

Funding bill targets online sites amid retail theft concerns

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In this Dec. 12, 2016, photo, a person searches the internet for sales, in Miami. Retailers are scoring one win in the government-wide spending bill. The \$1.7 trillion funding package contains legislation that will force online marketplaces like Amazon and Facebook to verify high-volume sellers amid heightened concerns about retail theft. Brick-and-mortar retailers have been voicing concerns about the amount of goods being stolen from their stores and subsequently sold online. Credit: AP Photo/Wilfredo Lee, File

Retailers are scoring one win in the governmentwide spending bill, which will force online marketplaces like Amazon and Facebook to verify high-volume sellers on their platforms amid heightened concerns about retail crime.

Tucked in the \$1.7 trillion funding package lies a piece of legislation brick-and-mortar retailers have been pushing Congress to pass for more than a year, part of an effort to tamp down the amount of goods being stolen from their stores and resold online.

The bill, called the INFORM ACT, also seeks to combat sales of counterfeit goods and dangerous products by compelling online marketplaces to verify different types of information—including bank account, tax ID and contact details—for sellers who make at least 200 unique sales and earn a minimum of \$5,000 in a given year.

It's difficult to parse out how much money retailers are losing due to organized retail crime—or if the problem has substantially increased. But the issue has received more notice in the past few years as high-profile smash-and-grab retail thefts and mass shoplifting events grabbed national attention. Some retailers have also said in recent weeks they're seeing more items being taken from stores.

Target executives said in November the number of thefts has gone up more than 50%, resulting in more than \$400 million in losses. Its expected to be more than \$600 million for the full fiscal year.

And in an interview with CNBC earlier this month, Walmart CEO Doug McMillon noted that theft at Walmart was higher than it has historically been, and could lead to higher prices and store closures if it persists.

Meanwhile, Joe Parisi, president and chief operating officer of New York City's grocery chains D'Agostino's and Gristedes, said the chains are fighting increased costs from higher levels of organized crime, and they've had to double the security guards at stores from a year ago. Walgreens, Best Buy and Home Depot have also pointed out similar problems.

The National Retail Federation, the nation's largest retail trade group, said its latest security survey of roughly 60 retailers found that inventory loss—called shrink—clocked in at an average rate of 1.4% last year, representing \$94.5 billion in losses.

Shrink measures losses from sources other than external theft, including theft by employees and product damage. The greatest portion of shrink—37%—came from external theft, including products taken during organized shoplifting events, the trade group said. It also noted retailers, on average, saw a 26.5% uptick in organized theft incidents last year.

The funding package that contains the bill seeking to tame the problem was passed by the U.S. House on Friday. It now goes to President Joe Biden to be signed into law.

Amazon, Ebay and Etsy had initially opposed the verification bill, saying it would damage seller privacy and favor brick-and-mortar retailers over their online competitors. The online marketplaces later threw their support behind the legislation after some changes, including modifications to limit the amount of sellers who disclose their contact information to customers to those making \$20,000 or more in annual revenue.

Under the bill, customers can get a hold of a seller's name, phone number, email and physical address, with certain exceptions to protect

merchants who sell goods out of their homes. The bill says sellers don't have to disclose their personal address or phone number, provided they respond to customer questions over email or other forms of online messaging provided by the marketplace.

The federal bill would also override similar state laws, a win for e-commerce sites who no longer have to deal with a patch-work of state-level requirements.

Meta, which operates Facebook Marketplace, didn't reply to a request for comment regarding the bill.

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