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Deloitte's Omnichannel Competitive Landscape Services Returns Study

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IMPACT THAT
MATTERS
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Introduction

Due to the lack of actual physical interaction with products, online purchases can be returned up to three times more frequently than in store purchases.[1]

Customers can perceive returns as a natural part of their end-to-end digital shopping journey which gives them an opportunity to experience and try products at home in the same way they would when shopping in a store. As a result, a company's return policies and processes can directly influence online purchase decisions.

Throughout the year, Deloitte monitors the omnichannel return services offered by global companies to establish year over year performance benchmarks and identify trends in returns across the retail industry. We also test new return capabilities to understand how they actually work and perform.

Based on our review of the return services offered across the retail industry in 2024, we've found that **leading retail companies** are expanding their return capabilities to **reduce wait times and friction points for customers who need to make a return while simultaneously addressing key internal concerns with additional delivery, processing and service expenses that result from trailing return policies & processes.**

Deloitte's Omnichannel Competitive Landscape Study
Key Benchmarks & Trends to Consider When Evaluating Omnichannel Return Policies

RETURN CAPABILITY	2024 BENCHMARK	2024 TREND
Accept Preference Returns	97%	⬆ 94% in 2023
Median Days Allowed for Returns	30	▬ Same as 2023
Median Fee for A Mailed Return	$7.00	⬇ $7.50 in 2023
Provide an Online Portal to Request a Return	70%	⬆ 67% in 2023
Offer Free Mailed Returns	38%	⬆ 35% in 2023
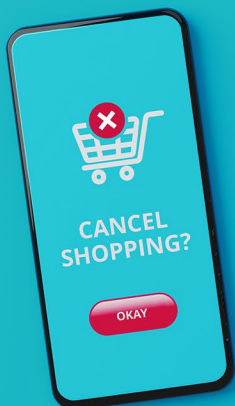
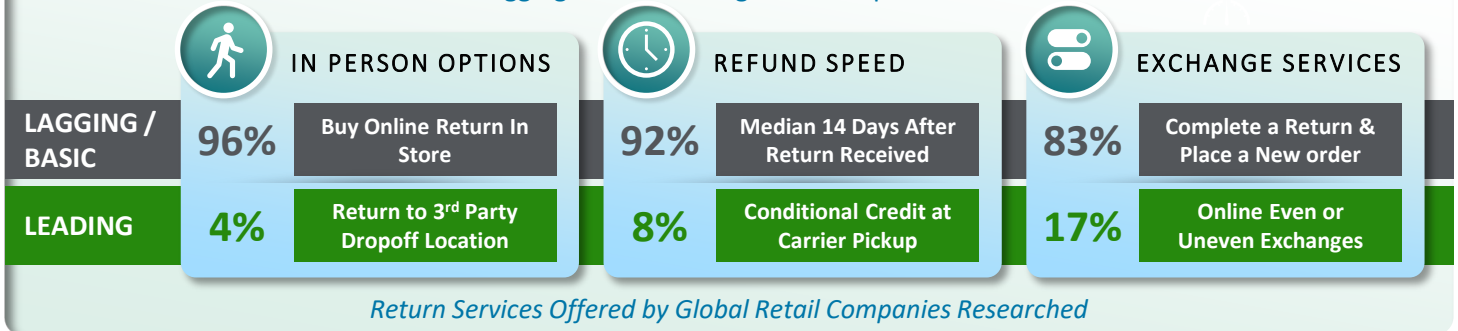# 18% *of Omnichannel Shoppers Will Abandon Their Cart at Checkout if a Company's Return Policies & Processes Are Not Flexible & Easy*[2][[

CANCEL SHOPPING?

OKAY

Introduction (cont.)

Deloitte's Competitive Landscape Study
Lagging versus Leading Return Capabilities

	IN PERSON OPTIONS		REFUND SPEED		EXCHANGE SERVICES	
LAGGING / BASIC	96%	Buy Online Return In Store	92%	Median 14 Days After Return Received	83%	Complete a Return & Place a New order
LEADING	4%	Return to 3rd Party Dropoff Location	8%	Conditional Credit at Carrier Pickup	17%	Online Even or Uneven Exchanges

Return Services Offered by Global Retail Companies Researched

Read On To Learn More About How These Leading Return Capabilities Work & The Potential Benefits for Both Your Company AND Your Customers

Return to 3rd Party Drop Off Location

One of the greatest profit margin drains for ecommerce operations is the dual delivery expense that results when a customer ships a return back to a company. As a result, Buy Online – Return In Store (BORIS) is one of the most frequently offered return services we see. It can also provide a radiated sales benefit when customers who came to a store to make a return make a new, unplanned purchase.

Allowing your company's online returns to be accepted at another company's store can increase your opportunities for BORIS benefits by expanding the number of locations offered to customers to make an in-person return… **this can be especially beneficial for pure play e-tailers or companies with a smaller brick & mortar footprint.**

Hosting a Return Drop Off Location service at your stores can **expand your current core customer base and generate radiated sales in your stores.**

How Return to 3rd Party Dropoff Location Frequently Works

Customer requests to return an online purchase via a company portal	3rd Party store locations that will accept company returns are shown	Customer selects a 3rd party store location and brings items & return authorization there	Host store completes the return for the customer, typically leveraging a 3rd party solution service	Customer receives an immediate refund & potentially makes purchases in the host company store

73% *of Customers say the majority of their purchases are unplanned, impulse buys[3]*

Return to 3rd Party Drop Off Location (cont.)

WHY **COMPANIES** LIKE RETURNS TO 3RD PARTY LOCATIONS

Expands brick & mortar footprint for in person returns

Return delivery & processing savings with faster inventory turn

Radiated in store sales for return host companies

WHY **CUSTOMERS** LIKE RETURNS TO 3RD PARTY LOCATIONS

No return delivery fee

Immediate refund

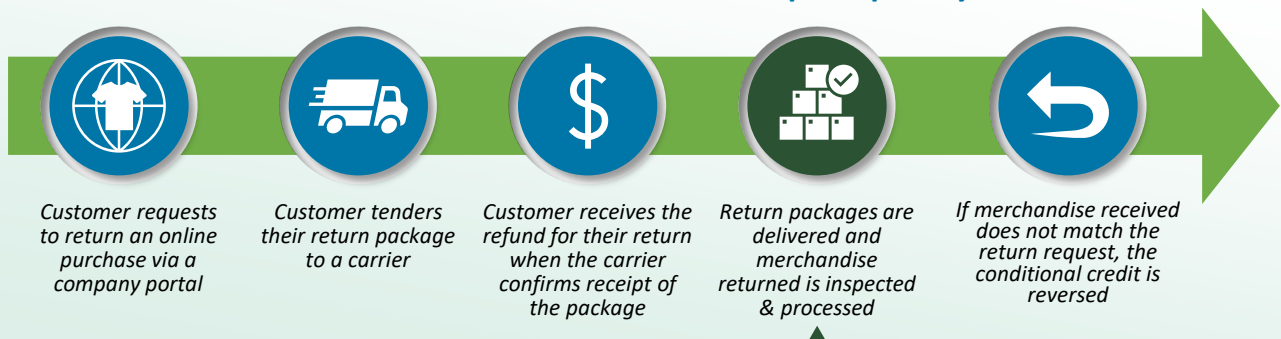*Eliminates the need for return repackaging & paperwork*

Conditional Credit at Carrier Pickup

Contrary to the industry focus on the speed of processing new orders, the median return processing timeframe shown by the companies we researched is 14 days after a mailed return has been received. With transit times considered, this means that ***customers could expect to wait up to 3 weeks to receive their refund.*** Many customers will continually contact customer service centers for refund updates during this time regardless of the return communications they receive.

When a new order is shipped by a company, customers are charged at the point that the outbound package is tendered to a carrier. ***Leading companies*** are leveraging this same logic to accelerate refund processing times for their customers. ***Processing a refund at the point that the customer tenders their return package to a carrier provides customers an immediate refund, reduces services contacts for refund updates and alleviates pressure on return operations during peak seasons.***

How Conditional Credit at Carrier Pickup Frequently Works

Customer requests to return an online purchase via a company portal

Customer tenders their return package to a carrier

Customer receives the refund for their return when the carrier confirms receipt of the package

Return packages are delivered and merchandise returned is inspected & processed

If merchandise received does not match the return request, the conditional credit is reversed

Customer wait time and service contacts for refund updates are eliminated

#11

The rank of customer service contacts for refund status updates out of the Top 20 reasons for CS contacts worldwide[4]

Conditional Credit at Carrier Pickup (cont.)

WHY COMPANIES LIKE CONDITIONAL CREDIT

- Reduced customer service contacts

- Fewer return tracking communications needed

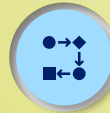- Eliminates return operations pressures at peak return periods

WHY CUSTOMERS LIKE CONDITIONAL CREDIT

- Eliminates waiting for return delivery & processing

- Faster refund

- Simplified process

Online Exchanges

Most online returns are initiated by customers due to products not fitting or looking as expected when they are received and tried at home. As a result, providing customers a seamless way to replace products they originally bought with a new size, color or even a different style is key to saving a sale rather than just accepting a return.

Despite this, the majority of companies we researched require customers to make a return and place a new order or contact customer service to assist with an exchange. The additional time, expense and inconvenience with these processes can lead to customers abandoning pursuit of a replacement and just returning their original purchase.

Leading companies are providing customers an online exchange process that can be completed in a *single transaction that retains the price the customer originally paid for items and does not require customers to pay for a second purchase while they wait for a return refund.*
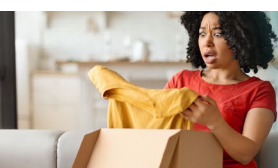
55% of Customers indicated they returned an online purchase due to incorrect size, bad fit or color[5]

How an Online Exchange Frequently Works

- Customer requests to exchange an online purchase for a different size, color or item via a company portal

- A single transaction generates a return request and a new order with no charge for replacement items

- New order for exchanged items is processed & shipped to customer

- Return package with original items is shipped by customer and processed by company

- A charge for replacement items is applied if return package is not received or items don't match exchange request

Customer retains any promotions received on original order and isn't required to expend an additional payment for replacement

Online Exchanges (cont.)

WHY **COMPANIES** LIKE ONLINE EXCHANGES

- Increased opportunity to save return sales
- Reduced customer service contacts
- Fewer transactions & communications required

WHY **CUSTOMERS** LIKE ONLINE EXCHANGES

- Original order promotions are retained
- Simplified process
- No risk of duplicate charges while waiting for return processing

Additional Leading Return Services

In addition to addressing the primary customer experience and internal concerns associated with returns, **leading companies are offering additional services throughout their return journeys.** Each of these services increases the chance of saving sales and reducing friction points associated with returns.

Additional Return Services

|	RESALE / RECYCLING PROGRAMS	PERKS FOR FASTER RETURNS
% 2024 COMPANIES OFFERING	**21%**	**7%**
HOW IT WORKS	Customers can return gently-used items for credit or purchase refurbished items at a reduced price	Customers are provided an incentive for initiating returns faster than total policy time allows
COMPANY BENEFIT	• Higher salvage recovery for secondary market merchandise • Engages circular economy customers & promotes sustainability missions	• Improved inventory turn • Reduced risk of markdowns / mark outs of seasonal items pending return
CUSTOMER BENEFIT	• Off-price outlet for premium brands and products • Monetizes unneeded items • Simple and secure processes to support community & environment	• Opportunity to avoid return delivery fees or receive other refund perks if the decision to return is made quickly

About Deloitte's Omnichannel Competitive Landscape Services

We research & test omnichannel services **offered by 145 global companies collecting over 70 data points** across the customer journey. We then apply intelligent analytics to our data to establish year over year performance indicators and identify new emerging trends.

Who is Included in Our Studies

145 global companies
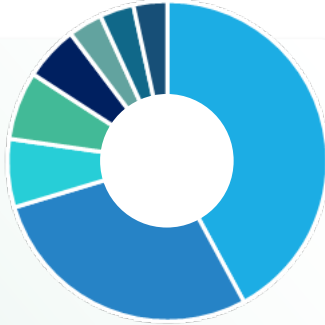
SPECIALTY RETAILERS	42%
WHOLESALE BRANDS	28%
DEPARTMENT STORES	7%
FAST FASHION	7%
DISCOUNT & OFF-PRICE	6%
BIG BOX & MASS MERCHANTS	3%
CONSUMER PRODUCTS	3%
RESALE / CIRCULAR MARKETS	3%

Company Statistics

Annual Revenue (Billions)

20%	32%	23%	10%	6%	3%	5%
Under $1	$1 - $4	$5 - $9	$10 - $24	$25 - $49	$50 - $99	Over $100

Headquarters

37%	26%	19%	14%	2%	2%
Eastern US	Western US	Central US	Europe	APAC	Canada

Markets Serviced

100%	53%	52%	51%	48%
North America	Europe	APAC	Other Regions	Central / South America

Years in Business

19%	26%	33%	21%
Under 25	25 - 49	50 - 100	Over 100

Brick & Mortar Stores

14%	6%	14%	17%	10%	16%	23%
None	Under 25	25 - 99	100 - 249	250 - 499	500 - 999	Over 1k

HOW WE COLLECT OUR INFORMATION

- *Research company store policies & online service offerings*
- *Conduct store shopping, online order & return performance tests*
- *Advanced analytics to identify performance levels and capability trends*

WHAT THIS ENABLES US TO SHARE

- *Key omnichannel performance benchmarks across retail industries*
- *The end-to-end global competitive landscape*
- *The optimal post purchase journeys for your customers*

Want To Learn More About Where Your Company Resides In The Omnichannel Competitive Landscape Spectrum And How Deloitte Can Help You Advance Your Returns Capabilities?

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Endnotes:
1. https://chainstoreage.com/survey-online-return-rate-three-times-higher-store-rate#:~:text=For%20every%20%24100%20spent%20online,)%20was%20sent%20(37%25).
2. https://baymard.com/lists/cart-abandonment-rate
3. https://capitaloneshopping.com/research/impulse-buying statistics
4. https://www.statista.com/statistics/802366/reasons-for-contacting-customer-service-worldwide/#:~:text=In%202023%2C%20the%20joint%2Dtop,in%20relation%20to%20their%20businesses
5. https://www.emarketer.com/content/top-reasons-online-shoppers-make-returns

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