

Three Magic Moments for Creating Loyal Customers

How Returns Can Drive Growth This Holiday Season

WHITE PAPER
SEPTEMBER 2020



The 3 Magic Moments to Improve Your Online Return Experience This Holiday Season

It's no secret that delivering a positive customer experience will create loyal shoppers that keep coming back...and spending more! And with more shoppers moving online this year than ever before, it's critical to make a lasting impression in a highly competitive environment. In addition, with the upcoming holiday season in mind, many retailers are looking to find ways to provide an online customer experience that matches, or exceeds, that of in-person shopping.

We've found that **96% of consumers will return to purchase from a retailer after having a positive returns experience.**¹ What's even more important is the impact a well-designed returns experience can have on profit. By incentivizing customers to exchange items rather than just return them, retailers can see up to a **32% lift in average order value.**²

This holiday season we expect ecommerce sales to be at an all time high, which could lead to a corresponding spike in returns as **eCommerce returns rates can be up to 3x that of brick-and-mortar.**³ In order to deliver a positive returns experience that also drives holiday revenue, retailers need a holistic approach to improving outcomes at all points of the customer's return journey.

But where should retailers focus their energy? Optoro and Returnly have found that there are three key moments during a returns journey that have the most impact on customer loyalty and the retailers' bottom line; the moment a customer buys an item, the moment a customer initiates the return, and the moment the return enters a retailer's supply chain.

1 Retail Returns and the Consumer Experience, Optoro, 2018

2 Optoro + Returnly Client Performance Data & Analytics (2019/2020)

3 Invesp, <https://www.invesp.com/blog/ecommerce-product-return-rate-statistics/>

1

The moment a customer buys an item

Many retailers assume the return journey begins the moment a customer starts to initiate a return. But many times, that moment happens before a customer even purchases an item.

According to research, **67% of shoppers check the return policy before they even purchase an item.**⁴ And in a survey run this May, Optoro discovered that one third of consumers made a purchase as a result of extended return windows due to COVID-19 store closures.⁵ By offering a flexible return policy, retailers can ensure that they're not losing customers, and even capture additional ones.

What do customers look for in a returns policy?

FLEXIBLE RETURN WINDOWS

51% of consumers have been deterred from making a return based on a return policy being too strict.⁶ Some retailers, like Nordstrom, famously offer unlimited returns windows. And this year, we've started to see more and more retailers extending returns windows to account for COVID-19 store shutdowns.

The holiday season typically comes with increased spending, and increased returns as a result. Last holiday season, **66% of consumers Optoro surveyed returned at least one gift they received.**⁷ On top of a seasonal influx of returns, this year could bring increased complexity with potential store shutdowns and decreased warehouse labor due to social distancing requirements.

FREE RETURNS SHIPPING

Consumers also increasingly expect free shipping on returns. The National Retail Federation (NRF) reported that **47% of consumers said paying for return shipping fees would stop them from making a purchase.**⁸

Prior to the COVID-19 pandemic, **66% of consumers preferred to return purchases to stores.**⁹ As a result of the pandemic, half of consumers indicated that their preferred return method changed from in-store returns to online. If stores are closed this holiday season, or if consumers feel unsafe returning to stores, we can expect the amount of mailed-in returns to increase. With a significant number of consumers

4 Invesp, <https://www.invespcro.com/blog/ecommerce-product-return-rate-statistics/>

5 Optoro Consumer Survey, 2020.

6 Optoro Consumer Survey, 2019.

7 Optoro Consumer Survey, 2020.

8 Winter 2017/2018 Consumer View, NRF, 2018.

9 Optoro Consumer Survey, 2020.

expecting free returns, we suggest that all retailers offer them. Although free returns shipping costs more upfront, it ultimately pays off as it increases customer lifetime value.

2 The moment a customer initiates a return

Once your customer decides they'd like to return or exchange an item, it's likely they will hope for an easy and painless return initiation process. Most importantly, they'll want an easy way to return their item and a quick refund so that they can repurchase right away.

What can you do to exceed your customers' expectations?

CREDIT CUSTOMERS INSTANTLY

Receiving a quick refund is the most important reason why shoppers would prefer returning to a physical location, according to a survey Optoro conducted. But with a potential decrease in feasibility for store returns this holiday season, retailers will need to find a way to still provide that instant refund for online returns.

A customer-friendly online returns experience starts with an online portal for return initiation. Our research shows that **54% of consumers believe online returns portals have improved their returns experience.**¹⁰

To take it one step further, consider offering an instant credit as soon as a customer indicates on a portal that they'd like to make a return. Not only are you providing that customer instant gratification, but you're also increasing the chance that they will immediately repurchase from your company, rather than seeking out the item elsewhere. We've seen that this can save up to **3x the amount of sales**, as compared to shoppers who went through a traditional return refund experience.¹¹

PROVIDE A CONVENIENT RETURN METHOD

Once that customer initiates an item's return, they'll also be looking for convenient ways to drop it off. It's important to provide options that work for consumers in today's environment. For instance, while working from home, many consumers don't

¹⁰ Optoro Consumer Survey, 2019.

¹¹ Optoro + Returnly Client Performance Data & Analytics (2019/2020)

have access to a printer to print their return label, or don't have proper packing materials at their disposal.

To combat this, offer pre-printed labels in the box, or partner with a third-party location that allows customers to drop-off non-packaged items in a contactless way.

3 The moment the return enters your supply chain

Once retailers receive a returned item, there is an additional opportunity to improve the customer experience and add value. While many retailers view these returns as a costly misfortune of doing business, there are many ways for returns processing and management to add value through improved customer retention and acquisition. There are also many ways to recover the value of returned inventory by ensuring that it is sent to the most profitable channel, while incurring the least amount of operational cost. Today, many retailers rely on manual, antiquated and inflexible business rules to make these decisions, resulting in money left on the table and a lack of visibility into data and product insights.

What can you do to ensure you are maximizing value once an item is returned?

LEVERAGE DATA-DRIVEN DECISIONS

Replace manual and subjective decision-making by having a technology in place that optimally routes inventory to available channels based on attributes such as price, condition, seasonality, SKU depth and other key factors. **By automating these processes, items are quickly routed to the most profitable channel, freeing up valuable warehouse space.** Efficient returns routing can also reduce the amount of out-of-stock items, which decreases the chances that your customers will become frustrated by their chosen product being sold out.

UTILIZE ANALYTICS

By using a software that automates the returns process, retailers can track each return at the unit-level which offers previously untapped insights. Returns trends can be identified and even used to inform the forward supply chain. And finally, this improves the chances that a retailer can not only resell the item, instead of disposing or donating, but can do so at full price.



Conclusion

This holiday season will be filled with uncertainty and never before encountered challenges, but presents a clear opportunity for retailers to improve their processes, especially as they relate to returns, to be better positioned for success. Optimizing the online returns experience for customers, along with processing and recommerce improvements, will not only result in increased recovery on returned items, but it will also go a long way in fostering lifetime customer loyalty.



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.