How Significant Are Retail Returns?

Merchandise returns are a big issue in retail. Below, the graph shows that eCommerce returns are widely estimated to range from 20% - 40%, with most settling on 30%. Physical, bricks & mortar retail experiences 8.0% annual returns.[1] Omni-channel retail would lie between these two, capturing online sales, yet leveraging the best case of physical retail locations.

With worldwide retail returns valued at $642.6 Billion annually[2] it is clear why 87% of retailers realize that returns are 'extremely important' to the financial and operational success of their companies.[5] A recent study compared retail leaders to followers in returns processing. It found that leaders scored 36% higher in customer satisfaction and 15% higher on customer retention metrics.[5] Handled correctly returns lets retailers outpace competitors.

30% eCommerce Returns

8% Retail Returns

[4]

Can In-Store Returns Be A Good Thing?

Given a favorable policy allowing in-store returns or free returns shipping, 82% of consumers will proceed with a purchase.[1] In fact, 60% of shoppers prefer to return merchandise, in-store.[3] Add that after a positive returns experience, 89% of consumers will come back to that store to shop again.[6] These three facts alone point to a very strong and compelling case for returns in the omni-channel retail environment. It is a good option to help strengthen a retailer's business.

To make it into the 'returns-leaders' domain, retailers must invest in returns management technology. As a standard part of a good order management system, returns management helps retailers by:

- Reducing returns fraud
  (up to 6.1% of returns are fraudulent)[4]
- Decreasing customer processing time
- Returning products to shelves fast
- Tracking returns stock in real-time
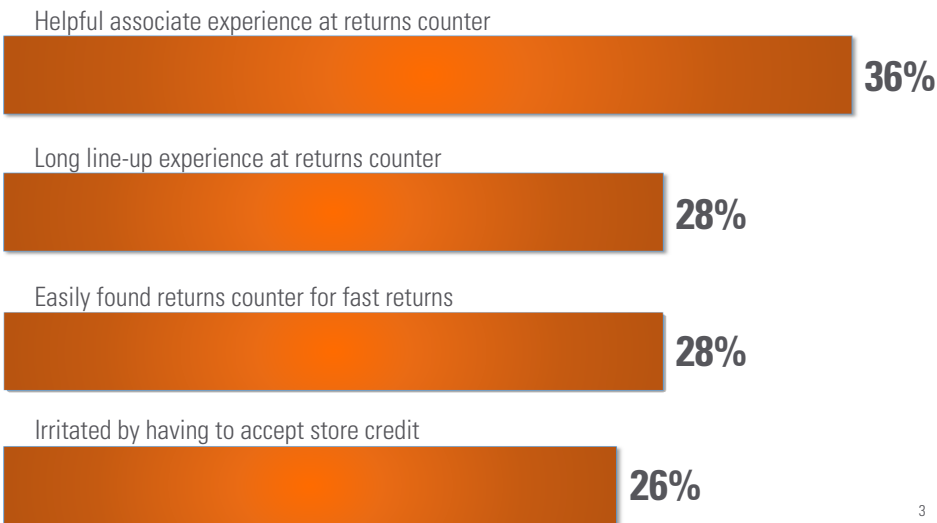- Providing inventory visibility

A centralized system of record lets associates review customer records for a historical view of returns abuse. It also let them process customers more quickly by not needing receipts, for example.

Centralized returns management capabilities lets individual stores or the client service desk track and re-inventory returned items deemed to be in good resellable condition. In this case a return is added to the retailers' inventory as soon as the transaction is completed with the customer. Real-time processing means the returned item can be reshelved immediately, for resale. Quick reshelving of items in good condition means less need to discount, improving the chance of reselling the merchandise. Fast inventory system updates also means other store associates and online shoppers can locate the returned item for repurchase.

Effective returns processing means increased sales potential, faster turnover, less pressure to discount products and improved margins, in turn.

Customer In-Store Returns Experiences

Helpful associate experience at returns counter
36%

Long line-up experience at returns counter
28%

Easily found returns counter for fast returns
28%

Irritated by having to accept store credit
26%

[3]

82%
of consumers will purchase if the returns policy allows in-store returns & free returns shipments[1]

$643 BILLION
Globally, $642.6 Billion of consumer merchandise is returned annually[2]

$16 BILLION
Annual merchandise return fraud and abuse is between $9.1 and $15.9 Billion - for the retail industry[4]

60%
of customers prefer to return an item to a store, rather than mailing it back[3]

Best Practices

Create a Favorable Returns Policy:
Make it as easy for the consumer as possible. A positive returns experience results in returning customers and new sales. Consider:

- Accept in-store returns (for online sales)
- Let customers return without receipts
- Include free returns shipping
- Allow mismatches (red gloves in blue box)
- Give them partial returns options

Search for free returns policy generators online. They can help tailor your own policy.

Offer Reasonable Terms:
Most customers have reasonable expectations. Good terms support customer loyalty. Consider:

- Timing: 7-90 day returns are typical
- Refund Delays: 3-60 days are typical

Clear Policy:
State your policy clearly, and up front. 67% of consumers will review your returns policy to choose whether to purchase.[3] While you are at it, make it easy to read - drop the legal jargon.

Make It A Great In-Store Experience:
Returning items is not an experience most customers want, either. But, you can make it better, enticing future sales. Consider:

- Associate training:

Teach your team to process returns quickly and efficiently. Remind them to make it as helpful an experience as possible
- Make the returns counter easy to find
- Inform: 'Best time to return items is...'

Encourage More Shopping:
Offer full refunds on returns. Then give them the option of bonus loyalty points to accept a store credit. A small incentive can lock in your sales. Just do NOT force in-store credit.
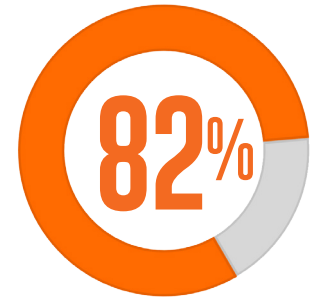
Monitor Returns:
Track your returns to find opportunities to improve, and to reduce fraud. Report on:

- Returns abuse (chronic returners)
- High value returns
- Manager overrides
- Category reports
  (50% of returns result from 10% of items[1])

Speed Your Resale:
Companies only sell 48% of products at full value after a consumer returns it.[1] Yet, roughly only 20% of returns are defective products.

- Monitor speed to reshelving merchandise
- Update returns inventory in real-time
- Provide customer notifications
- Give customers inventory visibility (including freshly returned items)
- Don't discount unless you absolutely must

Contact Us:

Connect with OrderDynamics to discuss how we can help you with Returns Management!

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