



# OPTIMIZING ECOMMERCE RETURNS

W H I T E P A P E R

## OPTIMIZING ECOMMERCE RETURNS

---

### Why Returns?

When it comes to creating a seamless shipping for customers, ecommerce businesses tend to focus on the outbound experience. Showing cheap shipping early in the checkout process, providing estimated delivery times, proactively sending out tracking emails, and making sure that the unboxing experience is on-point.

But what about the other way around? The return process.

A return isn't a breakup between you and your customer. In fact, for ecommerce companies, returns are simply part of doing business.

Many consumers buy multiple sizes of clothing to try on at home or realize that those edgy pieces of furniture don't quite go with their French Country inspired homes. Generally speaking, when it comes to returns, no one's to blame.

According to this [NRF report](#), from the 2015 post-holiday season:

- About 30% of all products ordered online are returned compared to only 8% of those purchased at brick-and-mortar stores.
- \$63.05 billion worth of holiday merchandise was returned.
- One out of every three gift recipients (38.0%) returned at least one item.

"It's a cost of doing business online; you do the best you can to make sure that everything—from the colors to the sizes—is portrayed accurately," explains [Sucharita Mulpuru](#), former retail analyst at Forrester. "I don't think it's a problem that's easily solvable."

At Shippo, we understand the hassle of processing and handling returns. However, while some of these returns are inevitable, the financial and time drains that come with shipping them are 100% avoidable. That's why the Shippo team has put together a simple 5-step framework for optimizing your return process. From setting up the basics to diving down into the specifics, we've got you covered.

## THE NUMBERS

---

It's well-documented that ecommerce is a rapidly growing sector. According to this [Statista report](#), today's US ecommerce trends:

- Revenue in the ecommerce market amounts to \$353.68 billion in 2017.
- Revenue is expected to show an annual growth rate (CAGR 2017-2021) of 8.2%, resulting in a market volume of \$485.27 billion in 2021.
- The average revenue per user (ARPU) currently amounts to \$1,734.05.

Despite the overall growth of the sector, many online retailers still struggle due to high competition, low conversion rates, and price-conscious consumers. In this competitive environment, online retailers need to optimize every aspect of their operations, including returns.

As an ecommerce business, returns provide the opportunity to show that you're listening to your customers. However, when it comes to returns, there's a disconnect between what consumers ask for and what online retailers actually offer.

According to [Shippo's State of Shipping survey results](#), 54% of consumers say that free return shipping is important to them and is a large decision factor when comparing different merchants. Furthermore, up to 34% of consumers will only purchase items if they know they can ship them back for free.

**54%** of consumer compare  
between businesses for  
free return options

**34%** of consumer will only  
purchase if they know  
they can return for free

How do these statistics align with the typical online retailer's return policy?

In the same survey sent to businesses, only 14% offer free return shipping, and a whopping 60% make absolutely no effort to help consumers ship the returns back.

**60%** of businesses make no effort to help  
consumers with returns

## STEP 1: IMPLEMENT A CLEAR RETURN POLICY AND PROCEDURES

---

The most successful return policies and procedures are simple (written in plain English) and have the best interests of your customers, teammates, and company in mind.

Here are four foolproof tips on creating a return policy and procedure that'll satisfy your customers without breaking the bank:

- Outline what your customers can expect, whether it's an exchange, store credit, or a full refund. Every ecommerce store has its own preference, so don't feel pressured to conform.
- When it comes to the actual return procedure, include the specifics for your customers. Set expectations by making it clear who needs to ship what and by what date. Who pays for shipping—you or your customers? Should your customers use your packaging or their own?
- Don't forget to educate your team! Make sure the entire staff understands your return policy and procedures. That way, employees can help customers navigate the return process quickly and effectively, especially during the busy post-holiday return season.
- Be fair. If you shipped the wrong item or packaged it incorrectly, attempt to make it right regardless of the official policy. Furthermore, if you decide to change your return policy, make sure to honor the previous policy if an order was placed before the change.

### EXAMPLE: IMPLEMENT A DATA-DRIVEN "DAYS TO RETURN ITEMS"

[Zappos offers customers 365 days to return an item.](#) Why? After looking at the average time to return, Zappos found that the majority of customers who returned items either did so within a few days of receiving them or not at all. By offering customers an almost unlimited amount of time to make a return, Zappos was able to reverse any risk associated with buying online. Not surprisingly, sales rose, and so did customer loyalty.

## STEP 2: LEVERAGE TECHNOLOGY TO EXCEED CUSTOMER EXPECTATIONS

---

Keeping customers happy is hard enough—returns should be easy. According to a [2016 UPS study](#), a whopping 40% of customers want to see a return label right in the box. That's why technology like Shippo, makes it simple to include scan-based return labels in every package, without incurring extra costs. The best part about scan-based return labels? You're only charged if the customer uses it, so it's a no-brainer to include them inside the outgoing package.

Technology also makes it easy to re-invest tracking data into delighting your customers and nurturing brand loyalty. How? After return packages are shipped back to your company's facility, you can use tracking data to keep anxious customers waiting for their credit informed every step of the way. Implementing a quick and easy flow that allows customers to "follow" their items in transit by notifying them of updates via email will go a long way in helping eliminate the typical "Where's my refund?!" calls and emails. Also, if the cost of the item being returned is low enough, consider issuing the refund even while it's still in transit.

Whenever possible, consider going out of your way to accommodate your customers' needs and exceed their expectations—making them feel respected, valued, and in control. For instance, when a customer's Christmas package was stolen from his doorsteps, Amazon sent the rattled customer a replacement PlayStation 3 to arrive on Christmas Eve and didn't charge him. Major news outlets took notice of Amazon's generosity, which generated publicity that far exceeded the cost of the PlayStation 3 delivery. It's safe to say that Amazon won over the customer—for life.

### LET SHIPPO HELP STREAMLINE YOUR SHIPPING OPERATION

In addition to creating easy-to-use scan-based return labels, [Shippo](#) can help you:

- Access different shipping options from ground all the way to on-demand services
- Get discounted shipping rates
- Print shipping labels, or send them directly to your sellers
- Purchase pay-on-use return labels to put right inside the box
- Verify tracking numbers
- Use push-based webhooks to get notified when tracking statuses change

## STEP 3: RETHINK YOUR PACKAGING

---

Not all packaging is created equal, especially when it comes to returns.

Consider using packaging that can be reused for returns, like poly mailers with double tape strips. Each poly shipping envelope has an easy-to-open, perforated tear strip, plus a second adhesive closure so that customers can return items in the same envelope.



Ex: Poly Mailer

Often times, customers don't have the appropriate packaging materials at home to return shipments, and goods get damaged during the return shipping process. Reusable return packages can also mean happier customers who didn't have to scrounge around for boxes, plus less environmental waste—resulting in a customer centric, eco friendly return experience.

Additionally, just because a customer needs to return an item doesn't mean that he or she won't purchase something again. Therefore, thoughtful (and cost-effective!) packaging inserts can help soften the disappointment that might otherwise accompany a return. The best packing inserts increase brand loyalty and reassure customers of their importance. Here are some of the most popular types of packaging inserts:

- Discount offers
- Product samples
- Small gifts
- Product review requests
- Thank-you notes
- How to get help with products

Arguably the least expensive and most personalized packing insert is a handwritten thank-you note. Here are some tips on writing a thank-you note that drives loyalty from your customers, whether or not they want to return something:

- Be sure to include the customer's name.
- Express your gratitude, and be genuine.
- Allude to future interactions with the customer.
- Wrap up the thank-you note with a friendly but professional closing (i.e. Best, Sincerely, etc.) and your signature.

## STEP 4: USE DATA TO TRACK WHAT'S BEING RETURNED AND WHY

---

With millennials now making more than [54%](#) of their purchases online, and consumers returning over [sixty three billion dollars](#) worth of merchandise after the holiday season, it's imperative to understand the "why" behind returns.

There are many reasons for returning products, ranging from the unavoidable to the entirely avoidable (e.g. human error on the company's side). Understanding why customers are returning items can go a long way in helping companies identify ways to avoid returns altogether. Some top reasons for returning a product include:

- Incorrect product or size ordered
- Product didn't match description
- Poor product quality
- Product no longer needed
- Company shipped incorrect product
- Fraud

It might sound obvious, but make sure your descriptions are detailed and contain all relevant information (e.g. dimensions, materials, whether or not assembly is required, etc.). You don't want unclear or inaccurate product description to be the reason why your customer decides to return an item.

However, if a customer has already decided to return something, make sure to give him or her the opportunity to explain why. Every unhappy customer has the ability to become your company's best resource, as long as you make them feel heard.

## STEP 5: PLAN FOR EXCEPTIONS

---

Not all returns are equal. Here are some situations that require extra planning:

### International Shipping

If you sell internationally, you should create a separate policy for international customers. While not as customer friendly, you might consider limiting which items can be returned and who pays for shipping.

### Returns on Marketplaces

At first sight, marketplaces like Amazon seem to be win-win for both ecommerce companies and marketplaces themselves. For instance, online retailers gain a built-in audience and exposure, and marketplaces gain more products without needing to increase inventory.

However, if you sell on marketplaces, be aware that your return policy needs to comply with marketplace rules, which may or may not align with your current policy.

### Drop-Shipping

With a low overhead and an easy-to-scale structure, dropshipping is a popular retail fulfillment method in which a company doesn't keep the products it sells in stock. Instead, whenever the company sells something, it purchases the product from a third party, which directly ships the product to the customer. Therefore, the company never handles (or sees!) the product.

A word of caution: If you drop ship products, make sure your shipping policy doesn't conflict with the third party's, especially if yours is more flexible. You may need to manage returns for drop-shipped items in-house or figure out an alternative arrangement.

## SUMMARY

---

As an ecommerce business, you'll need to consider returns as part of your business: 30% of all products ordered online are returned compared to only 8% of those purchased at brick-and-mortar stores.

But while returns are inevitable, the headache that comes with shipping them is entirely avoidable. That's why we've created a 5-step framework for optimizing your return process. Here are the steps:

1. Implement a clear return policy and procedure.
2. Leverage easy tech to exceed expectations.
3. Rethink your packaging to drive brand loyalty.
4. Use data to track what's being returned and why.
5. Plan for exceptional situations.

As the ecommerce sector continues to grow, and business becomes more competitive, online retailers need to optimize every customer touchpoint—especially returns. Currently, there's a huge disconnect between what consumers are asking for and what online retailers are offering. 54% of consumers say that free return shipping is important to them, but only 14% of ecommerce businesses actually offer free return shipping. In these cases, merchants are missing out on lucrative opportunities to improve customer satisfaction and drive sales.

So keep listening to your customers and keep going above and beyond to exceed their expectations.

## ABOUT SHIPPO

---

Shippo is the leading API and dashboard for shipping that powers platforms, marketplaces, warehouses and ecommerce stores with the building blocks they need to succeed. Over 12,000 businesses trust Shippo to power their shipping.

- Access a [global network of shipping carriers](#) and shipping services through one platform
- Implement shipping with easily using our pre-built [client libraries](#) and [comprehensive documentation](#)
- Get real-time rates, print labels, automate international paperwork, track packages, facilitate returns and more by leveraging the [Shippo API and dashboard](#)



USPS



UPS



FedEx



DHL



Purolator



Canada Post



Deutsche Post



Australia Post

Selection of our global network of carriers

If you're interested in bringing shipping in-house, consult with our shipping experts to help you decide how you can best implement shipping. Let us know at [sales@goshippo.com](mailto:sales@goshippo.com).