

# CONSUMER RETURNS REPORT

How flexible return policies  
can drive customer loyalty

---

ANNUAL REPORT  
2016

# THE \$260B PROBLEM

For many years, return rates at brick-and-mortar stores have ranged between 5% and 8%, but with the recent rapid growth of eCommerce, return rates for online retail have soared much higher. As greater volumes of customers opt to purchase products online, retailers will experience an increasing volume of returns to match the trend. In 2015, Americans returned \$260 billion in merchandise, up more than 34% from just six years ago, according to the [National Retail Federation](#).

In the eCommerce sector, an average of 10-15% of all sales are returned; but for certain categories, such as [apparel and auto parts](#), as much as 20% of sales are returned. These growing return rates have a negative effect on retailers, many of whom are not well-equipped to manage returns. Currently, only between 20-40% of the cost of a returned good is able to be recovered by a retailer – which quickly adds up to billions of dollars of lost revenue annually.

## DO STRICTER RETURN POLICIES HELP?

Due to rising return rates, many big box retailers, such as Sears and QVC, have responded by tightening their return policies, hoping to discourage returns. But stricter return policies don't necessarily mean happier customers. In fact, retailers such as Amazon and Zappos actually use their flexible return policies to enhance the customer experience and encourage customer loyalty.

In the face of growing return rates and rising customer demands, we wanted to find out what type of return policy should retailers offer: strict or flexible? What will serve retailers best in the long term? What are their options? To find out, we decided to survey a group of online shoppers.

### METHODOLOGY

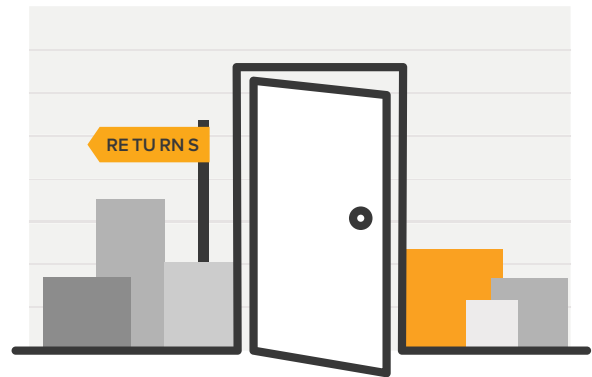
Optoro used online survey tool SurveyMonkey to distribute a 19-question survey to 1,005 shoppers. Survey respondents (referred to as “consumers” throughout this report) were ages 18+.

The survey and results refer to “flexible return policies,” which were defined to survey respondents as one that offers (1) free shipping for returns, (2) an extended return window, (3) the ability to receive cash returns rather than store credit and (4) any other return policy characteristic that makes it easier for you to return an item.

# RETURNS ARE ON THE RISE

As mentioned above, retailers took in \$260 billion in returns throughout 2015. This number is staggering, but has a fairly simple explanation. 40% of consumers stated that they shop with the perception that return policies are getting more flexible, and 11% of those surveyed admitted to buying more than what was needed, with the intent to return at least part of the order. Reasons for this may include the need to evaluate certain items in-person for size or color preference before making a final decision, or wanting to hit a free shipping minimum. This is especially true for items in the clothing and accessories category, which 75% of consumers have returned in the past year.

**11 %**  
of consumers buy with the intent to return at least part of the order



## WHAT DO CUSTOMERS RETURN?

Of the consumers who returned items in the past year, clothing and accessories are returned more frequently than other items.



# FLEXIBLE RETURN POLICIES ARE GOOD FOR BUSINESS

While some retailers actually look to tighten their return policies to lower the burden of managing returned inventory, this practice can be detrimental to business, and the reasoning is two-fold. First, strict return policies simply aren't effective at preventing returns. 65% of survey respondents decided to return an item, despite being charged for return shipping or another service fee. Second, an inflexible return policy can actually block purchases, driving consumers to shop elsewhere. Perhaps the most compelling finding from this section of the survey was that 71% of consumers reported that a flexible return policy would actually encourage them to shop there again.

**65%**  
of consumers decided to return an item, despite being charged for return shipping.



For example, take Zappos. **It has been reported** that the online retailer sees an average return rate of 35%, but its most loyal (highest lifetime customer value) customers have a return rate of 50%. When retailers make returns easy, there is less risk involved in making a purchase, helping foster a sense of trust. In fact, with the rise of eCommerce, consumers are paying special attention to online return policies, with 52% of consumers reporting that they check policies before they make an online purchase.

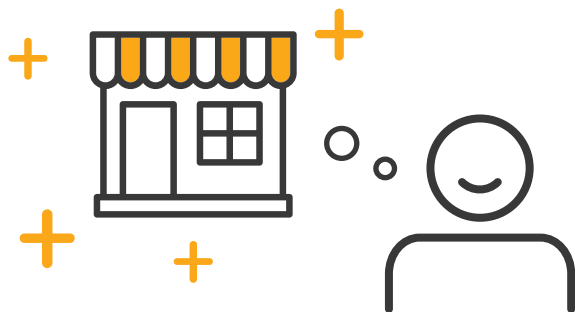


**77%**  
of these consumers abandoned a shopping cart because free return shipping was not offered

## COST AND AGE IMPACT CONSUMER RETURNS

When considering implementing a return policy, not all characteristics are weighted equally. Speaking specifically about online returns, customers prioritize the ability to make a free return (38%) and the ability to get a full refund rather than store credit (37%), over the convenience of being able to return an item in-store (17%) or for an extended period of time (8%). In other words, cost matters. The same sentiment is true of in-store returns, where it was reported that 59% of consumers find it important to be able to return an item for a full refund, rather than store credit.

Aside from the cost of returns, age is also a factor to consider in crafting a customer-friendly return policy. The 18-29 year old set of “young consumers” greatly prefers to be able to return an item free of charge. 45% of this age group reported keeping an unwanted item in order to avoid a return fee. Only 27% of consumers aged 60+ reported this behavior in the past year. As this younger demographic of online shoppers further emerges, it will be even more important for retailers to get to know their customers and adopt flexible return policies that foster trust and loyalty.



71%

of consumers said a positive return experience greatly encourages them to shop at a store again.

# RETURN POLICIES MATTER EVEN MORE WHEN GIFTING

When buying gifts, consumers care just as much – if not more – about return policies than when buying items for themselves. Typically, before purchasing, consumers check return policies 52% of the time online, and 37% of the time in-store. When buying gifts for others, that number rises to 55% across the board. One notable retailer that offers free return shipping is Amazon, where 85% of consumers reported they plan to check first when buying gifts this holiday season. 56% of this group noted Amazon’s free return shipping as one of the reasons they’ll check Amazon before looking elsewhere.

**55** %

of the time, consumers check the return policy when buying gifts.



As post-holiday returns season approaches, retailers that offer easy return shipping and express returns in-store, will foster a more positive customer experience. To avoid losing customers to the hassle of standing on-line in-store, or having to otherwise compromise the full value of the gift they received, retailers must adapt their policies to customer preferences.



**85** %

of consumers reported checking Amazon for gifts first, since it offers a flexible return policy.

## MOST IMPORTANT RETURN POLICY CHARACTERISTICS



### Online Purchases

**38%** Free return shipping

**37%** Ability to get a full refund rather than in-store credit or partial refund

**17%** Ability to return items in-store that were purchased online

**8%** No time limit on returns / extended time period



### In-store Purchases

**59%** Ability to get a full refund rather than in-store credit or partial refund

**21%** Ability to return an item without a receipt

**20%** No time limit on returns / extended time period

# RETAILERS MUST BE ABLE TO MANAGE RETURNS

Data shows that in order to create positive customer experiences that foster loyalty and drive lifetime customer value, retailers must simplify their returns policies to make them as low-cost and hassle-free as possible. This means free return shipping for online orders, no re-stocking fees, and the ability to issue full refunds, rather than store credit.

Despite this kind of flexible policy that's driving customer loyalty, many retailers are concerned that this will be a bigger problem than it's worth, logistically, with return rates already climbing. From what we've seen partnering with 20 of the country's top 100 retailers, as long as there is an **effective, technology-driven solution** in place, returns should not be a logistical or financial burden on retailers.

Many of the country's top retailers are looking to **Reverse Logistics Management Systems**, a new category of software solutions that span the entire reverse logistics lifecycle and help create more value from returns. These forward-thinking companies find that Reverse Logistics Management Systems help them increase inventory recovery, reduce warehouse and technology costs, and increase visibility into their reverse logistics lifecycle. With the right tools in place, retailers are equipped to resell goods at faster rates and for better recovery. With better customer experiences, more customer loyalty, and more recovery from returned inventory retailers must look to these technology solutions to keep up with these rising trends.

---

Want to learn more about  
Reverse Logistics Management Systems?

**Contact us here.**

ALL RIGHTS RESERVED. THIS DOCUMENT IS THE PROPERTY OF OPTORO, INC. AND MAY NOT BE REPRODUCED IN WHOLE OR PART WITHOUT PERMISSION. OPTORO, BLINQ, BULQ, AND OPTITURN ARE TRADEMARKS OF OPTORO, INC. AND MAY BE REGISTERED IN CERTAIN JURISDICTIONS.