



Narvar Consumer Report | June 2017

Making Returns a Competitive Advantage





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Executive Summary

The returns process is a critical part of any retailer's post-purchase experience. Retailers say, on average, approximately 12% of their online sales are returned.* As shoppers buy more online, they return more; nearly half of shoppers we surveyed returned an online purchase in the last year. The higher volume of returns and the reverse logistics required to process them will be a challenge. However, this additional touchpoint in the shopping journey also provides an important opportunity for retailers to make a strong impression and keep customers coming back. We surveyed nearly 700 shoppers to answer several questions about returns:

- **How positively or negatively do shoppers view returns?**
- **How do returns affect customer loyalty and satisfaction?**
- **What do shoppers want in an easy returns process?**
- **How often do shoppers buy items online intending to return them?**

The goal of this shopper research was to understand attitudes toward returns, the connection between the experience and brand loyalty, and opportunities for retailers to differentiate themselves in the returns experience.

*Statistic on returns from "The State of Retailing Online 2017: Key Metrics, Business Objective and Mobile", a joint study by shop.org/NRE and Forrester Research

What we heard:

Returns are the new normal.

Nearly half (48%) of shoppers surveyed said they **returned an online transaction in the last year**. 49% of shoppers **actively check the retailer's return policy** before completing an online transaction. **Apparel** was the category that respondents said they returned the most (43%).

Shoppers buy multiple items with the intent to return some.

On average, **40% of shoppers "bracket"** their purchases at least occasionally. 45% of shoppers **under 30** and 48% of shoppers with incomes **over \$100k** bracket their online purchases. Bracketing is most common in categories like **apparel and home**.

A restrictive returns policy will prevent customers from buying.

A significant portion of respondents say that **restocking fees** (84%) or **return shipping fees** (74%) will prevent them from making a purchase. 22% said they would not make the purchase if they could not **return to a store**. On the other hand, 72% said that a **"no questions asked"** return policy would make them more likely to buy at a retailer.



What we heard:

Amazon returns are a hassle, but customers like the transparency.

Nearly half (47%) of survey respondents made their **return to Amazon**. 75% of shoppers who returned items to Amazon were **satisfied with the experience**, rating it a 4 or 5 on a 5-point scale. The Amazon returns process includes more hurdles, but shoppers say that **transparency around refund status** is particularly strong.

Store returns offer a distinct advantage over pureplay retailers.

Thirty-eight percent of survey respondents say they explicitly **prefer** returning an online purchase to a nearby store whenever possible. Nearly half (47%) of shoppers say that it's **easier** to return to a store. Shoppers cite two key advantages to returning items to stores: they get **immediate credit** for their return and they can **shop for other items** while they are in the store.



01.

The state of online returns

Returns are the new normal.



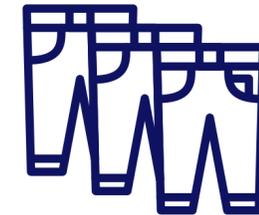
48%

returned an online purchase in the last 12 months.



49%

actively check the retailer's return policy before buying.



40%

have bought multiple items expecting to return some.



Key takeaway: Most shoppers are comfortable with the returns process at their favorite retailers.

Customers remain loyal to retailers if they have a positive returns experience.

Returners are likely to be the best customers:

82%

who returned an item were repeat shoppers of the retailer.

A great returns experience drives loyalty:

95%

who are satisfied with the returns process said they'll purchase with the retailer again.

Key takeaway:

High value customers are also the most likely to utilize the returns process. Make sure the experience leaves them feeling good about your brand.



Consumers like easy returns and status updates on their package and refund.



Key reasons for satisfaction:

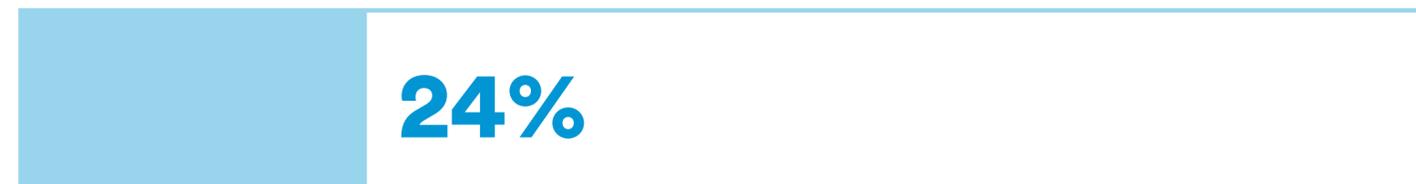
“The returns process was really easy.”



“I was informed when my refund was processed.”



“I received updates on the status of my return.”



Key takeaway:

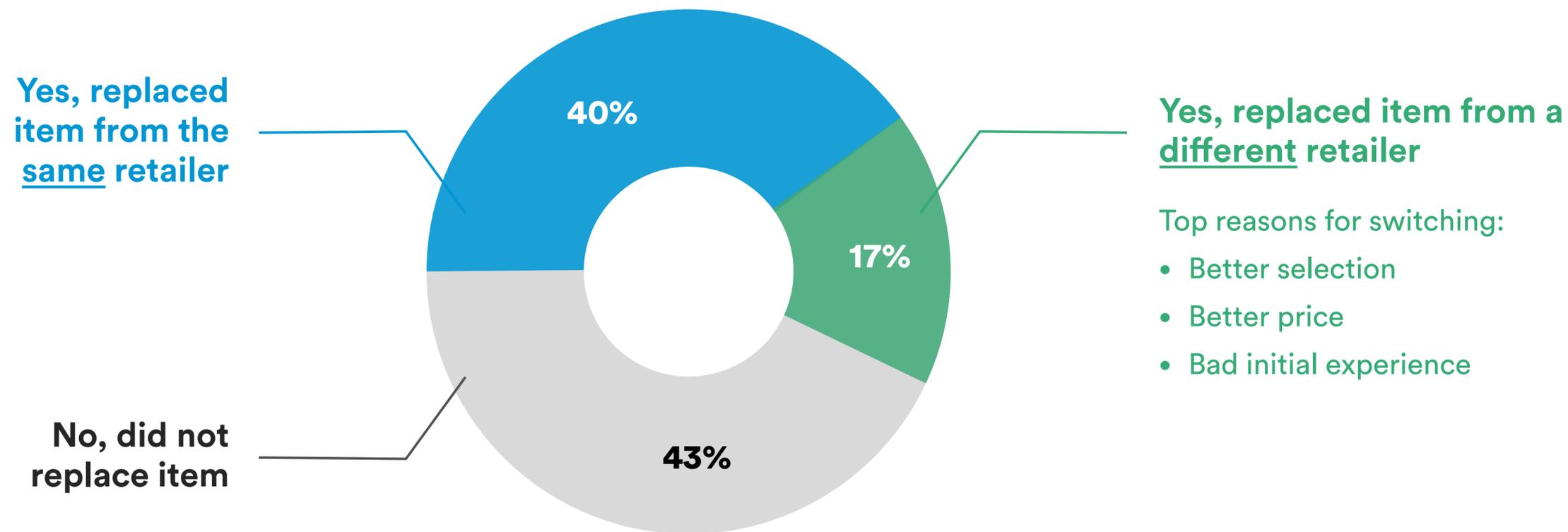
Proactive communication about refund status and tracking notifications for returned packages go a long way to improving customer satisfaction.





Retailers can recapture—or lose—a sale during the returns process.

More than half of shoppers exchanged or replaced a returned item.



Recommendation:

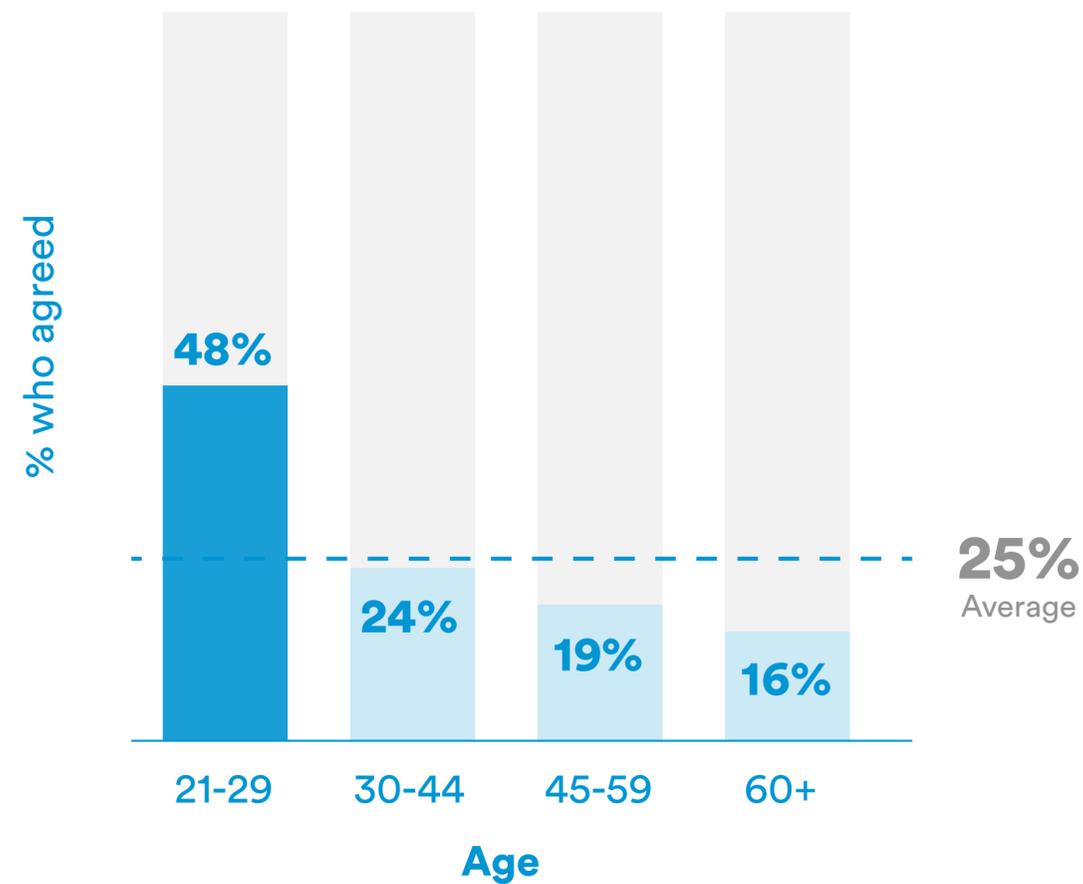
Make it easy to exchange an item during the online returns process or consider price matching.



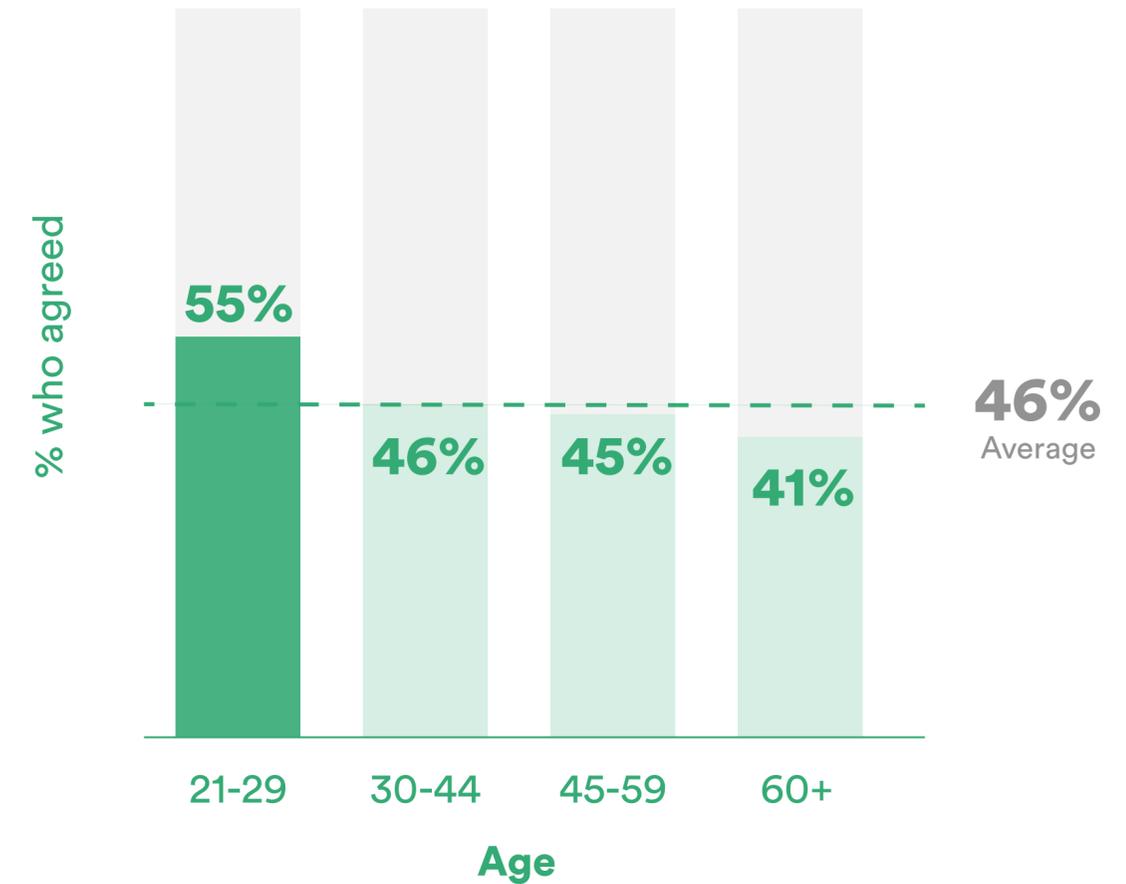
Young shoppers have less patience with online returns.



Online returns are a hassle



It's easier to return to a store



02.

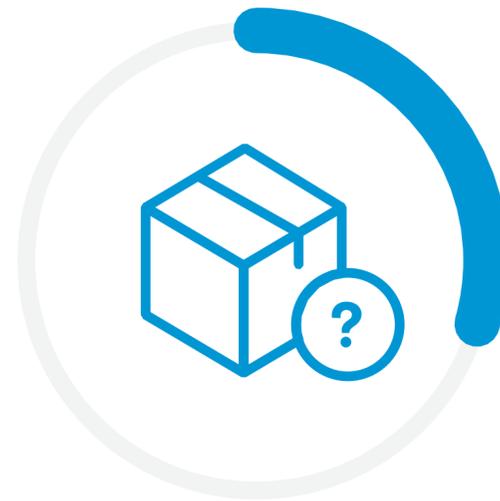
Reducing friction in returns

Shoppers are often anxious about the prospect of returning an item.



53%

kept unwanted items to avoid the hassle of returning them



29%

worry their return will be **lost in the mail**



21%

found it **frustrating to check on the status** of their return



Key takeaway: Provide return package tracking and refund transparency to help alleviate shopper concerns.

A lengthy or cumbersome returns process disappoints shoppers.



Key reasons for disappointment:

“It was too much of a hassle to return the package.”



“The process took longer than I expected.”



“I had to keep checking to see if my refund went through.”



“My refund took too long.”



30%

of shoppers scored their **returns experience 3 or lower** on a 5-point scale.

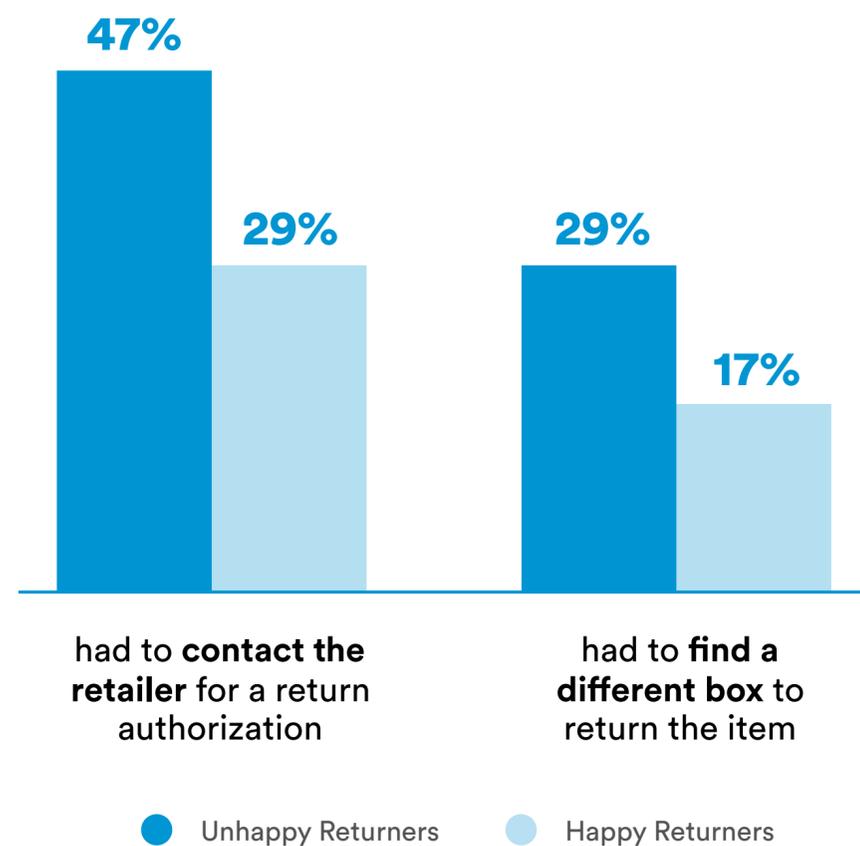




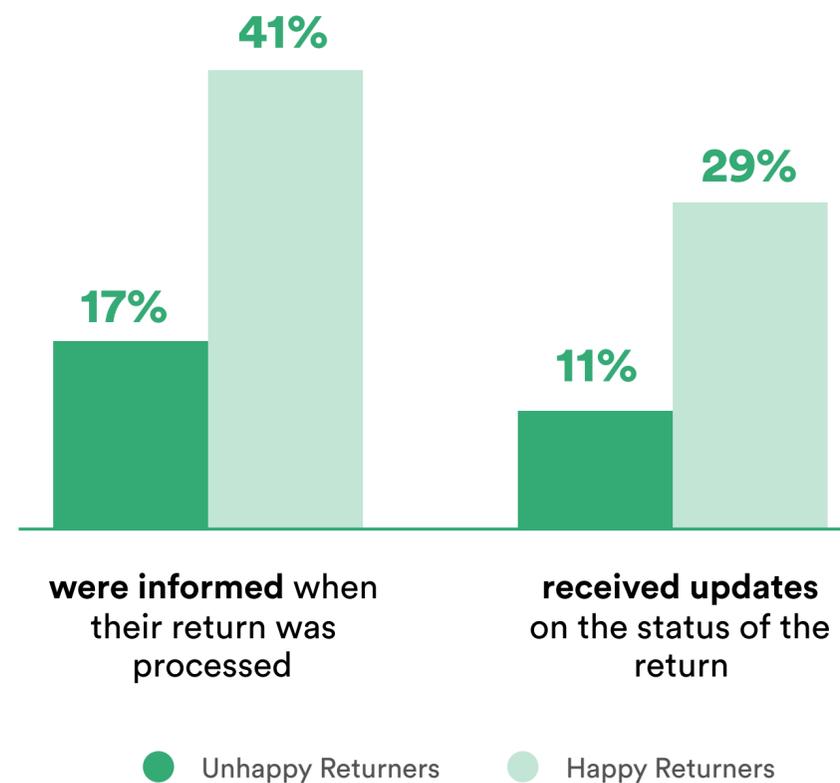
Disappointed returners went through more hassle with less communication.

Unhappy shoppers are **3x** more likely to abandon a retailer.

They were more inconvenienced:



They were less informed:



Recommendation:

Keeping customers informed about status of their return & refund is paramount. Asking shoppers to print a return label is fine, but requiring a return authorization is a hurdle.





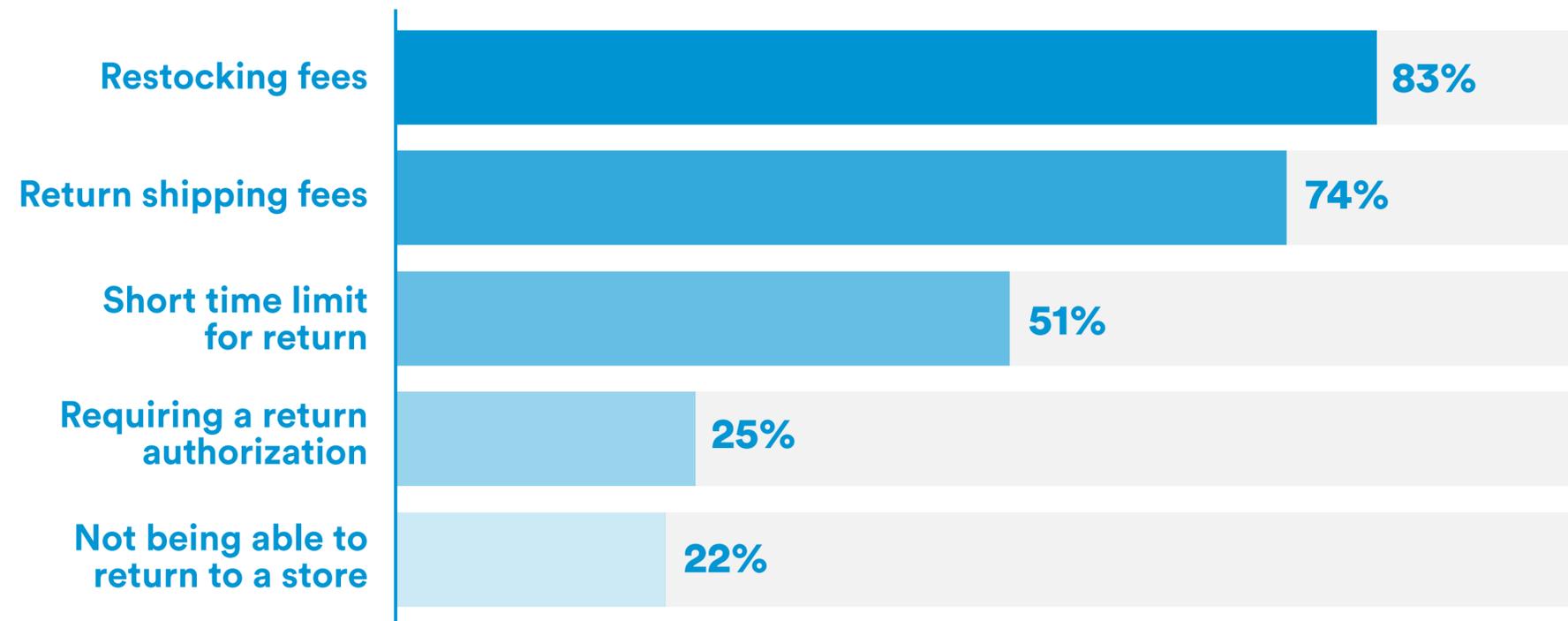
Shoppers will not buy if returns policies are too restrictive.



49%

of shoppers say they **check the return policy before buying**

Elements in a return policy that **prevent customers from making a purchase**:



Key takeaway: Generous and clearly-stated returns policies are important to avoid making returns a barrier to the initial purchase.



Retailers must get the first returns experience right.

Based on your returns experience with the retailer, would you shop with that retailer again?



Repeat
Customers



First-time
Customers



 **Key takeaway:** Retailers need to overdeliver with new customers who return their first purchase to keep their business.



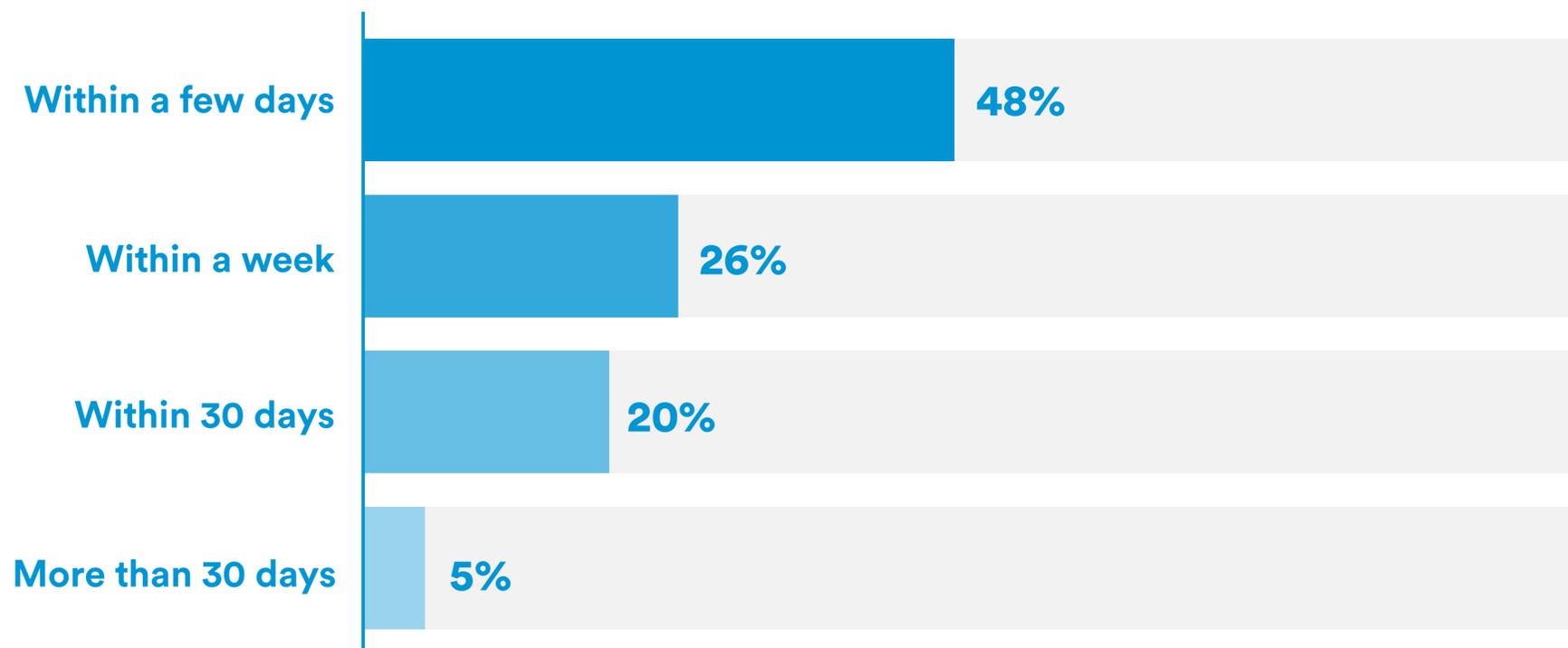
Customers are more likely to buy if they have 30 days to return an item.



53%

said a **30-day return policy** is fair

Thinking of your last return, how long after the purchase did you return it?



Key takeaway: The majority of shoppers return items promptly, so a 30-day policy is a good benchmark.

03.

**The bedroom is
the new fitting room**

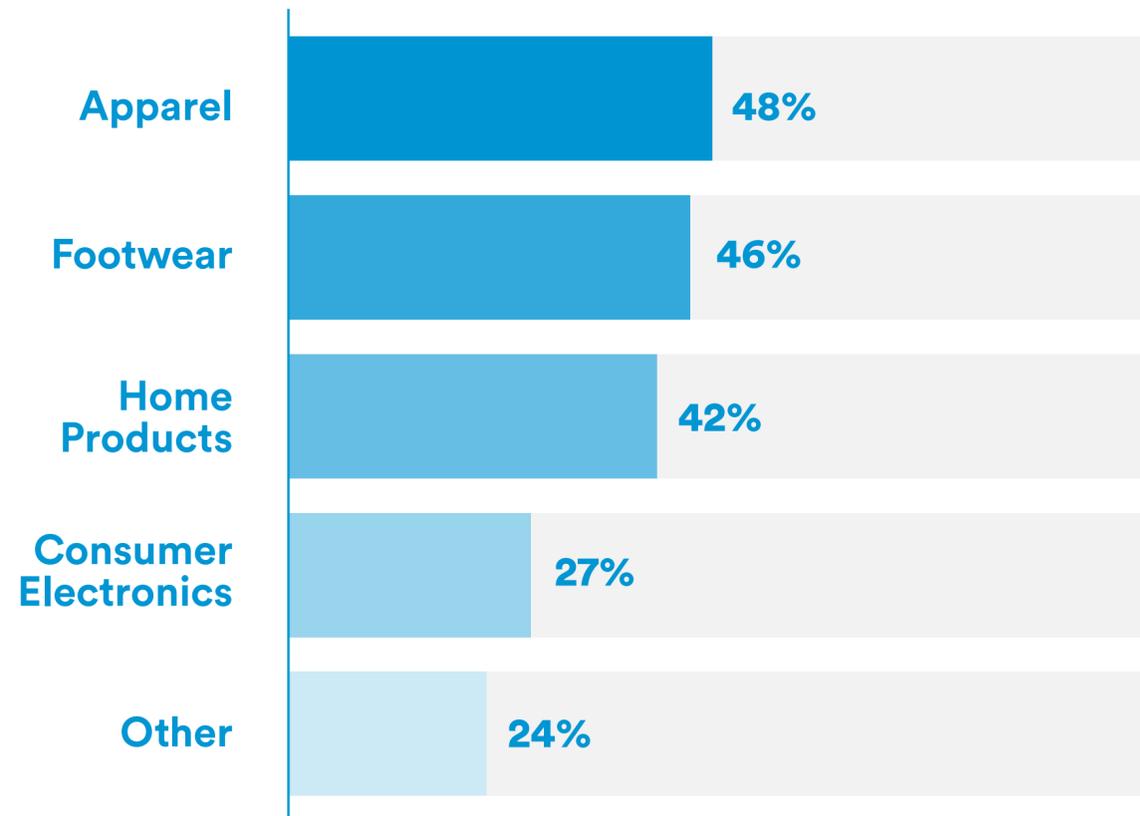
“Bracketing” is now prevalent, especially in categories where fit and style matter.



40%

say they **bracket** at least some of their online purchases

Shoppers who bracket in each category:



i Definition:

“Bracketing a purchase” means that shoppers buy multiple versions of an item to see which they prefer, with the intent to return the rest.

Key takeaway:

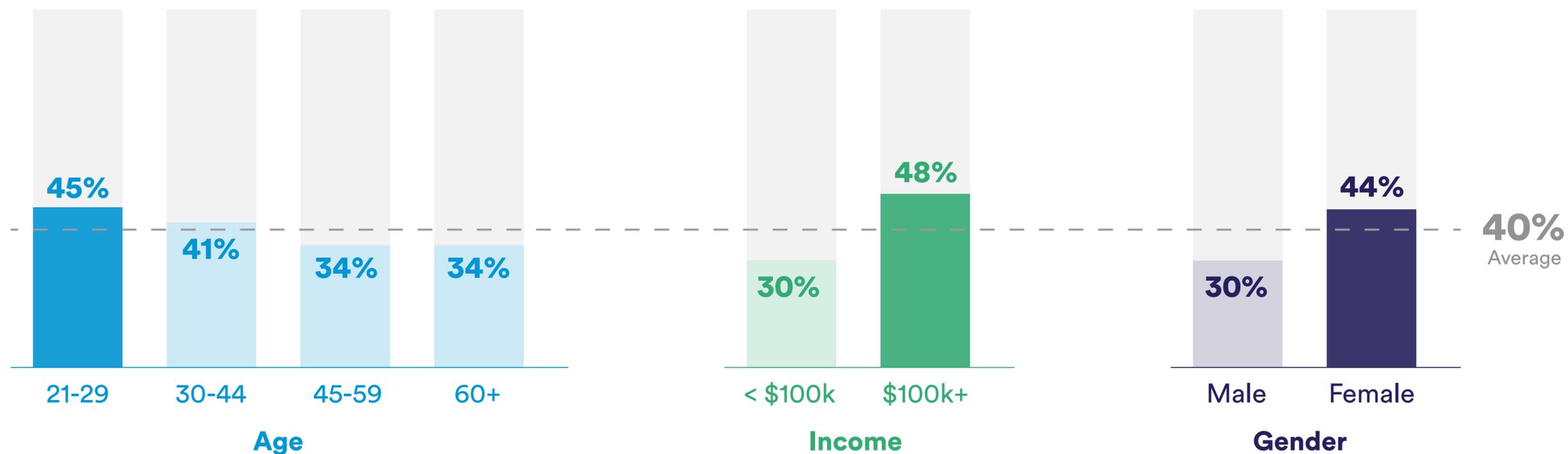
Shoppers are using their homes as fitting rooms, resulting in returns becoming more common.





Younger, affluent or female shoppers are most likely to bracket their purchases.

Shoppers who have purchased multiple variations of an item with the intention of returning some:



Key takeaway: This behavior is led by some of the most desirable cohorts: affluent shoppers, under-30 millennials and women.

04.

The effect of Amazon on the returns experience

People perceive Amazon to have easy returns...



47%

said their **last return**
was **with Amazon**



75%

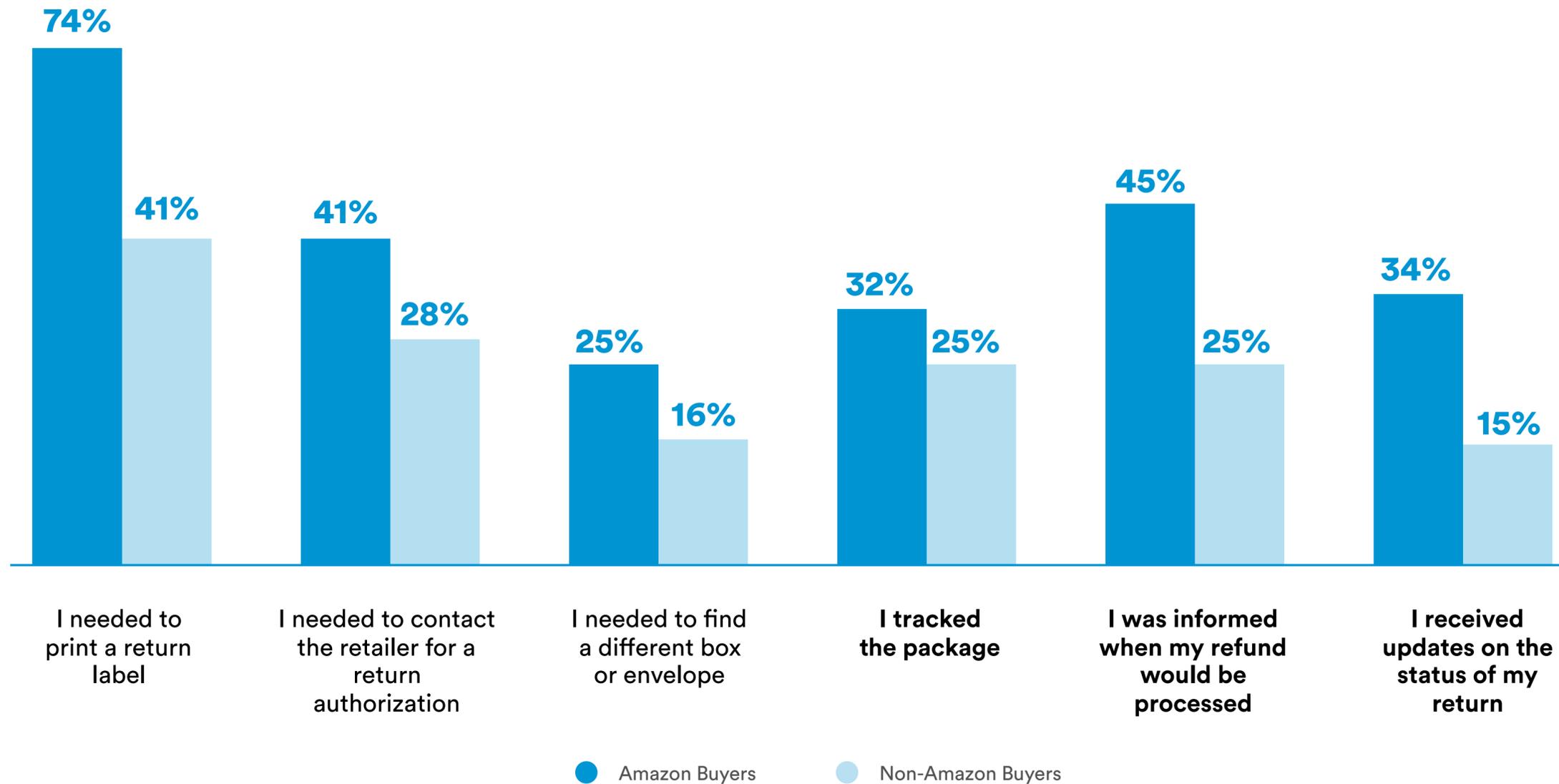
were **satisfied** with the
Amazon returns experience



91%

would **shop at**
Amazon again

Amazon shoppers jump through more hoops. But transparency keeps them happy.



Key takeaway:

Despite Amazon's returns process requiring more steps, consumers are satisfied largely due to strong communication about package and refund status.

Other retailers can play offense by making it clear their process is better than Amazon's, and also by making more of it self-service.



05.

Attitudes toward in-store returns



Shoppers want the option to return online purchases to a store.



38%

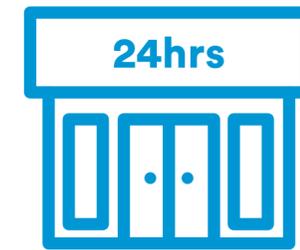
prefer to return to a nearby store whenever possible

43% of bracketers felt this way



47%

say it's **easier to return to a store**



28%

would like to return items to a **nearby location like a grocery store**

41% of those under 30 expressed this interest



Key takeaway: In addition to encouraging in-store returns, consider partnering with non-traditional local outlets to accept returns.

Stores can recapture a sale, and an immediate refund is a strong motivator.

Shoppers like returning items to stores for 2 key reasons:



35%

They get immediate credit



28%

They can shop for other items

Key takeaway:

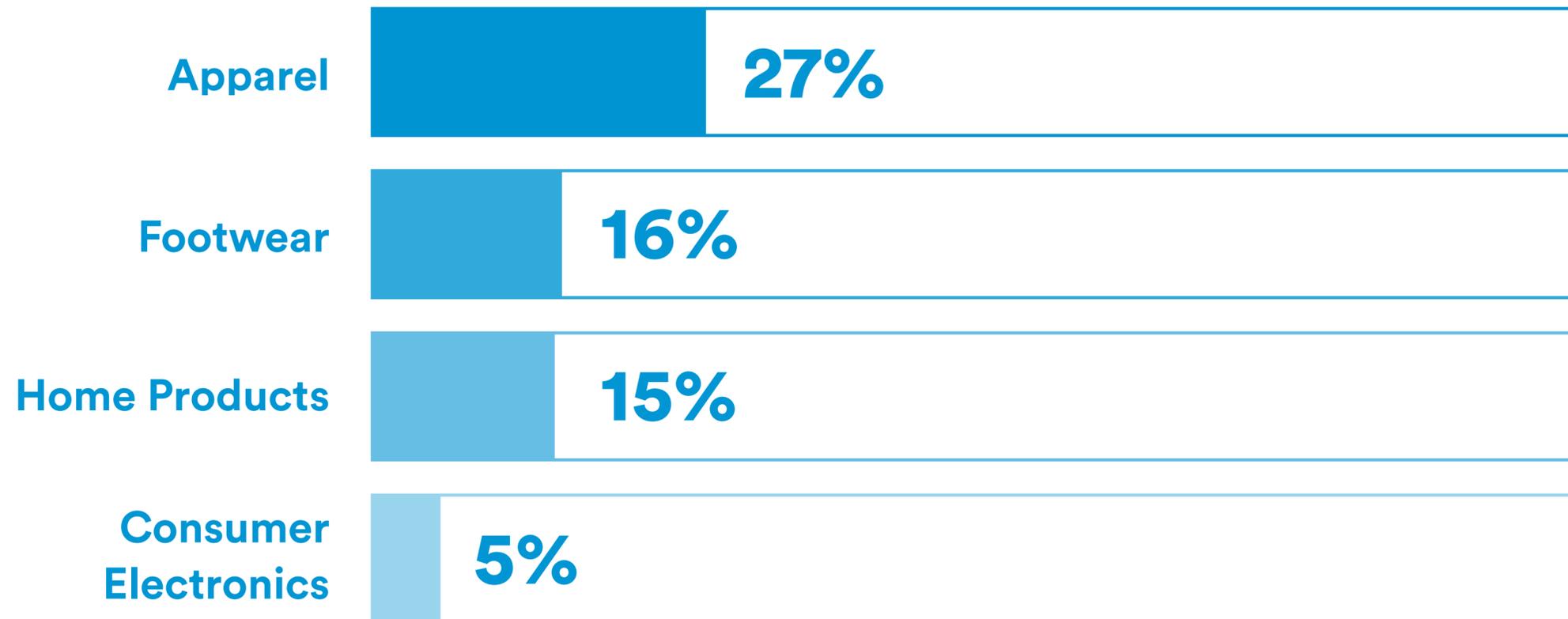
Replicating these two key benefits online could yield additional revenue from those shoppers who find online returns more convenient.



Apparel customers are more likely to return online purchases to a store.



Customers who returned an online purchase to a store:



Key takeaway:

While mall merchants lament declining foot traffic, they should look for opportunities to drive traffic such as returns of online purchases.

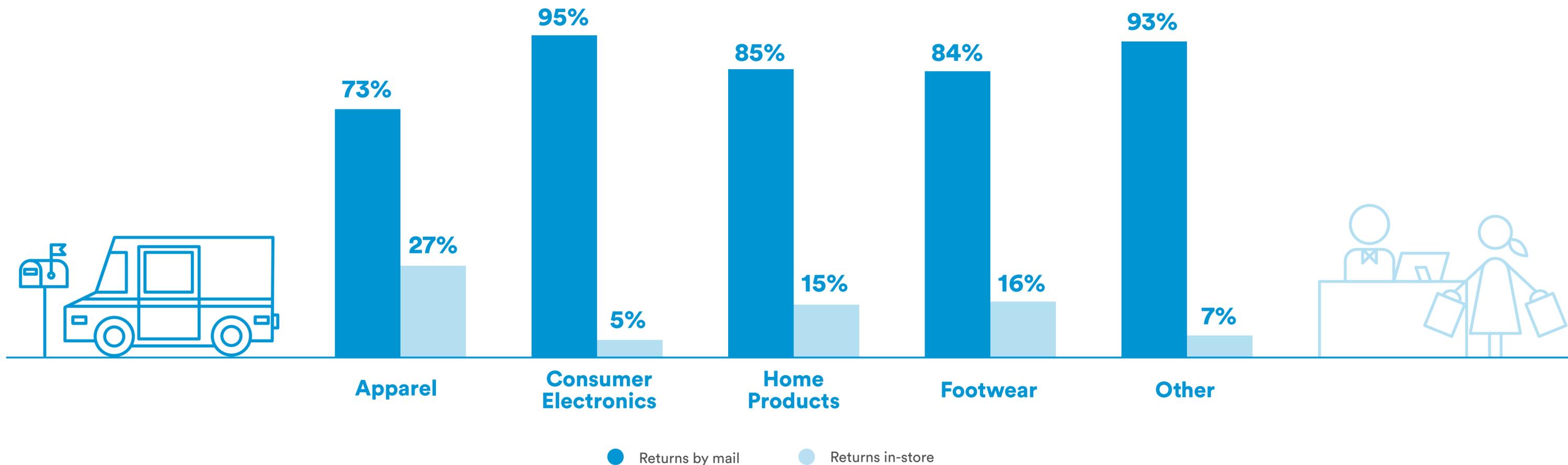


06.

Category differences

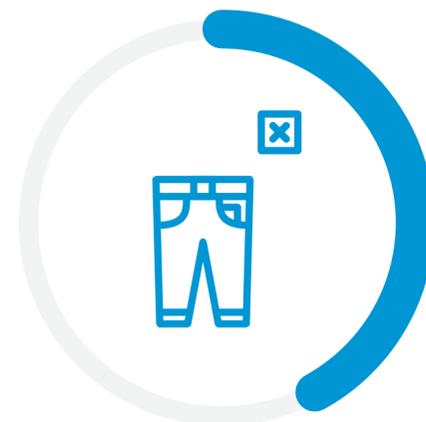
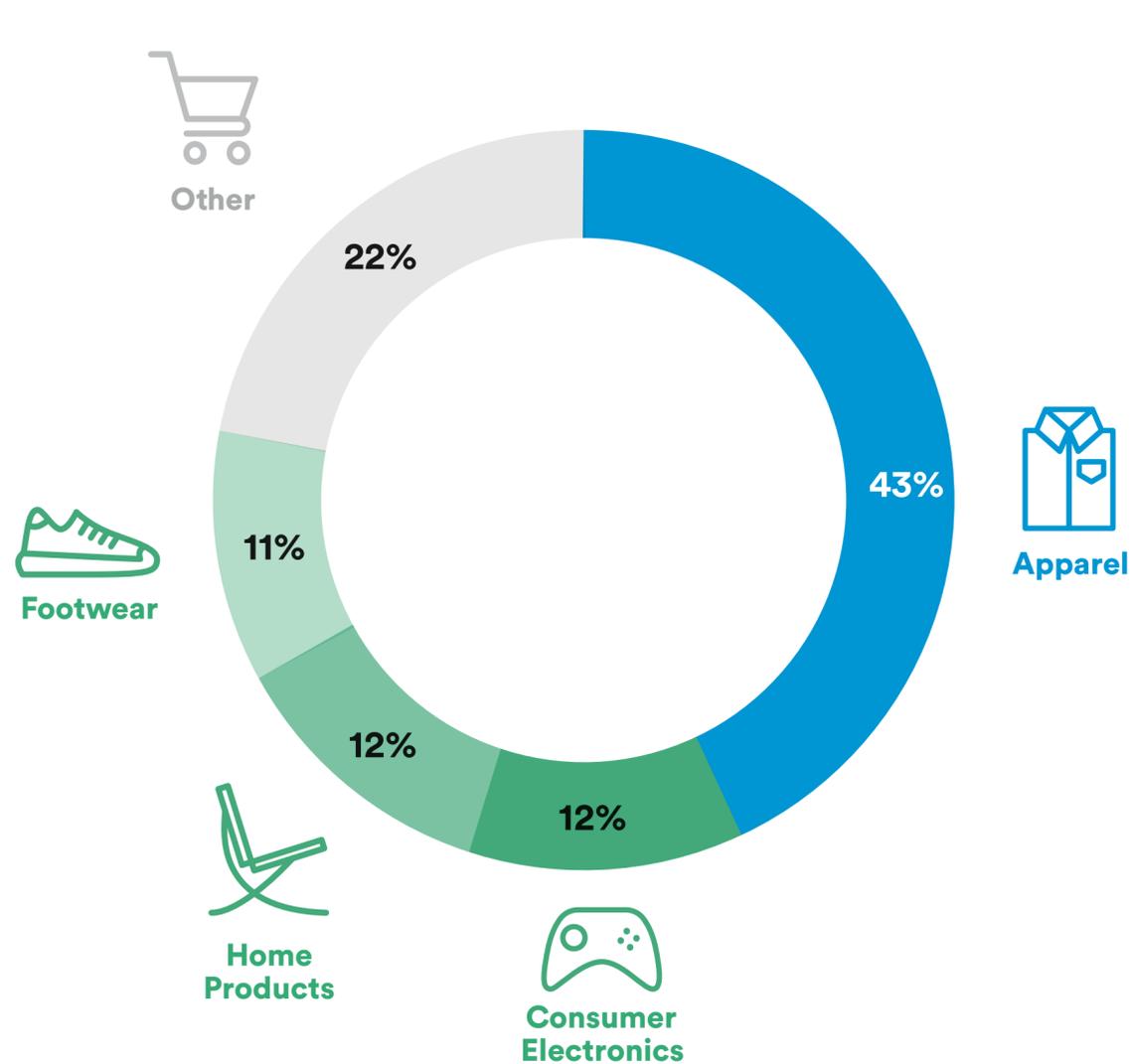


Though customers say they prefer in-store returns, they return by mail more often.



Key takeaway: Retailers need to improve the online returns process to enable immediate refunds and make it easier to shop for additional items.

Apparel is the most common category for returns.



70% of apparel is returned due to **wrong size or color**



76% were **satisfied** with the returns experience

Key takeaway:

The apparel category continues to struggle with effectively communicating fit, but customers utilize the returns process to get what they need.



Consumer Electronics ranks lowest in ease of return.



42%

of customers were disappointed in the CE returns process, rating it 3 or lower on a 5-point scale



42%

of consumer electronics returns are due to damaged or inoperable merchandise

Key takeaway:

Returns of consumer electronics are often high-friction, commonly including hurdles like restocking fees and RMAs, which is reflected in low customer satisfaction with the process.



What it all means

What it all means

Shoppers expect certain basic features for a best-in-class returns experience: **free returns shipping, at least 30 days to make the return, and a “no questions asked” policy are table stakes.**

Transparency and tracking capabilities are critical in the returns process; retailers should keep shoppers informed of return package status and refund status; this can help alleviate shopper worries that their package could be lost or that the returns process is a “black hole”.

Retailers should make the **in-store returns process** clear and easy as that can be a competitive advantage, particularly for younger shoppers who find online returns to be cumbersome. Since more consumers return by mail, however, they should also **replicate the key benefits of immediate refunds and the ability to shop for additional items online.**

Customers are **more frequently buying multiple items with the intention to return some** (what we call “bracketing”). Present new products or alternative suggestions soon after the order has been mailed, particularly for your most affluent or younger shoppers who exhibit this behavior more prominently.

Methodology:

Narvar surveyed a randomly selected, unweighted sample of 677 online shoppers in the U.S. They were between the ages of 21-65 and had returned an online purchase in the last 12 months. This excluded returns made as part of subscription service like StitchFix or Rent the Runway. Respondents were sourced via an online survey tool.

Narvar is on a mission to simplify the everyday lives of consumers.

We help the most admired brands and retailers build lifelong relationships beyond the “buy” button. As an enterprise-grade SaaS platform serving 400+ retailers like Sephora, Neiman-Marcus, Crate & Barrel, and GameStop, Narvar drives brand loyalty at scale by enabling immersive and emotional post-purchase customer experiences. From effortless order tracking, proactive communications, and seamless returns, Narvar applies machine learning across billions of interactions to simplify the everyday lives of consumers.

To learn more, visit www.narvar.com

In collaboration with Sucharita Mulpuru

Sucharita Mulpuru is a leading authority on retail, shopping and mobile commerce. From 2005 until 2016, Sucharita was the lead retail analyst at Forrester Research where she focused on the intersection of technology and commerce. She served on the board of Shop.org, the digital division of the National Retail Federation, and as Chief Retail Strategist at Shoptalk.

Prior to Forrester, Sucharita held management positions at Saks Fifth Avenue, Toys 'R' Us, Walt Disney Company, Cap Cities/ABC and was a member of the founding team at Babystyle. Sucharita holds a BA in Economics from Harvard University and an MBA from the Stanford Graduate School of Business.

