Swelling returns force retailers to rethink the shopping experience

Article

The news: US consumers are on track to return **more than $761 billion in goods** purchased in 2021, per a survey from the National Retail Federation (NRF) and Appriss Retail.

- This accounts for an average of **16.6% of total US retail sales** in 2021, an increase of 6 percentage points from 2020.

- On average, online sales had a **20.8%** return rate, which the NRF reports is "in line with recent years."

More survey insights:

- Apparel had the second-highest return rate (**12.2%**), per the NRF and Appriss survey. It's not surprising that ecommerce return rates are high, especially for clothing, since buyers tend to purchase multiple sizes of the same item.

- Auto parts had the highest return rate (19.4%), while home improvement and houseware merchandise each saw an 11.5% return rate.

Frequency with Which US Internet Users Return Products Ordered Online, June 2021
% of respondents

Always	2%
Regularly	5%
Sometimes	22%
Occasionally	59%
Never	12%
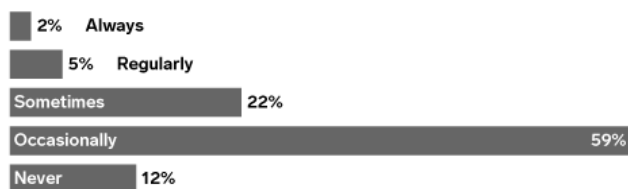
Note: ages 18+
Source: PowerReviews, "Consumer Survey: Returns in Retail in 2021," Sep 8, 2021

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An expensive business: The survey also highlights how costly returns are for merchants: **For every $1 billion in sales, retailers see $166 million in returns**, on average. On top of that, for every $100 of returned merchandise, they lose $10.30 to fraud.

- Processing a return can be more expensive than it's worth: Online returns can cost $10 to $20 to process, not including the cost of freight, which means retailers can end up losing money.

- In certain scenarios, **Amazon**, **Walmart**, and other retailers will simply write off the item by giving the buyer a refund and allowing them to keep the product.

A growing problem: As the rate of returns increases, retailers are struggling to decide what to do with unwanted items. While the most obvious solution is to put them back into circulation, the process of reverse logistics (moving goods from the consumer back to the retailer or manufacturer) is complex and expensive—not to mention that some returned items are not fit to be resold.

- Certain items, such as underwear or beauty products, are destroyed for hygienic reasons, even if they weren't used.

- Even if items are in good condition, some consumers take so long to return them that they effectively become dead inventory, notes **Suzy Davidkhanian**, eMarketer principal analyst at Insider Intelligence. The longer it takes a customer to return an item, the more likely it is to be out of season when the retailer receives it, thus preventing its resale and making inventory planning more difficult.

- The environmental impact of returns is difficult to calculate, especially given the lack of transparency around most retailers' return policies. With sustainability becoming an increasingly important consideration for consumers, retailers will have to reconfigure their reverse logistics processes to be more eco-friendly.

Sustainable Actions Buyers Worldwide Are Interested in Taking When Making a Purchase, Sep 2021
% of respondents

Buy things that are more durable/long-lasting	72%
Consider not buying things to reduce personal consumption	54%
Buy zero-waste products when available	50%
Buy secondhand instead of brand-new items	47%
Buy exclusively from brands that concentrate on circular and sustainable practices	45%
Refuse to buy products that are not recyclable or made using recycled materials	45%
Rent/share instead of buying brand-new items	33%

Source: Capgemini, "Circular Economy for a Sustainable Future," Nov 8, 2021
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The customer is always right: Until recently, the return experience has been an afterthought for most retailers.

- "A lot of companies focus on the buying journey but not the post-purchase experience," said **Dave Frankland**, eMarketer principal analyst at Insider Intelligence. "Removing friction from the return or exchange process—making it convenient for customers to return or exchange wherever it suits them (regardless of purchase channel) and providing a refund rather than

store credit—can enhance a purchaser's impression of a retailer," even if the merchant takes a short-term revenue hit.

The big takeaway: Retailers have been primed for years to focus mostly on sales, but as ecommerce adoption drives up return rates, they'll have to rethink the end-to-end shopping experience.

- To reduce the likelihood of returns, companies should leverage augmented reality and/or virtual reality to give shoppers a better sense of how a product looks before they buy.
- Analyzing return data can help retailers determine how much product to stock and reduce their environmental impact.