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Article

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Fraudulent consumers — the attitudes of young people to consumer-initiated fraud against business

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One of the most perturbing facts about deviant consumer behaviour is that the vast majority of fraudulent acts are committed by young people. Researchers are of the opinion that deviant consumer behaviour is essentially a question of attitudes. The study described in this article parallels one conducted by Wilkes in the USA, differing in that the research was carried out on young respondents. The objectives were to determine: attitudes towards fraudulent consumer activities; whether differences exist between the attitudes of male and female respondents; whether the results would differ significantly from the Wilkes study; and attitudes towards a further five situations not used in the Wilkes study.

The results obtained amplify Wilkes' findings in every way. The article concludes that business should take a close look at its own approach to security, and that fraudulent consumer behaviour is the result of attitudes such as 'they can afford it' and 'it's not really stealing'.

S. Afr. J. Bus. Mgmt. 1982, 13: 183 – 188

Een van die mees verwarrende feite ten opsigte van afwykende verbruikersbedrog is dat die oorgrote meerderheid bedrog deur jongmense gepleeg word. Navorsers beweer dat houdings afwykende verbruikersgedrag bepaal. Die ondersoek in hierdie artikel kom ooreen met die ondersoek wat deur Wilkes in die VSA gedoen is, maar verskil daarin dat die navorsing hier op jong respondente uitgevoer is. Die doelwitte was om die volgende te bepaal: houdings teenoor bedrieglike verbruikersaktiwiteite; of daar verskille tussen manlike en vroulike respondente se houdings bestaan; of hierdie ondersoek se bevindings betekenisvol van dié van Wilkes s'n verskil; en houdings teenoor vyf verdere situasies wat nie in die Wilkes-ondersoek betrek is nie.

Die verkreeë resultate ondersteun en versterk beslis Wilkes se bevindings. In die artikel word daar tot die gevolgtrekking gekom dat ondernemings hul eie siening van sekuriteit weer van nader moet bekyk en dat bedrog deur verbruikers die resultaat is van houdings soos 'hulle kan dit bekostig' en 'dit is nie regtig steel nie'.

S.-Afr. Tydskr. Bedryfsk. 1982, 13: 183 – 188

A conservative estimate of shrinkage losses within the national retail trade as a whole for the years 1977/78, amounted to approximately R193 683 780.¹ Current rates of inflation are sure to have pushed this conservative figure well over the R200m mark today. In dollar amounts the passing of bad cheques in the United States of America exceeds all other crimes,² while in South Africa the problem is reaching crisis proportions.³

Estimates in the United States of America in 1975 were for a hidden tax of 150 dollars on each family imposed by shoplifting, as a result of retailers passing their losses on to consumers in the form of higher prices.⁴ Other fraudulent activities by consumers such as tag-switching and fraudulent exchange result in further retail losses.

Not only retailers, but other businesses such as insurance companies, hotels, finance houses and even local governments are feeling the financial uppercot of deviant consumer behaviour. Irregular insurance claims, misuse of credit cards and cutlery and linen theft all have monetary impact on their various business victims. The backlash unfortunately is not only felt by the guilty — the vast majority of honest consumers also bear the brunt of dishonesty in the only possible way — their pockets.

One of the most perturbing facts about deviant consumer behaviour is that the vast majority of fraudulent acts are committed by young people. One American study reported that approximately 50% of shoplifters are under 20 years old.⁵ South African research of a similar nature showed the same disturbing results — around 50%.⁶ Many security managers are of the opinion that shoplifting is a relatively unimportant contributor to the problem of retail inventory shrinkage — employee theft is the major cause.⁷ This may be so, but it does not detract from the problems of the youthful shoplifter. As Curtis has it, '... what makes the problem most complex is that the entire future life of a young person may be seriously affected by the action, or failure to take action, of the retail store'.⁸

Other fraudulent actions such as the passing of bad cheques and improper insurance claims are obviously not predominantly committed by young people. Many researchers are, however, of the opinion that deviant consumer behaviour is largely a question of attitudes, e.g. '... shoplifting is not really stealing'.^{9,10} The young person with an indifferent attitude to shoplifting or tag-switching

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easily becomes the adult with the couldn't-care-less attitude to passing bad cheques and faking insurance claims.

The Wilkes Study

Wilkes' study¹¹ was motivated by the need to examine from a behavioural perspective, fraudulent activity by consumers. The study considers two important aspects:

- Firstly an assessment of consumer attitudes toward and perceived seriousness of various fraud situations; and
- secondly, a rationale for consumer dishonesty considers why such behaviour occurs.

Three to four sentence scenarios describing fraudulent behaviour were presented to study respondents. The respondent was then asked:

- (i) How wrong the customer in the described situation was on a four-point scale, ranging from 'not wrong at all' (1) to 'definitely wrong and the behaviour inexcusable' (4).
- (ii) How often the respondent's friends would behave in the manner described, ranging from 'never' (1) to 'most of the time' (4).
- (iii) 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).

Wilkes also attempted to determine whether 'activism' is a determinant in attitudes towards fraudulent consumer behaviour. 'Activist' or 'anti-business' consumers might possibly have condescending attitudes to this behaviour. According to Wilkes' study, however, the influence of activism is insignificant. 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.

The study respondents selected by Wilkes were middle-income housewives, through area sampling techniques. Self-administered questionnaires were used and respondent anonymity assured.

In summary, while the fraudulent behaviour described to respondents in the study was generally perceived by them to be 'wrong', the assessment was not absolute; rather it was qualified and varied. Wilkes emphasizes the likelihood that the study underestimates consumer propensity to condone such activities.

The attitudes of young people toward consumer-initiated fraud against business

Businesses facing consumer fraud are confronted with two problems:

- that many consumer frauds are the domain of young people; and
- that attitudes are the key factor in deviant consumer behaviour.

These two problems were the motivating factors in a study conducted by the author during 1980/81. More specifically the objectives of the research were to:

- (i) Determine the attitudes of young people to fraudulent consumer activities:
 - (a) how wrong they perceived them to be;
 - (b) the degree of perceived participation by consumers

in these activities; and

- (c) how serious these activities were considered to be.
- (ii) Determine whether there were differences between male and female attitudes.
- (iii) Determine whether there were any significant differences between young white South African consumers and the American middle-income housewives in the Wilkes study.
- (iv) Determine attitudes to a further five fraudulent situations not used in the Wilkes study.

Methodology

The research utilized many of the techniques of the Wilkes study. Wilkes' 15 scenarios were used and a further five were developed and added, to form the questionnaire in Table 1. It will be noticed that the scenarios vary in severity from outright theft (shoplifting) to involuntary receiving of unpaid-for goods — scenario 10. The scenarios 16–20 are the ones added to the questionnaire. Scenario 16 might provide some insight into attitudes toward fraud against local government/government departments. It is hoped that the remaining four might elucidate further on the problem of fraud against 'big' or 'innominate' business.

The study respondents were white males and females not older than 21 years of age, but having left school, chosen on the basis of judgement/quota sampling. Respondents were requested to complete the questionnaire having been given complete instructions and after it had been ascertained that the respondent was 21 or under, and that he/she had left school. In this way the sample was of persons between ages 17–21. Interviewers then picked up completed questionnaires — resulting in a response rate of 96%.

Questionnaires were subjected to a spot check on consequence (e.g. a respondent perceiving shoplifting as wrong at phase 1, yet not believing there should be any follow up by business at phase 3. Or, a respondent who condemned everything at all phases in the strongest terms — all 4s at phase 3). In this way 131 usable questionnaires were obtained — 68 males and 63 females.

Phase 1: General disapproval of fraudulent activities

The degree of disapproval of the 20 scenarios is indicated in Table 2. It was explained to the respondents that the responses 1, 2, 3 or 4 would indicate the following:

- 4 = Definitely wrong
- 3 = Wrong
- 2 = Understandable
- 1 = Not wrong

In studying Table 2 it should be noticed that some of the situations presented were/are more serious than others and were perceived as such by the respondents. Situations 1, 2, 3, 6 and 8 were those that met with the strongest disapproval. Some of the situations are more associated with detection than the other types of fraud, and require more overt action, which may be another reason for their meeting with greater disapproval.

The general very low disapproval of situation 16 (one of the lowest of all) is especially interesting — it may be alarming to various administrative bodies! It would seem that the young respondents are of the opinion that if one can

Table 1 Questionnaire — fraudulent situations presented to consumers

1. Hoping that she won't be seen, a shopper takes a product valued at R5 and leaves the store without paying for it.
2. While shopping for a new shirt, a customer notices that the price label can easily be removed. He does so and replaces it with the price label of a cheaper product, and then purchases at the lower price.
3. A customer buys a product on a sale at one shop and returns it to another shop for a full refund at normal price. There is actually nothing wrong with the product.
4. While paying for groceries, a shopper presents several discount vouchers for products not actually purchased.
5. A client presents a cheque as payment for goods purchased. He is aware of the fact that there are insufficient funds in the bank to meet the cheque.
6. While shopping, a customer eats a snack in the shop. He leaves without paying for it.
7. A new price has been stuck over the old price of a product. The customer removes the new price and finds that the old price is lower — he presents the product for payment at the lower price.
8. A woman purchases a new dress on a Friday with the intention of wearing it on the Saturday night to an important event. On the Monday she returns the dress as being unsuitable and requests refund. There are sweat stains and make-up marks on the article.
9. A client receives his statement on which a payment of R10 is indicated as R20. He does nothing about this.
10. On arriving home after a shopping trip, a consumer notices that the shop has not charged her for a few items. She does nothing about this.
11. Knowing that the guarantee has expired, a customer still makes a warranty claim on a faulty item.
12. A sales assistant gives change for a R10 note, while the customer has actually presented only R5. The customer fails to inform the assistant of her mistake and accepts the change.
13. A customer presents a product marked R5,49 for payment. The cashier registers R4,49. The customer notices this, but does nothing about it.
14. A customer notices that the prices on some products have been lowered simply by crossing out the old price and marking the new price with a red pen. By coincidence the customer is carrying a red pen and marks the products she wants with it. She then presents the products for payment at the lower price.
15. After his car has been damaged in an accident, a motorist claims from his insurance company. Scratches and bumps not caused by the accident are included in the claim.
16. A tourist to a neighbouring state returns with R5 worth of the state's one cent pieces, which are identical in size to a South African five cent piece. The one cent pieces are then used in parking meters and telephones.
17. A motorist makes his own plastic parking slugs so that he never has to pay for parking in a Parkade.
18. A man makes his own roulette chips, identical to those used in a nearby casino. He uses these chips to gamble at the casino.
19. A motorist drives into a tree with his car which is not insured. He doesn't report the accident and immediately insures the vehicle. The following week he institutes a claim for the damage.
20. A R50 withdrawal on a credit card is shown on a client's account as a R50 deposit — a R100 fault in his favour. He does not report the mistake.

'score' at the expense of a local authority or government department, one should exploit the situation.

Shoplifting meets with the strongest disapproval, as could be expected, yet the eating of a snack item in the store meets with considerably lower disapproval. This is still tantamount to shoplifting/theft yet 50% of male, and 41% of female respondents did not feel it was 'definitely wrong'.

The two fraudulent insurance claim situations also met

Table 2 Degree of disapproval of situations

Situation		Percentage viewing behaviour as:			
		Definitely wrong	Wrong	Understandable	Not wrong
1. Shoplifting	M	75	23	2	—
	F	86	10	2	2
2. Tag-switching	M	47	37	14	2
	F	61	31	6	2
3. Refund on sale item	M	29	36	26	9
	F	41	33	20	6
4. Dishonest voucher use	M	12	43	23	22
	F	16	29	53	2
5. Bad cheque	M	60	26	12	2
	F	53	33	10	4
6. Eating snack	M	50	29	12	9
	F	59	33	4	4
7. Peeling off higher price	M	16	27	28	29
	F	14	44	29	13
8. Returning dress	M	46	40	11	3
	F	59	30	7	4
9. Statement error	M	8	24	38	30
	F	11	22	45	20
10. Items not charged	M	11	19	28	42
	F	10	17	42	31
11. Expired guarantee claim	M	12	38	37	13
	F	18	42	29	11
12. Change error	M	16	26	29	29
	F	17	27	44	13
13. Undercharging	M	12	31	26	31
	F	—	37	50	13
14. Changing price	M	60	27	10	3
	F	66	30	4	—
15. Overclaimed insurance	M	17	24	27	32
	F	13	38	24	25
16. False 5c pieces	M	11	22	32	36
	F	7	33	27	33
17. Own parking slugs	M	25	29	24	22
	F	24	36	33	7
18. Own roulette chips	M	37	21	23	19
	F	14	22	29	5
19. 'Late' insurance	M	30	32	22	16
	F	20	42	27	11
20. Credit card error	M	32	30	31	7
	F	24	38	37	5

with lower levels of disapproval, yet these are also direct acts of fraud. A possible explanation could be once more a feeling that if one can 'get away with it' with a large innominate body, why not?

General disapproval of acts associated with banking facilities — bad cheques and credit cards — and car ownership and parking slugs, is lower than one would have hoped for but one should remember that the group studied are perhaps to a large extent not availed of these facilities.

A disconcerting fact is that compared to Wilkes' USA study there is a far lower tendency to categorically classify fraudulent activities as categorically wrong. Wilkes obtained a definite disapproval of shoplifting of 98,3% — Table 2 shows an average for 'definitely wrong' of only 80,5%.

Interestingly the situation which met with the strongest disapproval in Wilkes' study was the returning of a worn dress — 98,6%. The average in Table 2 is only 52,5% 'definitely wrong'. In all situations this study of young people indicates a tendency among young consumers to spread responses — a lower propensity to categorize fraudulent situations as definitely wrong.

The only situation where a significant (in the author's opinion) difference exists between male and female response is in the case of the returning of the worn dress. Thirteen percent more females than males regarded this as definitely wrong, but one asks the questions: is it only perhaps that they thought they might be the next customer to buy it! Lower male involvement in the situation could be a cause of the lower response — a shirt or suit situation may have obtained a different response if presented.

Phase 2: The degree of perceived participation by consumers in fraudulent activities

In the second phase of the research respondents were asked to give an indication of participation by friends in the various fraudulent situations presented. Asking a direct question such as 'How often would you steal from a shop?' would most probably lead to more misleading results — the active shoplifter is by definition a dishonest person. Nevertheless, phase 2 represents an attempt to discover how widespread fraudulent behaviour really is. In spite of limitations, projective techniques '... seemed most appropriate for this purpose'.¹²

In a projective test the subject is presented with an ambiguous stimulus and asked to 'make sense of it'. The theory is that in order to make sense of it, the subject will have to add to it — to fill out the picture — and in doing so he will project his own needs and motive structure in his responses.¹³ Rather than asking respondents direct questions the answers provided by the projective questions in phase 2 may be regarded as suggestive of the diffusion of such behaviour within the social stratum under examination.

During phase 2 respondents were asked to what degree their friends would act as in the situations described. Responses were recorded as follows:

- 1 = My friends would behave as described *most of the time*.
- 2 = My friends would behave as described *once in a while*.
- 3 = My friends would *very seldom* behave as described.
- 4 = My friends would *never* behave as described.

The results of phase 2 of the research are presented in Table 3. It can easily be inferred from Table 3 that respondents do not view the fraudulent situations described as rare phenomena. Even an action as serious as shoplifting finds 'friends' participating — only 40% of respondents for both sexes claimed that their friends would never shoplift. Disregarding the temptation to view respondents' projective answers as really reflecting their own participation fails to negate the implications of this finding.

In general it would appear from Table 3 that male respondents seem to know more people who would participate in fraudulent activities. Especially in the case of less serious situations — undercharging, change errors and not reporting items not charged — males seem to have more friends who would exploit an advantageous situation.

Table 3 Projective participation

Situation		Percentage whose friends would act as prescribed:			
		Most of time	Once in a while	Very seldom	Never
1. Shoplifting	M	—	16	44	40
	F	—	9	51	40
2. Tag-switching	M	—	22	46	32
	F	4	32	42	23
3. Refund on sale item	M	10	28	34	28
	F	18	22	38	22
4. Dishonest voucher use	M	32	42	20	6
	F	16	64	13	7
5. Bad cheque	M	2	10	30	48
	F	4	18	27	51
6. Eating snack	M	4	30	38	28
	F	2	42	38	18
7. Peeling off higher price	M	22	46	18	14
	F	13	44	33	10
8. Returning dress	M	—	36	40	24
	F	2	31	40	27
9. Statement error	M	42	44	12	2
	F	38	42	16	4
10. Items not charged	M	54	36	4	6
	F	42	36	20	2
11. Expired guarantee claim	M	10	16	18	12
	F	10	62	24	4
12. Change error	M	48	38	10	4
	F	29	53	11	7
13. Undercharging	M	46	40	12	2
	F	29	56	13	2
14. Changing price	M	2	10	36	52
	F	2	18	50	30
15. Overclaimed insurance	M	20	26	42	12
	F	20	29	36	15
16. False 5c pieces	M	22	32	18	28
	F	24	36	33	7
17. Own parking slugs	M	28	30	28	14
	F	13	36	27	24
18. Own roulette chips	M	14	10	30	46
	F	4	20	24	52
19. 'Late' insurance	M	8	16	46	30
	F	10	36	33	21
20. Credit card error	M	10	12	30	48
	F	2	29	36	33

Activities such as using false coins, parking slugs and gambling chips merit consideration. It is doubtful that 28% of male respondents' friends are engaged 'most of the time' in the manufacture of false parking slugs! It should rather be inferred perhaps that given the opportunity, 28% of their friends would *never* hesitate to use them. The same observations are probably valid for the false five cent piece and roulette chip situations.

Once again, observed participation in frauds of a financial nature — bad cheques, insurance and credit cards — is probably of lower incidence because of the fact that the age group studied do not utilize these services to any extent at present.

Phase 2 of the research showed a far greater concurrence with the American findings. Although individual situations differed, the American study also showed a greater 'spread' of observed participations. It is disconcerting to note, however, that in the case of the young consumers studied, the percentage reporting that their friends 'never' participated was far smaller than in the American study, for most situations.

Because of the greater spread in phase 2 of the Wilkes study than in his phase 1 one could, however, be tempted to speculate that middle-class American housewives may be just a bit self-righteous!

Phase 3: What appropriate action should management take?

It is obvious from the first two phases of the research project that young consumers view certain fraudulent situations as being far more serious than others, and secondly that, to put it diplomatically, persons likely to participate in fraudulent activities are not unknown to the respondents. The research objective in phase 3 was to determine what action management, having become aware of the situation, should take according to the respondents.

Respondents were asked what they felt would be appropriate managerial action in the case of each of the 20 situations. Action was to be rated on a scale of severity, from 1 to 4 as follows:

- 1 = Do nothing
- 2 = Take preventive action
- 3 = Give a warning
- 4 = Notify the authorities

The results of phase 3 are summarized in Table 4. The most striking observation from Table 4 is the fact that, with the exception of the more directly criminal activities, no direct apprehensive action should be taken by management. For the less serious activities, and particularly in cases where activities were perceived to be as a result of the firms negligence, respondents did not even feel that confrontation was desirable. There seems to be a feeling of business being responsible for the commission of criminal acts because they are made so easy to commit — hence the large number of respondents who felt that only preventive action was desirable in most cases. In Wilkes' words, '... these activities occur because of business negligence, not because of consumer dishonesty'. The only really noticeable difference in male/female response is possibly the fact that 10% more females in the case of the returned dress felt that the authorities should be notified. Simply a possible case of the vindictive lady?

There is a marked difference between the American study and the young consumer study. Far fewer American housewives (on average about 4,5% for all situations) felt that businesses should stand back and do nothing. Then again more respondents in the Wilkes study felt that direct authoritative action should be taken — young consumers seem to feel that business should roll with the punch!

Implications of the findings

The Wilkes study basically established four facts. Firstly, that there is little difference between so-called pro- and anti-business groups with regard to attitudes toward consumer

Table 4 Appropriate managerial action

Situation		Percentage who felt that management should be notified:			
		Do nothing	Take preventive action	Give warning	Notify authorities
1. Shoplifting	M	—	16	44	40
	F	2	20	40	38
2. Tag-switching	M	—	22	46	32
	F	4	28	40	28
3. Refund on sale item	M	10	28	34	28
	F	5	20	39	36
4. Dishonest voucher use	M	32	42	20	6
	F	26	48	20	6
5. Bad cheque	M	2	20	30	48
	F	2	16	34	48
6. Eating snack	M	4	30	38	28
	F	8	36	40	16
7. Peeling off higher price	M	22	46	18	14
	F	23	48	19	10
8. Returning dress	M	—	36	40	24
	F	—	30	36	34
9. Statement error	M	42	44	12	2
	F	38	48	12	2
10. Items not charged	M	54	36	4	6
	F	50	40	8	2
11. Expired guarantee claim	M	10	60	18	12
	F	14	50	24	12
12. Change error	M	48	38	10	4
	F	56	30	12	2
13. Undercharging	M	46	40	12	2
	F	50	40	10	—
14. Changing price	M	2	10	36	52
	F	6	14	30	50
15. Overclaimed insurance	M	20	26	42	12
	F	22	26	44	8
16. False 5c pieces	M	22	32	18	28
	F	26	36	20	18
17. Own parking slugs	M	28	30	28	14
	F	24	34	26	16
18. Own roulette chips	M	14	10	30	46
	F	20	12	30	38
19. 'Late' insurance	M	8	16	46	30
	F	10	14	44	32
20. Credit card error	M	10	18	40	32
	F	12	16	42	30

dishonesty. Secondly, that disapproval of consumer fraud is not nearly as widespread as one would have hoped. Thirdly, that perceived participation in fraudulent activities is high, and finally, that consumers are very tolerant of certain frauds against business, indicating an attitude of 'its business' obligation to ensure that these situations don't occur'.

With regard to the study of young consumers' attitudes toward fraudulent activities against business, it would seem that South Africans too '... tolerate theft as long as it is gentle and unassuming and does not involve guns or threats'.¹⁴ The findings of Wilkes are amplified in every

regard. Respondents generally reflected a lack of seriousness with regard to most situations, a high degree of perceived peer group participation, and an attitude that business should itself take preventive action. There does not appear to be any marked difference with regard to general attitudes of males and females. Responses to the five additional situations presented, would seem to indicate that attitudes toward fraudulent behaviour become even softer when the victims are large and innominate — local government bodies and government departments being an extreme example.

The world-wide flood of fraudulent consumer action against business hardly seems like abating. A costly problem is likely to increase in intensity in the years to come. While it is beyond the scope of this article to design a security response which can be implemented by business, the study itself and a literature survey seem to indicate a two-pronged approach to the problem.

Business should take a close look at its own approach to security — general laxity would appear to condone fraudulent activities. In-store security procedures such as electronic goods protection, non-removable price tags and television surveillance all merit attention. Employees should become more directly involved in security — they appear to be the major single contributing factor toward shrinkage problems, both as participants and condoners.¹⁵ Certainly an area to be exploited is retail staff and development programmes.

Secondly, fraudulent consumer behaviour is largely the result of attitudes — 'They can afford it', 'It's not really stealing', 'It's a way of getting them back'. If business is not prepared to attempt to change these attitudes, much in the same way as it attempts to change the attitude toward

products, deviant consumer behaviour will continue to be a major problem. It should make its approach to security publicly known, particularly with regard to prosecutions for certain misdemeanours. As in so many other aspect of life, it's really all a question of attitudes — only by realizing this will business be able to stem the flood of fraudulent consumer activities.

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