



RETAILERS REACH THE POINT OF NO RETURNS

A new culture of regular returners is threatening to sink small businesses in Britain, as new research from ParcelHero shows returns are a ticking time bomb for traders as shoppers begin to fully exploit the extent of new consumer rights introduced in the last five years.





EXECUTIVE SUMMARY



Returns look set to break many smaller online businesses this year as the gap between retailer and customer expectation widens rapidly. ParcelHero has surveyed more than 1,000 businesses and interviewed hundreds of consumers to find out the impact of returns on retailers and shoppers. The shocking results reveal:

1. Half of all shoppers believe retailers should foot the bill for all returns, even if they have simply changed their minds about the purchase
2. Smaller online retailers say they are losing money on all returned items and cannot afford to cover return postage
3. Christmas returns alone look set to be the final straw for over 200 online retailers as returns made up 47% of all ParcelHero shipments in the first days of the New Year
4. The final nail in the coffin for small online retailers may be that 8% of shoppers admit to returning items several times a month
5. Over half of all shoppers who responded had been forced to return an item because it was faulty. Small wonder that 83% revealed they would be far more likely to shop again with a store that has a good returns policy
6. Some smaller retailers are forced to video the packing of their items to reduce return claims
7. Says Imogen Shurey, founder of Velvet Cave: 'People are so used to being able to return things to big stores easily and often free of charge so it's difficult to compete. For a company with a huge turnover the money lost doesn't make an impact but too many returns could spell the end for a small business.'
8. One fashion store department manager fears e-commerce, with its 14-day unwanted returns advantage, will one day kill off most High Street stores entirely: 'Some days we only have click and collect customers. I believe that any high street stores that do not close down will just be for customer service and collections; kind of like Argos.'

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RETURNS: THE TICKING TIME BOMB

A new culture of regular returners is threatening to sink small businesses in Britain. New research from ParcelHero shows returns are a ticking time bomb for traders as shoppers begin to fully exploit the extent of new consumer rights introduced in the last five years.

ParcelHero surveyed over 1,000 businesses and interviewed more than 400 consumers to find out the impact of returns on retailers and shoppers. The survey reveals half of all shoppers believe retailers should foot the bill for all returns, even if they have simply changed their minds about the purchase; while smaller online retailers explain they are losing money on every returned item and cannot afford to cover return postage, except when legally required on faulty items.

Christmas returns alone look set to be the final straw for over 200 online retailers with 47% of all ParcelHero shipments marked as returns in the first week of 2018.

Online businesses are facing a no-win decision between eating their share of more than £20bn returns costs, or risking the wrath of customers with high expectations created by retailers running scared of the power of negative online reviews. 81% of stores say they are very concerned by increasing levels of customer returns, but over half of consumers revealed return policies will “make or break the purchase”.

Stores which have been riding high on a healthy-looking profit from pre-Christmas sales are now facing plunging margins and warehouses filling with unsaleable stock, as January returns come rolling back in. Customer expectations and the financial

realities for smaller online e-commerce sites are becoming increasingly at odds. The final nail in the coffin for small online retailers may be that 8% of shoppers admitted to returning items several times a month!

Some online retailers disclosed to ParcelHero they were coping with return rates as high as 60% this Christmas, with most being accepted unconditionally in order to maintain their all-important five-star ratings. And these returns were being accepted despite the fact online orders cost retailers £3 more to process than physical sales

Small wonder some retailers revealed to ParcelHero they not only test every item they ship, but video the packing process as proof all the ordered items were sent, and correctly packaged.

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The impact of changing customer expectations about returns is not only on the UK's 10,000 active e-commerce sites: High Street fashion shops and department stores also revealed returns can make

the difference between a successful and a disastrous Christmas.

And the value of returns is also climbing steeply. SME retailers saw average return order values soar by 22% over January last year.

In the UK ecommerce accounts for less than a fifth of total retail sales. Yet the cost of returns for online businesses is a third of the UK's combined £60bn total.

Small online businesses told ParcelHero returns

cost them at least 13% more than High Street only stores because of the impact of the 14-day 'cooling off' period for products bought online under 2014's Consumer Contracts Regulations.

But consumers are growing increasingly impatient with online purchase problems. Over half of all shoppers have been forced to return an item because it was faulty. Perhaps it is no surprise that 83% revealed they would be far more likely to shop again with a store that has a good returns policy than one that is less enlightened.

GREAT CONSUMER EXPECTATIONS

ParcelHero's research reveals the trend for increasing returns not only shows no signs of reversing, but is actually increasing. And the ticking time bomb for smaller retailers is that half of consumers now expect the seller to pay for the cost of returning items, not just faulty goods, but unwanted orders as well.

A huge 50% of shoppers who responded to our survey said they expected the retailer to cover the cost of the return of an unwanted item, with only 45% saying it should be the buyer's responsibility to foot the return bill.

As we will see in this report, the thin margins most small e-commerce sites survive on means they will lose any profit on an item if it is returned. Customer expectations that they will meet the cost of return postage as well could put many smaller retailers out of business.

And 70% of all customers said they expected the retailer to pay for the return of an item for any other reason than it being simply unwanted. While this might cover black and white areas such as the return of faulty goods – which retailers must pay for by law – it also covers reasons such as the product not being

exactly as described or arriving later than advised.

Many smaller retailers are clearly struggling to keep up with rapidly changing customer attitudes on returns. And this could be a major oversight. More than 80% of consumers told ParcelHero they consider the returns policy prior to making a purchase, with more than half of them stating "it will make or break the purchase".



The cost of return items has become a significant burden for many smaller e-commerce businesses; 200 may close this year alone because of their impact.

On the other hand, only 6.9% of consumers said they never checked return options before buying.

And as a nation of shoppers, it seems we are increasingly comfortable with returning ever more items. 28% of shoppers told us they return items several times a year - with nearly 8% returning items several times a month!

Contrary to the fears of some retailers, only 6.4% of consumers actually confessed they had returned an

item because they had changed their mind, and only 10.4% admitted to buying clothes in various sizes and simply returning the ones that didn't fit. But with wafer thin margins for many online stores, even these figures will likely put several hundred e-commerce traders out of business this year.

And, disappointingly for all UK retailers large and small, over half of all shoppers had been forced to return an item because it was faulty – and that's clearly a percentage UK retailers need to reduce.

WHAT MAKES SHOPPER'S BLOOD BOIL?

From our sample of 400 consumers, by far their most common complaint was retailers not covering the cost of returns postage.

Items simply not meeting the product description or sent in the wrong size also made them see red. This cross customer's response was typical of many: 'My worst returns experience was buying a pair of

climbing shoes in my size but which the seller knew that particular make came up very small and didn't disclose that fact. The seller refused to accept the return.'

Returning items to China was also a major hassle for many. Said one respondent 'My worst experience was having to return a faulty item to China when a company was advertising themselves as a UK company. My best returns experience has been with CPC, they send a carrier back to you with completed paper work to collect the return item.

And one shopper who expects stores to pay for returning items because he changed his mind, is facing a particularly heavy returns bill. He told ParcelHero: 'My worst returns experience is having to pay to return dumbbells which weighed a total of 60kg because of unclear product description at Christmas time.'

With shoppers increasingly expecting free returns for any reason, and happy to abandon stores that don't offer a generous returns policy, how are retailers coming to terms with returns? And what is it reasonable for customers to expect?



While 50% of shoppers believe retailers should pay the cost of all returns, even for unwanted items, many online marketplace traders say they make a loss on every returned item.

WHO'S IN THE RIGHTS?

Returns are largely governed by two sets of regulations. The Consumer Contracts Regulation's 14 day 'cooling off period' – which only applies to online, phone and mail order purchases - and the 30-day faulty goods Consumer Rights Act which applies to all stores.

All retailers must foot the bill for damaged or faulty items returned within 30 days of purchase. But e-commerce sites are not required by law to stump up for the cost of return postage on items returned because the buyer has simply changed their mind and doesn't want the item.

If a customer paid for standard delivery when they bought an item, the seller must refund this if the item is returned. If the shopper chose a more expensive delivery option, the purchaser will have to swallow the difference.

Of course, there are many grey areas where consumers and retailers do not agree, for example on specially commissioned one-off items. For full information on the law concerning returns see ParcelHero's new guide to consumer law at parcelhero.com/returns





HOW DO RETURNS IMPACT ON DIFFERENT RETAIL SECTORS?

Napoleon once described Britain as 'a nation of shopkeepers'. That's a tradition that has continued and even grown in the era of the internet. The UK has a hugely varied retail industry, ranging from one-man online marketplace stores to 'brick and click' (online and physical stores) giants such as Tesco and John Lewis. Each sector is impacted by the rising levels of returns, with small e-commerce sites and High Street clothing stores being amongst the hardest hit.

SMALL E-COMMERCE TRADERS

Online marketplaces such as eBay and Etsy have created a whole new kind of retailer in the last 20 years, small and often niche web stores that have found a mass potential consumer base through online trading platforms. Many micro-businesses and one-man bands have been able to thrive using marketplaces eBay and Depop, or as an Amazon marketplace retailer. Overheads are significantly less for such stores, with far smaller wage bills and rents to pay; but their profit margins are generally significantly smaller, and often mean a loss on any returned item.

How do such stores react to the growing number of returns being made, and consumer expectations that they should foot the bill for all return postage? Many marketplace traders told us that an online order typically costs £3 more to process than a shop sale, and, with cut-throat competition between traders on many sites, that means any profit is gone when an item is returned even once.

As we have seen, retailers are not required by law to pay postage on items returned under the 14-day cooling off period of Consumer Contracts Regulations. But that doesn't stop customers from expecting it.

Imogen Shurey, who founded the online vintage clothing and handmade store Velvet Cave in 2009 says:

'As a small business it can be quite frustrating having to accept returns as:

a) the money may already be spent and

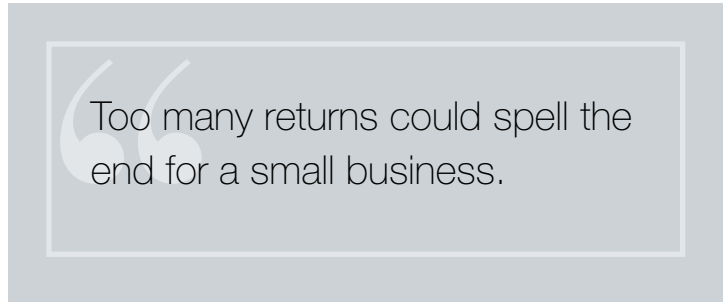
b) we don't really have the space to store stock (usually we make to order).

With exchanges, particularly from overseas, we end up losing money on shipping fees and that's without even offering free returns.'

Velvet Cave is one of those small online specialist traders really feeling the impact of returns becoming the new 'norm'. Imogen explains: 'People are so used to being able to return things to big stores easily and often free of charge so it's difficult to compete. For a company with a huge turnover the money lost doesn't make an impact but too many returns could spell the end for a small business.'

The online video game memorabilia site Gamerbilia.co.uk agrees the impact of returns is likely to be extremely damaging for smaller online retailers. Says founder Adam Brewer: 'They have the potential to be financially damaging because in some cases you can lose all your net profit on an order if the customer returns it.'

There is no doubt that Christmas returns hit small marketplace traders disproportionately, because their margins are so tight. Greg Milau from Outdoor Mancave told ParcelHero: 'January is by far the worst month for returns, consumers routinely decide to send back unwanted items or trade them in for something different.'



Too many returns could spell the end for a small business.

In fact, retailers as varied in products as model shop and web store Wonderland Models and supermarket giant Tesco confirmed to ParcelHero that January is their biggest month for returns.

How do small traders cope with returns? Charles Astwood of Pet Shop Runway says, 'Most small online marketplace retailers have little choice but to offer unequivocal free returns in order to maintain that all important five-star ranking'.



Damaged items are an inconvenience for consumers, who hate the hassle of rejecting deliveries and organising returns. 40% of shoppers admit to not bothering to refund items for a refund because of the bother involved – but if it's the retailer's fault they will not shop there again.

But there is evidence that smaller traders are thinking creatively in an effort to lessen the cost of returns. Reviewster's Rob Boirun says 'What I do is to treat this as an opportunity to cross sell or refer other items instead of a straight up return. Many customers are willing to try or get something else you offer if you just take the time to find out why they are returning the item in the first place. On average this saves about 50-60% on the return rate I have found.'

Rob reluctantly believes promoting return options is a good sales tool: 'Larger e-commerce sites will offer free returns to get more business, they can offer this because of large volume.' However, he believes free returns are simply beyond the budget of small online traders. 'Most smaller ecomm sites should charge for [no fault] returns'

Gamerbilla's Adam Brewer agrees and finds the thin margins on online products are frustrating his ability to offer all the positive selling options he would like: 'If we were able to offer free returns without costing ourselves too much money, we would definitely treat

it as a selling point as it would increase customers' inclination to buy from us (i.e. increase conversion rate).

But not all marketplace traders concede there is a positive result in promoting returns. Says Outdoor Mancave's Greg Milau: 'For an e-commerce site, returns are at best a selling point to steer clear of and at worst a lethal downward spiral. I don't mention them for fear of scaring off potential customers.'

SME E-COMMERCE RETAILERS

Small and medium sized pureplay online stores and businesses with a 'brick and click' combined shop and web site do seem to have a little more flexibility when it comes to profit margins. However, the majority ParcelHero spoke to agreed January returns still had a significant negative impact on their business.

Despite the cost of returns, Jim Milan of family run business Auto Accessories Garage is phlegmatic about their impact: 'At times, returns can create a loss for your business and those losses can tend to mount. But in my opinion, it's just the cost of doing business. The alternative, to either not offer returns at all or to have a restrictive return policy, will undoubtedly lead to unhappy customers, negative online reviews, and lost sales.'

Dorset based business The Present Finder – an online store selling unusual and imaginative gifts from giant prosecco glasses and remote-control wall climbing cars to microscopes for smartphones - agrees that returns can be a positive selling point: Kirsty Stead, Head of Customer Services explains: 'The Present Finder offers a generous returns policy, and it is an excellent USP for the company.'

Very many SME retailers say they can't afford to have such generous returns policies however – in spite of growing customer expectations. Gavin Crayton, who runs Customer Services at multichannel scale model specialists eModels, and Eoghan Logue, of Anderton's Music Mail Order Department, say their businesses simply can't cover the costs for a customer wanting to return an item that is not faulty. That's perhaps not a surprise considering the costs involved in shipping an item the size of a guitar for a small retailer.



“To either not offer returns at all or to have a restrictive return policy, will undoubtedly lead to unhappy customers, negative online reviews, and lost sales”

However, to Kirsty the key is to provide a service that keeps returns to an absolute minimum. 'Returns have always remained under 1%, with a record currently standing at 240 returns out of 34,000 parcels. The product selection process is rigorous, which greatly minimises the chance of products being returned due to faults, damages or quality and this clearly transpires through the figures. Consequently we've found customers are inclined to shop with us time and time again.'

Some SME online traders see returns as such a significant advantage that they publicize their returns policy. Sarah Fenwick of Mod and retro 60's clothing store Atom Retro explains: 'We sometimes advertise our returns policy. We offer a generous returns policy in order to attract business and also to ensure that our reviews are consistently good.'



On the other hand, some SME retailers go above and beyond the letter of the Consumer Contracts Regulation law. Andy from online only retailer Tredz Bikes explains his company offer a year-long refund offer. Confirming ‘January is the worst month for returns due to the Christmas returns’, Andy explains the conditions of the 365-day refund. Says Andy, customers ‘simply return the items to us in their original, resalable condition, and securely packaged, within 365 days of receipt.’

Clarifies Andy: ‘All goods must be returned complete, unused and in the same condition as received with the original box and packaging in an undamaged and resalable condition. No refund can be issued until the goods have been received and inspected by us, so there may be a small delay.’

It’s a bold returns policy – but one that a number of other retailers are now offering as standard.

LARGE ONLINE RETAILERS

As we might expect, major online stores such as Amazon and ASOS experience an equally considerable increase in the volume of returns at Christmas time.’

However large online clothing retailers are increasingly presenting returns as a sales tool by enabling their customers to try on items before they buy, just as they can in a High Street store:

TRY BEFORE YOU BUY

In the UK ASOS stole a march on Amazon in November 2017 by becoming the first UK online only retailer to offer a try before you buy service. ASOS’ try before you buy service enables shoppers to choose the garments they are interested in and have them delivered to their home to try on and decide which

they would like to keep. They can then send back the items they don't want, and only pay for those they keep. Providing payment is made within 30 days of their order being dispatched there are no interest payments or fees. This market leading service is done through the ASOS App linked to the online payment service Klarna Pay.

Try before you buy looks like being a very positive sales tool, likely to attract customers. The only potential drawback for consumers being that a missed payment could automatically appear on their credit record.

The global e-commerce giant Amazon introduced its similar Prime Wardrobe service in the US earlier in 2017 in a beta test. Its version of a try before you buy service enables customers to try on clothing at home within seven days and then send back unwanted items using a pre-paid return label: dropping unwanted items off at a UPS location.

LARGE STORE AND MULTICHANNEL RETAILERS

So far, this report has largely discussed the impact of returns on e-commerce businesses. However,

they have a significant impact on pureplay High Street stores and multichannel brands as well. Many High Street stores encourage staff to push exchanging returns for alternative items, or at least accepting a gift card for the amount of the purchase, rather than losing the sale. However, store managers told ParcelHero that around Christmas people just want cash which means a lot of angry customers.

Whereas, on average, a single return can wipe out any profit on an item for smaller online retailers, an item can be returned a second time to a store before it makes a loss. But that doesn't mean returns don't have a huge impact on town centre shops. A Topman High Street store department manager told ParcelHero that his store processed around 30 returns in the weeks immediately following Christmas, compared to just 3-4 on average. Says Mike (not his real name) 'On an average day, midweek in our store my department will make around £6,000-£7000, and in the weeks leading up to Christmas we were making about £8,000 – 9,000. But after Christmas we make £2,000 on average due mainly to returns.'

And click and collect sales compound the problem for store staff: Reveals Mike: 'Before Christmas, we got on average 60 click and collect orders every day whereas on a normal day we would get around 15



a day. We cannot count click and collect orders as sales but if they are returned we have to take the hit.'

“On a slow day, one section can be down to -£250 because of internet returns. And that affects the section manager's sales, targets and commission; as well as the profits and targets for the store and the company as a whole

That doesn't mean Christmas is the only time retailers should prepare for a rise in returns. Rob Silsbury, Ecommerce & Marketing Director of Dune London, the large multichannel footwear specialist, says: 'High returns tend to follow periods of high sales volume, so 2-3 weeks after a period of strong sales you will typically see a spike in returns volume. Specific types of promotion, such as stepped discounting, can also have an effect on returns volume.'

Unexpectedly, many 'brick and click' retailer's online sales returns can also have a significant impact on their High Street stores, and particularly on their sales teams.

Mike from Topman reveals: 'Sales teams for particular departments make commission if they make 12% of the profit of the whole store for a month. However, returns come out of this total – including returned items from Topman's online store. It can badly affect the week's total; it's really annoying. Internet returns are horrible!'

Explains Mike: 'People bring back internet-bought purchases to the High Street store because they know they can get their money back faster. When a customer orders an item online they will get an invoice and a return sticker in the bag. The customer can simply seal the bag back up, put that sticker on and free-post it back, but if they do it that way it can take a few weeks to get their money back. So people just bring them into stores for a refund. Then that

knocks my targets... very frustrating.'

And it's not always easy to simply re-sell returned stock. 'If it looks ok and the item is still selling for full price in store it just gets tagged up and put out. But if people return items that we don't stock or we have run out of (which happens frequently) I cannot put them out because there needs to be more sizes on display. I also can't transfer a small number of items to another store, this means they are dead stock and can ruin a department's margins.'

Another unintended consequence of internet sales and returns is that one whole entire section of clothing has been removed from Mike's store: 'Internet returns meant that we got rid of the suit section at my store entirely. On a good week, we were making -£300 on our suit section! Because they require so much space (each suit is of 2/3 pieces) we could never stock every size; so people were ordering online and if they didn't fit etc. or they didn't want them, they would return them to the store.'

Concludes Mike: 'On a slow day, one section can be down to -£250 because of internet returns. And that affects the section manager's sales, targets and commission; as well as the profits and targets for the store and the company as a whole.'

Supermarkets are also feeling the impact of returns, and again it is the relationship between their online





and physical stores that is particularly strained by returns.

Tesco, not just a High Street name, but also frequently the UK's largest online store behind Amazon, has one such issue. Stephen Bain, Tesco Customer Service Assistant, explained to ParcelHero: 'January is a difficult month in general for Tesco as they always overspend at Christmas and then cut overtime. They take online returns in store and provide cash refunds.'

Tesco.com says: 'For an immediate refund you can take smaller items to a Tesco store (excluding Express stores). You'll just need your order acknowledgement email as proof of purchase.'

The issue of how supermarkets promote online sales without cannibalising High Street sales is discussed in more detail in ParcelHero's recent report examining the impact of e-commerce on physical stores: 2030: The Death of the High Street.

Perhaps leading fashion brand All Saints has the answer to the online in-store returns conflict that is so impacting on many brands. All Saints Manager Carmen explains: 'Returns do affect our business, but mostly impact on our stores. As staff don't work on individual commission the whole store will get bonus if targets are met, and if they get a lot of returns it

can affect the store reaching targets and bonus.' But at least the vexed question of online returns doesn't impact. 'We don't refund online orders in store - customers have to post back their returns - but the box they come in is re-sealable and there is a free post sticker they can use. We only offer exchanges or gift cards to online customers in stores.'

Chloe also believes All Saints' return policies are a way of attracting customers: 'I do believe it's a good selling point because then customers can go home and try the clothing they have bought with their wardrobe, and if it doesn't work they know it's not a loss of money.'

High Street fashion brands with multichannel sales have also embraced the Try at home before you buy approach of Amazon Prime Wardrobe, etc. Dorothy Perkins was quick to adopt the Klana pay later system in a similar way to ASOS; and Burtons, Miss Selfridge, Topman and Topshop have also now embraced this deferred payment technology.

However, while demonstrating how modern technology can increase consumer choice, such options do further endanger brick and mortar stores by taking away one of the sole remaining reasons for visiting a store – to see a product 'in the flesh' and try it out.



RETURN TRICKS

We have seen that there are times when retailers' services don't match up to the expectations of consumers. However, it must be acknowledged that there are times when a customer return goes far beyond the 'spirit' of the Customer Contract Regulations, and in some cases becomes a blatant scam.

The practice of using an item for an event or specific task and then returning it is so widespread retailers have a name for it: 'wardrobing'. For example, a shopper might buy an item (e.g. a dress) for a particular purpose such as a party, use it, and then return it for a full refund.

ParcelHero was used to send back literally hundreds of return outfits on so-called 'Take Back Tuesday' this year (the first working day of the New Year after Christmas, when most returns are sent) - not only to the UK but also France, Belgium, Holland and Italy. How many of those were worn for that important party, and then returned, we can't help but wonder?

And ParcelHero also saw a high number of child car seats winging their way back post-Christmas – not so odd considering a spare child seat is so handy when visiting relatives and piling kids into grandparents' cars...

Also shipped were a number of returned flight cases, some sent all the way back to the USA; just as the holiday vacation season comes to an end. And, most intriguingly, it also shipped back 35 snowboards and around 600 skis and skiing jackets in the first week back from winter holidays.

While a few opportunistic returns seem largely harmless, as we have seen throughout this report, their impact on smaller traders can be significant. Particularly if, to add insult to injury, the retailer is expected to pay for the cost of the return postage.

And it's not just online businesses that are impacted by opportunistic returns. We've already seen that the practice of returning suits – possibly after a job interview – is so widespread some High Street stores are not stocking them any longer.

And Topman department manager Mike confirms another quite widespread fraud: 'Shoplifters will steal an expensive item, then they unstitch part of it and ask for a refund. Because the item is technically

"faulty" we have to issue a refund. This is widespread throughout retail.'

It's not just fashion stores that are heavily impacted by return 'dodges'. Beauty store Sephora employee Stephanie Rush says: 'I saw somebody buy over £220 worth of makeup on a credit card. Then she redeemed her reward for spending exorbitant amounts of money. Her free gift consisted of a travel size lipstick, lip liner and a chapstick. Then she shopped around a bit, bothering employees for free samples - and then returned every item she purchased to a different cashier just an hour later!

Shoplifters will steal an expensive item, then they unstitch part of it and ask for a refund. Because the item is technically "faulty" we have to issue a refund

And Stephanie has more stories to tell: 'Several women came in with bags full of used makeup. After accepting their returns according to Sephora's lenient return and exchange policy [used makeup is not covered by returns for hygiene reasons under UK law], I offered full refunds back onto their credit cards or in cash.'

Adds Stephanie: 'Many women did not mind receiving shop credit, and some specifically asked for shop credit. In these cases, over half of these shoppers queued up once again after finding new products to replace the returned items.'

One particular problem for retailers over the Christmas period is that, during the festive returns window, many customers will try and return items as "unwanted gifts" and state they were not given a gift receipt. Again, it is down to the store's discretion whether they accept the return, because they are not actually eligible for a refund.

One common practice that affect larger chains, such as Argos, is that if a customer is refused a refund at

one store they will often try again at another store, because store managers can bend the rules at their own discretion, especially during the “season of goodwill”.

Finally, as we saw earlier in this report, 50% of shoppers expect the retailer to foot the return bill, even for non-faulty items they simply don't want. And it seems some buyers are prepared to go

to some lengths to ensure the retailer pays. One online marketplace trader told us: 'I am currently experiencing an issue with a customer who has changed his mind about the item and is saying it is damaged so he doesn't have to pay return postage. As a small business I cannot afford issues like this arising on a large item which costs me a fortune to ship.'

RETURNING A PROFIT

For some traders any returns are an automatic write off. Jim Milan of Auto Accessories Garage explains: 'We don't re-sell returned products. All items are new and in the original package.' And Adam Brewer of Gamerbilla has similar problems: 'If they are still 'as new', we re-sell them. Both product and packaging need to be intact, otherwise we class it as “used” and will not re-sell it.'

However, many other retailers do not accept that an item that has been returned to the seller is a complete loss. There are a variety of options for sellers to recoup at least some of their cost.

Des Lofting of Acetek Electrical Ltd, which both manufactures and sells electrical components, says: 'We fully test unwanted items before newly repackaging them.' And Greg Milau from Outdoor Mancave adds: 'So long as the product isn't damaged or defective, there is no reason it shouldn't be resold. However, even when the original packaging is not intact there are still potential ways of regaining some of the lost value.'

Adds Rob Boirun, who advises many small e-commerce websites, 'Having an 'Open Box' sale is a great way of moving inventory that has been returned. Treat this as a break-even channel.'

A number of Amazon marketplace retailers are increasingly using Amazon Warehouse Deals to get at least some return on their returns. Amazon says: 'Amazon Warehouse Deals specialises in offering

great deals on returned, warehouse-damaged, used, or refurbished products that are in good condition but do not meet Amazon.co.uk rigorous standards as “new”, with all the benefits of Amazon.co.uk fulfilment and customer service. We also offer products in new and open-box condition.' While not sold with a manufacturer's warranty they are covered by Amazon's satisfaction guarantee and returns policy.

One happy Amazon Warehouse Deals customer told ParcelHero he had saved well over 50% on a gaming motherboard described as having damage to the packaging and cosmetic damage to the product, and was unable to spot any damage at all to the packaging or product when it arrived.



A number of retailers partner with other companies to re-sell returned products' A returned item might be sold through eBay via a different trader, in order to maintain the original store's reputation while still achieving some recuperation of cost.

Some large retailers and manufacturers, particularly big brands such as ASOS, actually outsource returns to returns specialists. So called 3rd party logistics providers (3PLs) such as XPO and Clipper manage much of the return logistics of unwanted items; handling everything from storage and repacking, even down to repairs and operating customer returns helplines.

This January, for example, Marks and Spencer chose Clipper Logistics to consolidate stock returned from

stores, as well as online returns received direct from customers. By outsourcing the problem of returns, larger companies can reduce their impact on their business – while 3PLs actually make money from them!

A returned item might be sold through eBay via a different trader, in order to maintain the original store's reputation

ONE GOOD RETURN DESERVES ANOTHER

As we've seen, every retailer will face some returns, and for some they can have a huge impact of the overall viability of a business. There are some ways to ease the returns blow however for both retailer and customer, and, perhaps even more importantly, stop items being returned in the first place:

RETURNS-READY PACKAGING

If the outer packaging has been destroyed opening the item, or thrown away, it can be a problem for the customer finding suitably sized boxes to return the item. This can then become an issue for a retailer who receives an item back with the packaging damaged simply because it was sent in unsuitable packing for the returned item.

At least for smaller items and products that are a specialist shape, retailers should consider including returns-ready packaging in the initial mailout.

And if a retailer has taken the step of covering the cost of returns, a pre-paid label will keep costs down and customers happy.

ParcelHero's advice to consumers is that ideally the retailer will have included a free returns label. However, if they have not and the buyer is responsible for their own returned goods mailing, online couriers, such as ParcelHero, will organise a pick-up service from their house to the retailer – eliminating the need for long Post Office queues.

RETURNS FROM DROP OFF POINTS

Offering shoppers the chance to simply drop their return item into a drop-off/collection point - such as a parcel locker or store returns point - again reduces costs and makes life easier for consumers. Busy consumers don't appreciate Post Office queues or arranging their day around a courier pick up.



ENSURING ITEMS AREN'T RETURNED

It's perhaps tempting for a retailer to at least embellish a product description to achieve more sales. But factor in the cost of returns from disenchanted customers and this becomes a short-sighted approach.

Misleading descriptions - making an item sound something it isn't – undoubtedly lead to increased returns. Similarly, pictures that make an item look larger or better finished are also highly likely to result in returned items; as shoppers grow less tolerant, and ever-more likely to return items that don't exactly match their expectations.

The same items can come back again and again and, after the second return there's unlikely to be any margin left, even for High Street stores, so retailers are being extremely ill-advised in using misleading sales tactics.

Also it makes sense for retailers to closely study their product lines for 'repeat offender' returns. Laura Staugaitis, store Manager of The Colossal Shop, an SME multichannel store, told ParcelHero: 'If a specific product gets returned a lot, we won't restock it. We are pretty nimble in our business and our product line, so we're never stuck with months of inventory that won't sell or that will get returned.'

ENSURE ITEMS ARE DELIVERED ON TIME

An item can be returned for a full refund legally if it does not arrive at a specified date and time. There is a default delivery period of 30 days, during which the retailer needs to deliver the item unless a longer period has been agreed. Additionally, if a delivery is later than agreed and it was essential that it was delivered on time, then the customer has the right to cancel the purchase and get a full refund.

If the delivery isn't time-essential but another reasonable delivery time can't be agreed, customers are again within their right to cancel the order for a full refund. This is virtually throwing money away for retailers, who should ensure they are keeping a close eye on order despatching.

If an item is needed for a particular day or event and

the delivery was missed, even if the customer doesn't cancel the order, it means yet another unhappy returned delivery. Retailers should always plan to use a reputable courier service and consider using a drop box click n' collect service to help reduce late deliveries.

BE ON THE LOOKOUT FOR SERIAL RETURNERS

It is difficult for retailers to prevent 'wardrobing' – using an item once for a specific purpose and then returning it - but wise retailers study their data and analytics to identify repeat returns, in order to ensure that these customers are prevented from ordering in future.

A retailer is entirely within their rights to refuse to sell to any individual or business.





A RETURN FOR
THE **WORST?** -
CAN WE AFFORD
FREE RETURNS?

This report may have given the impression that returns have become a pandemic. But in fact, not all consumers are so ready to return: 40% of shoppers have actually kept unwanted items because of the hassle of returning them. But if the reason the item is unwanted is a fault of the retailer – such as the item being damaged or not as described, they simply won't shop with that store again. Long-term that could cost the retailer far more than one returned item would.

So returns are, at the least, a necessary evil for both consumer and retailer. But their impact is hitting smaller online stores disproportionately. Does there need to be an industry-wide rethink and a new understanding between retailers and consumers, particularly on how the online 14 day no quibble return rule impacts on small traders?

Some businesses we spoke to are so concerned about the impact of returns on their profitability that they are using technology to reduce their impact. Des Lofting of Acetek Electrical Ltd, a manufacturer and retailer of specialist products such as light sensitive switches, agreed that returns can be a significant issue for the company: 'This is why every product we sell is fully tested and the packing is videoed to ensure we know exactly what was sent and recorded.'

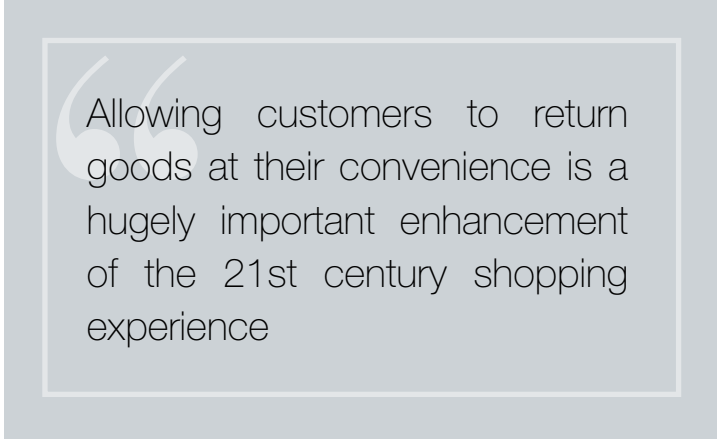
Acetek is far from alone in using video safeguarding to reduce return claims. The fact businesses feel the need to go this length to ensure products arrive safely and correctly underlines the scale of the problem.

Most efficient retailers now integrate returns as a key part of their forecast for the year. Dune's Rob Silsbury explains: 'Modern consumers are not foolish, so if you have a poor product, it will be returned and ultimately that is of course not the result any retailer wants. Managing your returns rate is just as important as other business KPIs that govern the health of your business.'

To Rob returns are a question of trust between a retailer and their customer. 'Making returns free is seen by some as a way of encouraging customers to order flippantly, but we believe that it's important to have faith in your products and the fact that they are unlikely to come back unless there is a genuine

reason. We believe that our customers appreciate that confidence in our products.'

With 85% of consumers telling ParcelHero they actively look to shop with retailers who have a good returns policy, clearly returns can be a positive tool for retailers. Says Auto Accessories Garage's Jim Milan: 'We're proud of our no-hassle returns and our readily contacted customer service team, so in that way we do consider our return policy a selling point. I've heard that as many as two thirds of online customers habitually read return policies before making a purchase, so I consider being upfront and open about our returns policy to be a necessity.'



“Allowing customers to return goods at their convenience is a hugely important enhancement of the 21st century shopping experience”

But Atom Retro's Sarah Fenwick fears that even with a returns policy so generous they advertise its terms, returns still cost the business in many ways: 'We have to invest in staff resources to process returns. We also get a number of returns that are not resaleable and have to be written off at cost to the company. And Overseas returns are significantly costly.'

Topman department manager Mike fears e-commerce, with its 14-day unwanted returns advantage, will one day kill off most High Street stores entirely: 'Some days we only have click and collect customers. I believe that any high street stores that do not close down will just be for customer service and collections; kind of like Argos.'

Perhaps the final thought should go to Pat Wood, founder of 1980's style clothing specialist site Truffle Shuffle. Though the business is based around the 1980s, Truffle Shuffles attitude to returns is up to the minute: 'Allowing customers to return goods at their convenience is a hugely important enhancement of the 21st century shopping experience.'

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[Acetek Electrical](#)

[All Saints](#)

[Amazon.co.uk](#)

[Andertons](#)

[Argos](#)

[ASOS](#)

[Atom Retro](#)

[Auto Accessories Garage](#)

[The Chartered Trading Standards Institute](#)

[The Colossal Shop](#)

[Dune](#)

[eModels](#)

[Gamerabilia](#)

[Outdoor Mancave](#)

[The Present Finder](#)

[Reviewster](#)

[Sephora](#)

[Tesco.com](#)

[Topman](#)

[Tredz Bikes](#)

[Truffle Shuffle](#)

[Velvet Cave](#)

[Wonderland Models](#)

FOOTNOTES

1 Data taken from all ParcelHero shipments sent between Monday Jan 1 and Sunday Jan 7 2018.

2 ParcelHero has customers worldwide. A number of US-based retailers sent us their views. Though US returns law differs in some details from UK/EU practice we have included their comments when relevant across US and UK markets.