RETAIL RETURNS AND THE CONSUMER EXPERIENCE:

Leveraging Returns as a Competitive Advantage

A Consumer Study Produced and Conducted by **WBR Insights** in Partnership with **Optoro** and **Consumer Returns**

Consumer Returns

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EXECUTIVE SUMMARY

In today's retail universe, consumers expect a range of options and features that revolve around the delivery of seamless experiences. Whether engaging with a favorite brand on social media, sharing their thoughts via reviews and getting product recommendations in return, or returning a purchase, every interaction is expected to provide a positive experience, regardless of the channel or location used to initiate.

Consumers expect return policies that fully reimburse expenses on products that are no longer wanted, provide the support needed to clearly articulate the terms of a policy that provides ample time to make a decision about a product, and they demand the flexibility to return in-store or via mail, even for purchases made online.

We surveyed over 600 US consumers about their experiences and preferences on return policies and processes to gauge shopper's attitudes towards returns. Our findings on holiday season returns, the prevalence of flexible (or inflexible) return policies, and their influence on customer loyalty will help retailers understand the impact of this often overlooked element of the retail experience.

KEY FINDINGS

Especially after the holidays, customers will often take several weeks to return a product. Retailers should be prepared for months of latency, from the time a gift is purchased, to a recipient deciding it should be returned.
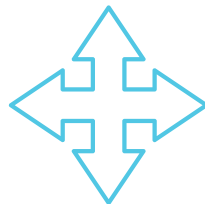
One of the most requested features of a return policy is the ability to be flexible when deciding to return a product through shipping or through dropping it off in store.
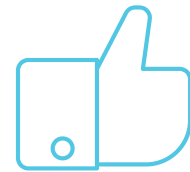
While the positive and negative effects of returns policies are both very pronounced, consumers are more inclined to feel positively about a good experience than negatively about a bad experience. This showcases the major gains in retention that can be made by investing in a progressive returns policy.

RESEARCH ANALYSIS
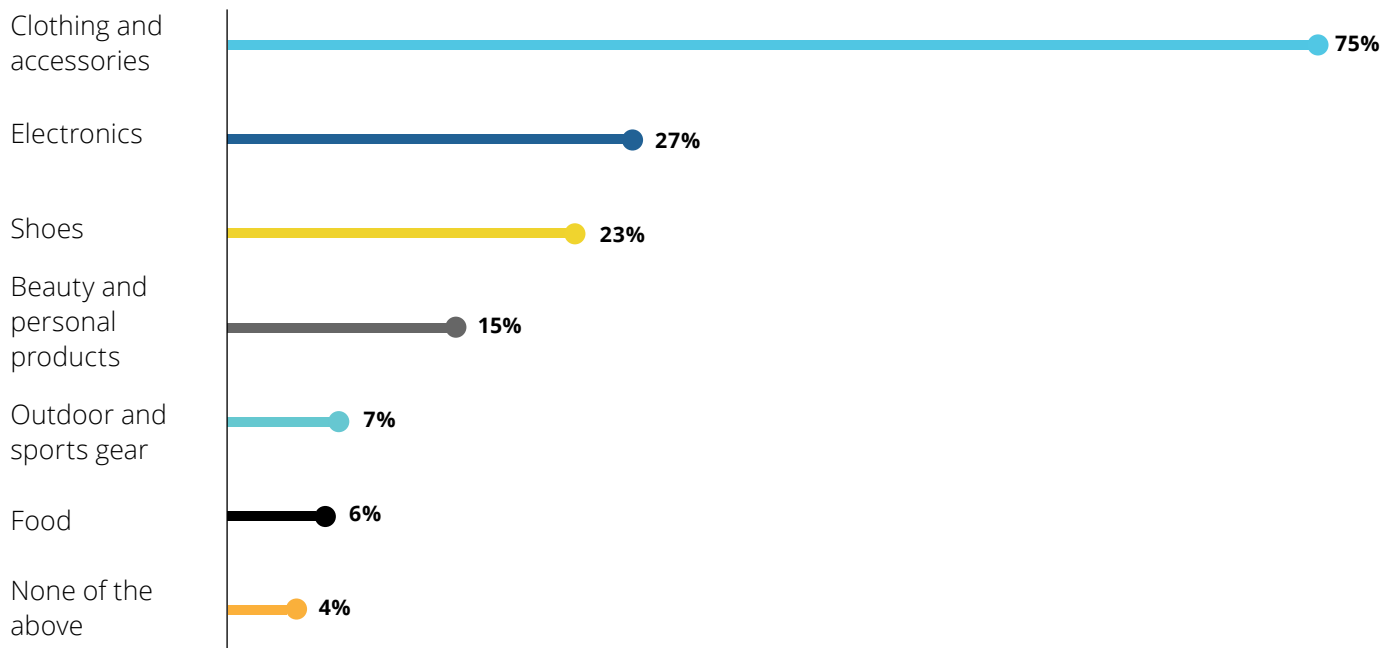## How Consumers Return Gifts after the Holiday Season

The holidays are the busiest season of the year for many retailers—but returns should still be top of mind even after the tinsel has been packed away. 46% of consumers returned between one to three gifts out of those they received during the holiday season.

Another 8% will return even more gifts and up to 1% will give back over 10. The most commonly returned items are, perhaps unsurprisingly, clothing and accessories, followed by electronics and shoes.

Of the holiday gifts that you received last year, how many did you return?

10+	1%
7-9	1%
4-6	6%
1-3	46%
0	46%

When you returned gifts after the holidays last year, which of the following did you return?

Clothing and accessories	75%
Electronics	27%
Shoes	23%
Beauty and personal products	15%
Outdoor and sports gear	7%
Food	6%
None of the above	4%

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When you returned gifts after the holidays last year, when did you return the gifts?

The day after the holidays	10%
The week after the holidays	48%
Within the month after the holidays	46%
More than one month after the holidays	6%

Flexibility is key when creating a return policy that meets the needs of consumers. This is particularly true after the holiday season, which tends to coincide with vacation time. Many consumers will wait until after that period to tackle their returns.

Taking into consideration the fact that many gifts will be purchased in the months and weeks leading up to the holiday season, retailers need to be open to the possibility that items will be returned to them in a timeframe of months, not days.

When do consumers return the bulk of the gifts that they simply don't want or need?

Close to half of consumers (48%) make returns the week after the holidays, while a large percentage (46%) wait a month.

The Importance of Convenience for Consumers

While 87% of consumers prefer to return items directly to a physical store location, the convenience of being able to mail an item back is something that 49% of respondents have taken advantage of as well.

Though there is a significant difference in the share of respondents who exclusively returned items in-store versus those who favored mail, the large overlap between these two groups is also notable. From these results, it can be deduced that though in-store returns are still the most popular method, that can change for many respondents as convenience dictates.

The brick-and-mortar store is still the most common location for returns, though shipping is a popular option as well.

In the past year, how have you returned items?

13%	51%	36%
Returned items by mail	Returned items in-store	Both returned items in-store and by mail
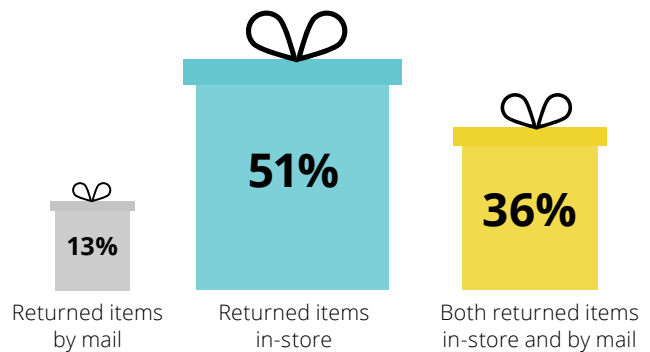
In the past year, how many times have you bought an item online, and returned it to a physical store?

0	41%
1-3 times	47%
4-6 times	9%
7-9 times	2%
10+ times	1%
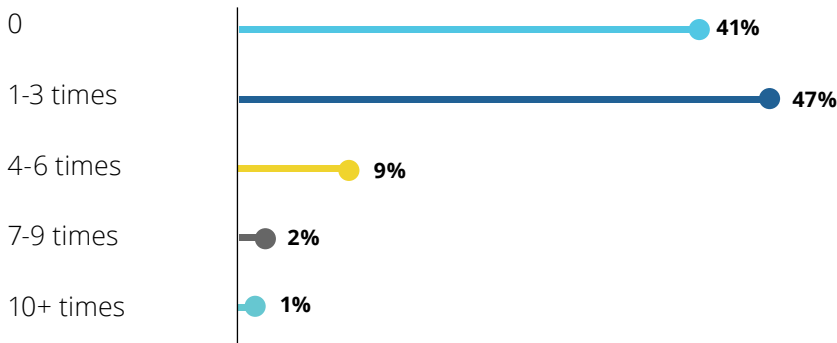
In fact, many customers find it easier to bring something they have bought online to a store location in order to get the instant reassurance of dropping off an unwanted item.

Today, 59% of respondents have made at least one return of an item they purchased online to a physical store.


Please rank the following return policy characteristics in order of importance to you when purchasing an item on a scale of 1-5, with 1 being the most important and 5 being the least:

- Ability to get a full refund on item, rather than an in-store credit or partial refund
- Ability to return an item without a receipt
- No time limit on returns / extended time period
- Ability to return items in-store that were purchased online
- Free return shipping

1
- 35%
- 13%
- 14%
- 14%
- 25%

2
- 22%
- 16%
- 17%
- 20%
- 25%

3
- 18%
- 17%
- 23%
- 22%
- 20%

4
- 13%
- 26%
- 26%
- 20%
- 15%

5
- 12%
- 28%
- 21%
- 24%
- 15%

In terms of the areas of a return policy that respondents prioritize, the most commonly cited are related to avoiding financial risk.

The ability to get a full refund on a product, without the need to funnel credit into a lateral purchase or accept diminished value in exchange is one of the most critical factors for consumers, followed by free shipping on returns.

Aside from financial considerations, the ability to return items in-store that were purchased online is the most in-demand option, followed by an unlimited period of time on returns, and then the ability to return an item without a receipt.

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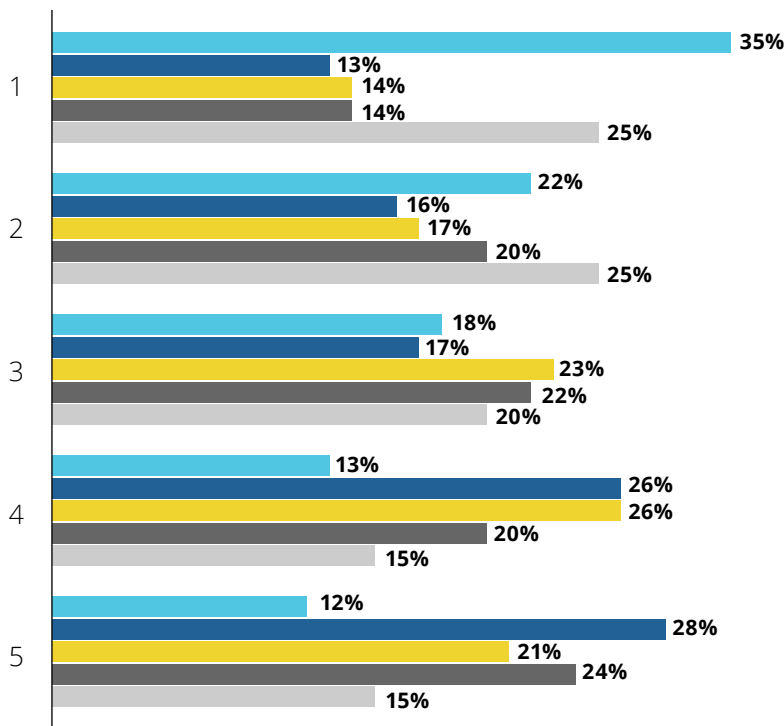
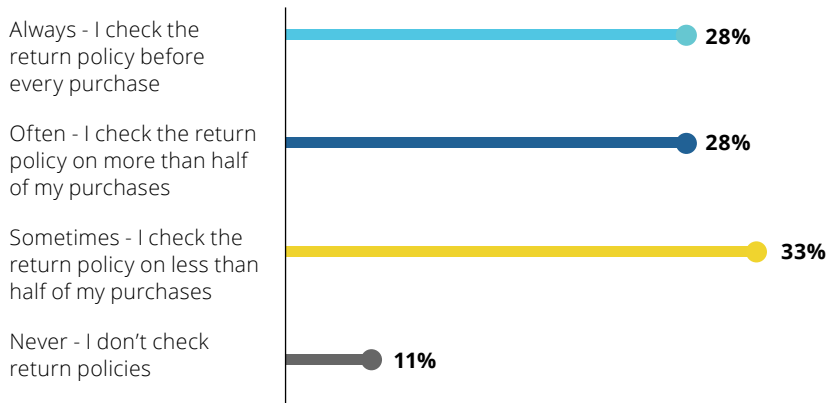# Consumers Reward Lenient Return Policies, and Reject Inflexibility

The returns experience is an often overlooked way to drive both customer engagement, and repeat sales. Smart retailers realize that when a customer comes to a physical store to make a return, the likelihood that they will make another purchase is high. Of the consumers surveyed, 86% have made another purchase during a product return at least once during the past year.

Promoting flexibility in digital returns can serve more than just a way to improve relationships with customers—it can potentially help to boost sales as well.

In the past year, how many times have you returned an item to a store, and bought something new while there?

0	14%
1-3 times	71%
4-6 times	12%
7-9 times	2%
10+ times	1%
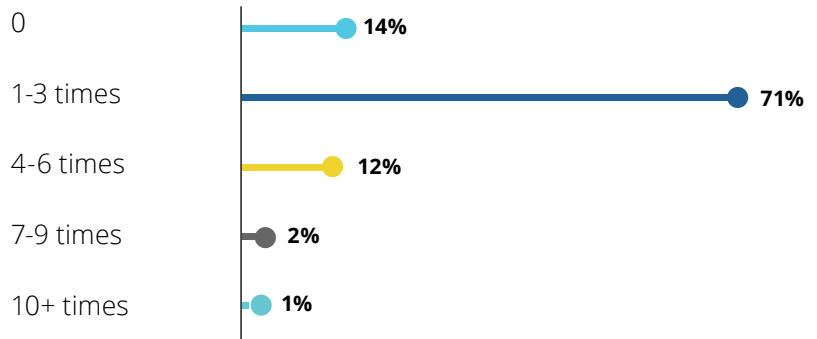
How often do you look at the return policy of an item before purchasing?

|	
Always - I check the return policy before every purchase	28%
Often - I check the return policy on more than half of my purchases	28%
Sometimes - I check the return policy on less than half of my purchases	33%
Never - I don't check return policies	11%

Aside from the ability to bring customers in to the physical store where they may make additional purchases, a flexible return policy also has the ability to convince new or returning customers to make a purchase that they feel will have little to no risk. When returns are seamless, the pressure to commit to a new product can be dramatically lessened.

Only 11% of consumers report that they never check return policies before making a purchase, and 28% check the policy before every purchase. While the frequency with which individual consumers will check return policies will vary, it's safe to say that a customer-friendly return policy can help attract new business and an inflexible one can deter purchases.

In fact, 55% of consumers state that they have decided to not purchase an item in the past year based solely on the return policy not being flexible enough. Whether it's because of a lack of convenience that could get in the way a making a return, a lack of comfort with an expenditure that could become finalized without a proper trial period, or simply because of indecisiveness, over half of consumers have a chance to pass over a product before even trying it simply because they are afraid they cannot return it on their own terms.

A poor returns experience will strongly influence the likelihood that customers drop their associations with a brand.

In the past year, have you ever decided not to purchase an item solely because the return policy was not flexible enough?

55%
Yes

45%
No
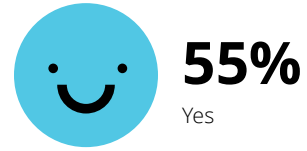
While 11% of consumers feel that a negative returns experience is unlikely to impact their relationship with a brand or retailer, the far more likely outcome is a negative impact on the relationship. Despite the negative impact of a poor experience, the good news is that the potential to win favor from a positive experience is even stronger.

The impact of positive returns cannot be overstated—97% of consumers would be more likely to purchase another product from a business that they had a positive experience with. And a negative experience is incredibly impactful as well—89% of consumers are less likely to shop at a retailer or brand if they had a bad experience with the return.

The importance of returns goes beyond promoting a positive customer experience — it can be the start of a much stronger relationship between a customer and a brand. Retailers and brands should ensure that they have flexible and lenient return policies that create a positive experience in order to retain shoppers, attract new ones, and drive new in-store shopping moments.

Would you be less likely to shop at a retailer/brand if you have a negative return experience?
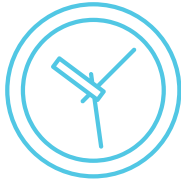
89%
Yes

11%
No
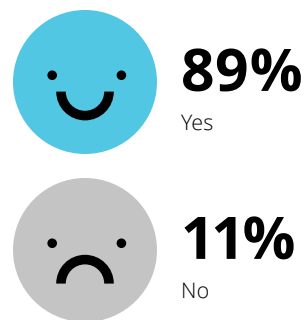
Would you be more likely to purchase an item in the future from a company that you had a positive return experience with?

97%
Yes

3%
No
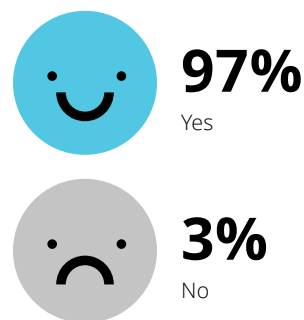
KEY RECOMMENDATIONS

What takeaways should retailers keep in mind when developing their approach to returns? Here are three pieces of insight:

When it comes to the holidays, expect return requests to come potentially several months after the initial purchase.

The fact that consumers will often purchase holiday gifts in the months and weeks leading up to their gift-giving seasons adds extra time to the period that they will expect to be able to make a return. When accounting for the fact that the majority of consumers will return at least one gift, and 46% of consumers will return their gifts within a month, or even longer after the holiday season, retailers should anticipate a heavy return season that can last at least another month after the holidays have ended.

The ability to return a purchase made online to a physical store location is a key component of a progressive returns policy, and creates significant opportunities to make new sales.

Creating a progressive returns policy is all about anticipating what is the most convenient for the customer. Some features are relatively easy to anticipate, such as consumers' desire to get full cash refunds for items they no longer want. What may be unexpected is how the convenience of shopping online does not always extend to the return of an item when customers are expected to ship it back themselves. In this case, it's often easier and more intuitive for them to return to a physical store.
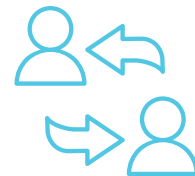
Treat returns as a chance to improve relationships with your customers. The effects of a positive returns experience are even stronger on retention than a negative experience.

More flexible return policies actually do have an impact on the ability of a business to make more sales. Consumers are more likely to become a repeat buyer if they have had a positive returns experience, and often will make an additional purchase if they return the item to a physical store.
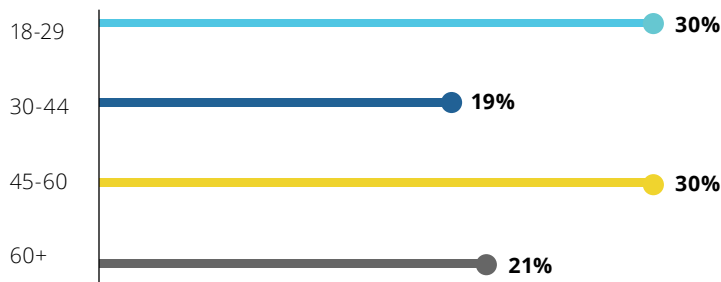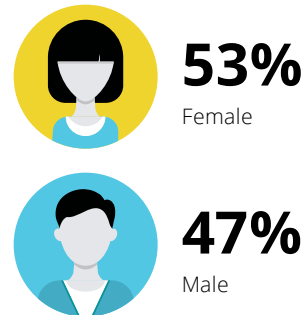
APPENDICES

Appendix A: Methodology

The results analyzed in this report were gathered from responses to a consumer survey delivered to US shoppers. 600 consumers responded to the survey.
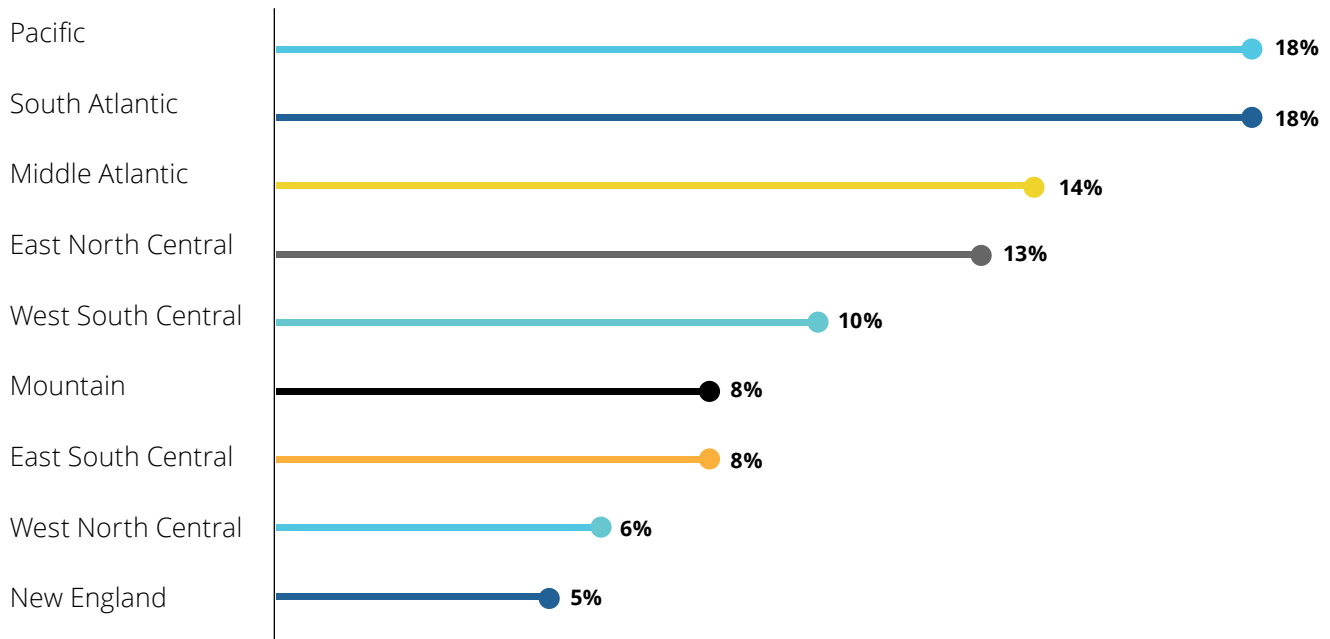
Appendix B: Demographic Information

Age

Age	
18-29	30%
30-44	19%
45-60	30%
60+	21%

Gender

53% Female

47% Male

Region

Region	
Pacific	18%
South Atlantic	18%
Middle Atlantic	14%
East North Central	13%
West South Central	10%
Mountain	8%
East South Central	8%
West North Central	6%
New England	5%

ABOUT THE AUTHORS

Consumer Returns

Consumer Returns is the only conference for reverse logistics and returns management professionals who are looking to trim costs through return reduction strategies and optimization of the reverse supply chain.

This Year's Event Will Be Focused On:

- Omni-Channel Retail and Secondary Market Opportunities: Streamlining Reverse Supply Chain and Maximizing Profitability

- Returns Prevention: Leveraging Emerging Technologies and Data Analytics to Enhance Customer Experience and Reduce Returns Rate

- Responsible Supply Chain: Exploring Data Security, Recycling & Disposition, and Regulatory Compliance

Learn more at: https://consumerreturns. wbresearch.com

Optoro

Optoro is a technology company that revolutionizes how retailers and brands manage, process, disposition, and sell returned and excess inventory. Optoro's Returns Optimization Platform harnesses machine learning to direct the movement of inventory across the reverse supply chain to the most profitable destination, delivering maximum inventory value and reducing landfill waste. Founded in 2010, Optoro works with leading retailers and brands, including Jet.com, Staples, Target, BJ's Wholesale, and Under Armour. To learn more, go to www.optoro.com, or email inquiries@optoro.com.

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