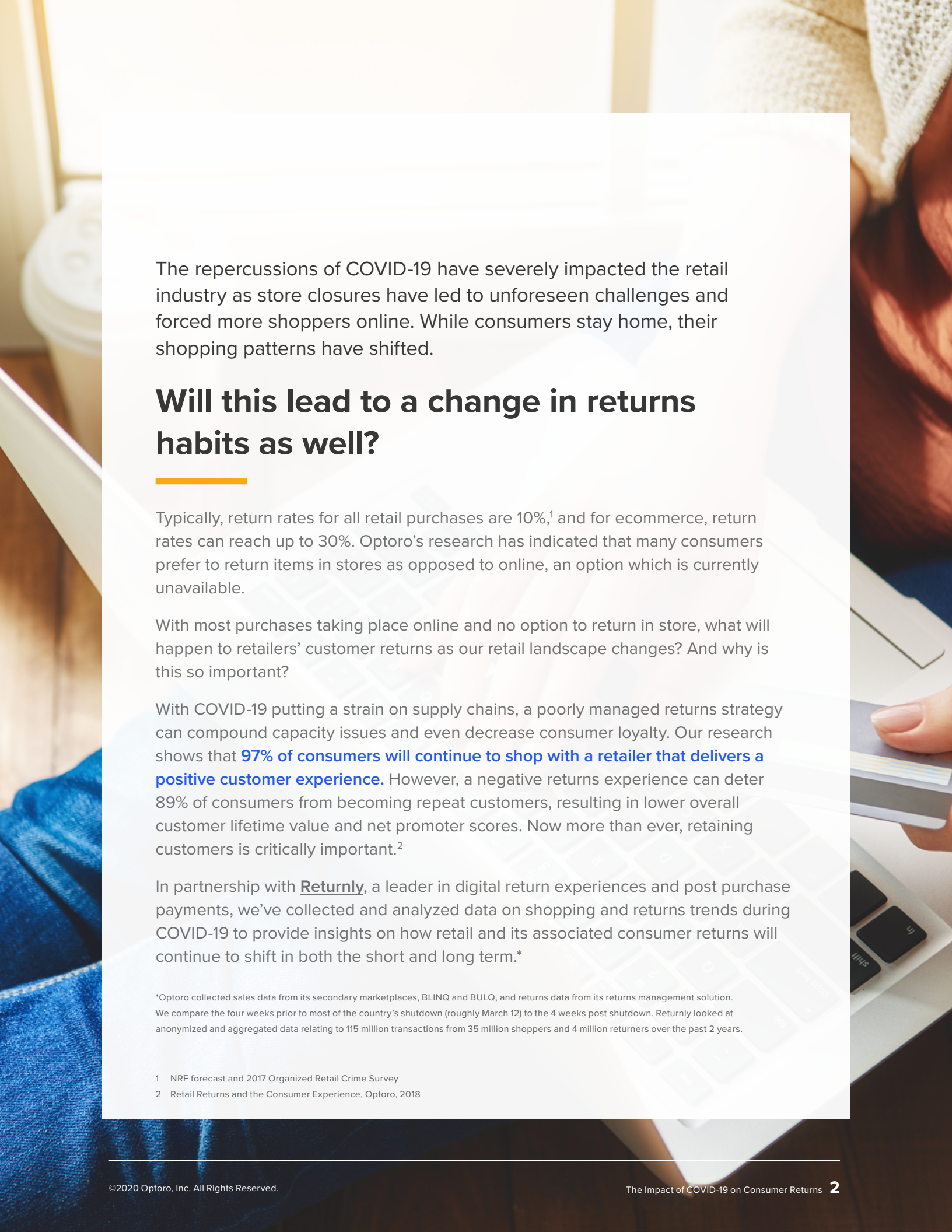


The Impact of COVID-19 on Consumer Returns

DATA REPORT

MAY 2020





The repercussions of COVID-19 have severely impacted the retail industry as store closures have led to unforeseen challenges and forced more shoppers online. While consumers stay home, their shopping patterns have shifted.

Will this lead to a change in returns habits as well?

Typically, return rates for all retail purchases are 10%,¹ and for ecommerce, return rates can reach up to 30%. Optoro's research has indicated that many consumers prefer to return items in stores as opposed to online, an option which is currently unavailable.

With most purchases taking place online and no option to return in store, what will happen to retailers' customer returns as our retail landscape changes? And why is this so important?

With COVID-19 putting a strain on supply chains, a poorly managed returns strategy can compound capacity issues and even decrease consumer loyalty. Our research shows that **97% of consumers will continue to shop with a retailer that delivers a positive customer experience**. However, a negative returns experience can deter 89% of consumers from becoming repeat customers, resulting in lower overall customer lifetime value and net promoter scores. Now more than ever, retaining customers is critically important.²

In partnership with **Returnly**, a leader in digital return experiences and post purchase payments, we've collected and analyzed data on shopping and returns trends during COVID-19 to provide insights on how retail and its associated consumer returns will continue to shift in both the short and long term.*

*Optoro collected sales data from its secondary marketplaces, BLINQ and BULQ, and returns data from its returns management solution. We compare the four weeks prior to most of the country's shutdown (roughly March 12) to the 4 weeks post shutdown. Returnly looked at anonymized and aggregated data relating to 115 million transactions from 35 million shoppers and 4 million returners over the past 2 years.

1 NRF forecast and 2017 Organized Retail Crime Survey

2 Retail Returns and the Consumer Experience, Optoro, 2018

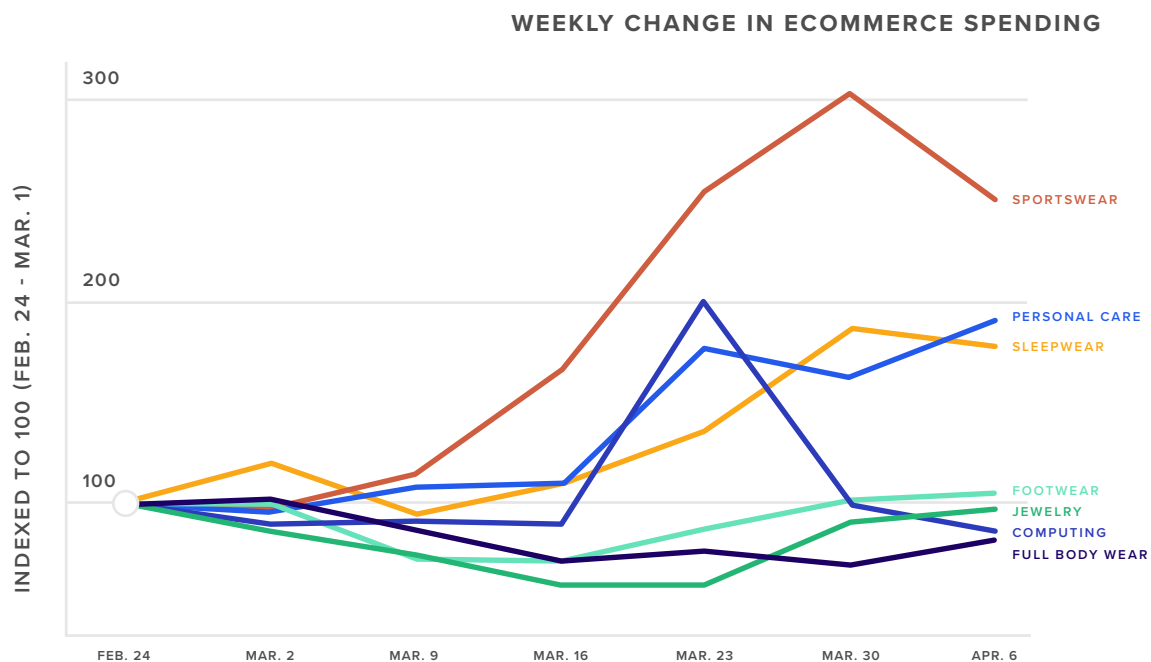
Shifting Ecommerce Sales

While many of the news cycles paint a negative picture of the current state of retail, our data indicates that consumers are still shopping—they are just shopping differently. Demand on Optoro's online proprietary marketplaces, [BLINQ](#) and [BULQ](#), is up, and we have seen a change in sell-through rates by category.

During this period of social distancing, shoppers are buying items that they can use while they are staying at home. We have seen a particular increase in:

- ↑ Toys & baby items
- ↑ Consumer electronics such as tablets, laptops and smartwatches
- ↑ Home items like cleaning supplies and kitchen appliances
- ↑ Health and beauty

Returnly's findings are similar; they have seen a significant [increase in volume for homegoods, sportswear, sleepwear, and beauty, ranging from +20% to 70%.](#)



While we can't predict when this situation will end, Returnly has seen ecommerce sales numbers increasing since the beginning of April and predicts that we could possibly see May numbers reaching that of last year's. However, we expect the share of the different industry segments to be quite different from last year's.

How Retailers Can Adjust Right Now

With certain categories of inventory not selling at their typical volumes, many retailers may be stuck with excess goods from lower performing categories. Expanding selling channels to maximize the chances of this excess inventory being sold quickly by tapping into online resale channels and secondary markets can alleviate this. Purchasing items via online resale channels can also appeal to shoppers who may be more budget-conscious during tougher economic times.



INSIGHT

Retailers who invest in optimizing resale channels now will see benefits in the long-term with improved recovery margins.

Shifting Retail Returns

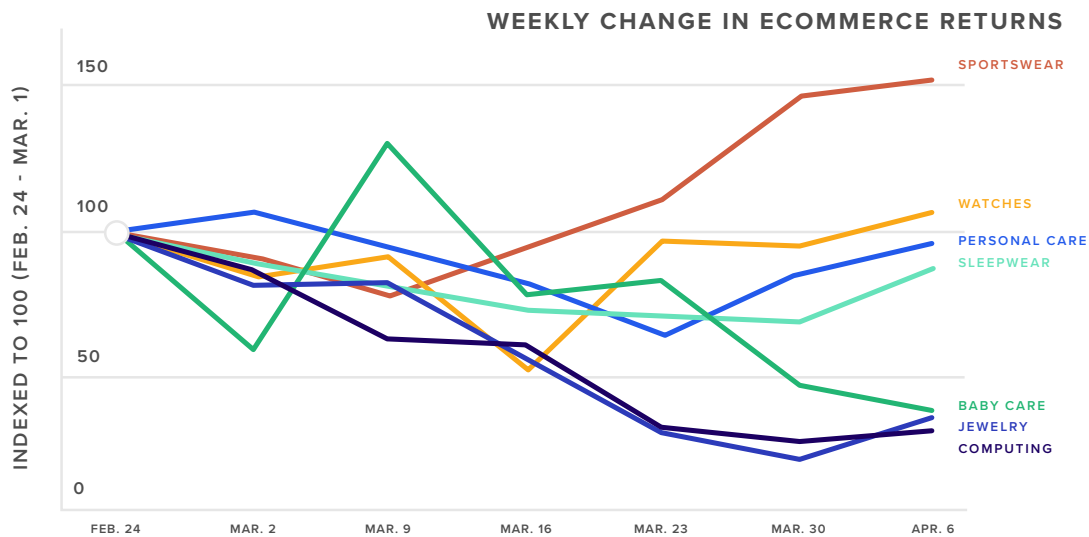
With shopping patterns disrupted, we can expect that returns patterns will be as well. Among the returns plowing through our [returns management solution](#), we have seen a **20% decrease in average weekly returns volumes** over the last 4 weeks. Store closures, supply chain disruption, and limits on labor are all factors in this decline, and will likely continue until things normalize.

Returnly had similar findings; while ecommerce spending remained relatively steady due to some categories increasing, **ecommerce return rates fell by 21% in the weeks following mandated shutdowns.**³

In previous years, Returnly saw return rates stay flat or increase during the same time period. This may be because, now more than ever, product returns are a source of stress for consumers. To return a product, consumers have to have the supplies on hand to ship from their home, or have to take on the added risk of visiting their local shipping store. Another reason for the decline might be that many retailers have extended their returns windows to up to 90 days to alleviate the pressure consumers face when making a return.

But what is still being returned during the isolation period? Athleisurewear/sports-wear sales are up, and as a result so are their return rates. Despite increases in sales, consumers are not returning computers and computer accessories needed to do their job at home. Yet...

³ Calculated by looking at return rates from Returnly clients from February 4 to February 23, 2020 vs March 11 to March 29, 2020.



How Retailers Can Adjust Right Now

During times of uncertainty, retailers need to do all they can to retain existing consumers. The returns experience should be considered a key part of any consumer loyalty strategy. In fact, **42% of consumers had a returns experience that was so negative, they decided to never shop with that retailer again.**⁴ To that end, it is more important than ever to create a positive online returns experience.



INSIGHT

We recommend offering an online returns portal that makes it easy for customers to initiate returns, as well as flexible and convenient returns drop-off locations with contact-reducing measures in mind for those who are still trying to return their items. In addition, retailers with physical stores should consider extending return windows until at least 30 days after stores reopen.

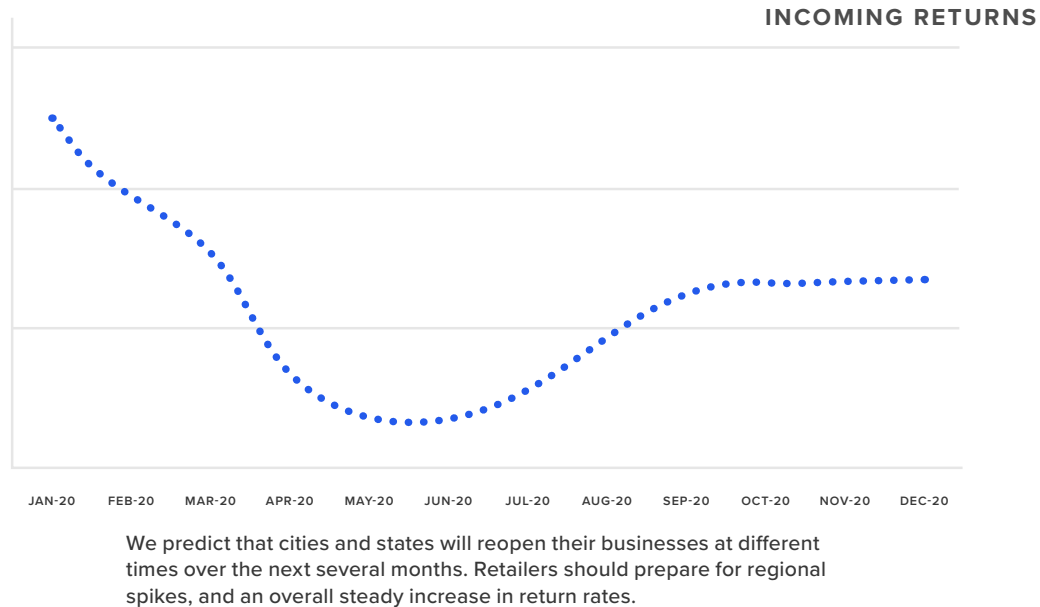
This will encourage consumers to buy now without the worry of not being able to return their item if it doesn't work out, and also will foster increased loyalty.

How Retailers Can Prepare for the Rest of the Year

Stores will eventually reopen and supply chains will resume operations. Using our assumption that brick-and-mortar stores will start to open in early summer across the nation, we project an increase in returns over the summer, and a flattening in the

⁴ Consumer Survey, Optoro, 2019

fall. Retailers can expect regional surges as different cities and states reopen businesses at different times over the next few months.



Retailers will need to prepare for a potential regional spike in returns once stores reopen, and they'll also need to prepare for a possible slowdown in both forward sales revenue and returns for the remainder of the year due to economic impacts.

Surviving Store Reopenings

Once stores reopen, processing regional surges in returns will be a challenge if not managed now. It is important to develop strategies to streamline that increase when it eventually happens. Retailers with stores may face customer frustration from long returns lines and transaction time with store associates due to lingering health concerns. Clearance sections could easily become disorganized and back rooms could be overwhelmed with inventory. If returns pile up in back rooms, they can depreciate in value, become out of season, and have an increased likelihood of being sent to a landfill.

Investing in or outsourcing proper returns management can help retailers navigate these challenges. Returns technology solutions offer quick and easy-to-follow workflows for store associates to accept store returns and for store and warehouse associates to process returns, route them to their next destination, and recover maximum revenue.



Conclusion

The retail industry likely won't return to normal anytime soon—we will need to adjust to our 'new normal' for the remainder of 2020, and possibly even longer. Retailers will be forced to develop new plans to adjust to shifting sales trends and the inevitable returns that come as a result. Getting ahead of this by setting strategies for improving consumer loyalty through the returns experience and recovering revenue through proper returns management can set retailers up for success in 2020 and beyond.



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, Optoro offers one unified platform 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



Returnly is the leading provider of digital return experiences for direct-to-consumer brands. Returnly is the only return solution that lets customers get the right item before returning the wrong one. The result is a world-class shopping experience with an average consumer satisfaction score (CSAT) of 91%.

Returnly has also developed a turn-key solution around its financial technology that includes returns management tools as well as hosted and fully brandable end-customer touchpoints like package tracking, online returns and exchanges and Green Returns.

To learn more about Returnly’s solutions, please visit www.returnly.com

In 2019, Optoro partnered with Returnly to offer a best-in-class returns experience solution to enterprise eCommerce brands, unlocking unprecedented growth opportunities for retailers.