 1960s.

Examples of Businesses’ Co-optation of Consumer Resistance Behavior

In the Conquest of Cool and Commodify Your Dissent Thomas Frank discloses how American businesses co-opted the very ideology of resisting modern business that emerged during the 1960s. They have done so by using “resistance” and “dissent” themes as influence attempts in advertising. Nike shoes are sold to the accompaniment of words such as “the revolution will not be televised,” the products of Apple, IBM, and Microsoft are touted as devices of liberation, and “advertising across the product-category spectrum calls upon consumers to break rules and find themselves” (Frank 1997, p. 4). Frank argues that marketers have co-opted the threat that the real counterculture represents by routinely commercially constructing a counterculture that allows them to cash in on a particular demographic group. His works disclose the disturbing potential for consumers’ acts of
resistance to be turned into further instruments of control at the hands of marketers.

However, just as fraud need not be labeled “bad” from the marketers’ perspective, co-optation of consumers’ resistance tactics need not be labeled “bad” from the customers’ perspective. Indeed, instances abound where marketers’ recognition of consumer resistance acts has led to improvements and/or innovations that benefit customers. Marketers have a long history of responding to consumer resistance expressed in boycotting or rejecting the marketplace offerings. When the baby boom generation began reaching 50 and constituted a sizeable market of older Americans, they resisted marketers’ attempts to target them as “senior citizens.” Marketers were forced to change their products and promotional appeals that endorsed stereotypical views of the elderly’s physical appearance, health status, and activity levels (see Tepper 1994).

Marketers also have demonstrated that consumers’ resistance of rules and procedures can lead to marketplace improvements. The practice of “snack-packing” at movies, whereby individuals ignore signs requesting that no food be brought past the ticket window, has led to innovations including the offering of a greater variety of food beyond buttered popcorn, sodas, and chocolates. Recognizing that some of the snack-packing was prompted by a desire for more healthful foods, the ability to buy the same food items at lower costs, and the desire for meals, theaters responded. Additions have included the offering of more healthful low-fat popcorn. Novelty items such as large home-baked cookies that cannot be bought for less outside the movies are now in display cases. Also sold are perishable items, such as ice-cream bars, which the consumer is not likely to transport from home. Hot finger foods such as heated nachos and hot dogs appear on menus. Resistance via snack-packing likely influenced the conception of theaters that began serving pizza and beer during the show. As a result of marketers’ responses to this form of resistance, consumers’ needs and individual tastes are better served by the extended product line. As another example, the consumer resistance practice of posting hate sites has been co-opted by some marketers who treat these as an alternative to their formal customer complaint process. That is, marketers use the medium as a means of increasing customer satisfaction and customer retention. Kopp and Suter (1999) have recommended that companies treat hate sites like “serious suggestion boxes” and opportunities to combat sentiments that “the big company doesn’t care.” This might be effectively accomplished by identifying the individuals who post stories of dissatisfying incidents or problems, contacting them, and attempting to resolve the problem or repair the relationship, as some customers say Dunkin’ Donuts has done (France 1999).

Marketers have also demonstrated that consumers’ resistance efforts reflecting attempts to customize or construct their individual lives from standard offerings can be useful in identifying benefits that form the basis of
entirely new strategies or offerings. In illustration, marketers recognized that customers’ use of shopping malls as jogging and walking tracks sprang from the benefit of the controlled environment. Marketers created what might be considered a “co-opted extension” similar to product line extension whereby the benefit of the unintended use of the resistance tactic is identified and the benefit is co-opted. Mall managers recognizing the benefit of the controlled environment have promoted the celebration of Halloween in malls. Children can “trick-or-treat” in a controlled environment that is relatively safer, easier to walk in, and not influenced by bad weather as is neighborhood trick-or-treating. Here, consumers benefit while marketers are able to add “entertainment” value for shoppers who can enjoy the costumes and holiday atmosphere.

Marketers’ decisions not to co-opt a given tactic of consumer resistance but rather enforce the prohibition of such acts are also not necessarily “bad” or counter to customers’ interests or welfare, though this point is rarely if ever acknowledged in discussions of consumer resistance. For example, marketers might intervene in individual customers’ attempts to use the controlled environment of the mall interior for inline skating or skateboarding by enforcing the prohibition of such acts. From a marketer’s perspective, nontolerance of the resistance is justified in that such activity may discourage or inhibit the attendance of shoppers who might become annoyed. From the consumers’ perspective, the prohibition of the activity eliminates threats to physical safety that would otherwise exist by catering to this customized and unintended use of the mall. Such prohibition might be considered a short-term solution until this unintended use can be usefully co-opted. In the long term, a separate, self-contained outdoor skateboard park might be constructed that would likely attract more customers and add to the mall’s entertainment value.

Employees’ Roles in Favoring or Discouraging Consumer Resistance

Aubert-Gamet (1997) has noted that employees may play a role in favoring or discouraging consumer resistance. Though Gamet’s work on resistance does not elaborate how employees do this, some guesses seem reasonable. These ways might be usefully distinguished according to whether employees adopt the role as the marketer’s representative or whether they see themselves as resisters, and thus, identify more closely with consumers.

As marketers’ representatives, employees may through their interpersonal behavior work to meet customers’ expectations of fair interpersonal treatment, and thereby discourage consumer resistance that might otherwise be prompted. As marketers’ representatives they may also preempt resistance by providing rationales for the prices of offerings or the rules and procedures of the exchange that they anticipate consumers will question
and resist. In a third role, employees may use their level of attentiveness, interactional styles, and verbal or facial expressions of disapproval to discourage resistance behaviors that have been predetermined as “irretrievable” or detrimental to the organization. A fourth way exists in which employees acting as the marketers’ representative may influence resistance behavior. Although rarely enacted because of the little responsibility granted employees in modernized marketing organizations (see Ritzer 1993), employees may be attentive to consumers’ resistance behavior, but rather than prohibiting it, stand back and look for possible ways the company might co-opt them to the benefit of both customers and marketers. Employees who see themselves as resisters, and who are able to empathize with customers’ attempts to escape dominance by marketers, may actually be proactive in suggesting unintended uses of products and services and ways of breaking the rules to customers. Because of their greater knowledge of processes and procedures, employees may serve as experts in advising customers of possible ways to divert resources away from the marketer and toward the customer. In illustration, many of us have at times gone to a department store register and found out from the employee that discount coupons appeared in the newspaper. The employee, empathizing with the customer who was unaware of the promotion, may reach into a garbage bin behind the register, retrieve an old newspaper, and scan in the bar-coded discount coupon. This may be an act of resistance that the company approves because it could create goodwill and long-term patronage in the customer. However, many of us likely have had friends who, as employees of various retail stores, disclose to us the markup on goods and offer to purchase them on our behalf so we can receive the employee discount.

Iterative Cycles of Consumer Resistance and Businesses Co-optation Strategies

There is a recursive interplay between consumer resisters and marketing organizations, whereby individuals’ resistance attempts are co-opted by marketers who use them to develop new strategies. To the extent that the new strategies reflect further attempts at influence and control and the corresponding continuation of dehumanizing or lack of individual treatment, consumers will in turn devise new resistance tactics to overcome them.

An interesting illustration of iterative cycles spawned by acts of consumer resistance is businesses’ co-optation of the consumer resistance movement itself. Expressions of dissent against modern businesses became widely salient during the 1960s as a backlash against the uniformity of “mass society” in which “values of individualism were vanishing and being buried beneath the empires of great corporations, the sprawl of prefabricated towns, and the reorientation of culture around the imperative of consuming homogenized mass produced goods” (Frank 1997, p. 10). Modern busi-
ness co-opted the resistance culture by commercializing and commodifying it (Frank 1997). The handcrafted, uniquely designed tie-dyed T-shirts, hand-knitted vests, and hand-strung beaded jewelry used to symbolize liberation from the expected, normative dress and from the marketers who manufactured and controlled the prices for such goods became the next mass-produced fashion. With this experience, marketers realized the value of promoting a rebel culture to each upcoming youth generation as a reaction against whatever the current cultural norm happens to be. The most straightforward attempt since the 1960s to break from marketers’ imposition of fashion cycles emerged with the grunge rock culture of the late 1980s. Groups such as Nirvana appeared in clothing with a “pulled from the attic” look. The “picked” and faded sweaters, T-shirts, and ripped jeans, a look that seemingly could be constructed from a yard sale or a trip to the local Salvation Army, began appearing in department stores at the high prices of designer wear. Parents lamented paying a few hundred dollars so that their teenage daughter might look as inconspicuously poor as her peers. These are the parents who embraced the conspicuous consumption of Rolex watches, Volvos, and estate-size homes—acts that ran counter to the values of conservative spending and maintaining a low profile espoused by their depression-era parents. These acts were also stimulated by marketers’ promotional themes that encouraged yuppies to reject the ideas of their parents’ generation.

In co-opting the value of individualism that prompts resistance, marketers have not only promoted that people should express dissent from the consumer values and norms of prior generations, but also that individuals should resist being perceived as similar to other people in general, and resist being forced into the indistinguishable, homogeneous mass. To appeal to people’s desire to express their individuality, marketers develop advertising messages that employ product scarcity appeals, uniqueness appeals, and appeals to breaking the rules (see Lynn and Harris 1997; Frank 1997; Snyder 1992; Thompson and Haytko 1997). Consistent with various scholars’ suggestions that marketers employ such practices with the intention of creating a public of conformist consumers (Frank 1997; Thompson and Haytko 1997), Snyder (1992) suggests that marketers exploit individuals’ desire for individuality by stimulating a “consumer catch-22”:

Marketers advertise that a product, brand, or style enhances one’s uniqueness, consumers purchase the advertised product in order to express their specialness, the marketers’ success from these purchases stimulates more advertising, and many consumers respond similarly to the advertising appeal such that each consumer’s expectation of specialness is not achieved.

By promoting that resistance to conformity can be accomplished symbolically through material displays, marketers prompt consumers to dispose of goods prior to the end of their functional utility. Goods are made
useless by their commercially constructed meaning as a symbol of conformity. Thus, the replacement cycle for any good that can be used as a statement about identity, such as clothing, is shorter, and overall purchasing activity is greater.

Individual consumers who oppose the control inherent in these fashion cycles have in turn developed new resistance tactics. They employ a variety of strategies for combating the “copycatting” of their unique products. These include combining fashion objects from multiple retail outlets rather than purchasing ensembles displayed in one store, importing from larger cities that have a greater selection of merchandise, importing from overseas travel locations or other vacation spots that are less accessible to others, and buying antiques or goods that are no longer manufactured (Tepper 1997). All of these forms of resistance have become widely accessible through the Internet, which allows individuals to rapidly search and purchase from multiple shops, other cities, overseas locations, or auction sites that place antique, obsolescent, or no longer manufactured items up for bid. Another form of resistance to fashion cycles occurs when consumers do not dispose of their possessions after they become widely adopted, and instead of replacing them, simply acquire more knowledge of them. That is, they are able to use the products as props to demonstrate their distinctive knowledge to others (Holt 1998; Tepper 1997). For example, souvenirs of sporting events that are mass produced and become more popular can be used as props that create opportunities to tell stories to others that reveal the owner’s distinctive, expert knowledge of the valued team. Notably, this strategy is also easier to implement with access to the Internet.

Of course, the cycle of co-optation of resistance itself has not ended with such consumer strategies. For example, as consumers began purchasing antiques as a means of distinguishing themselves, reproduction antiques became mass produced. Consumers’ attempts to distinguish themselves via extensive knowledge has been co-opted, as marketers employ their ability to provide such information to anyone in search of it on Web sites.

The iterative cycles of consumer resistance and marketers’ co-optation are not limited to clothing fashion. For example, as consumers began to express their distinctiveness via the construction of large estate-size homes, developers found a way to produce these bigger houses in mass. Mass production made them so affordable and readily available to the large numbers of middle- and upper-middle-income individuals that they have recently been dubbed “McMansions”—a label that captures the cheapening of a status good with its mass production (Paik 1999). McMansions are now becoming unpopular among many who can afford them. These resisters are opting instead for smaller, less ostentatious houses, with more character or distinctive features (Paik 1999), that seemingly require greater skilled handcraftsmanship. Manufacturers have been quick to co-opt the appearance of custom-made home interiors. A look at the displays of any
manufacturer of interior tile will convince one that the same tile worker for the McMansions can readily install predesigned patterns of bathroom tiles that have a “customized” appearance. A consumer may further customize their bath by choosing from a catalog of various mass-produced “vintage” claw-foot bathtubs.

Following this discussion, the recursive or back and forth movement between consumer resistance and businesses’ co-optation of resistance attempts should be evident. However, within such a cycle, which is portrayed in the traditional notion of the product life cycle that depicts consumers as innovators, early adopters, majority, and late adopters, there are those who seemingly do not resist. That is, they decide to adopt products not as innovators who are resisting conformity, but rather after marketers have promoted these goods as desirable. Our study reveals that even these consumers resist. Individuals may resist more than merely the type of product that marketers are promoting. They can resist standardized prices, promotions, and rules of returning the product, among other things. They do so via acts of customer fraud.

CUSTOMER FRAUD AS A FORM OF CONSUMER RESISTANCE

All of the subsequent chapters of this book describe an emerging and likely pervasive form of consumer resistance—customer fraud. Recognition of customer fraud as a form of consumer resistance became evident in middle-class customers’ stories that revealed the goals of their fraudulent acts. Specifically, and as will be described in depth in Part IV of the book, middle-class customers initiate customer fraud acts to accomplish three goals. One goal is to restore equity to an “unbalanced” or unfair exchange that customers perceive favors the marketer as the dominant structure or more powerful exchange partner. A second goal is to successfully retaliate against the marketer as a means of relieving the anger and frustration of being the victim of an unfair exchange that is enforced by the marketer’s rules. A final goal is to obtain a customized offering that is not intended by the marketer but is accessible if the individual is willing to ignore or violate the marketer’s established rules, norms, and structures of control.

As an act of consumer resistance, customer fraud may be characterized using dimensions relevant to other forms of consumer resistance. First, customer fraud involves resistance that takes place within the market as opposed to outside the market. That is, customers use marketers’ own tools of packaging, pricing, promotion, form of distribution, and established policies and procedures (such as those involved in returning products or registering a complaint) to divert resources from the marketing organization to themselves. What distinguishes customer fraud from other forms of resistance that occur within the market, such as creating advertising parodies,
initiating hate sites, or boycotting the purchase of products, is that the customer diverts resources away from a marketing organization while carrying out an exchange with it. The buying “relationship” is maintained. Further, relative to these forms of individual consumer resistance (excepting possibly the creation of hate sites), customer fraud involves greater agency or assertiveness. Throughout the book, stories will relay the planning and effort that individuals invest in pulling off their fraud schemes. Finally, and as previously mentioned, customer fraud is distinguished from other individual forms of consumer resistance in that it is practiced in people’s everyday lives. Opportunities to resist via customer fraud are pervasive and present themselves as customers enter into day-to-day market transactions with convenience stores, grocery stores, discount stores, home improvement centers, department stores, and a myriad of service providers.

Although customer fraud most commonly occurs as an individual’s act of resistance, the planning and effort expended in devising customer fraud schemes is readily revealed in individuals’ attempts to form collectives. Small collectives revealed in the stories involve either recruiting another consumer as an accomplice in avoiding detection or co-conspiring as a member of a group that attempts to pull off a fraud act in which all participants benefit.

In an attempt to characterize customer fraud as either a “legitimated” or radical form of consumer resistance, it seems useful to draw a parallel with the previously described strategy of “decoupling” legitimate and radical acts employed in the resistance acts of consumer collectives (Elsbach and Sutton 1992). With customer fraud, individuals give the appearance of following the legitimized rules of exchange (e.g., going through the prescribed process of complaining or returning a product), yet through their acts are able to divert resources at a level that amounts to the more radically viewed act of stealing. Thus, overtly, customers exhibit marketers’ expected, normative behavior while covertly diverting resources away from them.

Psychological rewards are sometimes reaped, but customer fraud as we have defined it always results in material reward to the consumer. In this regard, it is distinct from many individual acts of resistance such as criticism to others, posting messages on hate sites, boycotting a product, or exiting or not patronizing the firm, which do not often produce material or financial rewards. In one sense, customer fraud appears to be the everyday counterpart to the less frequent acts of filing lawsuits as a means to secure material rewards. And, although the value of diverted resources of a single act may seem to pale in comparison with that of most legal settlements, the rewards to the individual are immediate, and their cumulative value, if estimated, would likely be astonishing. Further, their cumulative value across customers can threaten the existence of the organization from which resources are diverted. In illustration, the Virginia Supreme Court upheld the sentencing of a woman to nine days in jail for stealing one strawberry...
from a grocery store on the grounds that if each of the store’s 10,000 customers ate one strawberry, it would cost the store $810 a day (Ecenbarger 1988).

The customer fraud acts that are described in this book, like other acts of consumer resistance, may be viewed with an eye toward how they might be co-opted or “retrieved” by marketers to create outcomes that are mutually beneficial for marketers and customers. Because individual acts of resistance have not been commonly explored and are rarely labeled or linked to resistance (Penaloza and Price 1993, p. 123), the information uncovered here offers a rare opportunity for developing strategic insights.

CONCLUSION

This chapter outlined the consumer resistance perspective as a framework for understanding the customer fraud phenomenon that is described throughout the remainder of the book. Consumer resistance was discussed in terms of its origin, characterizations, and businesses’ co-optation to create positive outcomes. This discussion allowed the introduction of customer fraud as a special and previously unrecognized form of consumer resistance that takes place within the market rather than outside through legal systems and government agencies. Its ability to empower individual consumers’ acts of resistance is likely paralleled only by the new form of resistance that has emerged via “hate sites” on the Internet. However, relative to hate sites, customer fraud is more radical and more likely to result in material rewards rather than merely psychological ones. Further, the rewards of customer fraud are relatively immediate rather than requiring time for the resistance behavior to attract attention and accumulate power, as occurs for hate sites. And, as will be illuminated throughout Part II of this book, customer fraud is also more amorphous, taking on a great variety of resistance tactics that customers tailor to specific marketplace conditions that exert different forms of control.

Approaching customer fraud from the consumer resistance perspective addresses the criticism that academic marketing researchers studying social problems have focused excessively on how to change individual behavior (Goldberg 1995). Rather than assuming that the individual is the basic cause of his or her own social problem, or that the individual holds the power to correct it, Goldberg (1995) argues for a broader perspective that recognizes marketers’ roles in prompting problems. Many social problems attributed to individuals are more “downstream problems” that are caused by more fundamental social structural conditions “upstream.” For example, studying how to get consumers to use credit cards responsibly might prove less fruitful than examining the business practice of offering extensive credit lines without collateral or attempting to change the 1978 bankruptcy code, has been labeled the most lenient bankruptcy law in the world (see Frum 2000). The consumer resistance perspective encourages market-
ing institutions to reexamine their established structures rather than solely focusing on changing customers’ fraud behavior. As demonstrated in this chapter, consumer resistance behavior may result in marketers’ development of integrative solutions that address customers’ needs while not threatening the organization’s productivity. This perspective also leaves open longer-range possibilities such as the evolution of new forms of marketing institutions that do not practice modern business principles but instead find ways to treat customers as individuals with whom relationships are truly sought and nurtured (cf. Ritzer 1993).
II

CUSTOMER FRAUD ACTS
De Certeau (1984) has noted that important acts of consumer resistance are found in the day-to-day minutia of product use. Customer fraud stories told by middle-class customers revealed that consumer resistance acts are also found in day-to-day dealings with retailers, manufacturers, and service providers in the marketplace. Part II richly describes the approximately 80 *bricolage* (“do it yourself”) resistance acts involving the use of deceit to gain material rewards that are diverted from marketers. These acts, which were outlined in Table 1, are now described in detail that reveals how individuals customize their customer fraud acts to meet their personal resistance goals in the face of specific constraints or controls imposed by marketers. These 80 acts are organized into seven types that reflect areas of strategic interest to marketing managers. These seven types also inherently reflect the marketing tools that customers appropriate in their resistance efforts to assert their counterpower. The seven areas were designed to be mutually exclusive, so that each specific act is classified within and discussed in only one area (see Table 1). The first of these types involved covertly violating norms or rules of product acquisition.

Customers reported covertly breaking marketers’ rules of acquiring products to avoid any monetary outlay commanded by the marketer’s pricing policy or to divert monetary gains from the marketer and toward themselves. In doing so, they appropriated products, warranties, and the profit margins that normally accrue to the marketer. Some acts of rule-breaking to acquire products were reportedly attempts to restore balance to an exchange that the customer perceived as unfair, whereas the goal of other acts was to achieve a customized offering in terms of its form, packaging, or price that otherwise was not available.
<table>
<thead>
<tr>
<th>Type of Fraud Act</th>
<th>Definition and Distinguishing Acts</th>
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<tbody>
<tr>
<td>Product Acquisition Fraud</td>
<td>refers to covert acts of rule-breaking contrived and enacted by customers, exclusive of those involving a tangible form of sales promotion (e.g., coupons, gifts) or return of a product, by which they secure the monetary value or ownership and use of a product at an expense lower than the marketer would have commanded in the absence of the undisclosed activity (i.e., lower cost than the standardized price of the given product). Product acquisition fraud encompasses acts of shoplifting, covertly rebundling packaged merchandise, and manipulating the set purchase price information on merchandise.</td>
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<tr>
<td>Product Return Fraud</td>
<td>refers to covert acts of rule-breaking contrived and enacted by customers that involve the return of a product, by which they secure the monetary value or ownership and use of a product at an expense lower than the marketer would have commanded in the absence of the undisclosed activity. Product return fraud encompasses acts of returning merchandise under false pretenses to retail stores and to manufacturers.</td>
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<tr>
<td>Service Acquisition Fraud</td>
<td>refers to covert acts of rule-breaking contrived and enacted by customers, exclusive of those involving a tangible form of sales promotion (e.g., coupons, gifts), by which they secure services at a lower monetary cost than the marketer would have commanded in the absence of the undisclosed activity (i.e., lower cost than the standardized price of the given service). Service acquisition fraud encompasses acts that take place to acquire/use a service contract or membership or to benefit from a noncontractual transaction.</td>
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<tr>
<td>Fraud in the Use of Sales Promotions</td>
<td>refers to covert acts of rule-breaking that are enacted by customers via misusing a tangible form of sales promotions offered in conjunction with either products or services. Fraud in the use of sales promotions includes the misuse of coupon and rebate offers, misusing discount offers that require tangible verification of the customer's qualification (e.g., identification cards for entitlement to discount, documents such as newspapers advertisements to obtain offers &quot;to beat anyone's price by 10%&quot;), and taking unintended advantage of promotion gift offers. (Nontangible forms of sales promotions such as merchandise sold as &quot;on sale&quot; facilitated fraudulent product returns and is encompassed within the second category).</td>
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<tr>
<td>Fraud in Negotiations</td>
<td>refers to covert acts contrived and enacted by customers that take place in exchanges that commonly transpire via bargaining or negotiation, as opposed to transactions where standardized, &quot;nonnegotiable prices&quot; are attached to a given product or service offering. (Previous categories involve customer deception practiced against clerks or managers in exchanges where prices for a given product or service are standardized.) Fraud in negotiations encompasses acts of deceiving sales negotiators (e.g., car salespeople) and acts of deceiving insurance claims negotiators.</td>
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<tr>
<td>Fraud Committed with Employee Accomplices</td>
<td>refers to covert acts of rule-breaking enacted by both customers and one of the marketer's employees who serves as a fraud accomplice. These acts may be contrived by either the customer or the employee. Although these acts also involve other strategy domains that are susceptible to fraud (i.e., product returns, sales promotions), they are unique in that employees play a role in executing the fraud act.</td>
</tr>
<tr>
<td>Fraud Capitalizing on Marketers' Pricing Collection and Distribution Errors</td>
<td>refers to covert acts enacted by customers via capitalizing on marketers' errors (i.e., mistakes) in pricing merchandise, collecting the proper payment, or delivering the goods. Similar to the category of &quot;fraud committed with employee accomplices,&quot; marketers' employees facilitate the customer fraud act, but in contrast, they do so passively rather than proactively. Distinguishing this category from all others, the marketer's error creates an opportunity for gain that the customer seizes by omitting their knowledge of the mistake. In some instances, customers contrive situations intended to capitalize on employees' errors in an effort to secure economic gains.</td>
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Formally described, product acquisition fraud refers to acts in which the individual covertly breaks rules of acquiring products and thereby secures the monetary value, or ownership and use of a product at an expense lower than the marketer would otherwise have commanded. Excluded from these acts are those covered in Chapter 5 in which product acquisition is accomplished through fraudulent product returns. Customers’ rule-breaking to get the product they wanted at the price they wanted to pay includes shoplifting, rebundling packaged merchandise, and manipulating prices of merchandise. Each of these may be carried out in various ways that are outlined and described here.

FRAUD ACTS

Shoplifting

Shoplifting involves taking merchandise from a store shelf or display and leaving the store without any monetary payment. Although recognition of the act itself is not insightful with respect to developing new marketing strategies, it is noteworthy that these acts were included in the stories of middle-class or upscale adult customers. Much of the previous literature on customer shoplifting has recognized the acts of teenagers who shoplift as a form of sensation-seeking, college students who are prompted to shoplift by peer pressure, and adults suffering from psychological disorders who chronically shoplift goods for which they have little need or interest (that is, kleptomaniacs). Monetary savings, although not explicitly mentioned, ranged in value from that of a newspaper or a snack, to higher-priced goods such as shoes. Even incidents of shoplifting lower priced goods should be of interest to marketers given that costs may accumulate as consumers repeat these acts and that there is precedence for prosecuting them. Several customers in our study reported they repeated their shoplifting behavior.

The various ways in which middle-class customers in the sample shoplifted included not only acts previously identified in trade reports and academic research but also others. Retail trade and security reports have invariably described shoplifting incidents as attempts to escape paying for merchandise by hiding the goods on one’s person or in objects brought into the store (such as baby carriages, newspapers, shopping bags from other stores, and umbrellas) and then leaving through doors that bypass the register areas (Berner 1996; Burritt 1989; Keckeisen 1993; Schaub and Biery 1994). University-sponsored studies have described shoplifting as the taking of goods such as snacks or electronics from stores without payment (Babin and Babin 1996; Kallis, Krentier, and Vanier 1986). Similar to these descriptions, several customers in the study reported here told of taking products from convenience stores and bypassing the registers to avoid payment, and a couple of customers reported consuming snacks such as soft
drinks in grocery stores and leaving without paying. Although the latter acts are often viewed by customers as inconsequential (cf. Johnson, Sommer, and Martino 1985), and even security guards hired to apprehend shoplifters have been known to snack without paying (Keckeisen 1993), the Supreme Court has upheld jail sentences of more than a week that state courts have imposed on customers who snack from grocery stores without paying (Ecenbarger 1988).

Beyond these, acts reflective of more complicated schemes emerged from customers’ stories. In some incidents, customers made no efforts to hide or smuggle the merchandise, but rather, simply walked out of the store with the merchandise openly displayed as if already owned (e.g., shoes). In other incidents, customers relayed successful attempts to smuggle merchandise through the sales register area by falsifying the quantity of identical products reported to the cashier and by hiding small products inside other paid-for merchandise. The cunningness of these latter acts are noteworthy in that they provide the consumer with an “out” if apprehended at the register. Customers told of rehearsing false claims that they had made a mistake about the quantity or were “ignorant” of goods hidden inside others. In contrast to these volitional acts, several customers relayed that they inadvertently walked out of the store without paying for goods, and did not return them when they later realized their “theft.” The failure to return the goods may make these customers culpable under some state’s retail theft laws, such as Arkansas’s, that presume anyone who conceals an object does so intentionally and anyone who intentionally conceals an article plans to steal it (Ecenbarger 1988; see Budden 1999).

The stories suggest that middle-class customers shoplift by

- walking out with merchandise hidden on their person,
- walking out with merchandise openly displayed on their person as if owned,
- lying to the cashier about the quantity of identical merchandise being purchased,
- placing extra merchandise inside the packages of paid-for merchandise so it will not be scanned,
- consuming food items while in the store and leaving without paying, and
- failing to return to pay for merchandise when they inadvertently walk off without paying.

Shoplifted products included grocery items, leisure goods such as newspapers, products related to personal appearance such as health products, beauty aids, and shoes, and practical goods such as household tools. Products are shoplifted from automated dispensing machines, grocery stores, and both general merchandise discount stores (e.g., Wal-Mart) and specialty merchandise discount stores (e.g., Ace Hardware).
Although the number of shoplifting incidents in the sample was relatively small, most all shared a common facilitating context—the “self-service” method of finding products, taking them to the sales counter, reporting quantity, or giving payment. However, none of the incidents involved removing anti-theft stickers or security tags, which are common acts of compulsive shoplifters (Jacobs 1997), suggesting that the upscale customers in the study reported here were more cautious and discriminating in their theft methods.

Times when I go to the hardware store: I count out the nuts and bolts, etc., and place them in the plastic bag myself. I usually add an additional 1–4 items knowing that the sales clerk/cashier is too lazy to count them theirself. If they do count (and this rarely happens) I just say that I miscounted the items and “Thanks for catching my mistake.” I know they are too lazy to count the items themselves, so why not take advantage. (M, 38)

The relatively small number of shoplifting stories in the study may indicate that upscale customers could obtain advantages through other, more sophisticated schemes with lower risks of detection. “Rebundling” was one of these.

**Rebundling Packaged Merchandise**

Rebundling packaged merchandise involves secretly disjoining separate, multiple components that are priced together as a single product and recombining these with components of other products to secure an advantage. The customer benefits by paying for a single product, when acquiring the desired combination of components would require purchasing two or more products—an alternative that the middle-class customers reported “most all consumers” would not exercise. Consistent with these feelings, none of the stories mentioned monetary savings, though more than half told of rebundling as a repeated behavior. The marketer is disadvantaged by being left with merchandise possessing mismatched components for which there may not be a demand. Although such acts are closely akin to shoplifting, they are qualitatively different in that the customer never acquires an entire product for which she/he has not paid. However, in some states these acts are illegal, constituting retail theft that includes changing containers or packaging to obtain a benefit (Keckeisen 1993).

Customers rebundle in three ways. The first involves swapping prematched components of an ensemble with components of other ensembles to obtain a customized product. Customers’ stories revealed that this act was most commonly performed to obtain a customized fit of women’s clothing items, including pants suits, swimsuits, two-piece lingerie outfits, and shoes. As one 49-year-old woman relayed, “I found the size I normally wore. The top fit but the pants were too snug. I switched pants on another
outfit and got 1 size larger in the pants. These fit really well. I really did want this pants outfit. It was really becoming on me.” Customers rebundled other ensembles to obtain a match that better suited their aesthetic taste. As an example, one woman reported routinely selecting envelopes that were prematched with greeting cards other than the ones she purchased to obtain a pleasing combination.

The second rebundling act involves self-assorting merchandise packaged in multiple units of identical goods to obtain greater variety and/or higher quality at the same or lower price per unit. As examples, customers reported changing out brands of beers packaged in six-packs and yogurt flavors sold in packs of 24 to get variety. Obtaining a lower price per unit was achieved by using the lowest priced brand’s package as the base container from which items were substituted with other, more expensive items. Customers also reported that they unbundled and recombined produce such as grapes and bananas to obtain a package of higher quality.

As the third act, customers disassembled a “variety pack” to create a package of uniform versions of a product they desired. As an example, one woman, age 53, reported that after searching for a navy blue headband and finding one packaged with others of different colors, she pulled the navy ones from several packets to create a packet of all navy headbands.

Summarizing, customers secure products at a lower expense than the marketer would require that they pay by covertly rebundling in the following ways:

- swapping individual complimentary components sold and priced together as one product with components of other goods to get a customized product without purchasing two sets of the same type of good,
- self-assorting merchandise packaged in multiple units of identical goods to obtain variety at the same price per unit or at a lower price per unit, and
- reassorting goods packaged as “variety packs” to get a uniform pack at the same price per unit.

Customers in the sample rebundled packaged goods primarily in department stores, specialty stores, and grocery stores. Although many incidents involved self-service contexts, consumers who were closely assisted by salesclerks found guileful ways to distract them while they rebundled. One respondent told a story from the perspective of her role as a part-time employee of a specialty shoe store in which a customer, who complained of having two differently sized feet, intentionally distracted her by asking to try on 15 pairs of shoes. The customer then seized the opportunity created by the “confusion” to place two differently sized shoes in the same box. Such attempts were corroborated by customers’ stories of their own acts.

I went to a shoe store and tried on two pairs of shoes. My right foot is one-half size larger than my left. When I told the salesperson that, he didn’t believe me. And then
he said I would have to buy two shoes of the same size. Then I told him I wanted to try on a different style shoe and when he left, I switched the shoes so both would fit. Before he returned, I had already paid and left the store. I couldn’t believe the man didn’t offer to let me change the shoes. So I felt quite pleased with myself when I tricked him. (F, 21)

**Manipulating Prices of Merchandise**

Manipulating prices of merchandise involves secretly changing the price information on merchandise to pay less for it. Manipulating prices is distinct from shoplifting in that the customer makes partial rather than no payment for the good. It is also distinct from rebundling packaged products in that the customer obtains a lower price on a product that is intended and tagged for sale rather than one that is an unauthorized creation of the customer. Customers reported monetary savings from their single acts of price manipulation that ranged from a low of $.58 up to $300.00; however, many reported that their behavior was recurrent. Although select acts (i.e., price tag switching) are prosecutable as retail theft, the criminal status of newly identified acts has yet to be determined.

Of six types of price manipulation acts that were shared in the stories, two have also been recognized in previous university-sponsored marketing research: secretly switching the price tag of a desired good with the price tag of a different good sold at a lower price (Jolson 1974; Kallis, Krentier, and Vanier 1986; Muncy and Vitell 1992; Wilkes 1978), and scratching off a product’s top price to receive an older, lower price (Wilkes 1978). Although marketers have attempted to prevent losses from these acts by attaching price information directly onto product packages with bar-coded labels, a third act, whereby customers swap similar boxes of two differently priced goods (e.g., shoes) so that the lower bar-coded price will be scanned, suggests that middle-class customers’ tactics have kept pace with marketers’ technology. Instructional materials for retail security personnel describe similar incidents, such as when designer underwear is removed from its plastic tube and placed in a tube that originally contained a less expensive pair (Hayes 1991). A variation on this act is swapping distinct, recognizable containers for which clerks ring up different prices. For example, one customer reported regularly obtaining cappuccino in a “refillable” coffee mug so that the Super America store clerk charges him “only $.31 for a coffee refill instead of $.89 for a cappuccino refill.” A fourth act involves removing price tags from merchandise and attempting to negotiate the price as if it is unknown, and a fifth involves hiding good merchandise to negotiate a lower price on identical but slightly damaged merchandise. These latter acts are particularly crafty or wily in that they yield similar outcomes to, yet avoid direct labeling as, price tag switching, which is illegal and prosecutable as retail theft (Keckeisen 1993; Steiner, Hadden, and Herkomer 1976). The sixth act, switching price tags on merchandise and having an ac-
complice pay for the desired good at the lower price, dissembles the criminal act such that neither the customer nor the accomplice is fully culpable. In summary, customers manipulate prices to secure desired goods at lower prices than those established by marketers in the following ways:

- switching price tags of two goods to purchase the desired product at lower price,
- scratching off a top price to receive an older, lower price,
- swapping the boxes of two goods so that the lower bar-coded price will be scanned,
- hiding good merchandise to negotiate a lower price on identical but damaged merchandise,
- removing price tags from merchandise and attempting to negotiate a lower price as if it’s unknown, and
- switching price tags on merchandise and having an accomplice pay for a desired item at the lower price.

The product types that customers sought to acquire through price manipulation varied across the acts. Manipulating prices via price tag switching occurred more commonly for personal appearance–related objects (e.g., clothing outfits and clothing accessories such as shoes, socks, and ties) and recreational goods (e.g., a fishing pole, a football, and golf clubs). Customers also recounted incidents of price tag switching for home decoration goods, such as plants, and gifts such as coffee mugs. Scratching off higher prices to obtain lower, previously labeled prices occurred primarily for grocery products. Swapping packages possessing different bar codes occurred for boxed merchandise (e.g., shoes). Both the removal of tags and hiding good merchandise to negotiate lower prices with sales clerks were performed primarily to obtain clothing items. Store types that were common in the data included discount stores such as Kmart, T.J.Maxx, and the “1/2 Price Store,” and regional department stores such as Hill’s and McAlpin’s.

Situations or contexts that facilitated price manipulation acts included self-service in the selection of goods and the display of a wide array of merchandise, both of which minimize the risk that the salesclerk will know the correct price. Further, the side-by-side display of high-end and low-end goods, and of sale and regularly priced merchandise, were contexts that drew customers’ attention to the opportunity to manipulate prices. Finally, specific conditions that were related to how the price was affixed to the product seemed evident. Tags or labels that can be easily detached without traces of tampering (such as tags attached with pins or unperforated adhesive labels) facilitated switching, scratching off, and removing price tags. Boxes that did not depict the encased product on the package facilitated switching bar-coded boxes, as did product packaging in which the product identification number did not appear on both the box and the product. As one woman who switched the bar-coded boxes for shoes recounted, “The
clerk even opened up the box and I still managed to get away without detection.” Beyond these contexts, the story below illustrates that customers create conditions to prevent the “switch” from being traced back to them if later discovered, such as by paying cash.

Denny was always looking for the best deal possible. He knew that the set of golf clubs he wanted was a little out of his price range, but right beside the $599 set he loved was a cheaper set for only $299. Denny looked around and saw no one so he reached down and swapped price tags. Nervously, he took the clubs to the cashier. She glanced at the price and commented on what a good deal it seemed like. Denny agreed and proceeded to pay cash and leave. Denny never worried about the price swapping. He thought he deserved those clubs, no matter what he had to do. He does this with everything he buys. (M, 23)

**MANAGERIAL INSIGHTS**

**Shoplifting**

The shoplifting acts described by our middle-class sample represent those that should obviously be prohibited rather than co-opted. However, this does not preclude the possibility that marketers might use knowledge of some acts of shoplifting to create new strategies that better satisfy customers’ needs. In illustration, bookstores have reported that commonly shoplifted books are about sexuality, mysticism, meditation, and astrology, stolen presumably so customers can avoid the embarrassment of being seen purchasing them at the register (Lewine 1997). The privacy benefit might be co-opted by offering free book covers, or mail order forms that may be dropped in a box within the store that delivers the book via mail within a few days. The Internet is particularly well suited for this situation. Soon most retailers will have a Web site that at a minimum establishes an “electronic retail image” and offers contact information, including an e-mail address. Customers can shop the store and place relatively anonymous orders over the Internet. The retailer can alleviate the customer’s apprehension by subtle and discreet communications and shipping.

However, marketers will in most other instances seek to prohibit shoplifting. Although the stories suggest a number of insights for deterrence that we offer here, managers experiencing problems in this area are encouraged to avail themselves of resources that offer more in-depth treatment of legal issues surrounding attempts to apprehend and prosecute shoplifters (e.g., Budden 1999). Briefly reviewing Budden’s (1999) suggestions that are relevant here, state statutes offer one avenue of deterring shoplifting. When it is known that marketers make efforts to detect shoplifting and prosecute offenders, it deters similar acts. However, apprehending and prosecuting shoplifting offenders comes with the risk of costly civil suits against the marketer for false arrest and malicious prosecution. Merchant protection
Statutes exist in all states that offer marketers “conditional privilege” or immunity from civil liability if they establish probable cause for detaining, searching, and pressing charges against individuals. What constitutes probable cause is often disputed in trials. However, some state statutes, such as Arkansas’s, declare that concealment of goods can be considered evidence of willful concealment on the part of the customer, which enables the store to investigate while retaining conditional privilege. Even so, Budden cautions store owners to consider the reasonableness of their actions because not all who fail to pay for merchandise intend to steal it. Individuals have been known to drop items into their pockets so that their hands are free to carry additional items. Even prosecuting attorneys have reported taking goods and forgetting to pay. (We would expect that to the extent that a marketer’s customers who conceal goods out of poor judgment are apprehended, searched, and prosecuted, patronage of the marketer by the target group will fall.) Further, for specific acts uncovered in our study, probable cause would be difficult to establish. For example, walking out with merchandise openly displayed may enable the customer to commit shoplifting if not apprehended; if apprehended, probable cause would be questionable given that the customer did not conceal the item. The customer could believably argue that in a “lapse of mind” they forgot they were holding the merchandise.

Beyond criminal prosecution, each of the 50 states have implemented merchant civil recovery laws that allow them to demand recompense for their shoplifting-related costs from those individuals who have been apprehended taking merchandise from their premises. Many involve writing a simple civil demand letter to apprehended individuals and demanding payment of a fee. The amounts that can be demanded vary by state, but most allow recovery of the full retail value of the merchandise if it is not recovered in saleable condition as well as attorney’s fees. Attempts at civil recovery can be made even when no charges against the individual are forthcoming. Thus, the marketer may take civil action even when state prosecuting attorneys are reluctant to take the criminal case. Further, customers made aware by marketers that they can admit civil wrongdoing without necessarily being criminally prosecuted may readily pay the requested fines—as members of the target market, they most likely have the financial resources. We see this form of restitution as one that would not likely be as alarming as criminal prosecution to other members of the marketer’s target group. Finally, civil recovery efforts appear to have more direct benefits for the marketer than do efforts at criminal prosecution of shoplifters. In its civil recovery efforts, Eckerd drugstore reports a 55 percent recovery rate that has generated more than $1 million (Hartnett 1994). We reiterate Budden’s (1999) advice: preparation and implementation of an effective shoplifting deterrence strategy that takes advantage of merchant
protection laws requires advice from legal counselors who are familiar with statutes in the merchant’s state of operation.

Other forms of deterrence do not rely on the legal system. As one form of deterrence, marketers might reorganize store layouts and policies to require clerks’ assistance with commonly shoplifted merchandise. In illustration, Tower Books in New York reported that they moved paperback books authored by twentieth-century counterculturalists that accounted for 65 percent of the store’s thefts out of their alphabetical ordering to a location behind the register (Lewine 1997). Notably, in conjunction with this reorganization, Tower Books’ management co-opted the meaning that customers attached to the shoplifting of these books—all of which expressed a strong anti-establishment bent—by acknowledging it in a point-of-purchase promotional stand. Behind the counter where the counterculturalists’ books were held, a placard was hung that read TOWER’S MOST WANTED and featured sinister-looking photos and the names of counterculturalist writers such as William S. Burroughs and Charles Bukowski (Lewine 1997). The humor in the strategy was aimed at the preventing of shoplifting without alienating the former shoplifters who might legitimately purchase other books. Further, the display offered a prop for salesclerks, who could more convincingly explain the inconvenience to the customer who had previously looked for the book on the shelf. Finally, in co-opting the meaning of the shoplifting acts, the store added entertainment value for many book browsers. Beyond reorganization, stores might also use “greeters” or employees to make eye contact with all customers of the store. This form of interaction is expected to reduce customers’ inclination to shoplift either because customers’ feelings of anonymity are diminished or because they then view the marketer as more personal and less anonymous, making it difficult to inflict harm on the store.

The stories also suggest insights for detecting shoplifting (i.e., discovering the theft once it has been committed). Store layout is important in the design of surveillance strategies. It poses a challenging task for managers responsible for integrating designs that offer shoplifting safeguards while maintaining presentations that enhance sales opportunities. Enhancing sales opportunities often involves making a greater volume of inventory accessible to customers for inspection and physical handling. However, store layouts conducive to surveillance, such as shorter aisles or lower shelving, reduce space for displaying inventory. By highlighting the product lines and product categories most prone to being stolen, the data analysis presented earlier assists managers in integrating the goals of protecting merchandise and encouraging its sale. Store managers will need to take a “micro” management approach to maximize their effectiveness, whereby they safeguard specific products in specific store locations rather than applying a single surveillance strategy throughout the entire store.
Systems where the customer is also independently responsible for paying for their items that lend themselves to shoplifting might employ some form of technical surveillance. Automated checkouts that offer customers the opportunity to bag some items that they do not scan might require improved self-scanners to reduce potential shoplifting. Where employees are present to receive customers’ payments, additional training on inspecting could improve the chances of detecting shoplifting. Specifically, as revealed in middle-class customers’ reported fraudulent acts, employee training on inspecting purchases might usefully include specific instruction on counting and separating goods, checking carts for additional merchandise, and examining purchased boxes for hidden merchandise. Training should also include procedures to follow when employees detect shoplifting so the store can successfully prohibit this form of fraud without being sued (see Budden 1999).

Rebundling

Rebundling, relative to shoplifting, is more often a “retrievable” form of consumer resistance. That is, marketers’ might co-opt the benefits sought in rebundling for use in new marketing strategies. The stories of middle-class fraud offenders suggest that their goal in rebundling is often to obtain a customized offering that meets their individual needs or tastes. Marketers might constructively view the absence of a preferred product mix as a market failure rather than an unreasonable customer expectation. Marketers could co-opt the customized offering that women seek when they mix and match ensemble components to create novel designs (e.g., the clothing top of one pattern or fabric with the bottom of another pattern or fabric). That is, marketers might develop collections of clothing that are priced as ensembles but allow customers greater choice and participation in the design (e.g., “Pick any top and bottom ensemble from available designs for $49.99”). Similarly, marketers could set up structures with “bulk pricing” and “do-it-yourself” packaging. Examples might include providing prepriced cartons that allow customers to choose their own variety of canned soft drinks, beer, yogurt, etc. Another example might be to buy unpackaged manufactured goods and provide binlike structures for consumers to purchase multiple goods of the same product type at a “bundled price” while allowing them to select the various colors or versions they prefer. Such options might be preferable to prepackaged goods of either uniform colors or multiple colors of the marketer’s choosing, as is often done for beauty aids such as headbands and clothing such as socks. To co-opt the benefit that women seek when they rebundle various clothing ensembles to obtain an outfit in which both the top and bottom fit, marketers could consider setting up a free in-house alteration service, or providing a list of recommended alteration specialists to customers. Marketers might also consider
selling matching but separately priced units of the ensemble. The advent of computerized inventory systems that link retailers’ sales of specific merchandise to product ordering systems that are fed to manufacturers, and “just-in-time” delivery that enables retailers to order and receive inventory in days, would seem to facilitate such strategies. Marketers could readily reorder goods to match “odd” pieces for which matching sizes were left unavailable by a customer’s customized choice. All of the preceding efforts fall under the general label of “postponement” whereby the seller delays the assembly of the final version of the product as long as possible, thus increasing customization and customer satisfaction.

However, for some situations marketers may want to deter rebundling. Access to “just in time” delivery from manufacturers, the cost of returning unsold merchandise to manufacturers, and margin differences across product types each provide justification for attempting to limit rebundling. Insights into deterrence strategies suggested by the stories include the potential to design new packaging that prevents “swap-outs” in multipacks, to reorganize customers’ access to merchandise so as to require clerks’ assistance with commonly rebundled merchandise, and to implement new policies limiting one size of a given style at a time in the dressing room. With the exception of private label products, packaging changes require manufacturer cooperation. In some cases the retailer may be challenged to gain the manufacturer’s cooperation in solving what manufacturers consider a retailer problem.

With respect to detection strategies, the rebundling acts described in customers’ stories suggest that bar codes on units of multipack products and color codes to indicate size or type on component pieces of ensembles will facilitate employees’ inspections. Cashier systems might require double entry of prices via bar code and manual entry of SKUs (Stock Keeping Units) from products. Employees might also be trained to check components for proper uniformity or variety. Further, employees can be trained to communicate in a style that fosters good customer relations when explaining the inability to sell items for which a “matched” version does not exist and offering options. These might include informing customers of similar ensembles in the store for which the tops and bottoms are sold separately or giving them the names and prices of alteration services.

**Manipulating Set Price Information**

Although a reflexive reaction to customers’ manipulation of set price information is to think first about how to prohibit it, the price-changing stories of middle-class customers do suggest a benefit that might be retrieved. Namely, middle-class customers expressed a desire to own higher-end brands for the price of lower-end goods. One means of retrieving the benefit sought in this form of resistance might be to offer discounted “seconds”
in the form of previously purchased but returned goods, or used goods that customers are allowed to trade in (i.e., trading in golf clubs for higher-end brands). The success of this strategy would require promoting these offerings without stigmatizing the purchaser. Possibly these could be considered first options by placing announcements where the high-end product is sold for its standardized price to “see the clerk for special deals on similar merchandise.” At that time clerks can inform customers of discounted seconds—a process indicating that “first-come” customers have privileged access to special deals.

However, for low-priced, high-volume, and/or high-turnover goods, the aforementioned strategies are likely not feasible. Thus, deterrence efforts suggested by the fraud stories might be implemented that include the creation of tags that are resistant to switching and scratching off, and attention to the organization of merchandise such that sale items are physically separated from regularly priced goods. Further, for large-ticket items, stores might devise innovative merchandise displays that either physically separate low-end and high-end goods or enhance their visibility to store clerks.

Insights into detection strategies offered by customers’ stories involve creating physical aids that assist clerks in recognizing price manipulation acts. For example, photographs of products on the package would aid clerks in ascertaining that the bar-coded price on the box corresponds with the product being purchased (i.e., that no container switching has occurred). Merchandise could be double-tagged, with one price tag concealed but known by the salesclerk, who can then check both prior to making the sale. Finally, price lists by product description might be placed at the register.

The effectiveness of all these strategies requires employee training and the enhancement of employees’ motivation to detect price manipulation acts. As Budden (1999) has documented, although price manipulation is prosecutable under retail theft laws, purchasing something at a lower than normal price does not establish probable cause for detention, search, and prosecution. Unless an employee or surveillance camera observes a customer manipulating the price, detaining a customer who purchases a good at a lower than normal price could lead to a civil suit for false arrest. Effectiveness of these strategies also requires cooperation farther back in the channel of distribution with manufacturers responsible for product packaging.
Like the previously described acts of shoplifting, rebundling, and manipulating set prices of merchandise, product return fraud results in the acquisition of a product in a manner that gives the customer an advantage relative to their exchange position had they followed the marketer’s rules. However, product return fraud is distinct from these prior forms in terms of what the customer appropriates or claims in their resistance effort. With the former acts, customers reclaim for counterpurposes the offering or aspects of its strategic design: shoplifting involves appropriating the good itself, rebundling entails appropriating and altering the package, and manipulating set prices involves appropriating and altering physical price information designated by the seller. In contrast, product return fraud is a form of resistance whereby customers appropriate or claim for their own purposes a process and its procedures. Marketers set up product return processes and procedures to gather information regarding problems that consumers encounter in using a product because of its design or manufacturing. This information may serve as a source for determining the vendors with which the store will want to deal, or insights into product improvement and new product innovation. Middle-class customers committing product return fraud claim return policies and procedures for the counterpurposes of obtaining products at lower cost, “borrowing” products free of charge, extending the usable life of their one-time purchase investment, recouping product losses against every day accidents (effectively using marketers as insurers but without making additional payments for this service), buying products for trade-in at a profit, extending warranties beyond those allowed by marketers, and other individual purposes.
FRAUD ACTS

Returning Merchandise to Retail Stores
Under False Pretenses

By returning store merchandise to retail stores under false pretenses, customers are able to pass along their costs of repair and replacement to marketers, as well as recoup costs associated with buying goods during higher demand periods. In effect, some acts within this type are similar to shoplifting and manipulating prices in that merchandise is acquired with no or only partial payment, respectively. In operation, some acts of this type are similar to rebundling packaged merchandise in that they are carried out by repackaging products in ways other than intended by marketers. The collective distinctiveness of acts of this type stems from their occurrence (presumably) as post-purchase activities as opposed to activities that are tied to initial product purchases. Achieved monetary advantages reported in the stories ranged from $8 to $300. The legal sanctioning of fraudulent returns differs across the various specific acts.

The ways in which customers made fraudulent product returns to retail stores were more varied than for any other type of customer fraud. Despite recognition in earlier marketing studies that customers may abuse return policies, the relatively richer data of this study illuminated new acts and contextualized previously identified acts. Middle-class customers’ deceptive store return practices described in this section reveal an unanticipated extremity with respect to expended efforts and achieved advantages. Ten types of acts were identified.

The first act involves buying a product with the intention of “borrowing” it for a short term and then returning it for a full refund. The customer benefits by using the product without payment and/or by experiencing a variety of goods without payment. The retail store is disadvantaged by receiving used goods for which other customers may not pay the established retail price. Conceptually, this act shares some common ground with those identified in prior university-sponsored research, and described generally as “the return of damaged or used merchandise” (Jolson 1974) or as the return of used clothing (Fullerton, Kerch, and Dodge 1996; Wilkes 1978; Zabriskie 1972). However, a unique finding of the stories in the study reported here is the premeditated nature of returning products after usage. One 30-year-old woman considered the act of acquiring an otherwise “unaffordable” dress for a special event as “a lease or a borrow with down payment.” A 58-year-old man, who described the acquisition and subsequent return of various goods needed to complete specified tasks, noted that “In effect the product is rented cost free.” Premeditation was also evident in recounted actions, as relayed in one 52-year-old woman’s story about wearing clothing, “hiding the tags, and then returning them for a full refund.” Similarly, a 32-year-old man reported calling around to check on the rental
prices of an item that, because of its rental expense and his short-term need for it, he later bought from a discount store with the intention of returning it. The stories also revealed that customers sought to secure the “loan” of a variety of merchandise beyond party dresses and other clothing items or accessories. Goods purchased with intentions of returns included Christmas toys “rented” and then returned in January, computer games used and returned to try a greater variety at no extra cost, a radar detector bought to take on a trip and then return, a video camcorder purchased to own only for the period of a vacation, a television set purchased to view during the 90-day period allowed under the return policy, a lawn tractor that was “rented” for a season, and a carpet cleaner “borrowed” to clean up after a flood. As these acts demonstrate, buying with the intention of borrowing involved not only goods subject to fads, such as clothing and toys, but also relatively more durable goods such as electronics and appliances. The commonality across the goods appeared to be that customers believed that they needed them, yet anticipated that their need would be infrequent. Although a number of products in these incidents are not available in rental markets (e.g., camcorders, radar detectors), customers also chose such a strategy in lieu of paying fees for goods that could be legitimately rented, such as party dresses and television sets. That most goods were of high monetary value suggests that customers may consider the value of the “free rental” and whether this justifies the effort involved in buying and then returning. Notably, the high value of the “borrowed” good may have contributed to one storyteller’s experience with such incidents: “There are whole families that manage to use a number of products by passing the merchandise to one another until all have benefited.”

The second act involves returning a very old, extensively used, or damaged product under the pretense that it was newly, recently purchased, to obtain a full refund or replacement merchandise. Such acts benefit customers by enabling them to extend replacement-purchase cycles of their products or avoid repair costs, while disadvantaging retailers who incur either these costs or added shipping costs when returning the merchandise to manufacturers. In earlier research, Wilkes (1978) surveyed consumers on their perceived wrongfulness of requesting a product repair when the warranty had expired, though the use of deceit was not explicit in the rated statement. Zabriskie (1972) found a few incidents in which consumers falsely made verbal claims that they had owned a product only within the time frame allowed by the warranty period. However, participants in the current study devised more extreme fabrications. To pass off an older product as new and recently purchased, customers most often purchased products identical to older ones that they owned, placed their older version of the product in the new box, and then returned it with the recent receipt. As rarer alternatives of effecting this artifice, customers sought out appropri-
ate merchandise boxes from friends, or waited until Christmas when store management relaxed their return policies and did not demand receipts. Such tactics may reflect recent innovations, devised by customers in response to decreases in time limits on product returns. One male customer, age 26, prefaced his description of such an act with his knowledge that a national chain general merchandise discount store “has recently made changes in their refund, return policy which made it more restrictive. In the past their products were guaranteed for one year. Now they are only guaranteed for 30 days.” However, whereas some customers in the sample who employed these means of switching their old products for new ones did so when products became defective shortly after 30-day or other short-term return periods, others reported using these tactics to replace goods that had remained useable throughout a normal or expected product life. One man, age 26, told how after acquiring a new game box, he was able to return a computer game machine after several years of use and obtain a replacement. Other reported incidents included the return of a two-year-old car radio for a refund higher than the initial purchase price, the return of a two-year-old cellular phone to get a new one, the return of a piece of machinery purchased at a yard sale to obtain a replacement, and a tiller-type boat motor of unknown age and origin that one consumer found muddy and damaged in the bottom of a lake and returned for credit toward a higher-priced boat motor. Thus, unlike buying with the intention of borrowing, return of the merchandise in these situations took place long after the initial purchase. A further distinction was that goods tended to be items that are used frequently in consumers’ daily lives as opposed to infrequently. Thus, the loss of use of the product after the warranty period prompted recognition of the need for replacement. Merchandise that customers charaded as new were most often electronic goods, including a car radio, computer game systems, computer and video games, compact disc players, answering machines, and cordless phones. Exceptions include the incident involving the boat motor, another involving an old, broken light fixture “ballast,” and one involving a damaged pair of slacks from home that the customer was able return to a store by attaching the store’s price tags to it. Notably, all items were fairly expensive. A final distinction from buying with the intention of borrowing is that returning products as if new via tampering with the packaging is considered illegal, as it constitutes retail theft or “theft by deception,” such as when container contents are swapped.

The third act, misrepresenting the way in which a returned product is broken when caused by consumer misuse, was recognized as early as 1972 in university-sponsored research conducted by Noel Zabriskie. Zabriskie describes a single incident involving a shotgun with a blown-out barrel that was returned by a department store customer who claimed the damage occurred during normal use, despite evidence that the barrel had been
plugged with mud and then fired. Unlike Zabriskie’s incident in which the store denied the customer a replacement or refund, customers in the sample here relayed stories in which the store awarded their falsely represented returns with the requested remedy. Customers returned products that were damaged as a result of unavoidable accidents, careless handling, and failure to follow instructions, most often claiming either that the product was defective when purchased or broke during normal usage. Examples include a 19-inch-screen color television set that was knocked off its stand and broken by a child throwing a temper tantrum, a skirt that was punctured with a shoe when the customer accidentally stepped on it, a fishing rod that was repeatedly returned when it was carelessly broken by “car lids, car doors, and heavy feet,” a bow tie clip that the consumer broke in frustration after “wrestling with it” to try to put it on, a car battery that the customer shorted out because he forgot to disconnect it while installing an alternator, and a cordless phone in which the battery’s memory was lost because of the customer’s failure to follow instructions to charge the battery before using it. The variety of product types suggests that any product potentially capable of incurring damage is susceptible to such false claims. Most customers describing such returns requested replacements as opposed to refunds, suggesting that in one sense, they are avoiding “double payment” for the same good, much like customers who rebundled ensembles. Contrasting prior fraudulent product returns, customers in the sample were willing to make false claims not only for high-priced products such as televisions, but also for low-priced products such as neckties. This may reflect that, because of the relatively short time since customers paid for the goods, such acts are perceived as recouping a loss, whereas buying to borrow and returning extensively used goods as if new are perceived in terms of securing a gain. The presence of low-priced goods may also reflect that misrepresenting the cause of product damage involves a less effortful contrivance than does either buying to borrow or passing off old merchandise as new.

Whereas the formerly described acts involve advantages tied to receiving product use, replacements, or refunds for free, three additional acts all result in the customer paying a lower price than the marketers’ established one. The fourth act involves returning merchandise for full price and not disclosing that it was purchased at a discount. As examples, one woman, age 41, recounted how she made a $10 profit by returning an outfit purchased on sale that she decided she did not like: “When I returned, it was no longer on sale. I didn’t mention it and neither did the sales clerk.” Another woman, age 35, purchased patio chair cushions and then returned them to a different store when she realized she could make a $16 profit by the return. Another woman told of returning dishes bought at a discount store to a department store for a higher price.
The fifth act involves buying undesired versions of a brand that are on sale and later returning them to obtain either the desired version at the sale price or a refund at the nondiscounted price. In effect, undesired sale-priced goods are stockpiled for their return value. As an example, one woman reported buying sale-priced but unpopular versions of grocery products when popular versions (i.e., flavors) were not on the shelf, and then returning them after the sale ended for the desired, more popular versions at the sale price. Her “story” to the store’s management was that her son, who she said made the purchase, bought the wrong version. Several customers in the sample who found expensive clothing items on sale but in sizes that would not fit them would still buy them and continue rechecking the store or others of the same chain until they were able to exchange the goods for the correct size. Alternatively, they returned the goods during periods when return policies were relaxed (e.g., before and after Christmas) for a refund at the nonsale price. One woman, age 43, reported purchasing $30 worth of sale merchandise and then storing these goods in her closet for a year, which enabled her to return them for a store credit at the nonsale prices totaling approximately $300.

The sixth act involves returning merchandise once it goes on sale in order to obtain the identical merchandise at the lower price. According to customers in the sample, stores “wouldn’t honor the reduction on prior sales,” such that securing the discount price required an effortful contrivance. Because goods (primarily clothing) purchased at the higher price had been used prior to the sale, which occurred later in the fashion season, customers saved tags on these original purchases. Later, they bought identical merchandise at the sale price, and then returned the new item with the older tag and receipt in order to obtain a refund at the original, higher price. The act of saving tags and receipts suggests that end-of-the-season sales were anticipated, creating fraud opportunities for which customers could plan. Tactically this act is similar to price tag switching in that both involve the manipulation of pricing information. This act is also similar to passing off older merchandise as new, in that both involve purchasing an item that is identical to one owned by the consumer. That returning higher-priced merchandise to get a sale price involves returning the new item, rather than passing off the older one as new, reflects customers’ use of the best means of accomplishing the desired goal. That is, the older merchandise was in useable condition such that a newer replacement was not needed. Further, store clerks are more likely to discern the use and damage of clothing than of older electronic goods passed off as new. Customers appear not to have submitted older clothing in this fraudulent act because it increased the threat of detection and the store’s decline of the refund.

The seventh act, returning merchandise to a different retailer, is considered fraudulent in that the customer falsely represents the returned good as merchandise purchased from the store. The store is disadvantaged by pro-
viding refunds or credits for merchandise it did not sell, and/or by acquiring merchandise that it does not sell. This act differs from those previously described in that in its purest form, when the customer receives the same value as that originally paid, the advantage to the customer is more one of process than outcome (for example, the ability to return goods to a more convenient location). This was the case when customers obtained merchandise while traveling or received gifts from out-of-state relatives that were not to their liking. However, this act of deception was most often practiced in conjunction with three other fraudulent return acts aimed at gaining outcome advantages. First, the return of very old or extensively damaged merchandise as if new was sometimes conducted at a store other than the one where the old or damaged merchandise was purchased. In some incidents, this was because of the customers’ lack of knowledge of the retail seller, as in the cases of the boat motor retrieved from the lake or goods owned for several years before the return. In other incidents, a specific advantage was sought, as illustrated in the story of one woman, age 27, who purchased a cellular phone from a discount store with a “no returns” policy, finding later that it was damaged. By buying a new phone from a specialty store and placing the damaged one in the new box, the customer was able to make the return and recoup her initial cost. In one sense, the risk associated with buying from discount stores and outlets that often sell “irregular” or defective goods is passed on to other, higher-end retailers. Second, making the return at a different store made it possible to return merchandise purchased at a discounted price for a refund at a higher price. This combination of acts capitalizes on price variance across discount stores and department stores that sometimes stock similar merchandise. This was exemplified in the story of a woman who returned dishes bought at a national chain general merchandise discount store to a regional department store so she could get a higher price. However, with the return of very old merchandise, increasing product prices over time allow customers to reap return values greater than initial monetary outlays even in instances when specialty store merchandise is later returned to discount stores. Such an outcome was recounted by the man, age 23, who returned the two-year-old car radio, originally purchased from a specialty store, to a general merchandise discount store, receiving more money than he had originally paid. Third and finally, the act of making returns to a different store was coupled with returning merchandise purchased at full price once it goes on sale. In illustration, a 37-year-old woman told a story of finding the same shoes that she had recently purchased “somewhere else at a deeply discounted price,” at which time she purchased the second identical pair, placed them in the original box, and returned them to the first store for refund at the higher price.

The eighth act involves claiming warranty coverage on goods acquired in a resell market, such as tires on used cars and car radios. Customers recounted incidents in which goods purchased from friends or neighbors be-
came defective, after which they went together to return the item to the store for the refund. The original owner initiated the exchange, pretending to be the current owner in order to bypass what these accomplices perceived to be an “irrational (warranty) policy.” Claiming warranty coverage on goods acquired in a resell market is a unique act of return fraud in that the marketer is not disadvantaged relative to their anticipated outcomes from the exchange with the original owner, as long as the returned good and its warranty were purchased from the marketer. This led customers to label the policy “irrational” when defending their fraud acts. However, such warranties may protect marketers from providing refunds and replacements for goods purchased elsewhere, in instances where products are not or cannot be marked with product identification numbers. In some cases, marketers’ establishment or structuring of return policies may have been influenced by recognition that a portion of original buyers will resell the product, thus reducing the store’s warranty liability. Thus, the store’s anticipated liability is increased by merchandise returns made by original owners for current owners.

The ninth act involves “performance complaining” (i.e., feigning complaining) or arguing for obviously unallowable returns or warranty claims to encourage the manager to acquiesce. Zabriskie, in an early 1970s study of customer fraud, recognized that some complaints “exceed reasonable bounds of expectations.” Although the observational nature of Zabriskie’s investigation did not allow classifying such incidents as customer fraud, stories in the sample described here revealed that some customers considered their complaints as performances or impression management tactics aimed at securing benefits to which they knew they were not entitled according to store policies. Such acts of complaining targeted various aspect of the process of returning merchandise and were often coupled with other acts of return fraud. During interactions with store clerks, customers challenged the need for proof of purchase to make returns, where returns should be made (the retail store or the manufacturer’s location), the meaning or intent of return policies, and the legitimacy of the return policies. Illustrative of these, the finder of the damaged tiller-type boat motor, who retrieved it from the lake and cleaned it up, was able to return it to a national chain general merchandise discount store under the pretense that he had recently purchased it, only after arguing with the store clerk that he should not need proof of purchase since they are “eager at Christmas time to give refunds without a receipt, but not at other times.” Another man complained vehemently and successfully to the store manager of a specialty store that, rather than having to return a damaged watch to the manufacturer, as he knew was outlined in the warranty document, he should receive a replacement from the store since it prominently displayed a “satisfaction guaranteed” sign in the window. Another man, who was initially denied a replacement for a Hoover vacuum cleaner that he had dam-
aged by running over the cord while cleaning, continued arguing that the
meaning or intent of the retailer’s return policy was to cover such damage
until the manager authorized a replacement. A woman who had paid for a
Christmas tree at a national chain store specializing in arts and crafts but
delayed picking it up returned several days later to find it had been dis-
counted 30 percent: “She argued for the manager to honor the newly re-
duced price, even though that was against [Specialty Store’s] policy. By
arguing and threatening not to return to the store, she was able to convince
the manager that she wanted to return the tree. She returned the tree and re-
purchased it.” Another illustration of how customers engage in perform-
ance complaining to challenge the legitimacy of return policies involved
a customer who prior to Christmas had purchased three Santa bears from a
regional department store. She said she purchased them the first day that
they were available “to insure she would get them before they were sold
out” but found “two weeks later that they were on sale for $10 off.” After
being denied the adjustment by the salesclerk and subsequently the man-
ger, the customer persisted in arguing, saying she would return the bears
and then purchase new bears: “The manager relented and told his em-
ployee sarcastically, ‘The customer is always right.’ ” As illustrated in the
preceding examples, performance complaining is an interpersonal form of
duplicity, whereby the customer is honest in following the appropriate pro-
cedure (that is, presenting a complaint), but dishonest in their presentation
of what they deem are acceptable or allowable claims. During interactions
with store personnel, these individuals “play dumb or naïve” and act out
feelings of disbelief, frustration, and anger with what they know is nor-

mally considered reasonable practice. In some instances, this confronta-
tional style appeared to be the only available option among acts of return
fraud. As exemplified in the previous illustrations, performance complaining
appeared the only way to secure adjustments to bought merchandise
that later went on sale in those instances when goods were seasonal and
needed immediately by the customer; substitute goods were not available
at other stores, and the store had a policy in place to prevent both full re-
funds and price adjustments during the sale period. That is, these condi-
tions rendered other acts ineffective, such as stockpiling the goods for
return during a later nonsale period, returning the merchandise to a differ-
ent store for refund at the nonsale price, and buying identical merchandise
and switching tags with previously purchased merchandise. In other in-
stances, performance complaining was a “backup” or reinforcer for other
fraudulent return practices for which the customer encountered the threat
of the clerk denying the desired remedy (for example, returning old prod-
ucts as if new without receipts).

The tenth act, capitalizing on variation in sales clerks’ enforcement of re-
turn policies, also involved instances in which customers’ desired remedies
for product returns were initially denied. However, rather than engaging in
direct confrontation via performance complaining with the storeclerk or manager who denied the claim, customers were circuitous. They politely left the store. Subsequently they returned at a different time, found another salesclerk, and merely repeated their request, acquiring their desired remedy. Customers’ expectation of variation in store clerks’ implementation of return policies was evidenced in their belief that initial rejections occurred because store clerks were “new” and “adhering too closely to the policy.” Such acts parallel techniques employed by professional credit card fraud artists who make a practice of “playing the odds” that if several applications are submitted for scoring by employees, one will “fall through the net” and be approved (Jackson 1994, p. 45). In contrast, middle-class customers’ product returns were made in person, and were visible to others. Thus, that none of the customers who told of capitalizing on variation in salesclerks’ decisions engaged in performance complaining after the initial rejection is potentially a strategic maneuver. That is, complaining would call attention to the incident and the invoked policy, making the customer less anonymous and the policy more widely known among store clerks and management. Such increased visibility would inhibit the customer’s opportunity to subsequently find variation in clerks’ applications of return policies.

These ten acts extend the notion of “fraudulent refunding” by customers that is predominantly described in trade literature on retail security as “returning stolen goods to retailers and getting a full refund” (Geason and Wilson 1992, p. 35; O’Brien 1996; Purpura 1993; Sells 1993). These are often considered practices of professional thieves whose efforts include returning merchandise that was purchased with fraudulent credit cards or bad checks for cash refunds, and combing parking lots for discarded receipts, using them to select merchandise for shoplifting and returning the merchandise for cash refunds. In the stories of middle-class or upscale customers, there were no incidents of returning goods purchased with bad credit cards or bad checks or of returning stolen goods. Although similar to professional thieves, upscale customers also schemed to acquire proper receipts with which to make their returns, and their schemes most often required initial monetary outlays.

The stories suggest that retail stores are susceptible to a collection of fraudulent acts involving the return of merchandise by their target customers. The collection includes

- buying with the intention of “borrowing” for a short term and then returning merchandise for full refund,
- returning an old, used, or damaged product as if newly purchased to obtain a refund or replacement,
- misrepresenting the way in which a returned product was broken when caused by consumer misuse,
• returning merchandise for full price and intentionally not disclosing that it was purchased at a discount,
• buying undesired sale versions of a brand and returning to obtain the desired version at the sale price,
• returning new or used merchandise once it goes on sale to get identical merchandise at the sale price,
• returning merchandise to a different retailer,
• claiming warranty coverage on goods acquired in a resell market,
• “performance complaining” or arguing for obviously unallowable returns to encourage the manager to acquiesce, and
• capitalizing on variation in salesclerks’ enforcement of return policies when a claim is initially denied.

Stores targeted for fraudulent merchandise returns were all regional or national chain stores. Notably, specific store types were linked to specific acts of fraudulent returns. General merchandise discount stores (all national chains) and specialty discount stores (e.g., national chains specializing in electronics or arts and crafts) but not department stores were the targets of fraudulent product return acts that resulted in customers’ gaining product benefits with no payment. These acts included buying with the intention of borrowing, returning very old/damaged merchandise under the pretense it was new, and misrepresenting the cause of product damage inflicted by the customer. In only one incident did a customer report engaging in one of these acts at a department store (an incident of buying to borrow clothing). In contrast, department stores more often than discount stores were the targets of “performance complaining” and “capitalizing on variation in salesclerks’ enforcement of return policies” and of fraudulent returns that more specifically resulted in the customer gaining benefits at lower costs (rather than no cost)—acquiring full-price refunds for merchandise purchased at a discount, and acquiring cost adjustments on merchandise that later went on sale. Finally, based on the stories, general merchandise discount stores and department stores were more often the target of returns from different stores than were specialty merchandise discount stores.

This pattern appears attributable to the unique characteristics of these three retail store types. First, discount stores that provided “money back guarantees” from 30 to 90 days were considered to have, in customers’ words, more “liberal” and “generous” return policies than did department stores. Department stores’ policies were tighter in the sense that additional policies superseded those regarding time limits to the protection of the marketer. For example, some policies held that merchandise purchased at full price could not be refunded at this price if the merchandise went on sale, and that price adjustments would not be made after the purchase had
taken place. Hence, a customer wishing to buy with the intention of borrowing could conceivably “lose money” when attempting this strategy at a department store, relative to their outcomes at discount stores where the monetary outcome or the return was predictable. The relatively tighter and less predictable policies of department stores may also account for the greater incidence of performance complaining and capitalizing on variation in salesclerks’ decisions regarding returns, as customers were sometimes aware of such policies but sought ways to circumvent their enforcement. As a second characteristic, discount stores relative to department stores offer a greater variety of lower- and middle-line merchandise accessible in price to most consumers. The return of old or damaged merchandise as if new to discount stores but not department stores reflects customers’ reported beliefs that their chance of finding identical merchandise with which to make the “switch” was greater at discount stores. As a third characteristic, discount stores relative to department stores typically offer greater depth of select product types such as appliances and electronics, accounting for their more frequent mention in incidents of misrepresenting product damage caused by the customer. That is, because electronics and appliances are more technical than clothing items that tend to dominate the merchandise of department stores, clerks cannot as readily discern the source or cause of damage. As a fourth characteristic, discount stores relative to department stores likely have fewer sales because of a strategy of offering “everyday low or discounted prices.” Hence discount stores may be less susceptible to fraudulent return acts that are prompted by sales. Finally, that specialty merchandise discount stores were not subjected to returns of products bought at different stores potentially reflects that, relative to other store types, these offer a lesser variety of merchandise and hence are not useful for “matching” possessions that become damaged or unusable.

Beyond store types and their corresponding characteristics, the stories revealed additional situations associated with merchandise returns to stores under false pretenses. Unlike prior fraudulent acts of breaking rules of acquiring products, the return of merchandise obviously does not involve self-service. Rather, returns require that the customer interact and reach agreement with a store representative regarding a remedy. Despite this required interaction, customers were able to take advantage of conditions that enabled them to serve themselves with the remedies they desired. Customers’ comments revealed that freedom in choosing some aspects of the exchange enabled them to execute other fraudulent return acts. These choices included which store clerks to deal with, how many store clerks, the time of day of the interaction, the time of year of the interaction, and the store location. Choosing clerks who appear to be busy or making returns during peak business hours or periods might reduce the risk that they will require proof of purchase or carefully examine the returned product. Numerous customers in the sample noted the relaxing of return policies in the
days before and after gift-giving holidays, particularly Christmas, and their choice of this time to attempt their fraudulent returns. Customers’ recognition of this irregular pattern of enforcement not only facilitated fraudulent return acts but also prompted some, such as the stockpiling of undesired sale merchandise for later returns at the nondiscounted price.

Other stories described obvious facilitating situations in which store clerks did not inspect returned merchandise. Some goods do not readily lend themselves to a clerk’s inspection for use or damage. For example, damage to returned electronics goods may not be detectable without on-the-spot testing, necessitating electrical outlets, counter space, and employees’ time. That no incident reported such a test suggests that consistent lack of inspection for such goods is an enabling condition for fraudulent returns. The following story excerpt of a 27-year-old man shows that although some retail stores created policies aimed at providing clerks with visible cues to a product’s prior use, consumers found ways to cloak them.

Kevin bought a Sony Playstation C.D. (video game) from [national chain discount electronics store]. It came in a plastic wrapper and once that was broken, it could not be returned. Kevin bought the games and carefully took off the plastic wrapper. He played them for a week and then returned them to [the electronics store] after carefully and expertly replacing the plastic wrapper—giving the appearance that it had never been opened. (The games cost between $40 and $60.)

Nonelectronic goods for which damage was visible also escaped store clerks’ examinations, as illustrated in the following story.

Mary purchased a ballast to repair a fluorescent ceiling light. She used the new ballast and put the old one in the box and returned it to the store, requesting a refund, which she received. The store employee never checked the returned item. So! (F, 72)

**Returning Merchandise to Manufacturers Under False Pretenses**

Another form of product return fraud involves submitting fictitious product complaints directly to the product’s maker. The customer is advantaged by acquiring either full or partial use of a product without monetary cost. The manufacturer forgoes a sale to retailers that might otherwise have been prompted by the customer’s demand. Some acts have potentially been prompted by manufacturers’ recent attempts to gain greater control over returns by reducing the allowable return time from retailers and directing them to refer consumers with return requests exceeding this period to them. However, incidents in the sample suggest that some manufacturers have not achieved greater control. Customers obtained economic benefits from fraudulent returns to manufacturers as large as $700, often by repeating their acts with the same manufacturer. Similar to fraudulent returns to retailers, legal sanctioning differs across the specific acts.
Four types of acts were disclosed in customers’ stories. The first act involves making a legitimate warranty claim on a used product to obtain a replacement from the manufacturer, but then covertly returning it to a retailer for a full refund. As an example, one woman, age 31, who had purchased a metal swing set that came with a guarantee that it would never rust, called the company to complain that after one year the set had begun to “rust all over.” She relayed, “They sent me an entire new swing set, via UPS. My spouse was unwilling to reassemble the new set, so we returned the new set to national chain general merchandise discount store for a refund, and kept the old rusty set.” A man, age 27, reported that “after eight months of normal wear,” the toe of one of his name brand tennis shoes “ripped out,” at which time he returned the shoes to the manufacturer and received a replacement. He returned the new shoes to a retailer, “saying the shoes were a gift, so I had no receipt” to receive a cash refund. In a sense, customers create a remedy for themselves that is typically offered by retail stores as a means of resolving product complaints. In doing so, they are able to use and return goods without payment, subverting the intent of agreements with retailers to refer complaints to the manufacturer that will provide only replacements.

The former act contrasts the remaining acts in that with the latter, the customer’s deception takes place during the filing of the complaint to the manufacturer. The second act, “performance complaining” to secure products without payment, involved the customer’s feigning of emotions and misrepresentation of facts while filing product complaints. The objective for some customers was to obtain replacement goods to which the manufacturer initially ruled they were not entitled. One woman, age 26, after being denied a replacement for a leather handbag she had purchased from an outlet store, eventually acquired her desired remedy by claiming that she had plans to purchase a Lexus car with interior leather supplied by the manufacturer. She used the larger “planned” purchase as leverage to get the manufacturer to agree to the replacement. The objective for other customers was to obtain a product without any initial monetary expenditure. For example, one man, age 46, told a story in which an individual in charge of maintenance at a company ordered an herbicide product valued at $680 for “grounds keeping purposes” from an out-of-state manufacturer. The customer intentionally ordered a product that was different from the one he had purchased the year before. Responding to the projective method, that is a request to tell a story in third person (see Appendix for further discussion), the interviewer reported, “Steve knew the [ordered] herbicide was a good product because he’d read about its development in a trade magazine and wanted it cheap as possible because any money he saves can be used elsewhere in his budget.” After receiving it, he called to complain that “the product wasn’t the same as he got last year and he didn’t want it and they should send someone out to get it if they wanted it because he wouldn’t pay
to ship it back. He knew they wouldn’t do anything about it so he went ahead and used it and never paid the bill.” Other customers reported falsely complaining that manufacturers had lost goods ostensibly mailed in for repairs in order to receive free replacement goods.

The third act involves gathering old merchandise from various sources and returning the items to the manufacturer under false identities in order to claim multiple replacement products. In practice, this is similar to the previously described fraudulent act against retailers of claiming warranty coverage on goods acquired in a resell market. Both involve the use of false identities to claim warranty benefits to which the impersonator is not entitled. However, they differ in that this act involves taking greater advantage of the return policy for monetary gain. In making returns to manufacturers, consumers sought out goods at no cost rather than purchasing them from resell markets, and claimed warranty benefits on multiple goods rather than a single good. As one man, age 22, reported:

I take all old [the manufacturer’s] tennis shoes and send them into [the manufacturer]. In return, I receive the latest model of that product from [the manufacturer], brand new. I use my own shoes, friends’ shoes, and strangers’ shoes but when they come back, the new shoes are mine. The key to running this particular scheme is to use an alias name and address every time so [the manufacturer] won’t realize I’m beating the system.

The fourth act involves intentionally damaging a product after use and then returning it as a manufacturer’s defect to get a replacement. This act possesses only a weak correspondence to the act committed against retail stores, which involved misrepresenting damage caused by the consumers, given that damage in all retail instances was unintentionally inflicted. Customers’ tampering with the products returned to manufacturers may be attributable to the use of mail and phone contacts to register complaints. These forms of contact render the customer less visible, and thereby may lower their fear of detection. However, they also constitute a federal crime under the mail fraud statute and render the customer prosecutable. Illustrative of this act, one man, age 25, described how “Derek” would wear his name brand tennis shoes for several months, after which he would deliberately tear them. He would take a razor blade or knife and punch a hole in the leather siding of the shoe. Then he would tear a bigger hole usually about an inch wide. After he was satisfied with the tear, he would send them to [the manufacturer] with a letter enclosed . . . (claiming) the shoes tore while playing basketball, running, or some type of physical activity.

Such fraudulent incidents were often told as recurrent activities.

After hearing that [the manufacturer] would replace any defective athletic shoes with a comparable pair at no charge, Marilyn tested the theory with a damaged pair of shoes. When her request for the new shoes was promptly met, she decided to take
advantage of this proposition by deliberately “altering” shoe workmanship, and returning additional pairs for exchange. This procedure has proudly seen her family save an estimated $700 in athletic footwear over the past 18–24 months. (M, 48)

According to stories in the study, when customers attempt to defraud a manufacturer by breaking rules of obtaining the product, they do so by

- using a warranty on a used product to obtain a replacement that is returned to a retailer for full refund,
- intentionally damaging a product after use and returning it as a manufacturer’s defect to obtain a replacement,
- gathering old merchandise from various sources and returning under false identities to claim multiple products, and
- “performance complaining” to secure products without payment.

Fraudulent product returns were made to manufacturers from a variety of industries, including manufacturers of personal appearance–related items, recreational goods, and practical goods. Included among described products were durable and nondurable goods, used either regularly or infrequently. The number of incidents of this type was not large enough to allow the identification of linkages between product types and specific acts. However, an interesting finding was that four stories in the sample involved returns of tennis shoes to the same manufacturer, suggesting that multiple individuals had identified this manufacturer as a target for deception. Return fraud among upscale customers as a means of acquiring expensive name brand tennis shoes without payment parallels reports of crimes committed by lower-income consumers who have killed people and stolen name brand tennis shoes off their feet (e.g., Collins 1990). Obtaining this product using unauthorized yet nonviolent means requires both resources to acquire a product for return and education to place the false complaint in writing, both of which are more accessible to middle-income consumers. Further, unauthorized, nonviolent means appear to be facilitated by a lenient return policy, or one where checks for fraud are not in place. As examples, customers relayed that the tennis shoe manufacturer’s return policy awarded returns with replacements as long as the shoes were still usable; large items that were reportedly damaged, such as the swing set, were not visually inspected or physically claimed by the manufacturer after the replacement had been awarded. Further, manufacturers and retailers did not appear to have worked together to establish and/or utilize databases that link product identification numbers to purchasers, which can be used to assess the number of prior returns made by a customer or whether claims are made by the original purchasers.

Although the identified returns to manufacturers under false pretenses were nonviolent, they involved acts that, in some respects, resembled those of professional “fraud masters.” For example, returning multiple goods
under various false names and addresses is analogous to professional fraud artists’ submission of several credit card applications to the same bank or store under different aliases. The more physically destructive tampering with the products returned to manufacturers, relative to store returns, may be attributable to the use of mail and phone contacts to register complaints. These forms of contact render the customer less visible, and may lower their fear of detection, but they also render the customer prosecutable under the mail fraud statute. This legislation holds that the use of mail (or a telephone call) in acquiring money or property by deception constitutes a federal crime (Molz 1997; Novack 1997).

MANAGERIAL INSIGHTS

The importance of deterring customers’ fraudulent product returns is tied to three major operating principles of all marketing organizations: increasing sales, reducing costs, and minimizing revenue losses (cf. Van Maanenberg 1995). Deterring fraudulent product returns increases sales because consumers are required to purchase goods rather than receive free replacements to which they are not entitled. Costs of managing product returns would be reduced because the services of third-party “reverse logistics” providers to recycle or resell the goods would be used less often. Additionally, fewer product returns would reduce labor costs by freeing employees to perform other tasks. Revenue losses or “shrinkage,” which was estimated to average 2 percent of retail sales per year from 1991 to 1995 (Gramig 1997), might also be reduced. As noted by retail security professionals, shrinkage as low as 1 percent of sales threatens the viability of some retail stores that operate on small profit margins (e.g., Purpura 1993).

The susceptibility of marketers to customers’ fraudulent product returns has led to reconsideration of “satisfaction guaranteed” policies and “open” product exchange practices. As examples reported in the popular press (Lee 1996; Stevens and Chiem 1998; Tharpe 1996), Wal-Mart abandoned its open-ended return offer and set a 90-day limit for most items after discovering that often consumers were returning products that were several years to several decades old. As noted earlier in this book, L.L. Bean similarly adopted a time limit on product returns when they discovered that consumers were returning for full refund L.L. Bean merchandise they had bought at garage sales or retrieved from the closets of deceased relatives. Some marketers have augmented time limit policies with other strategies devised to detect or deter consumers’ fraudulent product returns. As an example, several years ago Nintendo began paying retailers $.50 a machine to send the company individual product numbers when items are sold so that they know when the 90-day period allowable on returns begins.
Product return practices are maintained by most marketers despite there being no federal law that compels merchants to give refunds, credits, or exchanges on merchandise that is not defective (Tharpe 1985, 1996). Generous product return policies and open-ended return periods have been guided by principles that “satisfaction is guaranteed” or “the customer is always right.” Though such policies and practices have historically been considered hallmarks of a customer orientation, they originated at a time when such promises required less trust in consumers. In illustration, general stores that promised “satisfaction is guaranteed” sold simple nontechnological products, such as a hammer, for which both the storekeeper and the customer understood the function, usage, and breakage possibilities (Herndon 1972).

The rich descriptions of fraudulent acts disclosed by our middle-class customers offer insights into retrieving acts of product return fraud for use in new marketing strategies that better satisfy customer needs, and, where this is not possible, to detect and deter product fraud. Beginning with examples of how some fraudulent acts might be co-opted or retrieved to form new strategies, the use of return policies to “borrow” without buying suggests an unmet customer need. Namely, customers do not want to lay out large sums of money for infrequently used goods such as party dresses, specialized home repair equipment, and vacation and leisure-time equipment. This suggests an opportunity for marketers such as selling “seconds” merchandise in upscale stores and offering rental services in nontraditional markets (i.e., vacation equipment, home repair equipment). Customers’ use of fraud to extend warranties beyond the contractual limits suggest that transferable warranties on large-ticket items might attract customers, which could be accomplished if warranties were tied to product identification numbers rather than purchasers. Also, warranties offered as an attribute of the product rather than at an additional cost would seem to attract customers. Further, members of retail trade associations might enter into agreements for all to organize mail order product returns or other methods of returning out-of-city merchandise to avoid returns to the wrong store.

Insights into deterrence strategies that were suggested by customers’ fraud stories, for the most part, involve information communication and information management. Written public declarations regarding return policies and procedures are advantageous in deterring product return fraud. Developing such declarations forces the marketer to consider various policy options and trade-offs, choose the one most appropriate for the firm’s marketing objectives, and identify an effective method of communicating the policy to thousands of potential customers. A firm seeking to take customers from competitors may choose a more generous return policy (i.e., one more open to customer fraud) than a firm with a growing or secure customer base. Regardless of the form the policy takes, a written public statement communicated in multiple ways (i.e., on receipts, printed business cards placed inside packages, Web pages, direct mail pieces, etc.)
helps to ensure accurate message delivery regardless of the message conveyed at the point of sale. Even point of sale information about the return policy should become more accurate with explicit policies, as they offer an important reference for employees. This should reduce variations in decisions to accept product returns across employees and across product return attempts, thus enhancing customers’ perceptions of fairness. Further, employees can produce the tangible written policy when dealing with recalcitrant customers.

Marketers also may take advantage of information management technologies as a means of deterring product return fraud. Retailers have the capability to keep databases on customers who purchase items on sale and who return goods. Software could be devised that enables checking a customer’s online file of purchases so that refunds of proper amounts can be provided. Electronic “receipts” made possible through purchase databases also may reduce some product return fraud by associating a particular product with a specific purchase date, price, and buyer name. Deterring returns of merchandise not sold by the store may also be facilitated with information management technology. Data from tags permanently attached to products make tracking the source automatic from point-of-purchase scanners. Gift purchases are an important part of retail sales, thus complicating the product tracking process. Some stores provide gift “receipts” that permit purchase verification without listing the item price. Stores will need to post notice of the need for such receipts so that gift purchasers will request them. Stores might consider making this practice automatic during gift-giving holiday periods. To deter fraudulent returns based on customers misrepresenting the cause of a product’s damage or complaints about a product’s dissatisfactory performance, retailers and manufacturers might maintain databases on commonly reported product problems to establish the legitimacy of returns. This form of product return fraud could also be deterred by the use of highly trained salespeople and highly individualized treatment of customers, whereby each receives instructions on product use and realistic expectations of its performance. For more complex products, customers might even be awarded certificates or sign forms showing that they have completed training on a product or received performance and operating information from salespeople. Formal training and certificates can reinforce the customer’s personal responsibility while creating a permanent record. The presale presentation of this information would weaken the legitimacy of users’ constructed complaints of product failure or performance. Customers’ fraudulent attempts to get refunds from retailers on replacement goods provided by manufacturers might be deterred by the creation of information systems that interlink manufacturers with retailers and enable recognition of specific SKUs as “replacement” goods that are not entitled to cash refunds.
Beyond deterrence efforts involving the management of information, others may involve the back or reverse distribution of goods. Specifically, manufacturers’ failure to retrieve reportedly damaged goods prior to sending out replacements resulted in duplicate products for customers that they sold or returned for cash refunds. To avoid fake claims, systems of retrieving goods might be devised. To make them cost-efficient, marketers might create designated, convenient drop-off points, and share their costs with retailers or manufacturers.

With respect to new efforts to detect product return fraud, managers might consider compartmentalizing product returns and exchanges, so that this process takes place in an area separate from the purchasing area. With such compartmentalization, the new area could be equipped with counter space and equipment necessary to properly inspect goods for damage and the source of damage. These areas could also be equipped with special detection equipment such as scanner machines to detect fraudulent receipts. Employees assigned to these areas could receive additional training on how to inspect returned goods, and procedures for receiving returned goods. These procedures might be amended to require the employees to check that the product and price on the receipt matches that of the SKU number on the product and check the customers’ identification against a list of people attempting fraudulent returns. These forms of employee training might, however, be used even in purchasing areas when marketers opt not to compartmentalize product returns. Regardless of the physical area where product returns are handled, detection efforts might involve establishing shrinkage reduction incentive programs for employees, whereby employees are encouraged and rewarded for detecting fraudulent return attempts.

Other efforts could be implemented that aid employees’ detection of product return fraud when they do not have ready access to UPC (Universal Product Code)-based data. These involve altering information that appears on the product. As examples, store labels might be permanently affixed to packaging so that attempted returns from other stores can be detected. Date stamps might be placed on tags that are permanently though not visibly affixed to the merchandise to prevent return of old and/or unwarranted goods. Finally, marks can be made on the interior labels of products such as clothing to denote sale purchases, as a means of avoiding giving refunds in amounts that exceed the customer’s purchase price.
Service acquisition fraud refers to acts of covertly violating marketers’ norms and rules to secure services at an expense lower than the marketer would have commanded in the absence of the consumer’s undisclosed activity. The fraudulent acts identified from our middle-class customers represent new forms of consumer resistance in that, unlike the appropriation of service environments (e.g., using malls as walking tracks), they result in material rewards for the customer. Two subcategories were identified: covertly violating norms or rules of service contracts or memberships, and covertly violating norms or rules established for noncontractual service transactions. Several previous studies have identified only fraud committed against property insurers during claims negotiations (Fullerton, Kerch, and Dodge 1996; Muncy and Vitell 1992; Wilkes 1978). Although these acts were also in our story data, we classify such acts in a subsequent category labeled “fraud in negotiations.” The fraudulent acts described in this chapter are restricted to transactions where standardized, “nonnegotiable prices” are attached to the service offering (see Exhibit 1).

FRAUD ACTS

Covertly Violating Rules of Service Contracts or Memberships

This first subcategory comprises four acts. The first involves faking ownership of a service contract or membership. Illustrative incidents include a 22-year-old woman who repeatedly impersonated her mother at a dentist’s office 33 miles from her mother’s residence so she could obtain her
mother’s dental insurance coverage for $1,800 worth of bills; a 43-year-old man who used a parent’s prescription card to obtain payment for antibiotics that he needed; a woman who continued using the services of a racquet club, where memberships cost $3,000 a year, for four years after a divorce in which her membership was canceled by her ex-husband; and a 23-year-old male participant who carried a “proof of insurance” card that he showed to state patrol officers, even though his insurance had been canceled. Some services do not require the consumer to actively manage others’ impressions of their ownership status. Specifically, one 50-year-old man reported receiving “free” cable service for two years when the cable company failed to disconnect the cable after the previous homeowners moved out.

The second act involves faking qualifications to obtain a service contract or membership. Reflecting this act, a 46-year-old man reported that he falsified information provided to an insurance company regarding the mileage he drove to work because “the closer you live to work, the cheaper your insurance rate.” A 31-year-old man said he never reported several automobile accidents, in which he did not file police reports, to his insurer despite direct inquiries from the company regarding past accidents. Other participants used deceit to qualify for rental contracts, such as passing off a driver’s permit as a driver’s license to car rental companies or renting an automobile as the “sole driver” for someone else to drive who did not have a valid driver’s license. Faking qualifications sometimes involved “faking bad” rather than good (cf. Becker and Martin 1995) to receive services intended for the indigent. One 36-year-old woman told a story of how she was able to take her infant to the free clinic for inoculations and other health care needs, despite her husband’s income of approximately $200,000 a year. In responding to inquiries about her financial status, she explains that her “husband is gone” and that her “father is helping temporarily,” which in its vagueness misrepresents the truth that her husband has gone out of town on business, and her father mows the lawn when her husband is away. Still others faked statuses that would seem to be more readily apparent to service providers. A 43-year-old man reported using his neighbors’ drivers’ licenses to substantiate his and his wife’s claims of being over 60 years of age, a qualification needed to receive free summer “beach badges” that otherwise cost $12 each.

A third act involves buying a long-term service contract to cover needs of an occasion and then canceling when the bill is received. Such incidents were facilitated by billing plans that enabled participants to divide costs of the contract period into monthly payments. Specifically, participants reported buying insurance contracts to cover specific events, such as a trip where they desired emergency road service, and then canceling the policy after the trip.

The last act of this category, covertly breaking an agreement of an existing service contract, took several forms. A 34-year-old man who wrecked a
leased car during an extended contract period provided by a local car dealer and a 62-year-old man who damaged a rented car during a short out-of-state trip recounted that they did not report the accident damage to the leasing company despite knowledge of their liability. Another form involved the post-purchase creation of unauthorized buying cooperatives to divide costs of services purchased for a single user. As an example, one participant “leased” his Internet account to his friends for a price less than the original so that all of them could obtain the benefits of connecting to the Internet for a smaller fee. A final form involved falsifying information needed to meet requirements for “legitimately” breaking a service contract. As an example, one woman reported fabricating an out-of-state residence in order to break a several-year membership contract with a health club.

The stories suggest that middle-class customers covertly violate norms or rules of service contracts or memberships by

- faking ownership of a service contract or membership,
- faking qualifications to obtain a service, service contract, or membership,
- buying a long-term service contract to cover needs of an occasion and then canceling when the bill is received, and
- covertly breaking the rules of an existing service contract.

As suggested in the description of acts, participants committed fraudulent acts in exchanges involving a variety of services, including automobile leasing and renting, automobile insurance, cable television service, computer communications services, health club services, and health insurance. Notably, all of the targeted marketers produced standardized services for the masses as opposed to customized services. The anonymity created by the numbers of consumers who are served potentially reduces fear of detection, to the extent that consumers perceive that “policing” is administratively unfeasible for the company. Further, a number of the fraudulent incidents did not occur in the presence of the defrauded marketer, potentially providing a greater sense of anonymity. This was the case when participants obtained unintended market advantages in the form of cable services, computer communications services, and health care insurance benefits. For some services, such as health care and health clubs, it is paradoxical that although a degree of anonymity facilitates the initial act of fraud that involves impersonations, subsequent acts are facilitated by the consumer’s recognizability among the service provider’s staff who have come to rely on the consumer’s initial fraudulent act.

I have an incident about someone I know, it is me! A friend of mine has a health club membership to an upscale place. The club allows for guest’s members to visit 3x a month. She gives me her card when she goes out of town (2 weeks a month) and I use her card for entry and the guest passes when she is in town.
It’s gotten to the point now that I don’t even use her card because the front desk knows me by my face. Thus I get to work out for free. I know of other people who do this. So I figure, why not, they aren’t checking this very closely. The club ought to look at itself if they want to increase their revenue. (F, 30)

Verification of service members’ identification can be particularly problematic in organizations such as health care and health clubs that are marketed as “high touch” or providing personalized services despite offering standardized benefits to a large customer base. Personalization is often affected by having employees recognize customers and treat them as familiar. Because consumers’ perceptions of personalization might be undermined by procedures of verifying consumers’ membership status, employees may be given the discretion of enforcing rules of membership verification. Similarly, insurance industry promotions communicating benefits of personalization (e.g., State Farm’s “Like a Good Neighbor” campaign) would seem to be undermined by interactions in which an agent challenges a prospective insured’s claims regarding mileage to work (cf. Goffman 1967). However, even where detection was possible via readily accessible physical evidence, such as the damaged rental vehicles, service employees did not make inspections during the exchange that would reveal fraudulent acts.

Beyond facilitating conditions related to service employees’ behaviors, it is interesting that a number of fraudulent incidents involving service contracts and memberships were enabled by willing accomplices or co-conspirators. Accomplices were most commonly used where participants wished to fake service ownership or fake qualifications, but were also necessary to setting up an unauthorized buying cooperative. Accomplices included family members and friends. Although this was not explicit in participants’ comments, we speculate that using family members and friends as accomplices derives from a variety of considerations. First among these is the belief that an individual’s purchases legitimately belong to intimate others who are part of the purchaser’s “extended self” (cf. Belk 1988). Notably, in all but one of the fraudulent schemes that violated service contracts or memberships, the authorized user of the service did not accept payment from those who received service benefits by impersonating them. Second, because family and friends are intimate others, the consumer engaging in fraud knows they hold similar ethical/social values regarding exchange behavior. Finally, because, relative to single-person acts of fraud, accomplice schemes are inherently more risky (i.e., they require cooperation, secrecy, and consistency over time of multiple people; Ekman 1985), individuals may rely on family and friends because of a high need for trust. Schemes in which accomplices played a role often involved recurrent fraudulent behavior that accrued sizable monetary advantages as high as $1,800.
Covertly Violating Rules of Noncontractual Services

This second subcategory encompasses four specific acts. The first act involves covertly violating norms of “pay per consumption.” This act took place primarily in restaurants and theaters. Several participants reported that to save $1 at Burger King, Fresh Choice, and Kentucky Fried Chicken, they ordered water at no charge and then filled the cup with their preferred beverage at the self-service drink facility. Such incidents amount to shoplifting, because of the direct pricing of the consumed tangible good for which the consumer avoids payment (Budden 1999). Other deceitful acts violate pay-per-consumption norms more indirectly, and do not constitute shoplifting. This occurs when the object of consumption is an experience, the cost of which marketers cover via margins on complementary services that consumers are able to avoid. For example, several participants reported smuggling snacks into movie theaters rather than purchasing these from movie concession stands at what they considered “outrageous” prices. Bringing food into the theater from outside sources not only disadvantages the service provider by denying them the opportunity to earn profits on concessions, but also adds to cleanup costs. Theater corporations such as Cinemark U.S.A. strongly discourage customers from bringing in “outside food” with visibly posted signs, because with their narrow product line, they rely on profit from concessions to make the business viable (Svokos 1998). Another violation of pay-per-consumption norms, disregarding copyright restrictions on books, movies, and music by making unauthorized copies, did not emerge in the data despite reports of its occurrence (e.g., Muncy and Vitell 1992). In accounting for this, we speculate that participants chose to provide those incidents that they felt were most egregious from marketers’ perspectives to the exclusion of those deemed acceptable. In prior research, respondents to a national survey rated “tapping a movie off the television” as the most “acceptable” behavior from a list of ethically questionable acts (Muncy and Vitell 1992).

As the second act, violating “pay-per-person” norms occurred in hotels, entertainment centers, and restaurants. Hotel and entertainment centers set prices on a per-person basis to obtain payment for the services of staff and facilities. The demands on staff and the “wear and tear” on facilities increase with added customers. This rationale is often not visible to customers, such as our participants who saw little effect of their “room-packing” or “person-smuggling” on the staff or physical facilities. A 24-year-old touring the country with his 12 friends, a 23-year-old college student vacationing with six of her classmates during spring break, a 54-year-old father traveling with his family of six, and a 46-year-old mother who visited the western United States with her two children all avoided either hotel surcharges of $10 to $15 per person beyond the double occupancy rate or the need to purchase additional rooms when hotels limited occupancy to four people per room. With respect to entertainment, one 26-year-old female participant
formed an unauthorized buying cooperative with her friend who agreed to split the cost of an admission ticket to a museum that provided all-day passes. The participant visited the museum in the morning and then gave the pass to her friend to enjoy during the afternoon. Other participants reported entry into entertainment parks and movie theaters without paying for their children who were several years older than the minimum age necessary to avoid payment. Finally, some buffet-style restaurants that rely on the combined norms of pay per person and “no takeouts” are susceptible to deception. As an example, one participant relayed that upon being denied a carryout box by the waiter, she used her purse to smuggle out food before decamping from an all-you-can-eat buffet.

The third act, violating “pay-per-position” norms, provided the plot for several participants’ stories. Pay-per-position norms have been instituted by entertainment and travel services, usually where the service offering is constricted to predetermined time periods and/or requires the availability of physical accommodations for each individual customer who is to be served (e.g., seating). Such norms established by entertainment centers were violated when participants attended events for which seats were differently priced according to the desirability of stadium sections. As an example, one 26-year-old male participant reported, “When I go to Cincinnati Reds games with my friends, I buy $3.75 tickets which gives us a seat in the top six rows of the stadium. We then find the best seats in the stadium which are empty and sit there.” Participants also defrauded airlines’ pay-per-position rules that required customers to make nonrefundable payments for specially priced, reserved seating. One 35-year-old female, who changed travel plans for reasons of convenience, later provided Delta with a fake excuse from a physician to acquire a cash refund for a ticket purchased at a “nonrefundable” fare. None of the participants in the sample group reported making multiple reservations at restaurants, hotels, or for rental cars for the same occasion with the intention of selecting their one preference from among these at the last minute. However, such deception has been so prevalently reported by service providers that credit card companies have in recent years begun billing for “no show” penalty fees that marketers charge customers who do not cancel reservations within preestablished time limits (Prewitt 1997; Punch 1996; Stark 1996). In restaurants these range from $10 to $25 per person up to a maximum of $300; hotels usually charge one night’s stay, and rental car penalty fees range from one day’s rental fee to a fixed amount of $100 (Stark 1996). Otherwise, the provider would incur financial losses because of missed opportunities to serve other customers. The absence of such incidents from the data may reflect that nonmonetary advantages of deception were not as readily recalled as those that resulted in financial gain for consumers. The sample did include incidents in which participants practiced deception to avoid penalty fees instituted for “tying up” service slots, such as when they held rented movie
videos beyond the allowable time period. Penalty fees were avoided by providing false excuses, such as being out of town for the funeral of a family member, and by denying that movies of the given titles had ever been checked out. Notably, the latter constitutes “conversion,” or refusal to return borrowed property, which amounts to criminal theft (cf. Purpura 1993). Although such false excuses and unwillingness to pay “overdue fees” on similar goods, such as library books, have resulted in individuals being summoned to court on misdemeanor charges and arrested if they do not appear (e.g., King and Tuck 1989; McCosh 1992), the participants in the sample reported succeeding in their attempts by coupling their verbal misrepresentations with performance complaining.

The fourth act, “performance complaining” to avoid standard fees for services, was used independently of as well as in conjunction with other acts. As examples of the former, one 29-year-old male participant reported, “I went to Arby’s on two separate occasions, each time I would tell the cashier that on the previous visit that I had not received all that I had paid for. They always ask what it was that they’d forgotten, and they always gave it to me.” He further disclosed that “before the first incident, I had no idea that I was going to do it, but the second incident was a premeditated act of lying.” A female participant, age 32, reported “giving wrong addresses to pizza delivery services and then complaining when the pizza is late in order to get it free.” Other incidents involved more “emotion work” (Hochschild 1983). One story involved a customer who called a computer store seeking technical assistance in assembling and testing a printer she had purchased elsewhere. After being quoted a standard fee for labor, she “went ballistic,” said “this was the rudest thing she has ever heard,” and demanded to talk to a manager. As a result of acting like a “bully,” the manager assisted her free of charge. Similarly, one man reported that he acted “angry” and “upset” when filing a false complaint with the headquarters of the chain store that had repaired his automobile. His angry display supported his false contention that repairs had been made without his prior approval, with the result that the company removed the charges. These more emotion-laden performances were used in conjunction with other deceptive acts against service providers. As previously noted, some consumers visibly and angrily complained in order to avoid late fees on movie video rentals that they had never returned when managers insisted that they had checked out the movies. One participant realized that if she made a big enough stink and was purposely vague on the matter, the fee would be removed as the store would have to abide by the motto: “The customer is always right.”

Summarizing, covertly violating norms or rules established for noncontractual service transactions was evident in four types of acts:

• violating “pay-per-consumption” norms (e.g., filling a water cup with soda at the self-service drink stand),
• violating “pay-per-person” norms (e.g., avoiding per-person surcharges on hotel rooms),
• violating “pay-per-position” norms (e.g., avoiding fees for reserved seating that is not used), and
• “performance complaining” to avoid standard fees (e.g., exaggerated or contrived displays of dissatisfaction).

Notably absent from the list of identified fraud acts committed during noncontractual service transactions is the theft of hotel and restaurant property, such as towels, ashtrays, and dinner glasses. Such acts, which amount to store shoplifting, have been recognized in prior research of customer fraud among college students (i.e., Cole 1989). We speculate that, relative to college students, the benefits of such acts are of lesser importance to middle-class adult consumers, who instead direct their fraudulent efforts toward direct monetary gains or products more typically associated with middle-class status.

As documented in the preceding description, the transaction-type services for which fraudulent acts were committed included admission to events in amusement parks or cultural/entertainment centers, air travel, automobile repairs, hotel lodging, restaurant dining/delivery, and video rentals. The providers of these services engaged in the mass production and marketing of the services. That is, except for a single incident involving automobile repairs, the stories did not involve transactions in which the provider’s services were customized, as occurs with home repair or hairstyling services. Even the fraudulent incident involving auto repair services took place at a national or regional chain store or franchise location, as did all of the incidents in this subcategory.

The marketers’ chain status, mass production of services, or in some instances, large physical facilities, contributed to several situational contexts that appear related to the commission of fraudulent acts. First, service policies of large companies and chains were often familiar to consumers, perhaps as a result of repeated experience with the standardized offering at different chain locations. Familiarity with policies may also be the result of information-sharing among consumers. This familiarity provides consumers with the opportunity to plan deception. It is ironic that marketers have relied on the standardization, or in more contemporary terms, the “McDonaldization” of their services to increase control over customers’ behaviors (Ritzer 1993), without recognizing that such predictability also empowers consumers with knowledge of how to gain advantages during exchanges. Second, proper application of service policies required that the customer provide information to which only they had immediate access (e.g., where one plans to sit in a stadium, the beverage one plans to dispense at the self-service counter, how many people are in one’s travel party, the age of children). Hence, the ability of employees to detect deception is diffi-
cult. Third, consumers’ knowledge of their informational advantage might be coupled with feelings of anonymity created by the size of the organizations, thus reducing fear of detection. Fourth, consumers may trust that service providers avoid detection devices, such as video monitoring of drink stands or hotel entrances, as these would violate customers’ privacy. Finally, consumers may feel that hourly employees working for large chains feel little commitment to the organization and hence become lax at detecting fraud.

The availability of accomplices is another contextual factor that is plausibly related to the commission of fraudulent acts. Like service contracts and memberships, consumer fraud committed during service transactions often involved accomplices or co-conspirators. In part, this reflects that a large number of described transactions were for entertainment services that are typically purchased and consumed by a group of consumers rather than individuals. Further, the use of accomplices is inherent in some fraudulent acts, such as violating rules regarding the number of people per room. However, we speculate that accomplices may divide culpability across a greater number of people, thereby minimizing perceptions of risk. This possibility is suggested in the following quote.

I was in a group of 12 people traveling to the West Coast for a few days for a mini-vacation. The hotel said that we could not have more than 4 to a room or that we would have to pay an additional $15 for every person over the limit. We got around this by entering and exiting from the side door. We only paid for 2 rooms of 4 people for 3 nights. So we actually had 6 people to a room.

I didn’t feel bad at all. In my opinion, we were paying for the rooms. I don’t think the price of a room should go up simply because you have more people in it. (M, 24)

Stories reflective of this subcategory included recurrent fraudulent activity as well as single incidents. Monetary advantages obtained by the consumer varied. Illustrative of this variation, participants reported that their acts saved them $1 for drinks, $14.95 for a child’s admission ticket to an amusement park, $20 per person per day at a hotel saved via room-packing, and $290 on a nonrefundable flight.

MANAGERIAL INSIGHTS

Service Contracts or Memberships

The customer fraud stories told by middle-class customers revealed that their acts committed against service providers were, as is true of many resistance acts, attempts to customize offerings to their individual circumstances. Some of these “do-it-yourself” customization efforts might be used to form new marketing strategies. For example, to preempt fraud, service contracts might be offered for shorter time periods than traditional terms to enable individuals to customize their purchase in keeping with their mobil-
ity in the workforce or their need for incident-based services (e.g., special travel insurance). Co-opting the benefit of breaking extended-term contracts, marketers might devise time-usage-based rates for services such as health clubs. They might also institute a process whereby customers no longer needing a service can sell the balance of their contract to new customers, a process frequently accomplished when renters sublet their apartments. Finally, customers’ attempts to form unauthorized buying cooperatives to reduce the cost of services suggests that marketers may want to consider allowing customers to designate their own buying groups. Individuals are aware that many service industries make discounted rates available to married couples or families, such as at health clubs. Further, Internet services purchased for the home may have one or many users. Thus, the customer fraud strategies involving unauthorized buying cooperatives may suggest a need for marketers to recognize the growing number of single-person households and the desire among this group to have cost advantages similar to those afforded to families. In illustration, gyms may enable individuals to pick a partner with whom they may sign up for joint membership and receive the same discount as married couples. Alternatively, various local social groups (e.g., hobby clubs, sports clubs, social cause organizations) could be offered discounts if a minimum number of their members enroll for the service. One need only look at credit unions formed among employee groups, church members, and so on for an example of the variety that is possible in forming service-buying groups. By capitalizing on individuals’ ability to influence consumers in their reference group, such a strategy could increase the service provider’s membership.

The stories also offer insights into customer fraud deterrence and detection strategies. Employee training might usefully deter a number of fraudulent acts. Training could equip employees with explanations and rationales for fraud deterrence procedures that elaborate or make obvious their benefits for customers, who otherwise might become alienated. As examples, automobile rental services could inspect cars both before and after each use, announcing to the customer, “Although we inspected this car when it was returned, we’re going over it again for your safety.” The announcement and inspection prior to rental will reduce the likelihood that the customer will return the car with unreported damage. It will also enhance customers’ perceptions of fairness when the car is inspected again after usage. Providing rationales might also be employed with contractual services that involve customers’ repeat usage. For example, gym employees could be trained to let customers know that checking membership identification cards is done for the physical safety of members. That is, if someone faints or becomes ill from exercising, their identification is known. Alternatively, marketing organizations may consider means of checking on the legitimacy of customers’ membership status. This may require hiring at higher wages and benefits so that employees remain for longer terms and
have an incentive for getting to know customers. Aids might be used to help employees recognize customers. Gyms might computerize members’ photographed IDs. Good fraud detection tools may be made available with the declining price of computer technology. The price of digital cameras is decreasing as computer speed and storage space is increasing. Soon many service providers will be able to afford to load digital pictures of all customers into a database. An employee might then search the computer by the presumed name, “recent members,” and/or key in basic observable features such as sex and age to reduce potential matches. In a matter of seconds, the employee may have a match without having to ask the customer for identification. Firms that offer services to customers based on their membership in other organizations need to create alliances with the latter, third-party organization, and establish procedures for membership verification. Other deterrence strategies include new technologies for verifying membership in services. These might include computerized devices for membership verification such as scanner-coded membership cards, voice recognition, or fingerprint recognition. These devices could limit access to buildings where services are provided. Still other strategies might involve revising current strategic elements. For example, raising the minimum deductible for claims might be considered to render insurance claims investigations cost-beneficial.

**Noncontractual Services**

Marketers of noncontractual services may examine the fraud strategies reported here for insights into resolving customer problems. As one illustration, deceit resulting in the refusal to pay video late fees suggests several strategies. This form of fraud might be preempted with visible “check-out” and “check-in” times so that the customer cannot easily argue about the accuracy of the recorded time of the return. For decades libraries have successfully used cards slipped into books to remind patrons of due dates and indirectly indicate the check-out date. Stick-on seals that note the date movies were checked out could be useful as could automated equipment that stamps returns as they pass through night drops. The goal is not to make the process transparent but rather make the check-out/check-in process so obvious that complaints are less likely. Employee training could include rationales for video rental late fees. Finally, customers might be called and offered an opportunity to purchase videos after the late fees exceed the cost of the movie. Here a dual business of renting and selling is suggested. As a second illustration, the sharing of noncontractual, event-based services among customers suggests an opportunity to package admissions tickets so that, for an additional charge, all-day or weekend passes are transferable.

With respect to deterrence and detection strategies, employees might receive training on neutralizing acts of “performance complaining.” Further,
as with contractual services, new automated services may facilitate fraud deterrence, such as using codes or tokens for access to services that are “self-service,” and using cameras or other technology to monitor customers in those instances where such monitoring would not constitute a violation of privacy. Finally, creating a database documenting service abusers can help identify likely future abuses, though service providers should consult legal counselors on how to construct these to be useful while avoiding liabilities. In an earlier era many retailers and service providers kept records of individuals who passed “bad checks” to guard against future losses. Modern technology now makes creating and using such a database cost-effective.
Incidents involving fraud in the use of sales promotions span those offered in conjunction with both products and services. This type of customer fraud extends the types of promotions recognized as tools that may be appropriated for consumer resistance purposes. As discussed in Chapter 3, to date the only documented promotional tool used in consumer resistance attempts has been advertising in which consumers’ parody marketers’ campaigns. Further, as previously noted, customers’ appropriation of sales promotions by covertly violating rules and norms tied to their use results in material rewards. This fraud type comprises three subcategories: misusing coupon and rebate offers, misusing discount offers, and taking unintended advantage of promotional gift offers.

FRAUD ACTS

Misusing Coupon and Rebate Offers

Misusing coupon and rebate offers comprises four acts. The first involves redeeming coupons or rebates for the wrong merchandise. Participants reported using coupons for wrong sizes or versions of the same brand, as well as for wrong brands of grocery products. Although this act has been identified in prior marketing research on fraud activity (i.e., Cole 1989; Fullerton, Kerch, and Dodge 1996; Muncy and Vitell 1992; Wilkes 1978), the story data of the current study revealed incidents of greater agency. Specifically, when coupons were attached to products at the point of sale, participants reported removing them and attaching them to their desired product prior to purchasing. As an example, one 65-year-old
woman told about an incident in which she removed a $.55 coupon from one style of a feminine hygiene product and placed it on her preferred style. Similarly, a 26-year-old woman said she removed a manufacturer’s rebate offer from the front of a software package sold by a national chain discount store specializing in electronics. She then returned the rebate form with her proof of purchase, which had been made at a different general merchandise discount store that did not offer the rebate.

The second act, redeeming expired coupons, has also been identified in prior research (Cole 1989; Muncy and Vitell 1992), though these have not specified the contexts. Our study revealed that this occurred for both grocery products and food delivered to one’s home. Several participants’ narratives were similar to the statements of one 45-year-old man: “Over the years on a number of occasions I have used various manufacturers’ coupons when grocery shopping [list of national chain groceries] that have been slightly outdated.” Although not explicit in participants’ stories, presumably expired coupons for grocery products were presented at the cash register, where the clerk did not check the expiration date. However, schemes of redeeming expired coupons for food delivered to one’s home were more varied. One 28-year-old male participant reported simply providing the information from the expired coupon over the phone, relying on the assumption that the delivery person would not ask for it. Another 25-year-old recounted, “I would sometimes not mention the coupon to the order taker on the telephone, and when the driver arrived with the food, I would show him the expired coupon, which he would take indifferently.”

The third act, reusing coupons for repeated savings rather than turning them over to the retailer for redemption, has not been identified in previous research. These incidents exclusively involved coupons for pizzas ordered from delivery services. One woman, age 23, reported that when the delivery person of a regional chain pizza store failed to ask for her coupon, she was “excited because she could save the coupon for another time when she may not be so lucky.” However, in the most elaborate of these, a participant reported receiving a coupon off the back of a cereal box two months prior to the study, entitling her to a free medium pizza with the purchase of a large pizza from a national chain pizza delivery service. She reported she has “used this one particular coupon 7 times now and has never turned it in.” She further reported that when asked for the coupon, she would say that she “left it at home and would still get the free pizza.”

The fourth act is also new and involves faking ownership or possession of coupons. Several participants reported falsely claiming to have coupons for food delivery services when placing an order over the phone. One 28-year-old male reported calling up various national chain pizza delivery services and ordering “something from memory” and saying that he had a coupon when he did not. Other participants reported receiving coupon discounts at restaurants, despite not having a coupon in their possession at the
time. Beyond food delivery and restaurant services, department store and specialty store coupons delivered in the mail to credit card holders or preferred customers are similarly abused. These coupons, that are not disseminated to the general public, are often distributed for the purpose of increasing current customers’ usage of store credit cards (Tepper, Lichtenstein, and Green 1996). One 59-year-old man reported, “I frequently use my friends’ coupons or discounts at stores when they can’t use them. I pay them and use their credit cards so the store doesn’t actually lose money. My friends get credit for purchasing the items and I get their discounts so no one is hurt and the store gets what it wanted—extra sales induced by the discounts.”

In review, customers’ stories revealed four acts of misusing coupon and rebate offers:

- redeeming coupons or rebates for wrong merchandise,
- redeeming expired coupons,
- reusing coupons rather than rendering them to the retailer upon usage, and
- faking ownership of coupons intended for others in the marketers’ target market.

The aforementioned acts of fraudulent coupon redemption by consumers extend notions of fraud cited among trade publications targeting the retail and security industries that recognize only coupon fraud committed by printers, employees, and vendors (Hayes 1991). We note that the sample did not include acts in which consumers seek more than one rebate on the same product or submit fake rebate documents to manufacturers on products they have never purchased, as have been reported by manufacturers in the popular press (e.g., Tharpe 1989). Such acts, however, would be closely akin to incidents in our sample in which products were returned to manufacturers for full refund under false pretenses, including the use of false names and addresses to make multiple fraudulent return claims.

The additional specific acts of coupon fraud identified here also extend situational contexts that have been recognized in prior marketing research. Specifically, the fraudulent use of coupons has expanded with the spread of marketers’ use of coupons from grocery stores to use by food delivery services and department and specialty stores. The corresponding increase in fraud raises concerns regarding potential customer fraud involving Internet-distributed coupons, which are appearing with increasing frequency. Across retail types, a consistent facilitating condition for fraud was the lack of monitoring or enforcement by retail employees. This led participants to repeat such fraudulent acts, as indicated in the following example.

I have consistently over the years ordered pizza quoting a price on a coupon that is either past the expiration date or I may not even have the coupon. I will call up [various national chain pizza delivery services] or whoever and order something from memory. This usually saves me a couple of dollars. The delivery boy will al-
most never ask for the coupon. If they do, I just give them another dollar tip and I still end up saving a buck or two.

I really have no feeling of guilt knowing the mark up on pizza is outrageous. If the coupon was that important to them, then they would request it. I believe they use the coupons to generate orders. The profit margin is so high to begin with it doesn’t hurt the bottom line when people do not turn in coupons. (M, 28)

Misusing Discount Offers

This subcategory comprises three acts. The first act involves falsely claiming a status upon which discount eligibility is based. The falsely claimed statuses were more varied than age-related statuses recognized in prior marketing research (i.e., Fullerton, Kerch, and Dodge 1996; Muncy and Vitell 1992; see Table 2 in Appendix). Consistent with this prior research, numerous participants falsified their age. Several participants, all in their 40s, reported asking for senior citizen discounts at various national chain fast-food and midlevel restaurants, and another 33-year-old woman provided her mother’s credit card and Social Security number over the phone to hotel management to obtain a senior citizen discount. Several other participants claimed that their children were younger than they actually were so they could receive discounts at restaurants and amusement parks. However, beyond age status, a couple of participants falsely claimed student status to receive discounts from service providers, such as movie theaters, as well as from manufacturers, such as makers of sporting goods used by college athletes. Specifically, one 25-year-old participant reported purchasing water skis through a student athlete who received the manufacturer’s student discount, thereby saving $430 on the purchase. Several other participants reported claiming “corporate” or business discounts to which they were not entitled. Illustrative of the latter, one 43-year-old man who was laid off with the closure of a company’s subsidiary reported that “remaining silent about the company closure while leaving the rental company profile unchanged allowed ‘corporate discounts’ to be utilized for a time.” During this time he used car rental discounts, coupons, and insurance coverage. Another 34-year-old man continued using a card identifying him as a travel agency representative despite no longer holding the position. This designation reportedly entitled him to “50 percent discounts at luxury hotels, [and] 20 percent deductions in airfare and rental cars.” As a final example, a 46-year-old woman reported that although her union plan offers a dental discount to employees who pay a $25 yearly fee, she has used the discount for several years without paying the fee.

The second act involves performance complaining to secure discount benefits unintended by the marketer’s offer. This occurs when consumers pretend to misinterpret the meaning of a discount offer so that the manager will change the rules in a way that monetarily benefits the customer. Several such incidents overlapped with return fraud, as when participants ar-
gued that they were entitled to return goods to effectively obtain “price adjustments” on merchandise that they had purchased at the full price, which was later reduced. However, these acts also occurred outside the context of returns. For example, one 65-year-old woman reported that during Thanksgiving her grocery store offered discounts in the form of decreasing turkey prices with increases in the customer’s total bill. For example, the price would be $.89 per pound for purchases of $25 but less than $50, $.69 per pound for purchases of $50 to $75, $.49 for bills ranging from $75 to $100, and $.38 for grocery bills exceeding $100. When this woman spent more than $100 in the store, she argued that she should be able to purchase more than one turkey at the lowest price, despite knowing that the promotion limited the discount to a single purchase.

The third act, which is closely akin to the previous one, involves patronizing a retailer with the intention of abusing their discount offers. It is similar to the second act in that the consumer opportunistically distorts the intent of a marketer’s promotional discount offer. However, this act does not require performance complaining because the wording of the marketer’s offer renders the consumer’s behavior obviously legitimate, though undesired by the marketer. As an example, one 24-year-old male participant reported that on a regular basis, he attends a “happy hour” at a restaurant, and when the “last call” is made, orders enough beer at a discount to last the next three hours. A 49-year-old man recounted that when remodeling the kitchen he and his wife purchased kitchen appliances in September for delivery in January from a retailer that prior to the sale offered to beat anyone’s price by 10 percent. The participant took advantage of the retailer’s “first year, no interest” terms of sale, purchased several appliances, and to the surprise of the retailer continued checking the paper every Sunday after the purchase but prior to the delivery for sales. He reports that he “eventually had $200 taken off the price of the refrigerator, $150 off the price of the dishwasher and $200 off the stove.” In his words, “We didn’t really ‘break’ a rule, just pushed it far beyond what they had envisioned.” As a final example, a 24-year-old participant reported intentionally waiting until the restaurant cashier had rung up the bill for his entire family (including his parents) prior to presenting his student discount card, when he knew the discount was applicable only to his meal. Because he knew “how the system worked,” he accurately predicted that the clerk would offer the 25 percent discount on the total bill, as “these persons didn’t know how and when the discount worked.”

To recap, customers’ acts of misusing discount offers included

- falsely claiming a status upon which discount eligibility is based,
- “performance complaining” to secure discount benefits unintended by the marketers’ discount offer, and
- patronizing a retailer with the intention of abusing their discount offer.
As evidenced in the preceding exemplars, participants misused discounts that were based on consumer status, special events, and the marketer’s competitive standing. In doing so, they gained advantages in service settings, retail stores, and with manufacturers.

Beyond these conditions, additional situational contexts emerged that appeared to facilitate specific acts of fraud. The opportunity to falsely claim a status-based discount was facilitated by participants’ change in status. For example, participants who previously received business discounts, student discounts, or discounts for young children were aware that the discounts existed and knew how they worked. Such knowledge and prior usage experience likely provide a level of comfort in playing the role of the required status, and “pulling off” the deceit. Opportunity was also facilitated by participants’ associations with individuals who had the appropriate status. Former students could secure discounts from current students with whom they associated; middle-aged individuals could secure needed identification for senior citizen discounts from parents. As in the latter case, such associations may also provide the consumer with initial knowledge of the discount.

The opportunity to secure advantages via performance complaining may be greater when the marketer offers goods that are frequently replaced (e.g., groceries). Though this context was not explicit in participants’ comments, marketing managers may be more likely to acquiesce if they think it will lead to future revenues from the customer.

Finally, patronizing a retailer with the intention of abusing their discount offers was facilitated by what participants perceived to be loosely designed discount programs or poor implementation. In the former instance, it is plausible that consumers target marketers making promotional claims that many or most consumers would disregard as “puffing.” In the latter instance, consumers may target marketers after observing that employees are not knowledgeable about the offered discount. The participant who was able to receive the student discount off the restaurant’s bill for his entire family reported that he knew the employees lacked knowledge of discount procedures because he regularly ate there four times a week.

Notably, for acts except performance complaining there were incidents suggesting that the presence of social influence may facilitate the misuse of discounts. Specifically, several incidents involved fraud that was committed jointly with co-conspirators who also benefited (e.g., a group of young adults who used expired student IDs when going to movies, multiple couples who received age-based discounts despite their ineligibility when dining out together, and joint or family purchases in which retailers and service providers were patronized with the intention of abusing their discount offers). None of these incidents reported protests by other consumers in the party, and one participant who received a student discount described
initially feeling uncomfortable with the deceit until realizing that everyone in the group, including his girlfriend, “didn’t have a problem with it.”

As a final situational context, most all participants who misused discounts noted the targeted marketer’s lack of effort in anticipating, detecting, and deterring fraud. Such efforts are complicated by unique conditions of some discount promotions. For example, third parties often play a role in issuing identification cards or records used as the basis for status discounts but do not attend as readily to revoking them or updating records. In illustration, the businessman was able to continue receiving corporate discounts because his organization never notified the rental car company of his subsidiary’s closing. Although marketers offer discounts to consumers who meet certain status criteria, in many settings marketers are unable to ensure that the customer who places the order or physically makes the purchase is the buyer and user. However, as evidenced in participants’ stories, even relatively simple deterrence procedures against discount misuse did not appear to be in place.

A few years ago when my husband and I were in our mid-forties, we were dining in a [national chain restaurant] with two other couples who were younger than we were. Our cheery, young waiter looked around the table and asked, “How many of you will be taking advantage of our senior discount today?” We all looked at each other and laughed, not thinking that he was serious or that any of us looked old enough. So we answered, “All of us.” Our young waiter gave each of use the Senior discount for the meal. Since that time, and especially if we were socializing with the same two couples, we would ask the establishment if they offered a senior discount; and we have received that discount without being “carded!”

I was somewhat offended that the young waiter would ask or assume my age, but I would rather receive discounts than be vain!

As in the preceding story, many participants commented that they repeatedly misused discounts, as might be expected given that they recognize marketers’ lack of deterrence efforts. Because the acts are repeated, the monetary advantage obtained is not easily estimated where undisclosed by participants. However, savings per transaction ranged from a couple of dollars off of movie or meal prices to the $550 saved on appliances.

Taking Unintended Advantage of Promotional Gift Offers

Taking unintended advantage of promotional gift offers comprises five acts. The first of these involves taking advantage of “limited-to-one-person” sales promotion gifts on a repetitive basis. Sales promotions of this type include products at reduced prices and /or free gifts. A specific manifestation of this fraudulent act has been recognized in one prior marketing research investigation. Specifically, Fullerton, Kerch, and Dodge (1996) queried consumers on the wrongfulness of returning to a store to take ad-
vantage of offers that limit the amount that can be purchased. Similar to this act, one of our male participants reported returning to a computer supply store that offered a piece of hardware as a free gift on a one-time basis, in order to obtain a second free gift. Extending prior work, incidents in the sample included targeting direct mail marketers with such fraudulent acts. Specifically, several participants reported using multiple fictitious names to obtain compact discs or cassettes provided “free” to customers as an incentive to join music clubs. A 55-year-old participant said she made three copies of an offer for a sweatshirt jacket offered at a low price of $15, and had one mailed to her home, one to her husband’s corporate office, and another to her husband’s private office. Some participants acknowledged participating in this type of covert act despite their awareness that accepting of multiple gifts undermined the marketers’ goal of increasing their customer base.

The second act, accepting free gifts offered for initiating a service under false pretenses, has not been recognized in prior research. This act takes three forms. First, participants reported accepting gifts that marketers offered to encourage switching from a competing firm with the undisclosed intention of not using the new service or using it only for a short time. The emergence of this act appears partially attributable to recent marketing strategies in which promotional offers are employed as a means of aggressively securing the business of competitors’ individual customers. Specifically, three participants reported playing long-distance companies against each other to avail themselves of whatever promotional gift offers were in force. One participant summarized her story with the statement that she “accepts gift after gift without being a regular customer to any particular carrier.” Participants reported switching from long-distance service providers that in some instances they had used for less than a month, in order to receive new gifts. They did so with the expectation that a competing company would attempt to lure them back, also with a gift offer. Gifts included 5,000 frequent flyer miles and checks ranging in amounts of $20 to $200. Notably, the gift offer to induce the switch did not need to be of greater value than the last gift received, as its acquisition added to the total reward of switching and the opportunity to receive future gift offers from competitors. As another manifestation of this act, one man, age 49, noted that “department stores periodically solicit new charge card customers by offering a free gift if you sign up.” He reported that, to get the free gift, he would often fill out applications even though “I never really intend to use their credit card . . . I always use a major credit card. It keeps my check writing to a minimum.” However, the targets of such acts were not limited to the providers of long-distance and credit card services, where competition for customers has been notably intense (cf. Jensen 1996). Participants also reported simultaneously accepting offers for free cassettes or compact discs from different music production companies that provided these as an in-
Incentive to join a buying club. As intended by the consumer, receiving so many free cassettes led them to purchase no or fewer items from any one club at regular prices.

Whereas all of the aforementioned incidents involve the consumer’s iterative dealings between two or more competing marketers, a second manifestation or form of accepting promotional gift offers under false pretenses involves contrived iterative “initiatory” dealings with the same marketer. Specifically, participants reported that to receive free gifts for joining or trying the services offered by a marketer that they already patronized, they either canceled their membership and initiated a new one, or pretended they were unaware of their prior membership. As an example of the former, one woman, age 52, reported canceling a newspaper subscription in order to rejoin, and thereby receive a free gift certificate to a national chain bookstore that was offered with a new subscription. Illustrative of the latter, the man who applied for credit cards under false pretenses, also reported “I may fill out the application to get it [the gift], even though I already possess the store’s credit card.”

As a final form or manifestation of accepting free gifts offered for initiating a service under false pretenses, consumers may, on a one-time basis with various marketers, request free introductory or “trial” gifts with the intention of never subscribing to the service. For example, several participants reported accepting various offers for free consumer magazines or “expensive professional publications,” though they didn’t intend to inspect or sample the product for purchasing consideration. One 50-year-old male participant, who accepted a free one-year summary book as an introductory offer to a magazine subscription and then canceled the subscription in the first month, plainly said: “I accepted the offer because I wanted the one year summary book. I had no intention of ever paying any money or keeping the subscription.”

The third, fourth, and fifth acts of fraudulently taking advantage of promotional gift offers were suggested by redundancy in the described incidents, though their repetition in the sample was not as great as for the previous two acts. The third act involves accepting promotional gifts contingent upon willingness to listen to a sales pitch, and then not attending the sales presentation. In an incident that resulted in a particularly valuable gift, one 33-year-old participant reported that he and a partner accepted an all-expense-paid weekend trip to an out-of-state beach resort on the promise of attending a one-hour sales presentation about the benefits of time-share condominiums. As the presentation was scheduled for the last day, the participant told how he fabricated a story about his child being ill and in need of his immediate attention in order to “scam” the marketers.

Paralleling an act involving the misuse of coupons, the fourth act involves swapping “give-away” gift promotions from the intended product to a desired product for which the gift is not available. For example, a
43-year-old woman reported removing a gift bottle of cologne from a cosmetic product and attaching it to a similar but not identical product that she then purchased.

As the fifth act, participants reported misusing frequent buyer/user programs. One participant, age 29, reported that he received checks periodically provided to him by a credit card company for the purpose of transferring balances to the company’s credit card and receiving a frequent flier mile for every dollar transferred. However, rather than transferring other credit card balances, this participant wrote the checks for cash, deposited the cash into an interest-earning personal checking account, and then wrote a check to the credit card company at the end of the month. The participant was able to make money off the interest and receive frequent flier miles on a repetitive basis. Notably, this extends reports in the popular press that have recognized that frequent buyer programs (particularly frequent flier programs) have prompted fraud in the form of employees making unnecessary purchases/flights that are paid by their employers (e.g., Arnesen, Fleenor, and Toh 1997). It also extends academic research that suggests that frequent flier programs have prompted fraud from consumers in the form of unauthorized selling of frequent flier tickets (Dodge, Edwards, and Fullerton 1996; Fullerton, Kerch, and Dodge 1996). Our examples make clear the opportunistic attitude with which individuals target the vulnerabilities in the design of promotional offers.

Summing up, middle-class customers take advantage of promotional gift offers in ways violating the marketer’s intent by means of the following acts:

- taking advantage of “limited-to-one-per-person” sales promotion gifts on a repetitive basis, often via the use of false names and addresses or multiple visits to the store,
- accepting free gifts offered for initiating a service under false pretenses,
- swapping “give-away” gift promotions from intended product to desired product, and
- accepting gifts contingent upon willingness to listen to a sales pitch, and then not attending the sales presentation.

As evidenced in the preceding description, a greater variety of gift offers are susceptible to consumers’ covert misuse, beyond “limited-to-one-per-person” offers. Switching incentives, introductory gift offers, “foot-in-the-door” gifts offered to gain attentiveness to sales presentations, prepackaged point-of-purchase promotional gifts, and frequent buyer programs were all promotional tactics that consumers covertly misused in ways tailored to the vulnerabilities of the offers. The source of these targeted tactics was more varied than the in-store context recognized in prior research. Targeted gift offers were also those made via direct mail marketing strategies.
of service providers and mail order marketers representing a variety of industries. As deceptive acts in the latter contexts are accomplished through the mail, they render the consumer susceptible to prosecution under the mail fraud statute (cf. Molz 1997; Novack 1997). Notwithstanding this potential penalty, the anonymity provided by the lack of face-to-face interactions and the generally large size of the marketers (usually national companies) provides a context that encourages fraudulent activity, as we have noted for other categories of fraudulent consumer behavior.

Other situational contexts also facilitated fraud of this kind via diminishing participants’ perceptions of being detected. These contexts, however, were linked with specific acts. For acts such as repetitive switching, requesting introductory gifts with no intention of subscribing to a service, and misuse of frequent buyer programs, the facilitating situational context, according to participants, was the promotion’s “loose” or “open” design. One repetitive switcher of long-distance telephone services noted, “They never ask you to sign a contract to stay with the company.” A man who received “free” introductory books/magazines with no intentions of paying for continued service, relayed, “The way they’ve set up the deal, they let me do it.” Finally, the man who misused the frequent buyer program noted how the design was flawed such that the airline later changed it in a way that did not allow for the type of manipulation he had carried out. Beyond this contextual factor, acts such as repetitive switching, canceling as a customer and then rejoining to receive a gift, and repeated collection of “limited-to-one” gift offers were, from participants’ perspectives, facilitated by either the marketer’s lack of an effective database or poor database management.

An upscale coffee company continues to send offers to Jim entitling him to receive a free 10 cup “Top Brand” coffee maker just for trying 1 pound of coffee via their coffee club. The coffee maker has a retail value of over $50. The company hopes Jim will stay in the club and receive automatically billed shipments for the long term. Jim always signs up, receives 1 pound of great coffee, gets the free coffee-maker, then writes “cancel” on the invoice when it arrives. So, for about $12, Jim has 1 pound of coffee & a great coffee maker. The point here is the coffee company, even though they have numerous records of Jim’s habits, continue to send him the offers.

If the company has no better control and management of their dbase than this, I’ll continue to take them up on the offers. The coffee makers make a great gift idea. (M, 39)

Still other participants perceived the facilitating condition to be marketers’ unwillingness to risk alienating a potential long-term customer even when they detected the deceit. Given participants’ common refer to the situational contexts that created opportunities to fraudulently take advantage of promotional gift offers, it is not surprising that a number of their stories refer to the repetitive nature of the described acts. Although the value of gifts
that consumers obtained ranged from the small price of a single magazine to the high price of a weekend trip to a resort, most appeared to be of sizeable value when multiplied over repetitions of the act. As examples, a free $50 coffeemaker was parlayed into more than $150 with repeated acts, and compact discs offered at $.01 each for the first ten were parlayed into music collections worth several hundred dollars via acceptance of multiple offers under aliases.

**MANAGERIAL INSIGHTS**

Some fraud strategies involving customers’ appropriation of sales promotions for personal gain might be used to form new marketing strategies that resolve customers’ problems. In illustration, rewards for “continuous long-term” customers (those dealing with the marketer for an uninterrupted period) might be offered in conjunction with or in lieu of “switching or joining” gifts. This would negate the need for customers to fraudulently quit in order to return to the same marketer for the purpose of receiving introductory gifts. The offering of long-term customer rewards may shape consumers’ views of the fairness and relationship orientation of the marketer, such that the organization is in a better position—a more trustworthy position—from which to promote new, additional offerings to long-term customers. Thus, although offering long-term patronage awards may involve a greater dollar outlay as opposed to strategies that plan on only a portion of the current customer base switching or stopping and restarting service, this likely is true only from a short-term perspective.

Fraud strategies involving sales promotions also offer insights into detection and deterrence of these forms of resistance. Increasingly coupon-related fraud such as using expired coupons or coupons not intended for the product being purchased is detected by scanners that verify the coupons’ dates, brands, and first time use. Similarly, POP (point of purchase) automated coupon dispensing machines offer bar-coded coupons with traceable dates. Making coupons available to all who enter the store decreases the incentive for some types of fraud, though it defeats any targeting goals of a particular promotional strategy. To prevent customers from seeking out promotional discount offers with loopholes, marketers need to submit promotional announcements to careful screenings. Such screening might ensure that announcements specify timing, type of gift, limit per amount spent or per person, and requirement of customer identification to receive the gift. To minimize the receipt of discounts by customers who fraudulently represent their status (e.g., as elderly, a business traveler, associated with a particular company or profession), marketers should develop systems to verify customers’ memberships in third-party organizations that entitle them to discounts. Barriers to fraud involving gift offers might include establishing end-of-contract rebates to replace introductory gift of-
fers that induce fraud and keeping databases on customers who accept introductory gift offers so that chronic switchers can be identified. Distribution of promotional gifts offered in conjunction with customers’ attendance at sales presentations should be scheduled during or after the sales presentation. Misuse of promotional gift offers might also be deterred if marketers obtain customer phone numbers to verify responses for promotions and track duplicate requests made under false identities.

Sales promotion campaigns, including coupons, gifts, and introductory offers, are more traceable than more general approaches such as advertising. As a result, marketers are more inclined to measure their effectiveness (i.e., promotion campaign costs versus changes in sales or gross profit dollars). Sales promotions are generally designed to accomplish a specific marketing goal during a fixed time period. The evidence presented here demonstrates a wider range of fraudulent acts that serve to reduce this effectiveness, either by increasing costs, reducing gross profit dollars, or shifting benefits to unintended recipients. Marketers are challenged to develop programs that (1) do not pit one target market against another (e.g., offering new customers benefits unavailable to established, loyal customers), (2) limit the benefits acquired by any one person, as with introductory and “per-customer” offers, (3) estimate and limit the total amount of “lost” gross profits attributed to reduced-price promotions, and (4) estimate and limit the total cost of the promotion campaign.

Some fraudulent acts may be difficult to prevent. For example, a regular customer may be given a senior citizen discount despite not having appropriate ID on a particular visit. Such bending of the rules may be seen as appropriately extending the benefit to a qualified, loyal customer. What happens, however, if the very next person in line claims the same discount but also cannot provide an appropriate ID? There are two lessons from the example. First, despite well-established consistent policies passed down from headquarters, some decisions will need to be made by relatively low-level employees. Second, the integrity of the sales promotion rules will, at times, take a backseat to customer satisfaction.

Similarly, each detection and prevention tool has its own limitations, and sometimes the cost of prevention may exceed the loss caused by fraud. As with some other forms of fraud, sales promotion fraud can be limited by a combination of technology, increased awareness, and training. Bar-code technology speeds process time and reduces the opportunity for some forms of fraud. It can identify current coupons used with appropriate products but not inappropriate coupon users (i.e., customers not qualified to use coupons according to promotion campaign rules). Database technology provides searchable customer files. Searching customer files can be used to qualify customers at the time a discount is claimed and help detect repeat offenses. Databases themselves cannot, however, stop inappropriate users without corresponding identification; nor can they prevent fraud involv-
ing co-conspirators. Standardized training programs can provide employees with the tools needed to enforce policies and cope with some forms of complaint behavior. Ultimately, salesclerks and store managers may be forced to find compromises that maintain the integrity of the promotion campaign, offer a degree of fairness, and maintain customer satisfaction—particularly for long-term customers.

When providing or denying a discount, it is entirely appropriate to communicate the reason to the consumer. For example, telling a nonqualified customer they are denied a discount because to do otherwise would be unfair to others and increase the marketer’s overall costs lets the consumer know the marketer is concerned with market fairness as well as protecting costs. Such a message undercuts one of the assumptions of consumer market resistance and improves the literal quality of market communications. Similarly, providing a long-term customer with a benefit not originally intended to them can be positioned as an act of generosity in recognition of continued loyalty, rather than a benefit passed on begrudgingly. In the end, the key is to minimize chronic abuse and identify and deny chronic abusers while maintaining or increasing customer satisfaction.
FRAUD IN NEGOTIATIONS

Previous categories examined customer fraud in non-negotiation contexts. In fact, many examples show how customers commit fraud without direct contact with a marketer’s representative. Prior categories included acts of “performance complaining” as a non-negotiation situation because, in the absence of customer fraud, negotiation is not a necessary part of the exchange contact. Clerks or managers may, after customers’ acts of performance complaining, possess the authority to negotiate product and service purchases, refunds, returns, and discounts. However, such negotiation is an exception rather than a required step in the standardized purchasing process. We now consider exchanges that are designed to include bargaining or negotiation. Such acts that reflect “fraud in negotiations” form two distinct subcategories: deceiving sales negotiators and deceiving insurance claims negotiators.

FRAUD ACTS

Deceiving Sales Negotiators

Prior marketing research offers only limited recognition of consumers’ deception in dealings with sales negotiators. Specifically, one study has surveyed consumers on their perceptions of the wrongfulness of not telling the truth during automobile negotiations (Muncy and Vitell 1992). Extending prior work, four acts involving the deception of sales negotiators emerged from our data.

The first act is consumers’ counterpart to the “bait and switch” practices heretofore attributed solely to marketers. Consumers’ bait and switch acts
involve making a larger commitment that benefits the seller in order to obtain discounted pricing, and then making a planned purchase involving a smaller commitment. Illustrative of this act, one 28-year-old participant told a story in which she invited an interior decorator and her rug vendor to her home to select Oriental rugs. After five rugs were displayed on the floor of her home, all three agreed that they were all “perfect.” When the sales representative presented her with the bill, she reported she “turn[ed] four shades of red and gasp[ed] for a breath, . . . [and states] ‘that is way too much to spend on those rugs,’” despite having already been told the price of the five rugs. She did so to set up her request for a 50 percent discount. When the sales representative countered with an offer of a 25 percent discount on the five rugs, the participant said, “O.K., [I’ll] take 2 rugs at the 25% discount.” The participant concluded that, although neither the interior decorator and the sales representative was able to make a commission on the rugs at the discounted price, she got “2 one of a kind imported rugs for a steal” and was “happy.”

The second act, planning to capitalize on sellers’ pricing errors, involves requesting price quotes from various sellers of the same organization with the expectation that one will quote an erroneous lower price. Although there was not a large number of incidents of this type, this act is noteworthy because it is similar to a previously described act, whereby consumers attempt to capitalize on variation in store clerks’ enforcement of product return policies. As an example, a 25-year-old woman reported contacting multiple representatives of a manufacturer when attempting to purchase a piece of office equipment. When the second representative inquired whether she had already received a quote from one of the company’s representatives, the participant falsely answered, “No.” In the participant’s words, “I knew she was new at [the manufacturing company] and I just wanted to see what she would come up with.” When the new representative came up with a much lower price quote, the participant reports, “We told her we had to move on the sale that day and couldn’t wait for our regular representative to return to the office the next day. She was reluctant, but we pushed her until she agreed to the sale.” Although the representative received no commission on the sale and almost lost her job, the participant reported, “I felt bad, but not bad enough to pay more for the machine.”

As the third act, participants reported obtaining information from a sales representative, from whom the purchase knowingly would not be made, so it could be used to negotiate a better deal with a salesperson of a different organization. Participants reported “playing dealers against one another” and letting dealers know they were “shopping around for the best price,” even though they had made up their mind where they intended to make their purchase. This act also included negotiations during which participants falsely presented the information that they had gathered from a competitor. As an example, a 38-year-old woman reported that in negotiating
for a new car, she informed the salesperson: “Yes [I’ll be trading in my 15 year old car], but I wouldn’t expect more than $700 or $800—it’s very old (knowing however, that my car had been assessed by another dealer earlier that day for under $500).”

The fourth act involves contriving decision criteria that are not satisfied by the marketers’ product to negotiate a lower price. As an example, after discovering that a dealer’s only car with the desired options was a red one, one female participant reported that although “I really didn’t care what color my car was, . . . I told them that if given a larger choice, I would not choose a red car.” By falsifying her preference for a different color, the participant was able to negotiate a $150 reduction in the price. As a second example, a 27-year-old male participant who discovered that his home mortgage company would be late completing the paperwork for the closing on his new home purchase made the closing time an important criteria ostensibly because it would affect the scheduled delivery of furnishings. As a result, he was able to negotiate a reduction in his closing costs.

Concisely restating the previous acts, middle-class customers deceiving sales negotiators by

- using “bait and switch” tactics that involve committing to a larger quantity sale in order to obtain discounted pricing from the negotiator, and then making a planned purchase involving a smaller quantity,
- planning to capitalize on sellers’ pricing errors by requesting price quotes from various sellers of the same organization in expectation of a favorable pricing mistake,
- obtaining information from a sales representative, from whom the purchase knowingly will not be made, for the purpose of using it to negotiate a better deal with a salesperson of a different organization, and
- contriving decision-making criteria that are not satisfied by the marketer’s product to negotiate a lower price.

Our examples reveal that the types of marketers exposed to fraud in negotiations is more extensive than previously recognized. Deceiving sales negotiators took place with companies selling expensive work tools, home interior products, office equipment, and mortgage financing services, although the most commonly targeted marketer was the car dealer.
steal enough from others by utilizing the same tactics I used on them. I am sure that I will do the same again when I buy another new car. (M, 35)

Unlike the preceding incident, some participants did not disclose the monetary value of the advantage that they reaped via fraudulent behavior. However, as an indication of the range, several participants reported reducing automobile prices by a couple hundred dollars, and one participant who fraudulently obtained quotes on a mail machine from two different salespeople of the same organization reported saving $29,000. Notably, the latter incident points to the possibility that administrative errors and/or intra-organizational communication problems create opportunities for consumers to deceive salespeople. Specifically, it seems that offices that do not keep client files with records of contacts and conversations, particularly price quotes, heighten the potential for customers to capitalize on different prices for the same product. Similarly, verbal rather than written quotes that specify contingencies of the quote tied to consumers' commitments seem to heighten the opportunity for consumers' bait and switch tactics. Other situations that give rise to fraud opportunities stem from the process of interacting with customers. For example, it seems that failure to query consumers on all important decision criteria in initial discussions enables their later contrivance of such criteria when it appears advantageous.

Deceiving Insurance Claims Negotiators

The recognition that the process of submitting claims to insurance companies is susceptible to fraud has existed almost since the beginning of the insurance industry (Dornstein 1996). Marketing researchers have recognized this potential in recent surveys employing samples drawn from a national population. One sample reported that defrauding insurance companies via inflated and contrived claims was the "most wrongful" act of a list of 15 preselected ethically questionable behaviors (Fullerton, Kerch, and Dodge 1996); another sample rated such acts as among the top five "most wrongful" acts from a list of 26 behaviors (Muncy and Vitell 1992). Until recently, these findings would be consistent with views of insurance practitioners, who have attributed fraud losses to "staged auto accident rings" and "crooked medical providers" (e.g., Jay 1995, p. 36; Dornstein 1996). However, increasing estimated losses caused by insurance fraud, and findings that such losses are higher in years during which more natural disasters occur, have brought the industry's attention to the fraudulent behavior of insurance consumers (i.e., policyholders). Specifically, that insurance fraud losses of $79.9 billion in 1994 represented a 17.4 percent increase over the 1993 estimate is attributed to the number of natural disasters in 1994 that provided opportunities for consumers to "pad" insurance claims (Brostoff 1996). Corresponding with such attributions, a survey of attitudes
toward insurance fraud conducted by the Insurance Research Council in 1995 found that nearly 30 percent of Americans approved of such frauds as "claims build up" (claims padded with illegitimate expenses such as repair estimates for prior damage or estimates for merchandise claimed as lost or stolen though never actually owned). This percentage was 20 percent in 1993 (Brostoff 1996). The data in our study, though not intended to represent national trends, does suggest that middle-class consumers are willing to and, in most instances, are not particularly remorseful about deceiving insurance claims negotiators. Further, as demonstrated in the subsequent description of acts, some consumers do not wait for opportunities such as natural disasters or accidents to defraud claims negotiators, but purposefully create false claims.

Four acts make up this subcategory. The first involves inflating the property value of an otherwise legitimate insurance claim. One 49-year-old male participant reported exaggerating the condition of his stolen car to receive a larger claim settlement. Others accomplished this goal by turning in estimates for higher-end brands of products than the ones lost or damaged. One man, age 41, whose Craftsman tools were damaged in a fire submitted a "Snap-On price sheet, thus inflating the replacement cost of the tools."

The second act involves padding a legitimate claim with expenses not covered under the contract. A 35-year-old man reported that after an accident in which the other driver was assigned fault, he provided verbal descriptions of the damage to the claims representative over the telephone, and, as requested, began gathering estimates of the damage. When prior to submitting the estimates, he drove his car into a tree on a dark, rainy night, he discarded them and obtained new ones that included his new damage. We suspect that a more commonplace incident of inflating automobile claims involves reporting damage that occurred prior to the accident for which the claim is made. Although such an incident was not present in the data, the counterpart, whereby homeowners’ claims are inflated by including prior damage and normal wear and tear, did emerge. Specifically, one participant who claimed property damage under her homeowners insurance as a result of a recent storm also included damage that had occurred during the course of a decade. Finally, one participant reported making a double claim for a single incident of damage to the same property. Specifically, after an incident in which a contractor who painted a chain-link fence at the participant’s office site "oversprayed," sprinkling some of the employees’ vehicles with paint, the contractor’s liability insurance carrier settled with the group so that each claimant received $150 to have her/his vehicle "cleaned and buffed." The 29-year-old participant drove in each morning with her husband, who worked for the same employer. She reported, "My husband and I each received a check for $150 for our one vehicle."

The third act, contriving a property insurance claim, was manifested in incidents where participants faked the theft of insured property in their re-
ports to claims representatives in order to receive its monetary value. One 49-year-old man projectively told how he defrauded a claims representa-
tive by hiring friends to steal and dispose of a sports car for which he was unable to obtain a purchase offer to his liking. This complexity of planning was evident in other incidents. A 29-year-old woman reported that after she broke her cellular phone, she took out insurance on it, waited a month, and then called to claim it had been stolen.

The fourth act has not been recognized in prior research. It involves falsely reconstructing the process of incurred harm so that it is covered un-
der the insurance contract. Illustrative of this act, a 58-year-old female par-
ticipant reported, “I deceived [a national auto club] by claiming I was a driver when in reality I was a passenger in my friend’s car in order to get coverage on the car’s break-down.” As a second example, one physician in the sample ordered two hearing aids that his patient needed and received at once, but billed for them in separate years so that both would be covered by his health insurance. Other incidents of defrauding providers of health care insurance were present in the data; however, these were included un-
der deceiving service providers, because they were the consumers’ imme-
diate target of deception rather than the claims representatives.

To outline the four previously described acts, deceiving insurance claims negotiators occurs through acts that involve

- inflating the value of or amount of an otherwise legitimate insurance claim,
- “padding” a legitimate claim with expenses not covered under the contract,
- contriving a property insurance claim (i.e., faking a theft of nonexistent, lost, or unwanted property), and
- falsely reconstructing the process of incurred harm so that it is covered under an insurance contract.

Several known acts whereby insurance claims representatives are de-
frauded did not emerge in the sample. Specifically, faked deaths to collect life insurance and staged fires to collect homeowners insurance were not found among the stories of our middle-class participants. However, trade publications report that such fraudulent incidents have increased in recent years and are committed by middle-class consumers (e.g., Harris 1996; Jay 1995; Pankau 1991). The former act involves a high level of contrivance and continued performance that may lead consumers to view it as less accomplishable and more upsetting to their lifestyle, whereas the latter act poses physical risks to others and may therefore be avoided on moral grounds. In addition to these acts, false product liability claims also did not emerge in the data. Potentially, the widespread media attention given to the arrests of individuals who staged a product liability claim by placing syringes in Pepsi cans has been a deterrent. The media coverage included the Food and Drug Administration’s (FDA) warnings that such false complaints are sub-
ject to a maximum penalty of a $250,000 fine and five years in prison (Magiera 1993). Alternatively, as we discuss later, justifications of such acts on grounds of equity are not as readily available as when the target is the consumers’ own insurance company to which the consumer has paid years of premiums. However, the potential for middle-class consumers to instigate fraudulent product liability suits should not be dismissed given the evidence in our narrative data that participants tampered with products in other ways in order to file less formal complaints.

With respect to situational contexts, fraudulent acts against claims representatives occurred both when consumers acted as claimants and as insureds, though the majority of incidents were of the latter type. As previously described, products for which customers falsely submitted claims were varied and included possessions such as automobiles, cellular phones, health care products, homes, and household tools. Only a few participants provided the value of their fraudulent act in dollars. These ranged from $150 for the duplicate claim on the same car that had been accidentally sprayed with paint to $1,500 for accident damage that occurred independently of the accident for which the claimant could legitimately seek restitution. A common occurrence across the stories was the customer’s disclosure that property reported as damaged or stolen was not physically inspected by the insurer or the claims representatives. The insurer did not ask to inspect the cellular phone to discover it was broken. The claims representative did not examine the tools that had been damaged by fire for their brand and type. The claims representative who wrote two checks for damage to the same car dealt with the claimants over the phone. Negotiating property claims over the phone without physical inspection is known to be commonplace after events, such as storms, that generate a volume of claims at once.

When an unusual snow storm collapsed our patio roof, I called the insurance company. At the same time, I told our adjuster about other problems which had occurred over the past 12 years. I told her they had occurred either as a result of the snow storm or the rain storm the previous September. The amount the insurance paid us more than covered all problems as well as a powder room problem. We were able to take care of every home problem without expending any of our own money. When I received the payment, I was thrilled we could take care of all problems.

I felt the money we received was due and any extra made up for the fact I felt insurance companies grossly overcharge and penalize clients for any infraction. In other words, I felt we got what we deserved. (M, 42)

Notably, even where fraud was detectable over the phone and via submitted quotations, necessary inspections did not appear to be made. For example, the participant who padded his claim with repair estimates for damage to his grill and bumper that occurred when he drove into a tree did not include these in the verbal description of damage resulting from the two-car accident that he had provided earlier to the claims representative. With the
lack of inspection of both the property and submitted repair/replacement quotations, our participants had no need to rely on traditional techniques that have been noted in trade publications, such as using correction fluid to alter numbers on quotations or cutting off numbers and gluing them to receipts, which are then photocopied (Rappe 1995).

**MANAGERIAL INSIGHTS**

**Deceiving Sales Negotiators**

Marketers might gain a number of insights from customers’ use of deception in their dealings with sales negotiators that lead to more mutually satisfying outcomes. Anticipating and avoiding deceptive acts used in customer negotiations might involve specifying details of an offer in formalized, computerized printouts. This strategy would help salespeople neutralize customers’ feigned or acted-out claims that they thought the offer included other benefits. At the same time, it gives the customer a documented offer with respect to the product, price, warranty, and length of time the offer is available. As a second example, salespeople might be trained to get a complete, written list of customers’ purchase criteria up front for goods with many features and options, such as cars. Although this strategy would preempt customers from “trumping up” new criteria during negotiations, it also could result in the seller acquiring a product that more closely matches the customer’s true needs. Building relationships with customers would seem an obvious way to prevent customers from deceptively playing marketers against each other. In the short run, this involves a higher level of personalization in dealing with customers, such as delivering the customer’s new car to their place of work with a full tank of gas and their favorite CD selected. In the long run, this involves fairness and attentiveness in dealing with unexpected problems. Finally, for goods that might be purchased in quantity by single households, marketers might consider equipping salespeople with handheld computer technology that offers price information on various quantities while primarily serving other functions (e.g., placing orders, inquiring about the availability and delivery time of products). This could help employees deal with customers who attempt to secure discounts by getting a price for a large quantity, and then demanding this price for a smaller quantity. That is, the tangible information system would give the employee a prop or visual aid to use in explaining the relationship of price to quantity.

**Deceiving Claims Negotiators**

Underlying customers’ deception practiced against insurance claims negotiators is often the feeling that over many years much has been paid out and nothing has been received. When an occasion to make a claim does oc-
cur, customers appear to seize it as if it’s an opportunity to reclaim all of their past payments. This suggests the possibility that marketers may need to employ some promotional efforts to educate or remind customers of the basic principles of insurance. It is possible that most customers are both aware of the purpose of insurance and willing to pay for it to the extent that the premiums do indeed reflect insurance. That is, the premium amount is what is necessary to cover the occurrence of harm estimated for a given group of customers similar to themselves with respect to susceptibility to a given risk. However, to the extent that customers perceive that insurance companies pass along fraud costs to customers, premiums reflect the cost of insurance plus the cost of customer fraud. Thus, individuals who do not incur a loss are paying not only for insurance against risks but also for other people’s fraud. Individuals who do incur a loss yet do not commit fraud are still unfairly penalized with having to pay the cost of other people’s fraudulent behavior. Thus, fraud may be a last recourse for customers as a means of restoring equity. That is, fraud may be customers’ form of resistance to the inequities created by modern organizations. Fraudulent acts may be employed to balance the exchange so that an individual receives outcomes that are both in proportion to their own inputs and in proportion to the outcomes that others receive for the same inputs. Their acts might be construed as a sophisticated way of “clearing the market.” Notably, insurers have over the years offered a number of discounted rates and incentives to reward policyholders who have not incurred losses (e.g., good drivers’ discounts, accident-free discounts) or to reward long-term customers (e.g., State Farm’s promise to certain policyholders to never cancel their auto insurance regardless of future accidents). However, these still do not redress inequities resulting from some members of the population paying for the fraud activities of other members of society. The implication is that insurers’ efforts to deter customer fraud will not necessarily meet with customer resistance if they are properly designed. Such designs would seem to require fraud detection and deterrence efforts to be widely publicized, so that individual policyholders who are subjected to inquiries regarding claims do not feel singled out. These designs would also seem to require some tangible or material benefit to customers—that is, customers should reap the benefits of savings from customer fraud detection and deterrence efforts in the form of lower premiums delivered in years when estimated fraud losses are lower. It is also possible to deliver such a benefit in the form of explicitly presented evidence that premiums have not increased for an extended period. However, this method of fraud deterrence would likely be more effective in the long term, after enhancing customers’ trust by first passing along savings in the form of reduced premiums.

During the past decade companies insuring individuals’ homes, automobiles, and health against various losses have increasingly centralized operations. These organizations have consolidated the handling of claims
to a smaller number of offices, reduced the number of field claims representatives, reduced individual agents’ responsibility in overseeing claims, and standardized the payment of claims through the computerization of parts lists and their prices. At one time, after an automobile accident or its vandalism, people would drive their car to the agent’s location, where the agent would inspect the damage, take photographs, examine repair estimates, and then submit them to a claims office for processing. Now individuals with claims are often required to call their agent to receive a toll-free number, such that their claim is centrally handled but not physically inspected. Because such systems would seem to heighten the ability of customers to defraud claims negotiators, marketers might consider strategies that enable the cost beneficial use of field claims examiners. For example, raising the minimum deductible amount would reduce the number of claims that are not cost-beneficial to investigate (i.e., where the cost of using a field examiner exceeds the cost of the claims). However, a surprising finding of the customer fraud data is that individuals defrauded even field claims inspectors. This suggests that insurance firms might regularly assess knowledge levels of claims examiners and offer training of how to appraise not only the value of losses, but also the source of damage. Though not detectable from customers’ fraud stories, it is possible that many claims investigators recognize that the source of damage is something other than the event claimed by the insured, yet honor the claim anyway. As salary-based employees, many of these individuals may have little incentive for questioning the integrity of a policyholder’s claim and may risk considerable negative consequences if they do so without sufficient evidence. Thus, it seems training is warranted on how to deal with suspected incidents of customer fraud at the interpersonal level. For example, when customers attribute past/preexisting damage to a current event covered by their insurance (i.e., a storm, flood, etc.), examiners might be trained to tactfully empathize or respectfully consider the customer’s point. The examiner might open the discussion with statements such as, “I can see why you might think that; however,...” prior to pointing out physical evidence that leads her/him to conclude which damage is from the current event and which occurred previously. In those instances where customers have plotted to construct evidence or circumstances, field examiners should be equipped with training in the appropriate legal evidence needed for court cases, the process of deciding whether to pursue the case, and how to inform the policyholder that their claim has been denied.
Two final categories of customer fraud acts are presented together in this chapter, as both involve customers’ commission of fraud that is facilitated by marketers’ employees. As mentioned in the discussion of consumer resistance in Chapter 3, employees may either foster or deter consumers’ resistance acts. One source of employees’ motivation for fostering or aiding consumers’ resistance against marketers may be their own drives to resist control from the modern corporations that employ them. In resisting control, employees may attempt to damage the firm either by damaging its reputation with customers or by reducing the firm’s productivity. The former is documented by a review of postings on company hate sites that often expose the marketers’ dubious practices to customers. Employees attempts to damage the firm’s productivity include their facilitation of customers’ fraud acts.

Stories of fraud told by middle-class customers relayed instances in which employees proactively suggested fraudulent acts to customers. Further, there were numerous incidents in which employees more passively facilitated customer fraud acts by being or appearing inattentive, neglectful, or nonproactive in pursuing fraudulent incidents. Admittedly, story data obtained from customers does not offer conclusive evidence that employees’ passive participation in customer fraud reflects their desire to resist or retaliate against modern businesses’ control. However, academic researchers have uncovered a number of retaliatory behaviors that employees use to resist modern organizations that, as a function of their power, subject them to unfair outcomes or unfair interpersonal treatment. Consider the list of acts identified by Skarlicki and Folger (1997).
- Intentionally damaged equipment or work process
- Took supplies home without permission
- Wasted company material
- Called in sick when not ill
- Spoke poorly about the company to others
- Refused to work weekends or overtime when asked
- Left a mess unnecessarily
- Disobeyed a supervisor’s instructions
- “Talked back” to his or her boss
- Gossiped about his or her boss
- Spread rumors about coworkers
- Gave a coworker the “silent treatment”
- Failed to give coworker required information
- Tried to look busy while wasting time
- Took an extended coffee break or lunch break
- Intentionally worked slower
- Spent time on personal matters while at work

Other researchers add to this list employees’ theft of organizational property that is of little personal use to them (Greenberg 1990). Thus, it appears reasonable to speculate that some employee errors that lead to customer fraud, including inattentiveness to fraud, are actually forms of employee resistance. Here, we have the first recognized form of employees working “the inside” as turncoats or double-dealers to aid customers’ resistance efforts as well as their own.

The customer story data suggests that fraud behaviors, which are typically studied as the separate phenomena of customer fraud and employee fraud, may be related both in terms of involving the co-participation of customers and employees and the psychological motivations for “pulling off” these acts. Two broad categories fall within this domain (see Table 1). The first, fraud committed with employee accomplices, refers to covert acts enacted by both a customer and one of the marketer’s employees who serves as a co-conspirator. These acts may be contrived by either the customer or the employee. Although these acts also involve other strategy domains that are susceptible to fraud (i.e., product returns, sales promotions), they are unique in that employees play a role in executing the fraudulent act. The second, fraud capitalizing on employees’ pricing, collection, and distribution errors, refers to covert acts enacted but not wholly contrived by customers. Rather, the customer capitalizes on employees’ errors (i.e., mistakes) in pricing merchandise, collecting the proper payment, or delivering the goods. Similar to the category of “fraud committed with em-
ployee accomplices,” marketers’ employees facilitate the customer fraud act, but in contrast, they do so passively rather than proactively. Distinguishing this category from all others, the marketer’s “error” (either intentional or unintentional on the part of employees) creates an opportunity for gain that the customer seizes by omitting their knowledge of the mistake. Although the fraudulent act appears on the surface not to be contrived or devised by the customer, the data suggests that in some instances consumers create situations in hopes that an employee error will be made, in order to seize the opportunity for economic gains.

FRAUD ACTS

Fraud Committed with Employee Accomplices

We broadly label this category “colluding with marketers’ employees to commit fraud” to reflect constitutive incidents in which the customer deceived a marketer by conspiring with one of its employees. The incidents in this category were too few to identify subcategories or even specific acts. That such incidents emerged given the open-ended method of elicitation is noteworthy, however, as it calls attention to an overlap between employee fraud and customer fraud, which have been studied separately. Training guides on retail security recognize that employees commit fraud on behalf of consumers who are their friends or relatives, by undercharging them (Purpura 1993; Weiner 1997). These guides warn retailers to guard against such acts, which are presumed to occur at the point of sale: “a dishonest cashier in a supermarket could pass some food items around a fixed scanner for a friend. In a clothing store, a dishonest salespersons could use a wand to capture only half the clothing in a transaction” (Purpura 1993, p. 81). Only one incident in our sample included such an act that unilaterally provided monetary benefits to the customer. Specifically, one customer reported that a waitress who had become familiar with him gave him a discount even though he did not have the “necessary” coupon. To the extent that marketers allow employees to use their own discretion in rewarding customers, the fraudulent provision of discounted prices to customers becomes blurred with honest attempts of employees to personalize transactions with customers. That is, because fraud may be cleverly disguised as conforming to a proper or even “ideal” transaction, it is difficult to detect. Waiters and waitresses have been known to delete menu items such as appetizers or a single entree from a larger bill for “inconveniences” that went unnoticed by the customer. The customer responds to this surprising “good service” with a larger than usual tip, so that in effect, both divide the revenue that would otherwise have gone to the restaurant owner. Employees who are sensitive to this routine may contrive it for gain, with little protest from customers who benefit. This could constitute a sophisticated “decoupling” strategy on the part of the employee. Similar to the decoup-
ling used by consumer cause organizations noted early in the book (Elsbach and Sutton 1989), employees are able with this act to publicly display a legitimate role—that of satisfying customers’ needs or resolving their complaints—while covertly devising a scheme whereby they reap material gains. This decoupled strategy of fraud employing customers as co-conspirators offers a “safety net” that is not available with solo acts of employee fraud, such as employee theft.

One incident in our sample provides more direct evidence that employees seduce consumers to participate in fraud against marketers. In contrast to incidents identified in the security literature, the fraud takes place in the context of returning merchandise rather than at the point of purchase.

I had a friend who worked for a clothing store and got a 50% discount on all merchandise. She had previously bought about $100 worth of clothes but paid 50% of that amount. She did not want the clothes, but wanted me to return it so she could get a full refund.

At first, I didn’t see the big deal because she didn’t explain to me fully what was happening. Afterwards I was disappointed in myself. (F, 24)

Another story in our sample offers the reverse of the previous incident by illustrating how customers seduce employees into overlooking their rule-breaking behavior. Here, the customer solicits the employee as a co-conspirator by sharing the monetary benefits. Specifically, a 28-year-old male participant who falsely claimed to have a coupon for several dollars off a pizza, reported that “the delivery boy almost never asks for the coupon. If they do, I just give them another dollar tip and I still end up saving a buck or two.”

Among ways that middle-class customers may conspire with the marketers’ employees to deceive the firm, the following two emerged from the story data:

- returning merchandise that had been purchased by an employee at an employee discount for a refund at the full retail price, and
- obtaining “free” or discounted goods from employees and reciprocating with larger than usual tips.

Despite limited repetition of this category in the data, the available incidents suggest that strategies tied to employee motivation and performance are not without risk of being deceitfully manipulated for gain. The provision of employee discounts and employee autonomy in dealing with customers are two situational contexts in which consumers and employees may become involved as accomplices in fraud. For several reasons, we suspect that acts involving customers’ colluding with marketers’ employees to commit fraud are more prevalent than may be apparent from the data. First, individual customers who are beneficiaries may view these as acts of
friendship and thus do not recall them. Second, customers who receive discounted goods acquired with friends’ employee discounts may reciprocate by providing favors outside the marketplace (e.g., giving free professional advice, or assisting in domestic activities such as baby-sitting or gardening). Thus, because both do not share in the monetary proceeds of the fraudulent act, they may not consider this to be rule-breaking behavior. Third, the customer may view that, because the employee is a representative of the marketer and is aware the customer is receiving a discount intended for employees, the act is not covert or deceitful. Finally, middle-class individuals of the customer fraud study possibly did not report such acts to a great extent in order to report more egregious acts that involved greater ingenuity in breaking marketers’ rules.

**Fraud Capitalizing on Employees’ Pricing, Collection, or Distribution Errors**

We consider failing to correct employees’ pricing, collection, or distribution errors as fraudulent, given that deceit is defined to include omissions as well as misrepresentations (Ekman 1985). At first glance, it may appear odd to include such fraudulent acts in this chapter dealing with those acts committed with the aid of marketers’ employees. Here the aid provided by employees is not proactive in the sense of explicitly suggesting fraudulent schemes to customers and participating in the planning and execution of these. Rather, employees aid customers’ fraudulent acts in more passive ways, such as being negligent, inattentive, unwilling to “call the customers’ hand” or acquiescing to customers’ protests made to capitalize on obvious errors. Middle-class customers’ stories of fraud cannot provide insight into whether employees’ passivity in these regards is intentional and for the purpose of resisting their employer. However, there is evidence in prior studies of employee behavior suggesting that similar acts are undertaken as forms of retaliation, such as disobeying instructions and intentionally wasting time (Skarlicki and Folger 1997).

Our presentation of this category offers contextual description of two acts recognized in the form of survey items in prior marketing research (i.e., Fullerton, Kerch, and Dodge 1996; Muncy and Vitell 1992; Wilkes 1978; Zabriskie 1972), and also suggests a new act. Consistent with prior research, the first act involves attempts to pay a price for merchandise based on an obviously erroneous price tag without notifying the store. Included among the incidents was a mispriced coat, a surfboard mismarked by $100, “limited edition” Hot Wheels sets priced erroneously at $19.99 each rather than the correct price of $36.99, and a brand name shirt with a $2 price tag attached in place of the correct $30 price tag. In two of these incidents, the participants were successful in that the clerk at the register did not detect the error. The clerk did detect the error in other incidents. In the case of the
Hot Wheels set, the goods were placed on the wrong shelf next to the incorrect price, which was detected at the register when the clerk scanned the bar-coded box. The $2 shirt, for which the participant “knew that someone had probably switched the price tags,” also “scanned $30” at the register. Despite such detection, customers succeeded in obtaining the goods at the incorrect price by complaining to management and insisting on paying the marked price; the purchaser of the Hot Wheels insisted on purchasing three sets at the mismarked price. In essence, the latter incidents amount to performance complaining that we have suggested customers enact in other strategic domains.

The second act, which has also been recognized in prior marketing research, involves failure to correct employees’ billing or change-making mistakes that benefit the customer. This was the most common act within this category, and was notably dominated by billing errors rather than change-making mistakes. With respect to billing errors, participants told of reaping monetary advantages when clerks misread tags, miscounted the number of similar items purchased, miscounted different items that had been stacked at the register, mistook two separately priced items for an ensemble, overlooked items that are typically not passed across the register (e.g., cases of soft drinks and bags of lawn fertilizer that remain on the bottom of shopping carts during checkout), scanned goods for which the bar codes were incorrect, and provided refunds at a higher price than paid. In most incidents, the participant realized the clerk’s mistake while at the register or before leaving the store. Although all participants offered these incidents as experiences of rule-breaking that marketers would find “sneaky,” some participants, consistent with our conceptualization, more explicitly considered their silence as a form of fraud. In the words of one 24-year-old woman who was charged $60 for a $90 outfit, “I was afraid I would get caught. I was afraid that alarms would go off because I really thought I was stealing.” Further, silence in some instances where customers are expected to announce their purchases would seem to amount to shoplifting. One woman reported paying for snacks at a convenience store without mentioning that she had pumped gasoline into her car, which then was easily overlooked by the clerk. A similar incident was reported by a 41-year-old woman whose bag of lawn fertilizer, which had not been placed on the counter, went unseen by the clerk. The monetary gains that accrued to participants who did not correct clerks’ billing or change-making errors varied widely. Participants received “free” goods valued at a few dollars, such as a place mat that was not counted among identical others, a case of Coke overlooked when passing through the register, and a piece of fabric for dress-making that was not counted in a stack of fabric purchases. The omission of goods from the bill also resulted in larger financial gains. For instance, one of the previously referenced participants saved $31.99 as a result of not being charged for a bag of fertilizer, and another avoided pay-
ing the price of a skirt that was mistaken as an ensemble component with the jacket she purchased. Similar variation in financial gains existed for items that the salesclerk included on the bill, but at the incorrect price. Participants reported being undercharged $1 at a fast food restaurant, $5 for a tool kit, $26 for a battery charger, and $30 for an article of clothing.

Evidencing employees’ passive roles in facilitating customer fraud acts, some participants reported instances in which they informed the clerk of the pricing error that occurred when merchandise scanned at a lower amount; however, the clerk told the customer “not to worry,” “it’s OK,” or that it was too much trouble to cancel the order. Budden (1999), noting that one employee’s error can be compounded by another employee, reports a similar incident. Specifically, a man purchasing a six pack of German beer was charged $1.50 by the clerk. This customer pointed out that the charge was in error, as the beer was much more expensive than $1.50. The clerk, rather than checking the price, acted indignant and said that the beer’s price was correct—that the scanner did not make mistakes. At the customer’s request, the clerk agreed to hold the six-pack at the counter while he returned to shop for additional items. Moments later he returned to the line with a basket full of German beer.

The third act that extends prior research involves accepting and using incorrectly delivered products without payment to the marketer. The emergence of this act corresponds with increases in direct mail marketing. Several participants told of receiving incorrectly delivered magazines and newspapers in the mail. These participants continued receiving and using these reading materials for periods between a few weeks and several years, until the receipt of a bill, which all refused to pay. Similar to such incidents, one 57-year-old man reported that after accepting a trial issue of a magazine and free gift, he decided not to take the magazine and wrote “cancel” on the invoice when it arrived. However, the company apparently corrected the billing information but not the distribution information, as he reported: “I didn’t receive any more correspondence from the company but I do receive the magazine monthly at no charge.” Beyond mistakes of direct mail marketers, incidents previously described as acts of service fraud also involved distribution errors, such as when participants hooked up to cable service that had not been disconnected by the company. Similar to the latter incident, some participants played a contributing role in the marketer’s distribution error. One 32-year-old woman relayed an incident in which she complained to a clothing store that she had never received a pair of pants that were to be delivered to her after being altered, despite the store’s claim that they had shipped them. After the store delivered a new pair of pants to her home, she discovered that the first pair had been delivered to her office. She kept both, despite the fact that by providing both addresses to the store, she had contributed to the delivery “error.” Similarly, a 49-year-old man reported that when he picked up a weight bench he had
ordered from Sears, he picked up two boxes that had been set aside. While assembling the bench, he realized, “there was a complete bench in one box. I didn’t take the other back. I sold it to another individual for about half price. So I guess we each got one at half price.”

Succinctly presenting the findings in this area, middle-class customers reported that they gained a marketplace advantage when they knowingly failed to correct marketers' pricing, collection, and distribution errors. Their acts involved:

- paying the labeled price on merchandise that obviously has an erroneous price tag without notifying the store,
- failing to correct employees' billing or change-making mistakes that benefit the customer, and
- accepting and using incorrectly delivered products without payment to the marketer.

With respect to situational contexts, the prior description of acts suggests that failing to correct marketers' errors enables customers to obtain monetary advantages in purchase transactions for numerous product types and some services that span a wide range of intended retail prices. Service as compared with product contexts emerged with lesser frequency in the data. This would be expected given that the intangible nature of services minimizes errors. That is, service employees generally consult a single pricing sheet or menu for all purchases that standardizes the transaction and reduces errors associated with pricing physical inventories, such as erroneously affixed price tags, products placed on incorrect shelves, or quantity miscounts at the register. Where services were based on the delivery of physical goods, management of customer/prospect databases appeared to be the underlying source of errors, which were almost exclusively distribution errors.

Beyond the type of good, institutional settings varied in breadth and type across the acts. Paying mismarked prices occurred in department stores, general merchandise discount stores, and specialty stores. That this act extends to these major forms of retail establishments and occurred with the same frequency across these settings suggests the interesting possibility that mismarked prices are not determined by store size or variety of product line. Otherwise it might be expected that specialty stores would be less susceptible, given that clerks could become more familiar with and better manage the relatively limited merchandise. Potentially as a function of the greater number of incidents, participants capitalized on marketers' billing errors in a greater variety of institutional settings. These included department stores, general merchandise discount stores, specialty merchandise discount stores, grocery stores, convenience stores, and fast-food restaurants. That billing errors occurred despite the technology adopted by these
institutions to minimize point of sale errors illuminates the role of human mistakes in contributing to marketers’ lost revenues. Only one incident involved an error caused by technology (a bar code scanned an incorrect price). Finally, participants benefited from distribution errors made by direct mail marketers, service providers, and discount stores.

The inclusion of direct mail marketers within the category suggests that employee errors may occur for reasons other than the generally assumed explanations that their attention is divided among multiple customers whom they are serving. Consistent with this suggestion, only one incident among in-store transactions described the store as being crowded, and some participants explicitly commented on the store clerk’s attention being diverted by other clerks with whom they were talking. As previously suggested by prior organizational research on employee behavior, the possibility exists that employees may passively enjoy customers’ willingness to capitalize on opportunities for customer fraud. It may reflect a passive and low-risk form of employee resistance used in lieu of riskier forms (e.g., employee theft, vandalism) or those that might diminish their own reputation (e.g., working slowly). Alternatively, some employees may use these passive forms of resistance to augment riskier forms, in an effort to seize all opportunities to fully exploit the company. The potential for employees to gain satisfaction through such acts may stem not only from the outcome of harming the modern marketer, but also from the esteem enhancement that may accompany championing the “little guy.”

Notwithstanding the possibility that employees passively encourage such fraudulent acts, the data suggest that, in some instances, the loci of opportunities to commit fraud may not lie solely in marketers’ or employees’ errors, as has been implied in prior marketing research. As illustrated in the description of each of the acts, some participants were eager to seize opportunities for clerks’ errors, reluctant to “back down” from erroneous price offers when employees discovered mistakes, contrived situations during interactions that prompted marketers’ errors, and took physical action to capitalize on the marketers’ error (e.g., hooking up cable, reselling extra merchandise). In the previously described German beer incident reported by Budden (1999), the customer obviously seized the opportunity to buy additional beer once he learned he would receive the erroneously lower price. Further, participants’ agency in seeking gains from errors is illustrated in the following contextual exemplar.

While living in Orange County, California, I was surfing on a daily basis. I needed a new surfboard, and went to one of the many local surf shops. While inside I was going through the boards, and noticed that one of them had been mis-marked, for a savings of 100 dollars. I had a frequent buyer card at this store, that allowed me to save 20% off every board, and 10% off everything else in the store. This card did not include clearance items however. Noticing that this board was mis-marked and on clearance, I thought I would see if I could not only get it for this price, but save an-
other 20%! The girl at the counter had no idea of the mistake, and proceeded to give me the added 20% discount, even though this board was in with the clearance boards. Needless to say, I saved a lot of money that day, and even managed to get out and use it hours later.

I don’t feel bad about what happened. It was their mistake, and I would have pleaded dumb if they would have said it wasn’t going to work. They make so much money there, that it doesn’t really bother me. (M, 38)

**MANAGERIAL INSIGHTS**

To the extent that employees actively and/or passively participate in customer fraud acts for purposes of resistance, strategies for dealing with customer fraud must first deal with employee issues that give rise to their resistance and retaliatory behavior. The low skill requirements and low levels of compensation of modern marketing organizations may lead to frustration that then prompts resistance behaviors. Offering employee discounts to acquaintances and family would seem to reclaim compensation to which employees may feel they are entitled and that would otherwise be lost. Relieving frustration may take the form of seeking more meaning and importance in their roles. Employees may feel more empowered by helping and advising customers, as weaker exchange partners, on how to commit fraudulent acts than they do by serving as marketers’ order takers and change makers. Defusing frustration may take safer forms of employee resistance or retaliation. That is, clerks or service providers may hide their resistance behavior behind the disguise of “personalizing” the customer’s experience or “resolving the customer’s problems” such as when they give customers free goods or discounts to which they are not entitled. They may privately delight in the irony that under their mask of exhibiting “good organizational citizenship,” they are actually harming the company.

Higher levels of responsibility, greater skill requirements, and higher wages would seem important to creating employees who view themselves as true representatives of the organization rather than empathizers with customers’ resistance. Increasing employees’ responsibility might take the form of training employees to be attentive to consumers’ resistance behavior for the purpose of suggesting ways that the company might co-opt or use them to the benefit of both customers and marketers (see Aubert-Gamet 1997). Introducing higher wages might be accomplished in part with incentives linked directly to customer fraud deterrence. Incentives might take the form of bonuses for periods of reduced customer fraud and rewards for employees’ suggestions for reducing customer fraud.

Reorganizations and incentives designed to minimize employees’ resistance orientation might be usefully coupled with employee training designed to target those customer fraud acts that are in part caused by employee behaviors. For example, employee training to clarify the bound-
ary between valued discretion in the treatment of preferred customers and customer fraud would minimize the potential for fraud to be disguised as customer satisfaction initiatives. Relatedly, for some organizations where specific types of complaints can be anticipated, employee training might emphasize the need to consistently apply rules regarding resolutions to specific customers’ complaints. To prevent customer-employee product return fraud schemes that appropriate employee discounts for unintended purposes, marketers might centralize product returns and use databases and systems of customer identification that match returned goods with original purchaser.

Finally, to minimize errors that are not intentional, employee training might be designed to improve inspections of purchases, returns, and redeemed promotions. In the past, marketers have found the costs of employee training too high given the high turnover among salesclerks. However, computer-facilitated training courses could be easily established on the World Wide Web, reducing costs associated with traditional training programs such as travel expenses, fees for consultants, and staffing expenses during the trainee’s absence. Further, these do not affect scheduling or on-the-job training, because employees could log on at their convenience.

Finally, employee training might be augmented with the installation of equipment that assists in minimizing the types of errors that customers seek for economic advantage. Computerized registers could be designed to minimize collection errors, as could sound sensors that detect unscanned products when they pass the end of the register area.
OVERVIEW OF MANAGERIAL INSIGHTS

Drawing from middle-class customers’ stories about breaking marketers’ rules, Part II has described types, specific acts, and situational contexts of customer fraud that have largely gone unrecognized in prior research (see Exhibit 1 for a summary of acts). We identified marketing strategy areas that are susceptible to customers’ fraudulent behavior and provided insights into how such fraud might be deterred. In summary of the information provided in the preceding chapters, Exhibit 2 presents an inventory of strategic insights organized by the type of fraudulent act that the strategies are intended to address. Detection and deterrence strategies are summarized, with deterrence strategies further organized according to whether they solve customer problems and thus eliminate the motivation to commit fraud or raise structural barriers and thus preclude the opportunity to commit fraud. To reiterate a point made earlier in this presentation, detection strategies are plans designed to uncover the commission of consumer fraud acts to recover losses and/or deliver retribution to the perpetrator. Deterrence strategies refer to plans that are designed to discourage and prevent consumer fraud acts. When a marketer’s detection strategies become known to consumers, they may serve to heighten consumers’ perceptions of the likelihood that contemplated fraud acts will be detected. Thus, detection strategies may also serve as deterrents to consumer fraud. As a reference for those marketing managers who oversee specific strategic functions, Exhibit 3 presents these same insights organized into marketing strategy areas that deal with product design, pricing, promotion, distribution and display, policies and practices of exchange, information systems,
### Exhibit 2
Summary of Customer Fraud Intervention Strategies Organized by Fraud Acts

<table>
<thead>
<tr>
<th>Categories of Fraud Acts</th>
<th>Detection Strategies</th>
<th>Strategies That Resolve Customer Problems</th>
<th>Deterrence Strategies</th>
<th>Strategies That Raise Structural Barriers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product Acquisition Fraud</strong></td>
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<tr>
<td>Shoplifting</td>
<td>• store layouts conducive to surveillance</td>
<td>• ensembles sold to allow customers’ creations</td>
<td>• reorganization to require clerks’ assistance with commonly shoplifted merchandise</td>
<td></td>
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<tr>
<td></td>
<td>• surveillance of automated checkouts</td>
<td>• packages based on preferred assortments</td>
<td>• use of “greeters” or employees to make eye contact with all customers of the store</td>
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<tr>
<td></td>
<td>• employee training on inspecting purchases</td>
<td>• prices marked separately on ensemble components</td>
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<td></td>
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<tr>
<td></td>
<td>• counting and separating goods</td>
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<td></td>
<td>• checking carts for additional mdse.</td>
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<td></td>
<td>• examining purchased boxes for hidden mdse.</td>
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<tr>
<td>Rebundling</td>
<td>• barcodes on units of multipack products</td>
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<td></td>
<td>• color codes to indicate size or type on component pieces of ensembles</td>
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<td></td>
<td>• double entry of price via bar code and manual entry of SKU from product</td>
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<td></td>
<td>• employee training on checking components for proper uniformity or variety</td>
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<tr>
<td>Manipulating Set Price Information</td>
<td>• photographs of products on the package</td>
<td>• new package designs that prevent “swap-outs” in multipacks</td>
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<td></td>
<td>• double price tags with one tag concealed</td>
<td>• reorganization to require clerks’ assistance with commonly rebundled merchandise</td>
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<td></td>
<td>• price lists by product description placed at register</td>
<td>• new policies limiting one size of a given style at a time in the dressing room</td>
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<td></td>
<td>• checks of contents against description on box</td>
<td></td>
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<tr>
<td>Product Return Fraud</td>
<td>• compartmentalization of product returns/exchanges</td>
<td>• tags resistant to switching and scratching off</td>
<td></td>
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<td></td>
<td>• store labels permanently affixed to packaging</td>
<td>• separation of sale- and regular-priced goods</td>
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<td></td>
<td>• scanner equipment to detect fraudulent receipts</td>
<td>• separation of low-end and high-end goods</td>
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<td></td>
<td>• date stamps placed on tags left on purchased goods</td>
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<td></td>
<td>• marks on interior labels to denote “sale” purchase</td>
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<td></td>
<td>• inspection of physical evidence for use/damage</td>
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<td></td>
<td>• employee training on inspecting returned goods</td>
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<td></td>
<td>• items on form match correct SKU and price</td>
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<td></td>
<td>• identification required for return</td>
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<td></td>
<td>• customer name and phone # checked against list of people attempting fraudulent returns</td>
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<td></td>
<td>• databases on customers who purchase items on sale and who return goods</td>
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<td></td>
<td>• “seconds” merchandise sold by upscale stores</td>
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<td>• rental services offered in nontraditional markets</td>
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<td></td>
<td>• warranties tied to product identification numbers rather than purchasers</td>
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<td></td>
<td>• warranties offered as attribute of physical product</td>
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<td></td>
<td>• organized mail order product returns or other methods of returning out-of-city merchandise to avoid returning to different stores</td>
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<td></td>
<td></td>
<td>• databases that track times, dates, and store locations of fraudulent returns to determine peak periods of vulnerability</td>
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<td></td>
<td></td>
<td>• policies that replace “satisfaction guarantees” with more explicit policies</td>
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<td></td>
<td></td>
<td>• decision-making software for computerized registers to standardize product return/exchange procedures</td>
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<td></td>
<td></td>
<td>• databases inter-linking departments and stores on customers’ “requests for exchange” and clerks’ decisions</td>
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<td></td>
<td></td>
<td>• fees charged for the return of products</td>
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<tr>
<td>Categories of Fraud Acts</td>
<td>Detection Strategies</td>
<td>Deterrence Strategies</td>
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</tr>
<tr>
<td><strong>Product Return Fraud (cont)</strong>.</td>
<td>databases on commonly reported product problems to establish legitimacy of returns</td>
<td>strategies that resolve customer problems</td>
<td>promotional notices on the marketers’ exchange policies with explicit rationales</td>
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<tr>
<td></td>
<td>information systems interlinking channel members that enable recognition of products exchanged by the manufacturer but returned to store</td>
<td></td>
<td>employee training to achieve consistent application of decision rules regarding product returns and resolutions to customers’ dissatisfaction</td>
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<tr>
<td></td>
<td>system of retrieving goods that because of mail or phone complaints result in refunds/new goods</td>
<td></td>
<td>employee training on neutralizing customers’ performance complaining</td>
<td></td>
</tr>
<tr>
<td><strong>Service Acquisition Fraud Contracts or Memberships</strong></td>
<td>new technologies for service membership verification (e.g., voice or fingerprint recognition)</td>
<td>service contracts offered for shorter than traditional terms</td>
<td>consistent application of rules regarding resolutions to customers’ dissatisfaction</td>
<td></td>
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<tr>
<td></td>
<td>high deductibles to render insurance claims investigations cost-beneficial</td>
<td>variable prices based on length of service contract</td>
<td>establish checks on the legitimacy of customers’ membership status by:</td>
<td></td>
</tr>
<tr>
<td><strong>Noncontractual</strong></td>
<td>using cameras or other technology to monitor customers</td>
<td>provision of explicit rationales for surcharges, late fees, etc. posted on promotional notices of marketers’ policies</td>
<td>—creating alliances with third-party org.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>—gaining familiarity with patrons</td>
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<tr>
<td><strong>Fraud in the Use of Sales Promotions</strong></td>
<td>using scanners to verify that coupons are authentic, and for correct merchandise and first-time use</td>
<td>use of POP automated coupon dispensing machines</td>
<td>employee training on neutralizing “performance complaining”</td>
<td></td>
</tr>
<tr>
<td><strong>Misusing Coupons and Rebate Offers</strong></td>
<td></td>
<td></td>
<td>using codes or tokens for access to services such as self-service drinks</td>
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</tr>
<tr>
<td><strong>Misusing Discount Offers</strong></td>
<td>information obtained to verify memberships in third-party firms that entitle the customer to discounts</td>
<td></td>
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</tr>
<tr>
<td><strong>Taking Unintended Advantage of Gift Offers</strong></td>
<td>use of customer phone numbers to verify responses for promotions and track duplicate requests made under false identities</td>
<td>rewards for long-term customers offered in conjunction with or in lieu of “switching or joining gifts”</td>
<td>end-of-contract rebates to replace introductory gift offers</td>
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<td></td>
<td></td>
<td></td>
<td>databases on customers who accept introductory gift offers</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>promotion announcements that specify timing, type of gift, limit per amount spent or per person, and requirement of customer identification to receive gift</td>
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<td></td>
<td></td>
<td></td>
<td>sales presentations provided during rather than after promotional trips that are scheduled</td>
<td></td>
</tr>
<tr>
<td>Categories of Fraud Acts</td>
<td>Detection Strategies</td>
<td>Deterrence Strategies</td>
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<td>--------------------------------------------------------------</td>
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<tr>
<td>Fraud in Negotiations</td>
<td></td>
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</tr>
<tr>
<td>Deceiving Sales Negotiators</td>
<td>- information system that matches quantity for which price is quoted with quantity purchased</td>
<td>- building relationships to prevent customers from deceptively playing marketers against each other</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- anticipating and avoiding deceptive acts used by customers during negotiations, such as by - specifying details of offers (&quot;as is&quot; trade-ins) - obtaining list of decision criteria up front</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deceiving Claims Negotiators</td>
<td>- high deductibles to render insurance claims investigations cost beneficial</td>
<td>- training of claims representatives to include appraisals of value and source of damage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fraud Committed with Employee Accomplices</td>
<td>- databases matching returned goods with original purchaser</td>
<td>- employee training to clarify the boundary between valued discretion in the treatment of preferred customers and customer fraud</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fraud Capitalizing on Employees' Pricing, Collection, and Distribution Errors</td>
<td>- employee training to improve inspections of purchases, returns, and redeemed promotions. - computerized registers to minimize collection errors - sound sensors that detect unscanned products when these pass the end of the register area</td>
<td>- employee training to consistently apply rules regarding resolutions to customers' complaints</td>
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</tr>
</tbody>
</table>
employee motivation and training, and interorganizational partnerships for combating fraud.

This report provides the fullest cataloging to date of the types of fraudulent acts that consumers commit against marketers. We note that few of the approximately 80 strategic insights that we offer have appeared in previous research on fraud and loss prevention. This includes more than a dozen books that were published during the 1990s on retail security. The extent of the identified acts is the result of research methods especially designed to tap customers’ covert activity (see Appendix). In addition to most of the strategic insights being novel in their use to detect/deter customer fraud, the comprehensiveness of the inventory of strategies accumulated here should be a valuable resource and reference to managers. However, our list should not be considered exhaustive. Some fraudulent acts did not appear in our data, and thus the means of detecting and deterring them are not presented. We have attempted to point out and offer plausible explanations for those customer fraud acts absent from the story data at various points in our description. (The Appendix also notes some exclusions that are potentially attributable to aspects of the method).

CONSIDERATIONS IN IMPLEMENTING STRATEGIES
TARGETING FRAUD ACTS

Exhibits 2 and 3 offer a compilation of plausible options for marketers, some of which complement each other in combating the same type of fraudulent acts, and others of which represent competing remedies. The options are offered as suggestions stemming from the findings. Implementing these should be considered after tests in limited locations to demonstrate that the benefits from deterring customer fraud exceed the costs for a given marketing firm. For example, the findings suggest the need to increase employee responsibility, knowledge, ability to detect fraud, motivation to report fraud, and ability to create innovative deterrence systems or strategies. Although strategically this might be accomplished via increased departmentalization into smaller units, the benefits relative to the costs will differ across marketers. Cost/benefit analysis of each strategy will likely vary across firms or even stores of a given firm. Industry research might, aided by the insights offered here, identify those fraudulent activities to which a given firm or store is most susceptible and then conduct a selective set of cost-benefit analyses for the research client.

Customizing Strategies

In selecting among the detection and deterrence strategies offered in Exhibits 2 and 3, marketing managers should consider customizing the package of strategies based on characteristics of the store, the type of product
### Exhibit 3
Summary of Customer Fraud Intervention Strategies Organized by Strategic Area

<table>
<thead>
<tr>
<th>Detection Strategies</th>
<th>Deterrence Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product design</strong></td>
<td></td>
</tr>
<tr>
<td><em>Develop packaging that facilitates fraud detection:</em></td>
<td><em>Offer products that solve consumer problems:</em></td>
</tr>
<tr>
<td>• photographs of products on the package</td>
<td>• ensembles sold to allow customers’ creations</td>
</tr>
<tr>
<td>• bar codes on individual units of multipack products</td>
<td>• packages based on preferred assortments</td>
</tr>
<tr>
<td>• color codes to indicate size or type on component</td>
<td>• “seconds” merchandise sold by upscale stores</td>
</tr>
<tr>
<td>pieces of ensembles</td>
<td>• rental services offered in nontraditional markets</td>
</tr>
<tr>
<td>• store labels permanently affixed to packaging</td>
<td>• warranties tied to product identification numbers rather than purchasers</td>
</tr>
<tr>
<td><strong>Design products with the objective of fraud detection:</strong></td>
<td>• warranties offered as attribute of physical product</td>
</tr>
<tr>
<td>• scanner equipment to detect fraudulent receipts</td>
<td>• service contracts offered for shorter than traditional terms</td>
</tr>
<tr>
<td>• new technologies for service membership verification (e.g., voice recognition, fingerprint)</td>
<td><strong>Raise structural barriers to fraud via product design:</strong></td>
</tr>
<tr>
<td><strong>Pricing</strong></td>
<td>• new product development processes that include fraud deterrence as a criterion in product design</td>
</tr>
<tr>
<td><em>Design pricing with the objective of fraud detection:</em></td>
<td>• new package designs that prevent “swap-outs” in multipacks</td>
</tr>
<tr>
<td>• double tags placed on goods with one tag concealed</td>
<td></td>
</tr>
<tr>
<td>• double entry of price via bar code and manual entry</td>
<td></td>
</tr>
<tr>
<td>• price lists by product description placed at register</td>
<td></td>
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<tr>
<td>• date stamps placed on tags left on purchased goods</td>
<td></td>
</tr>
<tr>
<td>• marks on interior labels to denote “sale” purchase</td>
<td></td>
</tr>
<tr>
<td>• high deductibles to render insurance claims</td>
<td></td>
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<tr>
<td>investigations cost-beneficial</td>
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<tr>
<td><strong>Promotion</strong></td>
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<tr>
<td>*use of customer phone numbers to verify responses</td>
<td><em>Offer promotions that solve consumers problems:</em></td>
</tr>
<tr>
<td>for promotions and track duplicate requests made</td>
<td>• use of POP automated coupon dispensing machine</td>
</tr>
<tr>
<td>under false identities</td>
<td>• rewards for long-term customers offered in conjunction with or in lieu of “switching or joining gifts”</td>
</tr>
<tr>
<td><strong>Raise structural barriers to promotion fraud:</strong></td>
<td><em>Raise structural barriers to promotion fraud:</em></td>
</tr>
<tr>
<td>• promotional development processes that assess designs for susceptibility to consumer fraud</td>
<td>• promotion announcements that specify timing, type of gift, limit per amount spent or per person, and requirement of customer identification to receive gift</td>
</tr>
<tr>
<td>• information obtained to verify memberships in third-party firms that entitle the customer to discounts</td>
<td>• sales presentations provided during promotional trips that are scheduled to avoid customer “bail-outs”</td>
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<tr>
<td>• end of contract rebates to replace introductory offers</td>
<td><em>Design promotions that create barriers to all fraud forms:</em></td>
</tr>
<tr>
<td></td>
<td>• promotional notices on the marketers’ exchange policies with explicit rationales</td>
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<tr>
<td></td>
<td>• promotional notices on marketers’ efforts at detecting and prosecuting fraud participants</td>
</tr>
<tr>
<td></td>
<td>• advertising to neutralize justifications for fraud</td>
</tr>
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<td></td>
<td>• advertising to increase negative social labeling of fraud</td>
</tr>
</tbody>
</table>

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Exhibit 3 (continued)

Detection Strategies

**Promotion (cont.)**

**Distribution and display**
Design store distribution and displays with the objective of fraud detection:

- store layouts conducive to surveillance
- surveillance of automated checkout
- departmentalization that promotes employee knowledge and responsibility
- compartmentalization of product returns/exchanges
- system of physically retrieving “damaged”/“incorrect” goods that customers report via mail or phone in order to receive refunds/exchanges

**Exchange policies and practices**

- use of “integrity shoppers” or “honesty shoppers”
- inspection of physical evidence for claims

**Information systems**
Create information dissemination systems, including:

- databases on customers who purchase items on sale, return goods, and seek introductory offers
- databases on commonly reported product problems to establish legitimacy of returns
- information systems interlinking manufacturers with retailers that enable recognition of products exchanged by the manufacturer but returned to store
- information systems that compile and disseminate public or published guides to committing fraud

**Employee motivation and training**
Provide employee training to facilitate detection, including information on:

- acts and methods of consumer fraud
- rewards and risks of detecting consumer fraud
- the process of inspecting promotion redemptions:
  --check for dates on coupons
  --check for proper match of goods with coupons
  --collection and submission of coupons
- the process of inspecting purchased goods:
  --counting and separating goods
  --checking carts for additional misde
  --examining purchased boxes for hidden misde
  --checking component parts for same size or proper uniformity or variety
  --making sure contents match description on box
- the process of inspecting returned goods:
  --items on form match correct SKU and price
  --identification required for return
  --customer name and phone number checked against list of people attempting fraudulent returns

**Interorganizational partnerships**
Establish alliances aimed at detection such as with:

- law enforcement agencies that can assist in training employees on procedures of detaining/apprehending fraud suspects
- state attorney general’s office that can assist marketers in prosecuting fraud participants
- competing firms that can cooperate in amassing case evidence on individual suspects

**Deterrence Strategies**

- public relations efforts to push for anti-liable laws that enable compilation of regional databases of fraud suspects
- promotional incentives (i.e., dividends) paid to customers when fraud losses are low

**Offer distribution methods that solve customer problems:**

- organized mail order product returns or other methods of returning out-of-city merchandise

**Raise structural barriers to fraud via the design of store distribution systems and displays:**

- personal assistance with items provided by clerks
- physical separation of sale- and regular-priced goods
- physical separation of low-end and high-end goods

- policies that replace “satisfaction guarantees” with more explicit policies

**Raise structural barriers via the creation of information systems:**

- databases interlinking departments and stores on customers’ “requests for exchange” and clerks’ decisions
- decision-making software for computerized registers to standardize product return/exchange procedures
- databases that track times, dates, and store locations of fraudulent returns to determine peak periods of vulnerability

**Solve customer problems via employees training on deterrence techniques such as:**

- making eye contact with all customers of the store
- gaining knowledge and familiarity with patrons (i.e., personalization)
- building relationships to prevent customers from deceptively playing marketers against each other
- neutralizing customers’ performance complaining

**Raise structural barriers to fraud via employee training on:**

- clarifying the boundary between valued discretion in the treatment of preferred customers and customer fraud
- consistently applying decision rules regarding product returns and resolutions to customers’ dissatisfaction
- anticipating and avoiding deceptive acts used by customers during negotiations, such as by
  --specifying details of offers (“as is” trade-ins)
  --obtaining complete list of decision criteria up front
- increasing training of claims representatives to include appraisals of value and source of damage

**Raise structural barriers to fraud via alliances with:**

- consumer groups that share in deterrence promotions efforts
- third-party organizations that may assist in establishing the legitimacy of consumers’ membership status
- competing firms that cooperate in trade promotions and the compilation of databases on fraud activity
- firms possessing deterrence systems that can be benchmarked
- legislatures that can create laws aimed at increasing legal penalties or facilitating retribution for fraud perpetrators
being guarded, and cost—benefit analyses of deterrence efforts. For example, stores that have a large number of entrances and sizable crowds may reject electronic tagging of merchandise (Geason and Wilson 1992), but may increase video surveillance, form smaller departments to enhance employee ability and responsibility for detecting fraud, or implement employee training on making eye contact with customers and inspecting purchased merchandise for hidden shoplifted merchandise. As an example of how product characteristics might suggest a customized strategy, products susceptible to rebundling, such as shoes and swimsuits, might be sold with a high level of personal assistance from store clerks, whereas goods sold in other departments would rely on more “self-service.” Selfridges in London has adopted such a local approach. Instead of using heavy levels of security throughout the entire store, they monitor individual departments for losses and introduce appropriate security measures (Geason and Wilson 1992).

**Remaining Sensitive to Customers’ Reactions to Strategic Remedies**

In selecting among the detection and deterrence strategies suggested in Exhibits 2 and 3, marketing managers are also cautioned to consider their effect on desired customer responses. Specifically, detection and deterrence strategies selected to curb customer fraud activity should be packaged so as to avoid backlash that might result in decreased customer satisfaction, criticism via word-of-mouth, or discontinued patronage. In accomplishing this objective, combining deterrence strategies that resolve customer problems with those that set up structural barriers would seem preferable to employing structural barriers alone. Further, structural barriers that penalize perpetrators should be balanced with those that reward the public for honest behavior. As an example of the latter, marketers might alter pricing and sales promotions to reflect periods when fraud losses decline, while announcing the source of these savings to customers. Such acts not only minimize individual consumers’ justifications for committing fraud, but would also be expected to lessen societal tolerance of fraudulent behavior.

**Planning for Both the Long Term and Short Term**

In the short run, not all of the managerial insights that we offer are relevant or viable for all marketers. Increasing employees’ familiarity with customers would not be a viable strategy for the typical Wal-Mart store relative to a specialty shop operating within a small-sized store. However, this would be true only in the short run. In the long run, marketers may take high-investment fraud deterrence actions. They could do so by considering fraud deterrence in conjunction with other motivations for evolving to different forms. For example, Wal-Mart, Home Depot, and Sears have tested
opening stores of small square footage in traditional downtown stores (Beck 1998), which would render deterrence techniques such as gaining familiarity with patrons viable. Thus, customer fraud might become an issue that should be considered in long-term strategic planning as well as short-term planning.
III

HOW CUSTOMER FRAUD ACTS SUCCEED
In Part II, middle-class individuals’ stories demonstrated how customers use fraud to claim various elements of marketers’ strategies, including products, product return policies, services, sales promotions, and personnel for their own economic gain. The story data is sufficiently rich to show that customers adapt their fraudulent behavior to keep pace with marketing strategies and tactics of deterrence. Thus, findings that offer a broader understanding of the fraud methods that render customer fraud acts as effective or “successful” across all strategic areas provide a more enduring benefit.

After examining specific acts of customer fraud, further examination of the story data revealed that, at an overarching level, all of the fraudulent acts represent customers’ attempts to claim for their personal benefit the customer role that marketers have designed to maximize the organization’s goals of efficiency. Part III details how middle-class individuals are able to appropriate the customer role that marketers have designated to them. This is a role whereby marketers confer trust upon customers so they can serve as “partial employees,” performing work that otherwise would require paying employees. First, we point out marketers’ vulnerabilities that are built into their exchange systems and practices, as well as identify the trust norms that marketers rely on to enable exchanges despite the imbalances these vulnerabilities pose. It is further useful to those interested in customer fraud deterrence to elaborate here why marketers have chosen to trust customers. The discussion in this chapter lays the foundation for understanding the methods that customers employ to exploit marketers’ trust norms. These methods, described in the subsequent chapter, render customer fraud attempts successful while mitigating the benefits that would
otherwise accrue to marketers. Methods cut across strategic areas and thus, are broader than fraudulent acts.

In a noncustomer context, Shapiro (1990) defines a particular type of fraudulent act (i.e., security fraud) as the violation of trust norms that principals rely upon to protect their structural vulnerabilities. However, customer fraud is not synonymous with the violation of trust norms of customer behavior. This is because the latter involves not only covert acts but also overt ones (e.g., customers’ abusive interactions with salesclerks that violate trust norms of interpersonal interaction, cf. Goffman 1967; loitering and rowdiness in retail settings that violate trust norms of exhibiting socially appropriate conduct, Geason and Wilson 1992). Thus, customer fraud involves violating trust norms, but is narrower in the sense of being accomplished with methods of covert activity.

MARKETERS’ VULNERABILITIES

In their relationships with customers, marketers possess two structural vulnerabilities. The first is the informational asymmetry in the exchange relationship whereby customers have access to information that benefits marketers but is known only by customers. Such information includes individual customer needs that might be satisfied with products or services that the marketer offers, problems the customer experiences with existing products or services, additional information that results from the customer’s expert status with respect to product or service usage experiences, and individual background characteristics that bear on the marketer’s decisions of whether and how to pursue an exchange relationship with the customer. Informational asymmetry renders the marketer susceptible to the problem of “hidden information,” whereby the customer does not disclose full or accurate information (cf. Bergen, Dutta, and Walker 1992). Problems of hidden information may occur because withholding information from a marketer may be in the best interest of customers who attempt to maximize the value of the exchange in terms of “what they give for what they get” (cf. Zeithaml 1988).

The second vulnerability involves delegating responsibilities to customers that marketers are unwilling or unable to fully accomplish themselves. Delegated responsibilities include the interim custody of merchandise, such as when a customer retrieves her/his own merchandise prior to purchasing it (i.e., self-service), discretion in interpreting and applying “general” or “liberal” marketing exchange procedures developed to accommodate the greatest number of target customers, and roles as intermediaries in publicizing the marketer to other customers via positive word-of-mouth communication. Marketers’ delegation of resource custody, discretion, and intermediary roles serves to empower customers.
MARKETERS’ RELIANCE ON TRUST NORMS

In the face of the imbalances posed by these structural vulnerabilities, marketers for the most part rely on trust norms to facilitate exchanges with individual customers, as opposed to contractual agreements. This is in part because of the unfeasibility or impracticality of negotiating and enforcing the myriad of individual contracts, many of which would be trivial. Trust norms are a form of informal “check” or control (i.e., unwritten directives) stemming from presumed prevailing social perspectives and patterns of interpersonal interactions between customers and the marketer or its representatives. Trust norms might be usefully contrasted with “formal controls” that refer to management-initiated written directives designed to guide customer action toward accomplishing objectives sought by marketers during exchanges (cf. Ayers, Dahlstrom, and Skinner 1997). The literature on agency theory would consider trust norms as a specific form of “implicit social contract” as opposed to explicit legal contracts (Bergen, Dutta, and Walker 1992).

Trust articulates generic procedural norms that seek to check the temptations for exploiting structural vulnerabilities (Shapiro 1990). Thus, corresponding with the informational asymmetry that advantages customers, marketers confer upon customers the specific trust norm to fully and honestly disclose information. Corresponding with the power accorded customers via increased responsibilities over merchandise custody, discretion in navigating the marketing exchange process, and enacting intermediary roles, marketers (in practice) confer upon customers the specific trust norm to place the interests of marketers, others in the exchange setting, and the broader consuming society above their own.

Despite the potential for structural vulnerabilities to be exploited, marketers give over their distrust to the operation of trust norms to create benefits or opportunities that go beyond mere feasibility of operation. By relying on the trust norm for customers to fully and honestly disclose information during exchanges, marketers create an opportunity (potentially a low-cost one) to acquire information needed to fulfill the marketing concept, with the long-term effect of maintaining or enhancing their profitability. Information provided by customers regarding their needs enable marketers to customize or personalize product or service offerings. Information provided by customers regarding problems they have had with products or services facilitate marketers’ efforts at creating customer satisfaction or recovering from product or service failures. Information stemming from customers’ usage expertise may provide marketers with insights into product or service innovations. Finally, information disclosed by customers regarding their relevant background characteristics assists marketers not only in assessing risks associated with the exchange, but also in customizing offerings accordingly.
By relying on the trust norm for customers to place the interests of marketers, others in the exchange setting, and the broader consuming society above their own, marketers create an opportunity to minimize their costs via shifting task responsibilities from employees or contracted agents to customers. Prior research has recognized the trend toward entrusting customers with greater organizational responsibilities via conceptualizing them as “partial employees” of the firm (Kelley, Donnelly, and Skinner 1990). Thus, customers who are able or willing to serve themselves provide marketers with the opportunity to minimize costs by reducing the number of needed organizational employees. Customers who are able to employ discretion in navigating through the marketing exchange process potentially free marketers from production and labor costs tied to the development and implementation of a variety of customer behavior contracts that are specific to individual products, services, promotions, forms of distribution, or contexts. By minimizing this specificity, flexibility is also maintained with which marketers are better able to satisfy individuals’ needs, resolve their problems, or gain access to their experiences (i.e., marketers are better able to implement the marketing concept). Finally, customers who praise the marketer to other people not only offer low-cost advertising, but also are potentially better able than marketers to target prospective buyers or customers who are more likely to enter an exchange. In essence, customers serve as unpaid agents for marketers.

That marketers abdicate their distrust to these trust norms (i.e., telling the truth and deferring self-interests) to create benefits or opportunities is evident upon close examination of commonplace and emerging marketplace practices. Most marketers maintain product return practices that gather information from customers on their needs, problems, and usage experiences even though there is no federal law that compels merchants to give refunds, credits, or exchanges on merchandise that is not defective (Tharpe 1985, 1996), and in light of a history of customers’ abuses of these practices dating back to the 1950s (Tharpe 1996). Corresponding store philosophies that “satisfaction is guaranteed” and “the customer is always right” are often espoused to further facilitate the flow of information from customers, despite the obvious openness of such philosophies to varied interpretations, some of which customers contrive for personal advantage. Self-service checkouts in grocery stores, whereby customers are used as unpaid, partial employees to scan their own purchases and then enter payment into a machine, is increasing even though marketers know that such scanner-based systems are susceptible to fraud (cf. Purpura 1993). Similarly, the building of discount “megastores” increases the self-service role of the customer, who is required to span larger areas and longer aisles to find and retrieve goods, though the inability to view actions indicative of shoplifting requires a greater level of trust from marketers.
Such practices are so widely accepted or employed that, in absence of close inspection, this normalcy may mask that marketers choose to abdicate their distrust to the operation of trust norms. Marketers in earlier times were less reliant on trust norms in their exchanges with customers in a number of areas. For example, making promises that “satisfaction is guaranteed” required less customer trust in earlier periods when general stores sold simple, nontechnological products, such as a hammer, for which both the storekeeper and the customer understood the function, usage, and breakage possibilities (Herndon 1972). The notion of “self-service” in earlier periods also required less trust of customers. In contrast to today’s automated checkouts, Piggly Wiggly introduced the first “self-service” grocery store in the late 1800s as a place in which customers merely picked groceries off the shelves by themselves (Darby 1928). In contrast to self-service in today’s discount megastores, the self-service idea introduced by the F.W. Woolworth company, also in the late 1800s, involved displaying merchandise on top of the counter so that customers could view it and touch it before inquiring about it to a clerk who was within view and about ten feet away (see Darby 1928; F.W. Woolworth 1954). Prior to these self-service innovations, stores entrusted only clerks with the gathering of goods from shelves or boxes under the counter, which they then presented to the customer; there was no such thing as “counter display” (Darby 1928).

CUSTOMERS’ RESISTANCE TO THEIR “PARTIAL EMPLOYEE” ROLE

As reliance on trust norms of truth-telling and deferring self-interests increases, marketers’ exchange systems become more open to exploitation by customers who choose not to enact the “good” organizational citizenship or agent roles marketers placed on them. An understanding of how this takes place is aided by delving into notions of “agency theory,” a framework that has aided understanding of human behavior in marketing organizations (Bergen, Dutta, and Walker 1992). An agency relationship is one in which one party (the principal) depends on another party (the agent) to undertake some action on the principal’s behalf. Hence, an employment relationship is an agency relationship in which the hiring firm is the principal and the employee is the agent. Similarly, a relationship with a subcontractor is an agency relationship in which the hiring firm is the principal and the subcontractor is the agent. For marketing organizations, subcontractors serving as agents might be advertising or publicity agencies. Though most discussions of agency theory address explicit, formal contracts, this theory can be useful in evaluating implicit social contracts, such as social norms, peer pressure, and peer acceptance. Stemming from the assumption that both the principal and the agent act in their respective self-interests, agency relationships pose two types of problems for principals: that of hidden in-
formation and that of hidden action. Hidden information refers to the fact that the principal’s knowledge of the agent’s characteristics pertinent to their potential job performance is imperfect, as is the principal’s information about the agent’s actions while on the job. Hidden action refers to the fact that the principal’s knowledge of the agent’s actions on the job is neither perfect nor complete. By laying out these problems, agency theory highlights the importance to the principal of designing exchanges that motivate their agents to behave in a manner consistent with the principal’s goals. Examples would be designing compensation and incentive programs for employees such as salespeople, and subcontractors such as publicity agencies. The goal would be to design the programs so that they motivate these individuals to act as the principal hopes, despite the fact that some actions would be difficult to monitor and that information about these actions that the principal might use in taking corrective action can be hidden.

In the context of customer fraud, customers serve as agents for marketing organizations to the extent that the organizations enter into exchanges with customers and expect them to perform certain activities in the marketers’ self-interest. Exchanges viewed as unsatisfactory to customers will result in these agents using their advantages of hidden information and hidden actions to pursue their self-interest in lieu of the goals established by the marketing organization, or principal. We have previously discussed the types of information and actions to which customers have privilege over marketers.

Like agents who experience role conflict as a result of representing both their own self-interests and those of their principal (Bergen, Dutta, and Walker 1992), customers whom marketers expect to serve as agents also experience role conflict. This conflict was evidenced in stories in which customers both engaged in customer fraud to satisfy their self-interests and fulfilled roles that served marketers by subsequently becoming loyal patrons or disseminators of positive word-of-mouth communications. Notably, this finding is consistent with the suggestion in organizational research that role conflict is associated with deceit (Grover 1993). "When individuals use lying to resolve role conflict, the more legitimate role demand is the one likely to be met behaviorally, and the less legitimate role sender more likely to be deceived” (Grover 1993, p. 483). Thus, in the marketplace, it seems reasonable that in most exchanges, the customer’s role as buyer is stronger than the role of partial employee. Customer fraud reflects individuals’ preference for their buyer roles that may be tied to notions of being savvy negotiators and vigilant seekers of good deals over the partial employee that marketers have established. The source of the conflict may lie in the resources of the person and those required to enact the role behavior designated by marketers (Rizzo, House, and Lirtzman 1970). That is, with a fixed monetary resource, the customer can obtain more for their money with fraud than they can by playing the role of partial employee. The source
might also be that the person’s internal standards or values are at odds with the role behavior designated by marketers (Rizzo, House, and Lirtzman 1970).

Customers’ role conflict would pose the minimum risk to marketers’ structural vulnerabilities. At a maximum risk, customers may reject the roles that marketers confer on them, viewing exchanges as oppositional rather than collaborative, and as zero-sum games rather than ones capable of producing mutually satisfying outcomes. In the words used by one female participant to summarize her fraudulent act, “I knew it would be money in my pocket or theirs. The guilt doesn’t last long.” Customers’ rejection of roles tied to serving marketers was reflected in participants’ evaluations and conclusions of battlelike stories, whereby customer fraud participation was considered an act of “winning,” “beating the system,” a story of “David versus Goliath,” or a necessary self-defense. The following example is illustrative of participants’ attitudes that run counter to their expected roles.

Generally, manufacturers of quality fishing rods will offer a year’s warranty against breakage while under normal use. “Charles” however extends the manufacturer’s warranty to the period of his ownership against breakage by trunk lids, car doors, heavy feet, etc. Broken rods are always returned to any retailer who might carry the particular brand, and are exchanged for new. No retailer has yet to ask for proof of purchase and always exchanges rods for new ones. “Charles,” normally a fairly moral person, maintains a seller beware attitude and does not suffer from any after the act conscious pains. (emphasis added; M, 55)

With conflicted or little attachment to their roles assigned by marketers, individual customers successfully execute acts of customer fraud by preying on specific trust norms. In the course of an exchange, individual customers may lie rather than honestly disclose information. Individual customers may falsely complain, “self-deal,” “double-deal,” and con to obtain relative advantages rather than forgoing their own interests to the benefit of the marketer, its employees, and other customers.
CUSTOMERS’ FRAUD METHODS THAT PREY ON MARKETERS’ VULNERABILITIES

Lying, performance complaining, self-dealing, double-dealing, and conning are the fraud methods used by customers across the various marketing strategy domains outlined in Part II. As methods of successfully executing fraud, each inherently satisfies two criteria that distinguish fraud from other means of misleading targets, such as misinterpreting events that are then conveyed to another, or colluding with another who is to be misled as when an actor temporarily obtains an audience’s belief in a character. Specifically, each method involves the customer’s intent to deceive the marketer and the absence of the customer’s explicit prior notification to the marketer about her/his intention (see Ekman 1985, 1997). Sections in this chapter offer definitions, examples from the story data, and discussion of how these methods attack the vulnerabilities that arise from marketers’ abdication of their distrust to institutionalized trust norms. Additional stories illustrating each method are presented in Exhibit 4. It should be noted that although it is possible to make conceptual distinctions among the methods, customers often use them in combination rather than as mutually exclusive options.

LYING

Lying, in the context of the customer fraud study, refers to customers’ verbal misrepresentations during interpersonal interactions with marketers’ representatives, including distortions, fabrications, falsifications, or omissions of information. Consistent with Ekman’s (1985) conceptualization, lying occurs when the customer intends to mislead a marketer’s representative, and does so deliberately without prior notification and without
Exhibit 4
Illustrative Stories of Methods of Executing Customer Fraud

<table>
<thead>
<tr>
<th>Method</th>
<th>Illustrative Story</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lying</td>
<td>Betty bought a dress to wear to a special event. After wearing the dress to the event, she decided it was much too expensive and that she probably would not wear it again. She returned the dress and told the shop owner that she decided she did not like the dress and that she was going to wear something she already had. The shop owner said the dress smelled of perfume and asked if it had been worn. Betty said “No.” After some discussion, the shop owner took the dress back and refunded the money. Betty thought she was clever and frugal. She said the shop owner could mark the dress down half price and still recoup what she paid for it. She said that all businesses mark up their merchandise too much and that she had probably paid for that dress a dozen times over the years. (F, 54)</td>
</tr>
<tr>
<td>Performance</td>
<td>I cannot think of a particular example of consumer rule breaking; however, I can tell one way I occasionally manipulate the system. When I receive poor service, a poor product, or contradicting information from sales people—</td>
</tr>
<tr>
<td>Complaining</td>
<td>I usually complain to management. When I complain, I try to do it in a crowded area where other consumers will hear my story. Depending on the initial response of the management, I can become very loud. I know that in doing this I will receive what I want/need/ordered and I will probably get it for free or at a reduced price. This isn’t really rule breaking, but it is manipulative. (F, 24)</td>
</tr>
<tr>
<td>Self-Dealing</td>
<td>If you go for lunch at “Fresh Choice” and take a meal with a soda, you will pay something like $6.50. But, as the drinks are on self-service, it is very easy to buy a meal with water as a drink and use the water glass, which is different from the soda glass, to drink soda. You save $1.00 with this “unfair” behavior and no one will (should) notice it. You can always argue that it is your first time to try this lemonade and you just want to taste it. The consumer can remain self-confident before and after this incident. (M, 24)</td>
</tr>
<tr>
<td>Double-Dealing</td>
<td>I purchased a [leather manufacturer’s] handbag at an outlet store and the outlet price was $250. The retail price was $350. I owned the purse one year. During the year the leather faded really bad and the hardware on the buckle became discolored. I sent the purse back to [the manufacturer] because they have a lifetime guarantee. [The manufacturer] then sent the purse back to me and did not do anything. I returned the purse again to [the manufacturer] and waited a month before I called them again. I told the lady that I was looking at [a make of automobile] with [the leather manufacturer’s] interior. However, if they could not fix my $250 purse, then I was not going to buy a car with [their] interior. If the purse had faded then the interior would surely fade. So they sent me a new purse. I felt bad because I could not afford the [make of automobile]. I did however look at them and if I had won the lottery then I would have bought the [the car]. I did love the new purse and [the leather manufacturer’s] customer service. I am a big fan of [the manufacturer] now. (F, 26)</td>
</tr>
<tr>
<td>Conning</td>
<td>During an after Christmas sale at a major department store that is well known for taking returns and making exchanges, a friend found Pendleton shirts marked down to $5 each. The only size left was XXL. She bought 6 and stored them away until the next Christmas season. Then she took them back to the store and exchanged them for different sizes to fit the men on her shopping list. The regular retail price is about $40–$50. Since the store was well known for its policy of taking returns and making exchanges, and there was no policy of the sale purchases being “final,” she was not doing anything wrong. (F, 43)</td>
</tr>
</tbody>
</table>
having been explicitly asked to do so by the marketer. This notion of lying reflects what Goffman (1959, p. 61) has referred to as “flat,” “open,” or “bare-faced” lying to semantically capture that the teller knows he has lied and has done so willingly. Thus, within our conceptualization, omissions are lies just as much as falsifications in circumstances where the marketer expects that the specific omissions will not occur and the customer is conscious of her/his attempts to conceal or withhold this information (see Ekman 1997).

In recounting their incidents, our participants disclosed that they knew they lied and did so to successfully carry out fraudulent acts. Lying facilitated a variety of fraudulent acts across the various strategy domains. As means of covertly violating rules or norms of product acquisition, participants verbally distorted their reported beliefs about the meaning of return policies, fabricated stories about how products were acquired, falsified causes of product damage, and omitted information that goods refunded at the full price had been purchased at a discount. As means of fraudulently acquiring services, participants distorted statements about their financial status to receive services intended for the indigent, fabricated “sob” stories to avoid paying late fees on rented goods, falsified the number of persons staying in a hotel room to avoid surcharges, and omitted information that would reveal their avoidance of contract obligations (e.g., accident damage to a rented automobile). Fraud in the use of sales promotions was also facilitated by lying, such as when participants distorted their perceived meaning of discount offers to receive additional discounts, fabricated stories about losing or leaving coupons at home to receive the benefits and retain the coupon for reuse, falsified customer statuses to qualify to receive discounts, and omitted information that coupons were expired or for the wrong merchandise. Most all acts of deceiving marketers’ negotiators involved some form of lying. Finally, capitalizing on employees’ errors, when the purchase involves an interpersonal exchange with marketers’ representatives, requires omitting or concealing the mistake. That stories revealed both intent to mislead and a desire to do so is illustrated in the following example:

Betty bought a dress to wear to a special event. After wearing the dress to the event, she decided it was much too expensive and that she probably would not wear it again. She returned the dress and told the shop owner that she decided she did not like the dress and that she was going to wear something she already had. The shop owner said the dress smelled of perfume and asked if it had been worn. Betty said “No.” After some discussion, the shop owner took the dress back and refunded the money.

Betty thought she was clever and frugal. She said the shop owner could mark the dress down half price and still recoup what she paid for it. She said that all businesses mark up their merchandise too much and that she had probably paid for that dress a dozen times over the years. (F, 54)
Lying obviously exploits marketers’ trust norm that customers will fully and honestly disclose information. The marketer may be disadvantaged not only by the loss of income that the customer secures through fraud, which is achieved via lying, but also by receiving misinformation that may be relied upon in future planning and purchasing decisions aimed at improving customers’ satisfaction. Hence, the benefits that normally accrue to marketers as a result of their reliance on the trust norm of truth-telling are diminished.

Marketers’ reliance on trust norms, in lieu of “checking out” customers’ stories or establishing policies that do not offer opportunities for lying to occur, results in the successful commission of fraudulent acts via lying. Few stories in our sample relayed evidence of marketers’ attempts to detect customers’ lies, though many revealed policies that were open rather than closed to opportunities for lying (e.g., product return policies). Accentuating these vulnerabilities, lying is not difficult for customers to master in marketing exchanges for several reasons. These reasons have been suggested by Ekman’s (1985) observations in a more general context. First, as evidenced in participants’ stories, customers can anticipate questions. Thus, they are able to rehearse responses and avoid spontaneous lines that often provide deception clues to targets. Second, all questioning takes place in one time period, thus eliminating signs of deception that are detectable with repeated interactions, such as inconsistent stories over time or inability to recall the same level of detail. Third, most often lying in marketing exchanges does not involve the need to hide fear; each transaction is usually with an unfamiliar person, so the salesclerk does not know an individual’s typical expressions.

PERFORMANCE COMPLAINING

Although hiding emotions is not particularly necessary, feigning emotions is useful in effectively carrying out fraudulent acts. Specifically, performance complaining refers to customers using feigned emotion in dealings with marketers’ employees to falsely communicate the existence or degree of their perceived injury or dissatisfaction. Feigned emotions may include expressions of anger, disappointment, dissatisfaction, frustration, and surprise. Because such expressions often benefit buyers in exchange contexts, performance complaining is perhaps the customer counterpart of “emotional labor” that researchers have defined as employees’ acts of expressing socially desired emotions during marketing exchanges (Ashforth and Humphrey 1993; Hochschild 1983).

This method facilitates rule-breaking and norm violations across the various strategy domains, as has been previously indicated by labeling such acts in a corresponding fashion (see Table 1). Further, our prior description has detailed how performance complaining facilitates the suc-
ccessful implementation of fraudulent acts that are distinguished and identified by other characteristics. For example, to facilitate returning extensively used products under the pretense that they were recently purchased, participants reported that they engaged in performance complaining about the unfairness of return policies that required receipts. Participants also reported using this method to secure “free” products from manufacturers that they falsely accused of misplacing merchandise submitted for repairs. Still others engaged in performance complaining to avoid payment for services that they falsely reported had been poorly or inappropriately provided, to receive discounts beyond the reductions allowed by an offer that they pretended to misinterpret, and to pay incorrectly marked prices that they realized were mistakes. As suggested by these examples, performance complaining is often combined with lying to execute a fraudulent act.

However, the following story by one participant demonstrates that, independent of lying, customers call upon what Hochschild (1983) refers to as “a managed heart” to feign or exaggerate negative emotions in the presence of marketers’ employees in much the same way that employees have been trained to feign or exaggerate positive ones in their dealings with customers (see Ashforth and Humphreys 1993; Hochschild 1983).

I cannot think of a particular example of customer rule breaking; however, I can tell one way I occasionally manipulate the system. When I receive poor service, a poor product, or contradicting information from sales people—I usually complain to management. When I complain, I try to do it in a crowded area where other customers will hear my story. Depending on the initial response of the management, I can become very loud. I know that in doing this I will receive what I want/need/ordered and I will probably get it for free or at a reduced price. This isn’t really rule breaking, but it is manipulative. (F, 24)

Recognition that managers succumb to participants’ performance complaining augments our earlier discussions that emphasized clerks’ susceptibility to rewarding false complaints. A second story is offered to reflect the repetition of this finding in the data. Here, following the customer’s performance complaining, the manager exempts him from following the established product return procedure, even though, by law, it is the customer’s responsibility to abide by the store’s return policy even when the store does not have it posted visibly (see Tharpe 1985, 1996).

My husband, “John,” received an [store brand] watch for Christmas one year. [The national chain specialty store] has a 100% satisfaction guaranteed policy prominently displayed in all its stores, so when the watch broke, he took it back to the store. The sales rep and the manager told him that he would need to send the watch out for repairs and pay a one time $20 service fee. John insisted that the satisfaction guaranteed policy entitled him to free repairs or a new watch, although the docu-
mentation in the watch package backed up the manager’s position. After a long and heated discussion the manager gave John a new watch. (F, 31)

Customers’ awareness of this method’s power is reflected in their use of performance complaining as a “backup” if marketers detected their initial attempts at fraudulent acts via other methods. Participants reported rehearsing intentions to act angry and indignant to create the impression that a “false accusation” had diminished the quality of their experience or satisfaction with the exchange.

Performance complaining exploits marketers’ trust norm that customers will defer their self-interests to the interest of marketers and their employees in two ways. First, as illuminated in the first story of this section, the partial-employee role entrusted to customers, that includes acting as an unpaid public relations representative of the firm, is betrayed. In a sense, customers demand payment to promote the firm, or rather, to not derogate it via excessive complaining. Second, by engaging in performance complaining, customers are unfaithful to the responsibility that marketers confer upon them to navigate through the exchange process with “reasonable” expectations. In effect, customers legitimize expectations that they know are unreasonable by going through the proper motions of the complaining process. A by-product of these forms of exploitation is that marketers receive misinformation that falsely informs their attempts to fulfill the marketing concept. Customers’ complaining and reports of dissatisfaction, if genuine, provide information that may be used to adjust the product or service offering to better meet customers’ expectations. Thus, performance complaining not only exploits trust norms, but also diminishes the benefits that these norms are expected to generate.

The presence of marketers’ trust norm—that customers will defer their self-interests—preempts consideration that “the customer is not always right” and the establishment of control mechanisms to ferret out unreasonable complaints and exclude these from recompense. With no barriers of deterrence, performance complaining results in the successful commission of fraudulent acts. Ekman (1985, pp. 47, 100) has suggested that although “falsifying the appearance of an unfelt emotion is not easy” and “few people are good at this, ... most of the time people get away with it since rarely does the target of such a lie care whether the emotion displayed is feigned or real.” Such would be the case in marketing exchanges, given that the atmosphere of the store would be negatively affected by a customer who angrily complains, regardless of whether or not the anger is genuine.

**SELF-DEALING**

Self-dealing refers to a method whereby customers exercise their responsibilities tied to self-service for personal benefit. This label was bor-
rowed from Shapiro’s (1990) use of the term to reflect a method of fraud whereby bankers, corporate officers, and government officials who are entrusted with the custody and disposition of property exercise these responsibilities for personal profit. The responsibilities that customers may exercise for gain similarly include the custody and dispensing of property but also others. Customers are entrusted with the custody of products during the period that merchandise is retrieved from shelves and brought to a cash register. Customers also are charged with dispensing property of the proper quantity or type after the purchase (i.e., filling their own orders). Illustrative contexts in which customers are given such responsibilities include automated newsstands and self-service drink stations where customers are entrusted to take only what they have previously paid for. Customers are also entrusted with a variety of other responsibilities that have been traditionally performed by marketers’ employees. For example, insurers often ask customers to provide their own reports of property damage when making claims in lieu of using employees to physically inspect the damage.

Self-dealing was the means of operating a variety of customer fraud acts across several marketing strategy domains. Within the domain of product acquisition, all acts of shoplifting, rebundling packaged merchandise, and manipulating set prices of merchandise were accomplished through self-dealing. That is, during the time merchandise was in participants’ guardianship prior to making payment at the register, they expropriated goods via smuggling or tampered with pricing or packaging information to deal themselves lower prices. Similarly, within the domain of services acquisition, several incidents of violating “pay-per-consumption” norms were successfully accomplished through self-dealing. Specifically, when participants were charged with filling their own orders according to a previously paid bill, they took larger quantities or more expensive items. Fraud in the use of promotional incentives was also carried out via self-dealing, such as when participants swapped promotional gifts and rebate coupons from one product to another while merchandise was presumably in their safekeeping. Deceiving marketers’ negotiators was effected through self-dealing, such as when policyholders who had been asked to provide their own reports and estimates of property damage when making claims inflated the extent and/or value of the damage. Finally, some acts of capitalizing on employees’ billing errors may also have been facilitated with self-dealing, in instances where customers intentionally placed merchandise out of the cashier’s view while moving through the register area. The following story illustrates participants’ awareness of self-dealing as a method of deceiving marketers for personal gain.

If you go for lunch at “Fresh Choice” and take a meal with a soda, you will pay something like $6.50. But, as the drinks are on self-service, it is very easy to buy a meal with water as a drink and use the water glass, which is different from the soda
glass, to drink soda. You save $1.00 with this “unfair” behavior and no one will (should) notice it. You can always argue that it is your first time to try this lemonade and you just want to taste it. The customer can remain self-confident before and after this incident. (M, 24)

Self-dealing exploits a specific trust norm—that customers will defer their self-interests to the interest of the marketer or the marketers’ employees. The partial employee role that is entrusted to customers to care for or protect property prior to purchase and to distribute them according to organizational pricing rules is rejected. However, all self-dealing is done under the guise of playing the role of good organizational citizen, as customers go through the expected purchase or claims resolution processes, notably without expressing complaints (unless of course, their fraudulent act becomes detected). Fraud realized via self-dealing increases revenue losses such that marketers’ expected outcomes from their reliance on trust norms are diminished. Savings in labor costs are offset by the cost of fraud. Further, some acts executed via self-dealing add to the cost of labor because employees spend time rectifying some of the fall-out of self-dealing. Acts of price tag switching, swapping bar-coded boxes, mixing ensemble components, and assorting multiproduct packs produces disorderly inventories as customers dissemble and tamper with other in-store merchandise in the process of creating their desired good and purchase price.

With marketers trusting that customers will adhere to norms of deferring their self-interests to those of the marketer or its employees, barriers or deterrents to self-dealing are nonexistent or minimal. At most, these entail placing of electronic security tags on select merchandise and positioning cameras in select locations to detect shoplifters. That shoplifting is policed, whereas other acts facilitated by self-dealing largely are not, may suggest that shoplifters are viewed as chronic or professional criminals who are not to be trusted. This poses the interesting possibility that marketers make fewer efforts at detecting and prosecuting self-dealing that leads to penal law violations by the middle-class (e.g., price tag switching, box switching, rebundling), even though these violations, like shoplifting, amount to stealing. This notion is consistent with Sutherland’s (1940) work that debunked the relationship between poverty and crime by showing that crimes of white-collar workers are not represented in official crime statistics (i.e., white-collar crimes are not prosecuted).

DOUBLE-DEALING

Double-dealing refers to a customer’s participation in interpersonal exchange-related encounters with two different exchange partners as a means of misleading one or both of them. The different exchange partners that customers solicit for purposes of double-dealing may include two representatives, of competing firms, two representatives of the same firm, two
representatives, one of whom is employed by a marketer and the other by the marketer’s business client, and one marketing employee and one or more customers. Double-dealing may be covert, such as when a customer secretly shops for the best deal with multiple representatives of the same company, or overt, such as when customers play competitors against each other. Double-dealing may also be actual or contrived whereby one deal is fabricated or falsified during negotiations. When the targeted marketer believes contrived double-dealing, it can achieve the same benefits as if the second dealing actually occurred as reported.

Double-dealing facilitated fraudulent acts across several marketing strategy domains. Covert double-dealing facilitated the fraudulent return of products for refunds. Specifically, after one clerk denied a refund on the basis of store policy, the customer approached a second clerk as if no prior decision had been rendered. Covert double-dealing also facilitated the violation of “pay-per-consumption” norms and violations of service contracts that limited service usage to one person (e.g., Internet service). That is, customers made deals with marketers on the basis of individual usage and then negotiated “side deals” with other customers to share the services and split the cost (i.e., they set up buying cooperatives). Participants’ incidents revealed that overt double-dealing enabled them to take advantages of promotional gift offers in ways that went beyond marketers’ expectations. This was demonstrated in participants’ acceptance of promotional gifts from one long-distance telephone company in order to re-open negotiations with their current, competing company and thereby obtain additional gift offers. Double-dealing of both the covert and overt types facilitated attempts to deceive marketers’ sales negotiators. Covert double-dealing enabled the customer to deceive a salesperson while attempting to secure a lower price from another representative of the same firm who was unaware that a coworker had provided an initial price quote. Illustrative of the overt form of this method, participants reported taking information and deals made with one sales representative and presenting these (or misrepresentations of these) to a competitor in an attempt to negotiate lower product prices. Finally, covert double-dealing enabled participants to benefit from fraud that was acted out with the aid of employees. For example, returning merchandise that had been purchased at an employee discount for full price required the customer to make a “behind-closed-doors deal” with the marketer’s employee prior to making the actual exchange with the marketer. Most of the previously described incidents involved actual double-dealing. However, the following story illustrates the effectiveness of contrived double-dealing, as well as participants’ creativeness in employing this method.

I purchased a [designer name] handbag at an outlet store and the outlet price was $250. The retail price was $350. I owned the purse one year. During the year the leather faded really bad and the hardware on the buckle became discolored. I sent
the purse back to [the leather manufacturer] because they have a lifetime guarantee. [The manufacturer] then sent the purse back to me and did not do anything. I returned the purse again to [the manufacturer] and waited a month before I called them again. I told the lady that I was looking at [specific make of automobile] with [the manufacturer’s] interior. However, if they could not fix my $250 purse, then I was not going to buy a car with [their] interior. If the purse had faded then the interior would surely fade. So they sent me a new purse.

I felt bad because I could not afford the [make of automobile]. I did however look at them and if I had won the lottery then I would have bought the [car]. I did love the new purse and [the leather manufacturer’s] customer service. I am a big fan of [the manufacturer] now. (F, 26)

Double-dealing exploits both of the dominant trust norms. Covert double-dealing exploits the trust norm that customers will fully and honestly disclose information expected or requested by marketers. When customers withhold information that they have received prior price quotes or policy decisions from other representatives of the same firm, they do so anticipating that employee discussions or physical records of prior transactions are not kept, i.e., that marketers’ employees rely on trust. Double-dealing, irrespective of its form, exploits marketers’ trust that customers will defer their self-interests to those of the marketer. Although loyal customers relative to less loyal ones might be expected to have internalized their partial-employee role to a greater extent, even participants who acknowledged long-term patronage and loyalty to a company’s product over competing ones placed their self-interests ahead of the patronized marketer. This was evidenced in incidents where participants quit and then renewed services with the same company to receive “introductory” gifts. That is, they double-dealt with the same company. They did so despite knowing that the company’s gift offer was introduced to solicit new customers and thereby expand their business.

Relying on trust norms, marketers do not erect barriers to customers’ double-dealing. As a result, this method enables the successful commission of customer fraud acts. Accentuating marketers’ vulnerability created by the absence of such barriers, certain pervasive marketing contexts make double-dealing an easy method for customers to practice without detection. For example, large store sizes and numerous chain stores employ a sizeable number of employees who may not know each other or have opportunities to converse. This offers the customer anonymity, which facilitates covert double-dealing, such as when two quotes or policy decisions are sought from different representatives of the same store. The increase in telephone and direct mail marketing transactions also offers customers anonymity that facilitates double-dealing. For example, customer buying cooperatives could not be set up to share the use and expenses of Internet services priced for one user if members of the cooperative were visible to the provider.
CONNING

Conning refers to a customer’s use of preconcerted measures to devise an artifice or strategem intended to gain the marketer’s confidence that the customer is adhering to rules or norms of the exchange. The distinguishing characteristic of this method is the element of planning. Planning is used to set up the “confidence game” and/or to orchestrate various measures used in devising it. These measures may include disseminating specific information to marketers at a period prior to the con, and the acquisition of “props” (e.g., merchandise boxes, price tags, receipts, price quotes) or the solicitation of accomplices to be used in the scheme.

Conning was employed by participants to facilitate violating marketers’ norms or rules across a number of strategy domains. To avoid replacement purchases, participants contrived confidence games whereby they purchased new goods identical to older, unusable ones that they owned, and returned their older goods in new boxes with the new receipts for full refund. Participants also physically tampered with used products to produce “defects” that enabled their return to manufacturers who provided new replacement merchandise. Multiple returns of this type were facilitated by setting up multiple aliases using different addresses to which the participant had access (e.g., addresses at work, of friends, and of family). Confidence games played out in service contexts involved the acquisition of false membership identification documents, using them to secure entry to service facilities (e.g., health clubs), and continued use to gain acceptance as a “regular member” who does not need to prove membership by displaying a card. Conning also facilitated violating norms or rules tied to the use of sales promotions offered on a limited-to-one-person basis. Specifically, participants created multiple aliases or made multiple trips to secure more than one gift. Finally, conning was the method by which most acts of deceiving insurance claims negotiators was carried out.

The following story illustrates how planning and patience are practiced to provide the marketer with confidence that the customer is following normal marketing exchange procedures.

During an after Christmas sale at a major department store that is well known for taking returns and making exchanges, a friend found Pendleton shirts marked down to $5 each. The only size left was XXL. She bought 6 and stored them away until the next Christmas season. Then she took them back to the store and exchanged them for different sizes to fit the men on her shopping list. The regular retail price is about $40–$50. Since the store was well known for its policy of taking returns and making exchanges, and there was no policy of the sale purchases being “final,” she was not doing anything wrong. (F, 43)

This level of planning was evident in other incidents, such as when a participant took out insurance on her broken cellular phone and then waited a
month before falsely claiming that it had been stolen. Still planning in other incidents facilitated more elaborate confidence games.

Chris had an old Corvette, which he took care of meticulously. After years of ownership and care, he grew tired of caring for it. He tried to sell it but couldn’t get the money he wanted. He found out he would get more if the car was stolen. He then paid 2 friends to steal and dispose of the car. He received the insurance check and was happy with his decision. He was motivated by money and had no regrets or ill feelings about it. He paid his friends with some of the money from the check and everyone involved was happy. They believed it was a case of David the insurance policy holder and Goliath, the provider. (M, 41)

Some incidents revealed more explicitly that conning exploits trust norms that marketers rely on in hopes of securing other benefits from customers.

Jim signed up for a mail order compact disc club. Since it was the initial sign-up, he was able to obtain several items free. Jim took advantage of this situation in a few ways. First, Jim took some multi-disc sets as the free items. He figured they wouldn’t come back trying to say he couldn’t order multi-disc sets because he had just signed up to the club. The club would not want to lose a customer. Furthermore, Jim also signed up for the club under a different name so he could take advantage of the introductory deal a number of times . . .

Jim thought that as long as the company sees a potential customer, the company will not attempt to learn any additional information about this person. (M, 30)

Conning violates both of the dominant trust norms marketers rely on in exchanges with customers. Rather than fully and honestly disclosing information, customers falsify information via verbal or written statements that are often augmented by supporting (though contrived) physical evidence (e.g., newly boxed merchandise to support fraudulent product returns). Rather than deferring their self-interests to those of the marketer, customers reject their assigned roles of good organizational citizens by betraying marketers’ confidence via a false front of normative behavior.

Marketers’ reliance on trust norms that are exploited by conning is reflected in their separation of organizational policies from organizational practice. Specifically, organizational policies that could erect barriers to conning do not, because enforcing them is subjugated to the practice of organizational philosophies that do rely on trust norms. Namely, these philosophies involve “guaranteeing customer satisfaction.” As examples, exchange policies that limit returns without receipts or after a specified time erect barriers to marketers’ vulnerabilities that result from customers’ proprietary knowledge about their acquisition and use of the product. However, our data suggests that such exchange policies are relaxed at Christmas, when marketers accept returned products in the absence of receipts. Membership identification cards to enter health clubs technically are designed to erect barriers against con practitioners who impersonate le-
gitimate members. However, our data suggests that policies that require customers to present their identification cards upon entering the facilities are not enforced, presumably to effect personalization of and hence satisfaction with the service encounter. In some instances, the decoupling of deterrence-oriented policies from organizational practices that rely on trust norms takes place between rather than within organizations. For example, health insurers may attempt to erect barriers to conning via the provision of member identification cards that must be presented by insureds to receive health care benefits. However, third-party health care providers may, in the course of offering personalized service, fail to verify that the card presenter who receives treatment is actually the insured.

**MANAGERIAL INSIGHTS**

This section described customer fraud in terms of methods of execution that were observed across various strategy domains. This more abstract level of description potentially offers implications that, relative to those produced by types of customer fraud, are more generalizable over time and across types of exchanges between marketers and their customers. The encompassing insight from examining the methods that render customer fraud acts successful is a realization that treating customers as partial employees places them in an empowered role as agent. The agent role empowers customers by giving them access to goods and privileged information about their own actions. Thus, when exchanges with marketers are viewed as dissatisfactory, customers forced to choose between their role as astute economic and self-interested buyer and their role as partial employee prescribed by the marketer choose to act in their self-interest and deceive the marketer. That customers choose to act deceitfully in lieu of simply going to another marketer that offers more satisfactory terms of exchange may reflect the limited number of satisfactory options that widespread modernization has made available.

The major insight derived from this description may be that where methods of executing customer fraud cannot be used to inform marketing strategies that satisfy customer needs, setting up structural barriers to fraud is important. These barriers should be devised to narrow reliance on the trust norms that customers will provide honest information and that customers will act in the marketer’s best interest rather than their own. As noted in the discussion, efforts to detect lying and performance complaining would seem to be ineffective in deterring fraud. Further, self-dealing, double-dealing, and conning can be largely minimized with attention to structural barriers. Many possible structural barriers have been bypassed in lieu of presumed “efficiencies” of economies of scale, standardization, and shifting employee responsibilities to customers.
In general, processes of designing products, services, packages, promotions, return and warranty policies, and employee incentives should involve screening for customer fraud. Thus, barriers can be considered in the overall design of products and customer programs and may work in conjunction with or be integrated with other design goals. Additionally, albeit likely a longer term undertaking, structural barriers to deter customer fraud can be part of innovation and decision-making processes regarding store layout, architectural design, product placement, and employee hiring, training, and placement within the store.

An option for some marketers that operate on a smaller scale or that are new entrants into the market may be to attempt to balance using the customer as a partial employee with treating the customer at a more personal level. A higher level of personal treatment potentially shifts the nature of the customers’ multiple roles such that the temptation for fraud posed by the self-interested buyer role is mitigated by relationship roles that take greater weight relative to what they might in large, national chain, highly standardized, and impersonal organizations. Consumer behavior researchers have noted that individuals seek relationships with the employees of marketing organizations that may in some cases provide comfort, social support, and a sense of the familiar (e.g., Goodwin 1996). Organizations able to successfully cultivate such feelings would attract customers who potentially would not experience the role conflict that leads to customer fraud, as we have disclosed here.
IV

THE SEQUENCE OF EVENTS LEADING TO CUSTOMER FRAUD AND TO REPEAT FRAUD
OVERVIEW

Part IV discloses the sequence of events that lead individuals to commit customer fraud and to repeat fraudulent acts. This sequence is visually captured in Figure 1, which depicts a conceptual model of processes of individuals’ commission of customer fraud acts. The concepts in each phase of the sequence of this model were suggested by themes, subthemes, and categories that emerged from the data. These are summarized in Exhibit 5.

In overview, as the genesis of customer fraud acts, consumers perceive various dilemmas when attempting to acquire desired goods. These thoughts that precede customer fraud acts, labeled “cognitive antecedents” here, include perceptions that desired goods are unaffordable, dissatisfaction with marketers’ offering or practices, or perceptions that a favored outcome is attainable only if an opportunity is seized to bypass rules of “expected” consumer behavior. These perceptions, along with prior knowledge of customer fraud acts and methods, lead individuals to consider customer fraud acts that offer the potential to resolve these dilemmas. Individuals judge the efficacy of implementing a specific customer fraud act by assessing the availability of various resources. These include material resources (e.g., old merchandise, price tags, merchandise boxes, receipts), social resources (e.g., accomplices, personal sources of information), and cognitive resources (e.g., knowledge of a store’s policies, confidence in successfully implementing the strategy). Once resources are inventoried and a specific act is assessed as a viable strategy, the customer fraud act is committed. This breach with the exchange partner leads to affective responses (i.e., emotional reactions). Affective responses include negative feelings,
Figure 1
A Model of Processes of Individuals' Commission of Customer Fraud Acts

Knowledge of Consumer Fraud Acts and Methods

Cognitive Antecedents
- Perceived unaffordability
- Dissatisfaction w/ exchange
- Opportunity to bypass

Appraisal of Efficacy of Consumer Fraud Act
- Material resources
- Social resources
- Cognitive resources

Commission of Customer Fraud Act

Affective Response
- Negative affect
- Positive affect

Construction of Justifications
- Distributive fairness
- Procedural fairness

Discussions with Other Consumers
- Obtaining validation
- Bragging of achievement
- Educating others

Marketer's Characteristics
- Standardization
- Anonymity
- Size

--- dominant process
--- variations of the dominant process
Exhibit 5
Themes, Subthemes, and Categories Constituting Concepts in the Model of Customer Fraud Behavior

Cognitive Antecedents to Individuals’ Appraisal of the Efficacy of Customer Fraud Acts

- Perceived unaffordability of merchandise
- Dissatisfaction with marketers’ offerings or practices stemming from:
  - unmet expectations of value
  - price is discrepant with perceived quality of merchandise
  - desired attributes are unavailable on marketplace offerings
  - consumers’ inputs are discrepant with consumers’ outcomes
- unmet expectations of interpersonal treatment
- unmet expectations of the rules of the exchange
- perceptions that marketers behave opportunistically
- Perceived opportunity to bypass rules of consumer behavior

Appraisal of the Efficacy of a Customer Fraud Act

- Assessment of material resources
  - material resources manufactured by marketers
  - material resources manufactured by consumers
- Assessment of social resources
  - accomplices in enacting customer fraud
  - accomplices in acquiring or manufacturing material resources for customer fraud
- Assessment of cognitive resources
  - knowledge of marketers’ policies and practices
  - confidence in ability to execute fraudulent acts stemming from:
    - low estimates of target’s skill at detecting fraud
    - rehearsal of fraud plans and backup plans
    - prior practice in committing consumer fraud

Affective Responses

- Negative affect
  - detection, apprehension, or fear
  - guilt
- Positive affect
  - achievement
  - satisfaction with the outcome
  - duping delight

Construction of Justifications for the Commission of a Customer Fraud Act

- Distributive fairness justifications
  - customer fraud act results in no harm to the marketer or other customers
  - customer fraud act restores equity to an otherwise unfair exchange
  - customer fraud act’s harm to the marketer is balanced by serving as a partial employee or agent
  - customer fraud delivers just outcomes to the marketer who “asks for it” by being a “sitting duck”
  - customer fraud act maintains equity with respect to outcomes received by other consumers
- Procedural fairness justifications
  - customer fraud act adheres to the “letter” of the marketer’s policy
  - customer fraud act adheres to the spirit of the marketer’s policy
  - customer fraud constitutes an expected play or “move” in a game where deception is expected

Discussions with Other Consumers about Customer Fraud

- Obtaining social validation
- Bragging of achievement
- Educating others

Knowledge of Customer Fraud Acts and Methods
Marketer’s Characteristics

- Standardization
- Anonymity
- Size

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such as the fear of being detected and guilt, as well as positive feelings associated with achievement, satisfaction, and “duping delight.” Affective responses prompt consumers to construct justifications for the fairness of their acts, in terms of either the outcomes received by marketers (i.e., distributive fairness) or the processes by which they obtained their advantage over marketers (i.e., procedural fairness). Distributive fairness justifications consist of arguments that the customer fraud act results in no harm to the marketer, restores equity to an otherwise unfair exchange offered by the marketer, may be amended by serving as a partial employee or agent of the marketer, delivers the just consequence to a marketer who is a “sitting duck,” and is equitable with respect to outcomes received by other consumers. Procedural fairness justifications argue that the customer fraud act followed the “letter” of the marketer’s policy, maintained the “spirit” or intended interpretation of the marketer’s policy despite violating the letter of the policy, and constituted an expected “play” or “move” in a game where deception is “authorized” by both parties. Both affective responses and the construction of fairness justifications lead to discussions of the incident with others for various purposes such as obtaining social validation for one’s behavior, bragging about achievement, and educating others on how to secure better consumer outcomes. These social exchanges prompt the construction of further justifications. Discussions with others that validate the consumers’ commission of a customer fraud act lead to increased knowledge of customer fraud acts and methods (a resource for future reference), which encourage repeated participation in customer fraud activities. Conversely, discussions of incidents that result in social disapproval discourage individuals from contemplating future fraudulent acts against marketers.

As depicted in Figure 1, the preceding process, while dominant, is not invariant across individuals. Repeated customer fraud behavior may not require justifications or social validation via discussions with others, but may more simply result from successful initial customer fraud attempts that increase consumers’ knowledge of fraud and enhance their perceived efficacy of customer fraud acts. Further, various characteristics of the marketer may serve to circumvent or accentuate affective responses to the commission of customer fraud acts.

The chapters of Part IV elaborate the concepts of the model and offer illustrations from the story data that supports these concepts and the relationships among them. This chapter reveals what consumers are thinking prior to committing an act of customer fraud. Marketplace factors that motivate people to consider committing customer fraud acts are uncovered. Customers’ assessments of resources that might aid the success of contemplated fraud acts are also revealed. Chapter 14 deals with what consumers think after they commit an act of customer fraud. It reveals their feelings and justifications, as well as individuals’ sharing of the experiences with other consumers. It concludes by discussing the different processes of com-
mitting customer fraud as different paths of consumer resistance. Managerial insights stemming from these findings are presented in Chapter 15.

COGNITIVE ANTECEDENTS: THE FIRST THOUGHTS OF CUSTOMER FRAUD

Customers’ stories revealed three categories of thoughts that prompted the initial consideration of fraud: perceived unaffordability of merchandise, dissatisfaction with marketers’ offerings or practices, and opportunity to bypass the rules.

Perceived Unaffordability of Merchandise

Participants’ stories revealed that perceptions that merchandise or services were unaffordable prompted them to consider customer fraud acts. Consumers experienced these perceptions prior to the exchange and at the point of the exchange transaction. Further, such perceptions preceded fraudulent acts across the spectrum of categories or strategic domains. Illustrative of participants’ reports, the customer who misrepresented the cause of damage to an automobile battery that he had inadvertently “shorted out” said, “I knew it was my fault but I didn’t have another $50 to spare.” Similarly, one participant who used a parent’s insurance card to obtain prescription pharmaceuticals reported, “I didn’t have insurance at the time and I couldn’t afford the medication.”

Perceived unaffordability did not prompt thoughts of committing customer fraud only when the desired goods were functional objects or necessities. Rather, perceived unaffordability of expressive goods (e.g., status goods) also prompted consideration of fraud. Fraud to achieve status via “unaffordable” material goods is not new. In the past, however, such fraud was acted out against other consumers, such as the TV antenna ruse during the early days of television whereby consumers displayed antennas even though they did not own a set (Wolk and Henley 1970, p. 41). In their customer fraud stories, participants revealed that perceptions of the unaffordability of merchandise led them to commit fraud against marketers via switching prices on golf clubs and fishing rods to obtain the higher-end brands or models that they desired. One woman who switched price tags to obtain designer clothing at “off-brand” prices introduced her story by saying, “I had been very short on cash while trying to pay off all my bills. I had just lost a lot of weight, and I wanted some new ‘showy’ clothes.”

In addition to expressive goods, the desire for luxury goods that were perceived as unaffordable gave rise to middle-class customers’ consideration of committing fraud. Included among these goods were cable television service, racquet club and health club memberships, admissions to museums, and vacations.
The following story is illustrative of numerous incidents in which the re-
lationship between perceptions of the unaffordability of goods and the con-
sideration of fraud acts emerged.

I broke my cellular phone which was going to be fairly expensive to replace. So I
called to have insurance put on my phone, then waited about a month and called to
claim my phone was stolen so it would be replaced. Before: I spent $300 on this
phone that I can’t afford to spend on another phone. After: I felt guilty at first but
then decided with all the monthly premiums I have paid for phone insurance [on
the replacement phone], I could have paid for the phone. (F, 29)

That perceptions of unaffordability give rise to considering fraud as a
means of product or service acquisition, even for seemingly unessential
goods, is consistent with reports of current lifestyle trends. Specifically, in
*The Overspent American*, Schor (1998) provides survey results suggesting
that Americans’ concept of what constitutes a “necessity” has expanded
over time to include what were traditionally considered luxury goods.
Schor attributes these results to escalating aspirations of most middle- and
upper-middle-class Americans to achieve the lifestyles of those whose
income is in the top 5 percent (i.e., the “super rich”). The sentiments of
“unaffordability” expressed by our middle- and upper-middle-class par-
ticipants echo popular press reports that have attempted to capture the
phenomenon of escalating material expectations in titles such as “Feeling
poor on $100,000 a year” (see Schor 1998). Schor (1998), citing an incident in
which talk shows educate consumers on how to live the “faux life” via cus-
tomer fraud concludes that “Apparently the upscale life is so worth living
that deception, cheating, and theft are a small price to pay for it” (Schor
1998, p. 5).

### Dissatisfaction with Marketers’ Offerings or Practices

Dissatisfaction with marketers’ offerings or practices caused partici-
pants to consider committing fraud. Dissatisfaction derived from a number
of sources.

First, numerous participants said goods and services offered by market-
ers did not meet their expectations of value, though, consistent with Zeit-
haml’s work (1988), the meaning of value took several forms. Some partici-
pants were dissatisfied with the price, given the perceived quality of a
good. This dissatisfaction sometimes emerged when internal notions of
price-quality relationships were not consistent with products encountered
in stores. Other times, consumers’ dissatisfaction with value emerged as a
result of value cues provided by marketers. These included the discounting
of merchandise that had previously been sold at higher prices, or the
side-by-side placement of similarly branded but different versions of mer-
chandise for which some items had lower prices than others.
Beyond dissatisfaction stemming from price-quality notions of value, others perceived value as “whatever I want in a product,” and became dissatisfied when preexisting desires were not met by marketplace offerings (cf. Zeithaml 1988). Here, too, dissatisfaction emerged when internal notions of what is desirable were not consistent with product offerings. For example, consumers expressed frustration that ensembles either were not properly sized so that both components fit, or were not sold as separate items so that a proper fit could be obtained. Desire for variety or uniformity in multipack products that did not exist also led to dissatisfaction. In some incidents, dissatisfaction emerged when expectations and desires created by marketers via advertising were not fulfilled. For example, participants expressed dissatisfaction when marketers advertised a product or brand as on sale, but only unpopular versions of the brand were left on the shelf.

For others, value was construed as “what I give for what I get” (cf. Zeithaml 1988). Dissatisfaction occurred when participants perceived that norms or rules of consumer behavior required them to give more than they would get. For example, participants perceived that paying more for the same room when extra people were staying in it involved giving more despite getting the same. As another example, participants perceived that paying the prices of drinks at movie theaters and fast-food restaurants resulted in giving more than they got, because they knew the cheaper drink prices from grocery stores. Participants expressed beliefs that prices were “ridiculous” for the “amount of use” they could get out of services (e.g., amusement park admission tickets for children who would enjoy only a few rides). Beyond services, some products such as party dresses and video games were viewed as costing too much for the use they provided.

Dissatisfaction with the value of marketers’ offerings prompted consideration of various types of customer fraud that ultimately led to acts of shoplifting, manipulating set prices via price tag switching, making returns to retailers under various false pretenses (e.g., buying to borrow; returning goods to get discounted prices), violating “pay-per-consumption” and “pay-per-person” norms of service transactions, and deceiving claims negotiators.

As a second source of dissatisfaction, several participants introduced their stories by reporting that interpersonal treatment received by clerks did not meet their expectations of appropriate behavior. One participant recounted that her mother was assisted by “a young woman who obviously was not interested in the task at hand. The clerk chatted with the other clerks—not even acknowledging her arrival at the checkout. . . . When she was greeted so ambivalently by the clerk, she tolerated the rudeness and poor customer service.” Indeed, other participants similarly noted that clerks talked to coworkers rather than greeting and conversing with them, but were less tolerant and complained to managers. Our participants’ experiences reflect attitudes portrayed in the movie Clerks, in which workers,
who view the presence of customers as interrupting their intimate conversations with other clerks, commiserate that “This job wouldn’t be bad if it weren’t for the customers.” Dissatisfaction with clerks’ interpersonal treatment led participants to contemplate not reporting billing errors when they discovered them. It also created an opportunity to complain, which some participants did in an exaggerated manner in order to receive discounts or free goods.

As a third source of dissatisfaction, participants expressed that rules of the exchange were discrepant with their expectations. In some incidents, the discrepancy arose when exchange rules differed across marketplace settings. For example, consumers expressed dissatisfaction when they discovered that a store would not allow price adjustments for previously purchased items that later went on sale, because some stores allow such adjustments. In other incidents, the discrepancy resulted when exchange rules differed from what consumers believed should be the norm based on justice principles. As examples, participants were dissatisfied when as long-term customers of the company, they were not offered promotional gifts that were instead used to solicit new customers. Participants were dissatisfied when products, such as electronics, broke after warranty periods as brief as 30 days. Participants were dissatisfied when coupons that appeared on manufacturer’s branded products did not appear on all versions of the manufacturer’s products or at all locations of distribution. Dissatisfaction with rules of the exchange prompted consideration of customer fraud that led to various acts of making returns to retailers under false pretenses and misusing promotional incentives.

As the fourth source, participants expressed dissatisfaction with what they perceived to be opportunistic behavior by marketers. Sometimes this dissatisfaction reflected generalized attitudes about marketers. As examples, participants expressed dissatisfaction with “ridiculously high” or “outrageous” profit margins of department stores, food services, or automobile sellers and with “slick” salespeople who “are trying to make as much commission as possible.” In other incidents, the perception of opportunistic behavior arose at the point of the transaction. For example, when grocery stores placed higher price tags on top of older tags with lower prices, consumers viewed this as opportunistic because the store had not paid more to manufacturers for the older goods. Dissatisfaction with marketers’ opportunistic behavior led consumers to contemplate committing fraud, which they later did via acts such as scratching off old price tags, making returns under false pretenses to get a price adjustment, misusing coupons, and deceiving sales negotiators.

The following stories are illustrative of numerous incidents in which dissatisfaction preceded the participant’s consideration of a fraudulent act.
The [city newspaper] was running a special offer for new subscribers. We have been [the newspaper’s] subscribers for years now and upon hearing that they had this offer, we dropped our subscription only to start a “new” one. The offer was that they were giving a free gift certificate to [a national chain book store] with each new subscription. When I heard this, it made me angry because why is it that the people that have had subscriptions for years never get any of these free things! So, I dropped our subscription and started a new one so that I could get the gift certificate. I am sure they didn’t plan on that, but who cares, because I am tired of being loyal and then left out!

I guess I was angry that for years we are subscribers and we never receive any of these “specials” while new subscribers receive gifts for starting. It doesn’t bother me a bit. I don’t think this is dishonest by any means. I could always change to the St. Paul Pioneer Press and Dispatch, but since I dislike St. Paul and don’t live there, I don’t have much of an option. (F, 52)

That participants considered fraud as a means of reducing dissatisfaction is clearly demonstrated in the following story.

I purchased a pair of [manufacturer brand] tennis shoes from [retail store specializing in sporting goods]. After eight months of normal wear, the toe of one shoe ripped out. [The manufacturer] has a great return policy. If the shoe still has life in it beyond the defect, the shoe is replaced with one as close to that style as possible. They ([the manufacturer]) replaced my shoes with one of the same style, but with an ugly (in my opinion) color combo. So I returned the new shoes from [the manufacturer] to [the same retailer], saying the shoes were a gift, so I had no receipt. . . . I felt bad about returning a shoe to a store that I didn’t purchase it from. I just didn’t know how else to approach the situation. I was shipped a pair of shoes that I would never wear, so I felt that I was worse off than if I’d kept my torn shoes. I felt that [the retailer] was the best choice to try to return my shoes, since that is where I purchased the originals. Was it wrong to return those shoes to [the retailer]? Yes. Is [the manufacturer’ s] return policy good? Yes. Should they give the customer a choice of color and/or style when they return shoes? Yes. (M, 27)

**Perceived Opportunity to Bypass Rules**

Perceived opportunity to bypass rules gave rise to numerous acts of consumer fraud. Acting on opportunity reflected that participants saw potential advantages that were not available within the realm of following rules and norms of consumer behavior. Opportunity was inherent in fraudulent acts resulting from marketers’ pricing, collection, and distribution errors. Perceived opportunity was also reflected in incidents in which participants sought loopholes in promotional gift offers (e.g., frequent flier programs), or sought out marketers with “liberal” or “phenomenal customer-oriented product return policies” that could be manipulated for personal gain. In contrast to such controllable situations, uncontrollable situations were recognized as opportunities for fraud. Specifically, legitimate insurance claims arising from storms or accidents provided opportunities to “pad”
reports with additional damage and/or inflated repair and replacement costs. Physical appearances that enabled faking age statuses offered opportunities to claim age-based discounts.

I have a set of twins, one whom looks her age and the other looks much younger. When we go out to eat, I tell the waitress one of the twins is younger than their actual age to get the discount.

I don’t feel real comfortable doing it but it cost so much for us to go out that I just don’t think about it. (F, 43)

CUSTOMERS’ ASSESSMENT OF RESOURCES FOR “PULLING OFF” FRAUD SCHEMES

Participants’ stories revealed that acts of customer fraud were considered as potential means of resolving several problems: desiring goods that cost more than they felt they could afford, being dissatisfied with available marketplace offerings, and desiring the greatest possible advantage when it could not be achieved within the realm of following marketers’ rules and norms. As depicted in Figure 1, these problems led participants to appraise the efficacy of customer fraud by assessing the availability of various resources needed to commit specific fraudulent acts. These resources took three forms: material resources, social resources, and cognitive resources. Although clinical psychologists have noted that the availability of such resources is assessed when making plans aimed at resolving problems (Folkman, Schaefer, and Lazarus 1979), their manifestations within the context of customer fraud are unique. That consumers take inventory of available resources prior to committing customer fraud is consistent with Ekman’s (1985) suggestion that practitioners of deceit need the skill to plan a deceptive strategy prior to misleading the target.

Assessment of Material Resources

Participants’ stories offered evidence that consumers are active in accumulating material resources for future fraudulent acts. Material resources refer to physical objects used in the enactment of consumer fraud, such as old merchandise, price tags, merchandise boxes, and receipts.

Megan does not like to spend very much on clothes. She will buy clothing at [a regional department store] when it is on sale. If the price goes down later during the season, she will buy the same item again, switch tags with the item purchased earlier and return the item with the earlier receipt. Example—she bought a summer top in April or May for $14.99. At the end of the season the same top is selling for $6.99. She will buy the top again at $6.99, put the $14.99 tags on the new top, return the top and get $14.99 back, therefore saving $8.00 on that one item.
[The regional department store’s] markup is ridiculously high—even when it’s on sale. So the second price should be the real price. They make enough money from the people who can afford the higher prices. Megan thinks she is being a smart shopper. If the difference in prices was only a couple dollars, she would not go to the trouble of buying the second item and then returning it. (F, 44)

Beyond the more standard types of material resources previously mentioned, some participants took inventories of unique material resources that might assist in constructing a fraudulent scheme.

My husband and I signed up for one of those great gym memberships. The kind where they lock you in for 2 years and make it very difficult for you to ever break free from the contract. Well, I definitely broke the marketer’s rules and expectations. This is how the story goes. When we decided to try to end the membership we said that we were moving out of state. I wrote them a letter and their response was that they needed proof that we now resided elsewhere. I was at the time in the real estate business and had the capacity of getting my hands on a lease. I typed up a phony one, with an imaginary lessor, street address, the whole nine yards. I had it sent to my parents in the state where I said we were moving so they could send it off to the credit department of the gym. I wanted to make sure that the return address coincided with where I said we were living. Well, it worked. We never heard from them again.

To be quite honest, it scared me to death. I was fearful of being locked up for mail fraud. Fortunately, nothing happened to me. I do think that it is ludicrous that companies make you commit to such lengthy contracts and then try and screw up your credit if you try and get out of it. (F, no age provided)

**Assessment of Social Resources**

Social resources useful in devising fraudulent schemes included people who would assist as accomplices or provide information on fraud acts and methods. Accomplices often assisted in acquiring or producing material resources to commit fraud, as illustrated in the following story. As further illustrated in this story, participants’ requests for social support often required considerable contrivances on the part of the co-conspirator that put them at social risk.

I purchased an airline ticket on [a domestic airline] to visit a friend in New York which cost $290. I was really looking forward to the trip, but the day before I was due to fly out, my friend called to say he had been called out of town on an emergency business trip. So I was stuck with a non-refundable ticket worth almost $300 (not to mention numerous personal items that I had bought especially for this trip). Knowing [the airline] would not refund my money, I called a friend who had recently finished her medical residency and asked her to write me a doctor’s excuse along with a prescription to send to [the airline] with a letter requesting either a refund or a credit with their airline. She did and I sent the letter to [the airline] with the “excuse.” They refunded me the full amount of the ticket.
I felt quite guilty for lying and getting a fake “excuse.” But at the same time, I really didn’t want to be out $300, plus some, over this trip. And the reason for not being able to go was out of my hands. It wasn’t my fault that I couldn’t go. I would have been content with them keeping my money and letting me use it toward a future ticket. As a final note, I recall thinking that [the airline] was such a huge company, that they certainly wouldn’t miss my measly $300. (F, 35)

Similar incidents involved the participant who recruited his friends to “steal” his car so he could collect the insurance settlement, as well as participants who lent out insurance identification cards to facilitate the fraudulent receipt of health care services. Still other examples consist of consumers’ solicitation of others to switch the price tags of goods that they purchased in order to diffuse the liability for fraud.

Episodes of information-sharing on fraudulent acts also provided a source of social support, such as when employees showed consumers how to “beat the system” via co-conspirator schemes in which they returned merchandise bought at an employee discount for refund at the full price. Participants’ stories revealed numerous incidents in which other consumers provided information about fraudulent acts. In illustration, prior owners of goods told the consumers who purchased them how to bypass warranty restrictions against goods purchased in resell markets.

Assessment of Cognitive Resources

Assessment of cognitive resources was evident in participants’ consideration of their knowledge of store policies and practices and of their confidence in their ability to implement the considered fraudulent act. As previously noted, knowledge of store policies and practices has been facilitated by the growth of chains that has resulted in widespread standardization of retail policies and practices. (Figure 1 depicts the influence of marketers’ size and standardization on the efficacy of customer fraud.) Numerous participants took stock of their knowledge of policies or practices prior to committing fraud.

One year for Christmas my sister gave me a gift that wasn’t an “ideal gift.” I decided to return the gift. However, she lived out of state and [city name] did not have the same department store. As a formal employee of [a regional department store] I knew that they would take anything back. I did my research to see if that particular item was actually sold there. Once my research was completed, I returned the equipment and received a refund of $59.00. I knew what I was doing wasn’t right but as a customer who had purchased pre-owned items from [the department store] before, I decided that it was store policy. (F, 32)

Participants weighed their confidence in their ability to implement the fraudulent act. Confidence was facilitated by several factors, including participants’ low estimates of targets’ skill at detecting fraud, rehearsal of
plans and backup plans, and prior practice. Low estimates of targets’ skill at detecting fraud was reflected most often in the anticipation that clerks would not be attentive to the exchange or could not detect the fraud because of a lack of physical evidence. In the words of one participant who witnessed a parent lying about their child’s age to get a discount, “I realize they just took advantage of a rule that most likely gets broken often, as it is not likely that the waitress was going to ask for identification for my brother.”

Rehearsal of plans and backup plans were reflected in numerous comments. Such plans often involved “playing dumb” if caught. For example, a participant who switched boxes to obtain a low price reported, “I was reluctant to cheat, but I thought there was nothing to lose. If I got caught, I would play dumb, and pay the higher price.” Similarly, a participant who used a discount in a fraudulent manner acknowledged, “I would have pleaded dumb if they would have said it wasn’t going to work.” Shoplifters similarly rehearsed acts of ignorance in case clerks discovered goods hidden in other packages. Beyond playing dumb, participants rehearsed acting as if the marketers misunderstood their intentions. In illustration, the participant who ordered water and filled it with lemonade to avoid a drink charge said, “you can always argue that it is the first time you’ve tried this lemonade and you just want to taste it.” Still other participants rehearsed backup plans that involved shifting blame. For example, price tag switchers reported that if caught, they could implicate marketers’ employees by arguing that the item was incorrectly priced.

Prior practice increased confidence in ability to “pull off” customer fraud schemes. This practice included prior commissions of fraud that resulted in success, such as when participants in their 40s who learned they could fake being senior citizens to receive discounts, continually did so. Practice also appeared to include socialization by parents, as was suggested more indirectly in the stories.

Me and my girlfriend went to [a nearby amusement part] with our 5 year old daughter. The tickets cost $18.95 per adult & $14.95 per child between 4 to 12 years old. We bought 2 adult tickets and said our child was just 3 years old to avoid paying anything for her. Therefore, instead of paying over $50 for 3 tickets we paid $38 for 2 tickets. The hard part of this whole scenario was convincing our child that she was only 3 instead of 5. We would tell her you are 3, then she would reply “No, I’m not I’m 5.” Luckily the ticket attendant never asked her age and we saved $15.

Before the incident we were thinking it cost too much money for a 5 year old to get in [the amusement park] and only be able to enjoy [a specific attraction] for kids. After the incident we were thinking, It’s going to be harder to pull this off next year when she is 6, but at least we got fair market value for what all 3 of us could enjoy at the amusement park. Plus the extra $15 saved could be used to buy the overpriced food, drinks, & snacks within the park. (M, 27)
In contrast to the previous stories, some incidents suggested that participants’ appraisals revealed that they did not immediately possess the cognitive resources necessary to solve the problem via the covert activity of rule-breaking. However, the following story illustrates participants’ efforts at solving resource deficits (i.e., lack of “know-how”) when they realized this shortcoming.

In a man’s clothing store I was going through items hung on a clearance rack when I discovered a very high quality pair of slacks (I think around $85) marked down to $10 or $15. I went through every item again to see if I could find another pair, but there was only the one pair. They were not my husband’s size. On a nearby rack I found a lot of these slacks in all sizes (including my husband’s) and concluded a salesperson had reduced the slacks in error. I could purchase the reduced pair and exchange them for my husband’s size. The management gave me fits, but I knew the law says they had to sell them to me at the price marked.

I was overjoyed to find such a bargain. Then, it took me a while to figure out how to keep the bargain and get the correct size. I did resent the hassle I got from the management over their mistake. Actually, I never shopped there after that. I exchanged the slacks for the correct size in a different store (in the same chain). The manager didn’t handle the situation properly. (F, 57)

Further, although appraisals of resources, particularly cognitive resources, preceded the commission of customer fraud acts, judgments that knowledge of fraud was lacking did not preclude participants’ “experimenting” with consumer fraud. Such experimentation is evident in this excerpt from a story in which one friend (David) shows another (John) how to switch price tags.

In telling the story to me, John has explained that there are two reasons to let him accept David’s “cheating” behavior. One is he was curious about the purchase and sale system. He would like to take the risk to test the store’s management system. Second, he thought even if he paid the cheaper price, the store would still be able to make a profit.” (M, 44)
CUSTOMERS’ FEELINGS AFTER COMMITTING FRAUD

Following the appraisal of resources, participants engaged in fraudulent acts against marketers that resulted in negative and positive feelings or “affective responses.”

The Negative Affect of Detection Apprehension and Guilt

Two forms of negative affect emerged in the data: detection apprehension (i.e., fear) and guilt. Detection apprehension following fraudulent incidents emerged in a little more than 10 percent of the story narratives. Detection apprehension manifested itself in acknowledgments of feeling “nervous,” “shaky,” and “afraid of getting caught” after the fraudulent act had been committed. Fear following the fraudulent act appeared more when customers left a physical trail of evidence. For example, the participant who repeatedly made fraudulent returns of video games that he had used said he was scared the electronic discount store would eventually discover the scam and trace it to him. Some participants feared specific reactions if their act was detected. These included legal penalties and having to “overcome paranoia of being found out.” For example, the woman who fraudulently broke a service contract with a health club by creating fake documentation of an out-of-state residence relayed, “I was fearful of being locked up for mail fraud.” Reactions also included social penalties. A participant who smuggled food into theaters claimed “my main concern is being ‘caught in the act’ and being reprimanded.” Another participant who rebundled merchandise said, “I’m afraid the cashier will blame me for what I did.”
Notably, there were no incidents in the data in which detection apprehension after the commission of fraud led to avowals not to participate in such acts in the future. Commonly, participants reduced their fear by invoking justifications for their behavior. In the words of one woman who switched price tags on a clothing item, “I was scared as hell because I really did steal but afterwards that fear eventually wore off because I reasoned that the coat was overpriced anyways.”

Guilt feelings after fraudulent acts were more common than feelings of fear, and were reported in approximately one-fourth of the stories. Although these participants’ explicit reports of guilt feelings varied in degree, most suggested that they felt “somewhat guilty,” “kind of guilty,” “a bit guilty,” or “slightly guilty.” Other experiences of guilt after fraudulent incidents were expressed in terms of feeling “uncomfortable,” “uneasy,” “bad,” “not proud,” and “disappointed in myself.” Some feelings of guilt derived from specific concerns that individual employees who had properly performed their job had been unduly harmed in participants’ attempts to defraud the marketer. However, most often guilt derived from simply committing the act.

Guilt led to decisions not to commit similar acts in the future for only a couple of participants. Specifically, one woman who rebundled clothing items to get a different size top and pants reported, “I did feel kind of guilty and decided to never do that again.” A participant who had switched price tags on clothing items reported, “Afterwards I felt so guilty, that I told a friend of mine about it and he made me feel so bad that I won’t ever even entertain the idea again.” Here, a discussion with someone else whose reaction prompted guilt led to the decision not to participate in fraud again. Notably, neither of these participants offered justifications for the fraudulent act.

The remaining incidents involving guilt were characterized by justifications for committing fraud, which alleviated the guilt. Further, suggesting the effectiveness of justifications in reducing guilt, these incidents were also characterized by the absence of any stated intentions not to engage in future fraudulent acts. The following comments by a participant who deceived a marketer about the cause of damage to a battery that he returned is illustrative of this sequence.

I felt bad because I knew it was my fault but I didn’t have another $50 to spare. I figured the manufacturer would just replace a wire or two and ultimately not lose much. The retailer’s return policy wouldn’t be abused in the sense that the retailer wasn’t losing money. (M, 28)

As a second story illustrating that fraud guilt leads to justifications:

I purchased a metal swing set for my children which came with a guarantee that the swing set would NEVER rust. I was impressed with this promise. After one year
of ownership, the swing set began to rust all over. I called the company to explain the situation. They sent me an entire new swing set via UPS. My spouse was unwilling to reassemble the new set, so we returned the new set to [a national chain, general merchandise discount store] for a refund and kept the old rusty set.

Still feel guilty, but try and justify it by saying they shouldn’t guarantee no rust unless they are willing to “refund” my money when it rusts. [The discount store] is okay because they didn’t lose anything. They could still sell the set at full price because the box was unopened. (F, 31)

Whereas in the aforementioned incidents the commission of customer fraud indirectly led to justification via negative affect (a mediator), in the large majority of incidents (i.e., three fourths or more) participants reported neither detection apprehension nor guilt after committing customer fraud.

Stories in which participants either did not mention experiencing detection apprehension or guilt, or explicitly denied such negative feelings (e.g., “I didn’t feel guilty”) commonly portrayed that the customer experienced positive affect.

The Positive Affect of Achievement, Satisfaction, and “Duping Delight”

Three forms of positive affect emerged in the data: feelings of achievement, satisfaction with the outcome, and “duping delight,” defined by Ekman (1997) as “the pleasure and excitement of putting one over.”

Achievement was reflected in comments in which participants relayed that after committing fraud they felt “clever and frugal,” “crafty and inventive,” “proud of their good idea,” and like a “smart shopper.” Here the meaning of achievement was tied to successfully resolving problems that arose from perceptions that products were “unaffordable,” marketers’ offerings or practices were dissatisfactory, or the best outcomes could not be obtained while adhering to marketers’ rules. For example, one participant, who became dissatisfied after purchasing a defective phone at an outlet and as a result fraudulently returned it to a different store, said, “We were pleased and thought ourselves clever for not getting stuck with a defective phone.”

Satisfaction with the outcome was often expressed with phrases such as, “It was great. I got what I wanted at the price I wanted.” Other participants reported that after the incident, they felt “great about the money that had been saved,” “completely happy with the outcome,” “overjoyed about getting the discounted product,” “proud of the bargain,” and satisfied that they were “getting the greatest deal.”

Duping delight manifests itself in announcements made by participants that they “felt pleased with” or “got a charge” or “a thrill” out of tricking or “pulling one over” on marketers. Participants also reported delight in making “a shrewd move,” “beating the system,” and “winning the game.” This form of affect resembled achievement in that it also encompassed feelings
of inventiveness or creativity; however, the pride of these was in taking advantage of marketers rather than resolving problems. As Ekman (1985) has noted, duping delight is often elevated when others are present who are aware of the scheme and provide an audience for the deceiver. Some stories revealed that customers who deceived marketers chose situations in which an audience was present.

When going to eat at a restaurant a friend succeeded in having an exceptional discount for all his family. He knew by showing his student card that he could have had 25% discount and he also knew that it’s only available for students and not the rest of the family. But anyway, he managed to get the owner of the restaurant in a situation that this man was obliged to give him the discount. He also knew that these persons didn’t really know how and when the discount worked. The bill was recorded on a computer and his parents were paying for him with a Visa card, though it was impossible to disassociate his name and the 25% discount from the other members of the family. He also mentioned the discount only after everything was recorded. They saved 25% off the normal price by doing that.

Obviously that was planned, and he felt very happy when it succeeded because he told me what he was trying to do before doing it! I think he didn’t feel guilty at all about this situation because he was a regular customer of this restaurant and he thought he had the right to do that. Especially because people weren’t that nice with him even though he ate there about 4 times a week! The major point is that he knew how the system works. (M, 23)

In the written narratives, reports of positive affect after the commission of customer fraud were often coupled with justifications. Whereas justifications that were coupled with negative affect emerged to dispel or neutralize uncomfortable feelings of fear and guilt, justifications that were coupled with positive affect likely emerged to resolve cognitive dissonance or uncomfortable feelings that stemmed from acquiring good feelings from enacting behavior labeled by marketers and other social groups as “bad.”

JUSTIFICATIONS

Experiences of negative and positive affect after the commission of customer fraud led participants to construct justifications. Two themes emerged from the narrative data that corresponded with types of fairness perceptions that have been defined in prior justice literature (e.g., Greenberg 1987, 1990): distributive fairness justifications in which customer fraud is rationalized on the basis that the outcome of the exchange is fair, and procedural fairness justifications in which customer fraud is rationalized on the basis that the process by which an exchange advantage is obtained is fair.

Distributive Fairness Justifications

Distributive fairness justifications that emerged from the data included arguments that the customer fraud act (1) results in no harm to the marketer
or other customers, (2) restores equity to an otherwise unfair exchange offered by the marketer, (3) creates only a temporary imbalance disadvantageing the marketer that is subsequently restored by the customer’s role as partial employee or agent, (4) delivers just consequences to the marketer who “asks for it” by being a “sitting duck,” and (5) maintains equity with respect to outcomes received by other customers for the same level of inputs.

“No harm” justifications, the most commonly provided type of justification in the stories, took several forms. These included perceptions that the marketer did not incur costs of the fraudulent act, still made a profit on the sale, or was not harmed because it was large enough to absorb the loss.

Perceptions that the marketer was not harmed because it did not incur costs of customer fraud derived from several situations. First, products that were not damaged, though they had been used prior to returns, returned to the incorrect store, or rebundled, led to “no harm” justifications, as participants perceived that the lack of damage allowed the marketer to sell or lease the product without repair costs or markdowns in price. As an example, one participant who had returned merchandise to a wrong store said: “The local store sells compact discs and can resell the disc that was exchanged. The exchange is viewed as a ‘no harm done ruse.’” As another example, one woman whose rebundling left the store with two ensemble components of different sizes reported that she justified the act, “thinking there would be someone else who has the opposite figure of her that could use the suit.” In some instances, physical damage to a product that was hidden via the customer’s fraud act was deemed “insignificant or inconsequential damage,” and therefore not harmful to the marketer. The words of one participant, who returned a leased automobile without disclosing accident damage, illustrate such justifications: “It made no difference in form, fit or function of the bumper nor has it taken away from the physical appearance of the truck … the dealer would reach the same conclusion anyway. That is, the ‘damage’ was not significant enough to warrant repairs.”

Another situation leading to justifications of “no harm” on grounds that the marketer did not incur costs of the fraudulent act involved services that were mass produced and perishable. For example, an incident of hooking up cable service without payment was justified because “The company didn’t pay any extra … The programming was going out over the wire anyway.” Similarly, a woman who fraudulently avoided room surcharges rationalized, “I didn’t see any harm in what was done since the accommodations would be the same whether there were 2 or 4 people.” Such arguments were also employed in defense of paying for “cheap seats” at the gate and moving to more expensive seating to view entertainment events: “I don’t feel guilty for sitting in the seats because the seats would just go unused if we didn’t use them. So there is no harm done to any other customers or the Reds.”
A third situational source of “no harm due to no costs” justifications involved instances in which either time constraints or user constraints on promotional incentives were violated but the monetary outcome to the marketer was unchanged relative to prescribed usage of the promotion. For example, one participant rationalized: “Even though the coupon was expired, if a representative of the company was willing to take the coupon, and the company had offered the deal in the recent past anyway, what difference did it make?” Illustrative of the latter, an unqualified user of other individuals’ “preferred customer” discounts explained, “My friends get credit for purchasing the items, I get their discounts so no one is hurt and the store gets what it wanted—extra sales induced by the discounts.”

A final situation tied to justifications of “no harm” in terms of no added costs to the marketer involved perceptions that retailers could pass the cost of the customer fraud act on to manufacturers. This situation arose when products damaged by customers were returned under false pretenses. For example, a man who falsely claimed that damage to a tie he had purchased was an original defect, said, “I felt Sears could return the tie as ‘faulty’ and not lose any money.” Similarly, the participant who returned a damaged automobile battery under false pretenses reported, “I figured the manufacturer would just replace a wire or two and ultimately not lose much. The retailer’s return policy wouldn’t be abused in the sense that the retailer wasn’t losing money.”

As the second form of “no harm” justification, participants perceived that the marketer still broke even or made a profit on the sale, and thus was not harmed. In illustration, one woman who returned used merchandise claimed “the shop owner could mark the dress down half price and still recoup what she paid for it.” A participant who fraudulently acquired a price adjustment for merchandise that went on sale after she had purchased it at a higher price relayed, “If the retailer has discounted the item, they are still making a profit.” A man who deceived a long-distance telephone service to avoid payment for calls, concluded, “The telephone company has a franchise and basically is always allowed to make a profit.”

Perceptions that the marketer is not harmed because it is large enough to absorb the loss were conveyed in a number of stories. Further, there was considerable similarity in the phrases chosen to express this no-harm justification as illustrated in the following story excerpts: “It was not a loss to [a national chain general merchandise discount store]—they’re a big company”; “They make so much money that it really doesn’t bother me”; “The department store was making plenty of money and they wouldn’t really miss the shoes”; “The store makes so much money that it doesn’t care if people do it”; “[The domestic airline] was such a huge company, that they certainly wouldn’t miss my measly $300”; “[The tennis shoe manufacturer] was a multi-billion dollar company and could afford to send him a new pair of shoes”; “Since [the national chain general merchandise discount store] is
a big company and doesn’t require a receipt to return items, she figured they wouldn’t be hurt by the loss.” This form of no-harm justification corroborates reports from the insurance industry that has had to contend with “[a] perception among some of the public that ripping off insurance companies really doesn’t hurt anyone because these companies are big, impersonal (and most of all rich) financial institutions that can afford it” (National Underwriter 1996). Popular press reports have similarly suggested that shoplifters feel justified because “rich store owners … could afford to lose a little” (see Jacobs 1997).

Among story narratives composed of “no harm” justifications, some concluded that beyond not being harmed, “everyone was happy,” including the marketer.

Sometimes when shopping I use manufacturer coupons. Occasionally I can’t find the proper product or don’t want to buy a large amount of product, but I use the coupon anyway, even if it does not exactly match the merchandise I purchased.

I rationalized the incident with the logic that the company expects to have the coupon be used. Also, the business that I purchased the product from would get the money from the product corporation, regardless. In the end, everyone is happy. I get a discounted product, my grocery store got reimbursed, and the company sold another of its products. (F, 23)

As the second type of distributive fairness justification, customer fraud restores equity to an otherwise unfair exchange offered by the marketer. Such justifications are of two types: equity restored to relationships and equity restored to a transaction. Several participants perceived that inequity in a relationship stemmed from the customer’s large dollar volume or frequent purchases and could be balanced via customer fraud that restored equity. These perceptions were conveyed in justifications such as “I have spent a lot of money at the store so I have earned it”; “She probably thought that since she had purchased many items from [the electronic discount store] in the past, they ‘owed’ it to her to allow her to use the rebate form”; “I think that I ought to get the discount because I have already spent much money in the restaurant.” Participants also justified customer fraud on the basis that long-term service contracts had not been utilized to an extent to balance the relational exchange. For example, one participant justified the padding of an insurance claim by saying, “He had paid insurance premiums all his life and never collected on one. He felt he had paid too much money and should be entitled to replacement cost at least.” Notably, this corresponds with trade press reports that some among the public have expressed opinions that they feel entitled to defraud insurers (National Underwriter 1996). Finally, the relationship that some customers sought to balance with respect to their inputs and outcomes considered all marketers as a collective. This justification is illustrated in the comments of a man who knowingly did not correct a clerk’s billing error: “I considered returning to
pay but I remembered that just recently I was overcharged at another flower store by $10—I figured what comes around goes around.”

Other participants sought to restore equity to individual transactions that in the absence of customer fraud were perceived as resulting in requiring greater inputs relative to the outcome that they received. As an example, a woman who returned merchandise under false pretenses to obtain a sales price explained, “[The regional department store’s] markup is ridiculously high even when it’s on sale. So the second price should be the real price.” Similarly, another participant who told about scratching off higher price labels on grocery products elaborated, “She justified her actions by claiming they should not be raising prices on the one left because they hadn’t paid the higher price for it. Thus, instead of her being the one ‘taken’ by the store, she was just paying the fair price for the item.” As a final example, a price tag switcher concluded her story, saying that “after the incident I don’t really feel guilty since I feel like the two garments were similar enough that they should have been priced more closely anyway.” Other participants believed that marketers’ prices included the costs of losses caused by customer accidents and misuse, and therefore justified their fraudulent behavior.

Someone I know rented a Plymouth Voyager Mini-Van from [a national chain rental car service] to take a trip to PA to bring back items from his parents’ home since they both had died recently. He requested a van with a luggage rack because he planned to use a storage box on the top to take additional items with him. While in PA he accidentally hit an overhang on someone’s carport and damaged his storage box and did minor damage to the luggage rack. When he returned the van he did not report the damage to the rental company. The agent never asked him any questions about the van so he never volunteered any information. He paid his bill and left the office and never heard from the company again.

The person at first debated whether to tell the agency about the minor damage to the luggage rack. Then he decided if they did not ask him or take time to inspect the vehicle, then he wasn’t going to feel guilty about not telling them. Besides, he felt that he had paid more than enough for the use of the van and that the company built in their losses to the price they charged their customers for use of their vehicles. (M, 62)

As a third type of distributive fairness justification, customer fraud’s harm to the marketer is balanced by serving as a partial employee or agent of the firm. In most incidents of this type, the partial employee or agent role involved spreading positive comments about the firm.

I water skied competitively in college. As a collegiate skier I was able to benefit from manufacturers’ discounting ski equipment so that collegiate skiers could afford to compete. These deals also enabled us to bypass the middleman and the retailer fees. We got a heck of a deal. When I graduated and my collegiate career ended, I continued to compete on an amateur level. Water ski technology continu-
ously changed and it is important to keep equipment current. So when a new model of the same ski that I was on came to the market, I purchased it through some of my friends who still skied collegiately. I got the great deal even though the manufacturer only intends for skiers who compete on the collegiate level to benefit. To purchase the ski from a retail mail order house would cost $650.00. I was able to get the ski for $220.00. Big difference.

At the time that I did this I was also an assistant coach for the team that I had once skied for. I was an unpaid assistant at that. I was able to justify the move through this plus I like the ski and I win 90% of the tournaments that I ski in so I always put a good word in for the manufacturer when people ask me how I like to ski. I have since obtained a promotional deal from the same manufacturer so I don’t have to beat the system anymore. (M, 25)

As the fourth type of distributive fairness justification, customer fraud delivers just outcomes to the marketer who “asks for it” by being a “sitting duck.” In a sense, by not setting up proper barriers to customer fraud, marketers are viewed as not making the appropriate inputs to protect their business. For example, one participant, who projectively reported that he bought merchandise and returned it, effectively borrowing it for free, rationalized, “Jim feels that these stores are asking for it when they offer a full refund for products.” Similarly, a participant who faked membership in a discount club argues, “This is an ongoing event, and I feel that since they are making the bad business mistake by not asking and by assuming my membership, I should not say anything.”

As the fifth and final type of distributive fairness justification, the customer fraud act maintains equity with respect to outcomes other customers receive for the same level of inputs. Several participants made comments such as, “So many people do the same . . . why not me?”

Procedural Fairness Justifications

Procedural fairness justifications included arguments that the customer fraud act: (1) was carried out according to the “letter” of the marketers’ policy or contract, (2) was not carried out according to the letter of the policy but maintained the “spirit” or intended interpretation of the marketer’s policy, and (3) constituted an expected “play” or “move” in a game where deception is expected or “authorized” by both parties

The first type of procedural fairness justification, adhering to the letter of the marketer’s policy or contract, was evidenced in stories such as the following.

[A national chain, general merchandise discount store] has a very liberal return policy, that is, customers can return merchandise for a full refund within three months for whatever reason. I must admit that I abused this return policy when I bought a new TV set, knowing in advance that I would return it three months later.

I did not want to buy a new TV set, since I was going to move out of town in a few months. However, I was reluctant to be without a TV set during this time. Of course,
I could rent a TV set from a renting company, but renting companies charge about 20 dollars per week.

Thus, I bought a TV set in [the discount store] and brought it back in three months saying that I did not like the colors of the TV set. As a result, I received all my money back and enjoyed a new TV during three months for free.

I understand that I abused the liberal return policy by buying merchandise and knowing in advance that I will return it in three months. However, I justify myself by arguing that I did not break any rules. I simply accepted the rules offered me by the retailer and took advantage of them. (M, 32)

The second type of procedural fairness justification, adhering to the spirit of the marketer’s policy or contract, was evidenced in stories in which participants deceived marketers with respect to one aspect of the exchange but fulfilled other obligations of the exchange. For example, a participant who projectively told of using fictitious names and addresses to receive multiple promotional offers from compact disc clubs reported, “Jim saw nothing wrong with using another name as long as he fulfills the obligation to the club.” Other participants attempted to interpret the intent or spirit of marketers’ rules of exchange as a means of justification. In some of these stories, spirit or intent was inferred from marketers’ practices aimed at enforcing exchange rules. For example, a participant who fraudulently used coupons reported, “If the coupon was that important to them, then they would request it. I believe they use the coupons to generate orders. The profit margin is so high to begin with it doesn’t hurt the bottom line when people do not turn in coupons.” In other stories, the participant was prompted to interpret the spirit of the marketer’s exchange rules, sometimes avoiding an obvious intent with less obvious and more advantageous one.

This week [a computer part store] put an ad in the newspaper that they offer free 16 MB RAM (regular price about $50), limited one piece per person, during this whole week. Yesterday morning, I went there and got one free. But as you know, those RAMs have to be installed in pair on computers. Each one in the pair should be exactly the same. So yesterday afternoon I went there again and took another free piece. Before I went there to pick up the 2nd piece, I felt uncomfortable because I knew each person is limited to one. But since the RAMs have to be installed on computer in pair, I think the reason why [the computer store] offers free RAM is pursuing advertising’s effect, as long as still within a reasonable range. Thereafter I spread the news of [the computer store] among friends. So I did some info spreading for [the store]. (M, 51)

The third type of procedural fairness justification involves rationalizations that deceit is expected or authorized in marketplace exchanges. Ekman (1985) suggests that marketplace exchanges, particularly those involving bargaining, are contexts in which deceit is authorized. He further suggests that “There is little guilt about such authorized deceits when the targets are from different sides and hold different values” (p. 68). “Even
selfish deceits may not produce deception guilt when the lie is authorized” (p. 69). (Figure 1 depicts this process via a direct path between the commission of customer fraud and the construction of justifications.) This justification is illustrated in the projective comments of a participants reported repeatedly switching price tags.

She had the right to do it and added she had always done it or tried to do it. She said supermarkets probably made long and serious studies about customer behavior so her own behavior should have been expected by them and they shouldn’t have been surprised by what she had done. “So many people do the same,” she added, “why not me.”

**DISCUSSIONS WITH OTHER CONSUMERS ABOUT CUSTOMER FRAUD**

Discussions with others about customer fraud incidents followed the construction of justifications and served three purposes. First, discussion with others offered an opportunity to obtain social validation. Ekman (1985) has suggested that the desire to relieve guilt associated with deception may motivate a confession, though it is not necessarily made to the deceived. Second, customers may confess their deception to others to share their delight in having “put one over.” “Criminals have been known to reveal their crime to friends, strangers, even to the police in order to be acknowledged and appreciated as having been clever enough to pull off a particular deceit” (Ekman 1985, pp. 77, 79).

Melissa bought a set of patio chair cushions from [a national chain, general merchandise store]. A week later while in [a different national chain discount store] she saw the exact same cushions but for about 4 more dollars each. Thinking she really wasn’t happy with the cushions anyway, she returned them—but to [the second store], not [the first]. For 4 cushions, she netted 16 dollars.

I think she bought the cushions on impulse to start with, then when she didn’t need them she figured she might as well get some extra $. Since [the store where the return was made] is a big company & doesn’t require a receipt to return items, she figured they wouldn’t be hurt by the loss. She also enjoyed the “charge” she got out of cheating a big, “powerful” company like [the discount store]—and laughingly told all her friends about it. (F, 35)

Third, individuals may share their customer fraud experiences to educate others on how to acquire products in a more cost-efficient manner. Such motivation for discussing fraud incidents with others was evident in several incidents in which friends showed other friends how to switch price tags.
MORE ON THE PROCESS OF COMMITTING CUSTOMER FRAUD

Variations of the Dominant Process

The previously described process, while dominant, does not hold for every incident of customer fraud. Variations of the process are indicated by dashed lines in Figure 1.

As one variation, repeated customer fraud behavior may not require justifications or social validation via discussions with others. Here the commission of a customer fraud act may more simply result from successful initial customer fraud attempts that increase customers’ knowledge of fraud and enhance their perceived efficacy of customer fraud acts.

As a second variation of the process, several factors may “short-circuit” feelings of detection apprehension. As depicted in Figure 1, detection apprehension responses to customer fraud acts may be moderated by outcomes of participants’ efforts at appraising the efficacy of customer fraud. Specifically, detection apprehension appeared less likely to be present in the story when the customer reported that they had prior practice and success with committing fraud, held beliefs that the marketer did not possess the skill to detect the fraud, and perceived that little was personally at stake (i.e., the consequences of being detected were not severe). Notably, these have been recognized in prior theorizing on the practice of deception (Ekman 1985).

Figure 1 also depicts a process whereby guilt is short-circuited when the marketer is a large organization, because the larger size provides the customer with a justification that reduces or preempts feelings of guilt. (This is represented in Figure 1 by a lined arrow from marketers’ characteristics to construction of justifications that influences affective responses.) That guilt feelings also were absent from the large majority of incidents may reflect that targeted marketers tended to be anonymous or impersonal (cf. Ekman 1985). Wolk and Henley (1970, p. 39) suggest that when targets are anonymous, “There is little or no residue of guilt because the deceived are so impersonal as to be almost unreal” (italics added). Because there is no personal confrontation with the target of the fraudulent act, the burden of guilt is easily ignored or dismissed, and deceit is easily justified (Wolk and Henley 1970). The anonymity of the marketer makes it easier to indulge guilt-reducing justifications that the target is not really hurt, does not really care, or deserves or expects to be misled (see Ekman 1985; Wolk and Henley 1970). Finally, our participants conveyed that their duping delight was greater because they had succeeded against “big” or “powerful” companies.
Correspondence of Customer Fraud Processes with Motivations for Consumer Resistance

Processes of committing customer fraud share some correspondence with the three motivational processes underlying consumer resistance to modern organizations. Some initial thoughts that give rise to fraud such as perceived unaffordability or dissatisfaction with the marketers’ offerings (i.e., due to a desired version or combination of attributes not being available in the marketplace) reflect the preference for customization in a standardized marketplace. Here, the ultimate commission of customer fraud reflects resistance for purposes of customization.

Thoughts of dissatisfaction with marketers’ offerings or practices that most often arose from perceptions that exchanges were unfair or not equitable resulted in frustration, which prompted customer fraud. Here, the commission of customer fraud reflects resistance or purposes of retaliation or reciprocating deviance. The customer fraud act alleviates the feelings of frustration from having been wrongfully or unfairly treated. However, as mentioned throughout the book, all customer fraud acts result in a marketplace advantage for the customer. Thus, retaliation and economic reward both serve to motivate the customer fraud act.

Finally, other customers simply saw opportunities to commit fraud while subsequently justifying the act as balancing marketers’ unfair practices. Here, the consumer resistance process resembles that of equity restoration. That is, the customer seeks to restore equity, but is not motivated to alleviate negative feelings of resentment or frustration at the marketers’ unfairness. Here, the customer does not experience such negative feelings. Likely, these are the customers who view deceit in the marketplace as fair play in a game. Their objective is to play the game of deceit better than the marketer.
Elements making up the theoretical model suggest insights for marketing strategy. These are summarized in Exhibit 6. Because the model outlines a series of enabling factors, strategic insights here are activities that interrupt the sequence of events in the process of committing fraud. “Cognitive antecedents” recognize dilemmas that provide a “logic” or reason in support of going forward with the fraud. Thus, an opportunity to deter customer fraud exists where marketers are able to resolve dilemmas for customers or change the logic of committing fraud. “Efficacy appraisal” provides an assessment of the resources needed to accomplish the fraudulent act. Here, reducing available resources with which a customer may commit fraud may intervene in the fraud process so that customers, feeling ill equipped, will not proceed with this covert behavior. “Affective responses,” particularly positive ones, such as a sense of achievement derived from resolving a problem and satisfaction with the outcome of the fraudulent act, reinforce the notion that resolving dilemmas for customers will remove the drive to commit such acts. The finding that guilt feelings are not particularly common, whereas duping delight is, suggests that customers experience apathy and even resentment in their relationships with marketers. The insight here is that strategies that diminish the depersonalizing experience of modern organizations and increase respectful, familiar, and individualized treatment of customers could minimize these psychological benefits that derive from customer fraud and encourage repeat acts. “Construction of justifications,” a step in the process that was obvious in most customer fraud stories of middle-class participants, suggests that marketers may alter aspects of strategy to reduce customers’ specific justifications for committing fraud. “Discussion with other customers” provides the customer...
Exhibit 6
General Intervention Strategies Tied to the Process of Committing Customer Fraud

Changing the “Logic” of Committing Customer Fraud

Perceived Unaffordability
- Strategies to enhance the affordability of desired goods, such as:
  - New credit programs that facilitate purchases of “unaffordable” goods
  - Development of short- and long-term rental programs, some with ownership options
  - Strategies that destigmatize the purchase of marked down, slightly damaged goods
  - Development of new lines of faux products that are priced lower than those that they imitate

Dissatisfaction From Unmet Expectations
- Strategies to adjust customer expectations of price-quality relationships through the:
  - Use of employees with in-depth product knowledge to communicate to customers price-quality relationships
  - Development of signage that communicates product attributes not apparent to customers
  - Use of technologies to assist customer learning regarding product attributes and their relationship to price such as
    - internet technology
    - handheld computers that provide product information to customers
  - New exchange systems that enable customer negotiation regarding price
  - Provide information compiled from customer service reports that offers prospective customers perspectives on others’ experiences with the product

- Strategies to shape expectations after the sale, such as post-purchase contact with the customer to inquire about product’s performance
- Efforts to identify and resolve problems and frustrations experienced with the exchange process (e.g., length of time to complete a transaction)

Opportunism
- Training to increase employee awareness and knowledge of how to minimize customer fraud opportunities
- Implementation of “fraud opportunity audits” that assess vulnerabilities in each process of the customer decision making process, such as:
  - Trial of the product
  - Use of sales promotions
  - The sales transaction at the register
  - The complaint filing and resolution process
  - Making product returns

- Holding focus groups with middle-class customers on the topic of customer rule-breaking
- Collaborative efforts between retailers and manufacturers to remedy those fraud opportunities that are inherent in labeling and packaging
Material Resources
- Recycling programs that reward customers for returning merchandise boxes and used goods
- Price tags that use color to indicate month of purchase and sale or nonsale merchandise to prevent reuse

Social Resources
- Promotional notices that announce penalties for accomplices in fraud acts (e.g., those who lend health insurance identification cards)

Cognitive Resources
- Improvements in overall deterrence efforts to reduce customers' confidence with committing fraud, including:
  - posting promotional notices on marketers' efforts to detect and deter fraud
  - offering employee incentives tied to reducing fraud losses
  - reorganizing into departments that promote employee knowledge and responsibility
  - information systems that compile and disseminate public or published guides to committing fraud
  - using "integrity shoppers" to test the fraud detection system
  - using law enforcement agencies to assist in training employees on procedures of detaining/apprehending fraud suspects
  - lobbying efforts to push anti-fraud laws that enable compilation of regional databases of fraud suspects
  - cooperating with competing firms in amassing case evidence on individual suspects
  - participating in alliances with legislatures that can create laws aimed at increasing legal penalties for fraud perpetrators
  - new product, services, and promotional development processes that include fraud deterrence as a criterion in designs

Reducing Justifications
- Clarifying customer roles through:
  - advertising to socialize customers into expected customer roles
  - research to identify strategies for communicating and clarifying customer role behavior
  - advertising to socialize customers into expected customer roles
- Allowing flexible dealings to restore individuals' fairness to the exchange
- Enhancing firm and industry image as trustworthy and honest through:
  - use of image advertising
  - independent audit of firm's fair dealing practices to restore perceptions of marketers' fairness
  - promotional incentives (i.e., dividends) paid to customers when fraud losses are low
  - advertising to neutralize justifications for fraud
  - employee training to assist customers in neutralizing justifications for customer fraud

Reduce Discussions with Others That Offer Validation and Education on Fraud
- Public service announcements to increase negative social labeling of fraud
- Formalized employee training (as opposed to "undertraining") that communicates organizational values and anti-fraud attitudes
- Strategies that discourage employees from sharing fraud tips with peers and encourage them to communicate negative attitudes toward fraud
- Strategies that capitalize on employees' interactions with customers as a means of conveying anti-fraud attitudes
with social validation that marketers may want to discourage through various strategies.

**CHANGING THE LOGIC OF COMMITTING CUSTOMER FRAUD**

**Perceived Unaffordability of Goods**

Some respondents revealed that they committed fraud in part because they could not afford the product they wanted. Shoplifting, changing price tags, rebundling merchandise, and “borrowing” merchandise only to return it after use are all mechanisms that allow customers to acquire or use products they might not otherwise be able to afford. Marketers might preempt such acts by employing a variety of methods to make products more affordable. For decades marketers have extended credit to facilitate customer purchases. Even during the economic depression of the 1930s, Sears & Roebuck aggressively sought to increase credit sales. Although there are obvious limits to the amount of credit that can be extended, many customers use credit to equip their homes with items that would be otherwise unaffordable. Other marketers have developed short- and long-term rental programs, some with ownership options. Still other marketers have regularly marked down close-dated or slightly damaged items. This allows the customer to purchase a better cut of steak that must be prepared soon or the floor sample of a high-end model of refrigerator. Finally, some marketers offer items that look expensive but are affordable (e.g., faux jewels).

The key to successfully developing strategies designed to make products more affordable rests in establishing an attractive purchase option and communicating the opportunity to customers. Thus, customers need to be made aware through a variety of marketing communications of the semiannual sale of slightly damaged items, the new credit terms, the rental program, and the fact that faux jewelry can be favorably compared to real but sells for much less.

Having worked aggressively to help customers purchase the items they desire, marketers can also employ defensive measures. Defensive efforts range from placing products behind counters or under glass, to using the latest in surveillance technology, to developing databases that allow monitoring customer returns. Sophisticated surveillance equipment and source tagging are developing tools that discourage shoplifting and other acts of fraud, such as rebundling. Surveillance equipment complements the efforts of floor employees and increases the customer’s fear of getting caught. Reduced numbers of employees on the sales floor, their relatively low commitment to the retailer, and declining equipment prices have increased retailer reliance on electronic technology. The increasing use of surveillance video in criminal investigations reported by the media reinforces its potency as a preventive technique.
Radio frequency source tagging involves the manufacturer placing a tag on a product or in a product package that is not detected and therefore not removable by the customer. Source tagging assists retailers and manufacturers in tracking individual products through the channel of distribution and is 95 percent effective in detecting theft (Schoolman 2000). If customers can appreciate the importance and affordability of tracking a single letter sent through an express mail service (e.g., Federal Express), they can understand the practicality of tracking most any customer product through the purchase stage.

Database management is a growing field with important security implications. While offering the main benefit of improved market analysis, databases also allow for tracking product returns. For years catalog purchases and those made on store credit cards have allowed retailers to identify individual customer purchases. Even in the absence of a paper receipt, catalog customers and those making purchases with store credit cards could prove that they had purchased a returned item because the retailer maintained a purchaser record. Such a record does not, of course, account for items received or given as gifts. Nonetheless, records of customer returns can be used to identify customers who habitually return items that they did not purchase or items returned under false claims of poor product performance. Scanner technology has allowed for the rapid growth in electronic databases, linking customers to purchases. Similarly, with Internet technology, many purchases can now be associated with individual customers. In the services marketing area, similar records can be maintained for customers who repeatedly seek reimbursements for false reports of poor service.

**Dissatisfaction Stemming from Unmet Expectations**

Customers rarely enter the marketplace devoid of expectations regarding what they might find. Even teenage shoppers have had hundreds of shopping experiences and through word-of-mouth learned of many more. Discrepancies between expectations and available price/quality combinations, product attributes, and shopping outcomes reduce customer satisfaction and may, in some cases, prompt customer fraud.

Customers, like marketers, have limited resources when they engage in market exchanges. Also like marketers, they frequently try to maximize their satisfaction while giving up as few resources as possible. The two most obvious customer resources are time and money. When a customer sees a product priced too high (i.e., a price/quality combination different from their expectation) they may question the marketer’s sense of fairness, or even be personally insulted by the marketer’s temerity. There are many reasons for the perceived high price. The customer may have an unrealistic expectation based on misinformation. The product may be different in quality to a similar product with which the customer is familiar. The
marketer may have priced the product incorrectly or based the price on incorrect information. Alternatively, the marketer may have priced the product according to prevailing supply and demand (e.g., few available alternatives).

Rather obviously, to resolve problems of unmet price quality expectations, the marketer may either adjust the customer’s expectation or adjust the product’s price. Adjusting the customer’s expectation requires communicating directly with the customer, which is difficult given the dearth of selling representatives on the sales floor. The marketer is then forced to rely on signage. At a minimum, marketers need to use attractive conventional signage to communicate product attributes not apparent to customers. A quick trip through a New York delicatessen offering a wide variety of breads and cheeses reinforces the value of signage in highlighting individual product attributes, quality, and availability. Television shopping channels and infomercials also demonstrate the value of directing the customer’s focus toward product quality and availability rather than price. We recognize that retail stores and catalog and Internet retailers have limited space for product information. In the near future, however, marketers will have new signage options. As more customers use the Internet for product information, marketers will have a variety of textual and graphic tools to create attractive and informative “electronic product tags.” When the customer’s cursor travels over a particular product, a small pop-up window will provide information on product quality and availability. In addition, new handheld products currently in their infancy will allow customers to scan individual products. The scanners will read not only price but also product information. Where in the past retailers have experimented with video displays on shopping carts and television sets near checkouts to provide product information, soon customers will have the option of learning more about products via their handheld device as they travel down the shopping aisle.

Marketers can also choose to alter the product’s price as a means of meeting customer expectations. Misinformation regarding the product or prevailing market conditions may have resulted in a price that is higher than warranted by its value or demand. In other words, the marketer is forced to adjust price to conform to the customer’s expectation. Most marketers would prefer to lower price only to those customers who desire the product but refuse to pay the higher price. The challenge is how best to implement such a pricing strategy. The marketer may choose to negotiate price. The value in this approach is that it increases the probability of meeting the customer’s price/quality expectation. The difficulty with this approach is in choosing who should represent the seller given the characteristics of large, centralized modern businesses. If a salesclerk is allowed to negotiate price, the marketer is challenged to develop training and oversight that will ensure continuity. The marketer may also worry about collusion between
customer and employee, a practice highlighted in an earlier chapter and mentioned as a possible resource for committing fraud. Managers might consider experimenting with price negotiations through auctions such that they act as price takers, following the practices of priceline.com.

Not finding the optimal combination of product attributes is another unmet expectation that can lead customers to justify their acts of fraud. Even with the current abundance of retail outlets, every retail environment has a limited number of product combinations. In pursuit of a proper fit or even in an attempt to express personal uniqueness, some customers will rebundle products in a manner that provides greater personal satisfaction. The result can easily be inventory that is not sellable, as when the customer creates a “pair” of shoes from two pairs of the same style shoe but in different sizes. Since increased customer satisfaction can increase customer loyalty, decrease selling costs, and provide a competitive advantage, marketers are motivated to supply preferred product combinations. Nonetheless, marketers are limited by economies of scale and scope. Despite the decreasing unit cost of small-scale production, manufacturers and retailers still offer products at the lowest price by offering limited product combinations.

As mentioned earlier, marketers can increase customer options through add-on services such as providing alterations and allowing customers to mix and match products. The success of both of these strategies will be evaluated by the trade-off between the revenue benefits of increased customer satisfaction and increased costs. In many cases, however, the long-term solution will result from a cooperative effort between retailers and manufacturers. Together a better understanding of customer demand, declining small-scale production costs, and the use of postponement in the distribution channel can improve the match between products offered and products demanded. Postponement is the practice of delaying the final configuration of a product in the distribution channel as long as possible. Thus, variety packs are assembled just prior to going on the shelf, or even by the customer, rather than purchased preassembled from the manufacturer. Retailers negotiate with the manufacturer the disposition of product components that remain after satisfactory combinations have been sold.

Another unmet expectation contributing to customer fraud is after-purchase disappointment with product attributes. The customer may have been pleased with the combination of product attributes at the time of sale but later become unhappy—and even feel “cheated.” If a product return is not in accordance with the seller’s established policy, the customer may seek distributive fairness. The marketer can again use a combination of offensive methods to reduce fraud. The marketer can seek to shape customer expectations of product performance during the sale with verbal and written communications, and in some cases follow-up with a post-purchase contact regarding the product’s performance. Post-purchase contact can be as simple as a telephone call and provides the opportunity to reaffirm the
customer’s expectation and personalizes the relationship, which can increase guilt associated with an act of fraud. The marketer can also produce an explicit list of legitimate past product returns and the problems. In this way, the marketer helps the customer appreciate the limits of the product and what constitutes a reasonable basis for product returns, and builds a personal relationship.

Customers may also have unmet expectations in the form of an undesirable process of acquiring a product or service. Dealing with unpleasant employees and incurring additional time costs in the form of long waiting lines or repeated trips to secure an exchange can alter the customer’s perception of the exchange process. A feeling that the marketer “owes” the customer for his/her time and frustration can, in turn, motivate acts of fraud. To target these sources of dissatisfaction, marketers can develop performance measures directed at the exchange process. Mystery shoppers can be used to evaluate the performance of sales personnel, and managers can monitor the length of time it takes for customers to complete a transaction and the percentage of products purchased on reorder. Research in the service industry shows that when problems arise, customers adjust their expectations to the degree that they are kept informed. If waiting is involved, creating a diversion (i.e., entertainment such as televisions in checkout areas) can also help time pass more quickly. Since process failures can increase the risk of customer fraud, marketers are cautioned to take customers’ complaints regarding process failures seriously. As with services, handling complaints regarding undesirable outcomes offers the opportunity to increase personal contact. Personal contact reduces the customers’ anonymity and dehumanizing experience, which in turn can reduce the desire to commit fraud.

Opportunism

In incidents in which the customer capitalized on an opportunity to commit fraud, their attitudes reflect one expressed by the famous bank robber Willie Sutton. When asked why he robbed banks, Sutton reportedly replied, “Because that’s where the money is!” (Cocheo 2000). Despite Mr. Sutton’s later admission to have never made the statement, the sentiment makes obvious the connection between intent and opportunity. A more modern example would be computer hackers who seek out opportunities to compromise the security of major governmental and corporate computer systems (Holland 2000). Customers who are inclined to commit fraud may seek out “the right opportunities” for securing the marketplace advantages they want.

Unattended goods, ambiguously worded promotional announcements, easily duplicated coupons and sales promotion offerings, employees lacking motivation or familiarity with store policies and procedures, and poorly and inconsistently implemented store policies all create opportuni-
ties for fraud. Marketers can best avoid these situations by first increasing awareness among all employees regarding the dangers of providing fraud opportunities. Second, marketers can conduct a “fraud opportunity audit” of each store’s operations. Such an audit takes a process orientation from the perspective of the customer. The process for each phase involved in customer decision-making is evaluated in terms of the opportunity provided to the customer to commit fraud. For most marketers, these processes would include the customers’ trial of the product, the use of sales promotions, the sales transaction at the point of purchase, submitting a customer complaint, and returning a product. Supporting processes, such as how employees are trained and how new policies are implemented, are likewise examined. Third, just as banks hired Mr. Sutton to improve security and major corporations hire computer hackers to develop better computer system, retailers may benefit from holding focus groups with middle-class customers to ascertain how customers break rules and to pinpoint the individual firm’s or store’s sources of vulnerability. Some of the methodological tools employed in the middle-class customer fraud study reported here (see Appendix) offer useful guidelines that should facilitate securing honest answers. Finally, information that retailers glean from opportunity audits and focus groups could be shared with manufacturers, so that both work together to remedy fraud opportunities when these are inherent in labeling and packaging.

REDUCING RESOURCES FOR COMMITTING FRAUD

Recognition that customers assess material, social, and cognitive resources available for committing fraud suggests strategic insights. Material resources that facilitate customer fraud can be made less available by short-circuiting their circulation among customers or by reconstructing the material resource itself. In illustration of the former, recycling programs that reward customers for returning merchandise boxes and used goods would limit the availability of these resources while possibly also enhancing the image of the marketer. In illustration of the latter, price tags that use color to indicate month of purchase and sale or nonsale merchandise can prevent their reuse.

Social resources for committing fraud might be limited through the use of promotional notices that announce penalties for accomplices in fraud acts (e.g., those who lend health insurance identification cards). Additional means of limiting social resources include curtailing employees’ participation in revealing loopholes and schemes, as will be subsequently discussed.

Cognitive resources for committing fraud refers to the knowledge base that a customer has acquired that provides confidence in her/his ability to pull off the fraudulent act. Reducing customers’ confidence may result from improvements in overall fraud deterrence efforts that take place both
within and outside of the store. Actions that take place in the store might include efforts such as posting promotional notices on marketers’ fraud deterrence efforts, offering employee incentives tied to reducing fraud losses, reorganizing into departments that promote employee knowledge and responsibility for fraud, providing employees with public or published guides to committing fraud, and using “integrity shoppers” to test the fraud detection system. Actions outside of the organization might include using law enforcement agencies to assist in training employees on procedures of detaining/apprehending fraud suspects, lobbying for anti-liable laws that enable compilation of regional databases of fraud suspects, cooperating with competing firms in amassing case evidence on individual suspects, and participating in alliances with legislatures that can create laws aimed at increasing legal penalties for fraud perpetrators. Finally, new products, services, and promotional development processes that include fraud deterrence as a criterion in design would seem to provide constructions that reduce customers’ confidence in their ability to pull off fraud schemes.

**REDUCING JUSTIFICATIONS FOR COMMITTING FRAUD**

Customers’ justifications for committing fraud may be reduced with strategies targeting rationales. In general, marketers may work to identify and resolve customer problems that result in justifications for fraud. Problem resolution within the bounds of the normative behavior expected by marketers has become increasingly difficult with the standardization of offerings and practices across marketers within the same industry, and with increasing sizes of marketing institutions that limits the individual customer’s bargaining power. Hence, customer fraud acts that are instigated to creatively solve problems are viewed by some customers as vigilante justice. This process suggests that marketing managers should concurrently gather information on customer dissatisfaction and customer fraud activity to identify linkages between the two. By overlaying these two types of information, managers may be able to prioritize specific areas of customer dissatisfaction that customers are not able to resolve via honest means and that ultimately lead to losses for the organization. Such information could ultimately result in the development of new offerings that better satisfy customers’ needs. This of course requires tracking customer fraud activity not only via revenue losses that are attributable to other sources, but also, by means of formalized employee reports of both suspected, provable, and prosecuted fraud incidents.

**Clarifying Customers’ Roles**

Additionally, specific forms of justifications suggest deterrence strategies. First, customers’ justified their fraud acts on the basis that these did
not harm the marketer. Thus, marketers may wish to form alliances with
customer groups to promote costs of customer fraud to businesses. In many
instances, the perception of “no harm” reflected beliefs that the marketer
anticipated such behavior from customers. The strategic insight here may
be that advertising is needed to socialize customers into expected customer
roles. Customer fraud activity may also be indicative of a particular prob-
lem whereby customers misunderstand the role behavior that marketers
expect from them. Our findings indicated that some customer fraud partic-
ipants view the marketplace as a context in which deceit is authorized and
expected by marketers as part of a “game.” Fraudulent behavior was per-
ceived as being open to all customers who are diligent and “clever” enough
to “pull one over.” Participants anticipated that marketers would expect
their fraudulent behavior, and incorporate the costs of customer fraud
when pricing products and services sold to end users. Alternatively, mar-
keters who neither anticipated these costs nor set up “checks” on customer
fraud behavior were perceived by participants as not making the proper in-
puts to conduct business free of fraud losses.

That customers view their deceit as “fair play” when marketers do not
may stem from a number of sources. One source may be variation in the
marketers’ expectations of customers’ deceptiveness across different in-
dustries. For example, deceit is authorized in bargaining situations that are
customary for some industries, such automobile sales or real estate sales,
but not for others. In such bargaining contexts, Ekman (1986, pp. 69, 70)
notes that “Perhaps the most famous lie of all is ‘That’s my final offer.’ Such
language is not only accepted in the business world it’s expected.” Another
source may be the dual messages that marketers send by setting up struc-
tures that implicitly trust customers to be honest, while their own dishonest
dealings with customers have required that federal regulators set up barri-
ers to marketers’ fraudulent behavior. This suggests that in defining orga-
nizational customer fraud problems, managers may need to consider whether
customers face role clarity or ambiguity with respect to expectations of
honesty. Such determinations likely require market research that could
culminate in strategies for communicating and clarifying customer role
behavior.

Allowing Flexible Dealings to Restore Fairness to the
Exchange

Second, a common justification involved the customers’ feeling that
fraud resulted in a more equitable exchange for them than was allowed by
the marketer’s policy. Here, to discourage fraud behavior, marketers might
consider deviating from standardized policies to create equity. With such
flexibility, customers will not feel compelled to commit fraud acts. One way
in which the standardized procedures that characterize modern businesses
can result in dehumanizing experiences for customers occurs when the
customer’s monetary payment remains a predetermined price despite their having encountered an unusual marketplace situation. That is, either the outcome or the process of their exchange falls below the threshold of the predictable customer experience that marketers intend to create with their measures of standardization efficiency. The customer who waits 20 minutes for an order at a “fast-food” restaurant has provided more time inputs that normal. At times, customers may experience both a purchase process and a product that fall below expected thresholds, such that their inputs are grossly out of sync with their outcomes. In illustration, a customer who waits 45 minutes in a discount store until employees can load her car with lawn furniture, may then return home to spend hours assembling what turns out to be chaise lounge chairs with warped frames. Customers’ requests to managers for special consideration (discounts, services, etc.) because of unique situations that result in an inequitable exchange can lead to dehumanizing experiences if the store management does not attempt to restore equity. Making exceptions to the rules can increase customer satisfaction and ensure customer loyalty. In implementing exceptions intended to restore individual equity, steps should be taken to discuss the exception with the customer involved in a location isolated from other customers and to document details of the situation that leads the manager to treat this as a “special case.” The latter communicates to all customers that the exception is offered because of the special circumstance rather than a “special” customer.

**Improving Images of Firms and Industries**

Finally, some justifications were predicated on customers’ negative images of the firm, the industry, and/or the marketplace in general, particularly with respect to “honest” dealings or practices. Our findings indicated that some customer fraud participants view specific marketers, an entire industry of marketers (e.g., car dealers), or marketing organizations in general as “opportunistic.” This finding is consistent with reports of marketers’ fraud against customers. In recent years, leading marketers of grain, vitamins, and women’s shoes have paid fines associated with charges of price fixing (Eichenwald 1999; *Wall Street Journal* 2000; Dillon 2000). The nation’s largest battery manufacturer paid $2.75 million for selling used and defective batteries as new (*Los Angeles Times* 1999a). A large credit card company faces tens of millions in potential penalties for fee gouging, deceptive interest rates, and unauthorized product sales (Zuckerman 1999). One leading insurance company paid $1.7 billion for misleading and deceptive sales practices (Pulliam 1999). Other insurance companies have also paid sizeable fines to settle customer complaints. A car insurance company paid $600 million in fines for specifying the use of cheaper replacement parts and faces separate charges for conspiring to limit customer medical claims (*Business Wire* 1999; Bishop 1999). Customers have been
sold airbags for their cars that will not inflate, used cars with incorrect odometer readings, and car repairs that were not needed (Fields 1999a, b; Vartabedian 2000). They have been duped by Internet auctions and local mortgage lenders (Dobrzynski 2000; PR Newswire 2000a). Sweepstakes companies have used national spokespeople to give customers the impression they are “already winners” and paid $50 million in penalties as a result (Blankstein 2000; Colden 2000). College students have booked spring break trips only to find they had no bed; customers have been sold outdated baby formula and contraceptives (Fields 1999c; Los Angeles Times 1999b). Unsuspecting customers have been “slammed” (i.e., the practice of switching long distance telephone companies without the customer’s consent), and “crammed” (i.e., the practice of charging customers with unwanted and unauthorized calling cards and related expenses (PR Newswire 2000b; Douglass 1999). In some instances as much as a third of items offered at a discount by a national retailer scanned incorrectly (Vincenti 1999).

Although speculative, interesting parallels appear to exist between fraud perpetrated by customers on marketers and fraud perpetrated by marketers on customers within the same industry. Such a relationship suggests the possibility of compensatory activity whereby one party to the exchange commits fraud in an attempt to offset costs associated with fraud committed by the other party to the exchange. For example, in the United States the insurance industry estimates as much as $20 billion per year in fraudulent property and liability claims. The amount roughly represents 8 percent of all premium revenue (Tennyson 1997). At the same time, insurance companies have recently paid record penalties for committing fraud against customers (Pullium 1999). Just as fraudulent claims against insurance companies vary from exaggerated medical costs to collusion in stealing one’s own property, insurance companies have been fined for illegal selling practices, attempts to illegally limit payouts, and the improper use of low-cost replacement parts (Business Wire 1999; Bishop 1999). Similarly, mass merchandisers are subject to above-average product returns and shoplifting, just as they have also been found guilty of systematic scanner errors, overcharges, selling outdated products, and “bait and switch” schemes.

The potential of parallel fraud within an industry raises interesting questions regarding the market integrity within that industry. If marketers are able to identify specific customers who commit fraud, they can expend resources to prevent future acts and recover costs. Repeated studies in game theory have shown the best way to prevent an opponent from “defecting” is to penalize them immediately upon a defection (Sheldon 1999). Thus marketers can prevent future acts of fraud if they can immediately penalize those who commit fraud. Alternatively, if marketers are unable to identify customer fraud offenders, the marketer is forced to absorb the costs associated with the fraud or develop strategies to offset their losses. One of those strategies, though not one we endorse, might be to engage in
fraud. In some cases a fraud strategy may become common practice for firms within an industry fraught with customer fraud. Should this be the case, the market integrity in that industry is diminished.

Without addressing the issue of who first initiated acts of fraud, industries beset by marketer and customer fraud risk a spiral of fraud that may be difficult to break. Because marketers are unable to identify individual customers who commit fraud, they engage in a type of indiscriminate fraud that penalizes guilty and innocent customers alike. At the same time, should fraud committed by marketers come to light as a result of legal actions taken against the firm, customers may then develop cognitive justifications and positive affective responses toward committing fraud in the future. As a result, the number of customers who feel justified in committing fraud likely increases and marketers may face greater fraud-related costs.

Hence, examining parallels between findings of image studies and customer fraud activity over an extended period would assist in defining organizational customer fraud problems in terms of plausible strategic solutions. For example, such strategic analyses might lead to testing the effectiveness of firm or industry advertising aimed at improving customers’ perceptions of marketers’ “honesty.” Such analyses might additionally lead to trade associations’ establishment of independent organizations that rate the “fair dealing” practices of marketers within an industry. Firms could consider subjecting themselves to an independent audit of their fair dealing practices for the purpose of restoring customers’ perceptions of the firm’s fairness. Further, in order to accept image-enhancing information regarding marketers’ trustworthiness or customer orientation, customers need to see a relationship between their inputs and outcomes. Marketers will want to assure customers that reductions in fraud losses are passed along to customers in the form of lower prices, promotional incentives, or other methods such as dividends.

Once marketers have successfully secured customer trust, other efforts to reduce justifications may have greater effectiveness. These include the use of advertising to neutralize justifications for fraud and employee training so that when interacting with customers, salespeople might deliver information that assists in neutralizing the customer’s justifications for fraud.

REDUCING CUSTOMERS’ DISCUSSION OF FRAUD “TIPS” WITH OTHERS

As previously noted, public service announcements may be used to increase the negative social labeling of customer fraud acts, such that individuals are unwilling to share or seek advice from others. Other means of reducing discussions that facilitate customer fraud involve the marketers’ relationship with employees. First, those marketers that offer little training to employees might consider implementing formalized employee training
to instill greater identification with the organization and its values, including anti-fraud attitudes. When training employees, marketers have the opportunity to shape impressions passed on to peers. One of the negative spirals to which retail marketers are prone starts when new employees do not receive the desired orientation. As a result, new employees may not share the marketer’s priorities, experience frustration at being undertrained (and implicitly undervalued), contribute to rather than inhibit customer fraud, and then leave only to have the cycle repeated. Policies that are poorly articulated and inconsistently applied invite employees to share with peers the opportunities available for customer fraud. Employees will report to peers not only the marketer’s policies toward customers, but also employment policies deemed unfair or arbitrary. In either case, the employee and peers can develop a sense of justification in committing fraud.

With proper training employees can develop both a cognitive appreciation and affective response toward preventing fraud.

Second, marketers might consider strategies that capitalize on employees’ interactions with customers as a means of conveying anti-fraud attitudes. Employees, particularly hourly employees, represent both a significant strength and a potential weakness for retail marketers. Marketers frequently benefit from the positive influence that their employees exercise over peers, as when employees promote contemporary styles by wearing apparel available for purchase from their employers or when they discourage peers from shoplifting. In a related way, employees can influence intolerance of consumer fraud against a marketer by informally sharing with peers negative attitudes toward fraudulent behavior and information regarding the costs of fraud acts to companies and to consumers.

CONCLUSION

Though difficult to parse out, the strategic insights here represent both those that target a specific source of fraud and those that attempt to more generally discourage an attitude that justifies customer fraud. In cases where the customer’s fraudulent act is prompted by a specific marketplace condition, the customer’s general attitude toward committing fraud is certainly a factor. However, the customer is primarily interested in remedying a specific unsatisfactory market situation. Customer fraud here, as a form of resistance, is undertaken to pursue the goal of acquiring a customized offering that otherwise would not be available from the modernized organization with its standardized practices. Therefore, the marketer may be able to use the customer fraud act to develop a marketing strategy that satisfies the need for which fraud was undertaken.

Marketers face a somewhat different problem to the extent that a number of the pre- and post-fraud thoughts reflect more generally, attitudes toward the marketer. Here, while customer fraud might have resulted in the benefit of a customized offering, the economic benefit is the one sought as a
means of restoring equity that has been disrupted by a marketer’s unfair practices. Where the thoughts or perceptions of inequity lead to dissatisfaction and the associated resentment and frustration, the customer may be motivated not only by the desire for a customized offering and economic rewards, but also by the need to alleviate the negative emotions. In such instances, resistance via customer fraud is enacted, in part, for reasons of reciprocal deviance (i.e., using “deviant” acts to retaliate against marketers that have broken implicit contracts with customers). As we have outlined in this chapter, recognition of these attitudes suggests that marketers might combine defensive “anti-fraud” methods with efforts to resolve problems, restore individuals’ equity, and restore the firm’s “image.”
The data were obtained from anonymously authored written stories that were told by middle-class individuals about incidents of committing customer fraud. Story data is a form of textual data that has a fairly long history of use in marketing research. However, during the past decade, researchers have enhanced the marketing field’s understanding of the benefits of such data, particularly with respect to its distinctive capabilities to develop explanatory theory relative to quantitative data obtained from numerically scored survey items. The development of theories to explain marketing phenomena has been increasingly advocated as it has become clear that the application of theories developed in other areas, such as social psychology, has not always proved fruitful.

This chapter discloses how the decision to collect story data emerged from a review of prior marketing literature on customer fraud. This review highlighted the needs for specific types of information about customer fraud that were absent from the literature, largely because of the use of quantitative data in prior research. Following a presentation of the process that led to the decision to collect qualitative or textual data, this chapter details specific design aspects of the data collection method and elaborates rationales for these design choices.

THE DECISION TO COLLECT TEXTUAL DATA

The decision to collect textual type data was determined by various needed types of information on customer fraud. Such needs were ascertained by reviewing prior marketing research in the area, noting the methods employed as well as the data and results that each produced.
<table>
<thead>
<tr>
<th>Journal/Reference</th>
<th>Research Objective</th>
<th>Source of Fraud Acts</th>
<th>Research Method</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Fraud</td>
<td>explore the extent of fraud in department store product returns</td>
<td>reports of customer service representatives</td>
<td>Observations of consumer complaints in a single store were coded for presence of deception.</td>
<td>16 out of 134 (12 percent) observed complaints involved fraudulent returns.</td>
</tr>
<tr>
<td>Zabriskie (1972 JR)</td>
<td>identify covert anti-retailer activities by consumers and demographic factors of non-, one-time, and frequent offenders.</td>
<td>informal interviews with 6 department store security officers</td>
<td>Anonymous self-administered surveys were handed to consumers, intercepted in 3 suburban branches of department stores in a middle-class community (n = 197; nonresponse rate = 31.8%). Respondents indicated participation in 8 offenses (never, once, &gt; once) during past 5 yrs.</td>
<td>Participation rates (once or more) for 4 &quot;active&quot; offenses ranged from 20% for price tag switching to 43.2% for shoplifting (avg. = 28.7%), and for &quot;passive&quot; offenses, ranged from 39.7 to 62.9 (avg. = 50.55).</td>
</tr>
<tr>
<td>Johnson (1974 JBR)</td>
<td>explore consumers' perceived wrongfulness of a set of fraudulent acts (primarily in-store) and how perceptions differ across groups that differ in attitudes toward business</td>
<td>literature review and informal interviews with retail managers</td>
<td>Nonanonymous self-administered surveys were hand delivered and picked up from a cluster sample of middle-income housewives (n = 290; nonresponse rate = 15%) who rated 15 scenarios depicting fraudulent acts on a 4-point scale (1 = &quot;not at all wrong&quot; to 4 = &quot;definitely wrong&quot;).</td>
<td>10 of 15 acts were rated as &quot;definitely wrong&quot; by 80% or more of the sample (range 80 to 98.6%). Summed ratings did not differ across groups that varied in attitudes toward business.</td>
</tr>
<tr>
<td>Wilkes (1978 JM)</td>
<td>examine (in-store) fraud behaviors of students and test hypotheses derived from deterrence theory that posit determinants of consumer fraud</td>
<td>literature review</td>
<td>Anonymous self-administered surveys were obtained from undergraduate students (n = 136) who reported on their future participation in 6 behaviors (only 4 clearly deceptive) and perceptions of detectability and penalty size.</td>
<td>In the sample, reported willingness to participate was 25% for using expired coupon, 13% for using coupon on the wrong brand, 36% for eating snack without paying, and 8% for shoplifting. Only main effects identified.</td>
</tr>
<tr>
<td>Cole (1989 JR)</td>
<td>identify how consumers react to several situations that had potential ethical content, assess the structure of these items, and explore relationship of beliefs to demographics</td>
<td>prior research and researchers in the ethics area</td>
<td>Nonanonymous, national, mail survey sample (n = 569; nonresponse rate = 70%) rated 27 situations on a 5-point scale (1 = &quot;definitely wrong&quot; to 5 = &quot;definitely not wrong&quot;).</td>
<td>Twenty items reflecting 4 factors formed subscales: (1) proactively benefiting at seller's expense (M = 1.45), (2) passively benefiting at seller's expense (M = 1.99), (3) deceptive practices (M = 2.14), and (4) no harm/no foul (M = 3.38). Items of latter subscale do not clearly involve deceit. All demographics were related to several or more belief items.</td>
</tr>
<tr>
<td>Consumer Ethics</td>
<td>Munsey and Vitell (1992 JBR)</td>
<td>prior research and researchers in the ethics area</td>
<td>Nonanonymous, national, mail survey sample (n = 569; nonresponse rate = 70%) rated 27 situations on a 5-point scale (1 = &quot;definitely wrong&quot; to 5 = &quot;definitely not wrong&quot;).</td>
<td>Twenty items reflecting 4 factors formed subscales: (1) proactively benefiting at seller's expense (M = 1.45), (2) passively benefiting at seller's expense (M = 1.99), (3) deceptive practices (M = 2.14), and (4) no harm/no foul (M = 3.38). Items of latter subscale do not clearly involve deceit. All demographics were related to several or more belief items.</td>
</tr>
</tbody>
</table>
Vitell et al. (1991 JBE) explore elderly’s ethical beliefs concerning questionable consumer practices and determine the relationship of these beliefs with ethical ideology and Machiavellianism. Muncy and Vitell’s (1989, 1992) consumer ethics scale. Nonanonymous self-administered mail surveys were obtained from consumers age 60 and older (n = 431; nonresponse rate = 73%). Four ethical subscales entered as dependent variable, types of ethical ideologies as independent variable, and Machiavellianism as covariate in MANCOVA. Mean scores on first three subscales that involved deceptive acts ranged from 1.19 to 1.69. "No harm/no foul" subscale exhibited higher mean of 2.86. Ethical ideology and Machiavellianism influenced ethical beliefs.

Vitell and Muncy (1992 JBE) examine the relationship between consumers’ ethical beliefs and their attitudes toward business, government, and people. Muncy and Vitell's (1992) consumer ethics scale. Muncy and Vitell’s (1992 JBR) sample and method were employed. Attitudes toward business were correlated with ethical beliefs (16 of 20 ethical belief ratings), but magnitudes were small (range .09 to .23, avg. = .17)

Raliapalli et al. (1994 JBE) explore the relationships between consumers’ ethical beliefs and personality traits. Muncy and Vitell’s (1992) consumer ethics scale. Nonanonymous self-administered surveys were obtained from undergraduate students (n = 295). Correlations of small magnitude were found for the four ethical beliefs subscales with need for autonomy, risk propensity, need for social desirability, problem-solving, and need for aggression (range .13 to .23; avg. = .16)

Fullerton et al. (1996 JBE) examine consumers’ ethical beliefs across consumer situations where the buyer and seller are in direct contact. Researchers developed scenarios, some of which overlapped with scenarios in Muncy and Vitell (1992). Nonanonymous, national, random mail survey sample (n = 362; nonresponse rate = 66%) assessed 15 scenarios on 6-point scale (1 = “acceptable” to 6 = “unacceptable”). 13 of 15 scenarios rated as unacceptable (mean greater than 3, range 3.2 to 5.67). Grand mean for the sample was 4.48, indicating intolerance of the acts.

Dodge et al. (1996 J&M) to develop a scale to measure consumers’ ethical predisposition with respect to situations where the buyer and seller are in direct contact. Fullerton et al.’s (1996) consumer ethics scale. Nonanonymous national mail survey sample (N = 532; nonresponse rate = 63%) assessed acceptability of 15 scenarios on 6-point scale (1 = “acceptable,” 6 = “unacceptable”). The sample comprised of 68% elderly consumers. 14 of 15 scenarios rated as unacceptable (mean greater than 3, range 3.2 to 5.67). Grand mean was 4.38. Thirteen items reflecting 2 factors formed subscales: “direct economic consequences to retailer” (M = 4.04) and “indirect economic consequences” (M = 4.84).

Rawwas et al. (1996 JDM) Cross-cultural replication of Vitell et al. (1991) (Americans vs. Australians). Muncy and Vitell’s (1992) consumer ethics scale. Convenience samples obtained from mall intercepts completed (presumably) anonymous surveys (n = 188 in U.S. group) rated scale items of 2-point scale (1 = “strongly believe it is wrong” to 5 = “strongly believe that it is not wrong”). Sixteen items formed four subscales: “actively benefiting from illegal acts” (M = 1.53), “passively benefiting” (M = 2.78), “actively benefiting from questionable action” (M = 2.61), and “no harm/no foul” (M = 3.55).

Shoplifting Kallis et al. (1986 JAMS) explore shoplifters’ image across groups of self-reported shoplifters and nonshoplifters. Source not identified but appears to be prior literature. Nonanonymous (though confidential) random mail survey sample of adult respondents (n = 317; nonresponse rate = 74%) indicated their prior shoplifting behavior and rated perceived image of a “typical shoplifter” on semantic differentials. 33% reported that they had shoppedlifted, switched price tags, or eaten snacks in stores without paying during the past year. Nonshoplifters viewed shoplifter image as more negative (e.g., criminal).
Based on the definition of customer fraud, 12 published marketing research studies were identified that examined multiple acts of adult customer fraud in Western society. For each topical area related to customer fraud, Table 2 summarizes prior research with respect to research objectives, sources of identified customer fraud acts, research methods, and findings. This summary reveals three interrelated information needs. Although these information needs are mentioned in the introduction of the book, we elaborate these here to show how they provided the rationale for the design of the new study.

### Types and Contexts of Customer Fraud Acts

Review of prior research suggests the need for a comprehensive listing of the types and contexts of customer fraud acts to which marketers should be sensitive and researchers should devote attention. Review of the collection of customer fraud acts and their contexts compiled from prior research suggests several potentially omitted or underrepresented areas. As examples, with respect to product acquisitions and returns, the list does not contain customer fraud acts that occur in dealings with nontraditional retailers (direct mail marketers) or in direct dealings with manufacturers. Fraudulent acts involving services cover a narrower domain of industries (i.e., cable television, property insurance) relative to potential targets of customer deception. Fraudulent acts involving sales promotions include breaking rules associated with redeeming coupons, claiming age-based discounts, and taking advantage of limited-to-one-person purchase offers, yet exclude other forms of sales promotions, such as gifts or sales.

Two aspects of the method design of prior research appear to have contributed to the state of needed information in this area. First, as summarized in the second column of Table 1, prior research objectives have influenced the identification of only select sets of fraudulent acts. Specifically, research objectives have involved examining fraud in specific contexts, such as in retail store environments (e.g., Cole 1989; Jolson 1974; Wilkes 1978; Zabriskie 1972) and purchasing situations where the buyer and seller are in direct contact with each other (e.g., Dodge et al. 1996; Fullerton et al. 1996). Another research objective that has similarly limited identification is that of developing measurement scales for assessing ethical beliefs, such that identified fraudulent acts need only “adequately though not exhaustively represent the domain of ethical judgments faced by consumers” (Muncy and Vitell 1992, p. 300; Vitell and Muncy 1992, p. 588).

In addition, the omission of consumers as sources for identifying various fraud acts has also inhibited recognition of a broader scope of customer fraud behavior. As summarized in the third column of Table 1, the earliest study relied on reports of customer service employees from a single department store (i.e., Zabriskie 1972), Jolson’s (1974) subsequent study identified
acts from interviews with six department store security officers, Wilkes’s (1978) later study identified acts from informal interviews with an undisclosed number of marketers, other studies report that acts were developed by marketing ethics researchers and informed by prior research (i.e., Fullerton et al. 1996; Muncy and Vitell 1992), and remaining studies employed lists of acts developed in earlier research (see Table 1). Notably, two studies have reported seeking incidents of customer fraud from students for the purpose of assessing the extent to which behavioral domains of ethical decision-making are adequately represented by a predetermined list of acts (i.e., Muncy and Vitell 1992; Vitell and Muncy 1992). The finding that 33 percent of the elicited situations were conceptually inequivalent to the acts in the list suggests that obtaining customers’ descriptions of fraudulent incidents could aid understanding of this phenomenon.

Processes Underlying Customer Fraud Acts

A second informational need revealed by the review is identification of the processes by which individuals come to engage in customer fraud. Theoretical development that would suggest such processes has been lacking in prior research. As summarized in Table 1, the objective of all prior works, with one exception (i.e., Cole 1989), has been to initiate an exploratory investigation aimed at describing customers’ fraudulent behavior or ethical beliefs. Hence, the majority of these studies have reported quantitative descriptive information, as summarized in the last column of Table 1. Several studies have presented the percentage and demographic characteristics of respondents who perceive that the various fraudulent acts are “wrongful” (e.g., Muncy and Vitell 1992) or of respondents who make up segments that exhibit certain patterns of “wrongful” ratings across a list of acts (e.g., “puritans” who rate all acts as wrongful versus “situationalists” who view at least some acts as “not wrongful;” e.g., Fullerton et al. 1996). Several studies have explored relationships of subscales that are created from ratings of fraudulent acts with variables, including personality traits and attitudes toward business, government, and other people; the magnitudes of identified relations have been weak (see Table 1). Exploratory attempts to identify situational determinants of customer fraud have involved factor analyzing respondents’ “wrongfulness” ratings of items describing ethically questionable behaviors (e.g., Dodge et al. 1996; Muncy and Vitell 1992; Rawwas et al. 1996). However, the factors have not been clearly interpretable in terms of different situations.

Beyond these exploratory works, Cole’s (1989) work is noteworthy in that she applies deterrence theory to predict that consumers’ perceptions of the detectability of the behavior will moderate the influence of perceived penalty size on customer fraud behavior. However, because of a number of method design choices, the findings of only main effects (i.e., that per-
ceived penalty size influences customer fraud behavior) might reflect method variance or response biases as opposed to support for the theory. Included among these design choices are the use of self-reports of willingness to participate in fraudulent activities as the outcome variable and the collection of self-reported measures of perceived penalty and willingness to participate in fraud acts within the same session. Notwithstanding the potential to improve upon this method in future studies, tests of deterrence theory would fall short with respect to suggesting marketing strategies for inhibiting customer fraud, given that numerous fraudulent acts are lawful, and thus, not subject to legal penalties.

The review suggests that, excepting Cole’s (1989) work, the failure of prior research to identify processes that explain why individuals engage in customer fraud may reflect reliance on methods associated with theory testing (i.e., survey methods that produce quantitative data) in an area that calls for theory building, and the methods that correspond with this goal. Research that offers the potential for developing new, rich explanatory theory would, according to Deshpande (1983, p. 103), employ methods that produce qualitative data that is “rich” and “deep,” and attempt “understanding human behavior from the actor’s frame of reference.”

**Strategic Insights for Marketers**

A third need revealed by a review of prior research is that of insights into concrete strategies for dealing with customer fraud activities. Several prior studies do not present strategic insights for marketers (e.g., Muncy and Vitell 1992; Rallapalli et al. 1994; Vitell et al. 1991). Strategic insights offered in other investigations have been general, recommending that stores allocate more resources for the development of administrative controls and deterrent devices (Jolson 1974; Wilkes 1978; Zabriskie 1972), adjust selective observation of the poor and young as likely offenders to include middle-class adults (Jolson 1974; Fullerton et al. 1996), or implement promotional campaigns that promote honest behavior via various means, such as announcing formal sanctions for fraud acts (Cole 1989), clarifying the magnitude of losses to retailers (Vitell and Muncy 1992), or calling attention to relationship benefits with sellers achieved by buyers who act honestly (Fullerton et al. 1996).

The lack of insights into concrete strategies stems from three sources. As the initial two sources, identifying specific strategies would require both knowledge of the types of fraudulent acts that customers commit against marketers and an understanding of why customers engage in these behaviors. As previously discussed, prior literature has not been adequate in these regards. The third source is the potential misinterpretation of recent research findings. That is, results of national samples have been presented as indicative of the general populations’ low tolerance for customers’ trans-
gressions against marketers (e.g., Dodge et al. 1996; Fullerton et al. 1996; Muncy and Vitell 1992). Thus, there has appeared to be little need to provide or elaborate insights into specific strategies for dealing with customer fraud. However, these studies are characterized by factors that potentially inflate “wrongfulness” ratings of customer fraud acts. These include high rates of nonresponse (63 percent to 73 percent), the lack of respondent anonymity that potentially produces socially desirable responses, and inquiries on consumer domains with which respondents may lack knowledge (see Table 1, “Research Methods”).

In summary, three areas of information regarding the phenomenon of customer fraud are needed to further understanding: knowledge regarding types, processes, and strategic remedies for customer fraud. A review of the methods of prior research suggests three potential inhibitors to such information. First, prior works have used informants other than customer informants to assist in the identification of fraudulent acts. As a second inhibitor, methods that produce quantitative data have been emphasized as opposed to the rich qualitative data needed to identify processes and lay the groundwork for explanatory theory. Finally, findings of past studies have been interpreted as evidence of individuals’ intolerance of fraudulent customer behavior, despite potential confounding of these interpretations by nonresponse and response biases. Building from this knowledge, the research project, the details of which are elaborated in this book, was undertaken to develop theory. This was accomplished by describing the phenomenon of customer fraud from customers’ perspectives, including its various forms, and customers’ attributions and feelings associated with such acts, using a method that would yield rich data reflecting the “truths” of people’s experiences. To this end, textual data were collected using a written narrative method.

**DATA COLLECTION METHOD**

The design aspects of the method used to elicit incidents of customer fraud are summarized in Exhibit 7. The rationales for these design choices are elaborated in the following sections.

**Written Personal Narrative Method**

A personal narrative refers to a form of discourse organized around consequential events experienced by the teller (see Riessman 1991). The story is the dominant narrative genre characterized by the telling of a specific past-time experience. Relative to other narrative genres (e.g., habitual narratives that tell the general course of events over time), story-type personal narratives are more likely to focus on experiences that hold deep meaning. This is because they include a protagonist or main character, conditions
### Exhibit 7
Summary of Method of Eliciting Incidents of Customer Fraud

<table>
<thead>
<tr>
<th>ASPECTS OF METHOD DESIGN</th>
<th>RATIONALES FOR METHOD DESIGN CHOICE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Method</strong></td>
<td></td>
</tr>
</tbody>
</table>
| *Personal Narrative Method* | • useful for theory development, as it offers rich and deep understanding of consumer behavior from the actor's frame of reference (cf. Deshpand 1983)  
• well suited to collecting information where breach between ideal and real or self and society has occurred (Reissman 1990a); thus, it's well suited for eliciting information on breaking social rules via consumer fraud  |
| Written relative to oral narratives | • preferred when the research goal is to identify the variety of ways in which a consumer experience occurs (Tepper 1997)  
• sacrifices some depth in the data relative to personal interview narratives, but permits breadth of coverage while still allowing richer data than produced by typical survey methods |
| Semi-structured relative to structured request for narrative | • preferable, as it better ensures that emergent categories and themes of antecedents and outcomes are meaningful from consumers' perspectives and not contrived by asking for specific story parts (Tepper 1997) |
| **Techniques for Eliciting Written Narratives** |                                     |
| *Design Aspects to Minimize Nonresponse and "Response Biases"* | • useful to enhance willingness and ability to respond to socially sensitive topic, as well as willingness to provide candid reports  
• aids eliciting candid responses and involves replacing use of the term "consumer fraud," which may hold negative connotations in everyday language, with "consumer rule-breaking" |
| Avoidance of negative labeling | • aids participants' retrieval of consumer rule-breaking incidents that are likely stored in memory under ego-defensive categorizations (i.e., "smart or savvy consumer behavior")  |
| Use of counterbiasing statements | • enhances willingness to and candidness of responding to socially sensitive topic |
| Promise of anonymity | • aids in assessing the effectiveness of the aforementioned collection of elicitation techniques with respect to producing candid personal incidents (cf. Fisher 1993)  |
| Comparison of indirect (i.e., projective) questioning with direct questioning | • enables promise of anonymity |
| **Mail Survey Administration** |                                     |
| *Snowball sampling technique using students to generate the sample* | • enables promise of anonymity and enhances sample members' likelihood of responding when sending follow-up mailings is precluded by promise of anonymity (Mick 1996)  |

*The nature of "response biases" that we attempt to control refers only to the type of consumer fraud incident or act that is reported—the area where we sought candid responses—rather than all details of the stories. (Personal narratives inherently do not yield objective truths but rather the "truths" of people's experiences. The latter truths sometimes involve exaggerations or misrepresentations of contexts surrounding the incident. Nonetheless, these reflected experiences shape consumers' judgments and behavior).
that incite this character to pursue a goal, the path pursued to attain the
Story-type personal narratives vary in focus from short episodes (e.g., a
particular shopping experience) to longer episodes such as a life history
(Polkinghorne 1991). Academic researchers have demonstrated that focus
on a short episode involving a marketing encounter provides “a repository
of information” about customers’ quests for satisfaction in marketing ex-
changes and how they view their role as “customer” (Stern, Thompson,
rules occurs in a single transaction, and thus represents a short episode.
Further, because stories of customers’ marketing encounters have been
shown to reveal the values that guide customers’ expectations of marketers
in exchange relationships (Stern, Thompson, and Arnould 1998), they offer
the opportunity to disclose potential linkages between unmet expectations
and customer rule-breaking via deception.

Use of a written, story-type personal narrative method was advanta-
geous for obtaining an understanding of the phenomenon of customer
fraud. First, because tellers choose what to include in their stories, this
method privileges customers’ standpoints, their definitions of what consti-
tutes deceptive practices against marketers, and their resulting feelings
(see Riessman 1991), providing rich, deep understanding of customer be-
behavior that is necessary to building explanatory theory (see Deshpande
1983) and that is useful in deriving insights for marketing practice (Thomp-
son 1997; Stern, Thompson, and Arnould 1998). Second, allowing custom-
ners to tell their stories could encourage responding on the sensitive topic
given that the actor is able to elaborate the incident in a manner that elicits
the reader’s empathy and understanding of “how things really happened.”
When individuals produce storied accounts of short episodes of activity,
they do so in a manner that serves their broader narrative project of sustain-
ing a unified self-concept (Polkinghorne 1991). More specifically, stories are
a natural medium by which individuals make sense of morally question-
able activities or events for which they may be responsible to sustain the
identity of one who has led a good or virtuous life (Hyden 1995). Reissman
(1990a) suggests that, because of the opportunity to present one’s actions in
a positive light, personal stories are particularly well suited to collecting in-
formation where there has been a breach between ideal and real or self and
society. Thus, given that teachings of Western religions admonish deceit
and sanction truth-telling as acts of a virtuous life, this method appears
well suited for eliciting rich information on customers’ use of deception to
violate social rules in marketing exchanges and how they interpret such
acts. Third, the use of written stories allowed the collection of a greater
number of narratives than might be collected through personal interviews,
and thus enhanced the opportunity to obtain diversity in the data needed
to facilitate theory development (cf. Glaser and Strauss 1967). That is, al-
though written stories sacrifice depth in the data relative to stories told in personal interview, they permit breadth of coverage (i.e., collection of a diverse sample of fraud incidents) while still allowing richer data than produced by typical survey methods (Tepper 1997). Differences in the data are desirable because they bring out the “ranges, continua, degrees, types, uniformities, variations, causes, conditions, consequences, probabilities of relationships, strategies, processes, structural mechanisms, and so forth, all necessary for elaboration of the theory” (Glaser and Strauss 1967, p. 57). Fourth, use of the written format was also preferable to personal interviews on the basis that it allowed the promise of anonymity to participants. Finally, written stories are similar to stories told in interviews in that they offer an opportunity to elicit antecedents (i.e., determinants or precursor conditions) and consequences of the incident since both reflect narrative structures that temporally organize elements toward a conclusion or ending (cf. Polkinghorne 1991; Stern, Thompson, and Arnould 1998).

The written format employed a semi-structured approach in which participants were instructed that in writing their story, they should include their thoughts and feelings associated with the incident. This semi-structured approach was deemed preferable to highly structured approaches in which participants are instructed to include specific story parts (i.e., orientation in terms of time, place, situation, and characters, complicating action, evaluation of the action, resolution or what finally happened, and “coda” that returns the perspective to the present; see Labov 1982; Riessman 1993). Allowing participants to determine the relevance of including specific story parts better ensures that antecedents and consequences, if they emerge, are meaningful from customers’ perspectives (Tepper 1997).

Survey Design Methods to Facilitate Candid Responding

Beyond the promise of anonymity and the storytelling task, the survey incorporated several additional design elements intended to enhance return of the surveys and candid responses (see Exhibit 7). Personal stories do not aspire to the standard of objectivity, because people sometimes forget a lot, exaggerate, and get things wrong when telling about their experiences (see Riessman 1993). However, the method should facilitate participants’ telling of the “truths” of their experiences as these reflected experiences shape customers’ judgments and behavior.

First, an effort was made to avoid negative labeling of acts of deception in the marketplace. This decision followed from the general research principle to remove “loaded” terminology from surveys to avoid response biases. Given the negative connotation of “customer fraud,” the survey was titled as a study of “Consumer Rule Breaking to Obtain Better Marketplace Outcomes.” The cover page of the survey introduced the study as one that
“gathers information regarding the variety of ways in which customers ‘make their own rules’ in their dealings with retailers and manufacturers,” particularly “those behaviors which individuals perform despite their expectation that marketers who discovered such activities would view them to be ‘sneaky,’ ‘inappropriate,’ or ‘unfair.’” Further, the purpose was explained with a statement providing a neutral portrayal of rule breaking via deception. Participants were informed that “the findings will assist in understanding how customers’ behaviors differ from marketers’ expectations. The goal is not to label specific acts as ‘bad’ or ‘good.’”

Second, the study’s description incorporated a counterbiasing statement, or information that conveys the acceptability of acknowledging attitudes or behaviors that might otherwise be deemed socially unacceptable or risky. The counterbiasing statement was as follows: “By breaking the rules, norms, or expectations of consumer behavior established by marketers, individuals are often able to obtain better deals on products, services, or other aspects of the exchange. Thus, individual consumers may view certain types of rule breaking as ‘smart’ or ‘savvy.’” Inclusion of this statement was motivated by recognition that, in addition to impression management reasons, respondents are often unable to report candidly on sensitive topics for ego-defensive reasons (Fisher 1993; Mick 1996; Paulhus 1984). That is, rather than “lying” when disavowing participation in activities of customer rule-breaking, individuals might deceive themselves, believing that they do not engage in such activities. This self-enhancing deception might occur when people frame former acts involving deceit and rule-breaking as demonstrations of cleverness, ingenuity, or resourcefulness in the marketplace, and thus store these incidents in long-term memory as aspects of their “smart consumer” self-concept (cf., Belk 1988; Goffman 1974; Shimp and Kavas 1984). The counterbiasing statement would potentially aid retrieval of such incidents.

Finally, the study was designed to compare the responses elicited by indirect questioning (i.e., a projective technique that phrased the narrative task to ask for a story about others as opposed to the self; cf. Fisher 1993) and direct questioning methods. Fisher (1993) has empirically demonstrated that indirect questioning used in surveys reveals information about the self rather than others, and reduces social desirability responding by allowing respondents to describe their own feelings behind a facade of impersonality. In the event that the promise of anonymity failed to put participants at ease, the indirect questioning method relative to the direct questioning method would be expected to increase response rates, increase elaboration of the stories, and reduce tendencies to provide socially desirable responses (see Fisher 1993). The nature of socially desirable responding that design was engineered to assess involves the presence/absence of types of customer fraud and types of antecedents and outcomes, rather than all details of the stories. In the indirect questioning method presented
to half of the sample, participants were asked to “Write a story about an incident in which someone you know did things that differed from the rules or expectations of marketers.” In the direct questioning method presented to the other half of the sample, participants were asked to “Write a story about an incident in which you did things that differed from the rules or expectations of marketers.”

Survey Administration

The survey was distributed to a convenience sample of residents in a medium size, Midwestern city, who returned these anonymously via mail to the researchers. As a means of generating a sample of middle-class individuals, each of 18 MBA student volunteers, most of whom were employed fulltime, distributed 20 surveys to friends and coworkers. For both of two questioning methods (direct and indirect or “projective”), they delivered one survey to each sex in each of five age groups. This purposive selection of survey recipients was motivated by findings in prior empirical research that attitudes toward and participation in customer transgressions against marketers differ by sex and age (e.g., Dodge, Edwards, and Fullerton 1997; Fullerton, Kerch, and Dodge 1996). That is, sampling on these characteristics might increase variation in the data (i.e., fraud experiences), as would be useful for developing theory (cf. Glaser and Strauss 1967).

SAMPLE CHARACTERISTICS

Reflecting variation in students’ relational ties and/or individual background factors (e.g., commitment to the task), the number of responses resulting from each student’s distribution efforts varied (range 9 to 18 surveys), yet collectively produced a desirable response rate. Of the 360 distributed surveys, 256 or 71 percent were returned. Of these participants, 130 were women, 123 were men, and 3 failed to report their sex. The average age of participants was 37 years old (range 19 years to 80 years). The distribution of education and income within the sample suggested that, as we had planned, the group of participants might be properly described as possessing middle to upper-middle socioeconomic status (cf. Schor 1998). All but three participants had graduated high school or received higher education: 6 percent were high school graduates with no college experience, 22.2 percent had no degree but had attended some college, 43.7 percent held a four-year college degree as their highest education level, and 27.0 percent had obtained graduate degrees. With respect to household income, 8.6 percent reported income of less than $10,000, 20.1 percent said their income was $10,000 but less than $20,000, 28.7 percent said their income was $20,000 but less than $35,000, 16.4 percent reported their income was $35,000 but less than $50,000, 20.5 percent reported their income was
$50,000 but less than $100,000, and 5.7 percent reported income of $100,000 or more.

THE NARRATIVE DATA

The 256 survey responses constituted text that totaled 35,088 words, averaging approximately 137 words per response. Of the 256 participants who provided responses, 129 responded to the direct questioning method and 127 responded to the indirect questioning method. Approximately equivalent response rates across the questioning methods suggests that the social ties of the respondents to the MBA students who distributed the surveys were strong enough to mitigate the potential negative effect of the sensitive topic on individuals’ willingness to return the survey (cf. Granovetter 1973).

Consistent with Fisher’s (1993) findings, the indirect questioning method appeared to produce self-referential projections rather than stories about others. This was evidenced by elaborate descriptions of thoughts and feelings revealing storytellers’ intimate knowledge of the actor, the rarity with which storytellers criticized the fraud participant, the humorous parodying of classical projective responses, and storytellers’ lapses into first-person accounts. There were no statistically significant differences in the total number of words written across the two questioning methods ($M_{direct} = 131$, $M_{indirect} = 143$; $F(1,254) = 1.85$; ns), nor in written elaboration on cognitions as a proportion of the total number of words ($M_{direct} = .34$, $M_{indirect} = .36$; $F(1,253) = .71$; ns). These findings, respectively, suggest that the direct method of questioning did not inhibit the provision of detailed stories nor prompt the provision of greater elaboration of attitudes, feelings, and rationales for their behavior (caused by a greater need to justify first-person accounts).

The two questioning methods did, however, differ in the frequency with which specific categories of fraudulent acts, determinants of fraud, and consequences emerged in the stories. The pattern of findings suggests that the indirect questioning method facilitated tapping covert or unconscious material. Notably, as would be anticipated, the two methods differed in the frequency with which they elicited specific content categories. Traditional content analysis (Kassarjian 1977) that was performed to assist in finding similar stories and making comparisons among these during the theory development process was used to assess the independence of the questioning method from the categories of antecedents, fraud types, and outcomes. With respect to antecedents, stories elicited by the direct versus the indirect method were more likely to involve the expression of dissatisfaction stemming from perceptions of inequity in the exchange ($\chi^2 = 5.02$, $df = 1$; $p < .05$; 66 percent versus 34 percent). The questioning method was independent of the elicitation of perceptions that goods were unaffordable and that oppor-
tunity existed to commit fraud. With respect to type of fraud acts committed, the direct versus the indirect method produced fewer of the stories involving shoplifting and manipulation of price information ($\chi^2 = 24.49$, $df = 6$; $p < .001$; 38 percent versus 61 percent) and fraudulent product returns (26 percent versus 74 percent); and, more of the stories about fraud facilitated by marketers’ errors or employees’ misconduct (76 percent versus 24 percent), using deception in transactions where negotiation is customary (63 percent versus 38 percent), and rebundling (62 percent versus 38 percent). Notably, the questioning method was independent of the report of recurring fraudulent activity. With respect to affective outcomes, the direct versus the indirect method accounted for more of the stories involving expression of guilt ($\chi^2 = 14.89$, $df = 1$; $p < .001$; 73 percent versus 27 percent). The questioning method was independent of the report of other outcomes. Overall the pattern suggests that the indirect method facilitated tapping covert or unconscious material, but there were numerous examples of all fraudulent acts, fraudulent methods, their antecedents, and outcomes within each of the questioning methods. Combining story data from indirect and direct questioning methods facilitated the research goal of eliciting a sample of varied experiences of individuals’ participation in and perceptions of customer fraud (cf. Sherry, McGrath, and Levy 1995).

Several characteristics of the story data are noteworthy. The absence in the data of fraud schemes that are publicized in popular culture as acts committed by “professional” or “career” fraud practitioners (i.e., quick change schemes, use of fraudulent credit cards or counterfeit money) suggests that participants in both questioning conditions provided incidents from their life experiences rather than fantasized accounts. Most all participants relayed customer fraud incidents in their recent past, and all but a few told of successful customer fraud attempts whereby they received the desired advantage without social penalty. Further, in approximately 37 percent of the stories, tellers (without prompting) acknowledged the recurrent or cross-situational nature of their fraudulent behavior.

**ANALYSIS**

The method of analysis reflected that the research goal was to develop explanatory theory, not to test or measure the distribution of fraud acts. The analytic operations performed on the textual data for the purpose of building interpretation reflected activities suggested by Spiggle (1998).

The initial phase of analysis involved identifying various specific customer fraud acts. Incidents were first stripped of their context, including settings such as store type, characters such as accomplices, inciting conditions that provided motives, and conclusions such as rationales or statements of conflict resolution. This was accomplished by creating a list of all the incidents in terms of the specific rule or norm that consumers covertly broke to obtain an advantage (e.g., breaking a rule or norm established by
insurance companies by faking ownership of health insurance to receive medical care). Parallel incidents were grouped together. For example, incidents in which participants relayed that they had faked ownership of health insurance to receive medical care were grouped with incidents in which participants faked membership in exercise clubs to use weight-lifting equipment. These were then cataloged into a smaller number of categories reflecting types of customer fraud behavior that occur in domains under the strategic control of marketers. This phase of analysis resulted in a rich, descriptive account of types of customer fraud. Each type is covered in the chapters that make up Part II.

The descriptive account was drawn upon in ascending to a higher level of abstraction to produce explanatory theory (i.e., an interpretive account of the data; Wolcott 1994). Specifically, in the second phase of analysis, the data were reexamined for the modus operandi of customer fraud, that is the methods or operations that customers perform that render their fraudulent acts successful. Methods are distinct from the fraudulent acts. For example, a specific fraudulent act such as returning a product for a refund under false pretenses could be rendered effective through methods such as “lying” (e.g., saying a dress had not been worn prior to its return) or “performance complaining” (e.g., complaining in an exaggerated manner when returning a good under false pretenses so that the manager will acquiesce in order to avoid a scene). Identifying the methods involved first examining the specific customer fraudulent acts across all types in order to identify methods that were tactically different. Following this examination, the story narratives were segmented according to the five identified methods. Comparisons within and between methods aided their description, including distinctions among them. Comparisons of stories across methods also produced a unifying theme whereby all methods operate by violating various trusts associated with the customer’s role as it is defined by marketing institutions. These findings regarding the general methods that render the fraud acts successful are elaborated in Part III.

In a third phase of analysis, each narrative was parsed into parts that were identified by their function: to orient, to carry the action, to evaluate it, and to resolve it (see Labov 1982). Examination of the orientation component across stories provided insights into the various problem situations in the marketplace that customers perceive. Examination of the complicating action component across stories illuminated how customers carefully go about appraising the efficacy of specific customer fraud acts that they consider to be plausible means of resolving marketplace problems prior to committing such acts. Examination of the evaluation component allowed customers’ perceptions of the success of their act. Resolution and coda components revealed the affective states that individuals experience following the commission of customer fraud acts, the various justifications that customers construct to account for their participation in fraud acts, and how
both affective states and justifications prompt or are prompted by discussions with others about the customer fraud incident. Examination of the latter components also revealed how outcomes of social discussion prompt individuals’ evaluations of their future participation in customer fraud. The insights drawn from each story part suggested abstract constructs. See Exhibit 8 for an illustration. These constructs were sequentially related such that a theory emerged to explicate the processes of individuals’ commission of customer fraud acts. The theoretical model was submitted to refutation by comparing each story in its entirety against the model. This resulted in additional refinements.

This working theoretical model was further refined by employing the “constant comparative method,” which refers to a process of moving back and forth between the story data and various literatures to shape the labels and presentation of categories and relational themes within the model (Glaser and Strauss 1967). This process was initiated with immersion in a background of historical literature relevant to the topic (e.g., sociocultural norms of trust in commercial exchanges, the treatment of “white collar” crimes in the U.S. political/legal environment, and the evolution of retailing with modernization; cf. Thompson 1997). The ultimate mix of works was an interpretive choice that was negotiated in relation to the issues and themes that emerged in previous stages of interpretation (Thompson 1997). Beyond the previously reviewed marketing research, these works included clinical psychological research on telling lies (e.g., Ekman 1985, 1997; Wolk and Henley 1970) and criminal justice and social psychological research on specific forms of customer fraud (e.g., shoplifting, price tag switching; Fugere, D’elia, and Philippe 1995; Jackson 1994; Steiner, Hadden, and Herkomer 1976) and occupational or employee fraud (e.g., Greenberg 1990; Shapiro 1990). Interdisciplinary literatures on social learning (e.g., Bandura 1986), problem solving (i.e., coping, e.g., Folkman, Schaefer, and Lazarus 1979), organizational injustice (e.g., Greenberg 1987), and the modernization of business (e.g., Ritzer 1993) were also consulted. The theoretical model that emerged from the data is described in Part IV.

INTEGRITY OF THE FINDINGS

The written narrative method generated a variety of fraud acts committed by middle-class customers that facilitated the development of theory (cf. Glaser and Strauss 1967). However, we acknowledge at the outset of this presentation that although the list represents the most comprehensive one to date, it is not inclusive of all those that customers may commit. First, as a function of the open-ended format of the elicited incidents, types of fraud that customers do not readily recognize as rule-breaking behavior may not have emerged. For example, buying stolen goods for lower than retail prices did not emerge in our study, despite reports in the popular press...
### Exhibit 8
Illustration of Story Parts Used to Parse the Written Narratives Prior to Analysis

<table>
<thead>
<tr>
<th>Story Part</th>
<th>Content</th>
<th>Story Exemplar</th>
<th>Constructs Coconstituting the Theoretical Model of Individuals’ Commission of Customer Fraud</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orientation</td>
<td>time, place, situation, and characters</td>
<td>My husband and I signed up for one of those great gym memberships. The kind where they lock you in for 2 years and make it very difficult for you to ever break free from the contract. Well, I definitely broke the marketer’s rules and expectations. This is how the story goes.</td>
<td>Cognitive Antecedents</td>
</tr>
<tr>
<td>Complicating Action</td>
<td>sequence of events</td>
<td>When we decided to try to end the membership we said that we were moving out of state. I wrote them a letter and their response was that they needed proof that we now resided elsewhere. I was at the time in the real estate business and had the capacity of getting my hands on a lease. I typed up a phony one, with an imaginary lessor, street address, the whole nine yards. I had it sent to my parents in the state where I said we were moving so they could send it off to the credit department of the gym. I wanted to make sure that the return address coincided with where I said we were living.</td>
<td>Appraisal of Efficacy of Customer Fraud Act (i.e., Resource Assessment)</td>
</tr>
<tr>
<td>Evaluation</td>
<td>assessment of the action</td>
<td>Well, it worked. We never heard from them again.</td>
<td></td>
</tr>
<tr>
<td>Resolution</td>
<td>conclusion in terms of what finally happened</td>
<td>To be quite honest, it scared me to death. I was fearful of being locked up for mail fraud. Fortunately, nothing happened to me.</td>
<td>Affective Response</td>
</tr>
<tr>
<td>Coda</td>
<td>returns the perspective to the present</td>
<td>I do think that it is ludicrous that companies make you commit to such lengthy contracts and then try and screw up your credit if you try and get out of it.</td>
<td>Construction of Justifications</td>
</tr>
</tbody>
</table>
that goods such as “big Bertha” golf clubs (Chambers 1998), philosophy books (Lewine 1997), and perishable, gourmet grocery products (Geason and Wilson 1992) have been stolen by professional criminals for resale. Customers may be unaware that they are purchasing stolen property. Alternatively, even though receiving stolen property for personal use is sanctioned as a crime (cf. Keckeisen 1993), participants may not have viewed such secondary participation as deceptive. As another example, making fraudulent claims to third-party mediators (e.g., state attorney generals) who are appointed to resolve customers’ complaints with marketers also did not emerge in our data possibly because deception is not directed toward the marketer, but rather, toward the mediator. Second, the open-ended format of the narrative task might not have been conducive to eliciting fraudulent acts in contexts that customers infrequently encounter. That many participants chose to disclose the repetitive occurrence of their reported fraudulent incidents suggests that these actions or their targets may have had greater “top of mind” recall. Third, selecting participants from a medium-sized city may have precluded identification of specific types of fraud. For example, individuals in medium- and small-size cities relative to larger ones may have less opportunity to purchase stolen goods for lower than retail prices. Finally, the specific manifestations of customer fraud acts may be limited relative to what could become technologically feasible with time. These are considered in the final chapter that deals with future issues in customer fraud.

Although the fraud acts are not exhaustive of all possibilities, the compilation and cataloging that we provide here should be a useful resource for managers, as it is the most comprehensive inventory to date. More importantly, the identified customer fraud acts, which totaled more than 80 specific behaviors, were quite varied. Such variation demonstrates that the sample of incidents is diverse (i.e., captures a wide range of fraudulent acts committed by middle-class customers), which would be requisite to the formation of theory.

Indicative of the integrity of the analytic method, the resulting theoretical framework exhibits the three desired qualities of “frames” or qualitative data representation outlined by Spiggle (1998). Specifically, the model exhibits a generic frame, in that it is at a level of abstraction that is sufficient to encompass a wider set of phenomena than the specific individuals or acts studied. The frame is a novel one that provides new conceptual perspective. Because the model’s constructs reflect major themes that are composed of subthemes that specify the dimensions and categories of the major themes, the frame is considered an elaborated one. Further, as would be preferable, the presentation of the theoretical model reflects a frame that is both eventful, whereby the description of specific actors and activities provide concrete empirical grounding of the theoretical constructs, and interpenetrated, whereby participants’ quotes are interwoven with interpretive passages (see Spiggle 1998).
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About the Authors

KELLY TIAN is Associate Professor of Marketing at the University of Kentucky, where she teaches graduate and undergraduate courses on ways to design consumer behavior research. Formerly an insurance claims investigator trained to detect fraudulent behavior among amateurs and professionals both, she also worked for the U.S. General Accounting Office. Tian is a regular contributor to the journals of her field on a variety of topics, including consumer nonconformity and resistance.

BILL KEEP is Associate Professor of Marketing at Quinnipiac University. His teaching and research center on retailing, channel partnerships, and related legal issues, with a special focus on pyramid schemes, consumer fraud, and the Robinson-Patman Act. Among his various private and public consulting clients are the U.S. Securities and Exchange Commission, the Department of Justice, the Federal Trade Commission, and legal prosecutors in Kentucky and Florida.