



retail
TouchPoints®
SPECIAL REPORT

RETHINKING RETURNS

HOW TO TACKLE THE INEVITABLE

SPONSORED BY:





INTRODUCTION

There's a famous quote, usually attributed to Benjamin Franklin, to the effect that there is nothing certain in life but death and taxes. Retailers might want to grimly add "and product returns" to that list of life's inevitabilities.

The numbers back up this somewhat cynical assertion: the National Retail Federation (NRF) **reported** that U.S. consumers returned **\$743 billion** in merchandise in 2023, equaling **14.5%** of all purchases. Return rates for online purchases were higher than the overall average, at **17.6%**. By dollar value, the **\$248 billion** in online returns accounted for **one in every three dollars** of returned merchandise last year.

There have been a variety of technology solutions designed to make a dent in these numbers, with many focusing on pre-purchase fitting technology to decrease returns of apparel and footwear purchased online. While these have met with varying success, it's clear that addressing the product returns problem will require a consistent, holistic, multi-pronged approach that takes into account virtually every aspect of the pre- and post-purchase process.

This special report explores how retailers can prevent at least some returns from occurring in the first place, as well as strategies for mitigating the negative impact of the returns that do happen, including:



Promoting **greater transparency** about return policies;



Ensuring **product reviews** and fit guides are accurate and up to date;



Deploying augmented reality solutions to **visually demonstrate how potential purchases will fit** on different body types, including the customer's own;



Speeding up **refund processes** to encourage consumers to stay within the retailer's ecosystem;



Leveraging loyalty programs as a reward mechanism for top customers, i.e. offering them more liberal return policies and/or providing the returned product's value in loyalty program points.



DON'T MAKE RETURNS HARDER THAN THEY NEED TO BE

Retail, particularly online retail, is all about reducing friction: fast page load times, lots of product detail and simple, intuitive checkout processes. Retailers might be tempted to reverse this strategy when it comes to returns, erecting speed bumps that make the process a bit more of a hassle, but retail experts caution that would be a major mistake.

“Returns should be frictionless; the consumer deserves it and should be accommodated,” said Michael Brown, a Partner and Americas Retail Leader at [Kearney](#) in an interview with *Retail TouchPoints*. “Charges for returns should be on an exception basis only.”

Brown’s colleague Katherine Black, also a Partner at Kearney, emphasized that retailers should be more upfront, clear and transparent about their return policies: “Our research has found that **77%** of consumers say the returns process influences how much they trust a brand,” shared Black in a recent *Retail TouchPoints* [webinar](#).

Despite the important role returns play in building customer trust, many retailers still try to keep customers in the dark about specifics. **“I think it’s fair to say that very few retailers are super-explicit about their return policy,”** said Black. “Most keep their policies kind of buried in places where [the customer] has to seek it out, and I think that can create some confusion for customers, especially if it’s a big change from what it’s previously been, or it’s really different than competitors’ [policies] or the industry standard. I think it’s important to call it out in a way that’s friendly and transparent for the consumer — and if [the purchase was] a gift, it’s probably even more important that policies be transparent.”

For his part, Brown is bullish on the potential of fit technology, not just as a tool to prevent returns but also as a customer relationship asset: “Fit tech has the most potential to reduce returns and increase customer loyalty and convenience,” he said. “Retailers that can capture specific body measurements can present consumers with the products that are best suited for their body type and size.”



PREVENTING RETURNS WITH ‘REALLY AUTHENTIC’ PRODUCT REVIEWS

Retailers also should make greater use of product reviews and other types of user-generated content as a return prevention measure. “Really authentic product reviews are another point of transparency,” said Black. “Consumers can really read about the product and make sure it’s a fit for whatever purpose they’re buying it for.”

User-generated content also can be powerful, if it’s both authentic and relevant. Black recommends “pictures of the product and, in the case of apparel items, [shown] on actual people so a person can really visualize **not how an item looks on a size-zero model who’s a foot taller than they are, but someone who is actually their size,** height and age range, to see how the item will actually look when they get it.”

And for those customers that use the increasingly popular buy online, pick up in-store (BOPIS) services, retailers should encourage them to try the products on when they pick them up: “This is a great idea, because you can short-circuit a lot of the complexities that come out of a return — once it leaves the store and goes home, that’s where the complexity really starts to explode,” said Black.

“The dream scenario is that a consumer picks [the item] up in the store, figures out if they want it or not, and if they’re going to make a return, makes it [immediately],” Black added. This eliminates much of the post-return cost for retailers, including re-integrating the item into their inventory and/or shipping it to another location where it has a better chance of being sold (and kept by its purchaser).

“Whether it’s ecommerce or physical retailing, there’s labor that has to be applied to each item returned, to assess the condition of the item and determine how to disposition it,” said Brian Ehrig, a Partner at Kearney and co-author of the report, [*2024 Circular Fashion Index \(CFX\): Navigating Material and Product Choices as Key Unlocks to Circularity*](#). “It is a quite costly part of their business.”



SPONSORED CONTENT

HOW SEAGER RETAINS \$0.43 ON EVERY \$1 OF RETURNS

Challenge

Seager Co. has embodied the definition of a bootstrapped ecommerce startup since its founding in 2015, offering trucker hats, tents, snapshirts and “Made in the USA” cowboy hats that were originally packed and shipped by the owner using hand-written shipping labels. But as the company has grown, the complexities of meeting shopper expectations — particularly in the post-purchase experience — grew as well.

“In the past, customers would contact us to initiate a return. Then they needed to pay for their shipping label and take their return to the post office,” explained Jacob Folsom, Customer Experience Lead at Seager. “All the correspondence with the customer would be done over email — it was very manual and ineffective.”

In addition to wasting time and money, these inefficiencies made Seager’s legacy return process frustrating for customers and employees.

Solution

The retailer decided to adopt the end-to-end post-purchase platform from **Narvar** after Co-founder Case Anderson found inspiration while shopping for shoes.

“The retailer I bought from sent me the wrong size and I needed to conduct an exchange — they used Narvar to handle the process and it was so easy, I was like ‘Holy s***, what have we been doing?!’ I just typed in my order number, picked the correct size, and I had the new shoes in three days — it was great,” said Anderson.

Using that seamless exchange experience as a jumping off point, Anderson reached out to Narvar to discuss the possibility of working together to improve the return and exchange experience for Seager.

Results

By offering shoppers a seamless self-service method of conducting exchanges, Seager is retaining more returns-related revenue than ever: approximately **43%** of revenue from returned products is retained since launching with Narvar. The retailer also has seen a **40% to 50%** reduction in return-related inquiries and a **15% to 20%** drop in “Where is my order?” emails.

Some of Seager’s revenue retention success is tied to the creation and activation of intelligent returns rules within Narvar’s platform. From product tags to refund and return methods, Seager is giving shoppers a frictionless experience that cements loyalty and preserves lifetime value.

Some of the return rules are also helping Seager save money: “Depending on the product being returned or the shipping destination, we created a rule that processes some returns using USPS and some returns using UPS... whereas before we just used one carrier for all our returns,” said Folsom.

In addition to its success with the Narvar Return & Exchanges product, Seager is benefitting from the strategic deployment of Narvar Track. There’s been a strong decrease (approximately **20%**) of “Where is my order?” inquiries as well as an uptick in engagement with its marketing assets — a **10.1%** engagement rate with these assets across more than **35,000** orders.

As Seager continues to expand its ecommerce presence, it has found a true partner in Narvar to support its growth. “Roughly **70%** of our business is currently online,” explained Anderson, “which means Narvar is a huge asset and essential to what we do.”





KEEP 'RETURNING' CUSTOMERS ENGAGED IN YOUR ECOSYSTEM

Given the inevitability of at least some returns, retailers' best strategic move is to make sure they **don't lose the customer along with the individual sale**. Frictionless, transparent return policies are important, but it's also beneficial to try and keep these shoppers within a retailer's environment — and perhaps even encourage them to buy other items (that they will hopefully keep).

Putting refund money directly into returners' hands provides a strong incentive for these shoppers to purchase either a replacement for the item they're returning or a new product. **Reshop**, a fintech company that takes on the financial risk of providing customers with instant access to their refund, helps drive retention and repeat purchases.

"It's all about optionality," said Katie Pridham, Chief Commercial Officer at Reshop in an interview with *Retail TouchPoints*. Returning customers see options when initiating a return online that include an instant refund via Reshop. The solution provider has a proprietary risk algorithm that helps it identify potential cases of return fraud proactively, which "allows us to build a more trusted customer base," Pridham.

"We're making the dollars move faster for the customers, but we're also putting money into the retailer's ecosystem; it's another connection with the retailer," Pridham added. "We also provide discoverability by tracking all a shopper's returns and refunds in one place."



LEVERAGE LOYALTY PROGRAMS TO MITIGATE RETURNS PAIN

Many retailers offer a store credit option for returns, a tactic that also can help keep customer dollars within the retailer's ecosystem. "Frequently, when the customer comes back to use that credit, they're buying above and beyond the initial credit, so that's a great way to boost revenue," said Black.

She added that **more retailers should leverage their loyalty programs in the returns process**, and that she's "surprised" more retailers don't do this already, for example by offering more generous return policies to loyalty program members, particularly those with a high customer lifetime value: "I think it's a great way to boost long-term revenue and loyalty from what can be a prickly issue," Black said.

And as in so many areas of retail, artificial intelligence (AI) is expected to improve returns processes, in part by providing better predictive analytics about what items are likely to be returned, where and through which channels. "AI basically takes the processes and the data that exists today and makes it more useful in an accelerated fashion," said Black. **"So we could expect better forecasting, better prediction of returns, better abilities to handle consumer-specific issues and certainly better planning around inventory management."**

On the strategic side, retailers can benefit by thinking more holistically about returns, which do impact a number of both backend and customer-facing departments and processes. However, "very few retailers are pulling it all together, because they tend to see it as a problem for operations or supply chain and not look at it holistically, from a consumer perspective as well as a financial perspective," said Black. "I think that's the big opportunity for a lot of folks."

LEARN MORE...



Narvar pioneered how brands engage with consumers beyond the "buy" button through branded order tracking, delivery notifications, returns, and exchanges. Today, Narvar's comprehensive Post-Purchase Platform empowers 1,500+ of the world's most admired brands, including Sephora, Levi's, Skims, WarbyParker, Vuori, and L'Oréal, to deliver transparency, build trust, and grow customer lifetime value. Recognized by Fast Company multiple times as one of the most innovative companies, Narvar simplifies the everyday lives of consumers. For more information, visit Narvar.com.

corp.narvar.com



Retail TouchPoints and *Design:Retail* give all members of the retail world access to a vibrant community that combines insights, inspiration and opportunities to interact with their peers. We sit at the intersection of the art and science of retail strategy, providing granular data, high-value commentary, and aspirational success stories to help readers optimize customer experiences across all channels. Touching all facets of the retail ecosystem, including store experience and design, workforce management, digital marketing and engagement, and omnichannel optimization, our editorial content, multi-media resources and events take timely news and trends and transform them into tactical takeaways that meet the unique needs and priorities of our executive readers.

info@retailtouchpoints.com



ABOUT THE AUTHOR

Adam Blair, Editor

Avid theater-goer, intrepid journalist and grammar nag. There's always something new to learn about retail technology.