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A retailer's guide to returns: Determining a winning strategy

1 Understanding the challenges of the returns landscape

The greatest threat to retailers and brands offering a superior delivery experience is failing to provide the returns experience that complements this.

As returns increase, retailers and brands need to ensure they have a suitable returns strategy to compete. In the U.S. alone, return deliveries are estimated to cost $550 billion by 2020.[1] But only 61% of shoppers are generally satisfied with returns.[2] Even if returns are on the agenda, you may need to optimise your approach to compete. With the right returns process you can reduce basket abandonment, increase conversion and build customer loyalty. But, get it wrong and face spiralling returns costs, limited international growth and a negative customer experience.

This three part returns guide uncovers the challenging returns landscape, what consumers want when it comes to returns and what to consider for a winning returns strategy.

Consumer behaviour is changing.
With the growth of eCommerce and online marketplaces, homes are the new fitting rooms. 41% of consumers say they often or sometimes purchase multiple items online knowing they will return some or all of them [3] and they are 3x more likely to return online purchases than those made in store.[4] This is further seen by the rise of competitive offerings like 'Try before you buy.' Some consumer groups, particularly millennials, are embracing this modern approach to purchasing goods. A poor returns experience — one that doesn't make it easy for consumers to return items — can reduce customer loyalty and prevent repeat sales.

Consumers are becoming more global and buying internationally, changing their returns expectations and needs.
49% of consumers have made between 1 and 5 purchases overseas.[5] Consumers need to be able to purchase international items with the assurance that they can return them easily. Some of the top challenges for consumers include high returns costs, lengthy refund times and customs issues.

Adding to this complexity, consumers in different markets may prefer different returns options. Retailers need to be aware of what these are, and provide the relevant options to compete.

1. https://www.statista.com/statistics/871365/reverse-logistics-cost-united-states/
2. Pulse of the Online Shopper, UPS

3. State of eCommerce Delivery Consumer Research Report, Metapack
4. Returns, The Value Conundrum, Post and Parcel Industry Research 2018, Accenture
5. State of eCommerce Delivery Consumer Research Report, Metapack

Returns have not always recieved the focus they deserve.

Retailers and brands have traditionally focused on the customer journey to purchase, and less on the post-purchase experience. This should not be undervalued, as a superior returns experience can drive customer loyalty and repeat sales.

Some market leaders have already recognised the importance of returns. For many global consumers Amazon has set the standard when it comes to the returns experience. And it's unsurprising given Amazon's global reach — nearly 90% of people in the UK are Amazon users, 39% have a Prime subscription and in U.S. this figure is as a high as 62%.[6] In order to compete, retailers need to be able to provide Amazon-like returns options including postal returns, drop off at hub locations and courier pick-up.

Poor returns management can be costly across your business.

Businesses are under pressure to manage supply chain costs, and with the wrong returns process costs can spiral. The returns and repair process can account for 10% of total supply chain costs, but this can increase to reduce profit by 30%.[7] Similarly, poor returns tracking can result in an increase in customer dissatisfaction and the cost of customer service inquiries. Outdated returns management processes can result in the need to buy new inventory, even though resellable stock is within the returns process.

6. Global Consumer Trends 2019, Mintel
7. The Reverse Logistics Association
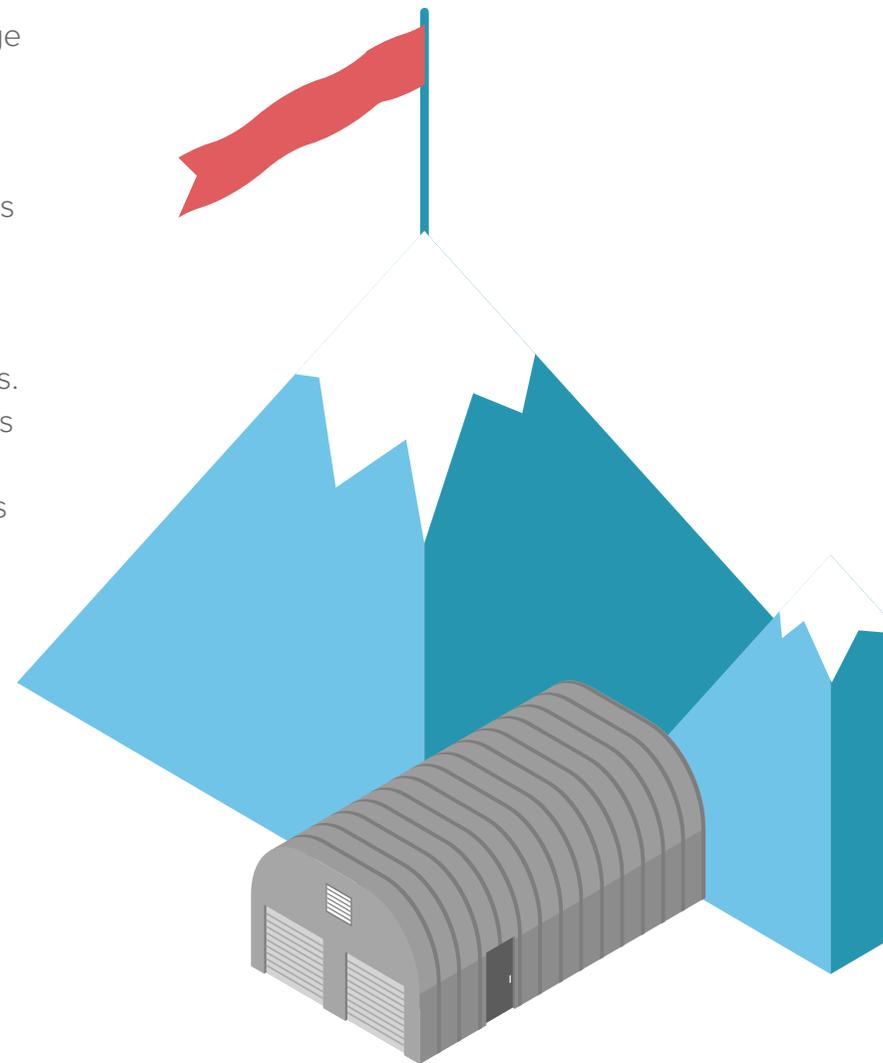
② What do consumers want?

A clear and reasonable returns policy

Over 63% of consumers read the online returns policy before making a purchase, but they don't always like what they find:

56% of shoppers said an eCommerce site's returns policy had deterred them from shopping with them

42% reported it difficult to find information about returns on an eCommerce website

50% of 18-44 year olds say that a lack of choice of returns channels has resulted in them abandoning an online purchase [8]

Quick tip:

Put a link to your returns policy across different areas of your site, such as the homepage and product pages, as well as in email confirmation and on receipts.

Flexible returns options

Consumers want the flexibility to choose the returns options that suit them. As a minimum, retailers need to be able to offer a free standard returns service.

62%
would buy again from a brand offering free returns or exchanges
(Dotcom Distribution, 2018)

Retailers and brands should embrace innovative returns options to provide customers with fexibilty and choice. In the U.S., Happy Returns have set up 300 return bars in local malls and convenient locations to enable digital retailers to expedite the returns process for the customer with physical locations. Consumers are able to bring their returns goods for free, provide retailer details and get the refund initiated immediately without any printing. Retailers American Giant and Everlane have embraced this proposition to ensure their domestic customers can returns items conveniently and for free.

Quick tip:

Global shoppers are willing to pay more for convenience — 37% of U.S. consumers would pay for a premium returns option.[9] Make sure you are providing premium options, such as time-slot courier pick up of return items.

8. All statistics from State of eCommerce Delivery Consumer Research Report, Metapack

9. State of eCommerce Delivery Consumer Research Report, Metapack

Faster refunds

The primary reason for dissatisfaction with the returns experience is delay in refund.[10] Make sure you are updating your customers with the latest tracking and refund updates. If not, you can expect your customer services team to be busy dealing with inquiries about where items are.

Stitch Fix offers innovative try before you buy option, while Home Depot provides faster payments options, such as PayPal Credit or Klarna, in a bid to appeal to customers and drive basket conversion. This is a powerful way to entice customers who would be most adversely affected by a slow refund payment from returns, such as millennials.

Quick tip:

Put in a solution that gets the refund back to the consumer quickly to drive consumer engagement. Having instant visibility of when a consumer processes a return item is valuable in getting a refund to them as soon as possible.
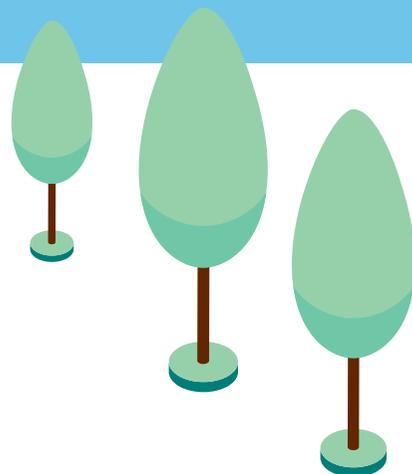
Environmental awareness

Consumers are more eco-conscious than ever, and this attitude is reflected in their approach to returns. 46% of UK consumers are concerned about the environmental impact of over-ordering and returning goods.[11] But, there are steps that you can take to reduce the environmental impact of returns and appeal to customers.

1. Offer central carrier return points.
A consolidation service from these carriers cuts down on the environmental impact of returns.

2. Offer environmentally friendly returns options.
Consider green services, often carriers have carbon neutral options or green options such as electric vehicles.

Quick tip:

Ensure product descriptions and sizing information are as accurate and as informative as possible. Consider adding an Amazon 'like' feature that captures consumer's views on fit to indicate if the sizing is bigger or smaller than expected. This can decrease the amount of consumers that are 'bracketing' — buying several different sizes and returning the ones that don't fit.

Returns options that suit the local market

While there are similar global trends, to expand and compete in multiple markets, retailers and brands need to understand different consumer preferences and provide the right returns options. Ensure you can provide returns options that appeal to customers in the markets that you want to reach.
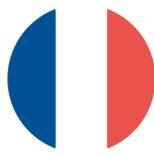
53% prefer posting returns

47% prefer courier pick-up

50% prefer posting returns

46% choose retailer store

50% prefer posting returns

37% prefer courier pick-up

50% prefer returning to store

Quick tip:

Ensure you partner with a returns provider that has a large global carrier network allowing you to offer the appropriate delivery options in different regions.

Benefits of a robust returns strategy

In addition to increasing conversion, customer loyalty and reducing basket abandonment, there are significant benefits of a superior returns strategy.
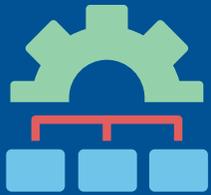
Increase operational efficiency

Automating your returns process can significantly reduce administration. By configuring your returns policy to prevent non-compliant returns and automate processes, you can also significantly cut down costs. By effectively managing returns there is a 26-50% reduction in lost profit from returned items.[12]

Increase customer retention

By providing the returns options that are convenient to your customer's preferences, including paperless labels, collection, drop-off points, express and economy delivery options, you can improve customer retention. There is a 22-46% increase in profit per customer on average over six months for retailers that have robust returns management process.[13]

Get better returns insight

Leverage data such as carrier performance, product trends, and customer behaviour to get more insight into returns. This is particularly helpful to see how many people are 'bracketing,' choosing multiple sizes to see which fit. Some retailers could be losing up to 50% of returned inventory value since most of the returned items can be resold in secondary markets.[14]

Use your returns process to sell more

For brick-and-mortar retailers you can create a returns strategy that drives consumers to stores for quicker returns and increases the likelihood of additional purchases.

Pureplay retailers who offer free returns show higher rates of growth. Gymshark reports an increase in basket value from £58 to £78 and 204% increase in repeat business. [15]

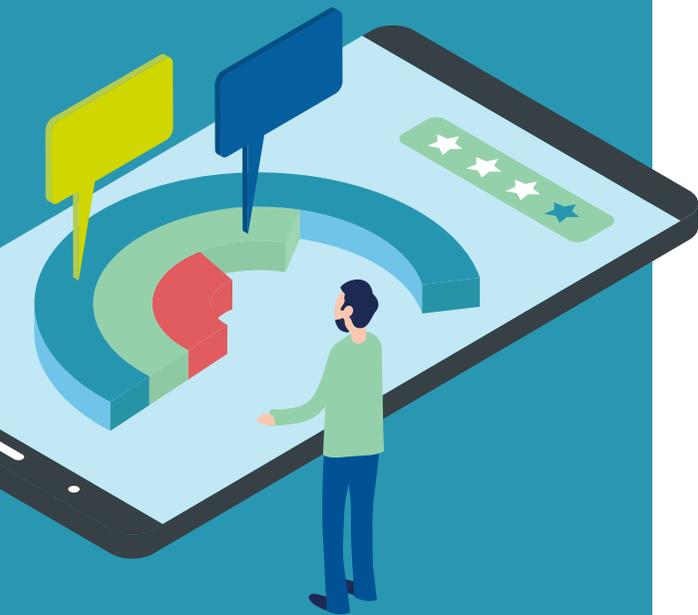12. Returns, The Value Conundrum, Post and Parcel Industry Research 2018, Accenture
13. Returns, The Value Conundrum, Post and Parcel Industry Research 2018, Accenture
14. Pulse of the Online Shopper, UPS
15. IMRG Customer Funnel Benchmark Data

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Getting your returns strategy right

1. Ensure a seamless omnichannel returns experience

Online and offline, your customers want to have a superior experience. Consider how you can offer more flexibility and choice to consumers to ensure they can return their items in a convenient way across multiple channels.

2. Use an online returns portal to reduce costs and speed up refunds

Using an online returns portal can enable retailers to send customer returns via the most cost-efficent local and international service, resulting in a 57% reduction in shipping costs.

And, with Metapack's return portal refunds can be as early as first carrier scan. 87% of consumers would use an online returns portal if it provided faster refunds, showing that investing in an online portal can improve customer satisfaction.[16]

3. View returns as an opportunity

Most retailers have a process for returns, but does your experience stand out? As returns increase, the best eCommerce players are using the post-purchase experience to differentiate and extend their brand experience. By doing so, retailers can fully benefit from the positives of a good returns experience, as mentioned in this guide.

4. Customer Tracking

Ensure there is strong customer tracking communication to reduce customer service calls requesting information about refuns. With return portals tracking portal customer service calls be reduced by 40%.

5. Find the right partner to support your international returns

Managing returns is complex and costly, particularly cross-border returns. The carrier landscape and returns preferences in each market are different. You need to ensure you have the right advisors and tools in place to support successful growth.

A final word

The customer experience journey does not finish at the point of purchase and retailers need to provide returns options to ensure a superior experience post-purchase. This superior experience needs to be easy, intuitive and tailored to local market needs. Failing to address returns can have long lasting financial and operational challenges for businesses, aside from customer attrition and basket abandonment. Act now to stay ahead and ensure you can meet customer needs.

Book a demo of our award-winning returns portal

Metapack is the trusted eCommerce delivery management technology partner for leading retailers and brands, enabling them to provide a seamless global returns experience. Our platform integrates over 470 carriers and 5,500 delivery services such as Next Day, Click and Collect, Locker Boxes, and International Delivery – ensuring that retailers and brands can offer delivery options and convenience for their customers. Get in touch to day to book a demo of our award-winning portal.

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