Return Rabbit
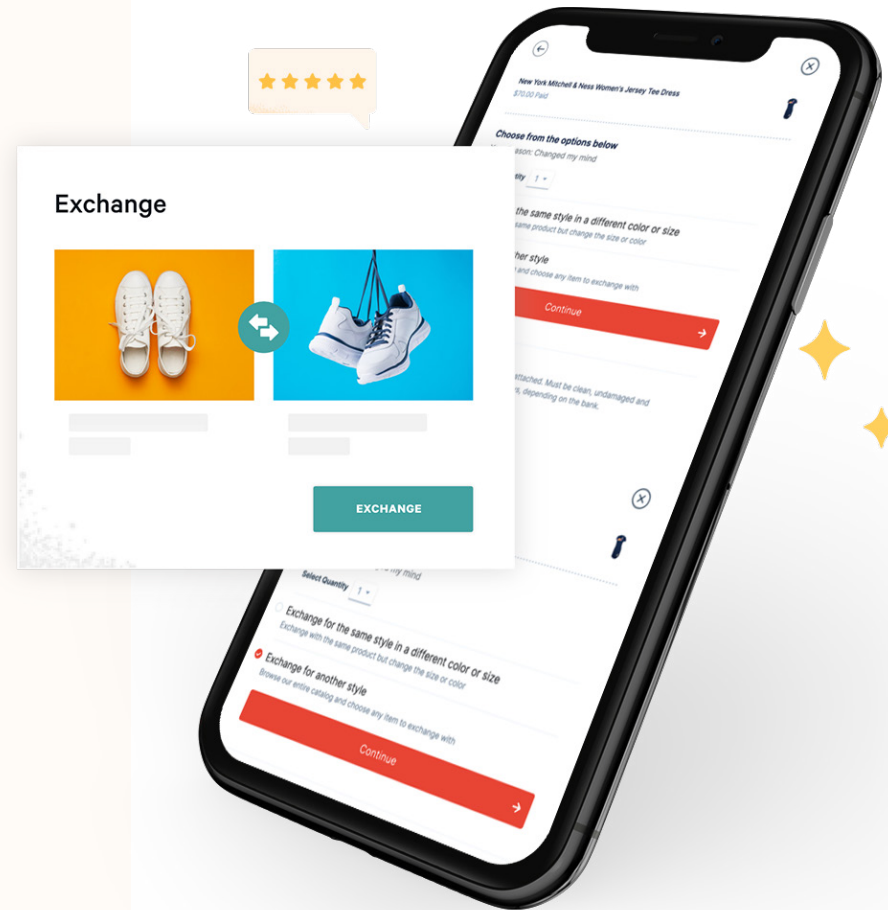
Managing the Inevitable

Three Components of Effective Online Returns Management

Online returns are inevitable.

In 2021, 20.8% of online purchases were returned—up from 18.1% in 2020.[2] Even so, a 20% loss in revenue represents a serious risk for retailers, especially as online sales continue to grow at a faster rate than expected.

How do retailers embrace for the inevitability of product returns? With a deliberate strategy, retailers can master the three components of an effective online returns strategy:

IBM's 2020 U.S. Retail Index suggested that the pandemic accelerated the shift away from physical stores to online shopping by roughly[6]

5 YEARS

1

Win customers with a good policy.

2

Keep customers with an easy return process.

3

Maximize and retain revenue.

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Win customers with an attractive return policy.

Retailers need to understand that the impact of a return policy starts before a purchase is complete. 61% of online shoppers review return policies before making a purchase.[14]

The first step is to make the return policy easy to find but shockingly, this isn't a widespread practice. A survey of 1,600 Shopify retailers with annual revenues between $1 and $50M found that 20% had return policies in hard-to find places and 7% didn't communicate their returns policy at all.[11] Considering that 61% of online shoppers reference a return policy before purchasing, those retailers are losing 15% of potential shoppers.

Once the policy is reviewed, a shopper may decide the risk doesn't outweigh the benefit. When asked what customers consider part of a positive return experience, 28% responded that a hassle-free policy was an important factor.[14] One study found a shopper's willingness to pay increased when they perceived they could return the items for less hassle or no hassle, i.e. a shopper may be willing to pay $30 for an item at a store with a hassle-free policy versus $25 at one that didn't.[1]

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20%
of Shopify retailers
have return policies
in hard-to-find places

7%
don't communicate their
returns policy at all

Retailers could be losing

15%
of potential online shoppers
that typically reference a return
policy before purchasing.

Offering a longer window for exchanges than refunds allows shoppers more time to reconsider their purchase.

A selectively lenient policy may also draw in more shoppers without increasing returns. Researchers who studied lenient return policies suggested that being selectively lenient based on time can drive purchases without negatively impacting the return rate. For example, the amount refunded can be based on days since purchase, e.g. 100% money back within 60 days of purchase, 75% back for 60 to 120 days after purchase, etc. Another approach may be to start the return policy later so the shopper has time to get used to the product, e.g. a 15-day trial period during which returns are not allowed.[4] Similarly, offering a longer window for exchanges than refunds allows shoppers more time to reconsider their purchase and either keep it or try something else.[10]

The free return debate

One policy feature that draws great debate is the free return—which allows shoppers to return their product at no cost. The alternative is to ask shoppers to return the item at their own cost, sometimes with a retailer-provided shipping label, the cost of which is deducted from the customer's refund.

Unsurprisingly, shoppers love free returns and the feature is a consideration in deciding to make a purchase.
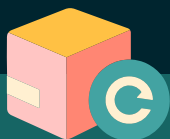
79%
of consumers said free returns are important in pre-purchase consideration[9]

3/5
French, UK, and US online adults prefer retailers that offer free return shipping[3]

When asked what they consider to be part of a positive return experience,

42%
of shoppers said free return shipping[14]

Return Rabbit

Improve shopper experience with an automated returns management system.

A survey of Shopify retailers found that 74% of retailers do not allow free returns unless an item is damaged or defective.[8] By streamlining policy for every situation with an automated returns management system, shoppers buy more, keep more, and stay with you longer.

- 69% of shoppers say paying for a return impacts their likelihood of buying from the same retailer again.[14]

- A consumer study found that when free shipping was provided for returned items, purchases over the next two years increased by between 58 percent and 357 percent.[16]

- The same study found that when consumers had to pay for return shipping, their subsequent purchases decreased by between 74 percent and 100 percent.[16]
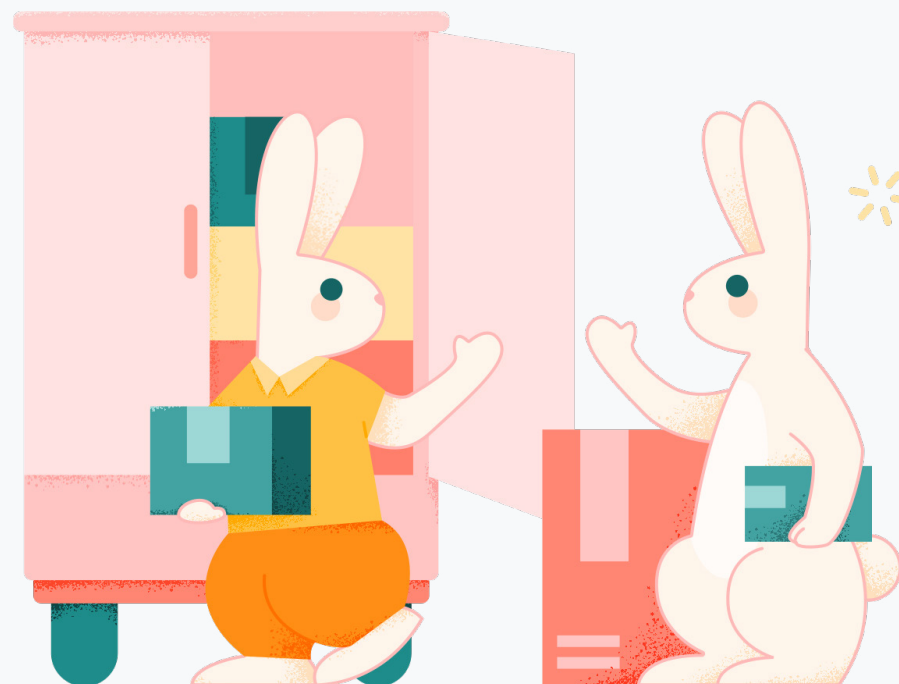
Craft your return policy to capture sales from the start.

Make the policy easy to find.
The best option is to add a link clearly marked "Returns and Exchanges" in the footer of the site. Adding the policy to the product description of each item keeps the customer on the product page and focused on their purchase.

Keep the policy clear and direct.
Focus on key details without leaving anything to doubt: time frame, restrictions, costs, step-by-step instructions.[13]

Include clear answers to common questions.
How long until the purchase is refunded? Can a customer exchange their item right away or do they have to wait for a refund? Consider what questions shoppers ask the most and get ahead of them.

Evaluate how flexible the policy is.
A survey of Shopify retailers found that 19% of policies don't allow sale items to be returned. A significant number didn't allow for returns of entire product categories (beyond those excluded for hygiene reasons).[8] Remember that shoppers are looking at the policy before they buy

Consider free returns.
While the short-term cost of return shipping can add up quickly, consider the long-term impact of lost revenue

Return Rabbit

Keep customers with an easy return process.

As important as the return policy is pre-purchase, it's far more important in action. More than one-third of U.S. online consumers say the fear of returns has discouraged them from buying online.[3] 68% say the returns experience impacts their perception of a retailer, and 73% say it impacts their likelihood to purchase from the same retailer again.[14]

Suppose 20% of shoppers have a poor returns experience, and 73% of them use their experience as a reason not to purchase again. That's a customer loss of 16%.[13]

On the other side of the equation, increasing customer retention rates by 5% increases profits[5] by

↑ **95% to 25%**

Return Rabbit

Customer satisfaction in the returns experience cannot be exaggerated.

The value of customer satisfaction in the returns experience cannot be exaggerated. Customers who make repeat purchases and have positive experiences become brand ambassadors.[13] Moreover, word-of-mouth influences as much as 90% or purchases.[17]

Online shoppers tolerate few pain points, so it's vital to make the returns experience as seamless as possible.Consider a UPS survey of online shoppers which found that flexible return options and proactive communications are important to customers during the returns process.[14] What does this look like?

Flexible Return Options

Flexible return options like refunds, exchanges, and store credits aren't always easy to initiate.

Refund windows vary wildly, from several days to 2+ months later. A survey of Shopify retailers found that on average, it takes 10 days after a returned item is received for a credit card to be refunded.[8] Customers find it confusing that their refund takes so long when the purchase transaction is near instantaneous. A returns management solution (RMS) can make the process better, and quicker. An RMS automates the returns process from the moment the return is requested to when the original product comes back and the customer's return has been finalized.

Retailers complicate exchanges by only allowing them once the original item is returned. A consumer-friendly option lets the shopper choose their exchange and arrange for it to be shipped as soon as the return package is scanned for delivery. Again, an RMS simplifies exchanges, as it relies on shopper purchase data within the platform to identify the customer and facilitate the transaction.

Store credits are a charm and a challenge for retailers. The charm is the opportunity to bring dissatisfied customers back into the fold. The challenges are many but not insurmountable. First, consider the likelihood of a shopper being forced to recoup their purchase by spending money on something other

than what they initially wanted. Particularly for retailers who offer a limited range of items, a dissatisfied shopper may regard the store credit only option as a mark against the retailer.

Then there's the legality of how long a retailer can hold store credit. Some states require store credit refunds within a certain period, mostly 2 years. Similarly, there's the risk that at any time, your pile of store credits comes home to roost in one flock. If 20% of your sales are returned for store credit, how will your business manage all that deferred at once?

That isn't to say store credit shouldn't be used. Rather, incentivize store credit so shoppers use it sooner. Offering a few extra dollars can prompt a shopper to go a little beyond what they were going to spend; meaning, if a retailer bumps a $40 return to a $45 store credit, a shopper feels more inclined to spend just a little more to get that $55 item. Reminding shoppers what's available for $55 is another idea. Emailing product suggestions to customers with store credit keeps them engaged and up-to-date on what's for offer.

Proactive Communications

It's easy for a retailer to understand and be on top of the returns process, as they've gone through it many times over, but shoppers do not have the same advantage. Even with

the clearest of return policies, once the process has begun, a shopper may not be clear of what comes next.

When a shopper initiates a return, proactively communicating the process reaffirms that the shopper's satisfaction still matters. Do they need to fill out a form? If the request needs to be reviewed, how long will it take? What does the shopper need to know about return shipping labels, shipping methods, and other associated costs? How will the refund status be communicated and how long will it take?

In an ideal world, within 24 hours of their request, a shopper should know if their request has been approved, how they will return their item, and when they'll receive their refund, exchange, or store credit.

In addition to broad factors impacting the customer returns experience, each retailer has unique factors which impact the customer experience. Rather than guessing at what customers love or hate about the returns experience, asking them directly is the best way to gauge where process improvements can be made. Sending a survey alongside a refund or exchange confirmation is an easy way to collect customer feedback while the experience is fresh in the shopper's mind. An RMS can incorporate such surveys into the backend so it's a natural part of the return request process.

Let's take a look at a retailer that conducted a post-purchase survey using Return Rabbit, an RMS that operates on a revenue-focused model.

Return policy parameters refers to how the policy is modeled. For example, an item is returnable to day 30, but a shopper may choose to attempt a return on day 31. Or, it may take 15 days to receive a card refund once an item is returned to the warehouse. By drilling down into each response, this retailer can find policy blind spots that impede flexibility.

Policy execution issues refer to how the policy is carried out, and importantly, how much is asked of the customer to facilitate the return. One example may be a shopper complaining about a lengthy RMA process prior to having their return approved. Knowing this, the retailer can review opportunities to communicate vital information either in the policy or earlier in the returns process, and adjust as needed.
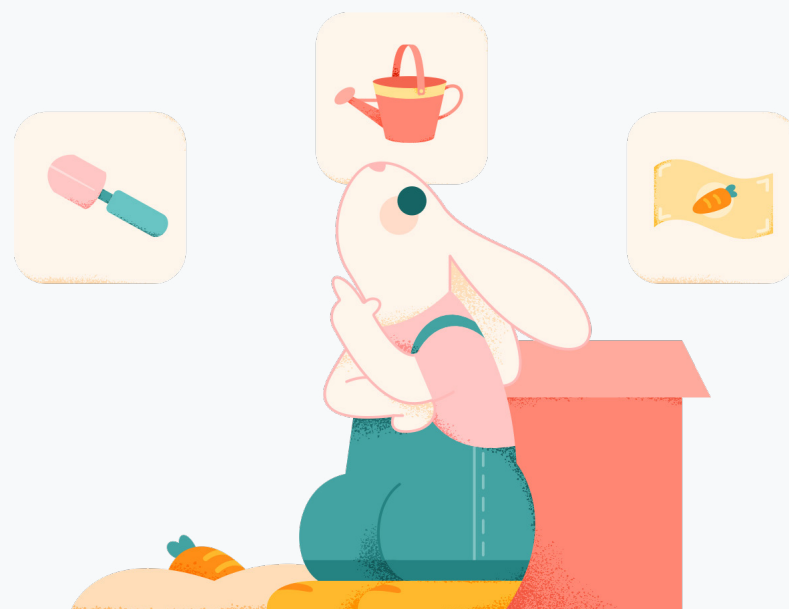
94%
of customers reported a positive return experience.

6%
reported poor experiences driven by two factors:

Return Policy Parameters   and   Policy Execution Issues[8]

Return Rabbit

Maximize and retain revenue.

Creating a positive returns experience keeps a lost sale from turning into a lost opportunity. How else can an online retailer maximize and retain revenue once it has been earned?

Reviewing reasons for product returns offers opportunities to circumvent future ones.

For example, the top three reasons online shoppers give for returning an item are:

1. The item is damaged or defective (65%)
2. The item fits poorly (70%)
3. The item doesn't match the description (49%)[9]

65%

Damaged
or
Defective

70%

Item
Fits
Poorly

49%

Doesn't
Match
Description

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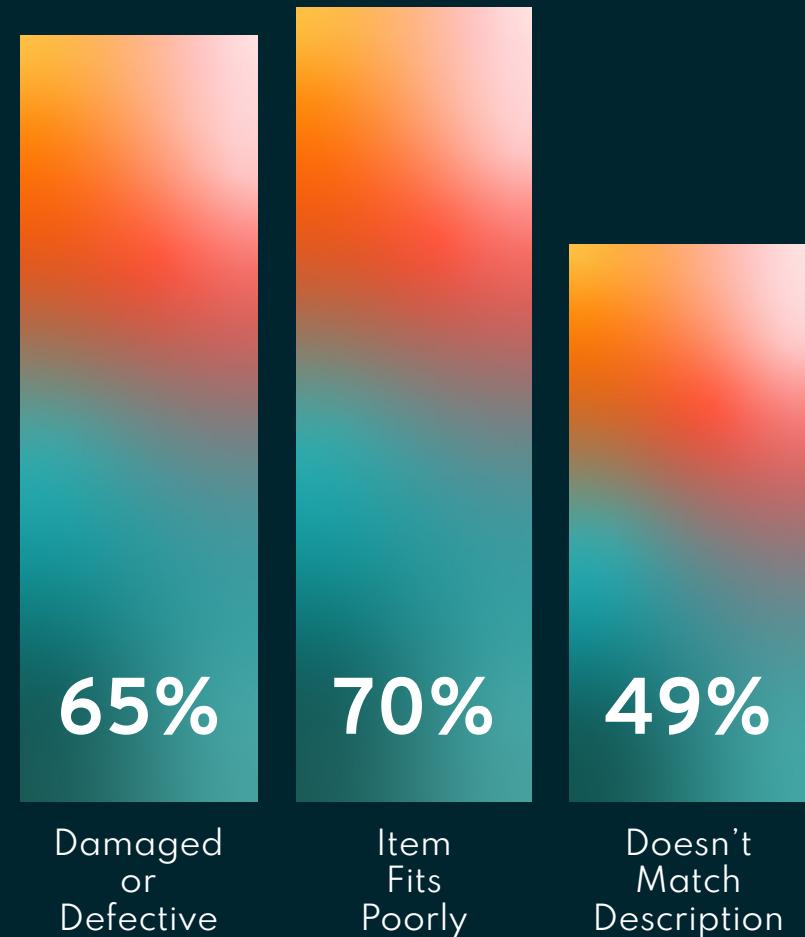
Return reason insights inform product quality improvements.

Setting aside product damages and defects, these concerns are easily addressed. Product page changes such as clear, zoomable photos, thorough descriptions, and precise size charts that are easy to find and understand go far in ensuring shoppers get the right item that's right for them.[12]

Acquiring additional return reasons can be as simple as a brief survey at the time of return. Return surveys are a goldmine for product positioning. McKinsey suggests that asking for a detailed return reason is effectively market research that can be leveraged to optimize how retailers manufacture and market their products. McKinsey For example, if a backpack is manufactured in such a way that customers report they can't easily find zippers, a retailer may decide to update the design of backpack such that pull tags are easy to see, stand out more, or aren't obscured by another feature of the bag, all of which can be clarified in return reason surveys.

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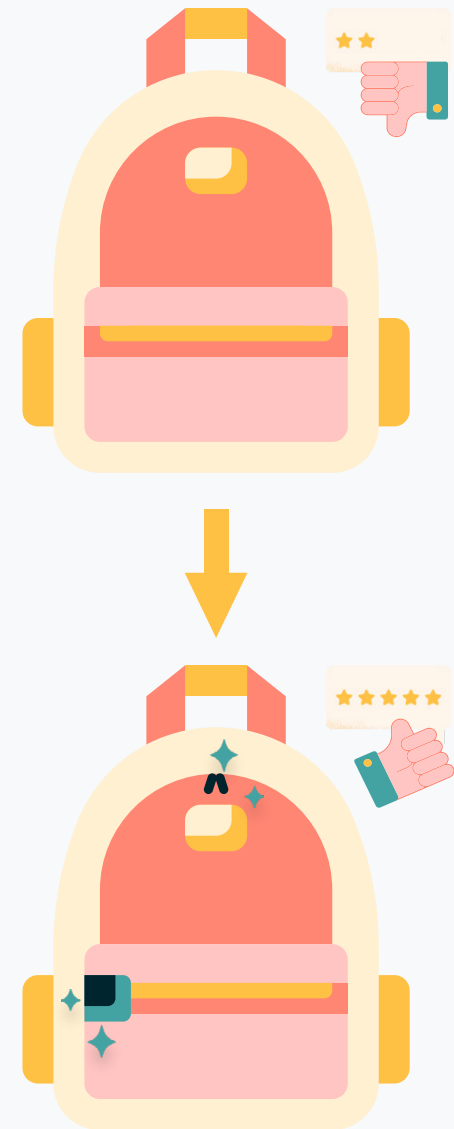
Alternately, these surveys may show that said backpacks, which are being returned at a greater volume over time, require multiple changes to stay relevant to shoppers, and updating them may not be worth the investment.

McKinsey also suggests using return rates to drive which products appear on the home page and carousels, effectively hiding items that aren't performing well.[7]

Leveraging peer-generated content also goes far in providing shoppers with a trusted source of information. 66% of shoppers say they are less likely to return a product if they can review user-submitted reviews, Q&A, or images and videos prior to purchasing.[9] Many eCommerce platforms allow for the inclusion of these features.

Despite the data, a surprising number of online retailers miss these simple opportunities to avoid buyer's remorse.

A survey[8] of 1,600 Shopify retailers with annual revenues between $1 and $50M found:

- Fewer than 40% had good or excellent imagery, i.e. clear product photos taken from every angle, and in the case of apparel and skincare, a variety of body shapes and skin tones

- Just 28% had good or excellent descriptions, i.e. descriptions that demonstrated the use case for the product and, in some cases, video of the product being either worn or used

- Only 52% had customer reviews, a missed opportunity for word-of-mouth marketing Earlier, exchanges were presented as a flexible return option that supported a positive returns experience. Exchanges can also be leveraged to incentivize the shopper to choose another item rather than request a refund.

One way to promote an exchange may be to offer free shipping, rather than charging for the exchange shipping or even for both ways. Refer to the above section on free returns for data on the impact of return shipping charges on initial and repeat sales.

Return Rabbit

Offering immediate store credit or an additional credit for exchanges captures shoppers who are willing to take a second look if they don't have to wait or have "free" money to spend. This might look like a shopper receiving a store credit in their email as soon as their return request is processed, or a coupon code of $5 for their exchange. Shoppers uninterested in the exchange simply wait for their refund, at which time any promotional credits and codes expire.[10]
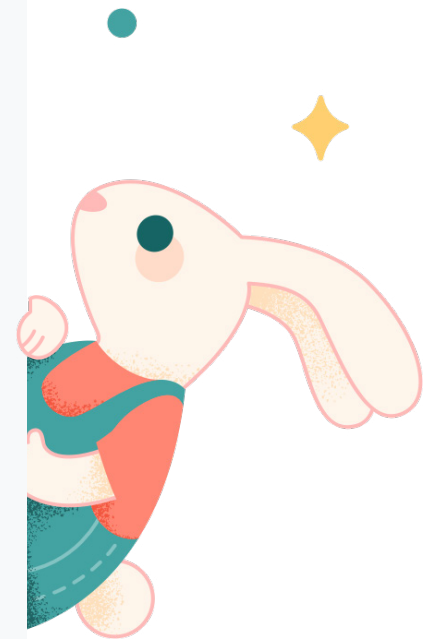
Case Study: Turning Returns Into Exchanges

A returns management solution (RMS) can simplify returns. Some incorporate the catalog and make suggestions based on past purchases so shoppers have a natural exchange experience. Such platforms tend to minimize costs, as the heavy lifting is done within the solution. Interestingly, only about 31% of small to mid-sized Shopify retailers leverage such a solution.[8]

RMS platforms offer powerful tools to make product, financial, and operational decisions. As a case study, let's review a month's data from a single retailer using an RMS.

The RMS was able to handle 6,000 return requests, $1M in refunds, and $230,000 in exchanges. Because the data is managed digitally in real-time, finding similarities and differences in the types of products returned and coding return reasons are instantaneous processes.

The same retailer showed about 9,700 in-progress returns, all but 293 of which were handled by the RMS. That is to say, only 3% of in-progress returns required the intervention of a human for reasons such as damaged items, calling for a return rather than processing it online, or special case returns outside the policy. The total time, labor, and money saved by not manually processing 9,500 returns is staggering—thanks to the RMS handling nearly all of the work.

In terms of return windows, the RMS showed the retailer that the majority of products were returned between 3-14 days after purchase, depending on how long after purchase the item shipped. Here, the retailer can identify opportunities to tighten up shipment windows. If the item is shipped 10 days after purchase rather than 3, and then boomerangs as a return, the retailer has lost 7 days the same item could have been sold to a new shopper.

Case Study: Turning Returns Into Exchanges CONT.

It should be kept in mind that though this retailer had efficient customers who returned purchases within 14 days, it would not be advised that they narrow their return window. Consider again the perception of a hassle-free policy. It may be in a retailer's interest to keep the window as broad as 30 days so as to appeal to those interested in a generous and hassle-free return policy, even if the data shows shopper returns exist within a much smaller window.

As you can see, an RMS offers easy access to meaningful data that informs how a retailer can quickly adapt and innovate.It can also remove many of the headaches associated with returns. These solutions are tied to shopper data, so a customer making a return or exchange can easily pull up their order data and request the return. Retailers that manually handle returns lose up to 20 hours a week. For retailers interested in maximizing exchanges, Return Rabbit is an option designed to steer customers away from a refund. Featuring a catalog view within the tool, a recommendation engine that suggests alternate items based on current or past purchases, and customizable return reasons, Return Rabbit is the leading revenue-focused platform on the market.

Retailers that manually handle returns lose up to

20

hours/week

Setup as easy as 1-2-3

STEP 1

Sign up for a free trial and add Return Rabbit to your eCommerce website.

STEP 2

Don't worry about gathering up your order data and warehouse info! We sync all of your Shopify details so you don't have to.

STEP 3

Decide what you'd like to customize from return and exchange rules, shipping preferences, exchange benefits, and more.

Get started with a 14-day free trial at returnrabbit.com.

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