

Breaking through refund fraud

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Virtually all South African retailers offer their customers a period within which the customer may return items purchased. Whilst the Consumer Protection Act prescribes flexibility to consumers wishing to return goods that meet the conditions set out in the Act, it is also considered good practice by retailers to accept customer returns. As much as retailers' customer returns mindset is geared at building lasting relationships with consumers, it is regrettably also an area where shrinkage is unavoidable. (*Shrinkage is the term used for any financial loss the retailer incurs during the items returned and refund process.*)



Retailers are at times placed in the position of having to transact a return or refund merely to retain a customer, despite the reasons or circumstances of the return or refund being borderline acceptable. It is also an area of employee fraud risk. In this article, we unpack how risk enters the client services space and offer a solution to greater visibility of this risk.

Understanding the risk

It is estimated that in South Africa, shrinkage is as high as 5-7% of turnover. Shrinkage includes administrative errors, theft (by shoppers or employees) and fraud.

In the customer returns and refunds space, a collusive relationship between a customer and an employee can have staggering financial implications for the retailer if the employee is in the position to approve returns or refunds in favour of their colluding partner. Where collusion occurs between a customer and an employee, it can be virtually impossible to identify as the collusive relationship is by its very nature surreptitious.

Mitigating risk with Ecentric

Designed to deliver financial certainty in the retail space, Ecentric ReconAssist™ software reconciles transaction data from point-of-sale systems, to switch transaction data, and ultimately to the bank settlement resulting in retailers receiving correct (at transaction level) tender value per sale. One of the many features of the software is the extent of data assimilated to perform the reconciliation. Because the reconciliation occurs at transaction level, the data is equally collated at the same level of granularity.

This data provides an accurate source for data analysts to extract insights that could signify potential business exposures that warrant further investigation. Because workplace fraud is usually performed in a manner that includes concealment, the interrogation of the data is a critical internal control discipline to ensure concerns such as a greater frequency of refund or return approvals for particular employees, are identified and assessed.

The purpose of ReconAssist™

ReconAssist™ reconciliation software is designed to perform an automated, overnight reconciliation for store and back-office staff to interrogate the following day, resolve settlement discrepancies, etc. The software accelerates and significantly streamlines the overall reconciliation process.

It is designed for the reconciliation of:

- Bank cards
- Cash reconciliation
- Corporate payments
- Bank statements
- Value-add services
- Mobile payments
- In-house cards (including charge and gift cards)

The data by-product of the reconciliation offers enormous forensic value for retailers that are alive to the potential for fraud or theft in the workplace, with fraud detection as one of its outcomes. More information on this software can be obtained by visiting the [product page](#) on our website.

Ecentric Payment Systems delivers leading technology, expertise and infrastructure to support omnichannel payments. We can be reached as follows:

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#reconciliation #reconciliationsoftware #ecentric #finance #financesoftware #accounting #accountingsoftware #efficiency #financeefficiency #fraud #employee fraud #forensictools

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As your one-stop, omnichannel payment services provider, we provide the technical expertise and infrastructure to put you in control of your business's payment processing and reconciliation, today and in the future.

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