



The UK
Ecommerce
Association

IMRG + ReBound

Navigating the Returns Challenge: A Retailer's Guide



Contents

Meet The Experts	3
Why should you focus on returns?	4
Methodology	4
Are retailers prioritising return reduction?	5
How much does the peak period increase returns?	6
Are return rates higher in the fashion industry?	7
How can retailers make the returns process more sustainable?	9
To charge or not to charge for returns?	10
How much do retailers charge for returns?	11
Can charging for returns negatively influence customer loyalty?	12
What other strategies could retailers implement to reduce returns?	13
Closing thoughts from IMRG & ReBound	14
Contact us	15

3 Navigating the Returns Challenge

Meet The Experts

IMRG

"It is with great pleasure to have ReBound as our partner to discuss how returns impact ecommerce businesses and to share how high return rates can be handled and thereby subdued by having the right strategies in place. Through conducting research in October 2022, IMRG has found out whether there is a returns crisis in the UK and can now share the different strategies and methods retailers use to combat high returns. Read on to get the latest insight and learn from the results!"

We help our members understand and improve their online retail performance through a busy programme of performance benchmarking, data analysis, insight, best practice-sharing, and events. We have been tracking online sales since 2000 – and now measure over 120 individual metrics in a series of indexes, providing in-depth intelligence on online and mobile sales, delivery trends, marketing ROI, and channel performance.



Andy Mulcahy, Strategy and Insights Director at **IMRG**



Ellie-Rose Davies, Content Executive at **IMRG**

ReBound Returns

"We're thrilled to have the opportunity to partner with IMRG for this report as it's extremely relevant for retailers not only in the UK, but also worldwide. No matter the geographic region brands are in, if they are an ecommerce business, they will be facing challenges dealing with returns. As returns management experts, our mission is to help retailers and brands to create solutions and strategies to best deal with returns, all while keeping costs low, delivering a great customer experience, and making sure sustainability goals are met. We hope that this report will provide insights and guidance to retailers across the globe who are struggling with returns."

ReBound – a Reconomy Group Company – is the leading global returns management specialist, enabling easy omnichannel returns for brands and their consumers. By combining integrated returns software with an extensive logistics network, ReBound provides brands with a complete ecosystem of suppliers and partners to handle their global, end-to-end returns. ReBound optimizes and manages the entire returns lifecycle so clients can focus on their core business.



Chloe Aftab, Content Creator at **ReBound**



Laura Garrett, Marketing Manager at **ReBound**

4 Navigating the Returns Challenge

Why should you focus on returns?

Returns are a reality for any retail business that deals with customers. While it's important to accommodate customer returns when necessary, high volumes of returns, especially during busy sales periods, can have a significant impact on a retailer's profit margins. With the recent trend of charging for returns gaining traction, it's important for retail businesses to consider whether implementing such a policy is the right approach for them.

Methodology

IMRG conducted a comprehensive survey to spot return data trends across popular UK retailers and uncover how they really feel about returns. 41 retail businesses in the UK were surveyed in October 2022. The survey included qualitative, open questions as well as quantitative, multiple choice questions to get a full picture of the returns landscape. The results are displayed in percentages as it more accurately highlights trends in the data.

In this survey, we asked the retailers to provide their return rates for the period between January 1st and June 30th 2022. From this, the online retail product categories with the highest and lowest return rates became apparent.

There are a few references to other IMRG surveys, such as customer surveys, throughout this report.



5 Navigating the Returns Challenge

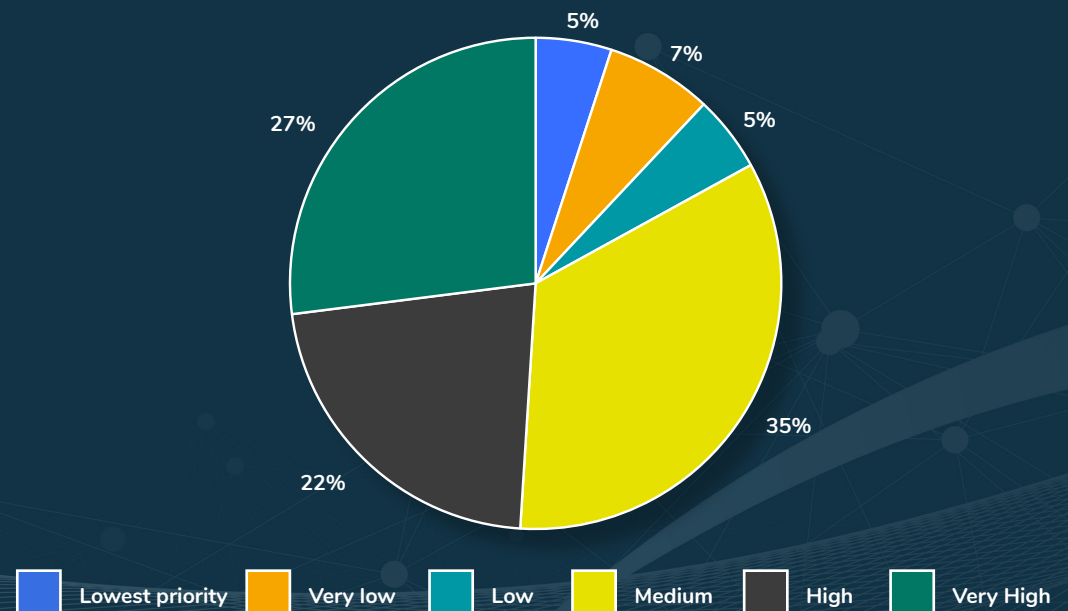
Are retailers prioritising return reduction?

Every retailer, whether pureplay or multichannel, faces challenges with returns. While the focus is often put on increasing sales, reducing returns is equally important in creating and retaining revenue.

In our survey, 27% of 41 well-known retailers rated the importance of reducing returns for their business as 'very high.' When looking at this percentage together with the 22% of retailers who answered that reducing returns is of 'high' cruciality, this reveals nearly 50% of renowned retailers now consider returns as a problem that must be tackled.

34% of retailers rated reducing returns as a 'medium' concern for their business. In comparison, only 5% revealed it is a 'low', 7% as a 'very low', and 5% as a 'lowest priority' for their business. At least 83% of retailers surveyed are paying attention to returns, so even in 2022, which was a year filled with many worldwide economic challenges, returns were still top of mind.

How do you currently rate the importance of reducing returns for your business?



6 Navigating the Returns Challenge

How much does the peak period increase returns?

ReBound Comments:

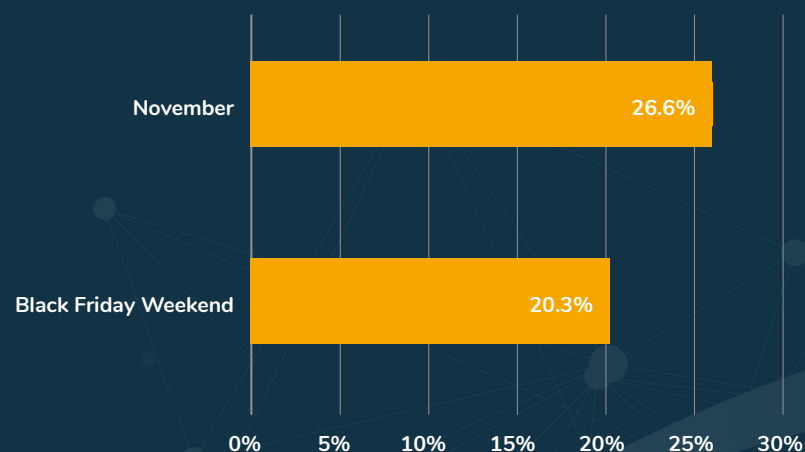
While Black Friday provides the promise of an influx in sales for many retailers, it's important that when looking at the success of Black Friday, retailers factor in returns. Every year we deep dive into our clients' returns data to better understand consumer trends and how they are changing.

A key change in consumer behaviour that we have observed in 2022 is the speed at which consumers sent back returns after the Black Friday sales. In previous years, we would expect to see the post-sales returns spike occurring in mid-December. However, in 2022 this returns spike occurred as early as the final week of November.

Although this is an anomaly in the data compared to previous years, this result is somewhat unsurprising. With the cost of living climbing due to inflation, shoppers understandably don't want their money tied up in unwanted items, and so they were quicker to send them back to secure their refund ahead of Christmas. This is backed up by the fact that during Black Friday weekend (Friday - Cyber Monday) 2022, there was a 20.3% increase in return volume compared to Black Friday weekend in 2021.

If we look at the whole of November, ReBound data shows that there was a 26.6% increase in returns, compared to November 2021. While some of this can be attributed to the natural YOY growth of ecommerce, such a big increase could suggest that shoppers are also assessing their purchases more carefully, and are wanting to ensure items are perfect and therefore worth their hard earned money that doesn't stretch as far these days. Anything that doesn't meet these higher expectations is destined to be returned.

% Increase In Returns In 2022 Compared To 2021



November 2022 performance according to IMRG:

- During Black Friday week (21st-28th November), the total market saw revenue growth of +0.3% Year-on-Year
- November as a whole saw revenue growth of +0.7% Year-on-Year
- This month was the first positive growth percentage change in revenue for online retail in nineteen months of data collected in IMRG's Index, which is representative of £26bn in UK online spend.

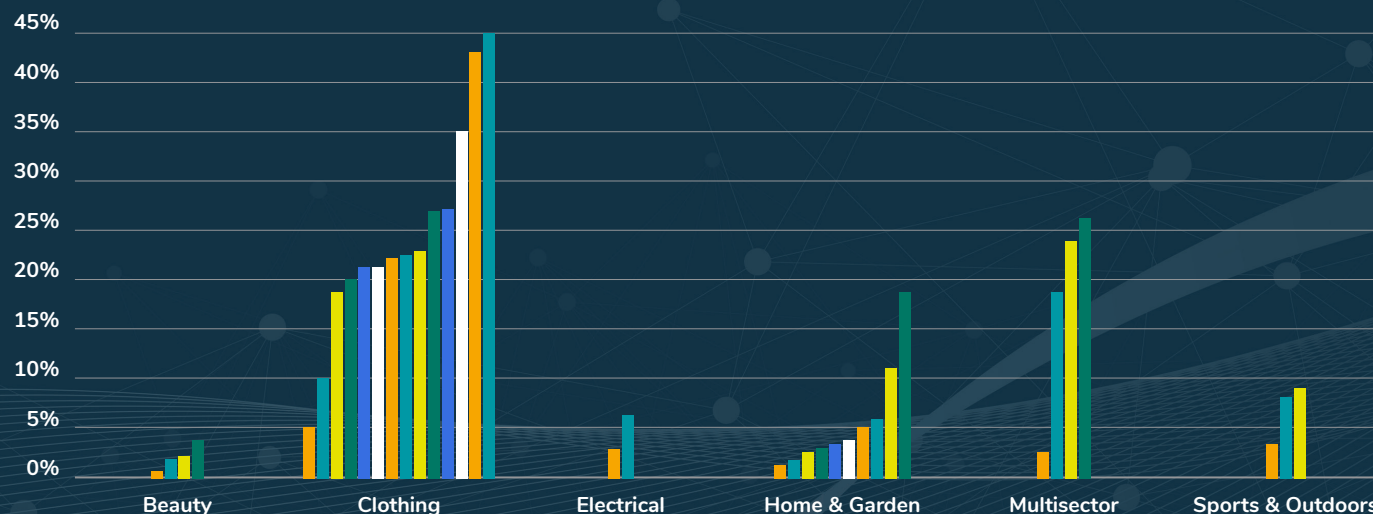
7 Navigating the Returns Challenge

Are return rates higher in the fashion industry?

Due to the nature of the products, the fashion industry often experiences higher return rates than other industries. This can be due to consumer indecisiveness. Some customers buy multiple sizes and colours of clothing to test which one fits them best and looks best. Inaccurate product descriptions or pictures on a retailer's website can exacerbate this issue further if consumer expectations aren't met when their new item of clothing arrives. Since clothing is such a personal item, it's more difficult for consumers to know if they'll like it ahead of time unlike a more functional item like an electronic product.

In our October retailer survey, the retailers surveyed provided us with their return rates for all products sold online between January 1st and June 30th, 2022. From this data, it is clear (as shown on the graph above) that the clothing product category generates the most returns. While the lowest range was 5%, this category featured the retailer with the highest return rates of the survey sample, at 45%. That means nearly half of all products purchased from this retailer end up being returned and is substantially higher than the average return rate for the total market for this sample of retailers, which is 13%.

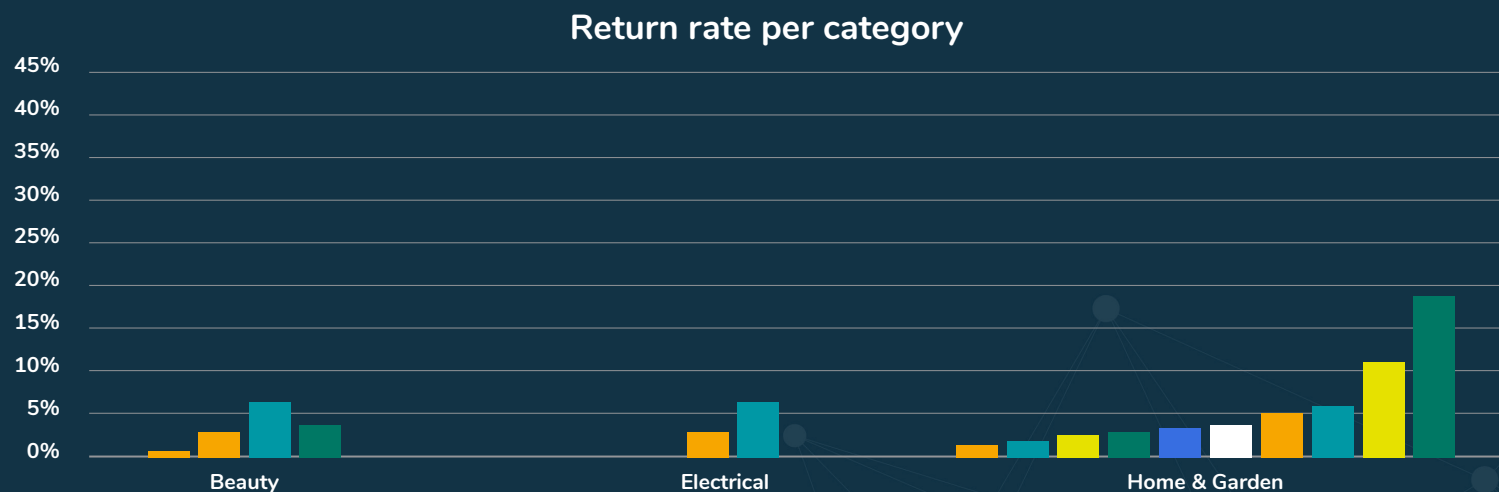
Return rate per category



A further two retailers who sell clothing products saw a high return rate during this period; one saw a 43% return rate and the other experienced a 35% return rate. On the whole, most retailers selling clothing products saw above a 20% return rate. Comparing clothing with another big sample size category, home & garden, reveals that most retailers in this industry had less than 5% return rate. Also, only two out of the twelve retailers sampled in this category demonstrated a return rate higher than 10%.

8 Navigating the Returns Challenge

Retail categories such as home & garden, beauty, and electronics would see fewer returns because these higher priced items require more thought and consideration before purchase. This is more true with the UK's struggling economy, where fewer customers would be willing to risk trial and error.



ReBounce Comments:

This data from IMRG shows how return rates can vary widely, even in the same industry. With clothing return rates varying from 5-45%, it can be hard for retailers to benchmark themselves or know what is a 'normal' return rate. Typically, we see retailers in the sportswear and loungewear space exhibiting lower return rates, since the products they sell are often more forgiving when it comes to size and fit. Contrastingly, return rates for formal wear can climb to as much as 70% due to a couple of factors. Firstly, formal wear typically comes at a higher price tag, so consumers will always be more picky to make sure the item is just right, especially if it's for an event such as a wedding or party. Secondly, formal wear items are usually more form fitting which means that ensuring it fits well is of maximum importance. For example, consumers don't want to see baggy zippers on an evening gown or a dress shirt with sleeves that are too short.

9 Navigating the Returns Challenge

How can retailers make the returns process more sustainable?

According to a recent IMRG customer survey, 41% of 1,000 customers surveyed considered sustainable delivery options to be important, and a part of this is the returns process. For retailers that have not optimised their returns process, it can place a significant financial burden on the business and is becoming increasingly seen as unsustainable both financially and environmentally. It not only costs a lot of time and effort to get products back, sort them, and decide what is fit to be resold, but the process can also have a costly environmental footprint. Packaging is often damaged during returns, making it difficult to reuse, and the transport of returns contributes to high carbon emissions if brands aren't mindful of their network.



ReBound has provided some excellent insight into the ways in which retailers can make the process more sustainable:

When managing returns with the goal of becoming more sustainable, retailers can focus on a few key areas that will bring the most impact. One of these is transport. The first part of transporting a return, called the 'first mile', is highly important. Retailers should encourage their consumers to drop off packages rather than scheduling pick-ups, when possible. Implementing a returns portal also gives you more control over sustainability. You can then indicate the most environmentally-friendly way to initiate a return within your own return portal, which encourages your consumers to make choices that are good for the environment. When looking more into transport, the carriers retailers work with are also highly influential. Making sure that you have a network of sustainable carriers using electric vehicles and more sustainable fuel can help reduce the overall carbon footprint of your return operation significantly.

Another major area to examine is packaging. Switching from plastic to cardboard is already a great step as it decomposes more quickly, but a step further is to begin using reusable boxes and pallets. ReBound is currently conducting trials with this, which resulted in 153 tCO₂ being saved in just 6 months and 50% cost savings for one of our clients. This is one example of how retailers can make their return operations more sustainable and save on cost at the same time. Despite the myth that sustainability comes at an additional cost, there are many instances where implementing sustainable initiatives can be cheaper than their less sustainable alternatives.

To charge or not to charge for returns?

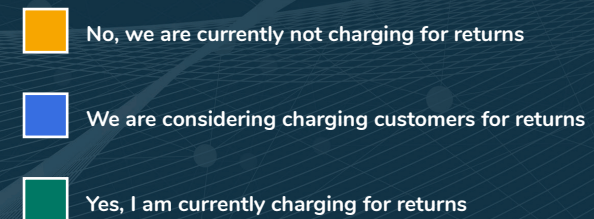
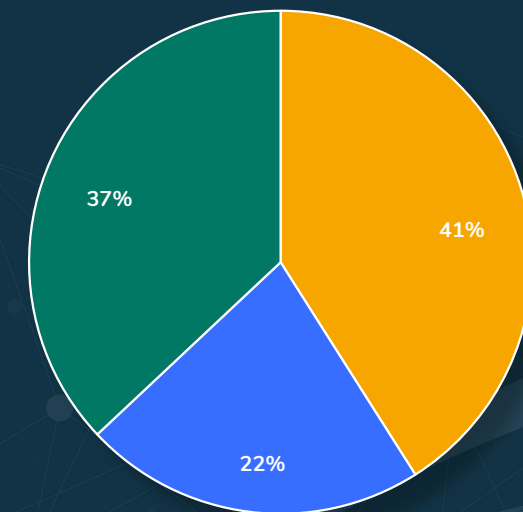
One way to deter customers from making repeat returns is by charging them for this process. Retailers such as H&M and Zara have already started to trial this, and it seems as though more large retailers are set to follow. However, charging for returns can come at the cost of your customer experience, so it's important to evaluate the situation with your consumers before opting for this route.

We asked all 41 retailers surveyed whether they currently charge or are planning to charge their UK customers for returns. The percentage (41%) who said they are not currently charging for returns is only slightly higher than the 37% who said yes. This implies that there is currently a difference of opinion about this topic, and some retailers might be especially hesitant to implement a returns fee because getting customers to accept this change is proving difficult.

Within those 41% of retailers who answered no, 7% ruled out the possibility of charging for returns in the future. In comparison, more of retailers surveyed (22%) were considering to introduce a charge. Therefore, we can conclude that nearly 60% of retailers surveyed were interested in this strategy and hadn't ruled it out as an option.

Additionally, it is clear that clothing retailers most commonly considered charging for returns, perhaps unsurprising given that they have the highest return rates out of all of the categories sampled. Beauty and home & garden, the retail categories with the fewest returns, have mostly decided not to charge their customers for returns.

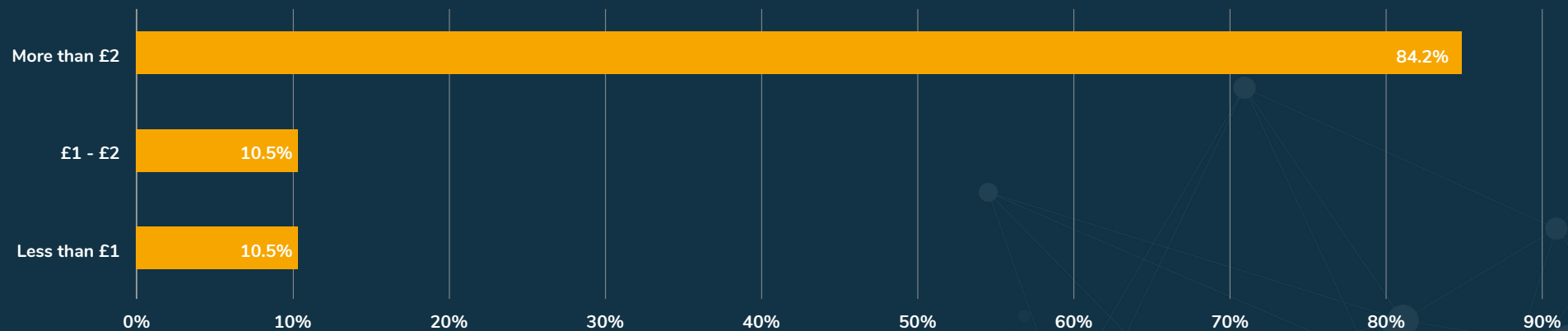
Do you currently charge / are you planning to charge for your returns?



11 Navigating the Returns Challenge

How much do retailers charge for returns?

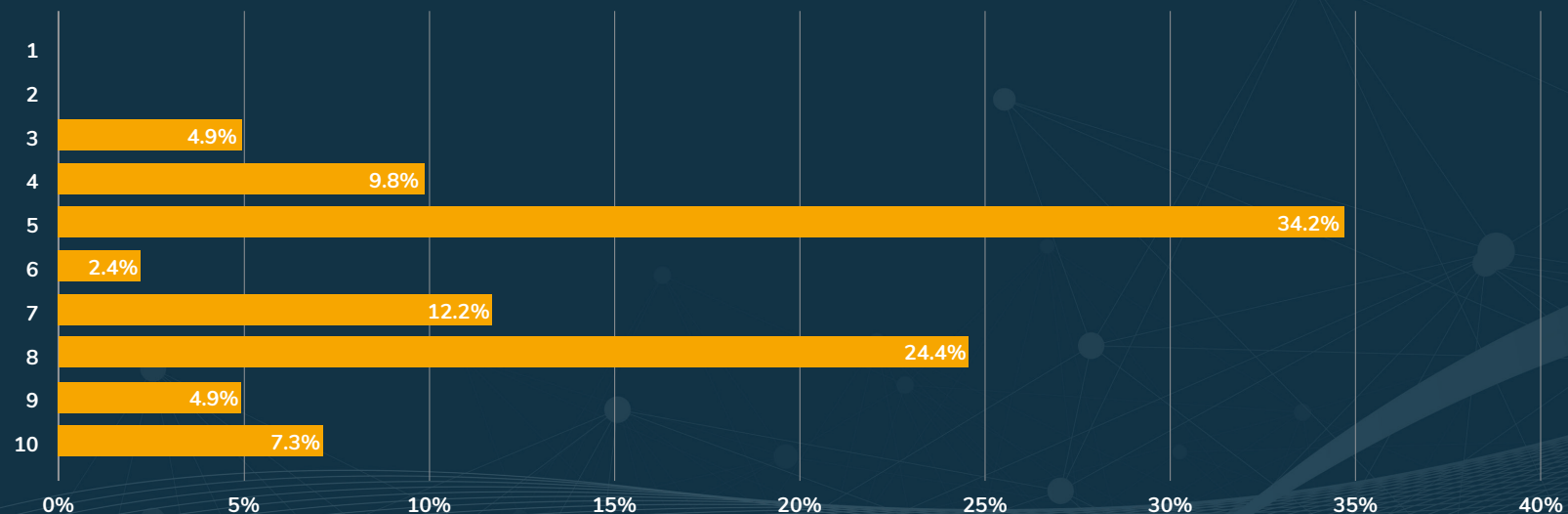
How much do you / are you planning to charge your customers for returns?



When we asked the retailers who answered yes or are considering to charge their UK customers for returns how much they charge or are planning to charge their customers for returns, 'more than £2' was the most common answer at 84.2%. The second most common answers '£1-2' and 'less than £1' are equally common at 10.5%. Therefore, retailers can conclude that charging over £2 for a return in the UK is not uncommon.

Can charging for returns negatively influence customer loyalty?

On a scale of 1 to 10, how likely do you think charging for returns will negatively influence customer loyalty?
(1 being the least negative, 10 being the worst possible outcome)



However, when we asked retailers to rate how likely they think charging for returns will negatively influence customer loyalty on a scale of 1-10 where 1 was the least negative and 10 was the worst possible outcome, not one retailer rated this a 1 or 2. Therefore, all retailers surveyed agreed that introducing a fee might come at some expense to customer loyalty, even if it isn't detrimental to the business.

Roughly 34% of retailers, which in this case is the majority, chose 5 on the scale, revealing that they believe customer loyalty will be noticeably affected. The second most popular number on the scale was 8, chosen by 24.3% of retailers, suggesting that they think customer retention will be harder to maintain with this extra fee.

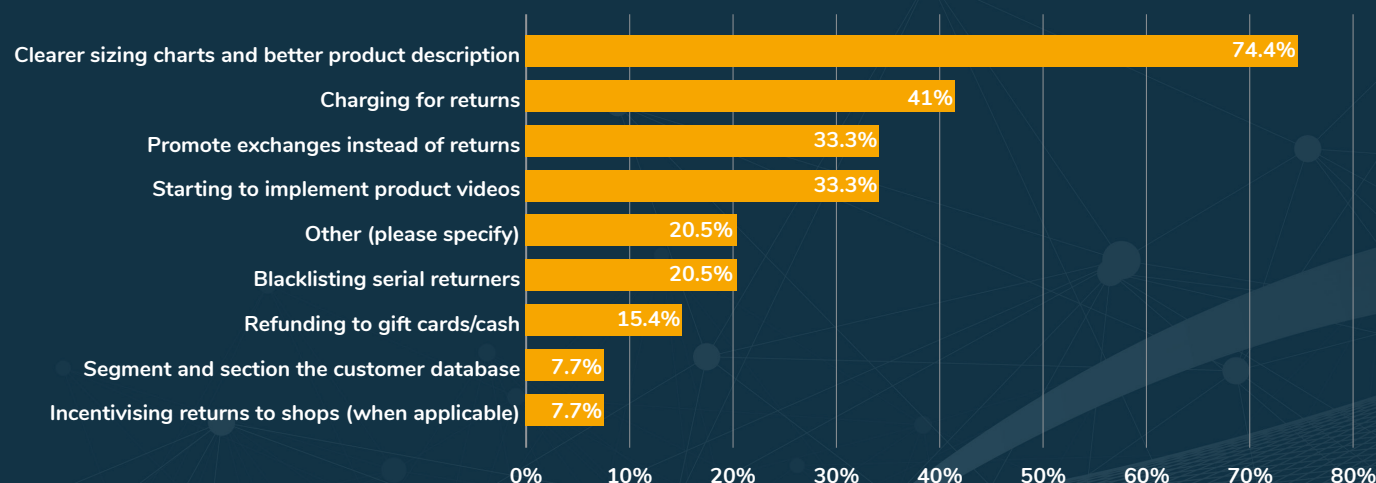
What other strategies could retailers implement to reduce returns?

We also asked retailers which strategies they are currently exploring to reduce returns without limiting sales. Besides the option of charging for returns which was chosen by 41% of retailers surveyed, the data shows that there are other methods retailers are currently exploring to limit returns. Clear sizing charts and better product descriptions were the most popular answer with 74.4% of retailers indicating this as an option that they are currently looking into. If customers have better knowledge of how the product will fit on their body, they will be less likely to buy multiple sizes in one purchase and more likely to actually like the product once it arrives.

Promoting exchanges instead of returns and the introduction of product videos were equally popular among retailers, at 33.3%, and blacklisting serial returners was chosen by 20.5% of retailers. Less popular strategies were segmenting and sectioning the customer database and incentivising returns to shops (when applicable), both chosen by 7.7% of retailers.

20.5% of retailers chose 'other' as a response to the question. Each was asked to elaborate on the answer, with some interesting results. Other strategies that are currently being explored include utilising an AI size fit guide, implementing better quality packaging to prevent returns from being damaged, tightening terms and conditions around returns, offering a product warranty, and taking a deeper dive into customer return reasons to improve site content and other areas that contribute to higher return rates.

What strategies are you currently exploring to reduce returns without limiting sales?
(please select all that apply)



Closing thoughts from IMRG & ReBound

Returns are a constant challenge for retailers, but they can reduce their impact by improving communication and providing clear information to customers. This is particularly important for fashion retailers, who experience the highest returns rates due to the often-finicky nature of clothing purchases compared to other online product categories like beauty and home & garden. By offering effective size guides, detailed product descriptions, and exploring other options like paid returns, retailers can help minimise return rates.

The quote to the right was given by a surveyed retailer in response to our request for their final thoughts. We chose it because it highlights the difficulties faced by retailers in trying times. We hope that this report will help retailers to understand how the industry is currently approaching the challenging topic of returns and provide inspiration for creating strategies to cope.

“Some retailers have always charged for returns, as they can’t afford to do otherwise.”



ReBound Comments:

While there’s no clear black and white answer for a lot of these questions, it’s clear that returns are a key part of the consumer proposition. That being said, it’s crucial for retailers to create strong returns management strategies in order to meet evolving consumer expectations. It’s a big challenge to face alone, but with ReBound, retailers don’t have to figure it out themselves. We are experts in dealing with end-to-end returns management and have the right technology, network, and infrastructure to optimize returns for retailers of all sizes. If you’d like to talk more about the current challenges you’re facing with returns, reach out to us to discuss strategies for success.



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