FedEx®

BUILD RELATIONSHIPS WITH RETURNS

Helpful info from *Finding the ROI in online returns*, a special report by Digital Commerce 360, commissioned by FedEx

WHAT WILL YOU FIND IN THIS SUMMARY?

- A better understanding of shopper return behavior

- Insights into retailer return strategies

- Tips for making returns easy for your business and your customers

WHY IS THIS IMPORTANT?

In uncertain times, it's important to look for efficiencies in every part of your business. Offering simple returns is an ideal way to build customer confidence without breaking the bank.

Online shopping is growing, and with more sales come more returns. In a competitive environment, returns could be the thing that keeps a customer coming back to your site.

Retailers don't have to view returns negatively. Instead, they can be an opportunity to showcase superior customer service.

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1. Provide peace of mind with simple returns policies.

TAKEAWAY: More than ever, customers need businesses to be reliable. Build confidence in your brand with simple, easy-to-find returns policies.

89% **of shoppers check the return policy**, at least sometimes, before buying. (And 55% decide *not* to purchase when the return policy isn't flexible enough.)

28% **Always** (before every purchase)

33% **Sometimes** (less than half the time)

28% **Often** (more than half the time)

11% **Never**

TAKE ACTION:

- ✓ Make it visible. Consider providing easy access from a tab on

- ✓ Make it easy to find. Be sure your site search returns the policy for any relevant search term.

- ✓ Include printed, policy-based instructions with shipments.

- ✓ If possible, remove barriers such as limited returns windows or product inspections.

- ✓ Add it to your order confirmation emails.

- ✓ Set the right expectations with the customer and walk them through the process. Use easy-to-understand, conversational language to make the guidelines clear. Include an outline of the process, how long they have to return their items, what the customer needs to include in their return shipment, and how soon they can expect to receive their refund or replacement.

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2. Show customers you care with convenience and customization.

TAKEAWAY: Your return policy can give shoppers the confidence to buy the first time. And a well-handled return can give them the confidence to order again, creating brand loyalty in the long term.

According to retailer Draper James, customers who have returned an item **shop with them 25% more often** than those who have never sent an item back.

Repeat customers often return fewer items because they know their size and fit. That makes it even more important to assure the first-time customer that returns are easy. The first order gets them through the learning curve and transitions them into repeat customer mode.

> *It's counterintuitive, but making returns easier is actually great for the lifetime value of your customer.*
> — David Sobie, co-founder and CEO of Happy Returns

TAKE ACTION:

- ✓ Include a return label with all order shipments or allow customers to print one directly from their order confirmation email or your website.

- ✓ Send orders in packaging that's easy to reuse for returns and remember to include instructions.

- ✓ For large items, give them the option to have it picked up at their home or business.

- ✓ Give them reimbursement options. Let them choose a refund, store credit or an exchange. (Remember that a free exchange is both a free return and free replacement item shipment.)

- ✓ Give them ptions for no-contact drop off locations, whether they're shipping them or returning to a retail location. See Tip #5.

3. Get creative: tailor the policy to fit your resources *and* customer expectations.

TAKEAWAY: Your policy doesn't need to be one-size-fits-all. But every option you offer has to be something you can manage and afford.

As an example, be sure you understand the impact your return policy can have on your inventory and cash flow, especially if you decide to offer an immediate credit or exchange before you receive the returned item.

And remember, your return policy doesn't have to be the same for every product—or even every person. Some retailers adjust their policies based on seasonality, product profitability, and individual customer habits and history.

TAKE ACTION:

- Shorten return windows for seasonal items to get them back into inventory and resold within a shorter period of time.

- Consider offering store credit only for items that are hard to resell or costly to refurbish, to minimize any negative impact on your profit

- Offer discounted items as final sale only.

- Know your customers and consider limiting return flexibility for buyers that abuse returns.

- If return policies are different for certain items, make it obvious which products have shorter windows or more restrictive guidelines.

4. Encourage shopping by offering free returns.

TAKEAWAY: Free return shipping is one of the most important factors to customers when it comes to retailers' return policies. Consider the cost of lost business before you make them pay.

61% **of customers** reported that paying for return shipping was the most frustrating part of the returns process.

For items that are all about fit, comfort and style, like apparel, shoes and accessories, free returns are critical. Until a shopper knows your products and their fit, they're taking a chance. Free returns reduce that risk. Remember, you're competing with the in-store experience where shoppers can hold, feel and try on products.

TAKE ACTION:

- If your category depends on returns, like apparel, then free returns can be a key strategy. But consider all the details of that strategy carefully and be very clear on how much it's likely to cost.

- Offer free returns but limit the free-shipping window to incentivize customers to return faster. For example, apparel retailer Lulus limits free return shipping to the first 10 days after the customer receives their original order.

- Build the cost of returns into how you price your product line. Consider what percentage of items are returned. Have a clear understanding of the average cost of returning, reselling or disposing of returned items. When you know the cost of the returns process, you can consider it when you establish your true cost of goods, and it can inform your selling price.

- Monitor overall returns trends and adjust your policy with changes in customer behavior and demographics, product offerings and competitor policies.

- Consider the hidden costs of using the slowest shipping service for returns. It might seem like it minimizes costs, but don't forget the impact of slow returns on your product inventory.

5. Give customers in-person options without opening a retail location.

TAKEAWAY: Customers like the convenience of returning online purchases to a physical store location, particularly if they would have to pay for the return shipping.

One survey reported that 59% choose this option at least yearly. The good news for retailers without a physical storefront? You've still got options.

For shoppers offered this physical store option, roughly 25% of them will choose this way to make returns without any incentive or prompting.

— Amit Sharma, CEO of Narvar

Returns are all about options and convenience. Work to understand your customers and offer the right mix of physical and online return options.

TAKE ACTION:

- Explore retail options that are available for online merchants. Happy Returns, for example, operates 700 physical "return bars" nationwide for in-person returns and immediate refunds.

- Find a retail partner to accept returns on your behalf. Many are willing because they benefit from the increased foot traffic. If they can help your customers pack the return, even better.

- Use a retail store network offered by shippers. For example, FedEx offers drop off service at Walgreens. This creates convenience for shippers because they can return shipments at nearby locations or combine errands where they may be shopping anyway.

- If you can't offer a retail option, it's even more important to make return shipping free or inexpensive. See Tip #4.

Since shoe retailer Rothy's started offering return service bars through Happy Returns in May of 2018, **shoppers choose exchanges 33% more often.**

6. Learn from returns and improve the next experience.

TAKEAWAY: The more you know about why people are returning your products, the easier it is to improve your offerings, reduce your returns volume and deliver a great online buying experience.

Apparel retailer Lulus asks customers for feedback when they request a return. Then, they adjust their products based on the responses. For example, if an item is too big, Lulus changes their manufacturing process to make it fit more snugly.

Returns are an opportunity to have a positive interaction with your customer. And ultimately, they're a stepping stone to your end goal of a purchase they're happy with. Your attitude and process can help you build brand loyalty along the way.

TAKE ACTION:

- Use returns as a learning experience. Capture detail as part of the process. If you want more information from the customer, respond via email to return requests to find out why the item didn't work out. The buyer will appreciate the opportunity to share their experience *as long as it's clear you're trying to learn, not convince them to keep the item.*

- Look for trends in buyer behavior and read their comments to spot problems. Then adjust your shopping experience and product offerings based on what you learn. For example, if sizing is a common issue, add a fitting chart. If quality comes up repeatedly, evaluate material suppliers and manufacturing processes.

- Consider offering customer ratings and reviews for your products. Ratings for fit are particularly important. They can give the buyer confidence, help them choose the right size the first time or steer them to a different product.

- Allow customers to post photos of themselves wearing your products. This lets shoppers see how your products fit *actual customers*, not just hired models. It also encourages customers to interact with your brand and helps potential customers learn which products will work best for them.

7. Explore all your options.

TAKEAWAY: You can build loyalty, boost sustainability and improve profitability with returns.

You might think you're locked into one of two options for returned products: reselling them as new or throwing them away. But there are more possibilities, and you can use this part of the returns process to your advantage.

52%
of retailers
throw away less than 10% of returned products.

TAKE ACTION:

- If you can't sell an item as new, consider labeling it "lightly used," or refurbish it and sell it at a discount. Or sell it on a marketplace, possibly under a different business name.

- Donate it to a worthy cause.

- Let the customer keep it and suggest *they* donate it if they'd like. Sometimes it's less expensive than covering the return shipping and processing. Customers often see this as a surprise perk, which can spark brand loyalty. You can mention this practice in your sustainability messaging, too, since it reduces packaging and transportation waste.

All of these options fall under the "re-commerce" trend that's really attractive to younger consumers right now.

A GOOD PLACE TO START:
Knowing general customer buying behaviors

79% **of shoppers** return 5% or less of their online orders.

The top three reasons for product returns:

Size

Quality

Damage

11% **of shoppers** have engaged in "bracketing," or ordering two or more of the same garment in different sizes, planning to return the ones that don't fit.

Want to know more?

Download *Finding the ROI in online returns* at bit.ly/394l9RI to read more about tools, tech and trends to guide your returns strategy.

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Original research from the editors of
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