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The "Returnageddon" Survival Guide

Navigating returns without losing your mind (or customers)

Insights and solutions that keep customers coming back.

Contents

Introduction:
The state of returns.

While ecommerce grew during the pandemic, the rate of online returns grew even faster, surpassing the overall growth rate of online shopping by almost 3% in 2021. 2022 was the year retailers started looking for ways to dial up returns friction to claw back margins. In fact, online return rates decreased from 20.8% in 2021 to 16.5% in 2022 (NRF, 2022).

The news is still bad though when you look at the return rates by merchant. During the past two years, 40% of retailers saw return rates go up by 10%, with another 10% seeing increases as high as 20% year over year (RIS News, 2022). It's enough to make your head spin.

What, me worry?
For retailers, the answer is 'yes'
Ask retailers what their greatest returns worry is and a whopping 84% will say "creating a negative customer experience." By comparison, only 47% of

retailers listed "costs" as their top concern (RIS News, 2022). Less than 5% have plans to introduce return options that would lower return rates—i.e., options that would increase friction for the consumer. It's clear that retailers' top priority is customer loyalty.
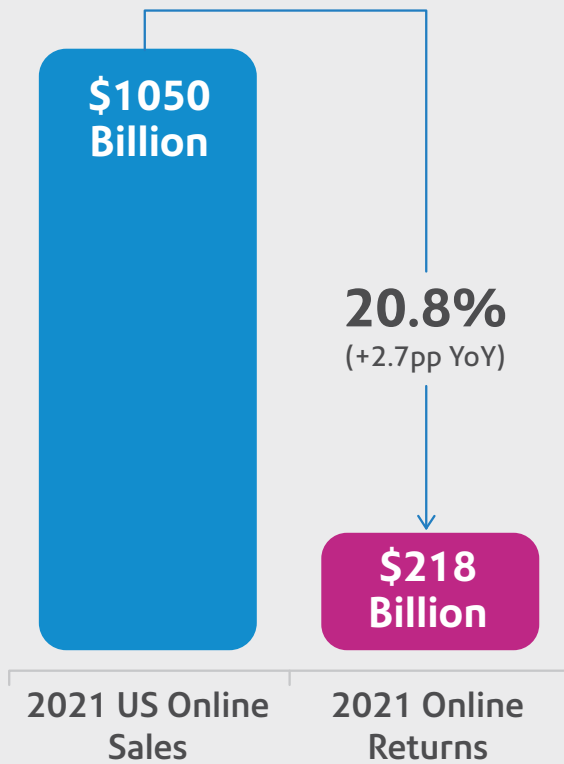
Merchandise Mismatch
At its core, a return is a failure to connect the right product with the right consumer—for any number of reasons.

Is it even possible to win with returns?

So, what can retailers do? With customer experience as the untouchable third rail, many merchants feel their best option is to focus on costs. According to our 2022 BOXpoll survey, 70% of US online retailers are actively working to lower the costs of returns transportation and processing.
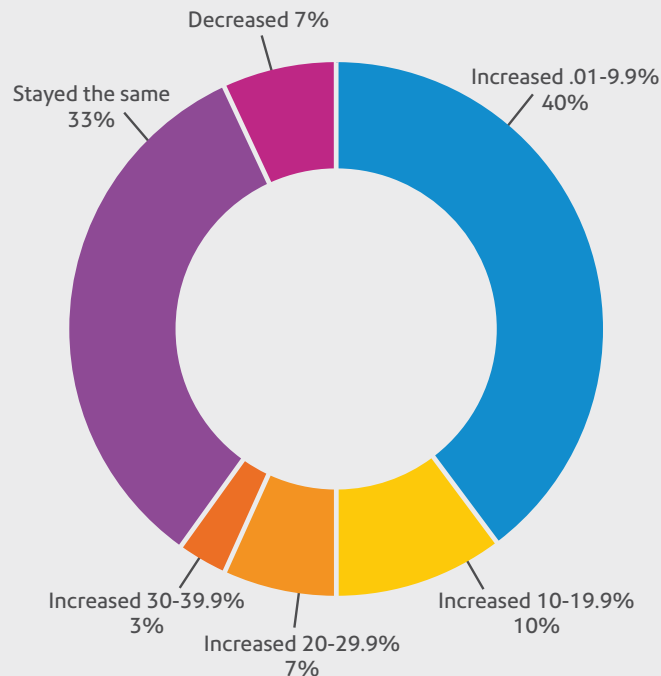
But in an ironic twist, consumers—whose experience retailers say they're worried about preserving—are already unsatisfied. In fact, 80% of consumers describe their recent returns experience as "inconvenient" (BOXpoll, 2022). This creates a seemingly no-win situation for retailers, because even reducing transportation and processing costs can risk inadvertently degrading some level of the consumer experience.

2021 Online Returns

$1050 Billion

20.8%
(+2.7pp YoY)

$218 Billion

2021 US Online Sales

2021 Online Returns

Source: NRF 2022

Returns volume change, last 2 years

Decreased 7%

Stayed the same 33%

Increased .01-9.9% 40%

Increased 30-39.9% 3%

Increased 20-29.9% 7%

Increased 10-19.9% 10%

Source: RIS News 2022

Retailers take a hit

Returns now cost retailers an average of 21% of order value.

Source: Pitney Bowes BOXpoll, February 2022

The balancing act:
Return cost vs. consumer convenience.

The resulting returns quandary: As a retailer, how do you cater to your customers' expectations of convenience without breaking the bank?

The answer lies in your returns program. Retailers have a degree of flexibility in shaping their returns policy and costs. Here are four variables they can employ.
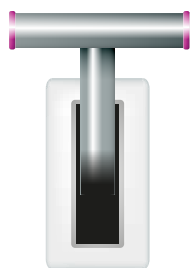
The four levers:

Push. Pull. Find your sweet spot for returns.

Consider the following options and determine how you can leverage them to craft a return policy that suits both you and your customers.

01. Home pickup

02. Drop-off

03. Online exchanges

04. Fraud
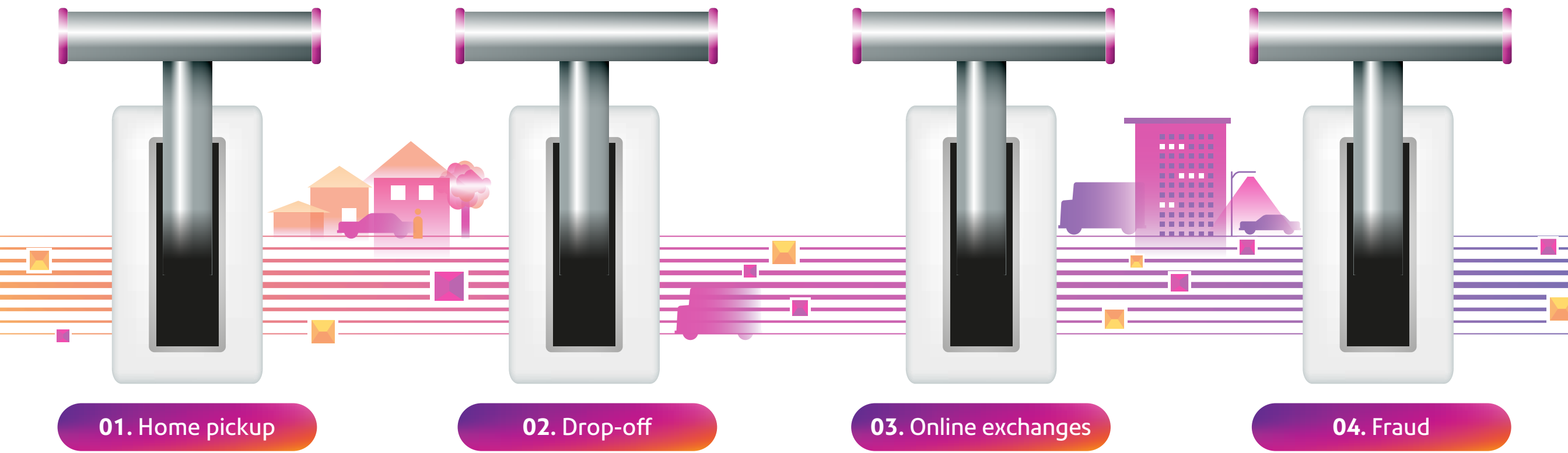
01.
Home pickup

Home pickup — a relatively rare option for online retailers to offer — is a convenient option for many, with more than half of parents, Millennials and frequent online shoppers telling us they're likely to use it given that choice.

Density drama

However, home pickup can be pricey for retailers to offer. Since COVID-19, population shifts have resulted in many consumers moving to less dense areas, further from terminals and frequent delivery stops by the carriers. Because of this longer distance, the major carriers have added surcharges such as DAS (Delivery Area Surcharge) and EDAS (Extended Delivery Area Surcharge), as well as residential fees. These fees really add on to the total cost of a shipment.

Why people use home pickup

"I have 2 young children and this is easier than leaving the house to deliver it."

"Less contact with the public during a pandemic sounds good to me."

"The convenience of not having to go to a shipping center or post office, but also the safety of not being exposed to coronavirus."

"Saves gas, money, and time."

Source: Pitney Bowes BOXpoll, January 2022

Through the looking glass
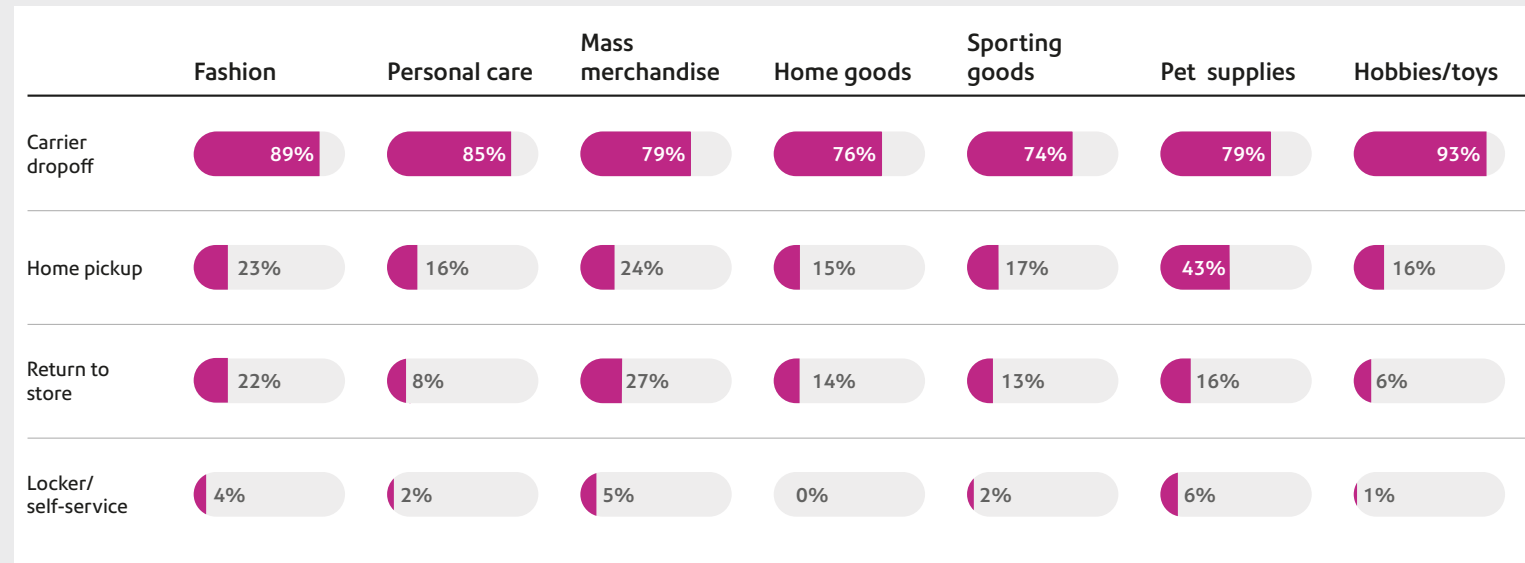
View your return options through the lens of your consumer and the type of merchandise they're buying. Is the high cost for returns convenience elevating their customer experience? Is it make or break for holding on to their loyalty? Or are your customers willing to put in a little more effort? It's all about finding the right balance between convenience and cost.

Home pickup isn't always possible

In addition to cost, there are other complications with offering home pickup for returns. Approximately 30% of consumers live in a location where home pickup simply isn't feasible, like an apartment complex or home without a secure place to leave a package (BOXpoll, 2022).

As a result, home pickup is not a particularly popular return option among retailers. In fact, it's offered by less than 25% of online merchants. As you can see in the chart below, the most common returns option for merchants to offer is for customers to drop off the item at a shipping carrier's location.

Returns location options offered by retailers

	Fashion	Personal care	Mass merchandise	Home goods	Sporting goods	Pet supplies	Hobbies/toys
Carrier dropoff	89%	85%	79%	76%	74%	79%	93%
Home pickup	23%	16%	24%	15%	17%	43%	16%
Return to store	22%	8%	27%	14%	13%	16%	6%
Locker/ self-service	4%	2%	5%	0%	2%	6%	1%

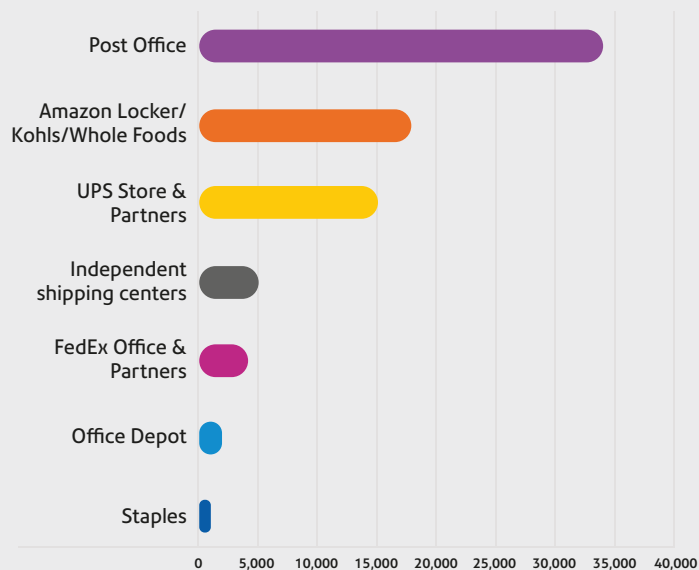Source: Pitney Bowes BOXscore mystery shopping of 3500+ online retailers, 2021-present
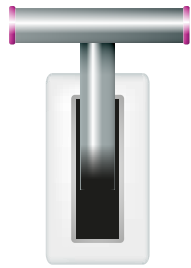
02.
Drop-off

While carrier drop-off reigns supreme among return options offered by online retailers, **most customers' preferred drop-off locale is actually the post office**. It's been rated as the #1 option in our opinion surveys for the last two years. We attribute this to the 34,000+ post office locations nationwide. Keep this preference in mind when you're looking for ways to reduce friction for your customers.
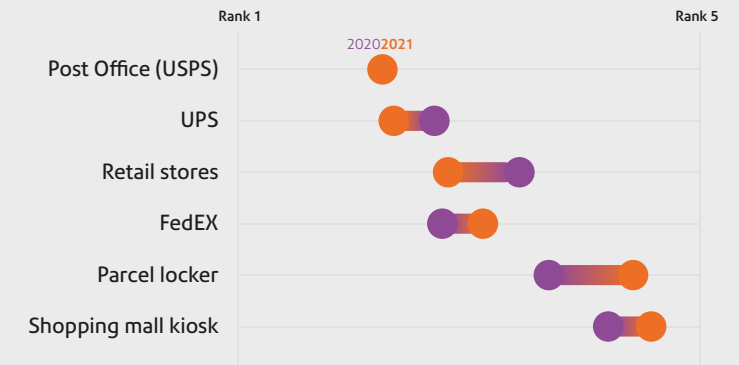
Number of drop-off locations

Bar chart categories (top to bottom):
- Post Office
- Amazon Locker/ Kohls/Whole Foods
- UPS Store & Partners
- Independent shipping centers
- FedEx Office & Partners
- Office Depot
- Staples

x-axis: 0 5,000 10,000 15,000 20,000 25,000 30,000 35,000 40,000

Source: Provider websites, 2021

What is your preferred location to drop-off a return package?

We asked consumers to rank (on a scale of 1 to 5, *with 1 being the highest*) the most common returns drop-off locations, comparing average rankings from December 2020 and December 2021.

Rank 1 — Rank 5

Categories (top to bottom): Post Office (USPS), UPS, Retail stores, FedEX, Parcel locker, Shopping mall kiosk

Legend: 2020 2021

Note that small changes in averages may be attributable to our survey margin of error.
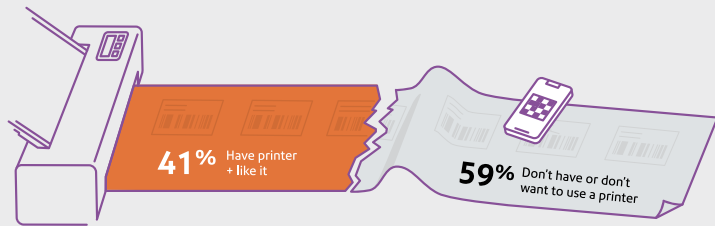
Source: Pitney Bowes BOXpoll

No printer, no problem

Here's another dynamic to be aware of: 59% of consumers either don't have or don't want to use a printer for returns labels. Depending on the target customer, some merchants may consider either including a pre-printed return label with the order or offering QR codes as a printer-less shipping label option.

Printing labels at home is controversial

More than half of consumers don't have or don't want to use a printer.

41% Have printer + like it

59% Don't have or don't want to use a printer

Source: Pitney Bowes BOXpoll, January 2022

However, older customers may feel more comfortable with a "paper trail" receipt of their return, rather than a digital option.

Boxed out

Many return policies require the merchandise to be boxed. Seems reasonable, right? However, if your customers live in small spaces, they may not have spare boxes on hand to package return items. Asking them to hunt down a suitable box could add to the

consumer's "trunk time"—a term we coined in 2003 that refers to how long consumers wait before returning an online purchase.

Let's get digital

While 83% of merchants currently do not offer and do not plan to offer printer-less and package-less returns (see chart below), the growing familiarity with more digital and less physical experiences—especially among younger consumers—could soon drive more retailers to offer them as part of their returns mix.

What are your plans to offer printer-less and package-less returns?

Do not offer - but plan to offer soon 15%
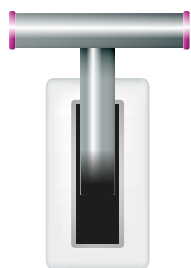
Currently offer 2%

Do not offer/ no plan to offer 83%
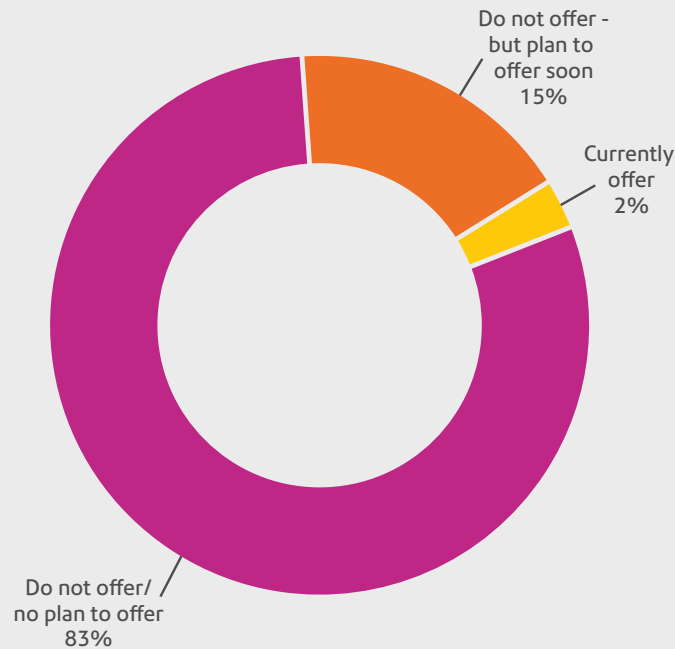
Source: NRF 2022

Package-less returns

Package-less returns are when a consumer brings the item to a drop-off location without original packaging and a worker packages and returns the item to the retailer.

03.
Online exchanges

Online exchanges are currently extremely rare. The vast majority of retailers don't offer them, often due to the considerable technology hurdles. Most merchants would need to undergo a top-to-bottom update in their website infrastructure, such as reconfiguring their product catalog, to enable exchange transactions.

Enterprise retailers prefer to drive returns and exchanges to their brick-and-mortar stores, while many mid-market brands have not prioritized online exchanges due to the logistical complexity.

If you build it, look who comes
That said, we'd caution against dismissing the consumer appeal of online exchanges. The segments most likely to use an online exchange are parents and **consumers with incomes of $100K+** and **frequent online shoppers** (BOXpoll, 2022). You can almost hear the squeak of bulging shopping carts rolling towards checkout.

However, one important caveat: If you build it, make sure it works. Shoppers do want online exchange options, but they find poorly executed exchanges even more annoying than no exchange option at all (BOXpoll, 2022). Merchants beware.

Shoppers want (convenient) online exchanges

Which of the following best describes your thoughts about online exchanges?

|	I wish more retailers offered it	I like the idea, but I've noticed the process is often in-convenient	Usually when I return, I don't want a replace-ment	Don't know/ no opinion
All consumers	26%	30%	21%	22%
GenZers	29%	32%	11%	28%
Millennials	30%	35%	15%	20%
GenXers	29%	32%	20%	19%
Boomers	21%	25%	29%	25%
Parents	30%	36%	18%	16%
Household income 100k+	26%	29%	27%	18%
Online shopping more than three months ago	30%	33%	20%	18%

Source: Pitney Bowes BOXpoll, July 2022

Still looking, it's complicated

56% of consumers want (but haven't found a retailer that offers) easy exchanges.

Source: Pitney Bowes BOXpoll, July 2022
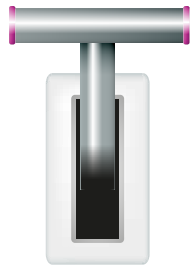
04.
Fraud

It's a dirty open secret, so we'll say it out loud. Some customers game the returns policies and merchants pay the price (literally). As online retailers make the returns experience more convenient, they also risk tempting customers to take advantage of it. For example, a shocking 44% of consumers say that picking the "reason for return" that ensures free shipping is socially acceptable (BOXpoll, 2022).

And since we're pulling back the curtain, here's another juicy tidbit: Millennials, Gen Z, city-dwellers and consumers with incomes >$100K have more lax views towards return policies than their counterparts (BOXpoll, 2022).

Luckily, there are steps merchants can take to lessen the risk while retaining customer loyalty. This is an area where "test and learn" can greatly benefit your business. Try different variables on your return policy until you find an acceptable balance between creating friction and maintaining customer goodwill.

What shoppers really think about returns fraud (and other costly habits)

How acceptable or unacceptable do you think **the average consumer** would find each of the following scenarios?

Returns Fraud	Acceptable	Unacceptable	Don't know/no opinion
When starting an online return, picking the 'reason for return' that will ensure free shipping.	44%	44%	11%
Reporting a delivered item as damaged to receive a replacement item, because the retailer does not ask for damaged product to be returned.	31%	60%	9%
Purchasing products because they give a full refund without having to ship back a return.	33%	57%	9%
Reporting a purchase as missing/not delivered in order to get a refund and keep the item.	21%	73%	6%
Buying a product (such as clothing) to use once and return for a refund.	17%	76%	6%
Shipping back a cheaper item than what was ordered to get a larger refund.	16%	76%	8%

Source: Pitney Bowes BOXpoll, July 2022

Re-think returns:

From necessary evil to keeping the transaction.

Transform an expense into an asset

When handled well, a return can actually strengthen a relationship with your customer. In other words, you're not just issuing a refund. A return is an opportunity to engage with your customer and to make things right by acknowledging their unhappiness with their original order and demonstrating that their business and satisfaction is important to you.

Who gets the last word?

You do. It's your call on what's fair and reasonable for your business — to keep your customers' business. And at Pitney Bowes, we design return programs based on your specific needs. Take a look.

Return solutions:
Made to order.

Introducing Designed Returns, only from Pitney Bowes

Craft a return solution that's specifically tailored for your priorities. With our Designed Returns, you can decide the right balance between cost and customer convenience. What's more, you can test and learn, to continue to fine-tune your returns processing, yielding better results.

Welcome to your one-stop shop for returns

Leverage our network of nationwide processing centers, featuring the very latest in automation and technology. Capitalize on our transportation fleet to streamline logistics. Meet with our consultative teams to devise a comprehensive returns strategy—then put it into action.

Experience end-to-end returns support with unsurpassed flexibility

Our process is divided into three stages: Start Returns, Move Returns and Process Returns. Within each stage, you can select your preferred option. Consult with our specialists to design your ideal returns process. Get started today.

Pitney Bowes Designed Returns

Start Returns
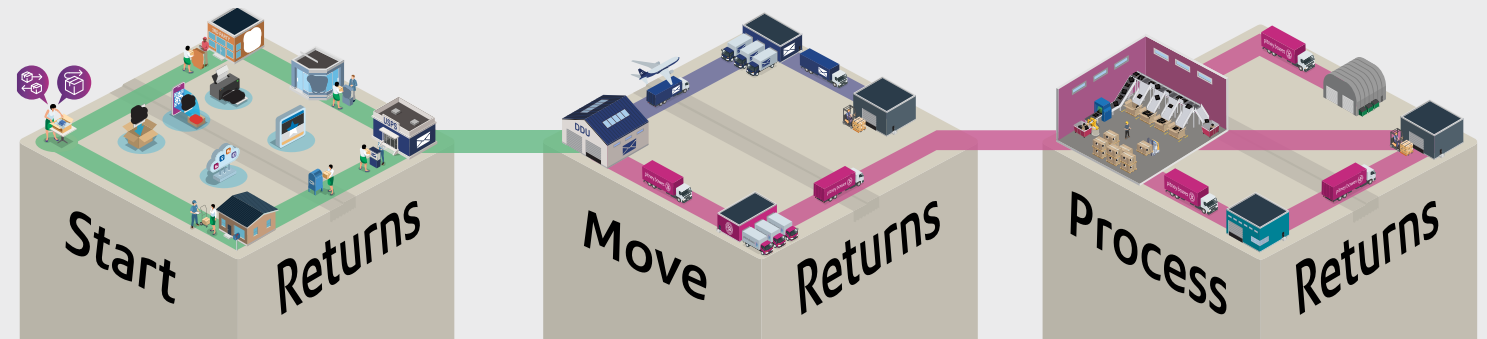
Test and learn with multiple consumer-facing returns initiations options.

Return vs exchange
Label options
Portal options
Drop-off/pickup locations

Move Returns

Move returns using different methods and networks depending on need.

Cost vs speed
Distance from consumer
Distance from destination

Process Returns

Continuously optimize where and how you process returns.

Weight verification
Sortation/prioritization
Open box & inspect
Liquidation/donation/disposal

Learn more at
pitneybowes.com

United States

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Pitney Bowes BOXpoll is a weekly consumer survey of more than 2,000 online shoppers on current events, culture and ecommerce logistics, conducted by Morning Consult. Additional data comes from BOXscore which uses crowdsourced mystery shopping of thousands of websites to compile benchmarks on the ecommerce order experience. All this research provides retailers with an agile way to use consumer sentiment to help support decision making.

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