

The 2026 Total Retail Loss Benchmark Report

A deep dive into returns, shrink, and
operational loss by Appriss Retail



While retail leaders race to keep up in an omnichannel world, there are two adversaries quietly wrecking profits.

Returns and shrink are doing immense damage to retailers' bottom line. Last year, customers made \$706B in returns, and retailers faced \$90B in loss from shrink, much of it preventable. Both are growing because traditional views on loss prevention are riddled with blind spots.

Taking the blinders off

Of the \$706B in returns, **14.2% (\$100B) is preventable** loss due to returns fraud and abuse. Returns-related loss has a 1-to-1 impact on profits.

Of the \$90B in shrink, **a whopping 73% (\$66B) is preventable** loss due to:

Employee theft: 29% (\$26B)

Inventory errors: 21% (\$19B)

Operational inefficiencies: 13% (\$12B)

ORC (Organized Retail Crime): 10% (\$9B)

Note: Returns account for an additional 20% of total shrink, with the remaining 7% attributed to unknown causes.

The challenge for retailers: how do they address these behaviors without damaging customer loyalty and putting additional burden on associates? Most are stuck using outdated approaches because they're scared to rock the boat.

Total Retail Loss (TRL) offers a new view on loss prevention and the customer experience driving it.

And to tackle it they'll need cross-functional muscle from their loss prevention, operations, customer experience, and finance teams.

In this report you'll learn why:



Retailers face \$4B in cross-channel fraud from BORIS returns



The addition of a third "warn and approve" decision can reduce abusive returns by 90% without impacting customer loyalty

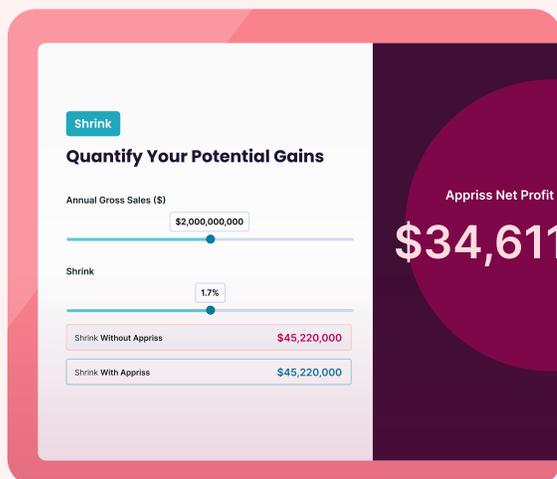


Retailers need to look beyond "employee theft" to combat \$90B in shrink

Our sources

We've brought together survey data from 1,000+ customers, actual transactions and internal analytics from Appriss Retail clients, and industry data to show the extent to which loss is affecting profit margin.

Instead of focusing solely on fraud—an outdated angle on loss prevention—the 2026 TRL report looks at how retailers' approach to behavior patterns and transactional data can act as both deterrents and profit boosters.



Scale of the challenge

We've created a [Total Retail Loss Calculator](#) to help you explore how these patterns play out in your specific retail business.

As shrink, fraud and abuse grow in value and sophistication, **leaders will need enterprise-wide visibility into every touchpoint** to contain profit leakage. That visibility starts with understanding the complex relationship between returns, margins, and customer loyalty.

Navigating 2026 Total Retail Loss

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Returns, margins and loyalty: a new kind of balancing act

How you're handling returns could impact more than just your balance sheet.

For years, loss prevention was built around control. Retailers were encouraged to react to fraud, enforce policies, and close cases. This strategy worked when channels were simpler and it was okay that data lived in silos. Not anymore.

Today, returns impact every part of the organization. Operations teams process the volume. Customer experience teams handle the disputes. Merchandising absorbs the margin hit. Loss prevention can't solve this in isolation.

The truth: shrink is killing retail profits, but returns are doing even more damage.

Weighing customer experience vs. controls

Returns added up to \$706B in 2025 - a figure that's grown as omnichannel shopping expands and return policies become more generous. **\$100B of that is preventable fraud and abuse.**

Why returns matter to purchase decisions

For customers, ease of returns is a major purchase factor. Yet many retailers still rely on one-size-fits-all return policies, leading to frustrated customers and higher fraud risk. Create too much friction, these buyers are happy to take their business elsewhere.

75%

factor ease of return into purchase decisions

72%

shopped elsewhere because of a negative return experience

83%

say a positive return experience increases their intent to buy

Finding the sweet-spot between protecting margins and keeping good customers isn't always easy. But, the clues are hidden in how you're thinking (or not thinking) about returns.

The profit opportunity in returns

While fraud, and abuse might be hammering away at your bottom line, **reducing them actually increases net profits.**

- 8 in 10 shoppers say a good return experience **boosts repeat purchase intent**
- 73% of shoppers (80% of frequent returners) **made an extra purchase** after a positive return experience

Retail leaders taking advantage of this profit boost have embraced a new way of thinking about Total Retail Loss—one that goes far beyond shrink.

Old Way

- Fraud-first
- Channel-limited and siloed
- Rules-based and manual
- Loss Prevention project
- "Stop fraud" / "Reduce shrink"

New Way

- + Customer-first
- + Unified view across store, online, customer service
- + AI-informed, automated, and personalized
- + Company-wide profit protection
- + "Reduce total loss while protecting customer loyalty & operational integrity"

The fragility of brand loyalty

Product quality and competitive prices drive loyalty, while service, convenience and return experiences reinforce it.

What anchors loyalty:

Product quality

45%

Competitive prices

45%

Return policy

29%

This varies by generation: Gen Z and Gen X prioritize product quality, while Boomers weigh price and convenience more heavily. Millennials split across multiple factors.

Understanding what drives loyalty matters because blanket return policies ignore these nuances entirely and risk alienating your best customers.

The problem with blanket policies

Assessing customer risk requires analyzing return velocity, cross-channel behavior patterns, product categories, purchase history, and temporal trends—impossible to evaluate manually at the point of sale. Without this analysis, retailers are defaulting to blanket policies that treat all customers the same.

But many of these policies, designed to stop fraud and abuse, punish your most profitable relationships.

Top 1% of customers

- Generate up to **50%** of total sales
- Return **8%** less than average shopper

Blanket policies designed to address “bad” behavior, end up catching your best customers. Because they buy more, they typically hit policy tripwires—receiptless limits, short windows, ID checks—more often.

When high-value customers feel insulted by policy enforcement they're not coached to change. They just leave. And they take their lifetime value with them.

The smarter approach: Customer-level decisions that account for risk potential, purchase volume and return rate—not just return dollars—protect margins without alienating your best customers.

But implementing customer-level decisions requires something most retailers don't have: unified visibility across all channels. That's where the omnichannel challenge begins.

BORIS is redefining retail loss

BORIS and BORO models deliver convenience, but at a cost to retailers.

BORIS (bought online, returned in-store) and BORO (bought online, returned online) deliver convenience for customers. But they've also created new risk management challenges for retailers, especially when data on returns lives in separate systems.

Customers expect:

- + Instant refunds across channels
- + Real-time visibility on returns status
- + Identical policies whether returning online or in-store

VS.

Legacy systems deliver:

- Separate rules for each channel
- No way to validate cross-channel transactions
- Return data that doesn't sync between online and physical stores

Customers feel the mismatch:

55% of customers read return policies before making a purchase. This number rises with return frequency (84% for very frequent returners), and those buyers notice when in-store and online experiences differ.

- 62% perceive in-store and online return experiences as different
- 36% of very frequent returners feel this gap acutely (vs. 24% of occasional returners).
- 13% have switched retailers due to inconsistent cross-channel policies

In-person returns still win

Regardless of return frequency, shoppers prefer in-person return methods -- especially if they bought the item in store.

- 83% prefer to return in store if they purchased in store
- 45% still prefer in store even if they purchased online

The margin loss on omnichannel

In-store returns now account for 81% of all returns. This puts massive pressure on store operations and creates huge losses associated with managing non-store inventory.

Percentage of all returns:

- Bought in-store, returned in-store (BISRIS): 52% (\$367B)
- Bought online, returned in-store (BORIS): 29% (\$208B)
- Bought online, returned online (BORO): 19% (\$131B)

The omnichannel breakdown

While a majority of customers still return items in store, nearly half have utilized at least one method of omnichannel return.

Omnichannel reality: A single transaction might span multiple digital and physical touchpoints, including customer service, so retailers need one connected view of risk and opportunity.

Convenience or exposure?

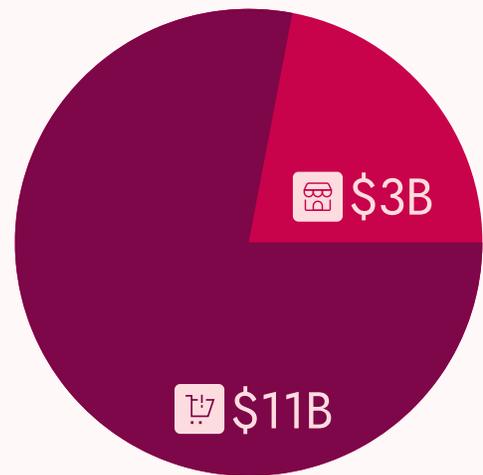
Each channel operates with different detection capabilities, different policy enforcement, and different fraud and abuse flags. A customer blocked for suspicious activity online can return the same item in-store with no warning.

With this disconnect, criminals and abusers don't need sophisticated schemes—they simply move between channels to avoid detection.

Returns fraud accounts for \$14B of total returns:

 **\$3B** in online fraudulent returns and claims

 **\$11B** of in-store fraudulent returns



Closing the gap between channels

Retailers controlling omnichannel fraud and abuse are unifying return data across all channels.

Risk-scoring and behavioral analytics at the customer-level let retailers spot abuse patterns, prevent duplicate losses, and treat customers consistently across channels.

But to get there, they need to understand where fraud actually lives, and why customers are so susceptible to inadvertently abusing the system.

Where fraud and abuse lives (and hides)

*Customers have gotten comfortable in the returns “gray area.”
Maybe too comfortable.*

Retail leaders are forced to weigh gaps in their detection capabilities against their appetite for risk. They don't want to alienate customers with stringent enforcement policies, but the alternative is to “turn a blind eye” to abuse.

Without visibility into the customer behaviors that constitute fraud and abuse, any picture of Total Retail Loss remains incomplete.

The data shows that generous return policies can boost customer loyalty—but they also drive higher return rates and abuse when boundaries aren't clearly communicated. Reducing total returns means changing these behavior patterns, not just catching fraud after the fact. And it has to be done with surgical precision, so you don't alienate your best customers with unnecessary denials.

Defining “abuse”

Returns cost retailers an average of 30% of an item's value to process—adding up to \$21B industry-wide. But not all of that loss is criminal. Throughout the report we'll refer to both abuse and fraud.

For our purposes:

- **Abuse** means excessive but legitimate returns. It accounts for 12% of all returns, worth \$86B
- **Fraud** means fake receipts, returning stolen merchandise, or other behaviors with malicious intent. It accounts for 2% of all returns, worth \$14B

Abuse is especially detrimental because it eclipses outright fraud, and often goes undetected—it looks like normal customer behavior. Retailers need to recognize the patterns, have solutions in place that can detect it, and learn to act on it appropriately.

“I'm certain I can return this, I'm well-within store policies.”



“It's probably okay to return this, even though it doesn't exactly meet store policies.”



“I shouldn't return this, but I'm going to anyway.”

Many customers expressed comfort with (sometimes multiple) gray-area behaviors.

“I’m (very or somewhat) comfortable...”

Buying multiple sizes to return

44%

Returning used merchandise

40%

Returning items without tags

63%

Returning items after home trial

61%

Returning items worn for special occasions

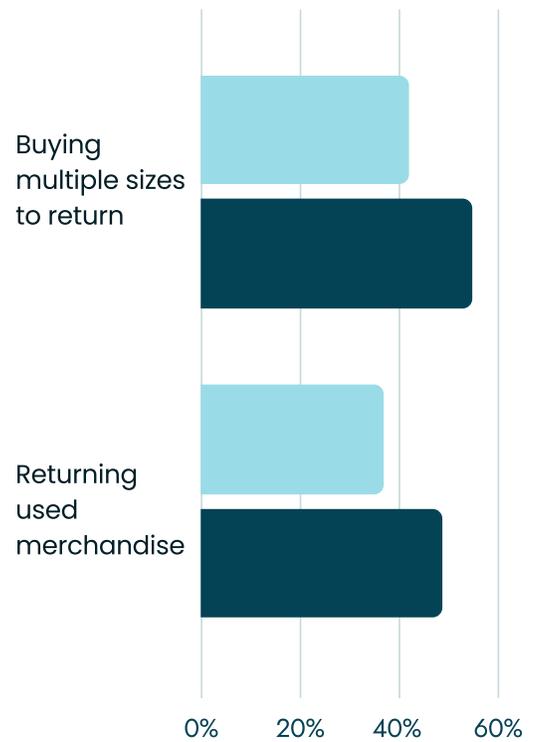
40%

Tales of a frequent returner

Our data shows a tolerance gap between occasional and frequent returners (one that could and should impact your policy boundaries).

Comfort level (expressed as percentage)

Occasional Returner
Frequent Returner



Most abusers don't know they're abusing

Most customers engaging in abusive return behavior don't realize they're doing anything wrong. They're operating within what they perceive as acceptable boundaries—whether returning a high percentage of their purchases, buying multiple sizes/colors (known as “bracketing”), or engaging in rental behavior (commonly known as “wardrobing” in apparel).

This creates a challenge for retail leaders: how do you address behavior that represents a significant portion of loss without damaging the customer experience?

The answer isn't stricter enforcement across the board. It's **targeted intervention that educates before it punishes** so customers can course-correct before relationships (and margins) deteriorate.

From fraud first to customer first

Return fraud doesn't just impact loss. It simultaneously degrades revenue, cash flow, margin, and inventory accuracy. In our data we found fraud concentrated in two distinct zones:

- **Non-receipted returns:** 9.6% of dollar volume (\$68B), but home to the most blatant fraud
- **Receipted returns:** 90.4% of volume (\$638B), where you find marginally profitable customers

Making policy adjustments like “no receipt/ no return” may lower non-receipted returns but the collateral damage from denying good customers far outweighs the benefits. Professional fraudsters will socially engineer the associate or call center to give them the return anyway via an override.

The policy math

- 47% of shoppers have refrained from a purchase due to return policy concerns
- 56% of frequent returners have opted out of buying due to return policies

Result: ill-fitting policies could sacrifice your most valuable customer relationships

Reframing the goal

The goal isn't just to stop bad actors, it's to protect honest shoppers, deter abuse, and help associates make better, more consistent decisions.

Instead of: responding to margin pressure by reintroducing return fees across the board.

Try: maintaining generous policies for the majority and using AI decisioning to apply graduated controls only to high-risk behaviors.

Replace gaps with “warn and approve”

High-return customers are more likely to push policy boundaries. The majority (62%) won't commit outright fraud, but in the meantime, your generous return policy becomes a subsidy for serial abusers.

The problem takes shape when customers' return rates grow faster than their purchase rates. Regardless of spend, this behavior shouldn't be encouraged, as the rate of return makes them unprofitable.

Returns processing accounts for 30% of the retail cost of the unit, totalling \$212B in loss across all returns (fraudulent, abusive and legitimate).

What is "warn and approve"?

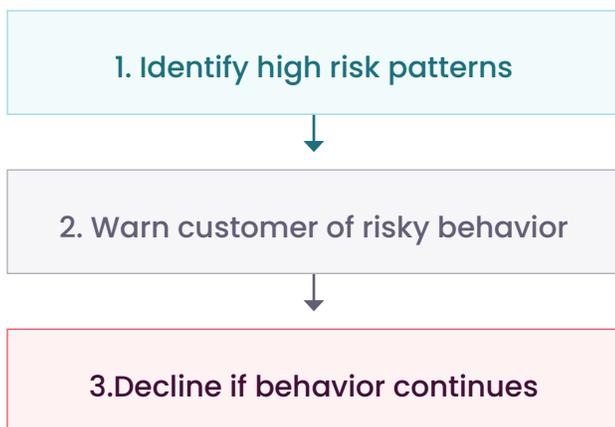
Warn and approve creates a three-tier approach to return decisions. Unlike traditional systems that only approve or deny returns, this adds a critical middle tier: the warning.

Approve: Legitimate returns from low-risk customers proceed without friction

Warn: Customers showing high-risk patterns receive a notification before facing a decline, giving them the opportunity to course-correct

Decline: Returns that meet fraud or extreme abuse thresholds are blocked

This graduated response educates customers before enforcing consequences in order to preserve relationships while reducing abuse.



Don't fear the warning

Contrary to popular belief, warn decisions don't drive customers away. 90% of customers will buy again, post-warning, saving retailers \$75B without compromising relationships.

Retailers using warn and approve are able to:

- ✓ Protect the experience for rule-abiding customers
- ✓ Retrain and educate customers engaging in high-risk behaviors
- ✓ Reduce losses without sacrificing customer loyalty

Most shoppers (61%) are open to tech-driven return eligibility checks. The transparency customers demand isn't fear-based—they've accepted AI as part of transactions, they just want to understand how decisions are made.

Comfort with technology-based return eligibility

Gen Z/
Millennials

68-69%

Gen X

54%

Boomers

55%

The new role of the associate

Warn and approve protects associates from the burden of making difficult return decisions. Here's why it works:

The system identifies risk. The associate no longer has to be "the face" of return decisions. They can direct customers to a phone number or website for appeals, helping them avoid in-person friction when disputes arise.

Humans are error-prone and vulnerable to bias. Without visibility into the entire customer

profile, it's impossible to make the right call every time. When you remove the burden of judgment from the associate—you remove the conflict.

Clear explanations and escalation paths let retailers capture AI efficiency without eroding trust.

The payoff: 12% drop in in-store returns, 6.5% decrease in online returns—nearly \$87B in savings.

The anatomy of a positive return

Customers who leave their returns experience with a smile cite the same qualities: fast, friendly and free.



Creating this kind of positive experience at scale requires the ability to make consistent, risk-based decisions across millions of transactions.



From data overload to shrink intelligence

Shifting from “we’re drowning in data” to “we’re spotting shrink fast”

Massive volumes of transactional data make spotting shrink, fraud, operational errors, and inefficiencies slow and resource-intensive, allowing losses to compound while teams investigate.

When data doesn't flow between channels, retailers face a double problem: they can't identify root causes of shrink and margin leakage, and they can't see what's happening in real time. Both organized criminals and opportunistic employees are able to exploit those gaps.

Total shrink sits at \$90B across all channels, but the operational damage extends well beyond missing inventory. Employee theft, operational errors and ORC add up to \$47B in total shrink for retailers.

The shrink-scape



Employee theft accounts for **29%** of total shrink (\$26B)



Inventory errors account for **21%** of total shrink (\$19B)



Operational errors account for **13%** of total shrink (\$12B)



Organized retail crime accounts for **10%** of total shrink (\$9B)

Note:

Returns account for an additional 20% of total shrink, with the remaining 7% attributed to unknown causes.

Employee Theft

\$26B | 29% of shrink

Associates processing fraudulent transactions create phantom inventory, so where the system expects ten units, only two remain. Fake refunds, unauthorized voids, and collusion schemes drain both sales and margins while distorting the data retailers use for ordering decisions.

Inventory Errors

\$19B | 21% of shrink

Distribution center mispicks and transfer errors create a cascade of inaccurate counts. These drive out-of-stock conditions that cost sales and erode brand loyalty, while losses accumulate undetected. Mismatched pairs or sets rendered unsellable add to the damage.

Operational Inefficiencies

\$12B | 13% of shrink

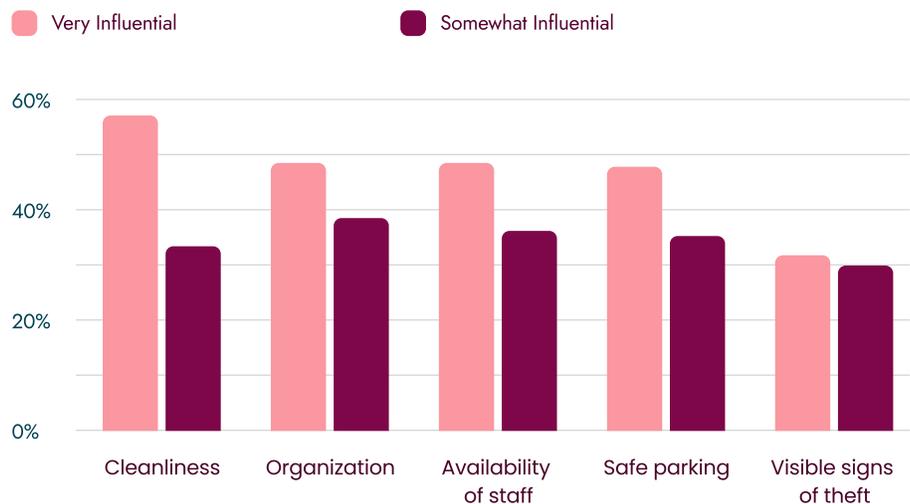
Perishable spoilage. Damaged merchandise. Missed recalls. Coupon abuse. Price manipulation. In some categories, operational losses account for up to 70% of store shrink-waste that goes unnoticed until it shows up on the P&L.

Safety, perceived and actual

Shoplifting, particularly in organized retail crime, surged by double digits in the past year and now accounts for \$9B in total shrink. Internal theft has also increased. These issues create safety concerns that drive customers away and out-of-stock conditions that cost sales, impacting both revenue and brand loyalty.

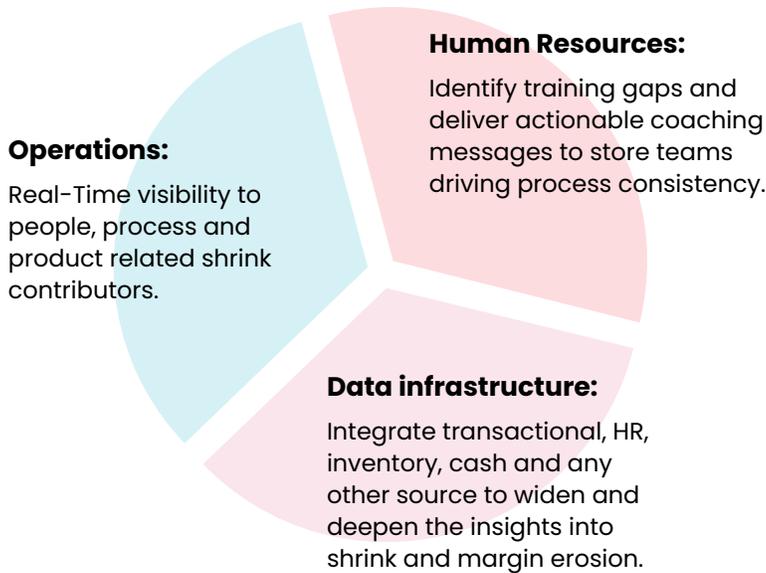
Over a quarter of shoppers (27.6%) would stop buying from a retailer if they felt unsafe in stores.

Influence of environment on purchasing



AI in action

Addressing shrink means connecting three systems that typically operate independently:



Traditional forensic systems are one-dimensional. They only identify things like employee theft, and often only one behavior at a time. Meanwhile, retailers might face thousands of dollars in losses over months and years of “investigation.” With AI-enhanced analytics, retailers get insight into issues as they occur.

6X FASTER

Appriss customer data shows that retailers who adopt AI-enhanced exception analytics identify root causes 6x faster.

Top-Down

Store performance for operators

- Which locations are underperforming
- Regional loss patterns across categories
- Where to focus resources

Bottom-Up

Granular insights for LP & Ops teams

- Which employees need coaching
- Which products drive shrink
- Which processes are breaking down

Starting at the root

These AI systems connect POS data, inventory counts, and transaction patterns to determine whether high shrink is internal fraud versus external theft, eliminating the guesswork about where to focus resources.

Tomorrow's TRL and you

As this report has shown, loss prevention now extends far beyond traditional ideas of “shrink.” Returns fraud and abuse are the bigger issue—as customers often don’t even realize they’re committing these abusive behaviors (but won’t go running if you warn them that they are).

Retailers are already protecting profits without sacrificing customer experience by taking a Total Retail Loss approach.

Loss prevention is no longer a department-level effort. It’s an enterprise strategy — bringing together loss prevention, operations, finance, and customer experience under a shared mandate: reduce total loss while protecting margin and loyalty.

This next wave of loss prevention will merge two capabilities most retailers still treat separately:

The pillars of tomorrow's TRL

Customer risk models with real-time return decisioning

Loss analytics with forensic AI

Retailers who unify these will spot abuse earlier, protect high-value relationships, and maintain friction-free experiences that build long-term loyalty. Fraud thrives in the gaps between systems. In an omnichannel world, unified data is the best defense.

The AI advantage

Modern TRL solutions combine two types of AI:

Real-time decisioning based on customer risk models stops fraud as it happens—approving legitimate returns, warning high-risk behaviors, and declining abuse at the point of sale.

Forensic AI within loss analytics identifies root causes after the fact—surfacing patterns across employees, locations, products, and processes to prevent future loss.

Together, these capabilities let retailers significantly reduce:

- High processing costs
- Time spent decisioning on returns
- Complexity of returns analytics

Bracketing/wardrobing, fraud, and inconsistent shopper experiences

Returns management

- Approve legitimate returns
- Warn to improve behavior and decline fraudulent or abusive activity
- Protect margins without hurting customer relationships

Shrink management

- Spot risk, from fraud to operational errors, across employees, locations, product and processes
- Empower teams to investigate issues, optimize workflows and coach on trends that protect profits

In practice this means:

Surfacing issues as they happen:

- Identifying which specific associates are processing the most refunds/voids in real-time (not weeks later)
- Flagging organized retail crime rings while they're actively operating
- Spotting inventory adjustment patterns tied to specific employees immediately

Identifying loss prevention patterns:

- Ranking top returners automatically
- Correlating inventory adjustments to specific POS behaviors
- Identifying location-specific return patterns that might indicate pricing issues or competitive pressures

By using AI-enhanced tools across both returns and shrink, retailers are seeing nearly 29% reductions in total loss, saving them upwards of \$86B.

Progressive optimization: getting started

For returns specifically, retailers implementing AI need to take an approach that allows them to progressively optimize AI-decision-making thresholds without harming customer relationships.

Day One: Start with data gathering – act on clear cases while placing uncertain cases on "forced approval" to collect behavioral data

Early Learnings: Use AI to identify patterns and quantify impact before making any changes to operational processes and procedures.

Collaborative Evolution: Make data-based decisions to calibrate thresholds gradually.

This process isn't about dramatic overnight changes but about evidence-based, incremental improvements that build retailer confidence over time.

The path forward

If you're ready to move beyond reactive loss prevention and build a TRL strategy that protects both margins and relationships, let's talk.

Run the numbers for your category with our [Total Retail Loss Calculator](#).

In the backroom: sources and methodology

The Appriss TRL Report by the numbers

This report combines three data sources to provide both breadth and depth on total retail loss:

Customer survey

We conducted an online quantitative study of 1,020 U.S. customers aged 18+ who made at least one return in the past year. The survey ran in [December, 2025]. Respondents were balanced across gender, generation, and return frequency to ensure representative coverage of occasional, frequent, and very frequent returners.

Survey responses were weighted to reflect U.S. population demographics and validated against known industry patterns. Where customer self-reporting diverged from observed behavior in Appriss systems, we noted the gap and prioritized observed data for financial projections.

Who we surveyed

Gender

-  Male (529)
-  Female (480)

Generation

-  Gen Z (169)
-  Millennials (298)
-  Gen X (282)
-  Boomers (265)

Return Frequency

-  Occasional Returners (798)
-  Frequent Returners (132)
-  Very Frequent Returners (84)

**all respondents aged 18+, have made at least one return in the past year*

Appriss customer data

Actual transactions and internal analytics from 250 million unique customer identifiers across Appriss Retail clients provided real-world validation of customer-reported behaviors. This data informed our estimates on fraud rates, abuse patterns, processing costs, and the effectiveness of warn and approve interventions.

Industry benchmarks

We referenced available data points from 2022 through 2025 on shrink rates, organized retail crime, and omnichannel adoption from The National Retail Federation (NRF), Appriss Retail internal stats, as well as inventory returns research and publicly available data from ECR Retail Loss, IHL Group, and Deloitte. We used this data to contextualize our findings within the broader TRL environment.



Appriss Retail is the total retail loss solution for omnichannel, unifying high-quality data from stores, online, and customer service to reduce returns, cut shrink, and manage incidents in one connected platform. By combining AI-driven exception analytics with real-time return risk decisions, we help more than 60 of the top 100 retailers balance margin and customer experience while putting hundreds of millions back to the bottom line.

Learn more at apprissretail.com.