

Expert Group

Cross-border (E-)commerce

Wanted: E-Commerce Fashion Returns Manager

Takeaways

1. If customers don't have to pay for their items until after delivery, this has a significant impact on the number of products returned to online retailers.
2. Providing clearer information on size and fit could help reduce product return rates in online marketplaces.
3. What retailers need to do is hire a returns manager! The job of the returns manager is to actively engage with the issue of product returns and analyze the available data.

Host



Chair



Wanted: E-Commerce Fashion Returns Manager

How can you reduce your online store's product return rates? Is doing so really necessary? And – arguably the most interesting question – how do you achieve this at an international level? This year, the Cross-Border (E-)Commerce Expert Group has focused on the issue of product return management.

Definition of the Problem: Is there a Problem?

Online sales continue *to soar*, particularly in the fashion industry. This is true both domestically and internationally, as we have seen with major multi-brands such as Zalando, About You, wehkamp, and Bestseller. The exponential online growth of these businesses both creates opportunities and presents certain risks. One of these risks is the high rate of product returns in the fashion industry (with rates as high as 15%-40% being no exception).

There are many different reasons a customer might return an item of clothing they have purchased: the product could be the wrong size, the quality might not be up to par, or the product's look and feel could differ from the image displayed on the website. In some cases, the consumer might order several sizes and return the one(s) that did not fit. These are just a few examples that illustrate that returns are part and parcel of any online retailer's business operations. However, processing all these returns is an extremely costly business, and research has shown that reducing the product return rate by just 1% (!) already significantly boosts profitability.

E-tailers provide various solutions for streamlining the return process, but which of these is the most effective? Is there a difference between e-tailers and, for example, online marketplaces? Furthermore: does the return handling issue only present a problem, or is it not quite as simple as that? The study into the returns issue focuses on three key elements: prevention, reduction, and the process of marketing product returns.

The Study: Representative Overview of Local Product Returns

The study conducted by the Cross-Border E-Commerce Expert Group examines several large fashion e-tailers and online marketplaces operating in the Netherlands and internationally. In carrying out this study, we have attempted to get a representative picture of local product returns in the fashion industry. With various leading online fashion retailers having provided access to their order data, the study is based on more than 9.6 million order lines. This database provides us with enough information to make valid comparisons between online marketplaces and e-tailers. It also enables us to draw some conclusions about the differences between domestic and international returns. The report provides an overview of the market and sheds light on the "problem" of product returns in the retail industry.

One of the key elements of the study is the difference between domestic and international returns. These two domains constitute the heart of the study, which shows how these different types of product returns are handled. The expert group has asked a large number of questions, including:

- What are the average (local and international) return rates?
- What reasons were cited for returning items?
- What impact do payment methods and shipping charges have on product return rates?
- What impact does sizing have on product return rates?

Another difference that merits closer attention is that between online marketplaces and e-tailers, which each use completely different methods for handling returns. The results of the survey allow us to draw conclusions on the return handling strategies used by both platforms.

However, the main purpose of the survey is to gather data on how returns are managed in the Netherlands and other countries and how these different methods relate to each other. Based on this data, we then review recommendations and suggestions and assess the impact of future trends and developments, both in technology and other areas.



Download the Study

Analysis

The three key elements of return management – "prevention," "reduction," and "marketing"– provide online retailers with a handful of tools that can help them to more effectively manage cross-border product returns. A separate study would need to be conducted to assess which of these strategies is most effective for e-tailers. You can complete the following steps for this purpose:

Step 1: Organize the data relating to your product returns.

Step 2: Channel your efforts. Figure out the area in which the largest improvements could be achieved, or in which improvements could be achieved with the least difficulty.

Step 3: Start working on your return management.

Conclusion

Too many cross-border companies (including fashion retailers) do not employ a returns manager who can focus on the three steps involved in optimizing returns management. As a result, the returns handling process too often remains a problem rather than being turned into an opportunity. Have you started recruiting a returns manager yet, so you can begin making international progress?



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