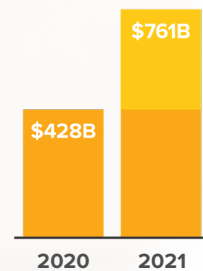


2022 State of Returns: How Good Returns Processes are Driving Customer Loyalty—and Revenue

AN ANALYSIS BASED ON RESEARCH WITH 100 RETAIL LEADERS
MARCH 2022



According to the NRF, the amount of merchandise returned between 2020 and 2021 in the US alone jumped by 178% —from \$428B to a whopping \$761B¹. With no sign of slowing down, this rise in returns, much of it due to the ecommerce boom of recent years, is a factor retailers can no longer ignore. And they shouldn't; they should embrace it.



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While retailers have indicated that they are seeing an increase in items returned to stores and online, the upside is that it also provides them with additional opportunities to connect further with customers and provide a positive experience.

NRF's VP of Research Development and Industry Analysis, Mark Mathews.²

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The research agrees. An Optoro study from 2018 found that **97% of consumers will shop with a retailer again after having a positive returns experience.**³ But, are retailers adopting that attitude? Optoro partnered with Retail Dive's studioID to survey 100 leaders at mid to large-sized, U.S.-based retailers to understand their biggest business priorities for 2022 and how they currently view returns as part of their strategies to acquire and retain customers—and drive growth.

1 "Retail Returns Increased to \$761 Billion in 2021 as a Result of Overall Sales Growth," NRF, 2022.

2 "Retail Returns Increased to \$761 Billion in 2021 as a Result of Overall Sales Growth," NRF, 2022.

3 "Retail Returns and the Customer Experience," Optoro, 2018.

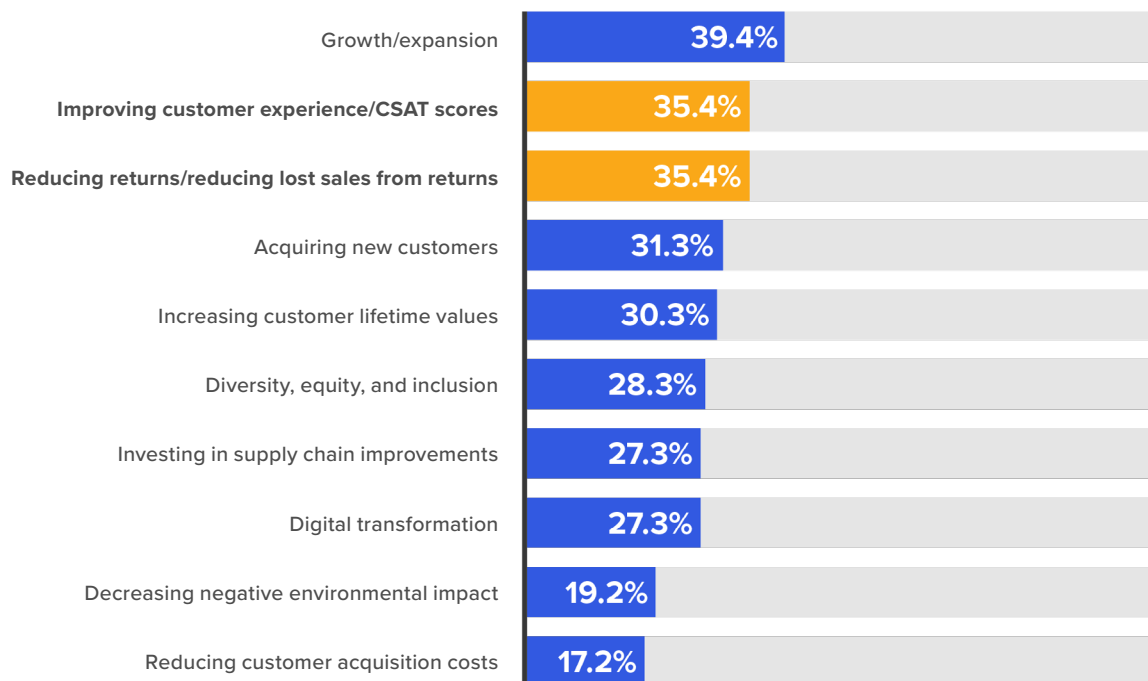
Ecommerce Expansion Shifts Retail Priorities

Three years ago, if you asked a retailer about their biggest business priorities, customer acquisition was likely at the top of that list. Since then, costs to acquire customers have rapidly increased as more DTC retailers flood the market and advertising spend continues to rise.

Rather than face growing acquisition costs, retailers have instead started to look for ways to retain the customers they already have. And as more consumers become returners, returns are now an almost inevitable part of the shopping experience—and one that is critical to customer loyalty.

As of February 2022, improving the customer experience and reducing returns and/or reducing lost sales from returns are tied as the second highest priority for retailers at 35.4% each.⁴ For likely the first time, **retailers are now prioritizing the optimization of their returns strategies over acquiring customers.**

RETAILER PRIORITIES IN 2022



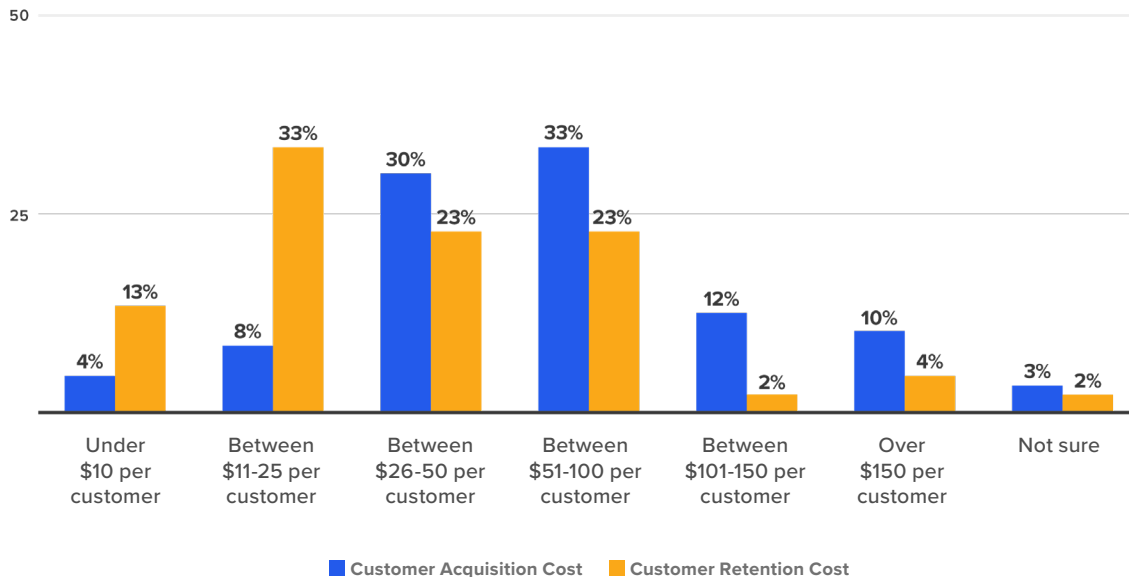
⁴ "Understanding How Retailers are Navigating Returns," Retail Dive's StudioID & Optoro, 2022.

Retention is the New Acquisition

According to a recent Shopify study, retailers are spending more and gaining less.⁵ The cost per click for paid search ads alone increased by 15% between the second and third quarters of 2021⁶, leading many retailers to look for new ways to win over consumers.

According to our research, most retailers spend between \$51-\$100 per customer on acquisition, and only \$11-\$25 per customer on retention, **which means retailers are spending an average of 319% MORE to acquire customers than to retain them.**⁷

What is your organization's average cost to acquire new customers vs retain customers?



Returns: Retailers' Secret to Keep Customers Returning for More

Knowing it costs significantly less to retain a customer than to acquire one, a new question emerges: **how can retailers increase their retention efforts while still keeping costs down?**

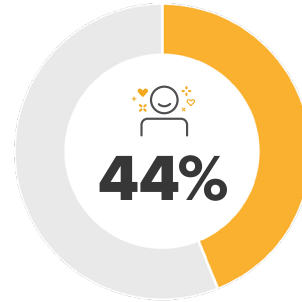
⁵ "The Future of Commerce Trend Report," Shopify, 2022.

⁶ "Digital 2021 October Global Statshot Report," Datareportal, 2021.

⁷ "Understanding How Retailers are Navigating Returns," Retail Dive's StudiID & Optoro, 2022.

The answer: returns.

Having a great returns process is key to creating a shopping experience that keeps customers coming back. Why? Because retailers' most frequent shoppers are also their most frequent returners. In fact, **44% of respondents reported that customers who often make returns exhibit higher lifetime value** (LTV) than their less-frequent returning counterparts.⁸



of respondents reported customers who often make returns exhibit higher lifetime value

The last thing retailers want to do is alienate these valuable shoppers with a cumbersome returns experience that costs their business—and potentially the brand's reputation—with whomever they tell about it.

Retain Revenue and Customer Satisfaction

For many retailers, old school returns spell disappointment for buyers and lost revenue for bottom lines. But it doesn't have to be that way. Instead, retailers should view returns as an opportunity to flip a failed purchase into a new shopping experience that benefits both parties.

For nearly 60% of retailers surveyed, it takes somewhere between **3-7 days for customers who made a return to receive their refunds.**⁹ While that may not seem like much time, it's enough to make returners think twice before parting with their money again to make another purchase.

Rather than solely offer refunds, retailers should consider implementing instant exchange options, providing customers with immediate store credit and encouraging an exchange of the incorrect item. Instant exchanges provide advantages for both the retailer and the returner, creating a mutually beneficial experience. How?

- Customers can replace the frustration of buying the “wrong” product with the satisfaction of a successful purchase, turning a previously lousy experience into one that builds loyalty.
- Retailers can retain the revenue of a returner's existing purchase, while also increasing the chances they shop again in the future.

⁸ “Understanding How Retailers are Navigating Returns,” Retail Dive's StudioID & Optoro, 2022.

⁹ “Understanding How Retailers are Navigating Returns,” Retail Dive's StudioID & Optoro, 2022.

The value of using returns to create win-win outcomes is not lost on retailers—**79% of those surveyed agreed instant exchanges would provide their organization with a competitive advantage.**¹⁰



79%

agree instant exchanges are a competitive advantage

A Return on Investment

Most savvy retailers understand that a positive returns experience leads to a positive return on investment. **In fact, 75% of retailers who have invested in returns reported experiencing a higher return on investment with returns technology compared to other technologies that improve the customer experience** (i.e. personalization technology, product recommendation engines).¹¹

So, where are retailers investing this year, and how have those investments changed from years past? Compared to the responses we received after asking the same questions to a similar group in February of 2021, retailers' investment in improving their returns has skyrocketed.

The Impact on Customer Loyalty

In 2021, the majority of retailers (54%) had no plans to invest in a self-service online returns portal for their customers.¹² This year, 22% of retailers have already invested in one, with an additional 47% planning to—that means **69% percent of retailers surveyed will likely have an online returns portal by the end of the year.**¹³

Similarly, 64% of respondents in 2021 had no plans to invest in new third party drop-off locations for customers to return packageless items (i.e. the Amazon and Kohl's partnership).¹⁴ Fast forward to now, 40% of retailers indicate they plan to invest in this returns method, with 25% having already done so—**meaning 65% of retailers will offer an option for customers to return their items to a new drop-off location by the end of the year.**¹⁵

This represents a significant change and signals a quick move from old-fashioned returns methods, like calling into customer service asking for an RMA, to more streamlined and modern returns initiation that meets customers' expectations. Soon, retailers who don't offer an easy-to-use online returns portal will be in the minority—and may lose customers to ones who do.

¹⁰ "Understanding How Retailers are Navigating Returns," Retail Dive's StudioID & Optoro, 2022.

¹¹ "Understanding How Retailers are Navigating Returns," Retail Dive's StudioID & Optoro, 2022.

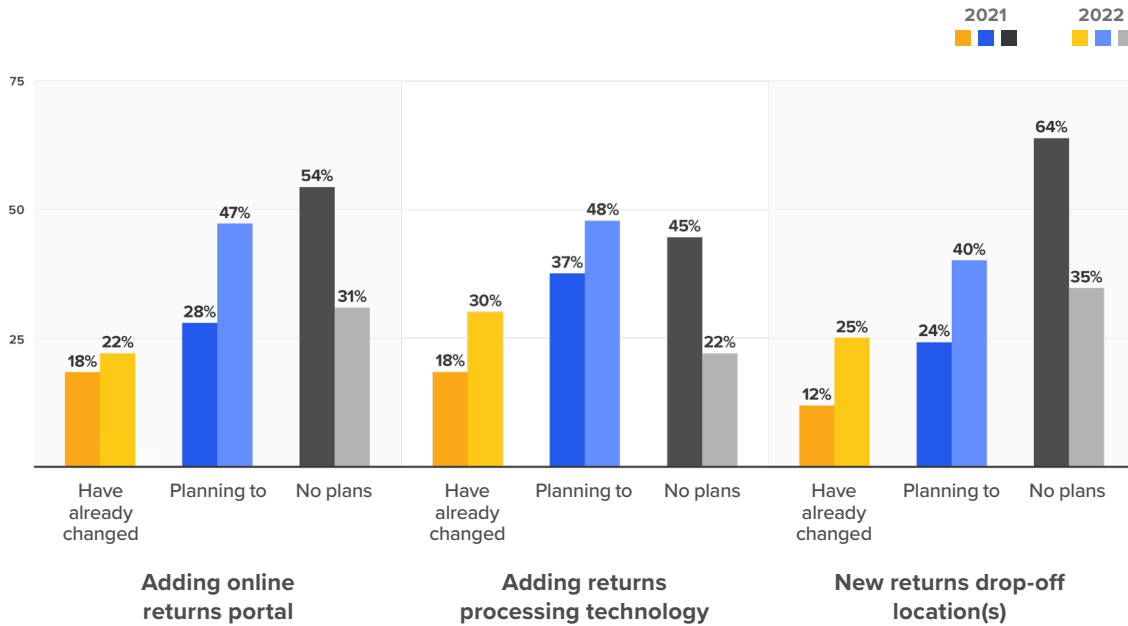
¹² "Understanding How Retailers are Navigating Returns," Retail Dive's StudioID & Optoro, 2022.

¹³ "Understanding How Retailers are Navigating Returns," Retail Dive's StudioID & Optoro, 2022.

¹⁴ "How To Drive Customer Loyalty And Revenue Through Enhanced Returns Experiences: 3 Tips for 2021," Optoro, 2021.

¹⁵ "Understanding How Retailers are Navigating Returns," Retail Dive's StudioID & Optoro, 2022.

Is your organization planning to change your customer experience returns strategy in any of the following ways?



The Impact on Retailers’ Bottom Lines

Just a year ago, 45% of retailers had no plans on investing in technology that would automate returns processing, which allows retailers to route in-demand items quickly back to stock and into the hands of new customers.¹⁶

Today, 30% of retailers have already invested in returns processing technology, and 48% plan to implement it, totaling **78% of respondents having returns processing technology by the end of the year.**¹⁷

¹⁶ “How To Drive Customer Loyalty And Revenue Through Enhanced Returns Experiences: 3 Tips for 2021,” Optoro, 2021

¹⁷ “Understanding How Retailers are Navigating Returns,” Retail Dive’s StudioID & Optoro, 2022.

Conclusion

As ecommerce sales continue to increase, retailers are finally realizing the urgency of creating a returns process that benefits both buyers and their bottom lines. By investing in technologies that create an easy, self-service experience, improve processing, and get items back in stock and onto the next sale, retailers can rely on returns as their secret weapon for retaining both customers and revenue.



Optoro is the leading provider of returns technology for retailers and brands, using data and real-time decision making to make returns better for customers, retailers, and the planet. From an easy online customer returns portal, to warehouse processing and resale, we offer powerful solutions to improve outcomes across all points in the returns process. Retailers and brands— including Best Buy, IKEA, Target, and Staples—trust Optoro’s solution to make returns a strategic advantage for their business and enable sustainability initiatives across their supply chain.

Learn more about Optoro’s solutions at www.optoro.com