

ROBERT E. WILKES

# FRAUDULENT BEHAVIOR BY CONSUMERS

The other side of fraud in the marketplace: consumer-initiated fraud against business.

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Retail-level fraud by consumers is an expensive fact of life for businessmen and consumers. Consider:

- Fraudulently cashed checks total at least \$1 billion each year.<sup>1</sup>
- Fraudulent redemption of coupons is now estimated at \$100 million annually.<sup>2</sup>
- Store losses due to shoplifting now amount to a hidden tax of \$150 on each family in the United States every year as a result of these losses being passed on to customers in the form of higher prices.<sup>3</sup>
- Because of these and other consumer-level abuses against retailers, approximately \$2 billion must be spent annually on store security.<sup>4</sup>

Although these figures clearly indicate the economic impact of consumer-initiated fraud, they do not reveal the underlying behavioral dimensions of the problem. Zabriskie has demonstrated the boldness and ingenuity of consumers as they practice various fraudulent activities.<sup>5</sup> An attempt to relate certain types of fraud to a set of demographic characteristics using

self-reporting techniques has been reported by Jolson.<sup>6</sup> But the marketing literature lacks an examination of consumer attitudes toward fraudulent behavior and the reason for its increase.

The study reported here was motivated by the need to examine, from a behavioral perspective, fraudulent activity by consumers. This article is organized into two major sections: *First*, the results of a field study designed to assess consumer attitudes toward and perceived seriousness of various fraud situations. *Second*, a rationale for consumer dishonesty considers why such behavior occurs. A concluding comment briefly addresses how management might combat the problem of consumer-initiated fraud.

## Consumer Attitudes

Four aspects of fraudulent behavior by consumers were studied:

- How "wrong" consumers perceive a defined set of fraudulent activities to be.
- The degree of perceived participation by consumers in these activities.
- How serious consumers consider these activities to be.
- Whether consumers favorable to business differ from anti-business consumers regarding the first three issues.

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## Toward Fraudulent Situations

Based on a literature search and interviews with numerous retail managers, 15 frequently encountered fraudulent situations were identified. Three to four sentence scenarios describing a consumer in these situations were developed for presentation to the study respondents (Exhibit 1). Interspersed among these "negative" situations were several situations where consumers were portrayed taking the "correct" or non-fraudulent action in order to reduce the possible set effects of respondents reacting to scenarios which consistently portrayed "wrong" behavior. For each situation, respondents were asked:

- How wrong the customer was on a four-point scale, ranging from "not wrong at all" (1) to "definitely wrong and the behavior inexcusable" (4).
- How often the respondent's friends would behave in the manner described, ranging from "never" (1) to "most of the time" (4).
- Assuming management knew of the situation, what action was perceived to be appropriate, ranging from "nothing" (1) to "turn the customer over to the authorities" (4).

## Analyzed for Activism

Classification of respondents according to their attitudes toward business in general was accomplished with a methodology developed by Hustad and Pessimier in their attempt to identify "activist" consumers.<sup>7</sup> Based on responses to a battery of semantic, differentially-scaled variables spanning various dimensions of business and marketing practices, scores were created for each respondent for the following items found by Hustad and Pessimier to discriminate best between responses:

- American businesses are honest.
- Television industry does a "good" job.
- Products and services are of high quality.
- Pollution is a serious problem.
- Business is responsive to consumers.
- The auto industry does a "good" job.
- Businesses are concerned about the public they serve.
- There are too many brands and products available today.

After normalization by respondents, these scores were subjected to the Howard-Harris cluster program. Three groups of respondents were identified and selected as the best level of grouping based on the minimum within-group variance attained. By examining the direction and intensity of sum scores, these clusters were classified as pro-business, neutral or uncommitted in their views, and anti-business.

## EXHIBIT 1 Fraudulent Situations Presented to Respondents

1. Hoping that no one is watching, a customer takes a \$5 product from a store without paying for it.
2. While shopping for a new shirt, a customer notices the price tag peels off the package very easily. The customer takes off this price tag, replaces it with the price tag from a lower-priced shirt, then purchases the shirt at the lower price.
3. A customer bought a product on sale at one store and took the item back for a refund at the full, regular price at another store. There was nothing wrong with the product itself.
4. A customer finishes buying groceries and, while checking out, presents several coupons for cash discounts to the clerk. Some of the coupons given to the clerk are for products which the customer did not purchase during that shopping trip.
5. To pay for an item just purchased, a customer writes a check for the amount to the store. The customer knows that when the check is presented to a bank for payment, the account will not have enough funds to enable the store to receive its money.
6. While doing the weekly grocery shopping, a customer eats a snack item in the store. The customer fails to pay for the item, however, when checking out.
7. A new, higher price sticker has been placed on a product. A customer is able to peel back the sticker and notices that the older price is lower. The customer completely peels off the new sticker and pays the lower price for the product.
8. A woman buys a dress on Friday to wear for an important occasion on Saturday. On Monday, she returns the dress to the store and demands a refund, claiming the dress is not what she wanted. The clerk notices traces of makeup and perspiration stain on the dress from the dress being worn over the weekend.
9. A customer discovers that her bill at a local store is less than what it should be because of a favorable billing error made by the store's computer system. The store mistakenly shows a \$10 payment as a \$20 payment by the customer. She does not bring the error to the attention of the store.
10. After getting home and unloading the groceries, a customer discovers that the store failed to charge for a food item. The customer does nothing about the mistake.
11. Knowing that the warranty period has already ended, a customer still makes a claim for product repair to be performed under the warranty.
12. At the checkout register, the clerk accidentally gives back too much change to a customer. The clerk gave the customer change for a \$10 bill when the customer actually gave the clerk a \$5 bill. She does not inform the clerk of the mistake.
13. A customer takes an article priced at \$5.49 to the checkout stand. The cashier charges the customer \$4.49. Although the customer sees the mistake, she says nothing about it.
14. A customer notices that certain prices have been lowered by the store by simply marking through the old price and writing the new price in red ink. The customer has a red pen, so price reductions are simply made on a few of the products the customer wants to buy. She then pays the lower price.
15. After her car is damaged by another driver, an individual files the appropriate claim for repairs. She has included in the claim, however, several dents and scratches that were already on the car before the accident, hoping to get all the damage fixed on the other driver's insurance.

The study respondents were middle-income housewives selected through area sampling techniques from a southeastern university community. Self-administered questionnaires were used and respondent anonymity assured. Middle-class respondents were selected because of the general community orientation and indications that certain fraudulent activities (e.g., shoplifting, use of slugs in subways, and price tag switching) are most associated with middle-class consumers.<sup>8</sup>

Middle-class areas were identified and marked on a map of the community. After random selection of specific blocks within these areas, interviewers were assigned to leave the questionnaires with potential respondents, provide necessary instructions, and pick up the completed questionnaires. The response rate was 85 percent. After discarding 10 incomplete questionnaires, 290 usable questionnaires resulted.

## Difference in Attitudes

Exhibit 2 presents the mean responses on each of the fraud situations for the three clusters of respondents. For ease of interpretation, the original scores have been transformed from a 1-to-4 scale to a 100-to-400 scale.

Before discussing how respondents viewed these situations, it is appropriate to ask whether the three groups exhibited distinct perceptions. Hustad and Pessemier found anti-business consumers to be "an activist, avant-garde segment of society with both the motivation and the capacity to initiate change—largely through correcting what they view as the defects in current institutions and practices."<sup>9</sup>

## Activism Insignificant

Inclusion of a procedure for identifying pro- and anti-business customers in the study reported here was motivated by the questions of whether business has more to fear from its "opponents" than its "friends"—that is, can pro-business customers be relied upon to assist management in its efforts to reduce fraudulent activity? The data in Exhibit 2 were submitted to a one-way, multivariate analysis of variance to determine if the three respondent groups differed with respect to their mean response vectors (Exhibit 3). The null hypothesis of equal treatment effects (i.e., equal vectors across the three respondent clusters) is rejected at the significant level  $\alpha = .05$  if either Wilks'  $\Lambda < U_{(0.5,42)}^{.05} = .731$ , or Roy's  $\theta > \theta_{(2.0,18.5)}^{.05} = .235$ . Calculated values for these criteria are  $\Lambda = .875$  and  $\theta = .140$ ; consequently, the null hypothesis cannot be rejected. If the responses concerning the projected participation in these situations are eliminated from the data and then reanalyzed via MANOVA, the null hypothesis is still not rejected.

It would appear that one's general attitude toward business has little effect upon how one views a specific set of fraudulent activities directed against business by consumers. This tentative finding must obviously await confirmation or refutation from other studies. Based on the lack of association demonstrated in this study, however, responses for the three groups were combined for discussion purposes.

## General Disapproval

Exhibit 4 reveals a general disapproval of the stated fraudulent acts, although some are clearly less "wrong" than others. In examining Exhibit 4, it is, perhaps, more revealing to look at the responses relative to each situation and the distribution across the four categories rather than considering only absolutes. For example, the activities which respondents most strongly condemned—shoplifting, replacing price tags on items, returning a worn dress for a refund, and changing prices on items by writing in a new price—are those that require overt action and, it might be argued, are more associated with detection than other types of fraud. Alternatively, respondents may simply have perceived these activities as categorically wrong irrespective of the probability of detection. At the same time, certain other offenses that would seem less subject to immediate detection were clearly less "wrong" in the opinions of the study respondents. Eating a snack item in a grocery store and not paying for it was classified as inexcusably wrong by only 83 percent of the respondents, yet this action is tantamount to shoplifting.

## Points of Tolerance

Respondents were particularly tolerant of two fraudulent situations created by the business firm itself. Less than one-fourth of the sample classified as unconditionally wrong the failure by a customer to report an item not charged for during checkout. Similarly, respondents appear to be less concerned when the store charged less for an item than the price marked. The implication being that errors caused by the business firm itself are misfortunes not requiring corrective action by consumers.

Four other situations involving overt action by respondents were also perceived as being considerably less serious, ethical violations than might be expected. While respondents seem to frown upon replacing price tags and remarking prices, they are not reluctant to peel away higher price tags to reveal a lower price. One or more price stickers on an item may be such an obvious signal of a price increase that consumers feel justified in reversing it.

Also, respondents appear tolerant of those who attempt to get coupon credit on items for which they

lack coupons; nearly one-third refused to classify such behavior as inexcusably wrong. Similar tolerance was noted for other offenses. Nearly one-half of the respon-

dents saw fraudulent warranty claims as other than categorically wrong and 20 percent looked at over-claiming insurance in the same way.

**EXHIBIT 2**  
Mean Responses for Each of Three Groups to Three Measurements of Fifteen Fraudulent Situations

SITUATION		PRO-BUSINESS (n=116)	NEUTRAL (n=114)	ANTI-BUSINESS (n=60)
Shoplifting	Attitude <sup>a</sup>	395	397	400
	Participation <sup>b</sup>	146	176	135
	Action <sup>c</sup>	329	341	348
Replacing Price Tag	Attitude	398	387	400
	Participation	156	178	130
	Action	320	324	322
Refund on sale item	Attitude	380	378	382
	Participation	180	173	164
	Action	347	357	377
Dishonest coupon use	Attitude	369	357	361
	Participation	198	197	178
	Action	358	349	352
Worthless check	Attitude	384	381	387
	Participation	166	167	139
	Action	324	325	330
Eating item in store	Attitude	388	377	387
	Participation	222	192	207
	Action	256	262	267
Peel off higher price	Attitude	338	339	347
	Participation	259	219	271
	Action	228	232	236
Return worn dress	Attitude	397	400	400
	Participation	200	135	147
	Action	350	389	353
Billing error	Attitude	369	381	393
	Participation	250	208	227
	Action	256	277	260
Food item not charged	Attitude	304	305	315
	Participation	321	332	323
	Action	204	224	215
Warranty claim	Attitude	350	331	346
	Participation	225	277	262
	Action	341	331	331
Change error	Attitude	396	370	369
	Participation	263	265	246
	Action	254	262	277
Undercharged item	Attitude	341	331	335
	Participation	318	308	275
	Action	231	203	215
Pen price change	Attitude	383	395	395
	Participation	228	154	155
	Action	306	315	315
Insurance claim	Attitude	394	369	355
	Participation	261	229	230
	Action	306	303	305

<sup>a</sup>Higher values indicate higher disapproval.

<sup>b</sup>Higher values indicate higher participation.

<sup>c</sup>Higher values indicate more severe action preferred.

In summary, while the fraudulent behavior described to respondents in this study was generally perceived by them to be "wrong," this assessment was not absolute; rather, it was qualified and varied. It is likely that this study underestimates consumer propensity to condone such activities.

## Differences in Behavior

Although this study was primarily concerned with respondents' attitudes toward and perceived appropriate action for the fraudulent behavior described, an attempt was made to estimate how widespread this behavior really is. In spite of certain shortcomings, projective techniques seemed most appropriate for this purpose. Rather than viewing the responses as indicative of respondents' likelihood to engage in the behavior themselves, these answers may be regarded as suggestive of

the diffusion of such behavior within a given socio-economic stratum. Either perspective offers valuable information.

The data in Exhibit 5 are revealing on this point. Shoplifting, for example, was viewed as frequent behavior by one of every 10 respondents. And, while 70 percent of the study respondents claimed their friends would never shoplift, 30 percent could not make such a claim. Note that one of every four respondents felt her friends would, occasionally, attempt dishonest use of coupons or eat an item in a grocery store without paying for it.

By scanning the first two columns of Exhibit 5, the perceived diffusion of these fraudulent activities is clear. Of the 15 situations described, only four (three if shoplifting is excluded) reflect frequent participation by fewer than 10 percent of the respondents. Five situations reflect frequent participation by friends of at least 20 percent of the respondents; two situations reveal frequent participation in the 30 percent range; and one situation was viewed as typical behavior by over 45 percent of the total respondent set.

The results seem to suggest strongly that respondents do not view the fraudulent behavior described in this study as rare phenomena. Disregarding the temptation to view respondents' projective answers as really reflecting their own participation fails to offset the implications of this finding.

**EXHIBIT 3**  
MANOVA Table for Mean Responses to Fifteen Fraud Situations

Source	d.f.	SSy <sup>1</sup>	SSy <sup>2</sup>	SSy <sup>3</sup>
Respondent groups	2	0.00174	0.40894	0.04055
Error	43	2.89986	12.47166	11.49003
Total	45	2.90160	12.88060	11.53058

**EXHIBIT 4**  
Attitude Toward Fifteen Fraud Situations (N=290)

Situation	Percent Viewing Behavior As			
	Definitely Wrong	Not Serious	Understandable	Not Wrong
1. Returning worn dress	98.6%	1.4%	0.0%	0.0%
2. Shoplifting	98.3	0.8	0.0	0.9
3. Changing price by pen	96.1	1.3	1.3	1.3
4. Replacing price tag	95.7	3.4	0.9	0.0
5. Using worthless check	85.2	13.1	1.7	0.0
6. Eating in store	83.8	16.2	0.0	0.0
7. Billing error not reported	83.8	10.8	5.4	0.0
8. Charge error at checkout	81.1	16.2	2.7	0.0
9. Refund on sale item	80.9	18.2	0.0	0.9
10. Overclaimed insurance	79.2	15.6	3.9	1.3
11. Dishonest coupon use	68.1	29.3	0.0	2.6
12. Peeling off higher price	58.1	29.7	5.4	6.8
13. Invalid warranty claim	52.8	36.1	9.7	1.4
14. Undercharged item	52.6	34.2	7.9	5.3
15. Food item not charged	24.3	64.9	4.0	6.8

**EXHIBIT 5**  
**Projective Participation in Fifteen Fraud Situations**

Situation	Percent Whose Friends Would Act As Described			
	Most of time	Once in a while	Very Seldom	Never
1. Returning worn dress	20.3%	0.0%	4.0%	75.7%
2. Shoplifting	9.5	1.7	20.7	68.1
3. Changing price by pen	11.7	3.9	28.6	55.8
4. Replacing price tag	10.4	2.6	21.8	65.2
5. Using worthless check	7.0	9.5	20.0	63.5
6. Eating in store	23.0	4.0	33.8	39.2
7. Billing error not reported	20.3	18.9	33.8	27.0
8. Change error at checkout	32.4	16.2	31.1	20.3
9. Refund on sales item	7.0	10.4	33.0	49.6
10. Overclaimed insurance	10.5	35.6	34.2	19.7
11. Dishonest coupon use	7.8	18.9	33.6	39.7
12. Peeling off higher price	20.5	23.3	38.4	17.8
13. Invalid warranty claim	22.2	34.7	20.9	22.2
14. Undercharged item	37.3	34.7	20.0	8.0
15. Food item not charged	45.9	36.5	16.2	1.4

### Appropriate Action

Respondents in this study seem to have expressed two views concerning the set of fraudulent behavior presented to them: *First*, certain of the activities are much less objectionable than others and few are categorically wrong. *Second*, consumers who commit these fraudulent activities are not strangers to large numbers of the respondents. How serious the various frauds are is the next point explored. Respondents' perceptions of the appropriate action for consumers known to have committed offenses are summarized in Exhibit 6.

One implication from Exhibit 6 is respondents' aversions to involving the authorities when store management knows an offense has occurred. Even for shoplifting, 61 percent of the respondents felt a warning and financial restitution to be sufficient action for the offense. Similarly, two-thirds of the respondents felt that a warning and financial restitution to be sufficient when a customer issues a check as payment for goods knowing the check would not clear her account due to insufficient funds. It should be noted that both offenses are calculated, purposive acts of theft.

Of the three means for altering the marked price of an item, respondents perceived the removal of new price stickers (to reveal lower prices) to be the least serious; over 58 percent felt that store management should not confront the offending consumer at all, but simply take preventive action to lessen the likelihood of this event in the future. Replacing price tags or marking

in new prices by pen were more likely to justify a warning and demand for financial restitution.

### Prevention vs. Confrontation

It is interesting to note that large numbers of respondents felt that nothing more than preventive action should be taken for some of the activities, and that no confrontation of the consumer should occur at all.

In essence, this view would permit the offense to stand unchallenged as far as that particular consumer was concerned. For example, approximately one in 10 respondents expressed this feeling for obtaining a regular price refund on an item purchased on sale, using coupons dishonestly, returning for full refund a worn dress, changing a marked price by writing in a new price, and overclaiming insurance damage. This percentage increases to the 30 range for eating an item in a store without paying for it, not reporting a favorable billing error, and not reporting a favorable change error during checkout. For other offenses, the percentages go into the 70 and 80 range.

Respondents clearly preferred that the situation be kept between the consumer and store manager and not involve the authorities. The view being expressed seemed to be that (a) these things may generally be classified as "wrong" although not categorically so; (b) many people in fact are engaged in doing these things; and (c) when caught, consumers should be permitted to buy their way out and the matter forgotten.

There seems also to be a hint of store responsibility for the fraudulent situation that transcends consumer responsibilities; i.e., if these situations now occur, the store should tighten its security procedures to keep them from happening. In other words, these activities occur because of business negligence, not because of consumer dishonesty. At the same time, it appears that publicizing the apprehension of offenders might deter future offenders.

## Rationale for Consumer Dishonesty

Why do consumers view fraudulent behavior towards business in a way that is often non-critical and even approbative? While a full response to this question is beyond the scope of this article, several factors may be identified to provide some understanding of the fraudulent behavior exhibited by respondents in this study.

### "Business Deserves It"

One aspect of the consumer's rationale for dishonesty toward business is the prevalent view towards business itself. The literature on consumerism contains documentation of deceptive marketing practices, defective products, ineffective warranties and other abusive behavior directed by business against consumers. A recent national public-opinion survey by Louis Harris reports that the public is deeply dissatisfied with busi-

ness and government for their failure to assure them a fair shake in the market place.<sup>10</sup> One retail executive has observed that consumers today view business as a natural adversary in which their confidence is at an all-time low.<sup>11</sup>

A study of price tag switching confirmed this view among switchers who saw themselves as getting goods at a fair price and taking advantage of a company fully deserving it.<sup>12</sup> The study reported here revealed, however, that consumers who could generally be regarded as pro-business are as likely to engage in fraudulent behavior as are anti-business consumers.

### The Non-Criminal Perception

According to one theory, Americans tolerate theft as long as it is gentle and unassuming and does not involve guns or threats.<sup>13</sup> Certainly the fraudulent situations reported here are so categorized. There is no conspiracy or violence on the part of consumers, only individual acts. A reexamination of Exhibits 4 and 6 reveals the lack of seriousness respondents manifested with regard to certain of the situations, especially those for which detection or personal confrontation was less likely. The motivation in thefts such as this may be that expressed by one souvenir collector who articulated her reasoning as follows: "There's nothing wrong with taking little things from hotels. I think they expect you to take at least a towel. Anyway, if you have something marked

**EXHIBIT 6**  
Perceived Appropriate Action For Fifteen Fraud Situations (N=290)

Situation	Percent Who Felt Management Should			
	Do Nothing	Take Preventive Action	Give Warning	Notify Authorities
1. Returning worn dress	2.7% <sup>a</sup>	8.1%	10.8%	78.4% <sup>i</sup>
2. Shoplifting	1.7	0.0	59.5	38.8
3. Changing price by pen	1.3	7.8	67.5	23.4
4. Replacing price tag	0.9	3.4	69.8	25.9
5. Using worthless check	0.9	6.1	60.0	33.0
6. Eating in store	4.1	32.4	63.5	0.0
7. Billing error not reported	4.1	32.4	62.1	1.4
8. Change error at checkout	1.4	36.4	60.8	1.4
9. Refund on sales item	1.7 <sup>a</sup>	8.7	23.5	66.1 <sup>b</sup>
10. Overclaimed insurance	1.3	11.7	68.8	18.2
11. Dishonest coupon use	2.6 <sup>c</sup>	6.9	26.7	63.8 <sup>d</sup>
12. Peeling off higher price	11.1	47.2	41.7	0.0
13. Invalid warranty claim	2.8 <sup>e</sup>	13.9	29.1	54.2 <sup>h</sup>
14. Undercharged item	5.3	77.4	17.3	0.0
15. Food item not charged	6.8	72.9	17.6	2.7

<sup>a</sup>Give refund

<sup>c</sup>Accept coupons

<sup>e</sup>Accept return

<sup>g</sup>Accept claim

<sup>b</sup>Refuse refund

<sup>d</sup>Refuse coupons

<sup>f</sup>Refuse return

<sup>h</sup>Refuse claim

with their crest, it's good for them. After all, I show off these things to my friends."<sup>14</sup>

### **Middle-Class Dishonesty**

More and more shoplifters are middle- and upper-income individuals;<sup>15</sup> price tag switchers have been found to be mostly middle- to upper-class consumers;<sup>16</sup> and the use of slugs in subway turnstiles is essentially a middle-class offense.<sup>17</sup> With their respectability usually assumed by retailers, middle-class consumers have opportunities for in-store theft or fraud not available to the poor and unemployed. The opportunities for in-store theft are compounded by the increased use of open displays and self-service merchandising. One authority states that "good" citizens are distinguished from criminals only by the degree of violence used.<sup>18</sup>

### **Reluctance to Get Involved**

A contributing factor to consumer dishonesty is an environment that is largely uncritical and reluctant to become involved with others' deviant behavior. In two studies of shoplifting, fewer than 30 percent of the customers viewing the incident reported it to store officials without prompting.<sup>19</sup> In another study, clearly observed acts of shoplifting were not reported spontaneously by the majority of shoppers.<sup>20</sup>

### **Untrained Store Employees**

Store personnel contribute to consumer dishonesty in at least two ways:

First, experts on retail crime estimate that employees are also major shoplifters of the goods they sell.<sup>21</sup> One study revealed that 50 percent of the sample of retail employees questioned admitted taking things from their employers.<sup>22</sup>

Second, store personnel are often unwilling to confront customers suspected of some type of fraudulent behavior. Premature or inappropriate responses may result in public embarrassment of the customer, the store employee, and even the business firm itself, particularly if legal action is taken by the customer.

## **Conclusion**

This article attempted to provide additional documentation of the problem of consumer fraud against business. As has been established, a respondent's general attitude toward business itself has little bearing on that respondent's general attitude or involvement in the particular set of fraudulent behavior included in the study. The study also showed respondents to be very tolerant of certain types of fraud against business, which result in multi-million dollar losses annually.

Additional study of consumer social and cultural values would be particularly helpful. Nicosia and Mayer, for example, emphasized the necessity for understanding interactions between consumption and

other societal characteristics.<sup>23</sup> Also worthy of investigation is the variations in fraudulent behavior and attitudes among social classes, the relative effectiveness of various appeals or warnings, and continued monitoring of consumer reactions to communications and preventive programs. Part of the research should be directed at establishing, in detail, consumer opinions about business itself, its strong and weak points, so that abuses and frauds that victimize consumers can be isolated and minimized.

It is not within the scope of this article to detail a program for management to follow in dealing with consumer-initiated fraud. Based on the preceding discussion and field study, however, some speculative observations are appropriate.

For one thing, it is likely that the level of consumer-initiated fraud will intensify over the next several years. The factors currently underlying the observed pattern of fraudulent behavior are not likely to change perceptively in the near future. Thus, business can expect a now costly problem to grow even costlier.

This clearly implies even greater allocation of resources to procedures and measures aimed at detecting and preventing consumer fraud. Given widespread use of open display and self-service merchandising, the opportunities for in-store fraud abound. Thus, in-store security procedures such as electronic tags, non-removable price labels, television surveillance, and similar measures will become more and more necessary. Registration and validation procedures for warranties must be tightened.

Considering the reluctance of respondents in this study to involve non-store authorities when fraudulent behavior was discovered, management might consider public exposure of certain cases, particularly shoplifting. Media and in-store promotions should stress the serious consequences of such behavior.

The problem of fraudulent behavior by customers is a complex and expensive one for business—one that is increasing in scope and intensity. The study reported here sheds additional evidence on the nature of that behavior, why it may occur, and what business might consider in response to the problem. Only the surface has been scratched, however. Much more work needs to be done to determine what courses of action are best. As the costs of the problem mount, so does the pressure for dealing with it directly and fully.



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**ENDNOTES**

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