E-commerce Returns 2024

European retailer survey

BlueYonder
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Introduction

Most merchants continue to report significant challenges around returns. Two statistics from our research help to tell the story.

Firstly, 84% of merchants believe that their own returns processes are good or very good.

Secondly, 75% say that it's a high or very high priority to make them better.

How should we interpret these datapoints, which on their face seem pretty contradictory? There are three factors to consider. One, merchants can only compare themselves to other merchants. If nobody seems to have solved the problem, and everyone is just doing their best, then by the standards of the competition, your own work might seem 'good' or 'very good' even if it hasn't solved the problem. Two, we're asking respondents to mark their own homework and tell us how good a job they think they're doing — they may be reluctant to admit that their own decisions and approaches aren't up to scratch! Finally, three: it's a really hard problem with multiple elements — experiential, financial, technological, logistical — and 99% of merchants don't have the scale, resources, or experience to truly solve it independently.

The fact that 3 in 4 retail businesses across Europe are making returns a high or very high priority tells us that clearly 84% of them cannot have already figured it out. They may not know exactly where their issues lie, they might find them hard to address, they might not see many examples of what good looks like in the market — but they know they have a problem, and want it fixed.

We commissioned this research of European e-commerce businesses for the second year running because we want to track the impact of global economic changes and a very different e-commerce landscape on returns. In this report, we'll cover how merchants experience returns — what returns rates they're dealing with, the extent of the challenges returns pose to their businesses, where returns sits among their priorities and the tools they're using to manage returns. Ultimately, we'll explore how retailers can take the first steps towards a more intelligent and profitable returns process.

Tim Robinson,
Corporate Vice President,
Blue Yonder

Methodology

We surveyed respondents from e-commerce retail businesses across the UK, France, Germany, Italy and Spain. Candidates were vetted to ensure they were active employees of e-commerce retail businesses. Respondents filled out 4 demographic questions and 15 survey questions. There was a total of 150 respondents with relevant backgrounds and industry participation.

Notes:

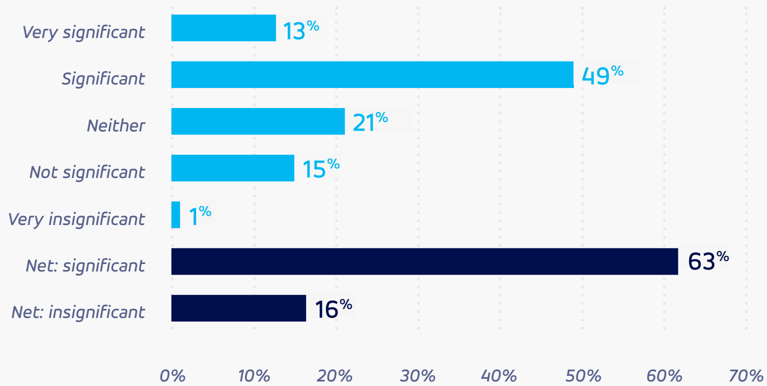
Return rates were measured as self-reported estimates by respondents.

Those already using a carrier-provided solution were excluded from the question "Would you be interested in using a digital solution provided by your logistics or delivery provider, to help you manage e-commerce returns?", so there were 121 total respondents for this question rather than 150.

The Data

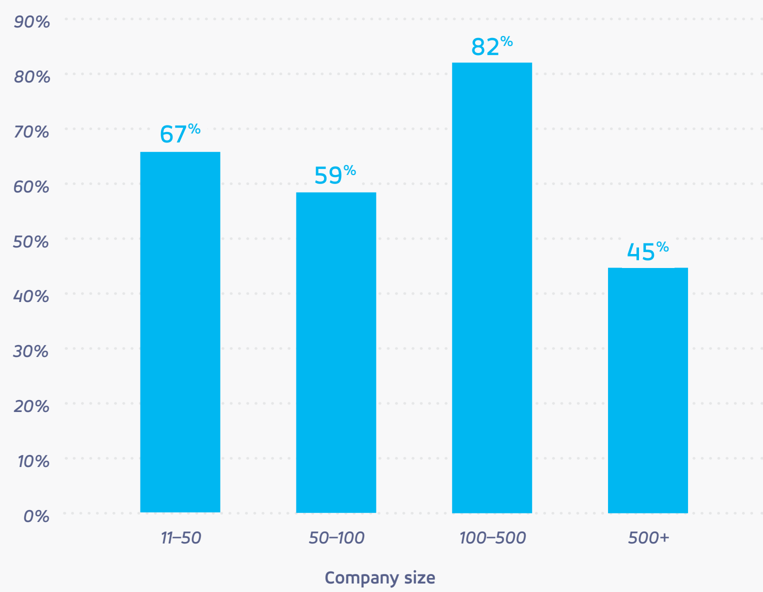
Returns remain a major problem for e-commerce businesses of all sizes

To what extent are e-commerce returns a significant problem for your business?



63% of merchants say returns are a **"significant"** or **"very significant"** problem — up from 57% in 2022

Significance of returns by business size



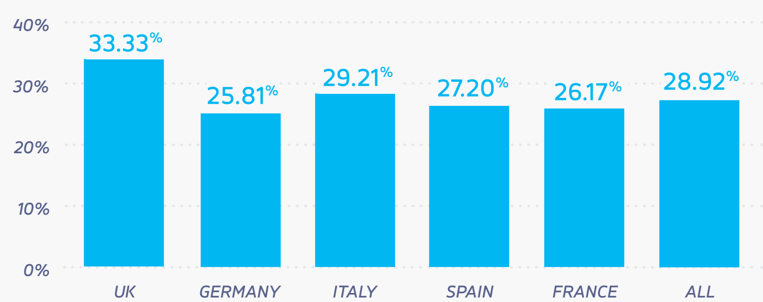
Over 80% of large merchants (those with between 100 and 500 employees) say returns is a significant issue, up 30 percentage points since 2022

Smaller merchants remain badly affected, with two thirds (67%) of businesses with 11–50 employees and 59% of businesses with 50–100 employees saying returns are a significant problem

The biggest merchants were the least likely to say returns were a major pain point in 2023, although 45% still reported significant challenges, down 3 percentage points since 2022

What return rates are online retailers experiencing?

Mean estimated return rate by market



29% Average estimated return rate across all markets, up 5.5 p.p. since 2022

33% UK average return rate as estimated by merchants

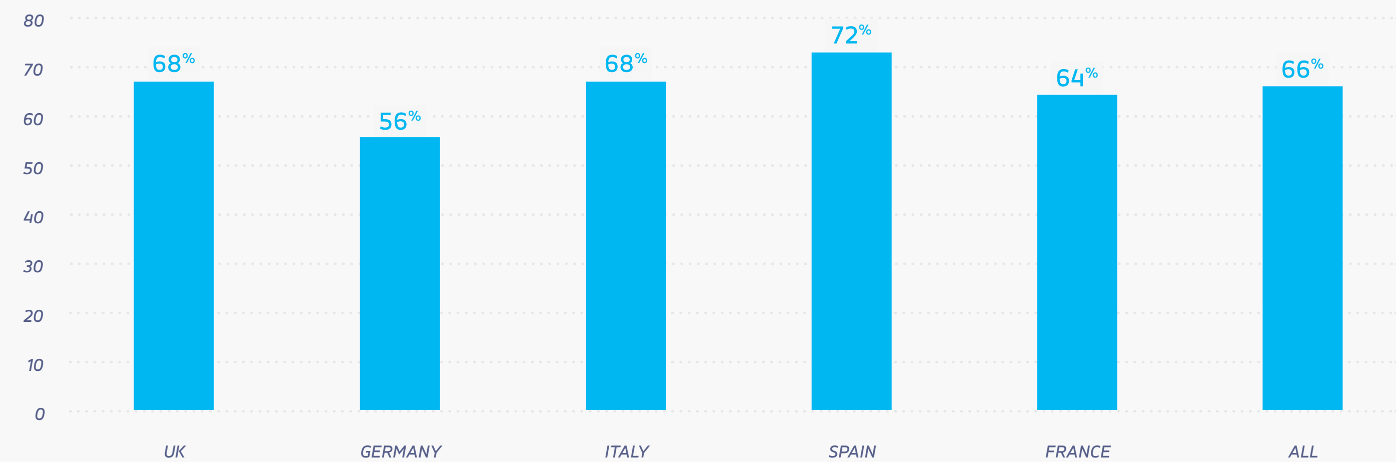
A worsening issue

67% say return rates have increased in the last 12 months

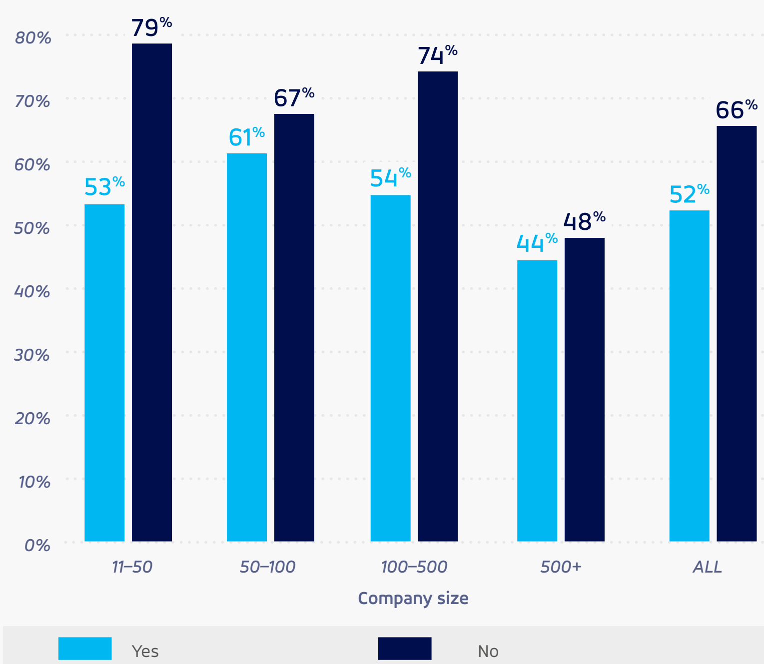
9% see them dropping

25% report no change

Which markets are more affected by increasing return rates?
Share of merchants by market who report increasing return rate over the past 12 months



Returns growing in SME space as well as the mid-market retailer
Businesses experiencing increasing return rates, by size and year

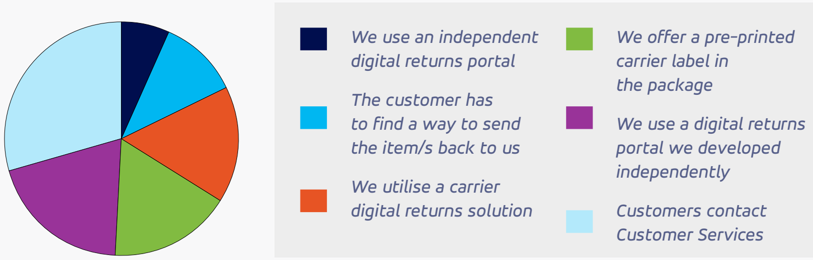


The share of small (11–50 employees) merchants who are now seeing increased return rates has jumped from 53% to 79% since 2022. Mid-to-large retailers also saw a jump in the share of merchants experiencing growing returns problems, from 54% to 74%

The largest merchants were least affected by increasing return rates — they may have borne the brunt of initial post-pandemic rises in return rates, which is now filtering down to impact smaller retailers as well

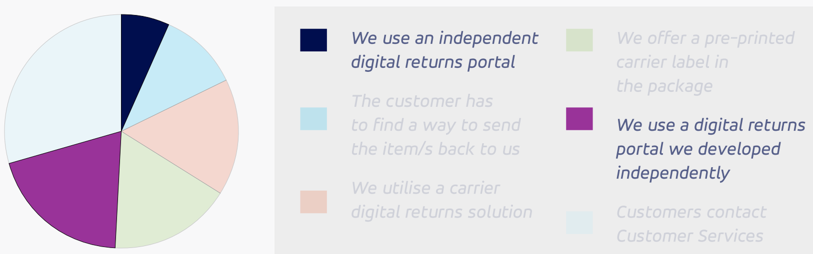
What are merchants offering?

Returns solutions offered by retailers



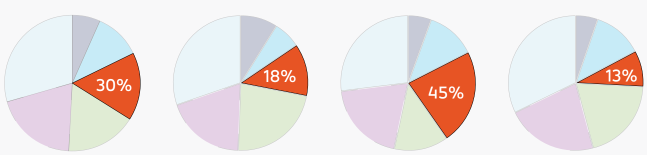
There are a multitude of methods offered, with no predominant winner — **the most common returns initiation method is to contact customer service**

Integrated Returns solutions offered by retailers



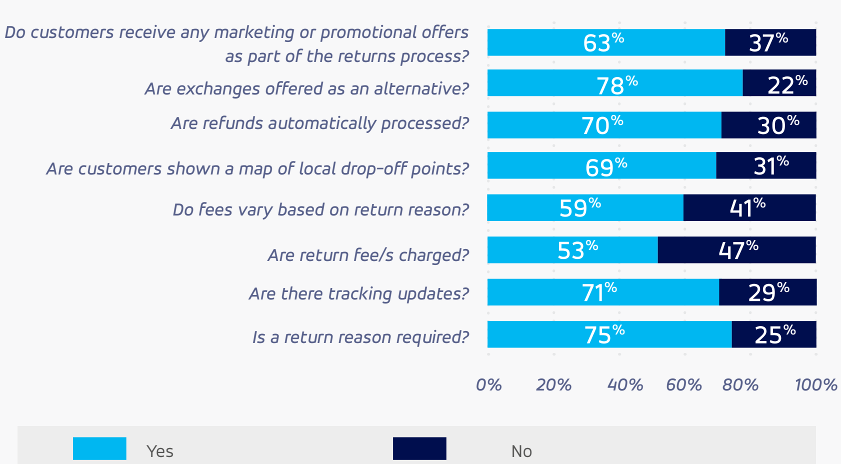
Integrated returns portals, whether developed in house or by third party providers, require customers to input an order number, tying the return to a record of purchase. This allows retailers to capture data about the return and associate it with shopper data and purchase data, giving them more control and insight. These are the most sophisticated returns approaches, used by just 39% of merchants, up 3pp from 2022

We use a carrier digital returns solution



Carrier solutions have decent market share for SMEs, and impressive reach in the mid-to-large segment of our respondents, but are lagging behind in the middle and at the enterprise level

The Customer Journey in Returns



53% charge for returns — merchants are divided over free returns

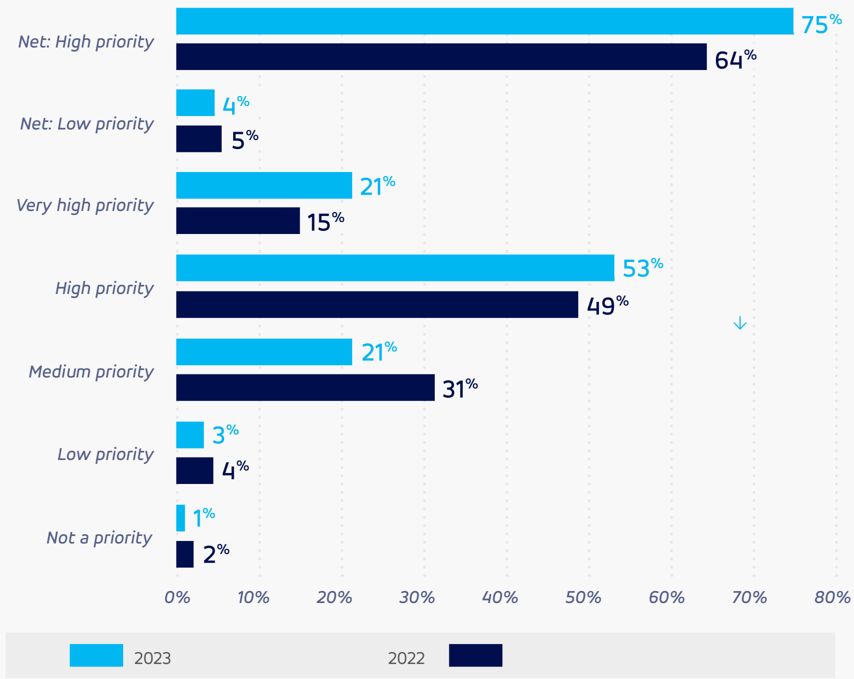
59% say their fee depends on the reason given for return

1/4 aren't requiring customers to give a reason for their return

30% of merchants still manually approve refunds

Is improving returns a priority?

Returns improvement priority by year



A more urgent priority, for more merchants

4% of retailers say it's a low or no priority — ↓ **1 percentage point vs 2022**

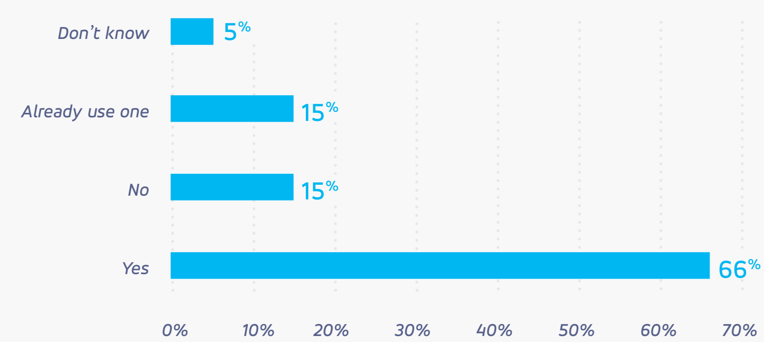
21% say it's a very high priority — ↑ **6 percentage point vs 2022**

53% say it's a high priority — ↑ **4 percentage point vs 2022**

21% say it's a medium priority — ↓ **10 percentage point vs 2022**

Would they use a carrier solution?

Would you be interested in using a carrier-provided digital solution?



77% of those who don't already use one say they'd be interested in using a digital returns solution provided by their logistics or delivery provider to manage e-commerce returns

Key themes continue to emerge

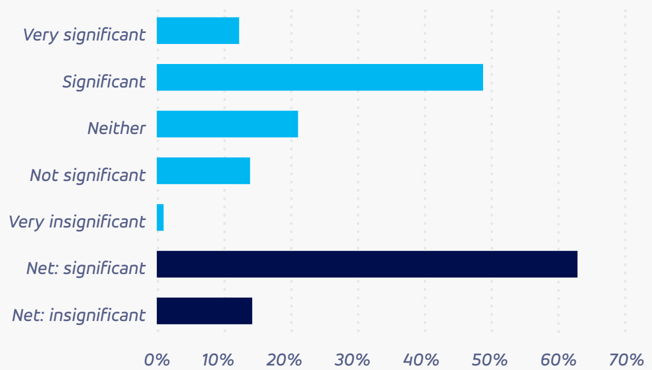
- e-commerce returns remain a major barrier to merchant success
- It's a higher priority than ever, for more merchants
- The application of technology to this space is fragmented and often basic

The Context of E-commerce Returns

A severe challenge across verticals and business sizes

Just under two thirds (63%) of our survey respondents told us that returns were a significant or very significant problem for their e-commerce business, up from 57% in 2022. That shows just how broadly the effects of returns are felt, stretching well beyond the verticals we typically associate with problematic returns, like fashion and apparel.

To what extent are e-commerce returns a significant problem for your business?

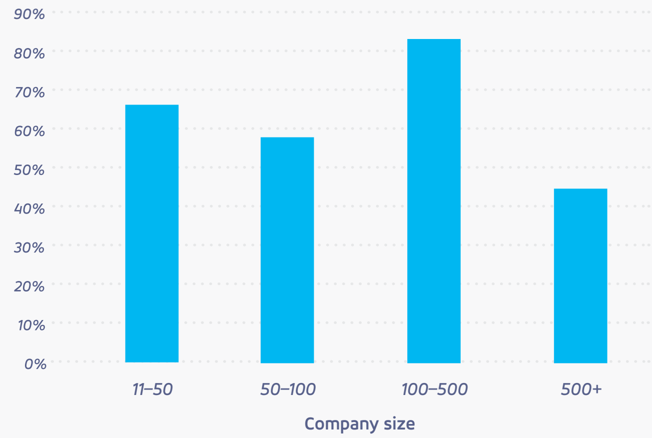


"One third (33%) of our sample told us that their returns rate was over 25%"

One third (33%) of our sample told us that their returns rate was over 25% — these were predominantly retailers operating in categories like fashion, health, children's toys and books. With returns at such a high rate, it's massively challenging to stay profitable. When more than one in four orders is not only unprofitable, but actually generates no revenue and more than doubles in cost, any business will struggle to succeed.

Looking at the impact on different sizes of business, it's unsurprising that retailers with 500+ employees have been best placed to adapt to the difficulties of e-commerce returns.

Significance of returns by business size



Only 45% of retailers of this scale reported finding returns a significant or very significant problem in 2023, down from 48% in 2022. These merchants have more resources to marshal and more data to learn from when it comes to tackling returns and building solutions to help mitigate their impact. Even still, 45% report that returns remain a significant challenge.

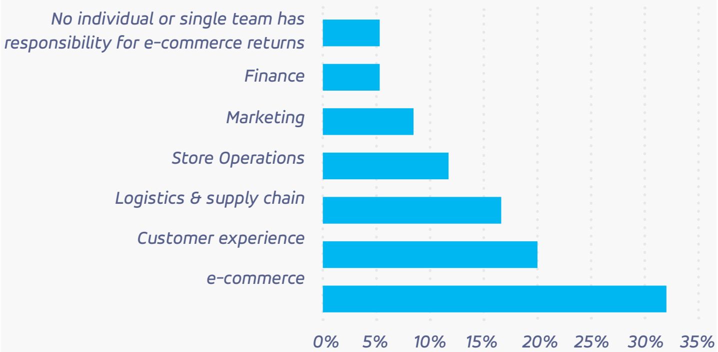
"80% of mid-to-large retailers said returns were a significant problem, up 30 percentage points"

It's far harder for mid-sized and smaller businesses to manage. Mid-to-large retailers have been worst affected. 80% of those sampled from this bracket (100-500 employees) told us returns were a significant problem, up 30 percentage points since 2022.

Worsening rates

The estimated rate of returns increased from 23.44% in 2022 to 28.92% in 2023. That's backed up by two thirds (66%) of respondents reporting that the rate of returns they experience had increased in the last 12 months. In 2022, that figure was just over half (51%). This rise in the rate of returns might go some way to explaining the increase in merchants identifying returns as a problem area, as well as the increase in priority given to improving returns.

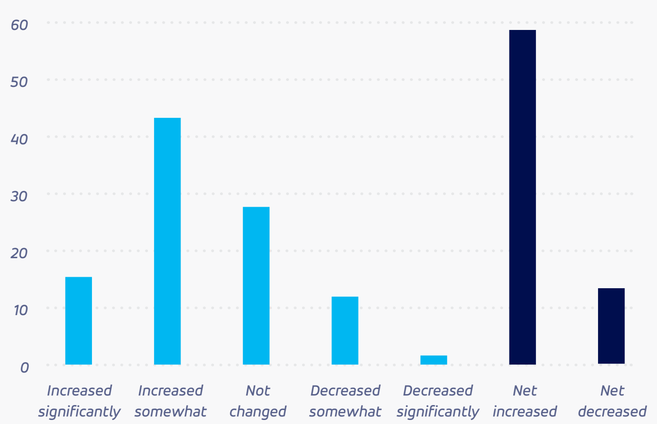
Businesses experiencing increasing return rates, by size and year



The increase in reported rates is true across business sizes, though judging by the differences in those reporting returns as a significant issue, larger retailers were simply better prepared than others. Small retailers (with 11-50 employees) were most likely to report increasing return rates over the last 12 months

Merchants seek to make urgent changes in returns

In the last 12 months has the rate of returns changed?



Based on our data, it seems that merchants who had returns as a medium priority in 2022 have ramped up the urgency this year. This "Medium" priority segment dropped from nearly a third of merchants in 2022 (31%) to only a fifth (21%) in 2023, at the same time as the share of those rating returns as a 'Very High' or 'High' priority increased by 10%. This is likely to be partly in response to the increasing return rates affecting bottom lines, as well as growing concern over consumer spending habits and economic forecasts.

Merchants moving from growth strategies to profitability

The past year has also seen major retailers move away from growth-oriented returns strategies towards policies aimed at cost reduction. The generous returns policies with free returns shipping (often via a pre-printed label) and long windows within which consumers could return items for a full refund, no matter the reason they gave for their return? Those are now a thing of the past, in most cases.

In a climate where growth is no longer the primary objective, as the e-commerce market slows, merchants are looking at ways to make their delivery and returns offering both cost-effective and competitive. This includes strategies such as increasing the threshold for free delivery, which has been implemented by merchants such as Macy's, Abercrombie & Fitch and ASOS. As reported by the Wall Street Journal , the minimum order threshold for retailers to offer free shipping rose to $64 in 2023 from $52 in 2019, while one European study found that the average spend to qualify for free delivery has increased by 98c to €72.30 since 2022.

The most noticeable symptom of this strategic shift in the returns space has been the move from free to paid returns.

The majority of merchants now charge for returns

Customers are more likely to have to pay for returns than not — 53% of merchants in our survey reported charging a fee for returns, whether for shipping, restocking cost or other payments associated with returning goods.

2023 saw more global retailers start to charge for returns, including THG (which owns brands including Lookfantasic, MyProtein and Glossybox) as well as H&M, J. Crew, Kohl's, Uniqlo, Anthropologie & Neiman Marcus. This isn't a decision to be taken lightly, as retailers have been given the same warning for years — paid returns can harm customer experience and growth.

There is plenty of data to suggests that paid returns can be detrimental to retailers, such as Signfiyd's 2023 research, which reveals that 56% of UK consumers and 77% of French and Italian consumers would be hesitant to shop with an e-commerce company that didn't offer free returns as standard. In addition, when asked what made for a good returns experience, 40% of UK participants cited free returns.

However, despite an increasing number of retailers charging for returns, there hasn't been a decrease in return rates — instead, the rate is increasing. The increase could partly come from consumers becoming more cost-conscious and preferring to have money on hand rather than products they're not entirely happy with. Where before these goods might have been 'good enough', or at least not worth the trouble of returning, now it seems that more consumers are willing to pay a small fee to obtain a refund and get their cash back.

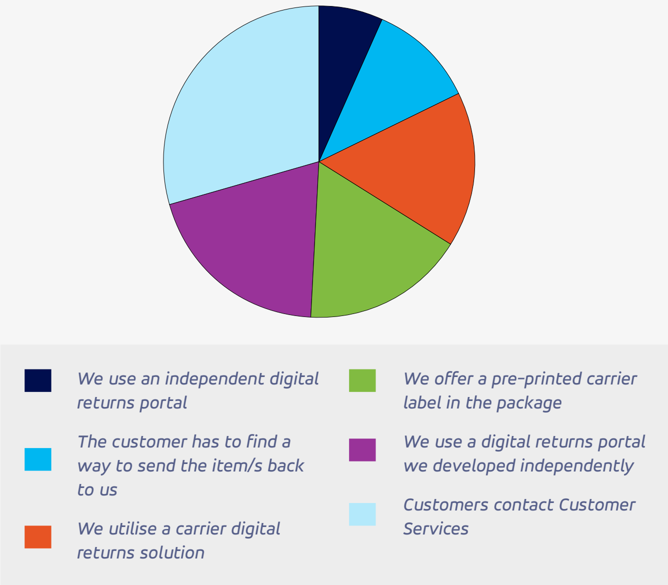
In general, returns have become an even higher priority than they already were, and for a broader share of merchants than before, thanks to strategic changes aimed at weathering a period of lower growth and reduced enthusiasm for online shopping due to the increasing cost of living.

How E-Commerce Returns Work Today

Solutions are fragmented and inconsistent

No two merchants are the same. They have different products, target customers, strategies and philosophies. Nowhere is that clearer than when it comes to returns.

Returns solutions offered by retailers

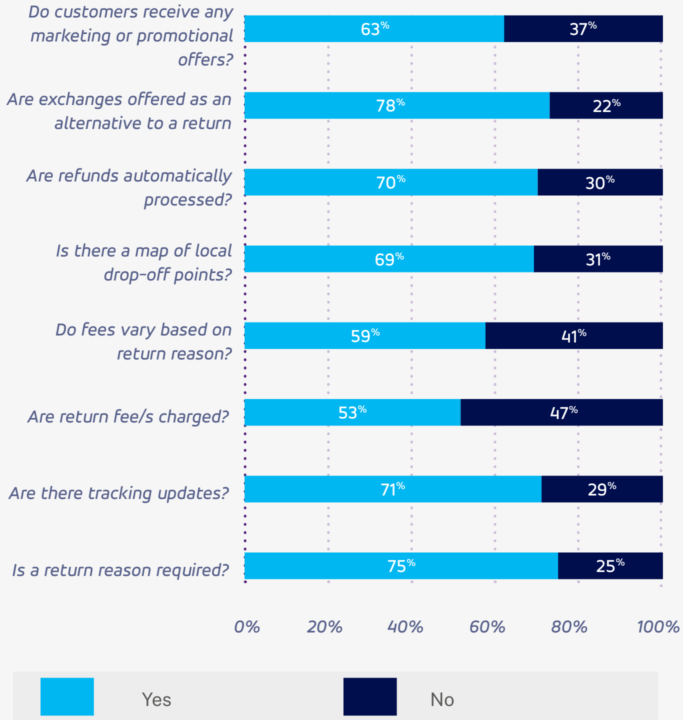


N.B. Respondents were able to select multiple answers in cases where they used more than one return initiation method, so these figures do not sum to 100%.

Our respondents have a broad mix of solutions and propositions. Sometimes even within single merchants, options vary — the same item has to be returned differently depending on the channel it was purchased through.

Inconsistencies like these are partly why customers find returns a headache. Some merchants cannot process online returns in stores, for others it's the only option. Some merchants require explicit authorisation from customer service before a customer can receive a shipping label (the cost of which is likely to come out of their refund); while some merchants (27%) include free returns labels in every package they ship, and consequently receive returns passively with minimal notice and almost no control.

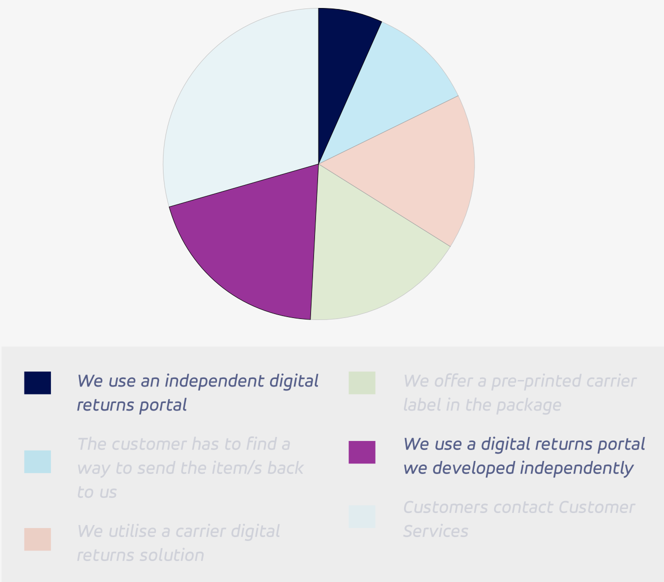
The Customer Journey



From a CX perspective, the inconsistency continues when it comes to important elements of the returns journey like tracking, refunds, drop-off point access, fees, and more. The elements that retailers found most consensus on were exchanges, which 78% of retailers offer, and return reasons, which 75% of retailers require. The fact that a quarter of retailers are not even attempting to track the reasons for returns (and still more only get patchy or unreliable data about return reasons as a result of paper-based processes) demonstrates just how much could be improved by wider adoption of digital solutions.

Digital solutions: integrated or isolated

Returns solutions offered by retailers



39% of retailers surveyed used either an independently or internally developed returns portal. 32% of retailers surveyed said that they'd developed their own returns portal, and 11% use a third-party provided portal — there is some overlap between these groups with some merchants using both solutions.

Digital returns solutions can be connected to order data from the merchant, allowing for a smoother customer journey where shoppers are presented with their recent purchases and can select which ones to return and why. Such 'integrated' solutions also mean retailers have greater visibility and control over the process. For example, they can prevent returns being accepted for out-of-policy items, or returns that fall outside of policy windows. They can also set up rules to route returns to different addresses so that popular items can be moved into stock sooner and broken items can be sent straight for repair. A digital solution ensures that retailers also pay for returns shipping on items actually returned, rather than printing labels for each outbound order (and also save on printing costs).

One of the biggest benefits to retailers is that integrated digital portals will capture returns data. They will know exactly what is being returned, by who, and why — rather than just having items arrive at returns facilities to be processed. This gives retailers a clearer view of stock and inventory — as well as consumer insights to influence return policy, product information and overall e-commerce strategy to reduce return rates from the source.

While our dataset doesn't explicitly clarify whether internally developed portals are integrated to order data, we can say that at least a clear majority of merchants (61%) are still using inferior, non-integrated solutions.

Manual, paper-based and customer-service approaches

By far the most common option of returning a parcel remains for customers to contact customer service, a method which is available in 47% of merchant returns propositions. This method is likely to involve a more manual approach to authorisation, approval and label generation, which makes it more expensive than a digital framework where the returns policies are effectively baked into the user journey, rather than discussed with a customer support agent.

27% take an alternative, low-touch approach by including pre-printed returns labels in the package of each delivery, meaning that customers can simply return any item at any time, so the initiation of the return is very much hands-off for the retailer. However, because of the lack of control, retailers are likely to experience ineligible returns being sent, wasting time and money in shipping, handling and grading, as well as determining refund authorisation for each return. Paper slips are also not a reliable way to receive important returns data, such as reason for return. Finally, printing hard-to-recycle sticky labels in each package, where on average 70-80% will not be used, generates significant waste and unnecessary cost.

Finally, 18% of European merchants told us that consumers have to find their own way when it comes to returning an item — they don't make it easy to obtain a return label, whether digitally or physically. Presumably these merchants aim to limit returns, though putting so much onus on the consumer might put off shoppers from purchasing in the first place as well as lowering the volume of returns received.

Small businesses are under huge pressure with returns, and adopting technology

One of the key market segments struggling most with returns is small businesses (with 11-50 employees). 79% say their return rate has increased in the last 12 months, and two thirds (67%) say returns is a significant or very significant problem.

However, these small businesses are adopting technology rapidly. In 2022, of the same segment of our sample, just 7% used a self-developed returns portal, and none used a 3rd-party returns portal. Only 17% were using carrier solutions.

In 2023, 27% use an internally-developed solution, 30% partner with a carrier digital platform, and 12% have a 3rd-party tool. However, it might be a concern for carriers that even with a substantial head start in this market, their market share has had a smaller increase than the increased use of internally-developed tools, and their growth has been nearly matched by 3rd-party solution providers, who had almost no presence in this segment previously.

Smaller merchants have less investment capability, scarce IT resources and less overall time and capacity to focus on returns. They're less likely to want to pay fees for a solution, but need a returns offering that works with their specific channel set-up: almost half (48%) sell on marketplaces, and 30% sell through other third-party websites.

One reason why carrier solutions might be losing out to self-developed and third-party tools is that they do not offer the benefits of integration which we discussed previously. That limits the effectiveness of carrier returns offerings, as merchants don't receive as much insight and control over the process.

Starting From The Bottom: The Long Journey of Solving Returns

Returns are, and will remain, a big problem for retailers. 63% of merchants classified returns as a significant or very significant problem in 2023, up from 57% 2022. This increase was most felt within large merchants (with 100-500 employees), with over 80% citing returns as a significant issue, up 30 percentage points since the previous year.

Across all European markets, average estimated return rates have increased by 5.5 percentage points to 28.9% — with 67% of surveyed merchants saying their return rates have increased in the last 12 months. This figure has risen sharply amongst small merchants (11-50 employees), as 79% reported higher return rates, up from 53% in 2022.

As might be expected, the largest merchants (with over 500 employees) seem best placed to deal with the difficulties of returns, backed by greater resources. However, just under half (45%) of merchants of this size still reported returns as a significant problem, showing that although they might be coping better than smaller retailers, they're not out of the woods yet.

"As might be expected, the largest merchants (with over 500 employees) seem best placed to deal with the difficulties of returns, backed by greater resources."

Over the past year, many merchants have implemented small changes to delivery and returns, such as minimum spending for free delivery and return charges, signifying a move away from growth-orientated strategies to profitability-based ones. Despite more than half of merchants now charging for returns, the majority of merchants still see returns as a significant issue. The key lesson is that charging for returns isn't enough to solve the core issue.

Today, it's clear that many retailers are still stuck with non-digital or partly-digitised returns processes. That puts a hard limit on how effectively they can respond to the rising rate of returns, and how effective and profitable their returns can be overall.

"The key lesson is that charging for returns isn't enough to solve the core issue."

Digitising each step of the journey is the basic requirement. Merchants are not stuck writing their accounts in ledgers with books and quills, but when it comes to returns the norm is too often a paper-based process still. Only once they take the first step on this ladder can retailers start to make more sophisticated plans — building strategies based on real data, with the ability to forecast the impact of changes in advance.

What that future looks like will be different for every retailer, as it should be. Where today retailers at almost all levels are mostly looking to their competition for guidance on their returns proposition, in future they should be able to look to their own data, and understand where they can optimise. Then they'll act on that insight, configuring rules that tackle unprofitable edge cases (think charging restocking fees when consumers return excessively), reward valuable customers, and incentivise profitable behaviours like returning unwanted items quickly.

That's just the consumer-facing side. Equally important is to recognise that not all returned items are equally valuable. With a digital dataset and configurable rules engine, retailers can extract the maximum value from returned items. That means shipping them in the most cost-effective way, ensuring they are directed straight to the right location — whether that's a processing centre, a store, or a repair workshop — and ultimately getting as many items back on sale as quickly as possible to reduce markdowns and wastage.

None of that customisation and value can be unlocked, though, until retailers have access to the digital foundation layer. This should be priority number one for those retailers who have acknowledged they have a significant issue in returns.

References

[i] Wall Street Journal

[ii] DeliveryX

[iii] Signfiyd

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