



Playbook

Retail Returns Prevention

In partnership with



Is this report for me?

Incisiv's "**Retail Returns Prevention Playbook**" offers a structured perspective on how retailers and brands can get started on the journey of reducing controllable returns.

This playbook will be especially relevant if **any** of the following apply to you:

- Your returns growth rate is greater than your revenue growth rate
- You have an existing returns experience management initiative
- You have identified returns reduction as a strategic enterprise priority
- You are exploring specific opportunities to improve enterprise sustainability
- Or, if you are responsible for maximizing enterprise valuation by improving performance across key revenue, profitability and ESG criteria

The intent of this playbook is to offer you a running start by identifying what should be key components of your returns prevention plan. Every enterprise is unique. Your returns prevention playbook will have to be customized to your specific needs, and will be more detailed than what a thought leadership report can cover.

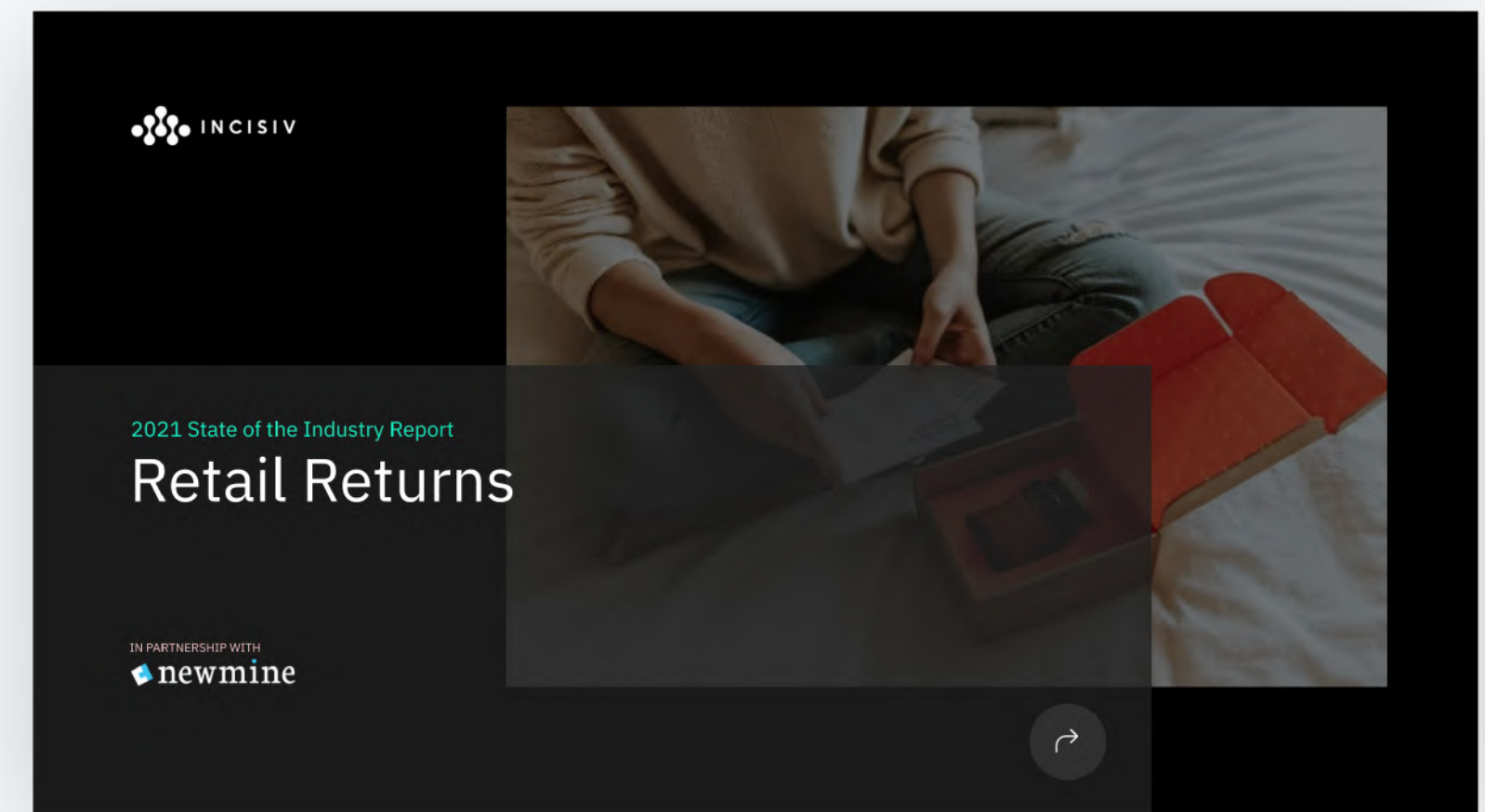
Let's dive in.

RECOMMENDED READING

Our companion thought leadership report "**State of the Industry: Retail Returns**" explores why retail returns prevention must become a key priority for retailers and brands.

It lays out the total business impact of returns across financial, customer, brand and environmental considerations. We recommend reading that report for additional context before diving into the rest of this playbook.

Unless stated otherwise, all data in this playbook is from Incisiv's State of the Industry: Retail Returns research.



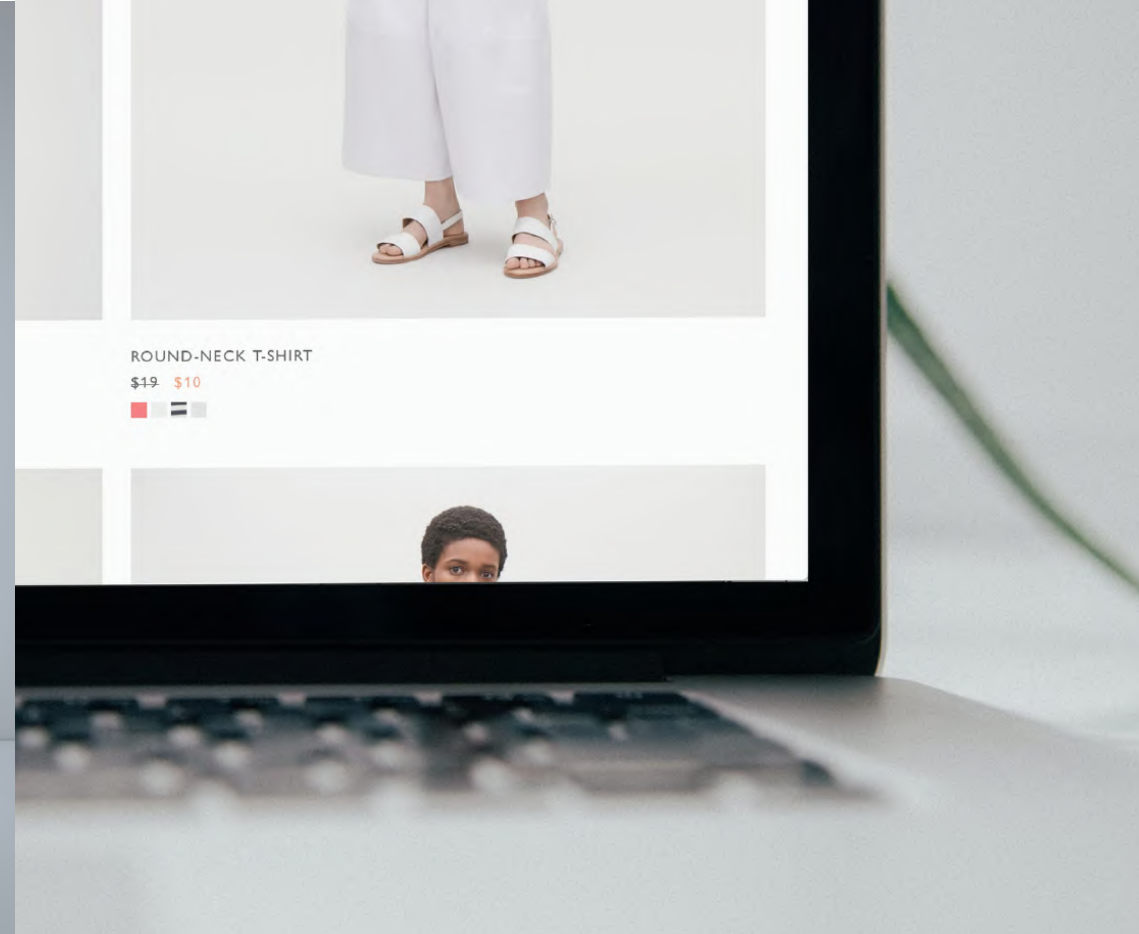
What's in this report?



Pages 4 - 8

WHY RETURNS PREVENTION MATTERS

A convergence of forces is dictating that returns prevention become a strategic priority for retailers and brands.



Pages 9 - 16

A FRAMEWORK FOR PREVENTING RETURNS

A structured framework for returns prevention, spanning 5 business dimensions and 3 foundational technology capabilities.



Page 17

GETTING STARTED WITH RETURNS PREVENTION

Begin your returns prevention journey with an easy-to-use benefits calculator or a deep-dive, personalized returns briefing.

The status quo of retail returns is already untenable.

The retail industry lost \$761 billion of revenue to returns in 2021. That's a whopping 17% of retail trade.

In 2021 retail trade grew by 14% compared to 2020.

Returns increased by 78%.

According to NRF, [retail sales grew by 14% in 2021 over 2020](#). In [2020, returns totaled \\$428 billion](#). In [2021, returns totaled \\$761 billion](#). That is an increase of \$333 billion over the 2020 returns figure, i.e. an increase of 78%.



Optimizing returns will become central to future growth strategies.

A convergence of forces means returns are set to become an even more important consideration for retailers and brands.



Digital-First World Order

Typically, shoppers return online purchases 3 – 4 times more than store bought purchases. As shoppers *buy* more things online – as evidenced by the shift in channel share from physical to digital across industries – they will also *return* more things.

A Sustainable Future

Europe already requires climate reporting for certain public companies, and the US is likely to adopt similar measures over the next few years. ESG (environmental, social, governance) investors are pushing hard for climate risk to be incorporated into firm valuation.

Cost of Customer Acquisition

It has never been more expensive to acquire new customers, and never easier to lose loyal ones. Returns are a major trigger for customer churn; 42% of shoppers will stop shopping a retailer upon multiple retailer-induced returns.

Returns prevention must become a strategic priority for retailers and brands.

You can't eliminate returns, but you *can* reduce them.

73% of retail returns can be categorized as "controllable" returns, i.e. those that occur due to reasons retailers can control (e.g. product arrived damaged, fit not as expected, poor product description and representation, or wrong item sent).

Retailers must do all they can to reduce the number of controllable returns. Returns prevention drives a rich flywheel of value across the business.

Increase enterprise value

- Protect revenue by reducing sales lost to returns
- Enhance performance across multiple ESG vectors
- Improve brand value by reducing bad experiences

Improve profitability

- Reduce cost of processing returns
- Reduce cost of returns experience management
- Improve operational performance across categories, products and suppliers

Enhance experience

- Reduce post-purchase shopper dissatisfaction
- Convert return transactions into engagements
- Personalize return experiences based on shopper behavior

The business case for returns reduction is crystal clear.

Even if you focus on just one dimension of enterprise value – revenue protection – the business impact is apparent.

Consider illustrative examples of two retailers below. If each of them were to reduce controllable returns by just 15%:

A large specialty retailer with \$10 billion in annual revenue and a best-in-class blended return rate of 10% would add \$109 million to its top-line.

A mid-size apparel retailer with \$500 million in annual revenue and an industry average blended return rate of 35% would add \$19 million to its top-line.

Each would also realize significant gains in profitability, sustainability, customer experience and brand value.

As you review your returns reduction opportunity, these simplified examples help illustrate that value exploration should be driven by total business impact potential, not whether you have a high or low return rate.

If you would like to explore your returns reduction opportunity, use [this benefits calculator](#) for a high-level estimate, or request a [Retail Returns Briefing](#) for a deeper, personalized discussion.

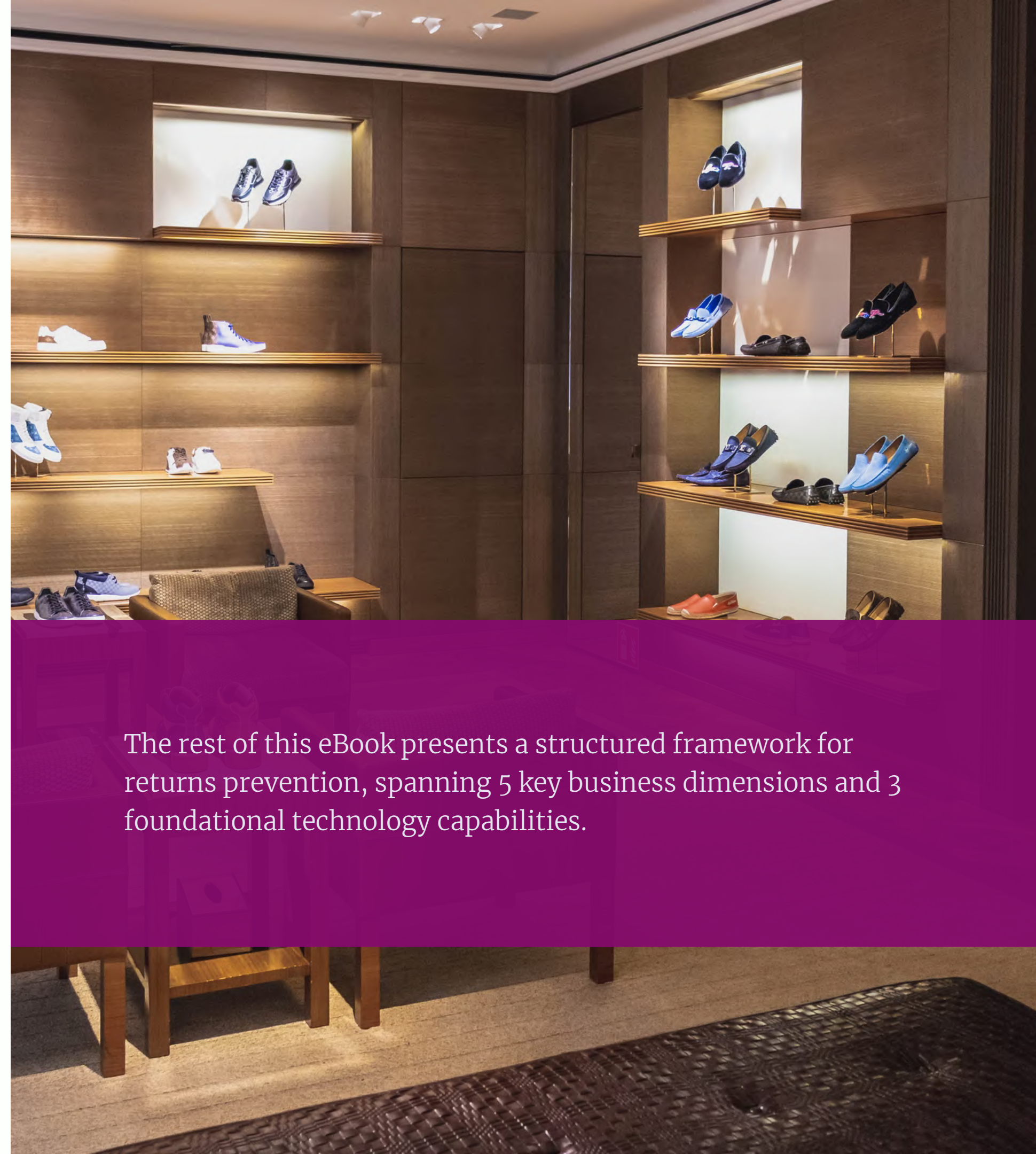


Retailers do not know how or where to start with returns prevention.

One of the biggest hurdles retailers face is the multi-functional footprint of returns along with a lack of executive ownership.

- 97% of retailers do not have an identified executive responsible for reducing returns
- 68% do not have adequate human resources to be able to focus on returns prevention
- 70% do not have a good understanding of the root cause of their returns

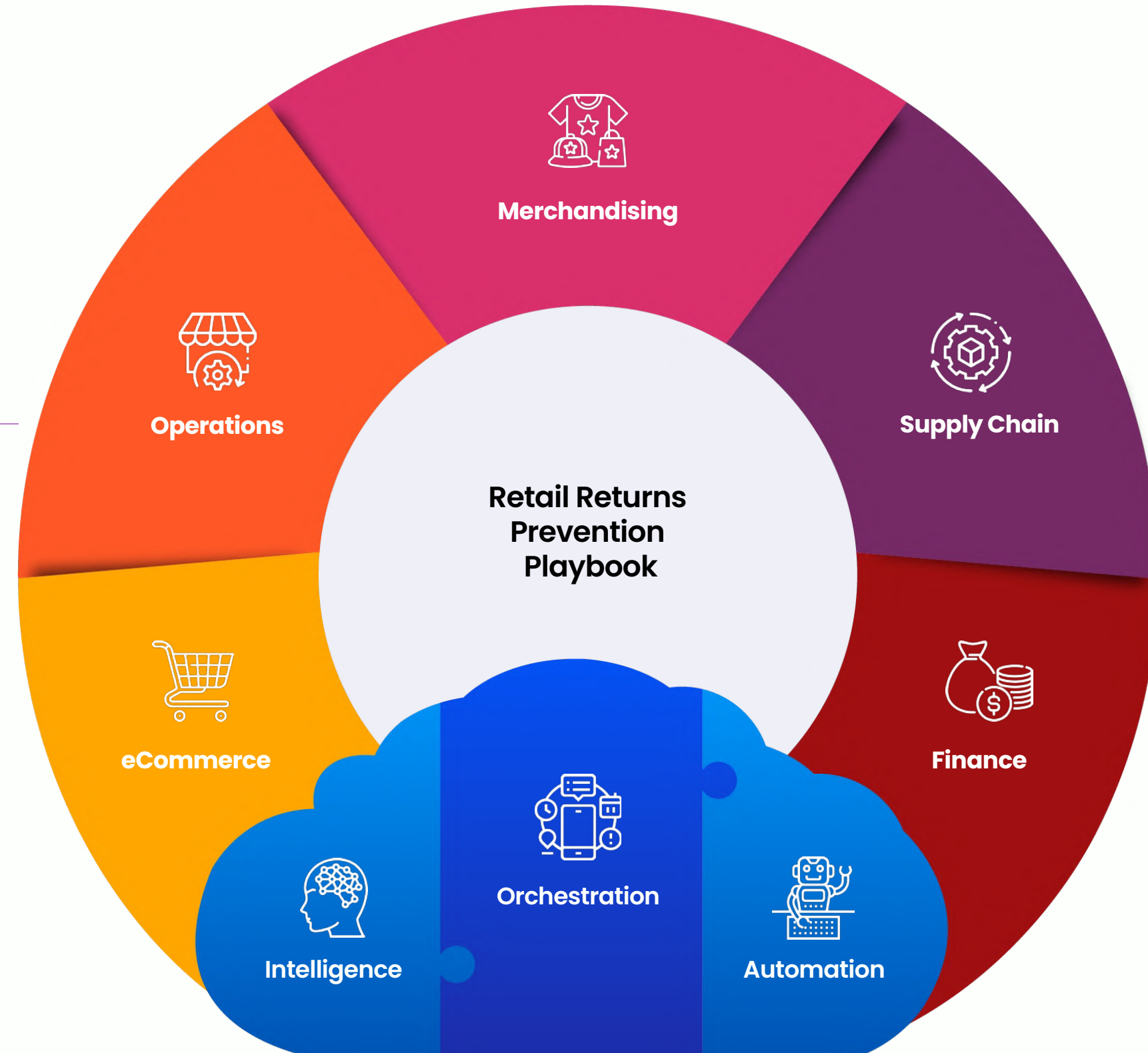
A strategic framework for returns prevention must therefore identify specific areas of focus for various business functions, and the key capabilities of underlying returns prevention technology.



The rest of this eBook presents a structured framework for returns prevention, spanning 5 key business dimensions and 3 foundational technology capabilities.

Playbook

Retail Returns Prevention



BUSINESS DIMENSIONS

Key areas of focus across major business functions to help prevent controllable returns.

TECHNOLOGY FOUNDATION

Strategic technology capabilities required to identify and address returns prevention opportunities.

Optimize your digital experience to minimize friction and reduce post-purchase dissonance.

Shoppers buy with the intent of using their purchases, not returning them. Design your digital experience not only to make it easier for them to buy, but more likely for them to keep. From helping find the right products to delivering a better fit experience, empower shoppers to make confident purchase decisions.

The return rate for eCommerce sales can be

3 - 4 times

higher compared to physical store sales.

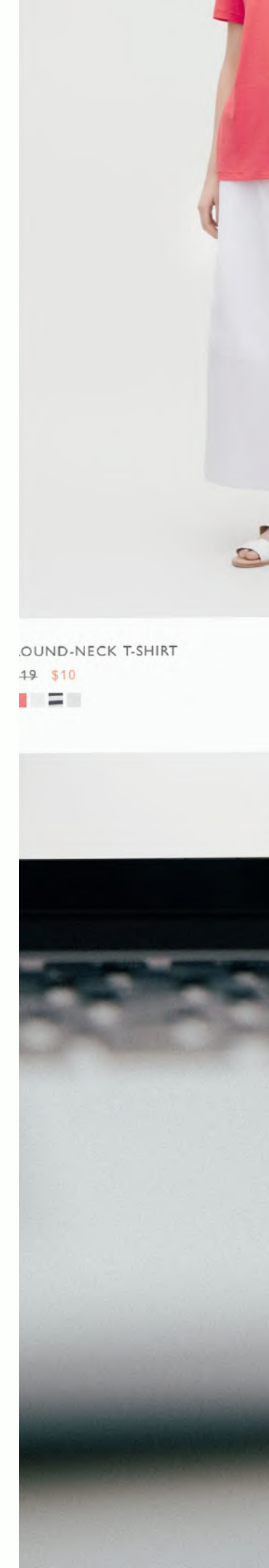
Incisiv's Consumer Industry Insights

Retail Returns Prevention Playbook
Incisiv, in partnership with Newmine

41% of shoppers

say they "bracket" at least some online purchases, i.e. buy multiple items to try at home, then return a few or most.

Business Insider



PRODUCT CONTENT

Ensure product content is consistent, accurate and comprehensive, and color and size information are correct. Ensure high image quality, and that product images offer accurate representation. Offer an improved fit experience across digital channels to reduce bracketing.

ORDER PROMISING

Give the shopper early and accurate delivery estimates to build greater confidence through the ordering journey. Power digital experiences atop accurate real-time store inventory.

ASSISTED EXPERIENCES

From guides that give shoppers greater confidence about style and fit to on-demand expert advice that addresses detailed product questions, offer experiences that help reduce post-purchase dissonance, and nudge them towards in-store returns to improve unit economics.

Empower frontline workers to assist shoppers, reduce operational errors and prevent fraud.

On the one hand the volume, velocity and variety of operations tasks has skyrocketed due to greater digital – physical integration, while on the other fewer highly skilled associates are available due to the ongoing labor shortage. Executing strategies flawlessly is incredibly hard without the right operational intelligence and tools.

In-store clienteling

tools are rated "very effective" by retailers in terms of level of impact on reducing returns. However, only 20% of retailers use them.

McKinsey & Company

In 2021

US merchants lost more than

\$78.4 Billion

to returns abuse and fraudulent returns.

NRF

FULFILLMENT

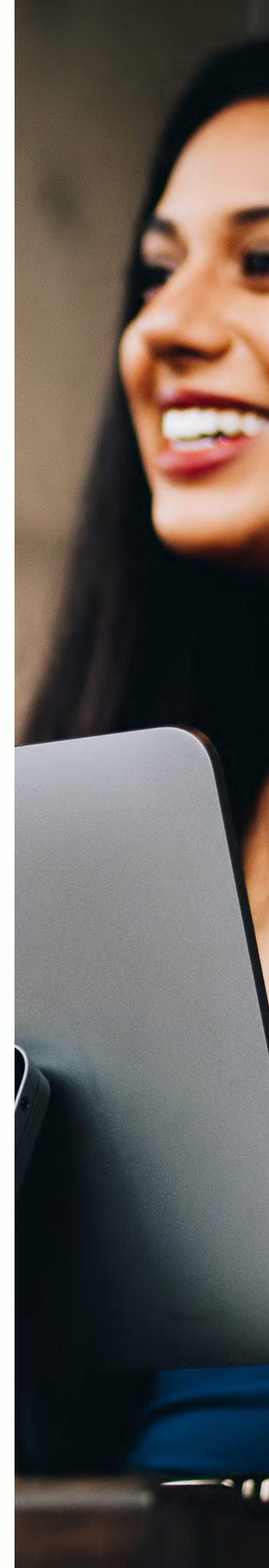
Identify which stores have high online order inaccuracy rates for store-fulfilled online orders. Reduce errors in store fulfillment by offering associates tools for guided picking, and improve efficiency through dynamic task management.

RETURNS ABUSE

Identify the items, categories or stores that have the highest incidence of returns fraud. Prevent returns abuse by identifying and addressing errant shopper or associate behavior in real time, such as "wardrobing" (the act of buying with the intention of using and returning a product).

ASSOCIATE TRAINING

Train store associates to offer shoppers guidance around product choice, style and fit. Empower them with tools to gather higher quality data at the point of return. Include regional eCommerce sales and returns in store associates' targets to better align incentives.



Make smarter decisions across the merchandising value chain from sourcing to promotions.

Are there suppliers whose products are returned more frequently? Are all stores executing planograms accurately? Are you promoting products that have a high likelihood of being returned? These are some of the questions to get you started on the journey towards improving the quality of your products, the relevance of your assortment, and the effectiveness of your pricing and promotions.

"Product quality not as expected"

is the number one reason why shoppers return products.

79%

of retailers do not have the capability to merchandise products with low return rates.

McKinsey & Company



PRODUCT DESIGN & SOURCING

Improve sourcing to reduce defects in both products (if sourced from a supplier for sell-through) and materials (if sourced for assembly or manufacturing). Identify and address issues in your quality check processes across the sourcing to distribution value chain.

ASSORTMENT & SPACE PLANNING

Localize assortments for greater shopper relevance, and adapt visual merchandising strategies to dynamic market trends. Avoid confusing displays that cause shopper confusion, and improve planogram compliance to reduce phantom out-of-stock scenarios that cause shoppers to pick less preferred substitutes.

PRICING & PROMOTIONS

Factor in a product's propensity to be returned into pricing and promotions strategies. Reduce marketing spend on products that are highly returned. Remove friction from price and promotion matching policies to avoid post-purchase dissonance.

Reduce inaccuracies and inefficiencies while improving transparency across the supply chain.

Was the right product available at the right time and right place to the right customer? Did their order arrive on time with the correct items? Did it arrive without damage? As the bridge between your selling channels and your customers, supply chain excellence is critical to you keeping your customer promises, and your customers keeping their purchases.

36% of shoppers

experience substantial online order delivery delays, however only 19% are well-informed by retailers.

Retail Dive

More than 60%

of fulfillment issues are caused by human error from manual process management for online order fulfillment.

Stitch Labs



PLANNING & FORECASTING

Improve forecast accuracy to avoid under or over supply of inventory, both of which lead to unstable supply conditions and erode shopper confidence (e.g. buying higher quantities of an item they fear may go out-of-stock, or buying a substitute for an out-of-stock item).

DISTRIBUTION

Improve pick and pack efficiency and accuracy, reducing errors such as picking the wrong item from the wrong location, or picking an item with a similar ID. Reduce packaging related damage, be it from the manufacturer or during handling at warehouses and distribution centers.

TRANSPORTATION

Ensure orders are delivered undamaged, on time. Provide customers total post-order transparency with up-to-date delivery information. Communicate with customers early and often in case there are any delivery disruptions.

Use returns as a strategic lever to improve financial health and business performance.

The revenue and profit impact of reducing returns is undeniable. However, most retailers treat returns as a “cost of doing business” – causing organizational drag and impeding progress. The finance team can accelerate change by demanding a similar level of visibility, analysis and control over returns as they do over revenue.

Retailers cite factoring returns into the cost of doing business as the **#1** challenge preventing them from reducing return rates.

It costs retailers **\$33 on average** for retailers to process a return, up 59% from last year.

Optoro

GROSS SALES TO NET SALES DELTA

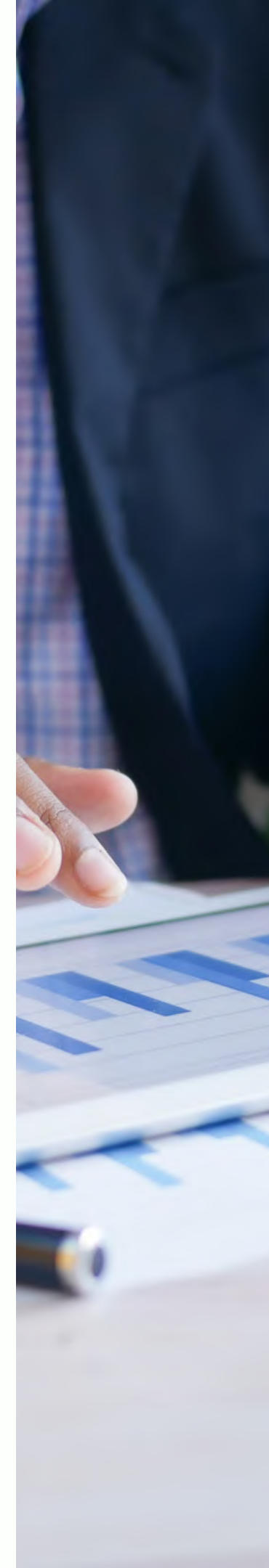
Change enterprise behavior by tracking gross sales to net sales delta, incentivizing teams that achieve a greater completion of net sales targets.

CATEGORY & PRODUCT MARGIN

Make merchandising teams accountable for the return rates of their categories. Track margin at a product and category level so you can manage not only to high return rates, but also to high returns impact.

COST OF RETURNS

Track the total cost of returns, factoring in the cost of reverse logistics (including labor, shipping, inventory holding, call center, disposal cost), the cost associated with returns experience management (e.g. customer care, returns experience management software), as well as the negative impact on customer lifetime value due to returns.



Enable the business with returns intelligence, anomaly detection and prescriptive action.

Gain a unified view of returns by aggregating internal and external data, use artificial intelligence to detect experience and operational anomalies that cause controllable returns, prescribe corrective action to address high priority opportunities, and enable easy collaboration across the enterprise to ensure timely value realization.

74% of retailers

have siloed returns data across multiple channels and systems.

9 in 10

retailers do not have effective tools or technology to help them reduce returns.

INTELLIGENCE

Uncover operational anomalies that cause controllable returns in real-time, and empower the business to make smarter decisions by benchmarking performance across multiple vectors through the lens of returns prevention.

ORCHESTRATION

Make it easy for business teams to take remedial action by providing prescriptive recommendations, a shared workbench across multiple business functions, and tools to track progress.

AUTOMATION

Uncover experience and operational anomalies on an ongoing basis, alerting relevant business teams in near real-time. Integrate returns intelligence with other enterprise platforms to automate certain corrective action.

INTELLIGENCE

UNIFIED RETURNS DATA

Aggregate data from across internal systems (e.g. POS, ERP, eCommerce) and external (e.g. ratings & reviews, customer feedback, logistics partners) to be able to perform holistic returns analysis.

SCORECARDING

Scorecard your categories, products, channels, suppliers, customers and other key aspects of your business operation based on their contribution to controllable returns.

IN-SEASON INTELLIGENCE

Deliver high-frequency insights and immediately applicable interventions such as fixing product labeling or updating web copy.

ORCHESTRATION

PRESCRIPTIVE ACTIONS

Go beyond issue identification by suggesting specific corrective action in natural language so it is easy to understand and implement.

MULTI-FUNCTIONAL COLLABORATION

Allow role and context-based access to returns intelligence, and easy collaboration between different business functions.

WORKFLOWS

Provide a clear roadmap for each corrective action, assisting business users through a guided step-by-step process. Allow business users to track resolution progress.

AUTOMATION

ANOMALY DETECTION

Use purpose-built artificial intelligence to detect anomalies in your retail operations, and identify the root cause of controllable returns.

ALERTS & NOTIFICATIONS

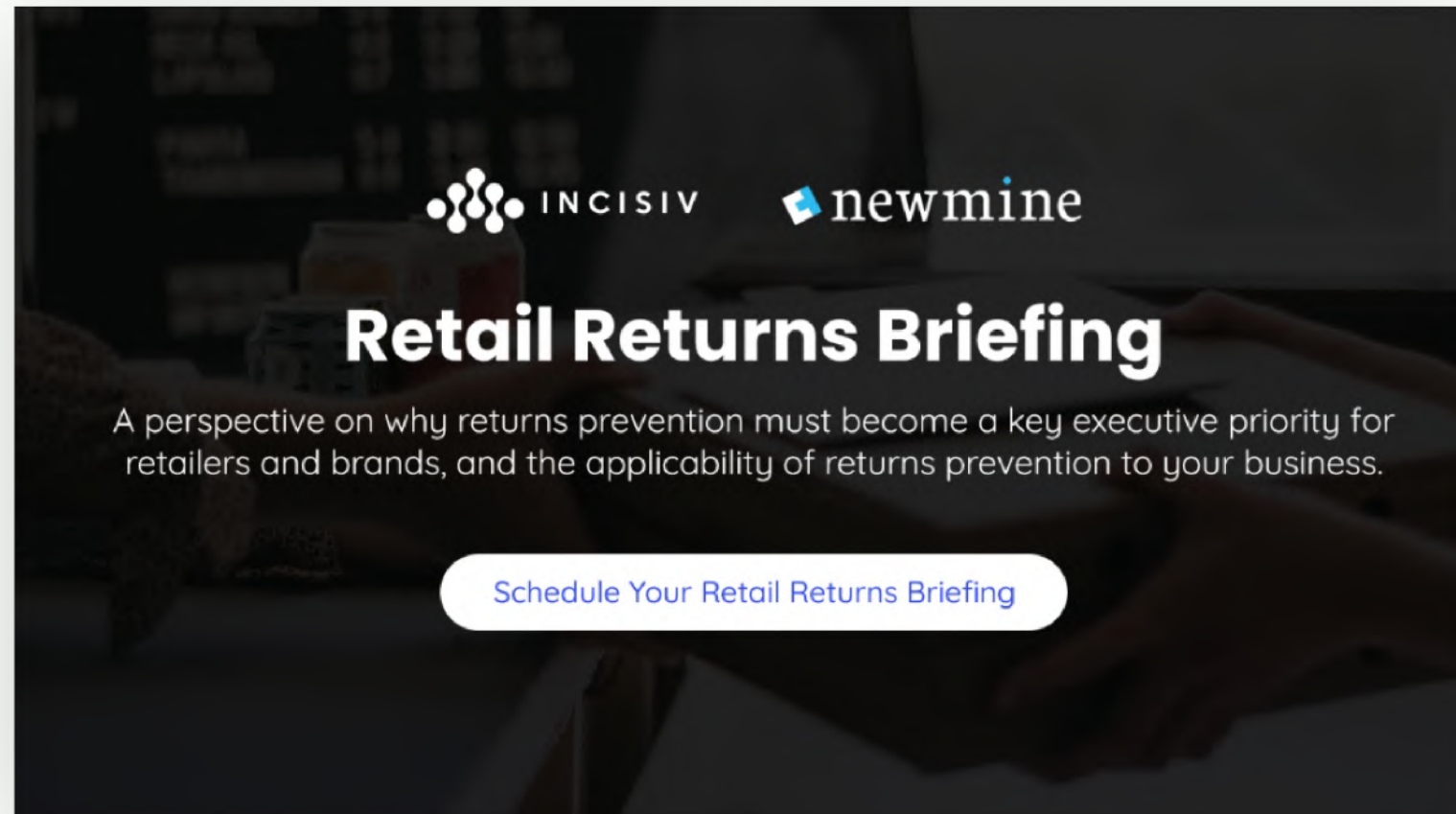
Provide real-time alerts and notifications to relevant business users with the specific corrective action they need to take (or as information if the corrective action was automated).

EASY INTEGRATION

Integrate returns intelligence with other enterprise platforms so corrective actions can be easily orchestrated, and even automated.

Next steps.

If you would like to explore your returns reduction opportunity, use [this benefits calculator](#) for a high-level estimate, or request a [Retail Returns Briefing](#) for a deeper, personalized discussion.

A dark-themed banner for a 'Retail Returns Briefing'. At the top left, the logos for 'INCISIV' (a cluster of white dots) and 'newmine' (a blue square icon) are displayed. The main title 'Retail Returns Briefing' is centered in a large, bold, white font. Below the title, a line of smaller white text reads: 'A perspective on why returns prevention must become a key executive priority for retailers and brands, and the applicability of returns prevention to your business.' At the bottom center, there is a white rounded rectangular button with the text 'Schedule Your Retail Returns Briefing' in blue.

INCISIV newmine

Retail Returns Briefing

A perspective on why returns prevention must become a key executive priority for retailers and brands, and the applicability of returns prevention to your business.

Schedule Your Retail Returns Briefing





ABOUT INCISIV

Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

[incisiv.com](https://www.incisiv.com)

IN PARTNERSHIP WITH



ABOUT NEWMINE

Newmine's Chief Returns Officer® is a retail intelligence platform purpose-built for returns prevention. It helps retailers identify the root cause of returns, take remedial action through prescriptive recommendations, and scorecard key processes for greater operational control.

Leading retailers and brands use Newmine's Chief Returns Officer to protect revenue, boost profitability, enhance customer experience, and improve sustainability.

[newmine.com](https://www.newmine.com)