optoro

Returns Unwrapped

A comparison of shopper and retailer viewpoints

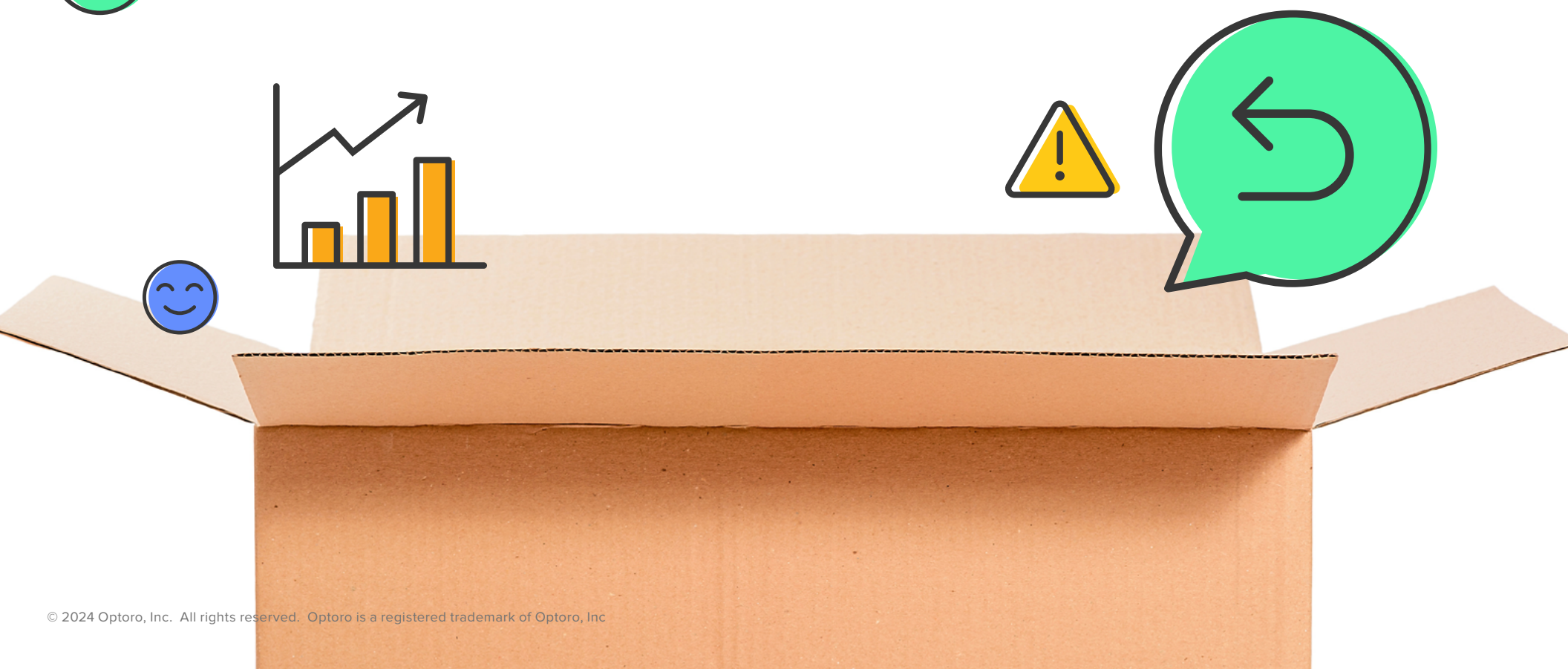

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TABLE OF CONTENTS

3 Executive Summary

4 Improving Profitability & Managing Costs

9 Decoding Delight: How CRX Impacts Revenue

14 Shielding Against Fraud & Abuse

19 Sustainability & Recommerce

22 Summary

23 Methodology

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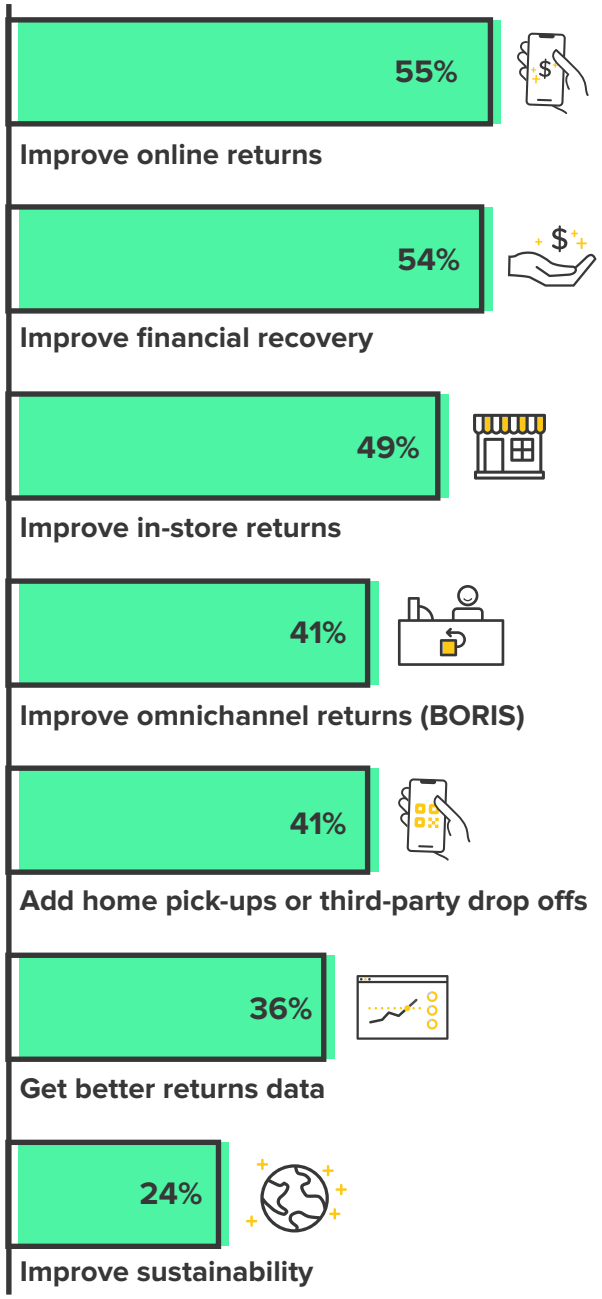
Executive Summary

As retail sales continue to grow, returns continue to be a growing pain for retailers, brands, and third-party logistics (3PL) providers. Shoppers are getting more comfortable with costly buy-try-return practices, leading to increased return frequency and behaviors like bracketing. Even worse, wardrobing, or returning used non-defective items is surging, concerning retailers and their bottom line.

- **Shoppers are returning more frequently.** Almost half of shoppers (46%) make returns multiple times a month now, a 29% increase from 2023.
- **Returns continue to be a profitability concern**, and retailers are trying to recoup and recover. Over half of retailers are looking for ways to improve margin from returns including adding fees and trying to reduce return rates. Yet the impact of charging for returns is still to be determined. Shoppers loathe return fees, and are getting creative about how to avoid them.
- **Mail-back returns surged in popularity** with shoppers, albeit a very expensive return method for retailers due to lack of consolidation and shipping savings.
- **Retailer's level of concern around return fraud and abuse is escalating**, and rightfully so. Shoppers are participating in bracketing and wardrobing more than ever.
- **Sustainability is top of mind** for retailers, and shoppers enjoy the benefits of recommerce.

Retailers primary objectives when it comes to returns:



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IMPROVING PROFITABILITY & MANAGING COSTS

While returns can be an operational headache, the biggest impact often shows itself on the balance sheet. In fact, McKinsey found that 83% of retailers strongly agree that returns are a concern for profitability. So, how should brands evaluate shopper behaviors, cost of returns, implementing fees, and recovery of return merchandise in the profitability equation?

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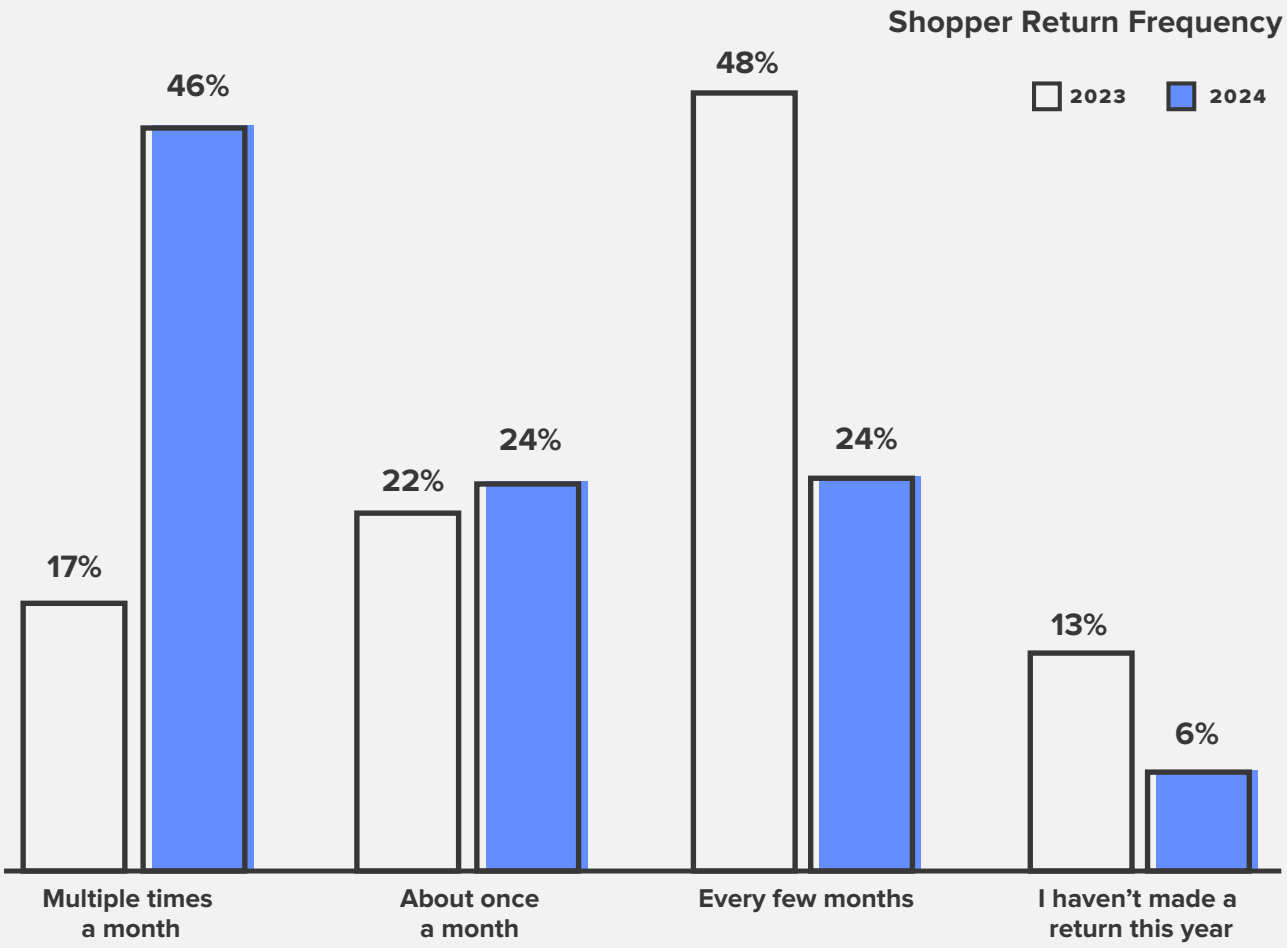
The frequency of returns is increasing the price tag for retailers

46% of consumers are returning goods multiple times a month — a **29% increase from 2023**.



$743B The **total cost of returns** in 2023 (NRF)

30% It costs retailers an average of 30% of the price of an item to **process it as a return**

72% 72% of shoppers are so dependent on returns, that they would **pay a small fee** at the time of purchase to ensure they can return the item(s)

50% 50% of shoppers say they make a return because **online purchases were different than described** – making digital optimization a key play for digital retailers

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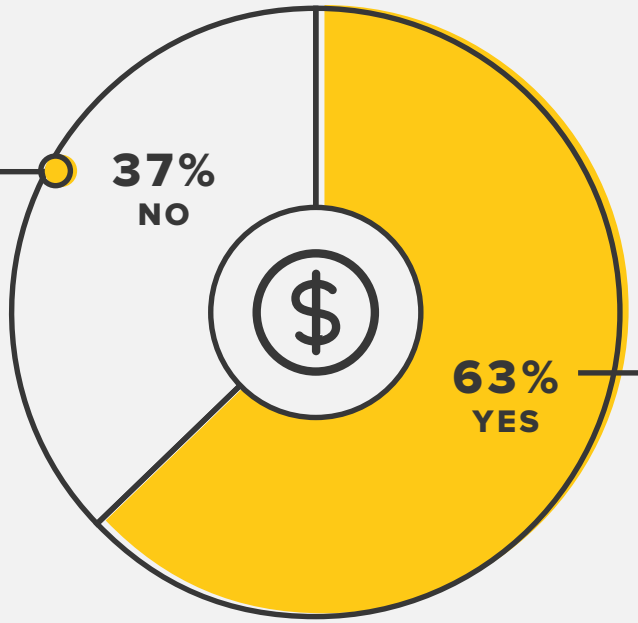
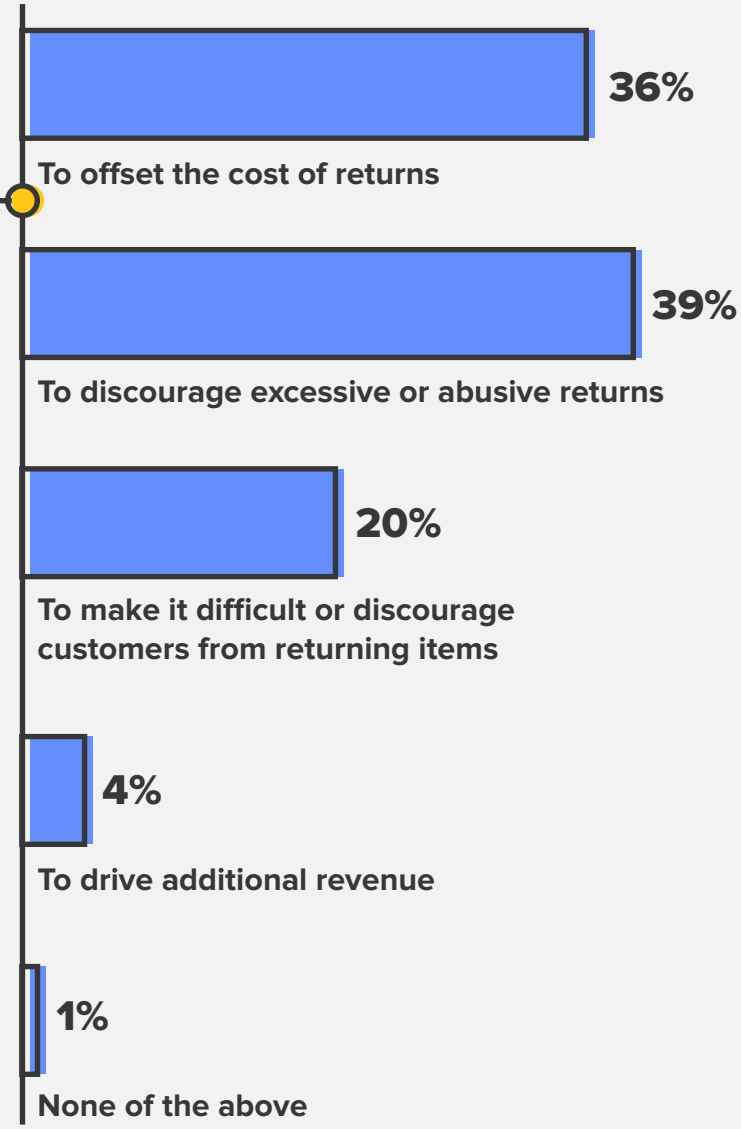
The Great Returns Gamble: Charging for Returns

More retailers are charging for returns than ever, however the long-term impact on shopper loyalty is yet to be determined.

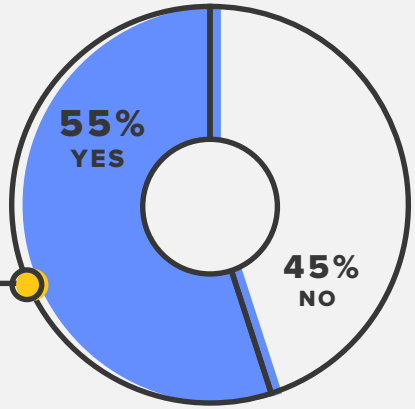
Do you currently charge a returns fee? (shipping or restocking)



If yes, why did you implement a returns fee?



If no, have you considered implementing returns fees in the past 12 months?



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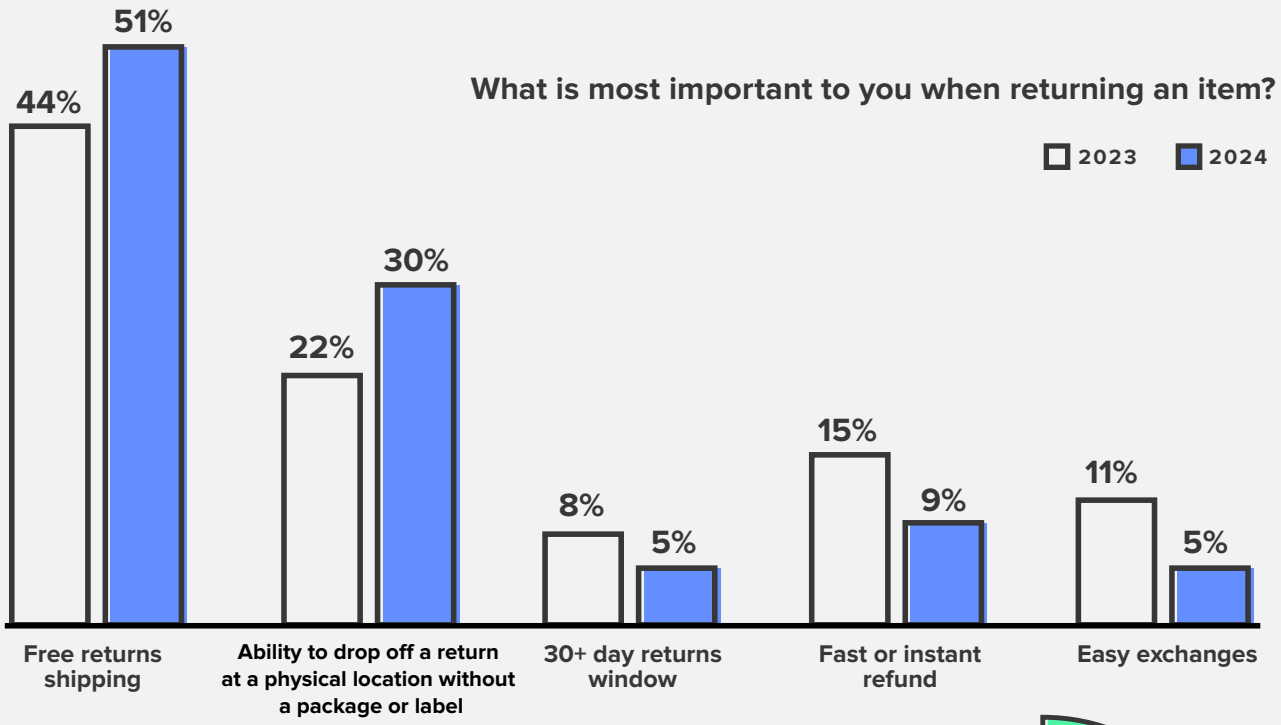
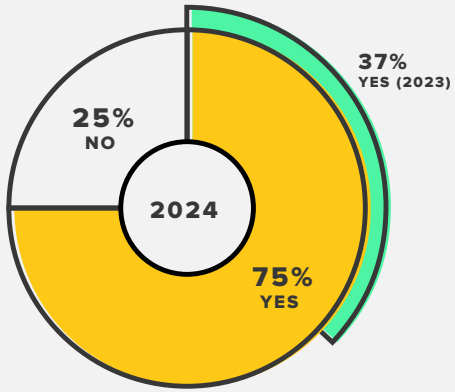
The Return-Fee Resistance

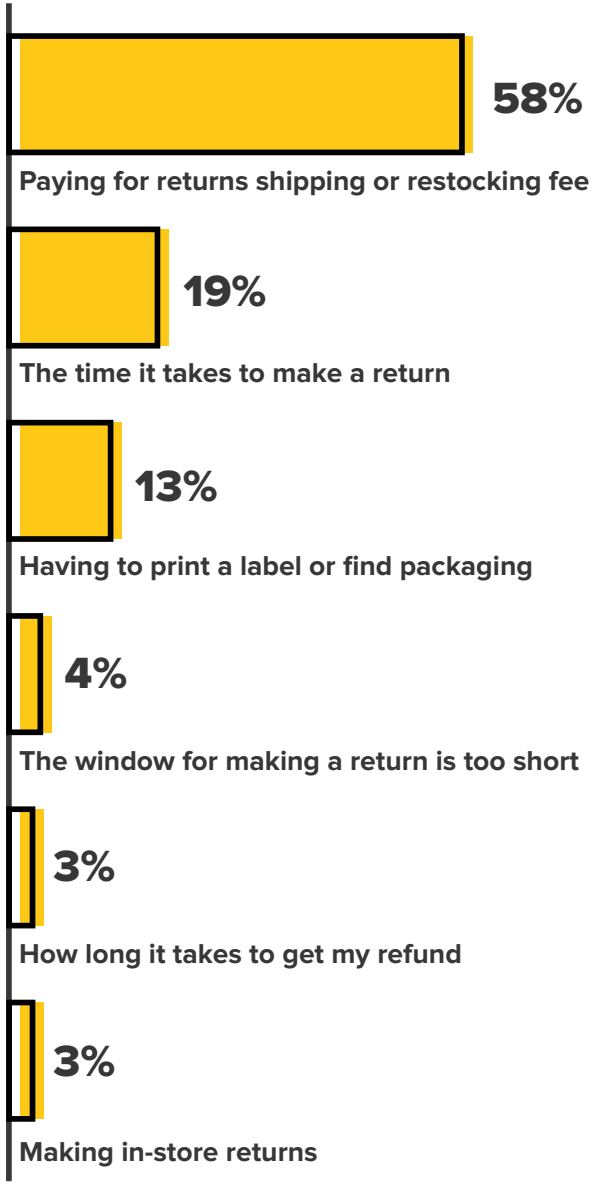
51% of shoppers say free returns shipping is most important to them when returning an item, an increase of 7% from 2023.



75% of shoppers admit they've **embellished or exaggerated the reason for making a return** to avoid a fee or ensure a refund, a 38% increase from 2023.



What is the **most frustrating** aspect of making a return?



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IMPROVING PROFITABILITY & MANAGING COSTS

Recommendations

- ☐ Invest in understanding the true cost of returns for your business
- ☐ Identify internal “owner” and key stakeholders for returns
- ☐ When considering charging for returns, plan to offer at least one free return method
- ☐ Do market research for your audience to see what their preference around returns are. Marry that with your cost to create a holistic solution

Learn more about Profitability:

→ Returnology: The Returns Dilemma

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DECODING DELIGHT: HOW CRX IMPACTS REVENUE

Retailers all know a great customer experience is a paramount for a growing business. Yet, when it comes to the customer returns experience (CRX), retailers and shoppers have distinctly different perspectives. For example, **buy online return in store (BORIS) accounts for half (49.7%) of store returns, yet only 35% of retailers offer omnichannel returns.** Hello, friction! 👋

And there's even more disparity when it comes to charging for returns.

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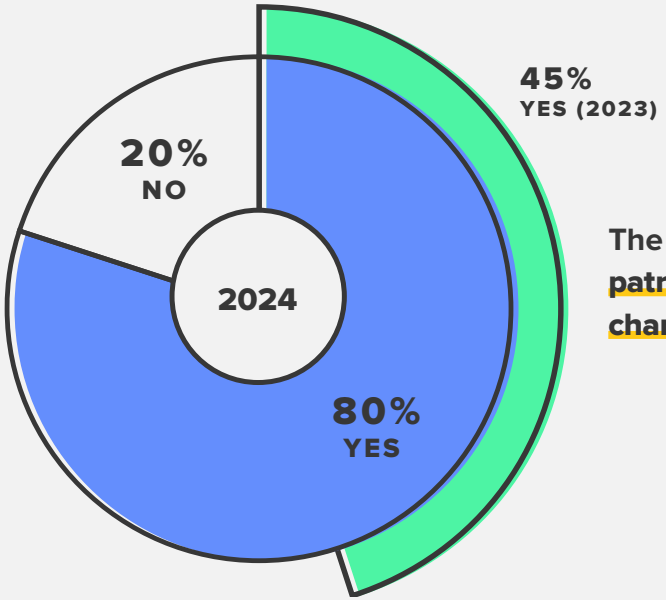
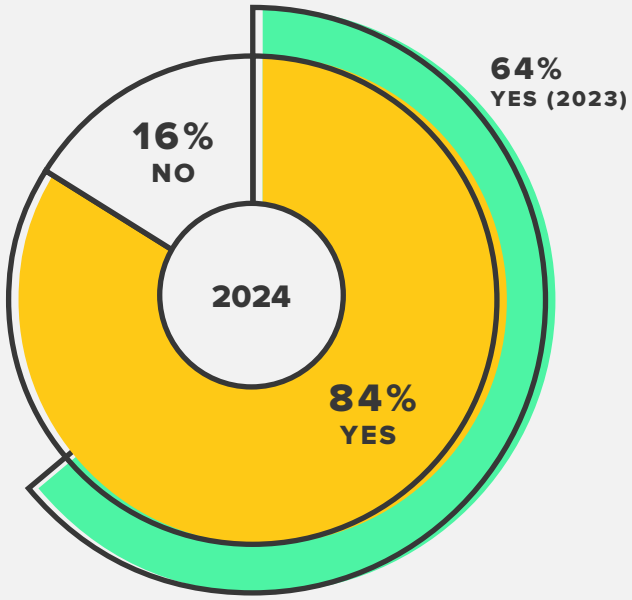
Restrictive policies & negative experiences lead to both lost sales and loyalty



The percentage of shoppers who **stopped patronizing a retailer due to return policy changes** increased by 35% since 2023



84% of shoppers admit they've **decided to buy from one retailer over another, purely because it had a better return policy**, a 20% increase from 2023

When it comes to returns, **improving the customer experience** is retailers' top priority.

Retailers are most eager to improve:

1. Online returns experience (55%)
2. In-store returns experience (49%)
3. Omnichannel returns experience (41%)
4. Offering home pick-ups or third-party drop-offs as a return method (41%)

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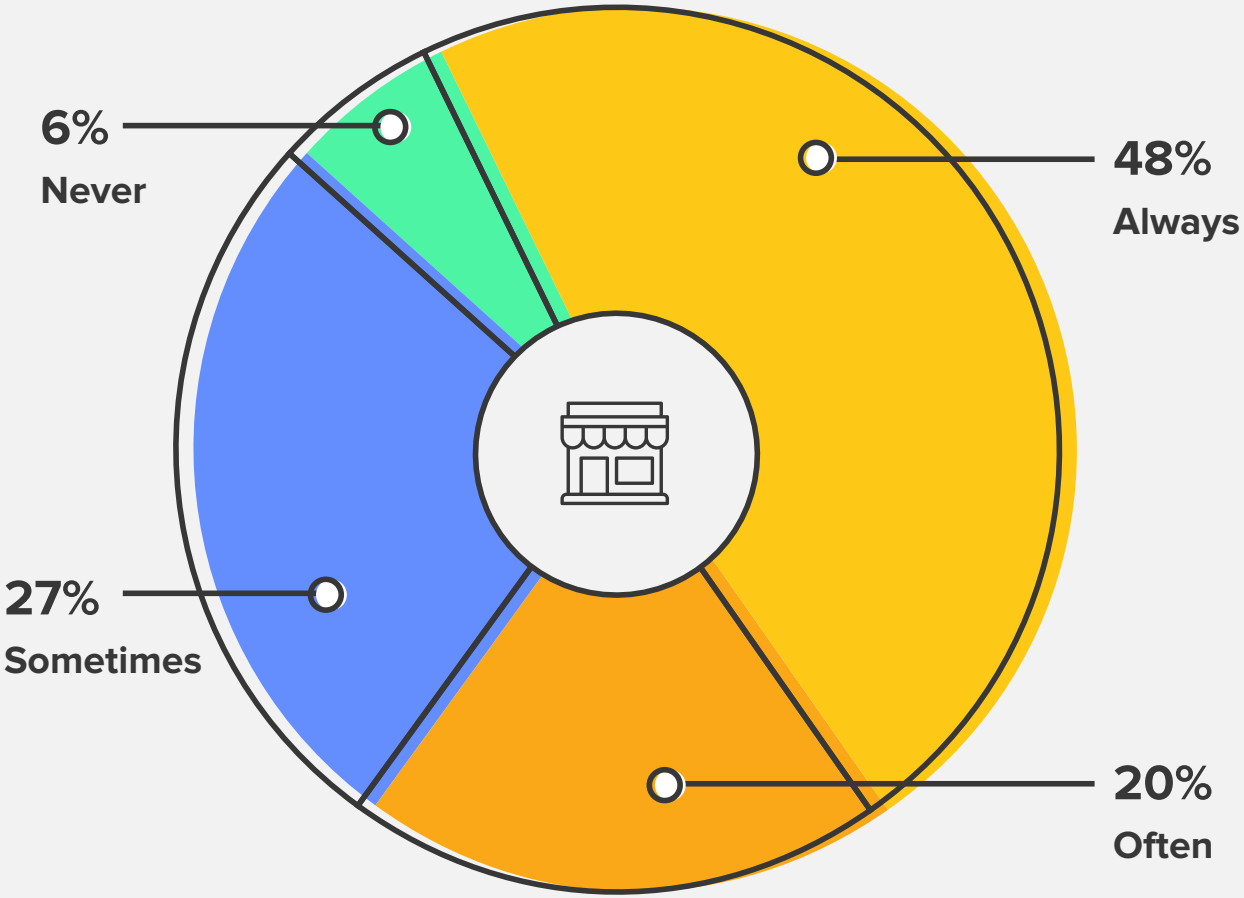
Stores are back in (the returns) business

As omnichannel has blurred the lines between stores and ecommerce, the majority of shoppers prefer to return to a brand's store always or often.



What best describes the reason you would make an in-store return?

1. The ability to drop off a return at a physical location without packaging or label **(53%)**
2. The store is on the way to work, close to home, and/or easier to fit into my schedule **(24%)**
3. I feel more confident about getting my refund when I return directly to a store **(8%)**

What is the most frustrating part of returning items in-store?

1. Long lines to get to the register **(44%)**
2. Store associate is unsure how to handle returns **(26%)**
3. The store is at an inconvenient location **(16%)**

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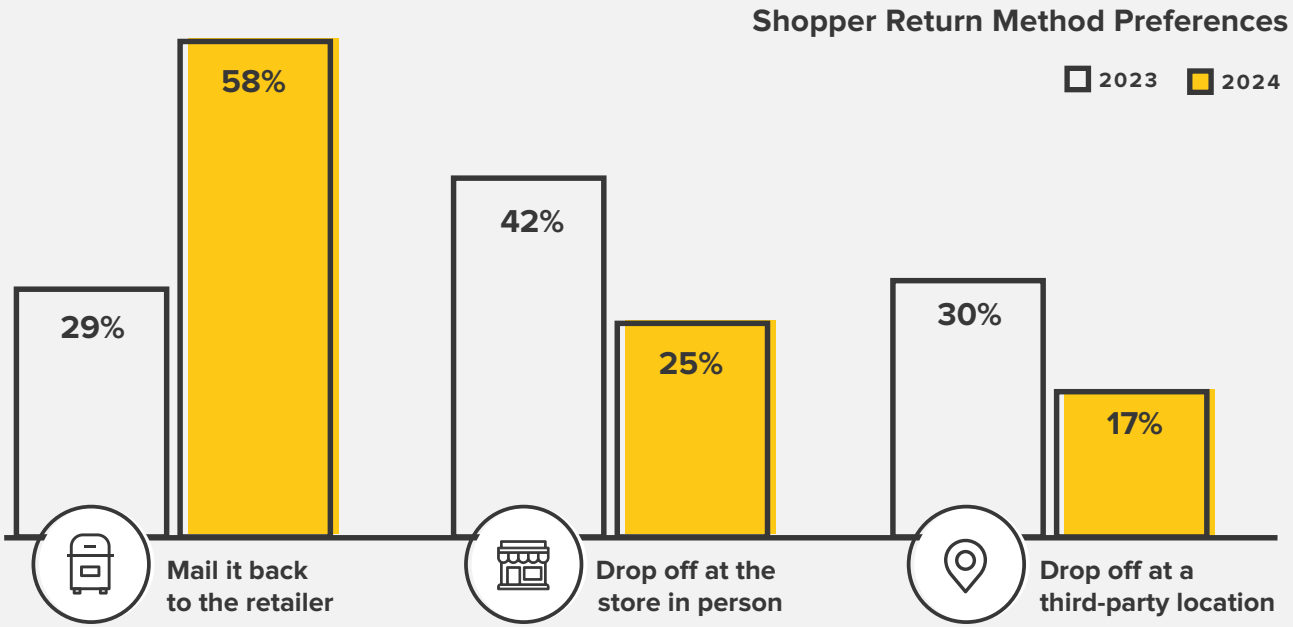
Return method preferences are shifting

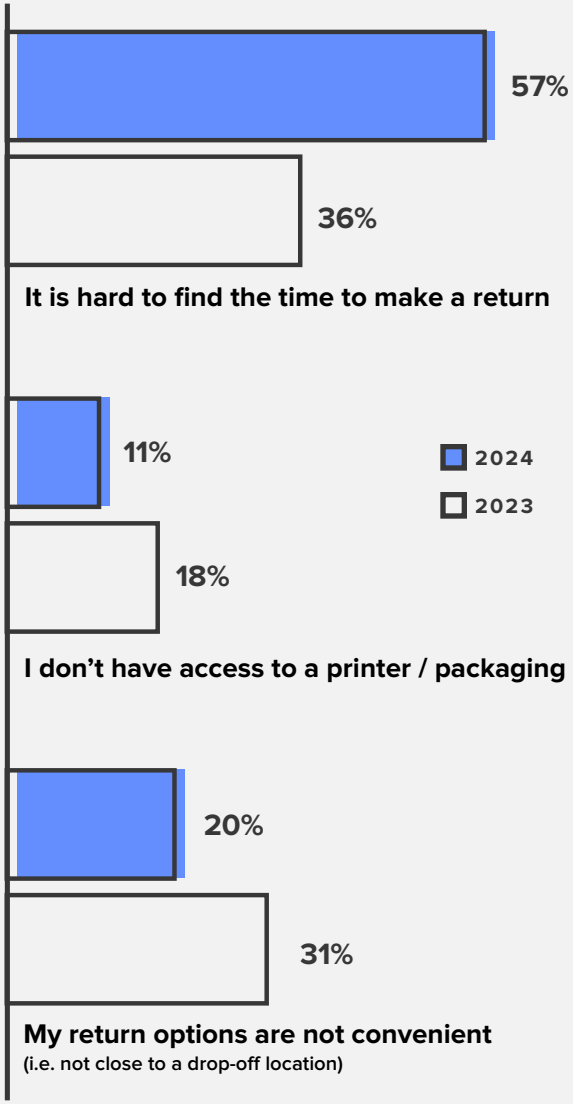
Since 2023, there has been a 29% increase in the number of shoppers who prefer to mail a return back to the retailer.



Retailers are expanding their return methods to optimize for shopper convenience.

- Ability to drop off goods at third-party locations (47%)
- Omnichannel returns — i.e BORIS (35%)
- Keep the item (33%)
- Home pick-ups (31%)
- Box-free, label-free returns (29%)

What causes delays in shoppers making returns?



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Recommendations

- Offer 2-3 return methods (e.g., mail back, third-party drop-off, home pick-up, BORIS)
- Offer at least one free return method for price-sensitive shoppers
- Tailor return options (cost and method) based on profitability and customer loyalty status
- Ensure online and in-store return policies are consistent for a seamless customer experience
- Improve store returns technology by empowering associates to disposition returned merchandise to next-best location

Learn more about CRX:

→ Tailor Made: How Retailers Can Leverage Personalization in the Returns Process

→ From Pain to Profit: Optimizing Store Returns for the Omnichannel Era

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SHIELDING AGAINST FRAUD & ABUSE

A 300% surge in returns fraud over the past four years presents a significant and escalating challenge for brands. In 2023, fraud accounted for 13.7% of returns and is expected to grow. Yet, shoppers seem either unaware or unfazed by the impact of their actions — as almost three-fourths of shoppers admit to wardrobing, or returning an item after use, up 38% from last year.

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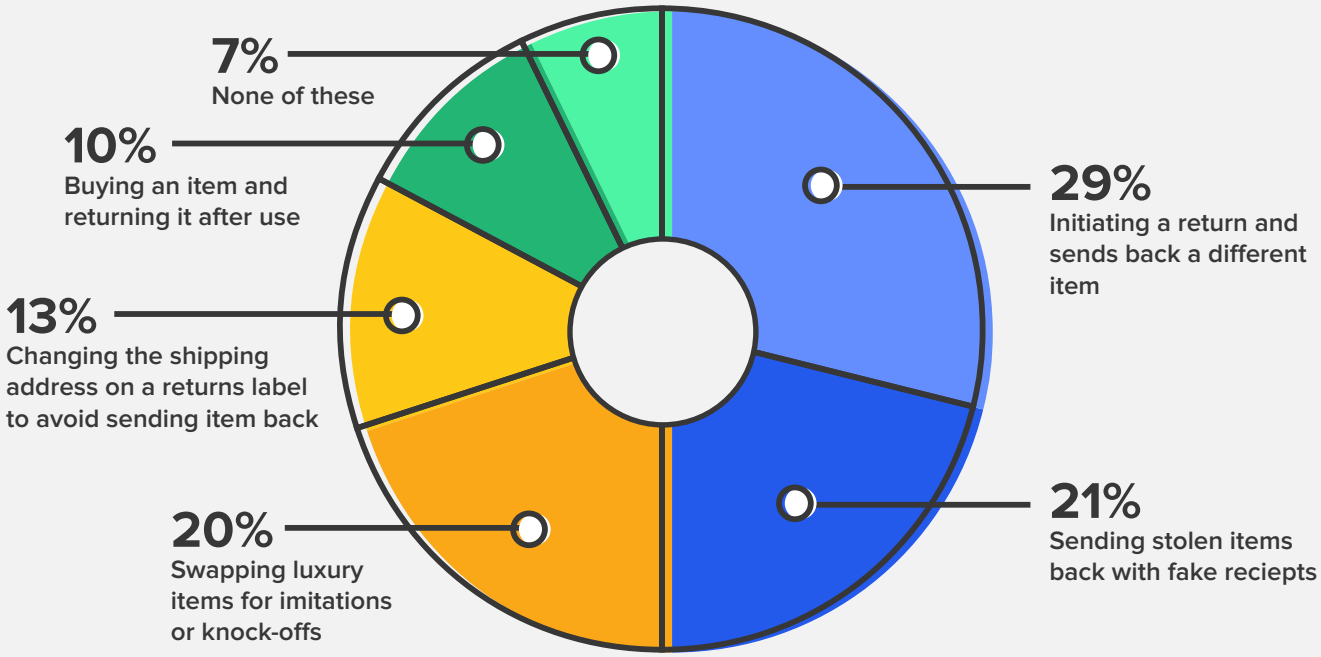
Excessive & Fraudulent Returns are a Growing Threat to Retailers

What are your biggest concerns when it comes to return behaviors?

39% of retailers who have a returns shipping or restocking fee in place have done so **to discourage excessive or abusive returns**.

Which types of fraudulent behavior are most concerning?



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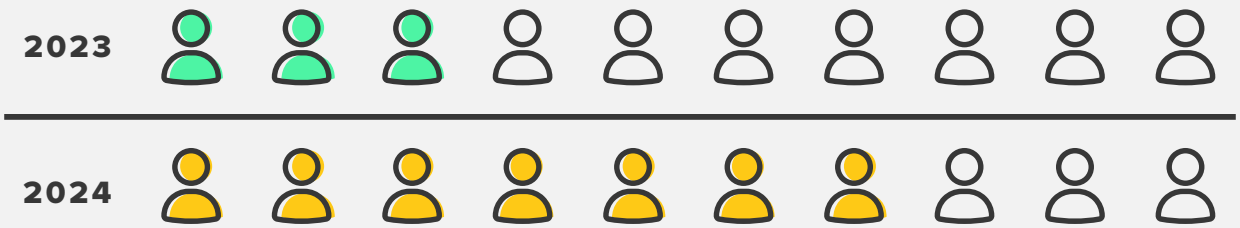
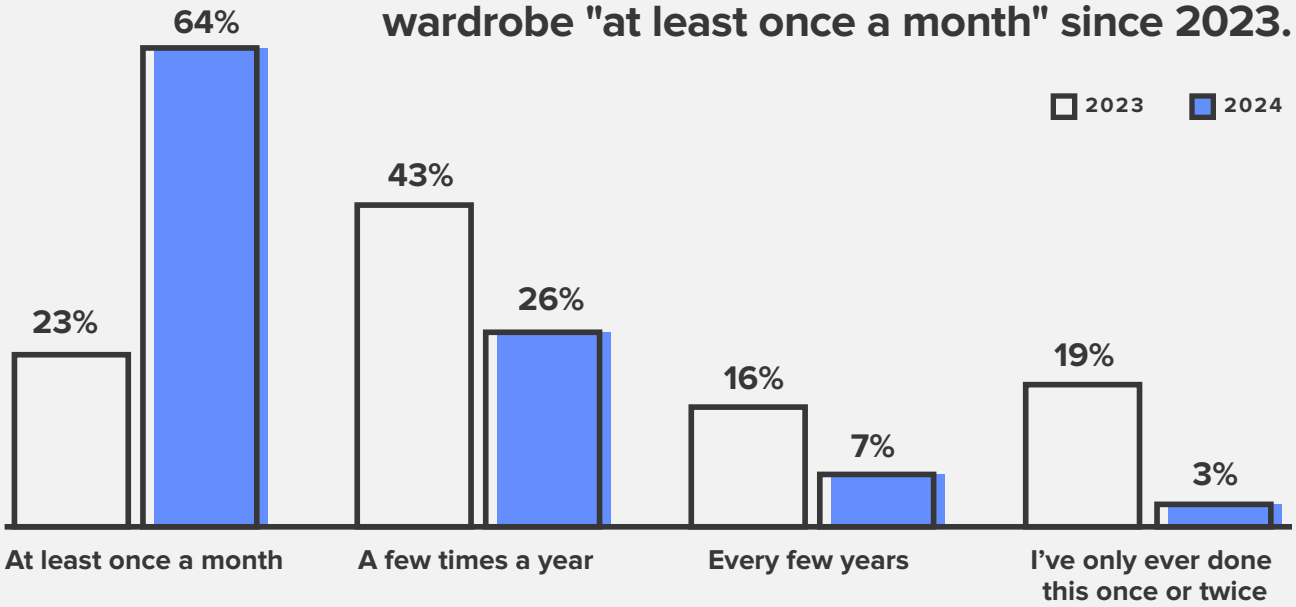
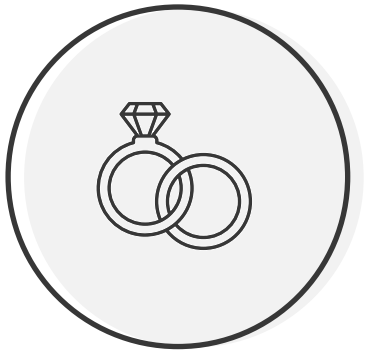
Wardrobing is Wearing on Retailers

69% of shoppers admit to wardrobing — buying an item for a specific reason or event and returning it after use — a **39% increase from 2023**.



There has been a **40% increase** in shoppers who wardrobe "at least once a month" since 2023.





73% of shoppers who wardrobe say they're most likely to do so because of a **wedding or a party**.

76% of those shoppers who wardrobe **cite financial reasons** for the behavior.

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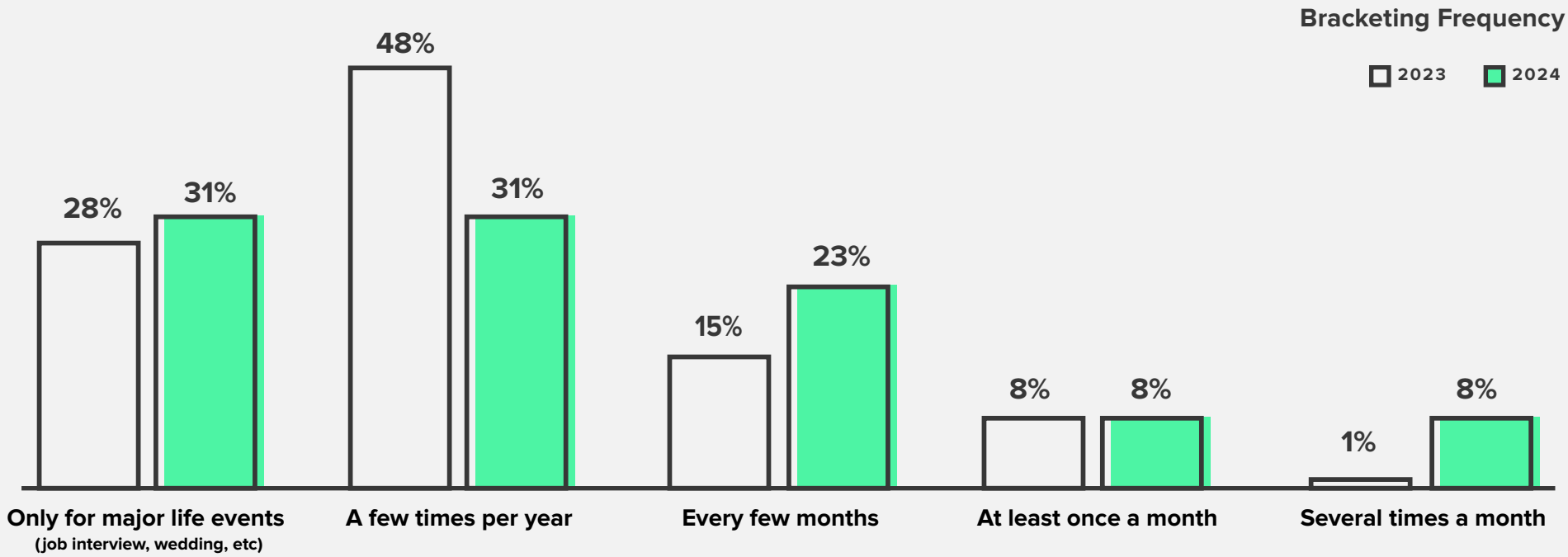
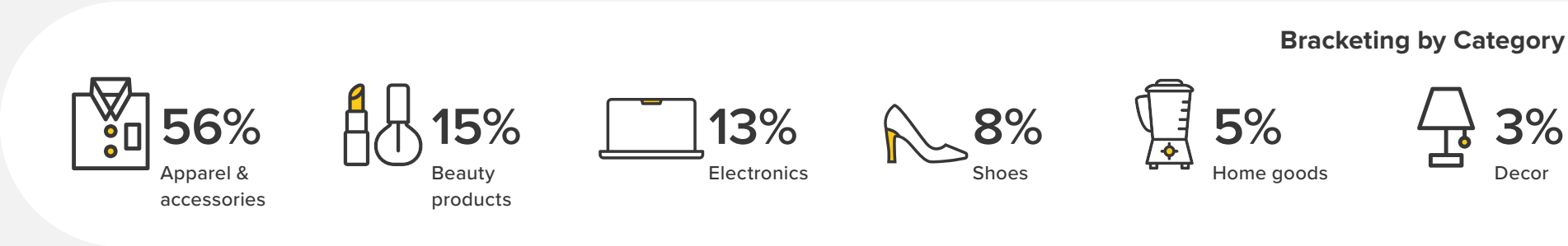
Bracketing: a boon for shoppers, a bust for retailers

In 2020 when stores shuttered, the bedroom became the new dressing room. Now we see shoppers are more comfortable with a buy-try-return mentality.





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SHIELDING AGAINST FRAUD & ABUSE

Recommendations

- ☐ Identify high-risk shoppers via behavioral analysis
- ☐ Flag and block fraudulent shoppers proactively
- ☐ Enhance product data in the shopping experience like product descriptions, photography, and sizing
- ☐ Consider innovations like virtual try on, or shopper-sourced sizing feedback
- ☐ Proactively identify bracketing in your ecommerce storefront and suggest product information to help shoppers narrow their purchase
- ☐ Leverage a Returns Management System (RMS) to personalize the CRX based on risk scores (e.g., charging shipping for excessive returners)

Learn more about Returns Fraud:

→ Returns Fraud & Abuse: What Retailers Need to Know

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SUSTAINABILITY & RECOMMERCE

While Kermit the Frog may think “it's not easy being green,” recommerce certainly has appeal for brands and shoppers alike. TLDR: Retailers are actively investing in sustainability initiatives, and shoppers reap the benefits of like-new, discounted items — and want to buy from retailers that are “green”.

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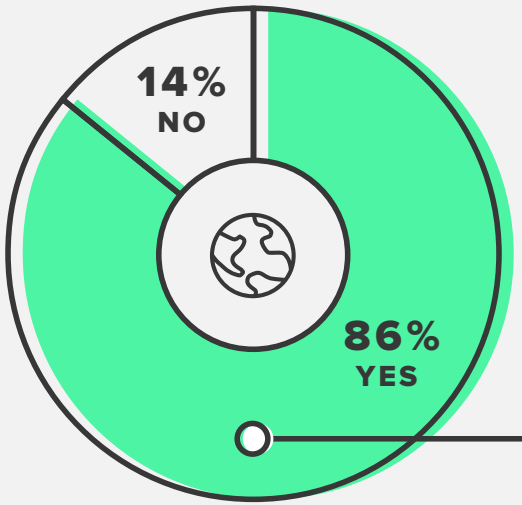
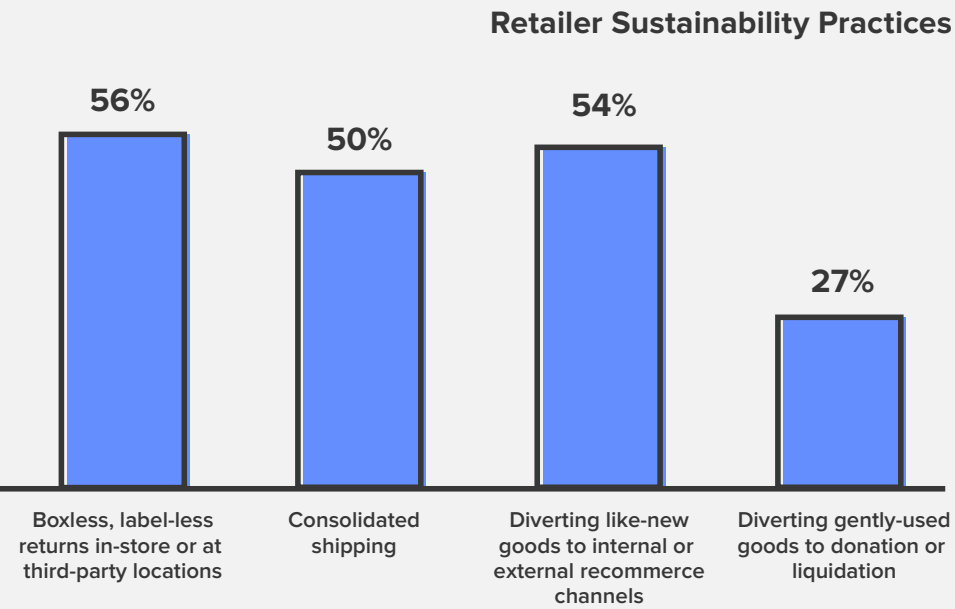
Green is Gold for both Retailers & Shoppers

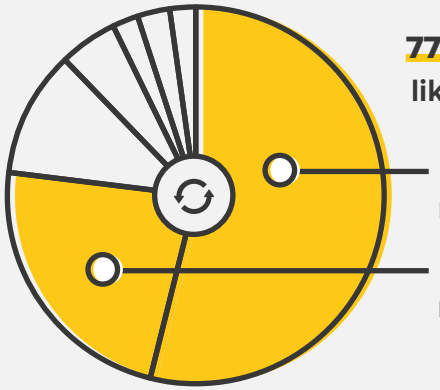


86% of retailers state that their companies have meaningful strategies in place to **minimize the environmental impact of returns.**



What types of items would you purchase like-new or gently-used from a brand at a discount?

- **46%** Purchasing luxury items from brands outside my budget
- **21%** Large purchases, like furniture
- **19%** Everyday items (clothing and apparel, home goods, etc)
- **8%** Apparel or accessories for special occasions (a wedding, a job interview)



77% of shoppers are extremely likely or likely to purchase recommerced goods

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SUSTAINABILITY & RECOMMERCE

Recommendations

- ☐ Prioritize shopper recommerce needs and preferences (i.e. how many of your shoppers would buy like-new products from you?)
- ☐ Explore circular economy initiatives (e.g., Reselling on Trove, Arrive, Rebelstork, Poshmark)
- ☐ Invest in returns management technology to minimize waste by directly connecting to recommerce channels

Learn more about Sustainability:

→ Embracing Circularity in Retail: A Path to Sustainability

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Summary

Returns are becoming more frequent and costly for retailers, posing a significant challenge to profitability. While shoppers appreciate lenient return policies and increasingly engage in practices like bracketing and wardrobing, these trends contribute to rising return rates and financial losses for businesses. Retailers are actively exploring strategies to mitigate these challenges, including implementing return fees and optimizing the customer returns experience (CRX) to balance customer satisfaction with financial sustainability. Sustainability is also emerging as a key focus, with both retailers and shoppers showing interest in recommerce as a solution to minimize environmental impact and offer cost-effective options. However, striking a balance between meeting shopper expectations for seamless returns and protecting business profitability remains a crucial concern for retailers.

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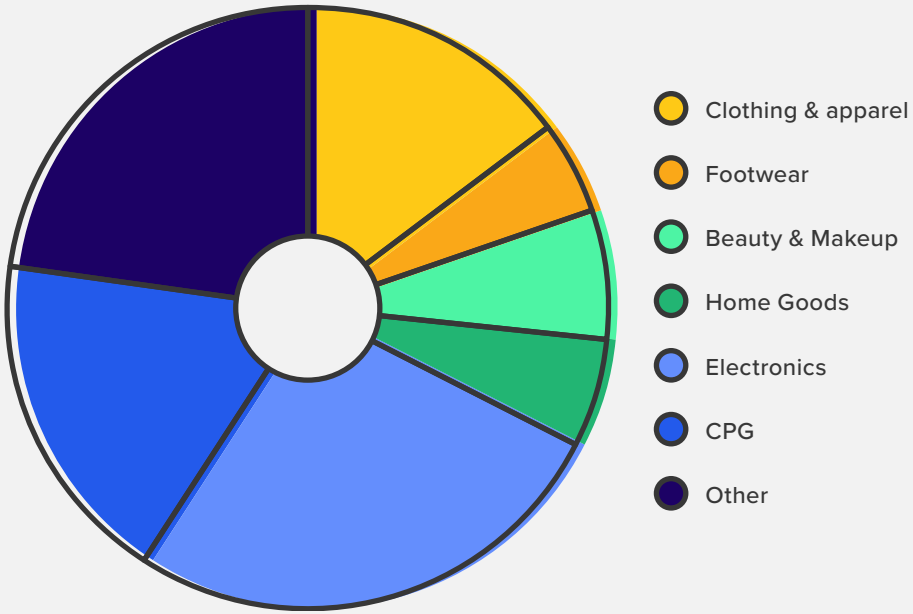
Methodology

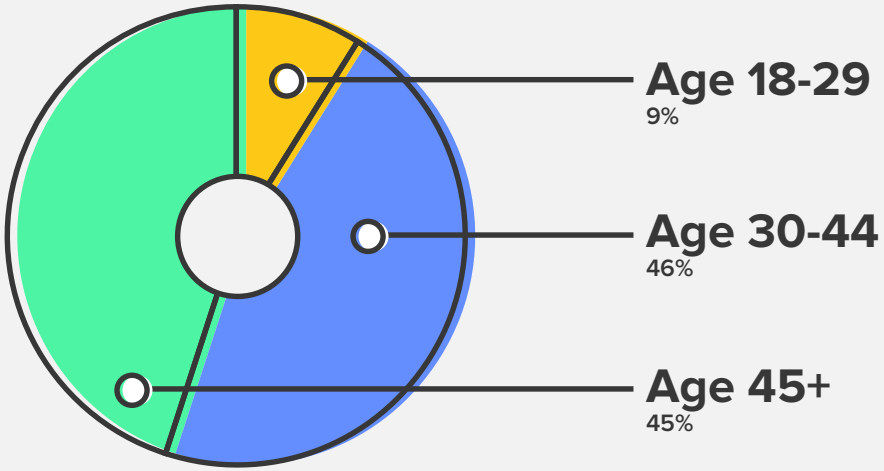
Retailers

We surveyed 350 US-based full-time employees in the retail industry and hold C-suite or senior management positions.



Shoppers

We surveyed 537 male and femaile shoppers in the US between the ages of 18 and 70.



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Optoro is the leading provider of returns technology for retailers and brands, using data and real-time decision making to make returns better for customers, retailers, and the planet. Retailers and brands—including Gap, Tuckernuck, IKEA, and Staples—trust Optoro's solution to make returns a strategic advantage for their business and enable sustainability initiatives across their supply chain.

Talk to one of our returns experts

REQUEST A DEMO

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