



RETURNS

RESEARCH REPORT FEBRUARY 2014

PARTNERS:



Editor's comment

Returns have traditionally been the poor relation of retailing – there's little doubt about that. And it's not surprising as to why. They are a hassle to process, costly to manage and often used to end up lost in a retailer's stockroom somewhere gathering dust and losing money. Well that used to be the common notion. Yet that view is being challenged face on by retailers who understand that by getting to the bottom of their returns and improving their returns processing and procedures can greatly improve the bottom line and lead to happier customers, reductions in returns and more money staying in the till. Taken a step further returns are a sales opportunity rather than a negative that retailers need to embrace whether they are traditional high street players or pure-play specialists.

We completed our first research report into returns this time last year so it was time for us to survey the market again and look into the current thinking and challenges that retailers faced to understand what can be done to improve the returns process.

There are numerous companies that can help out in this area and as always by way of introduction our partners in this report Iforce, Hermes, Clear Returns and Trustpilot share their expertise in the opening section of our research report – responding to questions we asked them about the market. Their thoughts are also shared throughout the rest of the report too (pages 4-7 Expert Opinion).

The research for this report took the form of an online survey of retailers to gauge their current thinking and attitudes. More than 100 retailers responded and we are thankful to them for doing so. Retailers were then interviewed in more depth to find out the challenges they were facing and how they were solving them. This includes a number of retailers who work with the partners in this report to ensure they best handle their returns.

Following on from the expert opinions of our partners we therefore begin our report as we began our survey looking the current market, both in 2013 and over the crucial Christmas returns period (pages 8-11 State of Returns). Once we had examined that we looked at what retailers

were doing to better map and predict returns behaviour and understand their returns patterns. We've seen talk recently of Amazon sending out products before a customer has even ordered. Could we have the same with returns? (pages 12-15 Understanding Returns).

There are significant challenges to be met in managing returns and maximising gains and we looked at some of these -- from the challenge of free returns to the growing trend of drop and return instore and the challenge posed by fraud and wardrobing (pages 15-17 Returns Trends).

We then took a more in-depth look at how retailers were improving their return on investment when managing returns and what they were doing to reduce them (pages 21-23 Maximising ROI on returns) and finally we looked at the lessons that retailers can learn from returns – and how the use of reviews and returns feedback really can help them improve the bottom line (pages 24-26 Learning from Returns).

Attitudes are changing and the opportunity is there – but there is still much more to be done. Enjoy our return to returns! ●

INTRODUCING OUR SUPPLEMENT EDITOR

Liz Morrell is an experienced retail and business news and features journalist who has more than 15 years' experience of writing about the retail sector. She is a former features editor of Retail Week where she spent more than 9 years as a full-timer. She loves all things retail but just wishes her "research" (insert shopaholic tendencies here) didn't cost her quite so much.



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How important is data and analytics to managing and improving the returns process?

Currently, we have seen few retailers that are making really effective use of their returns data in order to be proactive in short term decision making. Key information and the underlying issues are often not visible to the correct teams and not being reported in a timeframe that enables action to be taken on specific problems. The view of the information is typically rear view mirror, rather than forward looking and tied to decision making. If a retailer's only analytics focus is on sales, they are missing half of the picture.

Often what retailers want to know most of all is 'what is causing my returns?' and 'what do I do about it?' Many different drivers can be to blame -- from online content errors, product spec or quality control issues, specific customer behaviour or mismatched expectations. There is no silver bullet or easy fix, but answers often lie within the retailer's own data. This is where software like ours comes into play.

Clear Returns has built robust statistical models that uses the retailers data to accurately predict what product will be returned and when. We also

provide timely insight for the reasons behind those returns – including whether something is not being described accurately, is defective or has a problem with a particular size or colour variant. Having already built up a picture of what “normal” returning behaviour looks like for the market – we look for the abnormalities that most impact profits. We help the retailer cut through the noise and focus their limited time on what really matters and will drive maximum results.

Rather than a complex reporting tool, or vast Excel spreadsheets, we provide a simple cloud-based user interface that focuses on the key information and provides real-time detail on the small number of products causing the biggest issues.

But the key thing in our ECHO solution is that it automatically alerts the user to a specific high impact issue that they really need to tackle as soon as it arises. This was a feature built in collaboration with the retailers themselves. Alerts are triggered after just four or five returns when we detect a potentially high impact problem – for example a specific product is flying back

in the door at an abnormally high rate, or we detect abnormal delivery issues.

The retailer can mark off that they've seen and responded to an issue, or passed it on to a colleague and they can also choose to have their alerts supplied by text message or as a phone call.

Getting alerts into the hands of the right people, at the right time – and focussing on the highest impact issues – means you can react and stop a product from becoming a high-returning item. That means cost and stock management efficiency – and, of course, improved customer experience.

After all ultimately if data analytics isn't used to help inform actions that save money, make money or improve customer experience – then it is not an activity worth undertaking. ●

Vicky Brock
CEO
Clear Returns
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What role will third party collection points play in the future of returns?

At Hermes UK, a key driver in any new product development initiative is “getting closer to the customer”. For returns, this means getting closer than a multi-channel retailer with a national high street presence, or any global pure-play internet retailer, can ever be.

Just as our network of 9,500 Hermes lifestyle couriers are embedded in the community they deliver to, so too are the myHermes ParcelShops. There are now more than 3,000 ParcelShops across the UK, based out of local convenience stores, offering customers a useful way to collect parcels or drop-off return items. Due to the rise in the number of outlets providing the myHermes service, 80% of the UK mainland population is now within two miles of a ParcelShop.

Our myHermes ParcelShops put the customer in control of the return process. They can choose where and when to drop-off a return parcel, whether that be during the school run, on the way into work, when going out in the evening, or at the weekend when the majority of Post Offices have already closed.

A daily returns collection takes place

from every myHermes ParcelShop, with parcels being passed into the fully tracked Hermes UK depot and hub network. This ensures security, provides rapid returns processing and customer refunds, and offers the customer visibility throughout the entire process, including when the parcel reaches the client’s returns centre.

In addition, when a client wants to offer paid-for or free authorised returns, payment can be taken and a return barcode produced in moments by going onto the myHermes website.

Hermes also operates a secure and reliable returns process across Europe through its network of 26,000 ParcelShops. Having such a network in place overcomes one of the key barriers to cross-border shopping.

For customers, having the option of picking-up a package from a ParcelShop can be extremely useful, especially for people who are not predominantly based at home during the day. This service is being boosted by the fact that retailers are integrating ParcelShop finders into their web checkout routines. This development also promotes the returns service through ParcelShops, as it’s only natural that customers will expect the

same hassle free experience when they want to return a parcel. Within three years, we expect 25-30% of all returns handled through our network to be dropped off at a ParcelShop.

Other benefits to the customer include the avoidance of long queues, which is a regular occurrence when using the Post Office, and having no paperwork to fill out when they reach the counter as the parcel is scanned at the shop. As ParcelShops open early in the morning and stay open into the evenings, there is no need for the customer to wait at home for collection, also avoiding missing a collection when they’ve popped out. Finally, the customer will have peace of mind – handing over the parcel in-store and immediately receiving a receipt. ●

Rob Kay
Head of Hermes Corporate Strategy
Hermes
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Why is efficient returns processing so vital and what can it contribute to the bottom line?

Efficient returns processing is now increasingly seen as an opportunity for any e-tailer, impacting sales from the start of the online retail process, and not merely as an inconvenient after-thought when distribution centre's storage space becomes an issue.

A great returns policy can often be seen as an incentive to purchase. In a recent European Returns research project, two thirds of the 5,500 consumers polled, reviewed a retailer's returns policy before purchasing. Around 60% of consumers also said that free or easy returns would generate positive word of mouth, which in a world of social media, is money-can't-buy publicity. More than half (52%) of shoppers also cited that a reason to return to a retailer would be the ability to buy online and return to store, illustrating that a plethora of options is also something that can help a retailer to boost their bottom line.

In its own delivery research from late 2013, iForce discovered that 46% of retailers currently offered a free return to store option, as retailers show an

increasing awareness of the importance to initial sales. Only 3% of stores had definite returns cost, averaging £5.50 per package. With so many retailers putting a returns policy at the heart of their sales approach, those who don't are doing so at peril.

An efficient returns policy is clearly important to the customer. A transparent, easy and free service will lead to customer loyalty and return to purchase, no extra spend for them and a swift reimbursement. This will drive repeat business and positive verbal and social publicity.

A retailer's returns policy is increasingly vital in terms of cash flow, margin erosion and protecting the value of products through swift action. Most products are not like a fine wine, ie. increasing in value over time -- unless they actually are a fine wine -- and to act quickly and put items back onto the 'online shelf' within a matter of hours; refurbished, reboxed and on the right onward route, is imperative. Speed and efficiency is key. Having a strong onward sales channel, such as iForce Auctions, is also important in finding the right route

for returned products.

There is also an ethical opportunity in returns - iForce currently helps many retailers maintain a 0% landfill policy, by finding the best onward routes via recycling or reselling. Many can add to their bottom line through being socially aware, as an increasing importance is placed on having a sound ethical reputation, which is something retailers can also trade on.

Handling online returns proactively and effectively has been cited as one of the key influencers in gaining repeat business. Returns processing should no longer be seen as the runt of the logistics process, but as a world of financial opportunity, as consumers become savvier. Returns should be seen as a chance to engage, increase sales and without question add to the bottom line. ●

Jonathan Smith
Head of reverse logistics
iForce
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iFORCE

How do customer reviews prevent or reduce returns rates?

Although providing returns is an essential element of good customer service, they can be something of a headache for retailers, particularly in the online space. Aside from the obvious inconvenience for both the customer and the retailer, they can also be expensive, and impact heavily on profits.

According to 'Big Trouble with "No Trouble Found Returns', a recent report from Accenture, in the consumer electronics space around 68% of returns can be categorised as 'No Trouble Found' - meaning that the item either didn't meet customer expectations or requirements, or the customer believed that the product had a hardware or software fault that was not confirmed by testing.

A further 27% of returns were associated with 'buyer's remorse', while just 5% of returned goods were actually defective. Therefore, it is clear that most returns come as a result of customers not having enough information about what they are buying. So how do customer reviews reduce the volume of returns your business would otherwise handle?

Firstly they allow you to create a real-time feedback loop. Review platforms allow retailers to trigger feedback requests from their customers at a pre-defined interval after purchase. Every time a customer clicks through their email invite and completes feedback, they immediately open a conversation.

Your business can then use this line of communication to resolve issues, or thank the customer for useful feedback. By controlling where the feedback is left, your business is better able to steer the conversation to a satisfactory conclusion for both parties. And in doing so, you can also resolve customer issues before they become return requests.

Secondly reviews help to give additional insight into your supply chain. The interaction between customers and your company website is only part of the complete sales journey. Your business needs to be able to oversee and improve every aspect of that journey, even after the goods have left your warehouse.

Your customers will not only comment on your goods and services, but also the delivery and returns process. By asking clients to review delivery and returns experiences, your business will gain insight into how the mechanisms outside your organisation are working, and whether they are a source of potential embarrassment.

Thirdly reviews allow you to provide a transparent complaint handling mechanism. Internet shoppers want to know about your company and how you deal with problems as well as the products you sell - customer reviews and your responses to them are a good way to tell them about both. Most online shoppers know that, now and then, mistakes happen. If you take the time to respond to complaints and solve

problems, potential customers will see that your company cares. By informing shoppers, you can also reduce returns; simply because clients know what to expect.

And finally reviews help to encourage repeat purchases and referrals. Repeat customers are very valuable to your business since they know your company and service, so are perhaps less likely to send returns. No company wants to lose valued lifetime customers over one mistake so online reviews are a useful communication opportunity.

In the socially-connected world, good customer service - which in itself is a powerful retention mechanism and a brilliant selling point - and accompanying reviews are easily passed between contacts. Using reviews to further customer service improvement will yield dividends when customers refer their friends and family to your business.

In conclusion therefore review platforms are a great way to help to reduce product returns. Can you really afford not to be using them? ●

Jan Vels Jensen
CMO
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The current state of returns

RETURNS ARE COSTLY, AWKWARD TO MANAGE AND MORE IMPORTANT THAN EVER TO A GOOD CUSTOMER EXPERIENCE BUT WHAT IS THE CURRENT STATE OF RETURNS AND THE CHALLENGES FACED?

With retailers so focussed on sales, returns and the returns process has always been the poor relation of retailing. But more retailers than ever are now focussing on the operational and business improvements that can be made from more efficiently dealing with returns that have benefits that go beyond simply improving the bottom line but increasing customer loyalty and efficiency of the business in general too.

The challenge is getting harder not easier since customers' increasing level of expectation around retailers' ever more omnichannel models means they not only have to sell products through the channel that best suits the customer but also take them back through the route that best suits them as well – whether that's convenient for them to manage or not.

Our survey therefore began by asking retailers what patterns they were seeing in returns behaviour and whether in 2013 it had been on the increase or not.

Although half said returns rates were static a massive 42% said that they had risen and only 7% of retailers saw a drop in the number of goods being returned

during 2013. This is a huge burden for retailers to bear – since it ties up stock which could otherwise be on sale at peak times at full margin and also impacts heavily on the bottom line – especially since most retailers invest heavily in

Given the increased focus on returns we then asked whether retailers were making it easier for customers to return products by widening the breadth of returns options open to them. A massive 57% said they were.

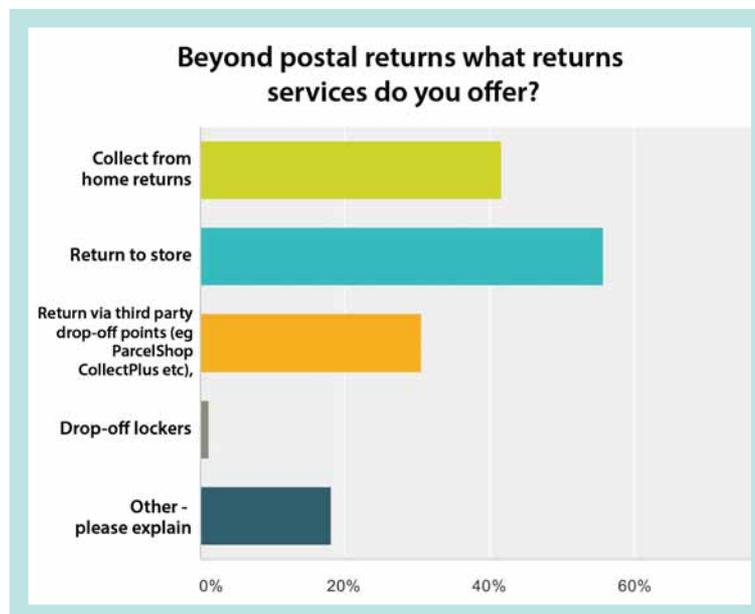
When asked how they were doing this in terms of additional returns services offered by retailers beyond postal returns, the survey showed that more than half of retailers (56%) also offer return to store options whilst 41% offer collect from home returns where couriers will collect goods to be returned.

The popularity of third party drop off points such as Hermes ParcelShop where shoppers can collect and return goods at locations ranging from petrol stations to corner shops was also supported by the results of the research report into

returns which showed that 31% of retailers were now using third party collection and return networks such as these in order to make returns easier.

However we also asked if newer tactics – such as returns lockers – were also being used. Although such networks are growing our survey showed that only 1% of retailers said that they were using them.

Of course if the survey showed 57% of retailers were making it easier for customers to return products it also



refurbishing and repackaging products ready for resale as soon as possible after return in order to maximise sell through price meaning that timing is critical.

Jonathan Smith, head of returns at iForce says this is an increasing focus for retailers. with returns processing centres central to the trend. “Two years ago around 10% of product returned was refurbished. Now around 40% is and of that around 20% is pristine - perhaps with just the packaging damaged,” he says.

Turnaround Time

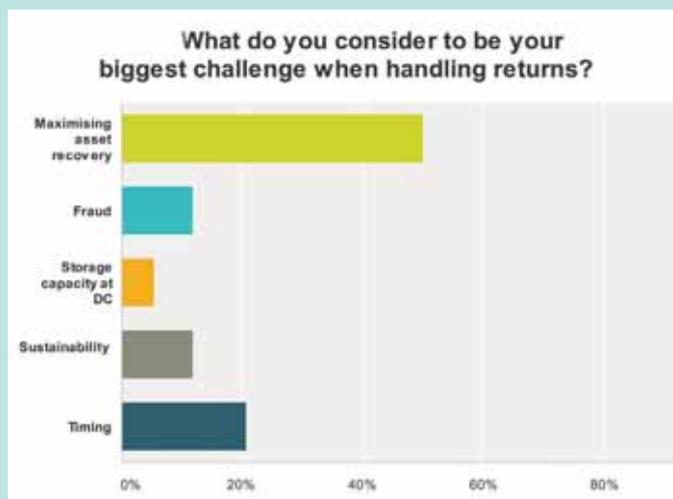
Handling returns efficiently and speedily is of the essence to both get goods back out on sale as quickly as possible – and therefore at as high a value as possible but also to keep customers happy and onside. When asked what their biggest challenge when handling returns retailers in our survey said timing came second only to maximising asset recovery with one in five saying it was their biggest challenge.

The ideal is to refund the customer as soon as possible – since doing so not only keeps the customer happy but also maximises the opportunity to win an alternative sale – either through the feel-good factor achieved through a quick and easy return process or simply because the customer has the money back in their account at the point they are still wanting to buy.

The survey therefore asked retailers what their turnaround time from the receipt of a customer return to completing the returns process with the customer was to see how quickly retailers were managing to check product and to re-credit the customer once they had authorised the return as being legitimate.

The survey showed that in general good timescales were being met. Just over half of retailers (52%) managed to turnaround refunds to customers within one to three days of receipt of goods. However significantly nearly a third of retailers (32%) were waiting four to five days after receipt of goods before checking product and re-crediting the consumer and 17% were waiting six days or more.

Although the legal obligation for refunding customers who have bought from a site may be longer every moment that the customer does not have the money back in their pocket is a time that they are unable to spend with you and likely to be badmouthing the brand. It's surely not worth the risk. Yet when we asked retailers if they saw a business case to improve the turnaround time nearly two thirds (61%) said no. This has to be a priority for retailers.



showed that 43% of retailers hadn't improved ease by use by widening returns options. We therefore asked if they hadn't when they were planning on doing so.

The results showed that it is an area of future focus for more than a third of retailers. More than 16% said widening the breadth of returns options to make it easier for customers to return goods was something they were considering in the longer term and 18% said it was something that they were considering doing in the next six to twelve months – illustrating the fact that retailers realise this has to be a priority within their business.

However a further third also admitted

it wasn't something they were considering because they felt it was not a priority or was too complicated and therefore they were limiting their returns options to store and postal returns only.

Whilst some retailers embrace the ability to satisfy customers by offering wider returns options for others the ability to limit returns by limiting the ability by which a customer could get a product back to the retailer is often the motivation behind not doing more. "We want to minimise returns," said one retailer in the survey. Another agreed: "Processing returns is costly and a hassle," they said.

Andy Young, manager of Fox's Outdoor, says that making returns too

easy encourages higher returns rates and that can harm a business such as his where returns have a big impact because of the challenges of dealing with them. "We are not actively encouraging returns other than making customers aware they have the right to return goods," he says.

And at Boden customer service manager Peter Hutton says that too much choice can actually backfire for a retailer since he questions the benefits of offering too wide and complex a range of returns options. "If you start to add more and more options it complicates the customer choice," he says.

Vicky Brock, CEO of Clear Returns, believes the breadth of options is needed

Be proactive, and regain control of your returns.

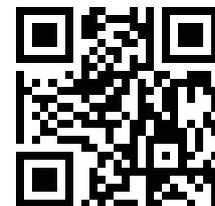
Shoes BR564
Expected return rate: 32%
Return rate: **41%**
Cost of returns: **£13,465**

Skirt G503
She wore it to a party last night,
and will return it to you next week

Handbag C107
Expected return rate: 15%
Return rate: **29%**
Cost of returns: **£25,207**



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intelligently protecting profits

however. "I think the complexity at the moment is a necessary stage to try to get closer to what is going to work best for the customer and what logistically works best. What you ultimately want is what's best for the customer and what's best for the retailer finding the right balance of cost of service to return," she says

Managing returns – and the customer relationship – is key to a successful returns process and Young admits this can be challenging. He cites the particular challenges he faces on some of his product ranges such as tents, where customers can complain a good is faulty simply when it has been misused. Finding the right balance to deal with returns which are not actually faulty and finding a satisfactory resolution with the customer can be tough, he admits but is vital to future loyalty. "This is especially challenging during the summer with tents as there are many issues that can arise with tents that if not used properly cause problems that are not covered by manufacturers' guarantees," he says.

At Sainsbury's reverse logistics manager Steph Tite says it is vital to get the correct balance between the needs of the consumer and the retailer when dealing with returns. "The main challenge is the balance between cost to serve and customer satisfaction," she says.

For Fox's Outdoor size has a direct influence on cost since when items such as tents are returned they are both harder to manage, store and distribute through the returns process. "The cost of collecting larger items from customers is also a problem. We cope with them by keeping an open dialogue with the customer and keeping them informed all the way through the process and ultimately try to find a solution that pleases them even if this costs us in the end, we see it as an investment," says Young.

But such investment has to be balanced and pay off in the end. At fashion retailer Warehouse digital merchandiser Liam Price says the company has seen two trends in the returns behaviour patterns of its customers – both in terms of increasing rates of returns across all channels and customers returning

The Christmas Experience

Our survey also saw us ask what retailers were expecting in terms of returns over Christmas 2013. One in five were expecting returns to be a bigger problem this Christmas than last year whilst half said that they expected little change on last year and 31% said they expected return rates to fall.

We surveyed retailers again post-Christmas to see what the reality of Christmas was. Although not comparable samples (since there were different respondents to the second survey) the numbers were similar. One in five reported higher than expected post-Christmas returns, just over half (52%) the same as last year and 28% saw a fall.

Although just over half (53%) said that they attributed the rise in returns to a comparable rise in sales a massive 47% didn't. One retailer said the customer is changing. "It's a more demanding customer base that is treating some products as fashion type purchases for the first time," said the retailer.

Although traditionally Boxing Day is a big day for post-Christmas returns the retailers in our survey saw a steadier pattern with 69% saying that their peak returns period was in the second week after Christmas. Although this is easier for store staff it does mean stock is likely to have depreciated substantially in resale value by this point.

To improve the returns process a quarter of retailers extended their returns period to mid-January and 16% to the end of the month allowing more time for customers to return goods in quieter periods. Most retailers (88%) simply dealt with returns as normal in this period but 5% did as the likes of Next and Marks and Spencer do and set up a dedicated returns / refund till instore whilst the same number didn't accept returns on the first day of the Sale in order to speed the process through the tills.

Finally our survey asked if retailers were planning any changes to their returns policies as a result of their experience during Christmas 2013. Most said it was business as usual but one retailer highlighted a problem that can be common to all. "Our returns are often picking issues caused by inexperienced Christmas temps. We carefully recruit and train staff to ensure mistakes are minimised," said the retailer.

product faster. "Our customer is returning quicker than ever before - whether it be to store or online," he says.

In reality the customer expects an efficient process which the retailer must manage despite the complexities for them of doing so. "The biggest challenge we face is cost associated to processing a return. That's the cost of getting the parcel back to our refurbishment centre, the manpower to process and repackage the item and ultimately the lost sales while the stock has been out of sale," says Price.

It's a constant challenge for any retailer. "As online demand increases year-on-year, but returns also increase, a large percentage of stock is 'off the shop floor' It is then returned for sale on the site some two to three weeks after it was initially sold causing issues with

maintaining availability," he says.

Returns are no doubt still a difficult challenge to handle. At online jewellery manufacturer and retailer DiamondGeezer.com cost of returns is also important. As the company's main business is in made to order engagement rings with an average price of £3,200 it is generally a well-considered purchase from customers and this in itself ensures returns are low, according to CEO Clive Billing.

However he says the company also works hard to manage returns because of their impact on margins. "If our returns go up that's a failing on us. We have to then reduce the cost of dealing with the returns so they don't add a premium to our costs so we don't need to have to a margin for returns," he says. ●

Getting to the root of returns

RETURNS AND RETURNS PROCESSING IS AN EXPENSIVE BUSINESS THAT IMPACTS THE BOTTOM LINE SO WHAT ARE RETAILERS ACTUALLY DOING TO UNDERSTAND WHY PEOPLE ARE RETURNING?

Improving returns rates and returns processing and handling offers huge potential for financial and organisational gain since getting goods back on sale more cheaply and efficiently helps to maximise their second sell through price whilst keeping the customer happy either by replacing a product quickly or addressing their concerns about a

product is also important.

It is something that retailers must address if they are to survive in the ever changing world of retail, according to Jan Vels Jensen, chief marketing officer at Trustpilot. “Businesses looking to achieve high performance need to be able to address the twin challenges of both returns prevention and returns processing,” he says.

This involves a change in attitude for some however. “The first thing manufacturers and retailers can do is to stop thinking of returns as a normal cost of doing business,” he says.

But getting to the bottom of returns – and therefore getting a better grip on handling and reducing them --relies on retailers actually understanding why returns are happening in the first



place. If they don't understand how and why customers are returning product after all they can't get to the bottom of the defective product, service or fit for purpose issues that are causing returns.

Although our survey showed that retailers used an array of methods to collate information about their returns we wanted to know how, and indeed, if they were actually analysing such data to reveal more about their business. Did they know and understand why customers were returning product and were they therefore doing anything to solve such challenges within their business?

The results showed that retailers still face a number of operational challenges when dealing with returns that urgently need to be addressed but, which in the majority of cases, are surmountable challenges.

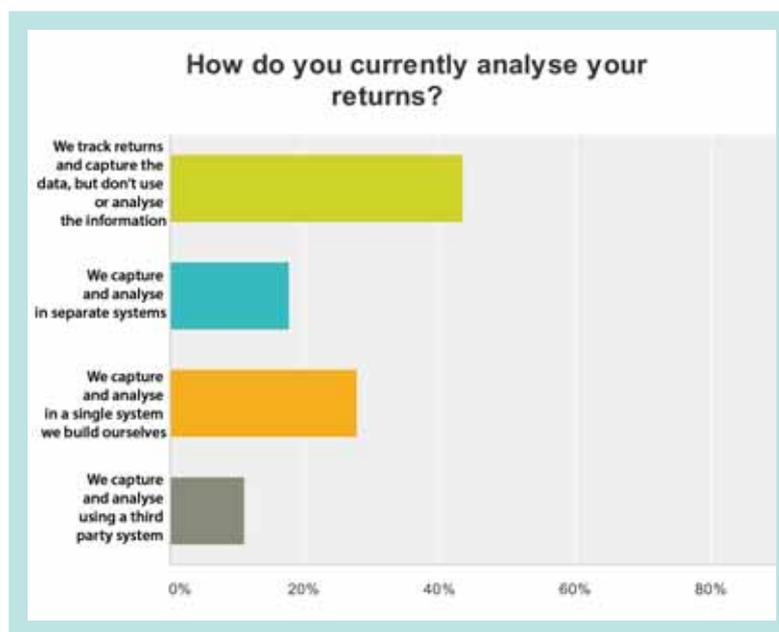
Retailers were asked to tick all the reasons why their customers returned goods. The challenge of delivering product that the customer can neither touch nor feel was, unsurprisingly, the biggest reason that goods were returned and is a particular problem for fashion retailers where such challenges are even more prevalent.

Of those who replied nearly half (47%) of respondents said that returns happened because product had not matched customer expectations and nearly a quarter (23%) said it didn't match the description or imagery shown on the website.

Descriptions are vital to keep returns down – especially for a business such as Fox's Outdoor whose success relies on giving customers the right information in the first place. "We keep returns down by trying to give customers as much information regarding the product as possible to try and avoid a gap between

the customer's expectation and the product itself. We only offer higher quality goods which reduces the chances of faulty items," says manager Andy Young.

At catalogue retailer Boden the company works hard to ensure the reality of its products matches as closely as possible its descriptions and imagery both on its website and catalogue. For



retailers such as Boden who only have limited or no store presence this is of course if vital. "The main driver for returns for us would be the product is not as described or as the customer feels. Sometimes it's true and sometimes the customer has misunderstood what has been sold," says Boden's customer service manager Peter Hutton. "Colour is difficult because colour shots on the internet or in brochures can change dramatically but we are always improving our photography and have an in-house studio in London where we do colour matches," he says.

Retailers in our online survey also said that they were working hard to understand and address problems of returns caused by poor product descriptions or imagery. "We are offering better listings and more pictures and also capturing feedback for each return so

that we can amend listings if applicable," said one retailer.

Jonathan Smith, head of returns at IForce, says that his company is working hard to help retailers improve their marketing and ensure retailers descriptions are as relevant as possible. "It's all about the description of product. There is a lot of work where retailers are trying to keep that product sold," he says.

Another said it was about also about making descriptions clearer and easier to read rather than overcomplicating. "We are simplifying online descriptive text because customers don't bother to read more in-depth descriptions," said one respondent.

For fashion retailers fit is always going to be an issue for returns – particularly for those selling to an international customer base for whom both body size and shape can vary dramatically.

"We are always looking at fit to see whether there can be some change but it does vary country to country," says Hutton.

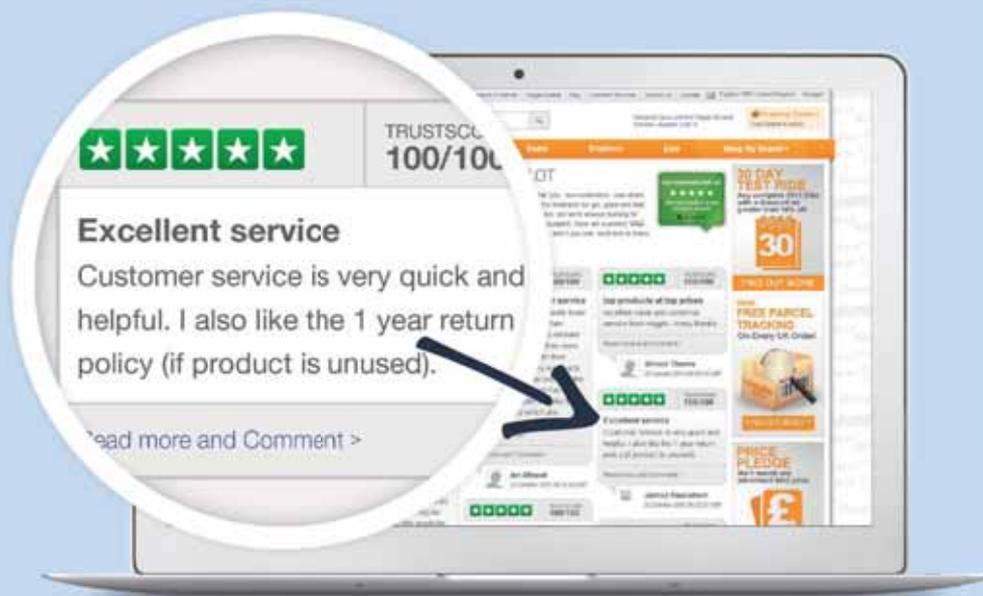
A lack of confidence in sizing – or simply a desire to find the very best shape for a customer unsure of her own size – will also often see customers over order to ensure the best fit which in itself will lead to returns as a customer won't keep multiple size versions of the same product.

Liam Price, digital merchandiser at Warehouse, says this is the main reason for returns for his business and is also the reason why the company has introduced the Metail fitting room app on its desktop and tablet site to combat any ambiguity its customer has over choosing her size. "We are seeing positive effects so far," he says.

A number of retailers are introducing such size fitting tools and regularly review



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their fit options too. “We re-examine the size and fits on all garments such season – i.e. twice a year,” said one respondent to the survey.

We mentioned earlier that much of the problem of returns comes from shoppers over ordering and then returning product – making the buying decision in the comfort of their home or office rather than online. Our survey showed that nearly a third (32%) of retailers said customers were returning product because they had over ordered.

Vicky Brock, CEO of Clear Returns, believes there is a clear move to customers making the buying decision at home rather than online – not simply to ensure fit but also to ensure the customer has chosen the very best product for their needs and is not being forced into a buying decision without having had a chance to examine and compare purchases in the flesh at their leisure.

“The biggest impact on returns has been that the sale isn’t the end of the process for customers. They don’t decide they have bought it until they have made the decision they will keep it at home,” says Brock. “We saw it with fashion to start with but it’s now moving to more extensive categories,” she says.

The challenge is on knowing the limit that allows you to either encourage or discourage such buying patterns. “You’ve got to be extremely confident in your

ability to manage it and still make your margin if you are going to encourage that behaviour,” she says. Data and analytics is, she says, vital in this process.

She says that retailers need to do more with their data to better understand their returning customer and their own particular needs beyond simply the exchange or refund of a product. “Look at your data and understand at a product level whether the approach you are taking is in the best interest of your business and your customers,” says Brock. “It is only one segment of customers that do the ‘bring everything to me and I will decide’ shop. There are others who will just want it right so however good the returns experience is the fact they have had a return is a negative experience,” she says.

We therefore also asked the respondents in our survey how they collected data and analysis from their returns. The results made shocking reading. Nearly half (43%) of retailers surveyed said that they tracked returns and captured the data from them but missed a trick by not utilising or analysing the information from them. Sitting on such a valuable mine of information is ludicrous practise since analysing returns from a data point of view can give the learnings required to improve returns rates and processes.

The survey showed that a further quarter of respondents (28%) relied on

What retailers in our survey said they were doing to combat reasons for returns

- Better listings, more pictures and feedback for each return
- Increasing quality control
- Deleting products with repeated quality issues
- Shooting on models and providing clearer sizing charts
- Looking at 3rd party tools
- Improving packaging
- Using more careful couriers and working with courier networks to reduce parcel damage.

single systems they had built themselves to capture and analyse data. A further 18% captured and analysed data in separate systems – meaning cross matching and analysis of the data will be harder than in a single system. Only 11% of respondents captured and analysed data using third party systems built for the job.

Quite why retailers aren’t doing more to get to the root of returns is somewhat puzzling. Though the focus for retailers is naturally on sales there are big wins to be made from understanding and addressing returns too.

But again some retailers believe there is only so much they can do since consumer error can also play a part in returns. “We put as much information as possible on the website about the product but it will not eliminate all returns because some people won’t read it or make wrong assumptions,” said one respondent.

Understanding returns is key. At fashion retailer Hobbs marketing director Clare Dobbie says that getting to the root of why people are returning is one of the biggest returns challenges a retailer faces. “It’s about getting honest, accurate reasons for returning,” she says. This is easier said than done but retailers are doing more to get there. Once a retailer understands those reasons it can do something about them. ●



The impact of a little white lie

ALTHOUGH SMALL IN SCALE RETURNS THROUGH WARDROBING AND FRAUD CAN HAVE A BIG IMPACT ON BUSINESS SO HOW CAN RETAILERS BETTER IDENTIFY AND TACKLE IT?

In the majority of cases shoppers return product for good reason – they’ve over ordered, tried for size, changed their mind or product is not fit for purpose.

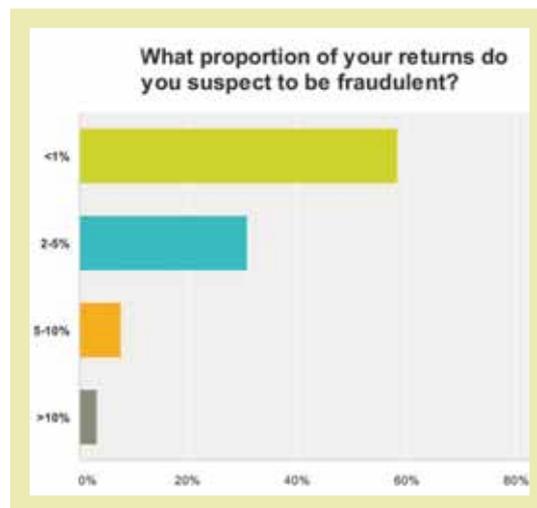
However when asked what their biggest challenge was in handling returns 12% of retailers said it was the problem of fraudulent returns. The same percentage also cited fraud as being one of the major drivers behind returns too – that is whether customers taking back stolen goods or returning products once they have served their use.

Vicky Brock, CEO of Clear Returns, says that retailers commonly underestimate fraud. “You get two extreme visions – neither of which are backed up by the data. You get the shopfloor ‘everyone is at it view’ and the marketing view that ‘our customers are lovely and don’t do that’. Those views are extreme and inaccurate,” she says.

As a proportion of sales fraudulent returns are a small problem for retailers but a significant problem none the less. Although over half (58%) of retailers in our survey said that fraudulent returns accounted for less than 1 per cent of their returns nearly a third (31%) said it accounted for between 2 and 5% of their returns. For 8% of retailers fraudulent returns accounted for 5 to 10% of their returns and for 3% of retailers for over 10%. Significantly a quarter of retailers also said that fraudulent returns were an increasing problem.

So what can retailers do? For fashion retailers the problem is particularly rife because of the trend of wardrobing – where

customers return products having worn them. At Warehouse digital merchandiser Liam Price says such behaviour is dealt with on a case by case basis although fraud is a small part of its returns. “We have a hunch that a minority of our customers are wardrobing and we have procedures in



place at our refurbishment centre to ensure that only stock not worn is returned for resale. We have an internal tracking system handled by our customer services team and any repeated suspicious behaviour will be flagged and, again, dealt with on a case by case basis,” he says.

At Debenhams logistics carrier manager Vinesh Chauhan says the search is thorough to recognise fraudulently returned goods. “We check for labels being intact and also the item being returned. For example with a duvet in a box we will check the duvet is the correct one and not a cheaper brand duvet. We have systems to show customers that are prolific fraudsters,” he says.

Fraud can also occur from “friendly

fraud” where the customer advises the retailer of failed deliveries or returns. Boden’s customer service manager Peter Hutton says the behaviour of such customers can be almost blindingly obvious. “Quite often someone who is playing the game of missing returns also plays the game of missing items dispatched. You can see a pattern that is quite amazing,” he says.

Hutton says that those that do play the fraud game rarely assume that their purchases or returns are being tracked and can be surprised when a retailer proves a history of fraudulent activity with them. “If you are going to be a fraudster and lie you have to have a good memory,” he says.

Research from Clear Returns suggests in the fashion retail industry a typical wardrober sends back more than 20 items a year. Its ECHO management tool therefore helps to flag up such activity analysing behaviour around returns which then allows the retailer to take preventative action – such as the ability to refuse to fulfil the order in the first place or to refuse the return. “We try to make sure we empower the retailer – ensure they are right with a back story of data to know they are dealing with returns fraud,” says Brock.

Jonathan Smith, general manager of returns at IForce, says data and tracking is extremely important in reducing returns fraud. “We say to the client returns are a customer opportunity and not a logistical or fraud challenge. We are using our reverse logistics data reporting to remove the fraud issue. It’s all about traceability and the data and the data flow and we have developed systems that give clients that type of data,” says Smith. ●

Moving to the point of no return

JUST AS CLICK AND COLLECT HAS MADE SALES EASIER SO DROP AND RETURN CAN IMPROVE THE EASE OF RETURNS

Click and collect is offering huge potential for retailers to boost sales since it assures a sale and gets the customer instore to upsell to as well.

But does the same apply for drop and return? In principle the ability for customers to return products bought via other channels instore offers the same benefits as click and collect with the added benefit of improving customer satisfaction since the customer can be refunded immediately rather than have to wait on the mercy of Royal Mail and their banks for a refund.

At department store group Debenhams logistics carrier manager Vinesh Chauhan says this is the major benefit for his company. “We promote returns to store as being the quickest way to get a refund,” he says.

But Vicky Brock, CEO of Clear Returns, says retailers often miss out on the chance to sell more in their haste to offer a convenient hassle free returns experience.

She cites an occasion where she returned a pair of slippers to a store and was given a refund. Though the process was swift and hassle free she said she actually left disappointed because staff had the opportunity to sell her alternative product and didn't. “I wanted some slippers but ended up spending the refund card on groceries I would have bought anyway yet they thought they had done everything right. I think there's a lot of good old fashioned retail common sense that goes out of the window when it comes to returns. Retailers look at the customer experience part and 'have we

fulfilled their need' but the 'have we got them to buy something' can get dropped,” she says. “Where returns are being pushed into store there is danger. What is missing there is the opportunity to turn that into what the customer wants,” she says.

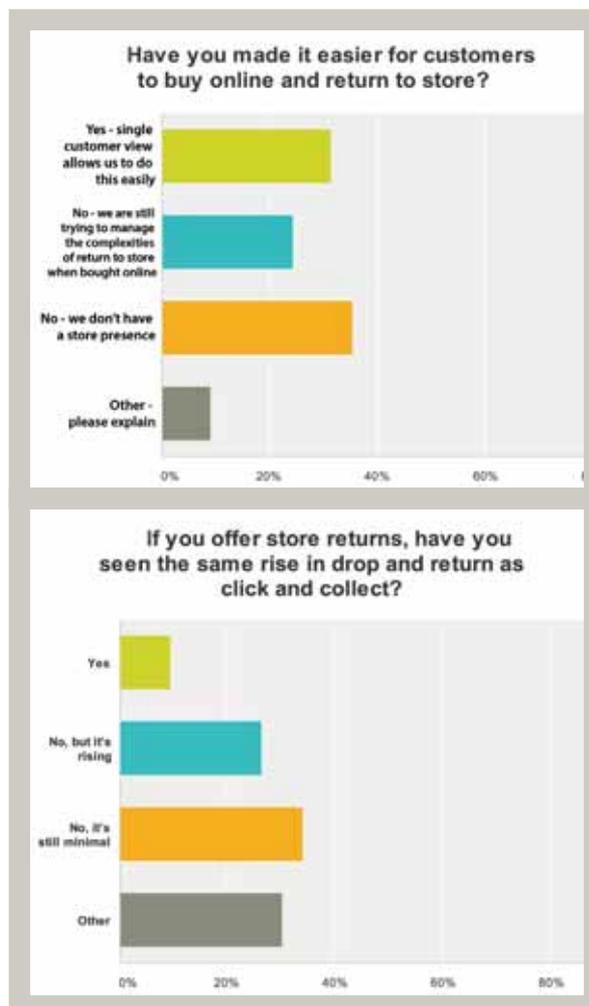
The other challenge is that drop and

across all channels. In our survey nearly a third (31%) of respondents said that they had reacted to this change by introducing a single customer view that allows them to manage the issue of buying online and return to store and making it an easier process for customers.

Almost one in five respondents (24%) however said that they were still trying to manage the complexities of return to store for goods bought online. The challenge is not only in the physical tracking and tracing of customer buying and product return but also in the psychological too. Although store staff are starting to embrace the concept of managing or fulfilling a sale instore that has been credited to the online channel the challenge of returns instore is that the shop assistant and staff on a local level are left feeling penalised by having to handle and manage product instore that has been bought elsewhere.

As we have already mentioned the trend for click and collect is booming and it's a service most retailers are embracing thanks to the benefits it brings. When asked if they were seeing a similar trend in the rise of drop and return over a third (34%) said it was still minimal. However a further quarter (27%) said it was a rising trend and 9% said they had seen the same rise as in click and collect.

The research suggests that once they overcome the challenges of drop and return instore the process will become smoother and more acceptable to all and once store staff also use this as an opportunity to immediately satisfy customer need the benefits could be huge. ●



return only works effectively for those that have actually invested in the systems to manage it since the retailer needs to be able to clearly track customer history and activity

become smoother and more acceptable to all and once store staff also use this as an opportunity to immediately satisfy customer need the benefits could be huge. ●

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A small price to pay for returns?

THE DEBATE OVER WHETHER TO PAY FOR RETURNS HAS LONG BEEN RAGING. SHOULD CUSTOMERS BE FORCED TO PAY FOR RETURNS OR DOES THE BENEFIT OF ENCOURAGING CUSTOMERS TO OVERSPEND OUTWEIGH THE DISADVANTAGES?

Should you make customers pay? Its benefits are obvious and in response to our survey more than a third (37%) of respondents said they felt that they were great for building trust and basket size. For many retailers free returns are simply a no-brainer. “We find that paid returns detracts customers from ordering in the first place. It is definitely an enabler,” says Vinesh Chauhan, logistics carrier manager for department store giant Debenhams.

At fashion retailer Warehouse digital merchandiser Liam Price says that free returns are core to the company’s strategy. “Free returns are an integral part of our service proposition and something we know our customer expects when shopping with us,” he says.

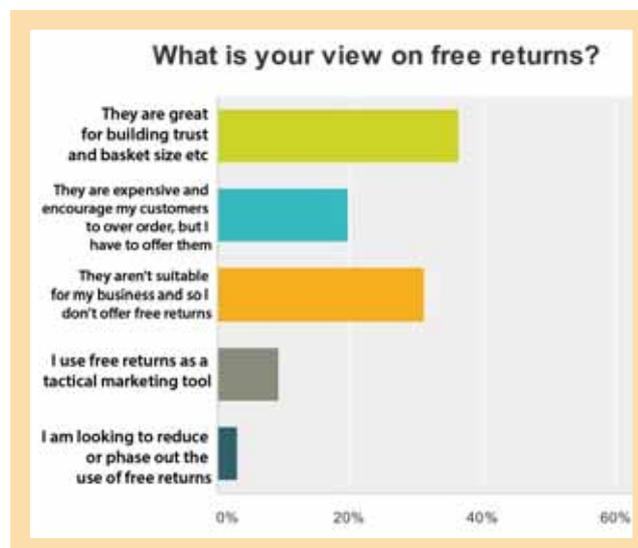
Indeed he believes it can be damaging to a brand to charge a customer. “A customer returning an item means that something isn’t quite right, so it’s our responsibility to make the experience as positive as possible to ensure we retain the customer as a loyal shopper,” he says.

“We see a lot of companies that have grown successfully by offering free returns – such as ASOS who offer free delivery and returns worldwide. In my opinion it’s something that’s extremely desirable to consumers and a great way for boosting confidence for someone to try a brand they’ve not tried before,” says Hermes sales and marketing director Gary Winter.

But the offer of free delivery comes at

a bigger cost for the retailer since they are expensive to handle and need to be built into margins.

In the survey one in five respondents said they offered free returns somewhat grudgingly – saying that they were expensive and encourage customers to over order with the very intention of returning product that isn’t suitable, but that they have to offer them.



As a company that facilitates returns Winter says Hermes has to cover all bases with the services it offers to retailers. “Some retailers are extremely keen to promote that they offer free returns but then you have others that really would not like to have returns so we have to ensure we have solutions that cover that spectrum of attitude,” he says.

Our research showed that many retailers offer free returns sparingly. Just under a third (31%) of respondents said they offered free returns on all their sales and nearly half

(44%) said they offered free returns on up to 25% of their sales. An additional 9% offered free returns for 26-50% of their sales and 16% on between half and three quarters of their sales.

At catalogue retailer Boden customer service manager Peter Hutton says the company has increasingly used returns tactically as a marketing tool to increase sales. “It goes out as part of the offer – usually via email. We then attach an offer code to the catalogue too,” he says.

Hutton says the tactic works well. “Some of the bigger retailers use free returns as a blanket tool but once you are in the higher end of the market somehow you pay for free returns in the original purchase.

Others are more reluctant to take the hit of free returns at all. Nearly a third (31%) of respondents said they weren’t suitable for their business and therefore they didn’t offer them. A further 9% said that they only used them as a tactical marketing tool whilst 3% of respondents said that for them the cost of free returns

outweighed their benefits and therefore they were looking to reduce or phase out the use of free returns within their business.

At jewellery online retailer DiamondGeezer.com CEO Clive Billing questions why retailers need to pay for returns at all. “I’d be very upset if we gave money back on postage back to us because I believe that a transaction is a mutual thing,” he says. “You can’t drive back to M&S and say here’s my petrol receipt,” he points out.

Opinion it seems, remains divided. ●

Cotton Traders case study

“ myHermes has provided added choice to our customers to ensure our returns offering is an ideal fit with their busy lifestyles. ”

Gail Jones, Head of Operations, Cotton Traders

Key points:

- Effective returns solution to meet needs of customers
- Simple and hassle-free service ordered online
- Added choice with courier collection and ParcelShop drop-off
- Enhanced consumer experience

Background:

After enjoying huge success as International rugby players through the 70's, Fran Cotton and Steve Smith founded Cotton Traders in 1987 and over the years have made it into one of the most successful home shopping companies in the UK. Cotton Traders now employs 1,125 staff between the Home Shopping & Retail divisions and has an annual turnover of more than £76 million.

The Operation:

In April 2013, Cotton Traders, the UK clothing and footwear company, launched a new returns solution in partnership with Hermes. The service takes advantage of myHermes Returns to provide a convenient and hassle free means of returning unwanted purchases.

The solution provides a dedicated area within the myhermes.co.uk website, enabling customers to arrange a courier collection or myHermes ParcelShop drop-off online. Courier collections can be organised on a specified day direct from home, neighbour or nominated safe place, whilst a drop-off can be arranged at one of more than 2,000 convenience stores nationwide.

The Benefits:

"Excellent customer service is always at the heart of Cotton Traders, so an effective returns service is essential to our business. Our aim is to provide more flexible and cost effective options for our customers and we've already seen an encouraging response in the short time it's been available."

We have been reviewing feedback during the early stages of the service and the overriding response has been very positive. Our customers have been particularly pleased with the simplicity as well as having the ability to drop-off items at a nearby convenience store without the queuing usually associated with sending a parcel. As a result, we are commencing a major campaign to publicise the returns solution in the run up to our peak Christmas period."

Gail Jones, Head of Operations, Cotton Traders

Getting your money back

GIVEN THE EXPENSE OF DEALING WITH RETURNS EFFICIENT RETURNS PROCESSING IS VITAL TO MAXIMISE SELL THROUGH VALUE BUT ARE RETAILERS DOING ENOUGH?

Given retailers have said their biggest challenge is in the asset recovery of goods – half of retailers said this was their biggest challenge when we asked them in our returns survey -- it is only natural

they will want to recover as much value from returned products as possible but how do they do it?

Our survey looked at the routes that retailers were commonly taking to recover value from returned products. It showed that reworking and refurbishing

product for resale remained the most popular and profitable way of recovering value from products that had been returned with 40% of retailers choosing this route.

At fashion retailer Warehouse the retailer refurbishes all products that are in a resalable condition in line with the company's packing guidelines and then resells such stock through its standard website – an increasingly common practise for retailers. Fellow fashion retailer Hobbs does the same: "Our product goes back onto the web rather than to store," says Clare Dobbie, marketing director at Hobbs.

At DiamondGeezer.com CEO Clive Billing makes most rings to order and therefore can't simply sell on returned rings but instead has to specify when rings are returned. Like the one in five retailers (21%) in our survey he has an onward sales proposition in place. The survey showed that 16% of retailers sold returned product on a seconds or outlet site to maximise resale value. This is something Billing has just launched with an eBay site debuting at the end of last year. Despite its newness he says the channel has worked well as a method of clearing stock. "We sold 10% of what we put up in the first 3 days," he says.

How retailers handle faulty product also varies by retailer. At Warehouse digital merchandiser Liam Price says it's only small proportion of stock that cannot simply be resold. "We



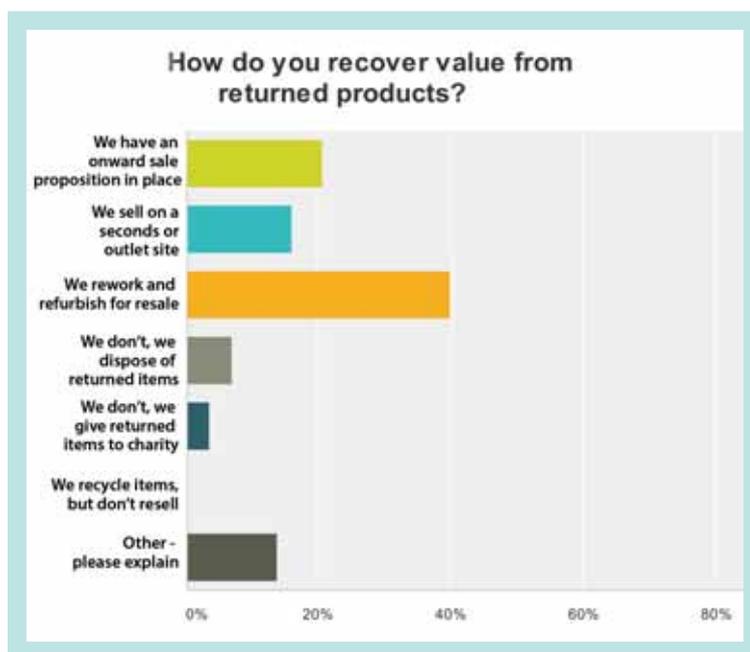
have a very small percentage of stock (less than 0.2%) which is not fit for re-sale,” he says. “This is identified at the point of return and then manually dealt with. This product will either be mended by our in house team of garment technologists or sold via eBay with a % off the RRP clearly stating the fault,” he says.

At Fox’s Outdoor the challenge of dealing with large products that customers can misunderstand – such as tents – makes returns even more challenging. “If the item is sent back as unwanted or unsuitable we will only accept it back if it is in the same condition as when we shipped it, so the product should be able to be sold again as new on the website or in our store,” says manager Andy Young. Faulty items will be sent back to the manufacturer for credit or replacement. However he admits it can be problematic selling products on that aren’t faulty but where the customer insists it is because of the complicated nature of tents. “Where something is not faulty but the customer insists it is and we compromise we may sell it at a discount to minimise our losses but usually instore as it is difficult to show a product effectively if it is used, otherwise it might come back again,” he says.

At Boden faulty returns are either destroyed or sold off. The retailer has a unique channel for such returns selling out of season product and faulty but still saleable items with regional warehouse town hall sales that have since expanded into showground sales which take place monthly at a number of locations in the UK and which are promoted through local and email marketing. “They are very cheap and well-liked by our customers,” says customer services

manager Peter Hutton.

Though it didn’t show as a high proportion of respondents in our survey a number of retailers also dispose of product through charities. At Warehouse Price says the retailer may send out of season product to its charity whilst Boden also passes on product to charity including a group of children from



Chernobyl that the company regular kits out. In our survey 3% of retailers said that they gave returned items to charity.

Retailers are looking at a number of ways of improving returns rates and returns processing efficiency, many of which are examined in more detail later in this report, but sometimes even some of the simplest changes can be the most effective – especially for smaller businesses. At DiamondGeezer.com CEO Clive Billing says the site has gone through a number of evolutions. “Our returns instructions used to be a typed text page. We added images that showed the process of take the ring, put it in the bag, put the bag in a jiffy bag and put the bag in registered mail but we still had people phoning up so we made a video on how to return goods,” says Billing. Whilst the concept may sound slightly

over the top it has actually worked and reduced queries dealt with by the company. Similarly Billing says the retailer has also reduced costs by making the customer do the paperwork. “They filled in a form previously but reading them was difficult so we transferred the form online so they can only put in the information we want them too. That also

populates our backend and means we’ve already got them booked on to our system which prevents us having to employ someone to book in returns,” he says.

Vicky Brock, CEO of Clear Returns, says change is coming on improving ROI on returns. “We will see an awful lot of innovation and process over the next 18 months because it’s just not sustainable to keep having this stock moving around at peak. You can’t do that indefinitely,” she says.

Clear Returns’ predictive tool looks at the reasons why customers are bringing product back

in an effort to help retailers better stop such behaviour in the first place. “The shopper themselves tends to assume what happens is that non faulty returned stock goes into store and half hour later its back on shelf in store but that’s not the case,” she says.

She also highlights the problems of electronics returns – what she calls the sizing issue of the electronics world. “In electronics a common returns reason is that it’s faulty but when it goes back to the central warehouse only a tiny proportion are actually faulty and yet there is all the cost of it going back and being tested. There’s a big education piece to be done there,” she says.

How quickly the retail world learns the lessons that returns have to teach them will determine how quickly retailers improve their ROI around returns. ●

The impact of the environment

The survey showed that 7% of retailers disposed of returned goods but it also identified another worrying trend – that nearly two thirds (58%) of respondents to the survey said that they didn't track what was being done with product that came back and couldn't be resold. Instead most simply write the stock off.

The environmental impact of returns is one that has yet to be adequately tackled and yet doing so could in turn actually help reduce returns according to some experts.

Whilst many large retailers do have a 0% to landfill policy as part of their general CSR commitments the amount of handling and reworking of product to resell or even to dispose via other sales routes means they can overlook the real impact of returns. Not so at Sainsbury's according to reverse logistics manager Steph Tite. She says product is sold in the secondary market and debranded where applicable. "If product cannot be resold, it is recycled in line with our zero waste to landfill policy," she says.

She says the retailer also works hard to minimise the environmental impact of its returns. "We consolidate returns and utilise reverse transport journeys in order to minimise vehicle movements. We also work to a zero waste to landfill policy across food and non-food returns," she says.

But could retailers be doing more to educate customers or do customers simply assume product is put straight back out on shelf at the store they have returned product in? At Clear Returns CEO Vicky Brock says the company is working on technology that will show the customer the cost of different return options to allow them to more readily realize the impact of their returns habits so that they can make a more informed decision about why and how they return goods. "It's something we have developed out of our own appalling return habits," she says citing the example of a bin she returned because the colour wasn't quite right. When she later learnt how much handling that return cost the retailer she says she felt embarrassed and wouldn't have done the return had she realised the impact it would have.

"It's an experiment that will let retailers show the different costs. It's quite a different thing to say could we encourage the customer to do the right thing but we feel shoppers don't really have any idea of what the implication of their behaviour is," she says.

Retailers generally find their customer don't even think about such implications. "It's not a priority for customers it would seem," says Hobbs' marketing director Clare Dobbie.

Peter Hutton, customer services manager at Boden, believes the same. "I don't think it influences the customer's decision to send it back. They send it back for a very good reason and the vast majority of goods are tried on just once. We only have the odd customer who literally buys hundreds of pounds of clothing and sends it all back and they've never opened it but most customers have bought something because they think they want it," he says.

At Warehouse digital merchandiser Liam Price says customers don't think of the implications themselves. "I don't think this is something at the forefront of our customers mind when returning a product, she just wants her product exchanged or money back," he says. The retailer already has various procedures in place, particularly internationally, to ensure that returns are consolidated to minimise the carbon impact of transportation but he says it could well be an area of further focus for the future. "I have no doubt this will be something we focus on further in the years to come both from an environment and cost perspective," he says.

Getting greener alternative return methods

Another possible solution for retailers wanting to improve their green



credentials around returns comes through the use of alternative returns methods for their shoppers.

Although goods are more commonly returned via the post office, collected from home or taken to store the proportion of customers returning product through third party collection points – which being in convenience stores and other local venues makes them a greener option – is also on the increase, especially as companies such as Hermes build their networks in this area.

Hermes, which runs the myHermes ParcelShop network currently has around 3,000 ParcelShop locations and is aiming for 5,500 by the end of September. Currently around 80% of the UK mainland population is within two miles of a myhermes ParcelShop. Hermes' sales and marketing director Gary Winter says such collection points offer a valuable returns alternative since they are an even more local than their store alternative for customers. "The biggest impact we have in miles is scale. The bigger we are the shorter the journey and that reduces the carbon impact. Anything we can do to minimise that helps immeasurably," he says.

And it's a growing trend too. Our research showed that nearly a third of retailers (31%) are now offering third party collection points as an option for their returns.

Learning from returns

RETAILERS KNOW THAT A POOR RETURNS EXPERIENCE CAN BE EVEN MORE DAMAGING THAN A POOR SALES EXPERIENCE SINCE IT WRECKS TRUST BUT COULD THEY BE DOING MORE TO LEARN FROM A RETURN?

Offer a poor sales experience and you could lose a sale and perhaps a customer. Offer a poor returns experience and not only will both the above happen but you will likely have also angered the customer enough that further bad mouthing of your business –

whether privately to friends and family or more publicly on social media – is likely.

Yet learning from a returns experience – whether good or bad – is the very best way of improving the experience for customers old and new alike. In our survey therefore we looked at how retailers capture feedback from their customers on their experiences when

returning goods.

Jan Vels Jensen, chief marketing officer at Trustpilot, says retailers must use returns to their advantage. “Returns are going to happen, so as a retailer it is important to make sure you learn something from them,” he says.

Worryingly a massive 43% said that they didn’t capture feedback on such experiences meaning that they are likely to be missing out on rich learnings within their business.

Retailers need to improve their effectiveness in this area. More than a third (38%) said they monitored returns experiences through online surveys. However the take-up of such surveys is often low so the value of doing this is doubtful. Close to one in five (19%) said they monitored feedback by specific follow up calls with the customer and 10% via feedback cards.

Liam Price, digital merchandiser at Warehouse, says the experience of customers is a big consideration for the retailer when reviewing the returns proposition it offers and that it works hard to communicate with its customers on this. “Customer retention is so important particularly in such a competitive retail environment. We speak to our customer weekly via return surveys to a) find out why she returned and b) how was her experience of returning. This is something we then review on a monthly basis,” he says.

At this point any negative trends are highlighted and then the appropriate action taken. Price says this also works well with the customer since it shows



the retailer cares enough to take action. “This is also a great way to re-engage the customer by apologizing, offering to listen and reminding her about all the newness hitting down onsite. A return should not be seen as a negative, it’s another sales channel that needs to be optimised,” he says.

Trustpilot’s Vels Jensen agrees: “The depth of consumer data we can track today provides unique insights for managing returns, but it still remains crucial to ask for feedback when someone returns something,” he says. “If you understand the reasons behind a return, you can try and stop it from reoccurring and it creates a human angle especially important for online retailers,” he says.

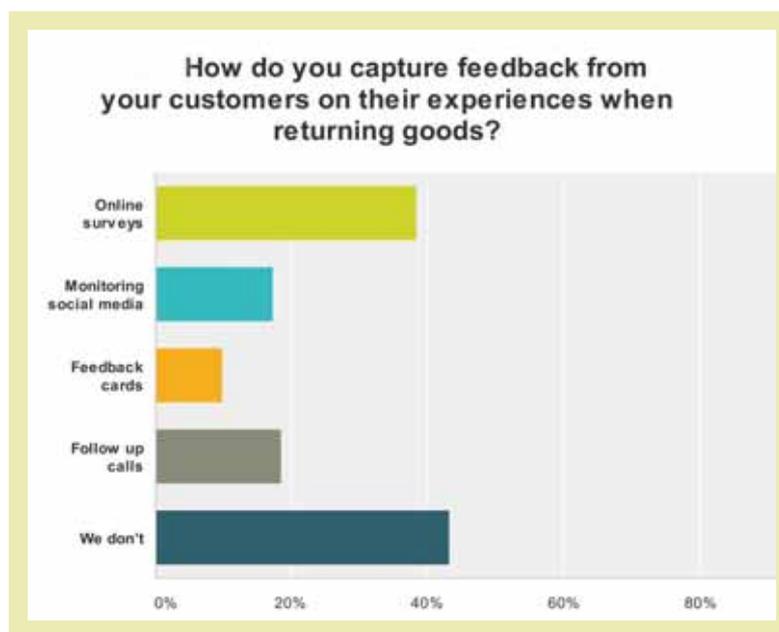
Andy Young, manager at outdoor retailer Fox’s Outdoor, says his business will work hard to ensure the customer is happy since customer service is so important in retaining customers that have already spent with you and who you don’t want to lose in the future. “You only lose a customer once but you spend a small fortune in attracting them in the first place,” he says. “Being able to deal with a return to the customer’s satisfaction is an excellent way to keep a customer for life and actually turn a negative into a positive. We rarely say no to a customer,” he says.

He believes that speed is of the essence when it comes to the best resolution for a returns issue. “We know when there is a problem when we first get the email complaint or when the parcel drops into our returns tray and we solve it by dealing with it immediately as people get anxious that they are not going to get their money back. Regular communication is the key,” he says.

And as another small business DiamondGeezer.com CEO Clive Billing shares the same ethos. “We do bend over backwards and make it as fast as possible. We refund their card immediately on

receipt of goods but also advise them that it can take credit card companies take three days to refund. We handle returns with the same attention and care as we handle a sale because we want people to have the same sales experience. It’s very important that our customers love us,” he says.

Since this need to keep the customer happy is so crucial – since realizing that firstly there has been negative feedback and secondly acting on it can be the



difference between losing or keeping a customer in the future - we asked in our survey how retailers addressed negative feedback regarding returned items.

The responses varied. “Our response is through the same medium (email, social media etc) as feedback is given. There is always an apology and it is handled sensitively, but the rest of the response is personalised and varies according to the situation,” said one retailer in the survey.

Whilst some will deal with such feedback in the same public arena in which it was first aired others will take the complaint offline as soon as possible with the issue acknowledged online but the complaint then dealt with offline via the customer service team. “We contact the negative customer and post a response on the medium used to place negative post,” says one retailer.

Usually this is on social media

channels such as Facebook and Twitter and means therefore that a retailer has to keep on top of monitoring such channels. At catalogue retailer Boden customer services manager Peter Hutton says the retailer monitors social media very closely. “Every Facebook comment is read and we go back to the customer if we need to,” he says. He also highly rates its effectiveness as a learning and customer service channel and for getting honest feedback from a customer. “That’s one of the better ways of getting direct feedback. Facebook is becoming a really good way of picking up things when customers are upset,” he says.

Yet despite this and the growing trend to use social media for both praise and complaints our survey showed that that only 17% of retailers said they kept an eye on social media for feedback on experiences when returning goods.

Retailers generally know that customers are rarely understanding – only 11% said that their customers appreciated that returns are hard to

manage – and nearly a third (29%) said that their customer’s typical reaction to a negative returns experience would be to write about it on social media. This point makes the previous figures even more shocking.

Our survey also showed that upset customers wouldn’t simply restrict their bad feeling to one channel. As well as the proportion who would take to social media our survey also showed that 28% would write about the experience on an online review platform and nearly two thirds (65%) would call or send an email to complain.

Worryingly 40% of retailers admitted that they realized that a typical reaction of their customers to a poor returns experience would be to not buy from them again – a figure they really can’t afford not be addressing and showing the importance of learning from returns. ●

The importance of reviews

Of course feedback on returns isn't restricted simply to such channels. Another growing channel of feedback is customer reviews – either on the company's own sites or third party sites. And retailers realise their importance. When asked in our survey what they thought about online reviews more than half said they saw them as very important as a source of feedback; were very important for measuring customer satisfaction and said that monitoring reviews written about their company was very important to them.

Their feelings are perhaps best summed up by this respondent to the survey whose approach epitomizes good practice in this area. "We are open if a mistake is ours, or we present a reasoned argument if it is not. We make sure our feedback is visible mainly for the benefit of future customers who do look at reviews and often focus on the negative ones. We believe it is important to show a reasoned argument with this type of feedback," said the retailer.

Jan Vels Jensen, chief marketing officer at Trustpilot, says reviews platforms are vital. "Especially in self-service online environments where support may be perceived hard to access or non-existent it is crucial to create a feedback loop between customer and retailer for handling online returns as it not only allows you to evaluate the quality of your supply chain in real time, but gives you real-time insights into the concerns and challenges a customer may encounter when dealing with returns," he says. "Online review platforms such as Trustpilot's empower the retailer to manage this feedback through a controlled environment where they can not only invite the customer to share their experience but also engage

with them in real time to manage their expectations and ensure customer satisfaction," he says.

He also points out that reviews help to prevent returns in the first place. "The user stories provided through online

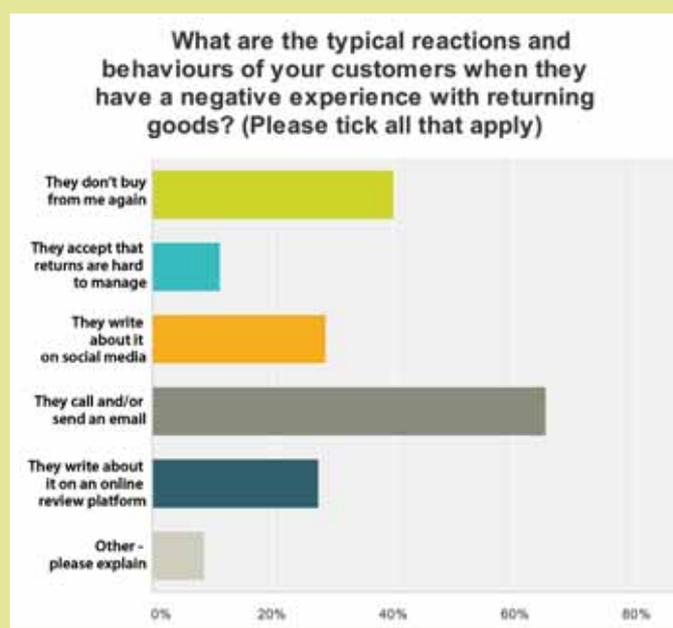
reviews allow shoppers to avoid potential issues with products, or to find the product that is best suited to its intended use by reading the experiences shared by their peers. These reviews help the shopper address questions, concerns and issues that arise during the buying process without the need of a sales assistant and provides the reassurance or social proof they seek after before deciding on a purchase," he says.

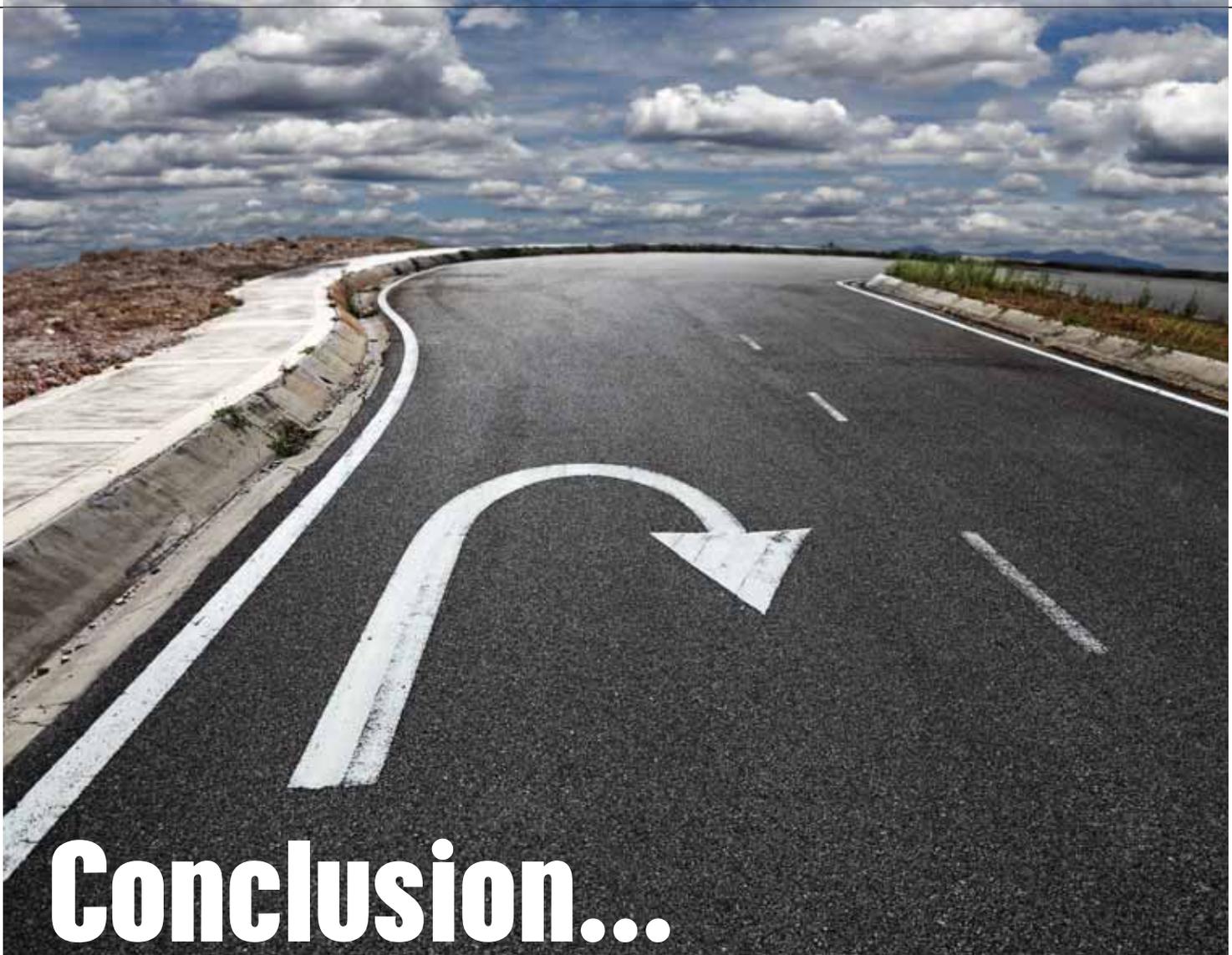
Showing you have listened to any complaint is vital but with a returns experience even more so. Being seen to acknowledge a complaint – whether the complexities of that complaint are managed on or off line is crucial and yet we saw some retailers saying they take no action against negative feedback leaving it looking as though they simply can't be bothered and leaving the customer unhappy and potentially badmouthing the business.

Being seen to address the problem is key and where the retailer has truly been shown to go beyond the call of duty is vital. "We leave personalised responses on review websites leaving a

name and position within the company," says one retailer in the survey.

Vels Jensen says this is extremely important for repeat custom. "No company wants to lose valued lifetime customers over one mistake - online reviews are a useful communication opportunity. Excellent customer service is a powerful retention mechanism and a brilliant selling point," he says.





Conclusion...

For all the good work that is being done in returns processing and handling our survey and research showed there is still much more to be done. The survey showed that, for many, returns rates are rising and for some this is not simply because of a comparable rise in sales. Whilst some are addressing this with improved returns options and solutions others are seemingly ignoring the problem.

Doing so is little short of crazy. Improving the process of returns isn't just good for customer retention but customer loyalty and sales too. The research and current thinking suggests that whilst many retailers have a slick returns or refund process in place, with ever more convenient options such as third party returns points, many are missing out on the sales side of returns – that of simply keeping the customer happy and the product sold. Online retailers to be fair often do this well but they have to in order

to prevent the shopper going elsewhere. Instore however store staff often simply go through the returns process without trying to resell to the customer. Whilst the customer doesn't want to feel pressured in many instances there is more to be done on educating customers as to how products work and finding out if they would be interested in a different product instead rather than simply issuing a refund.

Retailers said in the survey that maximising asset recovery is their biggest challenge when handling returns – half of those surveyed said so – but there is much more to be done here. Proper, efficient handling of returned product through specialist companies and returns processing centres are ensuring higher levels of product than ever is being returned, refurbished and resold, maximising gain for the retailer and reducing waste. Turnaround times are improving and sales as a result.

Understanding the customer – both in terms of what they are thinking and how they are acting – is crucial when dealing with returns. That ranges from simply identifying returns patterns early on to understanding when you have fraudulent activity going on. As in sales data and analytics is increasingly key to finding patterns in returns that retailers can actually act on whilst reviews really help to understand in more qualitative detail what the customer is thinking.

The survey showed that too many retailers are putting off improving their returns processes – some because they don't want to make returns too easy and others because they simply don't feel it's a priority or don't have the budget to invest in it. This is not good practise. Improving the returns process doesn't just benefit the consumer – it benefits the retailer too. Ignore that fact and it's you as a business that will be missing out. Returns is no longer the poor relation of retailing. ●

