

# Why Zara charging for online returns may backfire

Article

**The news:** Zara this month began charging UK shoppers a £1.95 fee to return online orders, with the cost deducted from their refund, per The Industry.fashion.

- While shoppers can avoid the fee by returning online orders to a store, that isn't how the majority of shoppers return online purchase. 57% of online shoppers used the mail or a

designated alternative drop-off location when they returned their last online purchase, per a 2021 Narvar survey.

### US Digital Buyers' Most Recent Method of Product Return, 2019-2021

% of respondents

	2019	2020	2021
Mail (took to carrier to mail back)	40%	35%	37%
Designated alternative drop-off location (e.g. pharmacy, locker)	13%	22%	20%
In-store	11%	12%	9%
Returned to different retailer (e.g. Amazon/Kohl's)	3%	7%	15%

Note: ages 18-65 who have made an online return in the past 6 months

Source: Narvar, "The State of Returns: Finding What Fits," Nov 4, 2021

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**More on this:** Zara's push to give shoppers reason to pause before returning an item is aimed at helping preserve the retailer's margins.

- **Online returns put a significant dent in retailers' bottom lines** as they cost retailers an average of 21% of their order value, per a Pitney Bowes survey of US online retailers.
- The issue is compounded by the fact that **online returns are on the rise**: US consumers returned more than \$761 billion in goods purchased in 2021, which accounts for an average of 16.6% of total US retail sales in 2021—an increase of 6 percentage points from 2020, per the National Retail Foundation.

**Analyst perspective:** Zara's move will likely put people off, particularly given that it can be difficult to purchase clothing online, said **Patty Soltis**, eMarketer principal analyst at Insider Intelligence.

- "Charging customers for returns seems shortsighted and what many would call 'bad profits,'" she said. "The return process is an opportunity to continue the selling process and increase customer engagement. Retailers who do this right will build greater long-term profits."

**Keeping shoppers satisfied:** Retailers can find an advantage by providing a simple, streamlined returns process, or help facilitate an exchange to preserve the sale. A number of retailers and vendors are experimenting with various ways to do so, including:

- Reverse logistics competitors **Loop** and **Happy Returns**, which are partnering to allow consumers who bought items from Loop to return online orders at Happy Returns' over 5,000 return bars without the need for labels or boxes

- **Target**, which recently began rolling out the option to make returns through its **Drive Up curbside service**
- **DSW, Ann Taylor**, and dozens of other retailers that use third-party returns management platform **Narvar's Home Pickup service**, which allows shoppers to schedule a courier to pick up return packages from their home

**The big takeaway:** Returns are an inevitable part of ecommerce, particularly for apparel retailers given the importance of fit.

- While there's a cost to offering options that accommodate a retailer's customers—whether it be a return bar, drive-up, or home pickup—there's also a clear, tangible benefit: customer loyalty.
- It costs less to retain a customer than it does to acquire one, which is why retailers should view returns as an opportunity to deepen their relationship with their customers.