



The Retailer's Guide to the Holiday Returns Season

Turning Returners into Repeat Customers
and Returns into Profit

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For retailers, the holidays can be the most wonderful time of the year, with sales spiking amid holiday cheer. But with the explosion of e-commerce throughout 2020 and into 2021, returns rates are on the rise, and holiday returns are at all-time highs. In research from 2020, we found that **2 out of 3 consumers typically return a holiday gift.¹** This flood of returned inventory can lead to profit loss, processing backlogs, and a decline in customer satisfaction if returns aren't managed correctly.



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The good news? Savvy retailers can now access supply chain innovations that will not only increase inventory processing efficiency, but also improve the customer experience. In Optoro's Guide to the Holiday Returns Season, we'll detail how retailers can turn returners into repeat customers, efficiently process an inventory influx, and turn returns into profit during the holidays.

1 Three Magic Moments for Creating Loyal Customers, Optoro, 2020.

Turn Returners into Repeat Customers

Because of the growth of ecommerce, and innovations from industry leaders like Amazon, consumers demand increased flexibility and convenience from retailers' shopping experiences. According to our research in the spring of 2021, **81% of consumers** indicated that offering an option for a third-party returns drop-off location (such as returning an Amazon package to Kohl's) is an important part of a retailer's return policy. Similarly, **78% of consumers want an easy way to initiate returns online.**²

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78% 

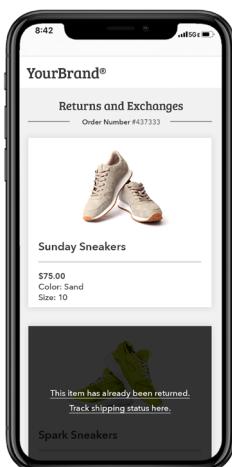
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7 out of 10 

customers have returned an item in the previous six months

And as more and more shoppers become returners, the returns experience becomes a natural extension of the buying experience. As we reported in May 2021, **7 out of 10 customers returned an item in the previous six months.**³ If the majority of consumers will eventually return an item purchased—especially around the holidays—shouldn't retailers ensure that their returns experience meets consumer expectations?

Here's how to turn returners into returning customers:



1

Configure an online returns portal

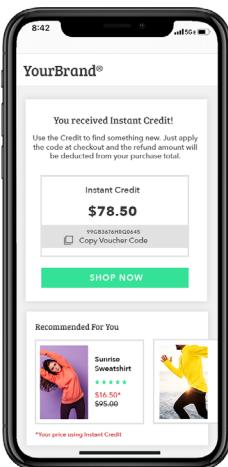
Consumers want an easy way to initiate a return. Which means they don't want to call up customer service. They prefer to go online and select which item they'd like to return and which item they'd like to exchange it for—all in a few easy clicks.

TIP FOR RETAILERS

Incentivizing customers to exchange an item right away makes it far less likely that the customer will purchase that item somewhere else.

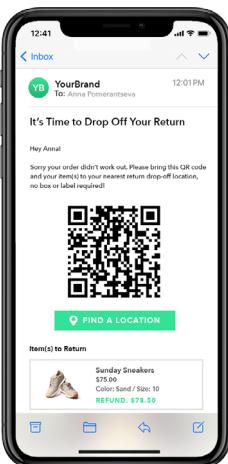
² How to Drive Customer Loyalty and Revenue Through Enhanced Returns Experience, Optoro, 2021.

³ How to Drive Customer Loyalty and Revenue Through Enhanced Returns Experience, Optoro, 2021.



2 Offer instant credit for repurchases

Don't limit the functionality of a returns portal to exchanges only. Offer a way to incentivize customers to purchase another item if they decided they didn't want the first one. By providing an instant credit for a customer to repurchase another item, **repurchase rates can increase by 3X—which equates to a lot of recovered revenue.⁴**



3 Provide flexible returns drop-off options

Consumers prioritize choice and convenience, now more than ever. A best-in-class returns experience offers flexible options for returns drop-offs. Allow consumers to choose whether they'd like to ship the item back, return it to the store, or drop it off at a third-party location. In particular, enabling customers to drop off items (i.e. Amazon's partnership with Kohl's) will give retailers a strong competitive advantage, as it is increasingly becoming a preferred method.

TIP FOR RETAILERS

Partner with a provider who can supply a network of third-party returns locations and enable a returns transaction based on a QR code supplied by the retailer's online portal.

Turn Returns Into Profit

A retailer's supply chain and the customer experience are intrinsically linked. Offering customers flexible returns initiation will garner loyalty, but it's just as crucial to integrate that front-end experience with returns processing software for a true end-to-end returns solution that will significantly cut down on returns-related costs and increase overall efficiency. Automating returns processing helps retailers get merchandise back on shelves faster, reducing stockouts and clearing room in their

⁴ Optoro + Returnly Client Performance Data + Analytics (2019/2020)

facilities for more forward fulfillment. Adopting end-to-end returns technology also allows retailers to capture insights and trends to help identify why items are being returned in the first place.

During retail's busiest season, returns software plays a crucial role in ensuring high volumes of returned holiday gifts are processed quickly for restocking and resale. Last year, we predicted that holiday returns could amount to \$115B, and that number is only set to rise this year.⁵ **Considering NRF estimated that total returns in the US amounted to \$428B in 2020, retailers could see nearly 30% of returns come in during the holidays alone.⁶** That puts huge pressure on retailers' stores, warehouses and distribution centers, which leads to major capacity constraints.

Savvy retailers can both recoup profits by managing returns efficiently and gain a huge competitive advantage by using returns as an area to propel growth.

Here's our guide to turning returns into profit:

1

Automate Returns Processing

In order to process a potential **30% of total yearly returns** during the short post-holiday period, retailers need software that can automate returns processing to improve efficiency and decrease complexity.

In addition to the sheer volume of returns caused by the continual surge in e-commerce, omnichannel retailers will also be facing logistical challenges resulting from online inventory returned to stores. By implementing easy-to-use workflow tools, driven by powerful, automated intelligence, warehouse and store associates can quickly route returned items to their next best destination (whether that be back to stock, to a secondary resale channel or to donation). Leveraging machine learning allows retailers to speed up processing times, cut down on costs from unnecessary touches, get the highest recovery on returns, and prevent a returns pile-up that would otherwise clog forward facilities.

RETAILER RESULTS

American Eagle Outfitters cleared a backlog of over 600,000 units in a couple of weeks after automating returns processing. And by getting inventory back on shelves faster, they significantly improved the customer experience by avoiding stockouts.⁷



5 "Next Up for Retailers: A Big Wave of Gift Returns," Reuters, 2020

6 \$428 Billion in Merchandise Returned in 2020, NRF, 2021

7 Returns Technology a Perfect Fit for AEO, Optoro, 2021

② Expand resale channels for returned inventory

For many retailers, the path of least resistance is routing returns that can't go back to a primary channel to a traditional liquidator. Instead, retailers should consider unlocking the many secondary channels that lead to much higher recovery. End-to-end returns technologies can automate the routing of returned inventory by autolist it to the most profitable secondary D2C marketplace, to B2B resellers, or to a retailer's own outlet channel. This allows retailers to capture the highest recovery on returned inventory and expedite velocity to resale.

RETAILER RESULTS

A leading online home goods retailer increased net recovery by 150% after using returns management technology to process and resell returns.⁸

③ Utilize unit-level data to surface returns trends

Without returns technology, tracking each individual return is impossible for retailers, causing them to miss easily identifiable trends that could help improve the customer experience. Unit-level visibility enables retailers to use return reason codes to make inventory decisions and even pinpoint product quality issues that may otherwise go unnoticed.

Conclusion

As our retail ecosystem becomes increasingly omnichannel, retailers need to consider how every part of their business impacts the consumer. The future of customer loyalty and satisfaction lies with the supply chain. Retailer leaders who build an outstanding customer experience through supply chain innovation will be best positioned for success not just during the holiday season, but for years to come.



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

