

Rethinking Returns

THE EASIER, THE BETTER

RETURNS

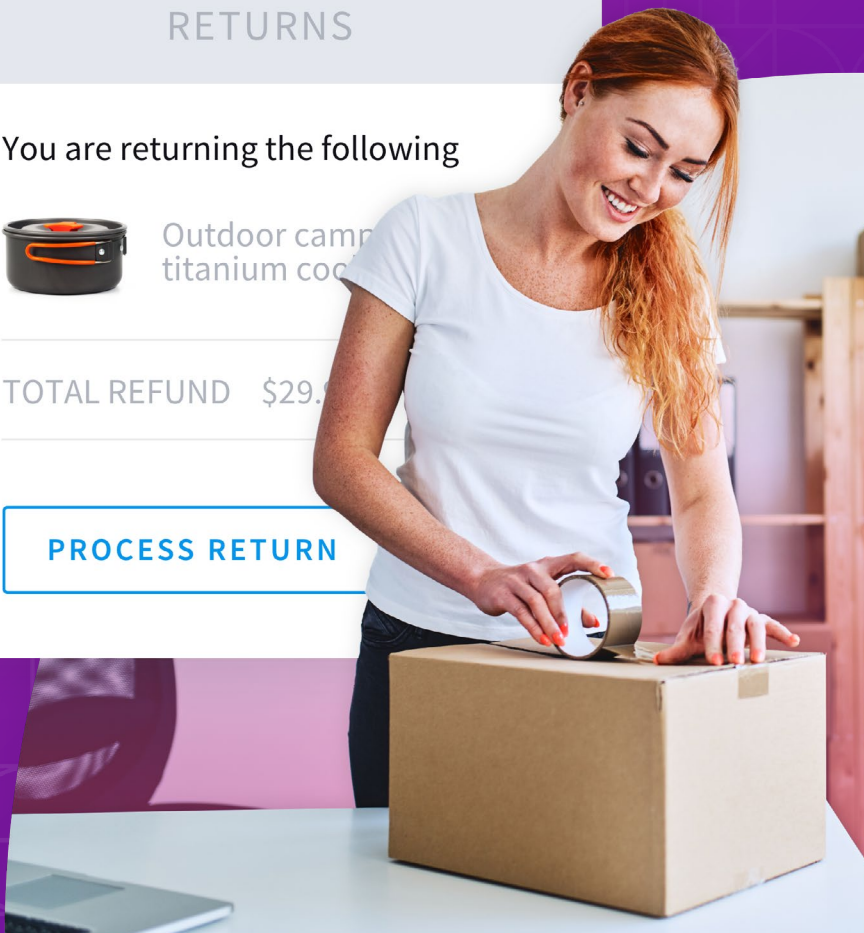
You are returning the following



Outdoor camp
titanium cooking pot

TOTAL REFUND \$29.99

[PROCESS RETURN](#)



Rethinking Returns. The Easier, The Better.

Why you should rethink returns

Returns are among the biggest pain-points for retailers, particularly those who do the majority of their business online.

Research shows that 30% or more of all products ordered online are returned, even going as high as 40% for certain categories like apparel. That's substantially higher than the total of 8% of all purchases, which includes brick-and-mortar stores. And these numbers also swell around the already stressful holiday season.¹

Returns increase shipping, labor, and restocking costs. If you're not careful, they can become some of the most costly factors of doing business. But it's not just retailers who dislike returns. Consumers are turned away by the hassle and inconvenience, and definitely the cost, of returning an item to the retailer.

It sure seems like everyone hates returns. But why are they so important?

Acquiring a new customer is anywhere from five to 25 times more expensive than retaining an existing one.² And what makes an existing customer buy from you again? A positive post-purchase experience! Even if the product is returned.

Several surveys have shown that more than 90% of consumers would buy again if the returns process is hassle-free. And around two-thirds of shoppers review your returns policy before they make a purchase in the first place.³

¹ CNBC "A \$260 billion 'ticking time bomb': The costly business of retail returns"

² Harvard Business Review "The Value of Keeping the Right Customers"

³ UPS Rethinking Online Returns



So are you ready to re-think returns yet?

Fortunately for you, this guide will take you through the who, what, and why (and a few more) of managing returns to make it easier for retailers and shoppers alike—so you can turn it into a competitive advantage.

The Five Ws and Two Hs of Returns

Who, what, when, where, and why, but also how, and, as we are all business people here, how much; those are the questions we need to answer to dissect ecommerce returns.

There's no better time to start optimizing your returns game than today. Let's dive in.

Who | *Who is making the return?*

Call us crazy, but not all customers are created equal. If you offer member benefits, members may operate under a different set of rules. Maybe they have a longer window to return a product, or perhaps they don't need to spend a certain amount to qualify for free returns. International returns are significantly more expensive, so you may not want to offer free returns for international customers. Selling in the EU market? Make sure you know the strict guarantees and returns regulations.

Some of the largest online retailers closely monitor shoppers that are returning products or differentiate customers based on returns. Best Buy works with a third-party to score returns and flag excessive returns for fraud. Even Amazon, in rare cases, has barred shoppers who have returned products too often. And Jet.com proactively rewards shoppers that are less likely to return with a lower price if the shopper opts out of the free return policy.

What | *What are they returning?*

We may state the obvious here, but perishables are perhaps not best suited for returns. Same story for custom or special orders. Clearly communicate your return policy. Let your customers know exactly what products they can return and what products they cannot. Remember that customers will check your return policy before a purchase, so treat it as an integral aspect of your unique value proposition.



You should also reserve the right to refuse a return if the item it is not in its original condition, if it has been worn, and if it doesn't include the receipt, packaging or tags. It goes without saying that you shouldn't just accept anything back. Be clear and transparent about what you will accept and in what condition you will accept it.

When | *When are they returning it?*

How long do customers have to make a return? Zappos created a distinct competitive advantage by offering a full refund within 365 days of purchase (still unworn and in original packaging). Until last year, outdoor gear retailer L.L. Bean offered a lifetime guarantee where customers could return products even years after the purchase.

In determining your time frame, you should consider the incremental costs. But also consider the customer experience and competitive advantage. If your competitors are offering a free 14-day return, you may be able to offer a free 30 or 60-day return without actually increasing the volume of returns, yet you will have set yourself apart from your competition with added value.

Where | *Where are they returning it?*

While the vast majority of shoppers return a product by shipping it back to the merchant, a slight majority actually prefers to return products in-store.⁴ If you do not have a brick-and-mortar presence that may not apply to you. If you do, customers expect and appreciate an omnichannel, including in-store, return option. The nation's largest online retailer Amazon recently partnered with Kohl's to accept returns originally purchased from Amazon.

If the customer should ship the products back to you, make it a hassle-free process and let them know where they can drop it off. Carriers are increasingly making it easy for customers to drop off packages. FedEx partnered with Walgreens to add more than 7,500 drop off locations across the country.

⁴ UPS Pulse of the Online Shopper



Why | *Why are they returning it?*

You have to know, and systematically track, why your customers are returning products. This is an important step towards decreasing your returns volume.

Collect the data from the customers' "reason for return." Perhaps the product arrived damaged or defective or it was missing parts; maybe the customer changed their mind, ordered the wrong product, or received the wrong item; or maybe the size just didn't work out or the product was not as described.

Tracking which products get returned and why they are returned can yield important insights for your pricing, marketing, customer service, and shipping. Here are some examples of actionable insights:

- ▲ Are your items frequently returned for damage during shipment? Perhaps you need to improve your packaging, have a chat with your warehouse manager, or evaluate the specific carrier service.
- ▲ Are you getting exchange requests because customers report the size is too small? You may need to clarify the sizing on your product page or recommend your customers order a size larger than usual.
- ▲ Are most of your returns due to defective items? You may need to address the issue with the product manufacturer or find another source.

Decreasing the rate of returns will increase your profit margins. Tracking why customers return and proactively taking the necessary steps to solve the issues can make all the difference.

How | *How are they returning it?*

There are different ways to get a returns label to your customer.

1. Include a pre-printed return label in your order shipment so your customer can return the item without contacting you. With shipping software, you can automate this process for all orders or for specific products only and create return labels at the same time as your outbound labels.

Note: make sure you use a label and service that only charges you when a label gets used, not when a label is created and printed. It may be an administrative headache to have to deal with refunds for unused labels! Not to mention wasted materials and cost of printing.



2. Create a return label and email it to your customer to print when they have requested a return from you. This may be a good option for you if you require more control and a customer service touchpoint or approval in the returns process.
3. Let your customer manage their own returns using a portal like the [ShipStation Branded Returns portal](#). This creates a hassle-free experience for your customers and saves you time and money avoiding time-consuming administrative processes. Retailers that implemented ShipStation's self-serve returns portal found that customers [were 29% more likely to shop again](#) from these retailers versus other retailers.

How much | *How much should they pay?*

In a UPS study of consumers, 79% of online shoppers rate free shipping on returns as important when selecting an online retailer and nearly half of shoppers find paying for returns an issue.⁵ A peer-reviewed study in the Journal of Marketing revealed that customers who paid for returns decreased their spending by 75 to 100 percent over the following two years. In contrast, customers who received free returns increased their spending by a whopping 158 to 457 percent.⁶

Considering that the majority of shoppers review your returns policy before making a purchase, it can make or break a conversion. Perhaps highlighting free returns could convert more shoppers than that 20 percent off coupon you've been running. Test it and see! And do the math: an occasional \$15 shipping and restocking cost on some orders could be more cost-effective than 20 percent off all orders with an average \$100 value.

You can control costs by reducing your administrative overhead with letting customers manage their own returns. Then, have customers ship products back with the most cost-effective service for your business. Unless you need it back right away, select a slower, ground service. For example, if your product is under 16 oz. you may look at USPS Parcel Select or First Class Mail. However, you may want to be sure you can track the parcel being returned!

In the end, whether or how much a customer will pay for a return depends on a lot of different factors. We've walked you through the basics here so you can determine your policy. Just remember that one size does not fit all.

⁵ UPS Pulse of the Online Shopper

⁶ Journal of Marketing "Return Shipping Policies of Online Retailers: Normative Assumptions and the Long-Term Consequences of Fee and Free Returns"



In conclusion

Returns are so important to your business, they require a new perspective. Managing returns to make it easier for you and for your shoppers can create a definite competitive advantage.

But you're not alone in this. Your shipping software can be a partner for you to help effectively manage the returns process. The shipping experience you create for your customers is a big part of your brand image.

If you need an easy way to manage your orders, label printing, and your returns all in one place, ShipStation with its [Branded Returns Portal](#) could be the right tool for your business.

Get started [here](#).

