

How to deal with holiday returns: Prevention, promotion, and product selection

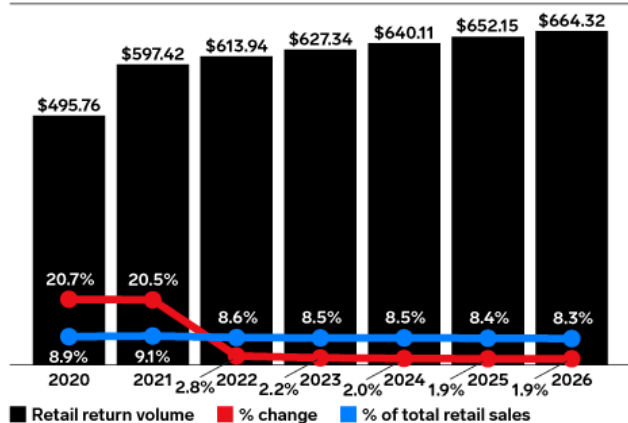
Article

With the start of Q4, the holiday season is officially here. That means holiday returns will be piling up soon.

- For 2023, we project US retail returns volume will total \$627.34 billion, or 8.5% of total retail sales.
- Some 57% of retail SMBs expect to receive more returns this holiday season than in 2022, according to Capterra.
- US ecommerce returns growth will slow in the next three years, though ecommerce will make up an increasing proportion of total returns, according to our forecast.

With returns on the rise, retailers are implementing strategies like AR to prevent returns, in-store promotions when returns do happen, and special deals on private label products to encourage purchases.

US Retail Return Volume, 2020-2026
billions, % change, and % 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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1. Prevention

The best approach for reducing losses from returns is preventing them in the first place.

- Incorrect size, color, and fit was the No. 1 reason US adults made returns, according to a July 2022 survey from Narvar.
- Some shoppers avoid issues by bracketing, or buying multiple versions of one product in different sizes and styles with the intent to return. Some 63% of consumers surveyed in July 2022 said they had bracketed, up from 40% in 2017, according to Narvar.

- AR try-ons can help shoppers get the right size and style of product on the first buy. Retailers have been slow to adopt AR dressing room technology, but the total number of US AR shoppers will rise 17% this year to 41.9 million, according to our forecast.
- Return fees can also prevent bracketing, but they also risk preventing purchase in the first place.

2. Promotion

If shoppers are going to make returns, retailers should find a way to use January as an extension of the holiday season.

- Shoppers are willing to travel for free returns. Some 40% of shoppers would travel up to five miles for a free return, according to a September 2022 survey by Happy Returns.
- Once customers are in stores, retailers can use store credit and special deals to encourage return dollars turn into another purchase.
- Kohl's has a partnership with Amazon on in-store returns to capitalize on the retailer's customers.

3. Product selection

Retailers can also use return policies to promote their own private label products, **the way Target has.**

- **Target offers an extended return window** of one year for its private label products, which encourages consumers to buy Target-owned options.
- While the policy means Target may eventually lose money on private label holiday returns, it shows the brand is confident consumers will want to keep these items.

This was originally featured in the Retail Daily newsletter. For more retail insights, statistics, and trends, [subscribe here](#).