

ReturnPro



Returns Report

2023 Holiday Predictions

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Introduction

As the holiday season approaches, understanding the dynamics of retail returns becomes crucial for both retailers and consumers. This report delves into the latest trends, challenges, and strategies that major retailers are adopting, based on the ReturnPro 2023 Holiday Survey. The holiday season, characterized by increased shopping and gifting, often sees a surge in returns, making it a critical period for retailers. By analyzing these trends, retailers can better prepare for the influx and ensure customer satisfaction.

To ensure the credibility and relevance of our survey findings, ReturnPro implemented a meticulous participant vetting process, analyzing responses from over 500 US-based retailers. The criteria for participation were stringent, ensuring that the insights gathered were both authoritative and grounded in the realities of the current retail returns landscape. Participants were US-based retailers boasting an annual revenue exceeding \$750 million, excluding those in the grocery and pharmaceutical sectors. Each respondent was not only currently employed by the retailer they represented but also held a title of Director or above. Their roles were within areas such as reverse supply chain, reverse logistics, customer returns, supply chain, merchandising, or store operations, ensuring their direct involvement with returns. The gender distribution among respondents was nearly even, with 49% male and 51% female.



Retail's Hottest Returns Secret

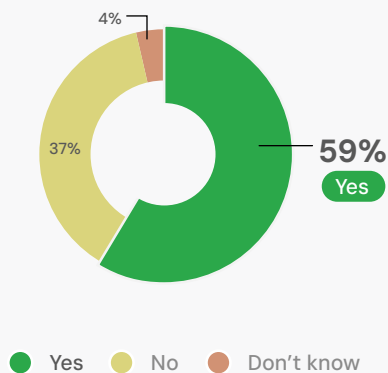
Efficient returns management is a cornerstone for retailers in today's competitive market. Even if an item is in vogue, pristine, and boasts a lucrative margin, the expenses tied to its return can eclipse its [potential resale value](#)¹. Retailers are tasked with the intricate balance of offsetting processing costs against the anticipated recovery value before greenlighting a return.

However, in the midst of these challenges, major retailers have unlocked a strategic approach: allowing customers to retain certain items instead of returning them. This tactic is especially common for low-cost items. For instance, understanding that the expenses of shipping and processing often surpass the item's worth, **27%** of retailers deem items priced up to \$20 as suitable for "keep it" policies. This strategy not only curtails logistical expenses but also bolsters customer loyalty and trust. A notable **59%** of retailers indicated in our survey that they have adopted such "keep it" policies for returns that aren't financially viable to ship back.

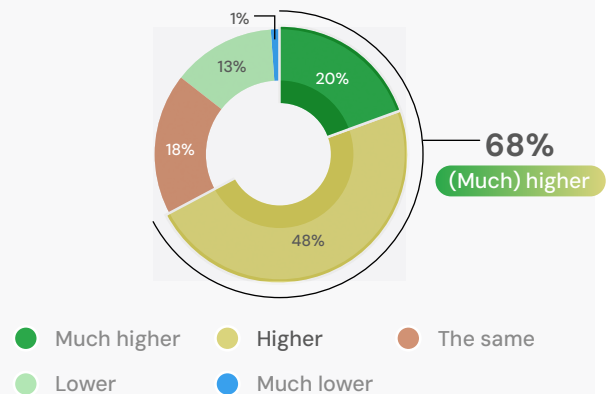
With **68%** of retailers claiming that their inventory levels are currently (much) higher than they were last year, the keep it strategy can help them reduce oversupply issues.

¹ Source: ReturnPro, Product Returns Processing: 5 Attributes to Identify Returns Worth Touching (<https://www.ReturnPro.com/post/product-returns-processing-5-attributes-to-identify-returns-worth-touching>)

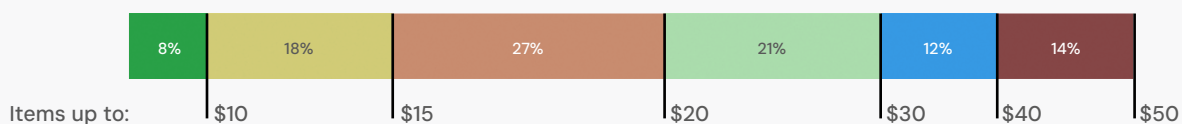
Does your company offer "keep it" services for returns that are not economical to ship back?



Are your overall inventory levels higher or lower than they were last year?



What is the item value threshold for returns that you will refund and allow your customers to keep instead of requiring them to ship back?

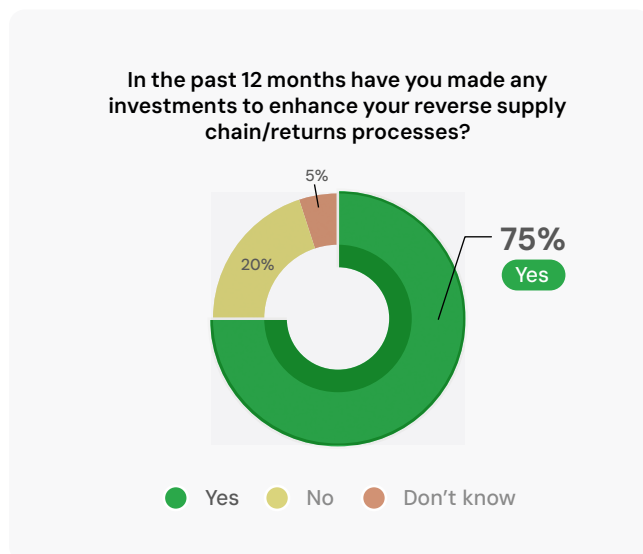
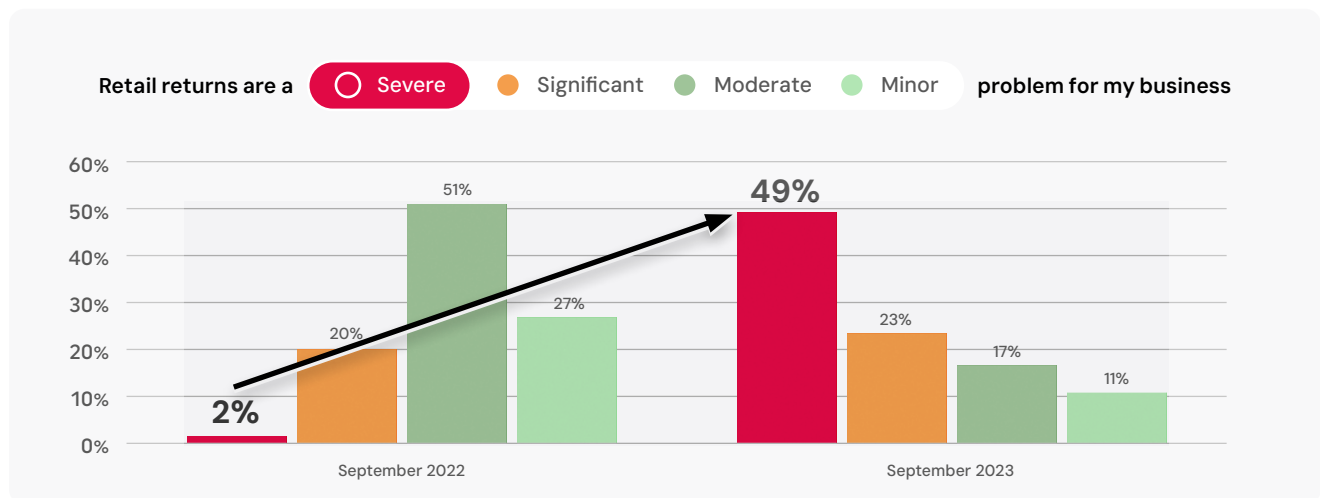


Return Costs Are Rising, but Retailers Are Prepared

The challenge of retail returns has escalated over the years. **49%** of the retailers now find returns to be a severe problem, especially during the holiday season. This sentiment has grown, by a whopping nearly 3000 percent, since September 2022, when about only **2%** of retailers indicated this was a severe issue. The increasing volume of online shopping, coupled with the ease of return policies, has contributed to this trend.

However, retailers are not sitting idle. **75%** have invested in enhancing their returns processes in the past year, with most investing between **\$1 million and \$5 million**. Even more telling, **90%** shared that they have increased their investments in this area compared to the previous year.

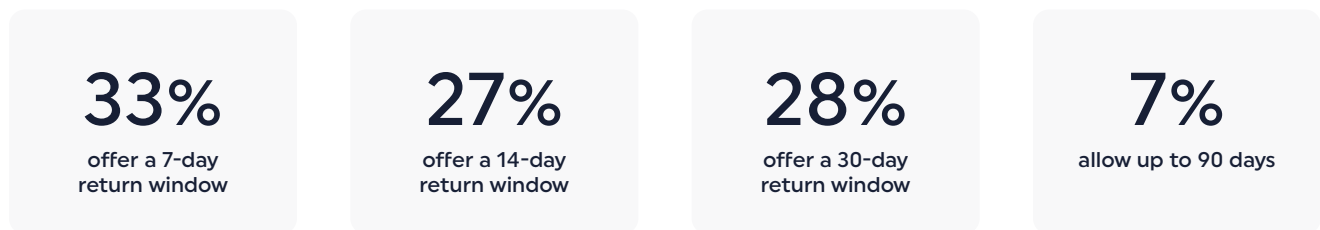
These investments range from advanced return management systems to customer education on return policies.



Setting Consumer Expectations for Returns This Holiday Season

The landscape of returns is changing rapidly. Consumers should be prepared for shorter return windows, with **42%** of retailers planning to reduce them for the holidays.

Breakdown of Return Policies from Retailers



These changes reflect the retailers' need to manage inventory efficiently and reduce holding costs.

Moreover, the cost of returns is now often shared with consumers. In the past year, **half of the retailers** have introduced fees for returns. This trend is growing, with **40%** having shortened their return windows and nearly half implementing return fees for the first time in the last 12 months. While this may initially seem unfavorable to consumers, it's a necessary step for retailers to maintain profitability and offer competitive prices.

What changes have you made to your returns policy in the past 12 months?*



*Some retailers indicated that they made multiple changes to their returns policy.

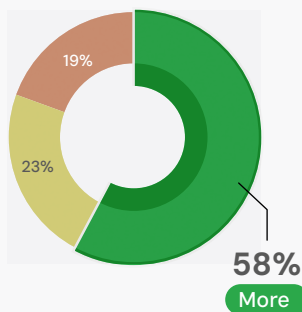


High-Spend, High-Return Holiday Predictions

Despite economic challenges, retailers are optimistic about the holiday season. In fact, **31%** of them indicated that by August they had already started their promotions. The use of Buy Now, Pay Later (BNPL) services is also expected to remain popular, with **84%** of retailers predicting consumers will use these services at the same or increased rates. The convenience and flexibility offered by BNPL services have made them a favorite among holiday shoppers.

However, with increased spending comes increased returns, and **81%** of retailers expect the same or more returns compared to the previous year. This correlation underscores the importance of efficient return management during high-spend seasons.

Do you anticipate more or less holiday returns this coming season compared to last year?



- More
- The Same
- Less



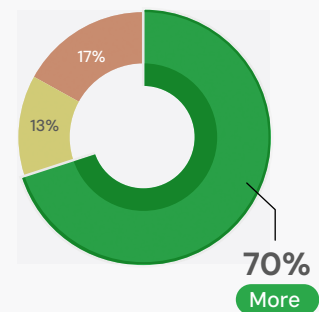
Apple Pay

Klarna.

affirm

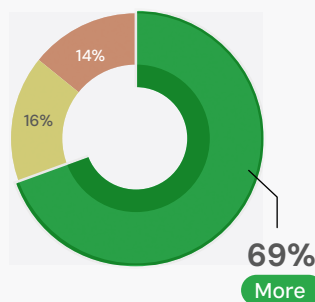
PayPal

Do you anticipate more or less total holiday season consumer spending this coming season compared to last year?



- More
- The Same
- Less

Given continued economic uncertainties, how do you anticipate consumers using Buy Now, Pay Later (BNPL) services compared to last year?



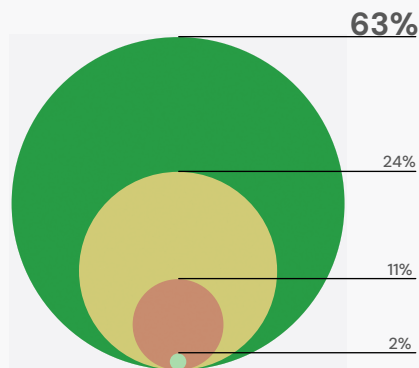
- More this year compared to last year
- Less this year compared to last year
- The same this year compared last year



Cross-Retailer Partnerships: A Unique Solution to the \$816 Billion Retail Returns Issue?

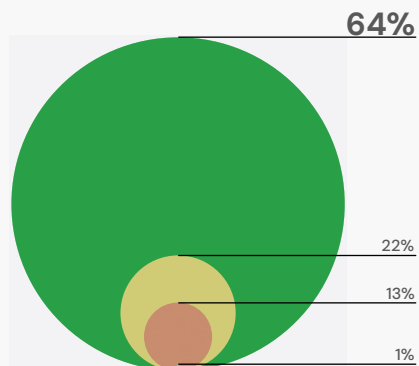
The staggering \$816 billion retail returns dilemma could be addressed through innovative cross-retailer collaborations. Such partnerships would empower brands, especially digitally native ones, to direct customers to nearby physical stores for returns or customer service, offering more convenient drop-off points. These locations could act as mini-consolidation hubs, reducing the hefty costs brands face when customers ship items back individually. Smaller brands gain increased visibility across various locations, while stores enjoy boosted foot traffic, potentially leading to additional sales.

Currently, only **10%** of retailers collaborate with other brands to streamline returns. However, there's potential for growth in this area, as **63%** of retailers are considering such partnerships to offer more convenient return drop-off options. Such collaborations could enhance the return experience for consumers, offering them multiple drop-off points and faster processing. Moreover, by sharing the logistical burden, retailers can significantly reduce the costs associated with returns.



Would you ever consider partnering with another retailer to accept returns from your brand so that your customers have the convenience of additional drop-off options for their returns?

- Yes
- No
- Already do this
- Don't know



Conversely, would you ever consider partnering with another retailer to accept returns on behalf of their brand so that their customers have additional drop-off options for their returns and you receive additional foot traffic to your store(s)?

- Yes
- No
- Already do this
- Don't know

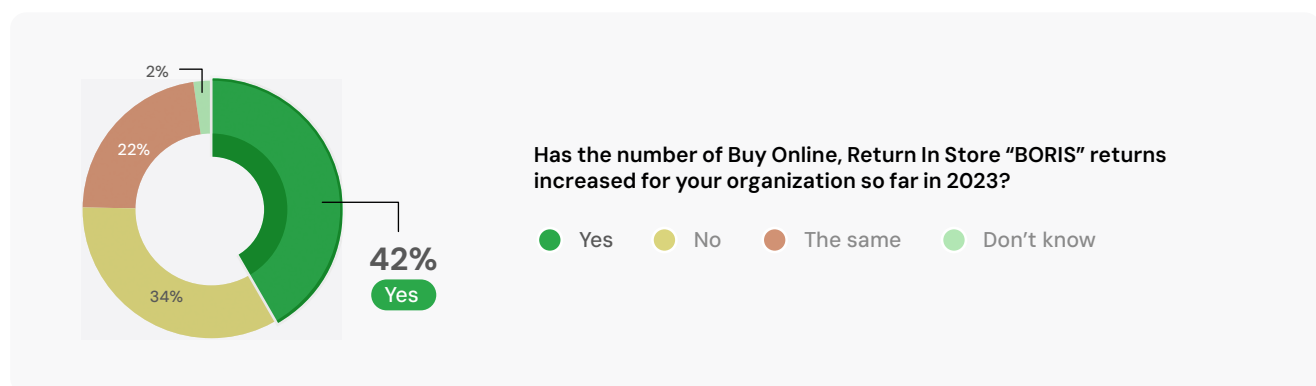
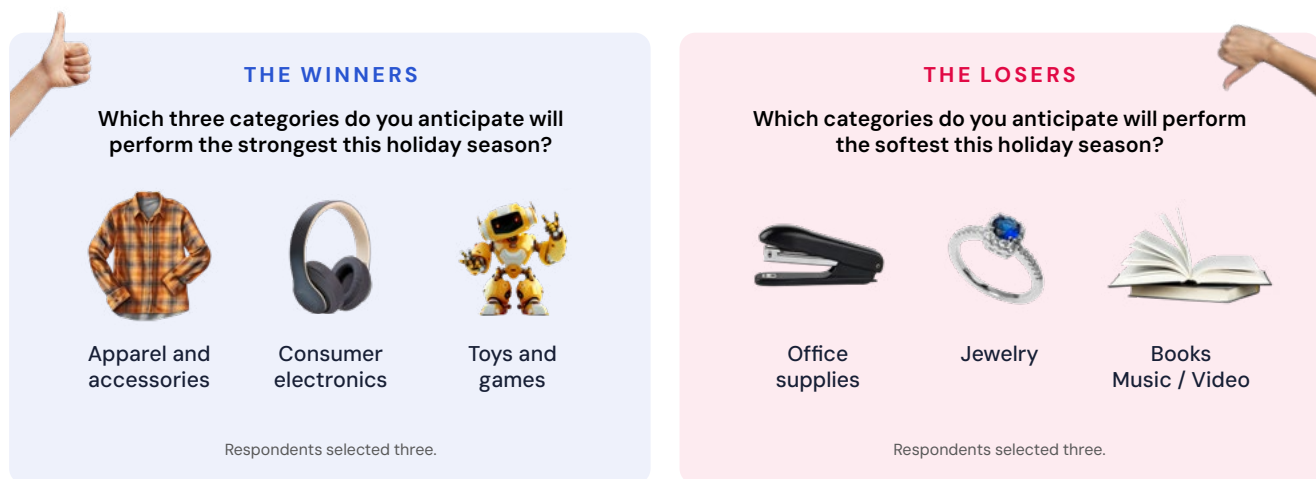
Winners and Losers

During the festive season, seasonal items take center stage, with certain categories outshining others, either as popular gifts or due to the specific desires associated with that time of year. Despite the looming shadow of inflation, it's noteworthy that it hasn't dampened retail expectations. A majority of retailers (**70%**) anticipate more total consumer spending this holiday season compared to last year.

Among the myriad of products available, respondents shared that apparel and accessories, consumer electronics, and toys and games will be the frontrunners in sales this holiday season.

On the flip side, when considering returns, retailers are gearing up with strategic incentivization. Under this model, customers can enjoy free returns if they act within a specified timeframe, but face charges if they exceed that window. This clever strategy not only expedites the return process but also provides retailers with a crucial advantage — extra time to resell the item before it requires markdowns, a particularly vital consideration for seasonal merchandise.

Furthermore, many are promoting the "Buy Online, Return In Store" (BORIS) approach, not just to streamline returns but also to drive foot traffic into physical stores during the holiday rush, capitalizing on the festive shopping spirit. Currently, **42%** of retailers have observed an increase in BORIS, and **48%** indicated that they are strategizing to encourage this behavior during the holiday season.



Conclusion

The 2023 holiday season is set to witness a dynamic retail environment. With rising return costs, changing return policies, and the challenges of shipping, both retailers and consumers need to be adaptable.

Retailers are innovating with strategies like "keep it" services and considering cross-retailer partnerships. As consumers navigate this landscape, understanding these trends will be key to a smooth shopping experience. By staying informed and adaptable, both retailers and consumers can make the most of the holiday season.



About ReturnPro

For over 15 years, ReturnPro (formerly ReturnPro) has led the way in returns management, offering advanced software and reverse supply chain solutions for retailers and brands. Managing around 40 million units annually, we provide unmatched visibility throughout the returns process and maximize recovery.

Our custom returns solutions feature dynamic reason codes, flexible drop-off options, and the ability to offer exchanges, refunds, or keep-it services based on costs. Items are quickly directed to the nearest returns center for value enhancement and resale. Our system ensures the most cost-effective path for each item and reintegrates them into the retailer's supply chain.

ReturnPro's all-in-one software and supply chain solutions set us apart, making us the go-to returns management partner for retailers. We don't just manage returns, we solve them.



Are returns a problem for your business?

Schedule a call with one of our returns experts today
to see how ReturnPro can help you solve returns.