

Putting the Customer at the Center of the Returns Experience

By **Daniela Forte**, Multichannel Merchant

With the volume of returns growing rapidly along with ecommerce, it's getting harder for retailers to provide a great experience while also minding the growing costs, driving them to seek solutions that tick both boxes.

While improvements in technology have aided the returns process and the overall experience, for many it still has a long way to go.

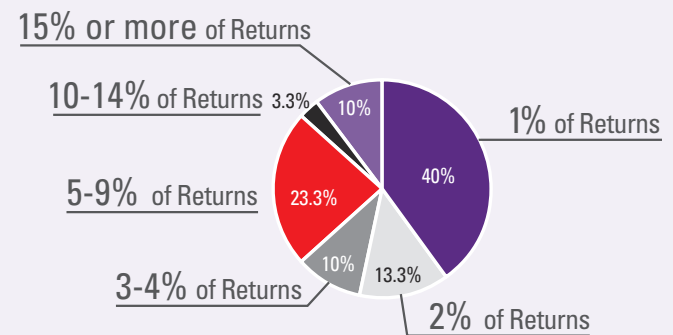
Also, how returns are handled has a major impact on both ecommerce conversion and customer loyalty. According to a FedEx report on customer loyalty, nearly all online shoppers (95%) said they would patronize a retailer again who provided a satisfactory returns experience, while 32% said they have abandoned a shopping cart based on an unfavorable returns policy.

According to the 2019 MCM Outlook Survey, the highest number of merchant respondents (40%) said 1% of their ecommerce orders are returned annually, while 23% said the rate is between 5% to 9%. Another 10% put it in the 15%-19% range, while 13% said just 2% of online purchases came back.

Your Returns Policy

Retailers need to do all they can to simplify the returns experience, starting with making the policy easy to find and understand. They should be upfront about costs and timeframe and provide a credit as quickly as

What percentage of your ecommerce orders were returned in 2018?



possible, while being careful to avoid returns fraud.

Ryan Kelly, vice president of global ecommerce marketing for FedEx Services, said a good returns policy and process is one that is consistent with the customer's expectations. For instance, Kelly said, they expect to be able to return unworn apparel for free to a physical store with no questions asked.

"Also, many consumers expect some limitations on returning opened electronics because they know the merchant can't resell it as is, so a restocking fee is often expected."

According to cart abandonment statistics from AnnexCloud, 8 out of 10 consumers will not make a purchase unless there is a hassle-free returns policy. Con-

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sumers often cite the returns policy as second only to price in driving the purchase decision. “The stakes are high for a merchant to get it right,” said Kelly.

Small-to-medium-sized merchants need to create a returns policy and process that is consistent with the brand and the consumer experience they’re creating, as well as their product line. It should strike a balance between driving more sales and encouraging unlimited, consequence-free returns.

Some key returns policy components include:

- Some limitations and exceptions, i.e. by product type or if an item has been opened
- Time limits, generally in the range of 30 to 90 days
- Return method – i.e. store returns, via carrier only
- Cost of the returns shipping, i.e. covered by the customer or the merchant, free, etc.
- Some type of restocking fee

Automating key processes for return labels, tracking, product information and billing and return ship-



ment notifications can help. Shippers should use technology to facilitate the returns process, which includes the ability for a consumer to generate a returns merchandise authorization (RMA) and return parcel label online along with directions on what to do with the return including the location of the nearest store or parcel drop-off location.

Robert Escobar, president of Camino Real Group LLC., said merchants should create a more automated returns experience, removing as many barriers as possible. “The big retailers have created an automated service and it’s cheaper,” said Escobar.

According to a 2019 study from Narvar, which provides post-purchase tracking for many major brands, U.S. consumers will take advantage of policies that offer exceptionally long windows, waiting as long as a

month to initiate a return.

“Most shoppers don’t want to pay for return shipping or restocking,” said Amit Sharma, CEO of Narvar. “The more complicated the process, the less likely consumers are to purchase in the first place, let alone to continue shopping with that brand.”

Narvar found 53% of consumers believe a 30-day return window is fair, and 48% said they initiate their return in a few days. In order to recover merchandise for resale while preserving customer trust, retailers can reduce their return window, for instance by offering a free return incentive if it’s done within 15 days.

Automotive products seller Diesel Care and Performance allows returns and exchanges up to 21 days for most products, if they’re in the original packaging and haven’t been modified, tested or used in any way. Customers are responsible for return shipping costs and any product loss.

Refunds are issued upon receipt of the item, and credit processing takes five to seven business days. The company will only refund back the original method of payment.

Tori Williams, CFO of Diesel Care, said merchants should be flexible and accessible for customers who have bought the wrong item or don’t know what to buy. It’s important to create an open dialogue with the customer for potential future sales.

Williams said not everyone wants a completely digital experience when they purchase a product. The goal, she said, is to make sure that the company is turning a negative situation into a positive to retain the customer. “Make sure they walk away impressed with the situation, that your processes and customer service and return policy is separating you from the competition,” said Williams.

Creating an Easy Returns Process

Kelly said the most insightful returns processes are the ones aligned with the customer experience strategy. “Merchants that operate physical stores encourage consumers to bring returns back there,” he said. “However, that doesn’t mean a customer lives near one given the growth of ecommerce.”

Most merchants have an extensive online inventory, and a store return doesn’t always facilitate another purchase. Kelly said the best experiences re-

move the lines between physical and digital, including the option of a return to a third-party facility such as a FedEx Office location.

Narvar found that nearly 70% of respondents said their most recent returns experience was “easy” or “very easy” and 96% said they would shop the retailer again in those instances.

Keeping customers informed throughout the returns process reduces anxiety. People want to know their package hasn’t disappeared into the ether and exactly when they’ll get their money back.

“Reducing frustration is all about minimizing friction for consumers by eliminating extra steps and offering them the choice of how they want to complete the return,” said Sharma.

According to Narvar’s research, most shoppers agree ecommerce returns have gotten easier. Just 5% said they were more difficult in 2018 than in 2017. More than two-thirds said they’re deterred by paying for a return (69%) or for a restocking fee (67%), and 17% said they would not make a purchase without the option to return in store.

Buying online and return in store (BORIS) is what shoppers want from retailers, according to Narvar. While 63% said they made their most recent return by shipping it back, 40% said it’s easier to return to a store.

“Not only can (store returns) drive foot traffic and have a better chance of converting to an exchange or an incremental purchase, it can also streamline the returns process by offering customers more convenient options,” said Sharma.

Escobar said eliminating friction in the returns process will increase sales and shoppers won’t hesitate to purchase from a retailer again because the process is painless. He said retailers now are integrating both the online and in-store experiences in one system, providing more flexibility for the customer.

According to FedEx survey data, 47% of consumers said it’s easier to make a store return, while 38% said they prefer to bring online returns there when possible.

Through its convenience network, FedEx allows shoppers to make returns at 57,000 locations including Walgreens, Walmart, Kroger, Albertsons and its own locations. With FedEx services soon to be available in many Dollar General stores, that number will increase to more than 62,000 locations and mean that 90% of people in the U.S. are within five miles of a FedEx drop-off location.



According to Narvar’s 2019 study, the likelihood of offering free returns in the U.S. increases with average order value. The study found that as brands evaluate adjusting policies around return shipping fees, it’s important to consider customer expectations based on the average price point.

The study identified three critical periods in the reverse logistics process:

- The average time for the customer to initiate a return
- The average time for the customer to ship the return
- The average shipping time to the retailer’s distribution center

In an effort to make the returns process simpler for the customer, Williams said Diesel Care is updating its website to make sure the policy is included with every product listing.

Product Categories with High Return Rates

Kelly said apparel and footwear see the most returns because consumers are unsure about fit so they often purchase multiple sizes of the same item. Home furnishings are another product category with a high return rate.

“There are ways to limit high apparel returns such as allowing consumer testimonials on product pages that specifically address how items fit, showing multiple different-sized models online with their dimensions, and making it easier for customers to review their past purchase history to identify sizes that have traditionally worked for them,” said Kelly.

Sharma said retailers should provide more accurate information so customers can make better choices. “Our 2018 consumer study found that gift returns tend to be

more difficult across the board," he said. "This is possibly because gift recipients may need to jump through more hoops to get a refund or make an exchange."

In-House or Third-Party Returns Platform?

Kelly said FedEx has several options for enabling returns, with ease of implementation depending on how robust a solution is needed.

FedEx Returns Technology can be configured to a company's business rules and includes RMA capabilities. It's tied to order history and is accessible from both the retailer's website and their customer service department and can route returns to different locations at the SKU level.

Escobar said he's seeing more retailers working with third-party returns platforms as opposed to building the capability in house. However most respondents to the 2019 MCM Outlook Survey are still DIY, with 81% handling ecommerce returns themselves.

Eric Moriarty, vice president of returns liquidation specialist B-Stock Solutions, said in a Multichannel Merchant blog post that retailers must adopt newer, more efficient reverse logistics programs to deal with merchandise once it's returned.

"For example, SaaS-based inventory management solutions use data analysis to determine the best channel for a returned item," Moriarty wrote. "Automation allows retailers to quickly process, reroute and track merchandise, boosting efficiency. Apps that help manage online returns are also hitting the market."

Escobar said with a variety of returns solutions out there, ease of implementation, management, navigation and level of customer engagement are key capabilities.



Returns as a Revenue and Loyalty Driver

Sharma said retailers should view returns as a revenue opportunity by simplifying the process and making it easier for customers to exchange an item.

"Recognizing that frequent returners are often your best customers and treating them accordingly is also critical," he said. "It will pay off in the long run with higher customer lifetime value."

Williams said Diesel Care looks for ways to stay ahead of the competition and be two steps ahead of the industry standard. As everyone is doing online research ahead of a purchase these days, offering customers options is a strong driver of brand loyalty. "It is not just about price or product, it's about the whole experience," she said.

Kelly said another area of focus for merchants should be the disposition of returns in order to optimize returns value recovery. Options include putting merchandise back into stock – either full price or discount – wholesale it to a liquidation specialist, donate it to a nonprofit or have it destroyed.

Competing with Amazon on Returns

Sharma said retailers shouldn't try to compete with Amazon on returns and credit speed but instead should focus on transparency and a convenient experience that shoppers can trust. This includes being upfront about returns policies, offering convenient options for scheduling pick-ups or drop off and clearly communicating the refund status. When customers feel like they're being cared for and updated at each step, they're much more likely to be satisfied and keep coming back.

Escobar said to compete with Amazon, merchants should include lots of self-service options. Being proactive on the front end to limit returns is also smart, including using good quality product photography and detailed descriptions to ensure fewer wrong selections.

"Any product reviews are very helpful as well," said Escobar. "Amazon does this part well. The best way to manage returns is to tackle the top reasons why consumers are returning them in the first place."

Moving Beyond the Mailbox with Returns

This year, startup Happy Returns expanded on the success of its mall-based returns bars by introducing in-store kiosks where customers can do self-service returns. These kiosks aim to reduce the burden on store associates of processing returns and shipping or routing returned inventory. Companies using this solution include Eloquii, UNTUCKit, Rothy's, Revolve and Everlane.

Kohl's now accepts Amazon returns for free at its 1,150 U.S. stores, even without a box or label. The retailer will package and send them all back to Amazon returns centers.

Escobar said retailers should "think outside the box" as they move beyond mailbox-based returns, for instance by letting customers make returns – or pick up orders – at a convenience store, creating a physical network.

Sharma said this "beyond the mailbox" trend allows shoppers to print return labels on demand, go printer-less through a mobile code, schedule a carrier pickup or make a return to a store or convenient drop-off location.

Kelly said more merchants are revisiting their overall returns process to ensure it's optimized for themselves and their customers.

"The best solution I have seen is when a consumer initiates the return on a merchant's website, and a QR code is emailed to them," said Kelly. "The consumer then presents the code on their phone at a FedEx Office location, the associate validates and packs the return and the merchant starts the crediting process immediately. And keep in mind

our convenience network that is within easy reach for 90% of the U.S. population."

According to Narvar's 2018 study, shoppers expect comparable benefits whether returning by mail or in store. This means options for fast refunds, easy exchanges and the ability to shop for additional items.

Future Trends in Returns

Kelly said most consumers are not aware of the environmental impact and overall cost of returns.

"To prevent the high environmental cost of discarded returns, increasing the percentage of returned product

that can be resold is paramount," said Kelly. "FedEx is always looking to take waste out of the returns process. One way we're doing this is by consolidating returns at FedEx Office locations, combining them into one shipment back to the retailer."

Kelly said merchants should also use returns as a learning mechanism to improve their sales. "Understanding the reason for returns and acting upon it is important," he said. "Gather and analyze your consumer data. If the feedback consistently indicates that the color was not what was expected, enhance your photography."

Much of returns prevention is common sense, Kelly said. If sizing is an issue, alter your product descriptions, provide more specificity and incorporate customer comments. If there are high or increasing levels of breakage, make the packaging more protective. If there are lots of product defects, improve your development and manufacturing processes.



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