How retailer return policies can help—or hurt —sales goals

Article

A generous return policy can encourage consumer spending and inspire loyalty. On the other hand, a policy that makes it more costly or inconvenient for customers to return their items could sting a retailer's bottom line.

Here are some short- and long-term ways return policies can affect retailers, and ways to avoid charging customers a fee to cover return costs.

For your consideration: A large majority (81%) of US digital shoppers review return policies before making a purchase with a merchant for the first time, per an August 2023 Happy Returns report commissioned by PayPal.

- Over half (55%) say they have abandoned a purchase because the return policy didn't offer a convenient return option, per Happy Returns.

- 36% of shoppers worldwide say that free returns would encourage them to buy directly from brands, according to an April 2023 Wunderman Thompson survey.

Attitudes Toward Return Policies Among US Digital Shoppers, Aug 2023
% of respondents

81%	review return policies before making a purchase with a merchant for the first time
73%	agree that a poor returns experience impacts their decision to shop with a merchant in the future
55%	abandoned a purchase because the return policy didn't offer a convenient return option

Note: ages 18+ who returned an online purchase in the past year
Source: Happy Returns, "Returns Happen 2023" commissioned by PayPal, Oct 18, 2023

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Facing the consequences: Nearly half (48%) of US apparel/footwear retailers saw a decrease in average order value since implementing return fees, per Happy Returns.

- The same percentage of retailers saw an increase in customer complaints, 40% saw a decrease in sales, and 33% lost customers.

- 63% of US adults believe free returns are necessary for convenience, per a December 2022 Morning Consult survey.

- But some consumers are more likely than others to pay for online returns. Thirty-nine percent of Gen Zers say they'll pay for returns versus just 22% of baby boomers, per November 2022 Metapack data.

Managing the costs: Providing free returns can be quite expensive for retailers—total US retail return volume will reach $913.57 billion this year, with most returns (72.7%) coming from non-ecommerce retail, per our forecast.

There are a few ways that retailers can cut down on return costs, including:

- Teaming up with a third-party service like Happy Returns or AfterShip, which can help take care of the end-to-end logistics of delivery and returns

- Forgoing returns altogether and letting customers keep their unwanted items

- Building out product descriptions and customer reviews to ensure more accurate product pages

  Desired outcomes: Retailers can also use return policies to drive certain kinds of behaviors among shoppers.

- 31% of US digital shoppers chose to visit a physical store instead of shopping online to return products to the store, per a June 2023 survey from Digital Commerce 360 and Bizrate Insights.

- Comprehensive return policies can also help to inspire more impulse purchases, both in-store and online.

- Target's one-year return policy for its private label brands encourages customers to try its own brands without fear of costly return fees.

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