

## Coresight Research x Newmine: Tackling Returns Ahead of Holiday 2021—Technology-Driven Strategies To Protect the Bottom Line



On June 29, 2021, Coresight Research hosted a panel discussion with technology innovator Newmine, to discuss how e-commerce retailers can address the issue of product returns, especially during the high-volume holiday season. In this report, we present three key insights from the online event.

- The problem of retail returns is a complex one, encompassing the retailer’s supply chain, marketing and consumer education.
- E-commerce retailers have embraced technological solutions to forestall returns by guiding customers’ expectations.
- Apart from their financial cost, returns reflect negatively on a brand’s image in terms of sustainable practices and customer satisfaction.

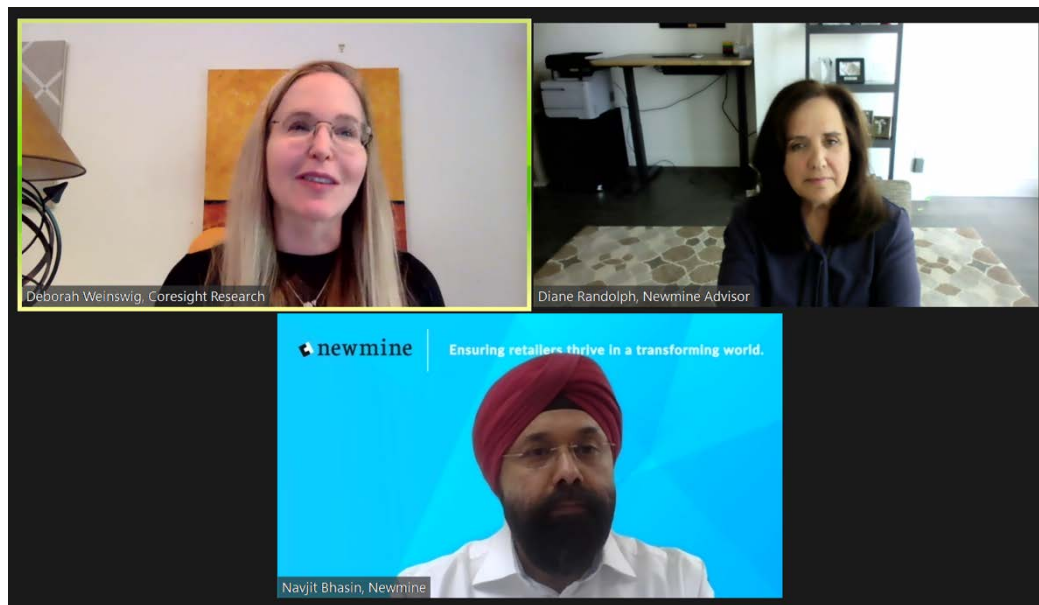
On June 29, 2021, Coresight Research held a panel discussion with [Newmine, a retail-tech innovator](#) that is disrupting the returns management market. Deborah Weinswig, CEO and Founder of Coresight Research, was joined by Navjit Bhasin, Founder and CEO of Newmine, and Diane Randolph, Newmine Advisor, to discuss the strategies that retailers can use to address the issue of product returns.

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### **Tackling Returns Ahead of Holiday 2021: Three Key insights**

Weinswig opened the discussion by stressing the importance of “learning from 2020’s holiday season” in order to “reduce returns and improve 2021’s performance.” Bhasin agreed, adding that the tremendous growth in e-commerce witnessed last year has left long-term impacts on the retail landscape in 2021. To cope with the pandemic-led widespread shift to the online channel, many brands and retailers quickly adopted new models and technologies to improve their digital offerings, leaving consumers expecting fast shipping and free returns as standard across many retail sectors.

Although returns have always been built into the e-commerce system, they have recently become a key area of concern for retailers: According to the NRF (National Retail Federation), the US returns rate for online purchases was 18.1% in 2020—much higher than the overall retail industry rate of 10.6% (totaling \$428 billion). In addition, returns equated to a high proportion of total US retail sales during the holidays, at 13.3%, according to the NRF. Furthermore, Newmine estimates that 35% of all online apparel sales are returned.



Source: Coresight Research

### 1. The Returns Issue Is Complex

To address the issue of returns, Bhasin recommended that retailers first understand the underlying causes. Randolph added that consumers rarely purchase with the intent of returning; rather, returns occur when the product does not align with the customer's expectations. Retailers' first course of action should be to reduce the risk of returns by focusing on the consumer (as we discuss further below).

However, some level of returns is unavoidable, so retailers must look to handle returns as efficiently and cost-effectively as possible. This is particularly important for returns involving seasonal products—such as summer clothing—as retailers are under time pressure to process returns and get the products back on sale. Challenges in improving the returns process are also driven by the need for system-wide changes.

To reduce shipping costs, retailers can establish returns drop-off locations. During the event, the speakers highlighted Amazon as a pioneer in this space, with the e-commerce giant having developed returns options to a level that few competitors can emulate. However, retailers can better adapt their existing store networks to facilitate returns.

### 2. Returns Can Be Reduced by Guiding Customer Expectations

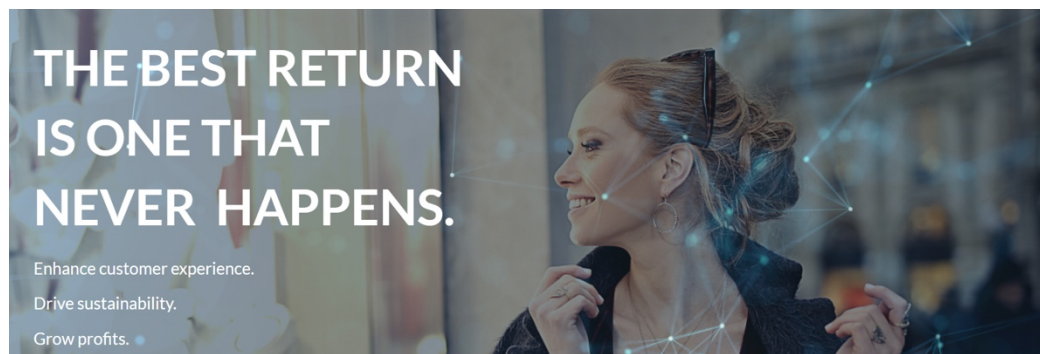
Many retailers have focused on addressing the problem of returns at its source, by educating consumers about products so that their expectations are accurate—thus reducing the risk of returns.

Randolph described her own experience at Ulta Beauty, where she oversaw the creation of a “swatch squad” to ensure correct color calibration for cosmetics products, and therefore improved customer satisfaction with their purchases. Likewise, Bhasin explained that clothing fit technology, which has existed since the 2010s, has recently seen widespread adoption by apparel retailers: In addition to reducing returns because shoppers will not need to return products that fit, if consumers are confident in the fit of the apparel products they buy, they

will be less likely to order more than one size online (which would make a return inevitable). The strategy behind tools such as these is to ensure that products match consumer expectations, and therefore are less likely to be returned.

Newmine also offers technological solutions to reduce return rates, primarily its Chief Returns Officer, an AI (artificial intelligence)-driven SaaS (software-as-a-service) platform that leverages predictive and prescriptive analytics. The solution seeks to identify the causes of returns and mitigate these issues ahead of time, utilizing retailers' existing data.

- See our [US Retail Returns](#) report for further discussion of returns and strategies for retailers to improve the online returns process.



Source: Newmine

### 3. Returns Impact a Brand's Image

Apart from financial imperatives, reducing returns is important for the maintenance of a positive brand image. Increasingly environmentally-conscious consumers are concerned by the carbon emissions involved in transporting returns, prompting retailers to improve their reverse logistics.

Moreover, a disappointed consumer who returns a purchase is less likely to engage with a retailer in future: According to Newmine, 80% of first-time customers that experience a return will not revisit that retailer to shop. As consumers become more aware of issues of environmental sustainability and less brand loyal, it is crucial that retailers get their returns under control.

- Read more about [the hidden costs of retail returns](#) in our separate report, part of Coresight Research's *Sustainability Insights* series.

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