3 ways retailers can reduce return costs— without charging customers fees
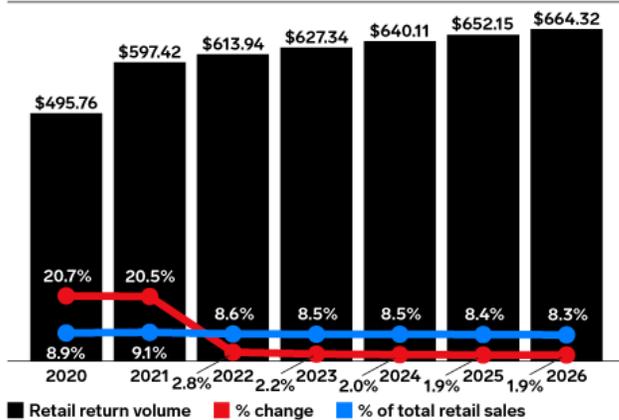
Article

Though return volume growth has slowed from pandemic highs, it still weighs heavily on retailers' bottom line.

- This year, total US retail return volume will reach $627.34 billion, a 2.2% increase YoY, according to our forecast.

- After dipping a bit last year, US retail ecommerce return volume is back up, per our forecast, growing 4.2% YoY to reach $211.76 billion (representing 18.2% of total ecommerce sales).

US Retail Return Volume, 2020-2026
billions, % change, and % total retail sales

Year	Retail return volume	% change	% of total retail sales
2020	$495.76	20.7%	8.9%
2021	$597.42	20.5%	9.1%
2022	$613.94	2.8%	8.6%
2023	$627.34	2.2%	8.5%
2024	$640.11	2.0%	8.5%
2025	$652.15	1.9%	8.4%
2026	$664.32	1.9%	8.3%

■ Retail return volume ■ % change ■ % of total retail sales

Note: represents the total dollar value of retail goods and merchandise purchased in-store or online, then returned to the retailer according to its return policy; excludes programs or subscriptions such as Amazon's Prime Try Before You Buy or Stitch Fix, where items are returned before the customer is charged; includes items retailer does not want shipped back
Source: eMarketer, Nov 2022

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To mitigate the rising costs, some retailers are implementing return fees. But that's a risky move that could alienate customers as more than half of US adults say they are unwilling to pay for return shipping, according to parcelLab.

Here are three strategies retailers can use to keep returns costs in check.

1. Short term: Build out product descriptions and customer reviews

According to Narvar's "2022 State of Returns" report, 45% of US adults said they initiated a return because the size, fit, or color of the product was wrong. In addition, 14% made a return because the product wasn't as depicted.

By building out product description pages to incorporate images, video, or AR tools, retailers can ensure that consumers get the most accurate depiction of a product, minimizing the need for returns.

Retailers should also prioritize customer reviews that include photos and video to give shoppers real-world examples of how a product may look on their body or in their space.

Pro tip: Use generative AI tools like ChatGPT to automate the written product description process to focus on the more visual elements of the product page. By experimenting with similar tools, streetwear retailer Snipes has condensed two weeks of "consistent hands-on-keys work" to about 2 hours, according to Jenna Posner, Snipes' chief digital officer.

2. Medium term: Seek third-party assistance

Adoption of third-party drop-off locations for returns is growing. Per Optoro data cited in our "US Retail Ecommerce Returns 2023" report, 65% of retailers surveyed in 2022 had or planned to offer new third-party drop-off locations for returns, up from 36% in 2021.

But this isn't the only way retailers can work with outside partners to curb returns:

- Ecommerce site Verishop has developed software that offers customers discounts at checkout if they agree not to make a return.

- Peer-to-peer returns company Frate is helping retailers save on shipping costs by enabling consumers to ship unwanted products directly to one another rather than back to a company.

- With the Return Shopping feature, Shopify merchants can encourage shoppers to keep their money in the store's online ecosystem by offering discounts on a new sale or waiving the processing fee on the return.

3. Long term: Create a returns as a service offering

Companies can leverage their network of logistics partners to offer shipping or return services to smaller brands that may not have the capital or resources to handle in-house logistics.

To cut supply chain costs, apparel brands like American Eagle Outfitters and Gap Inc. have begun offering their logistics services to other retailers.

"By sort of being the captain of the logistics services, and being able to spread some of the costs over other players, they can ensure that they get good service," Dale Rogers, a professor of supply chain management at Arizona State University, told The Wall Street Journal.

Or retailers can take a page out of the DoorDash playbook and go straight to the customer.

"With Package Pickup, consumers can request a Dasher to pick up their prepaid packages from their home and drop them off at their local carrier, including UPS, FedEx, and USPS," said Tom Pickett, chief revenue officer at DoorDash. "Consumers can have peace of mind knowing there is now a convenient and seamless option to return their packages without having to leave the comfort of home."

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