


The Untapped Potential of Return Reasons

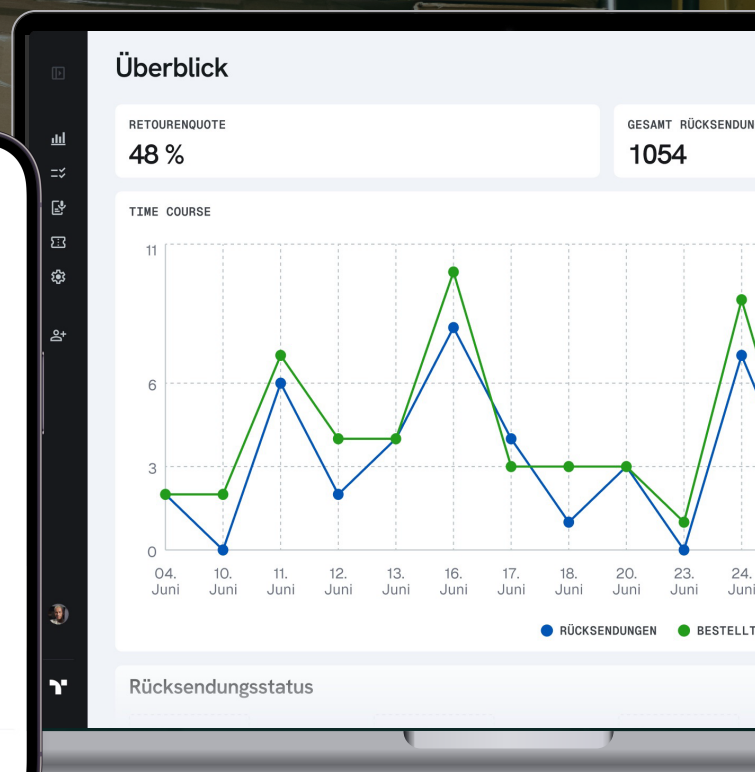
× ABBRECHEN

Warum retournierst du den Artikel?

 High Waist Radler Nature
dunkelgrün - S
69,00 €

- ☐ Artikel zu weit
- ☒ Artikel zu lang
- ☐ Artikel zu eng
- ☐ Artikel zu kurz
- ☐ Artikel gefällt nicht
- ☐ Zur Auswahl bestellt
- ☐ Qualität entspricht nicht der Erwartung
- ☐ Anders als im Shop dargestellt
- ☐ Zu spät geliefert
- ☐ Artikel defekt
- ☐ Falscher Artikel geliefert
- ☐ Keinen Grund angeben

← ZURÜCK WEITER →



How user centric return reasons
can shape the future

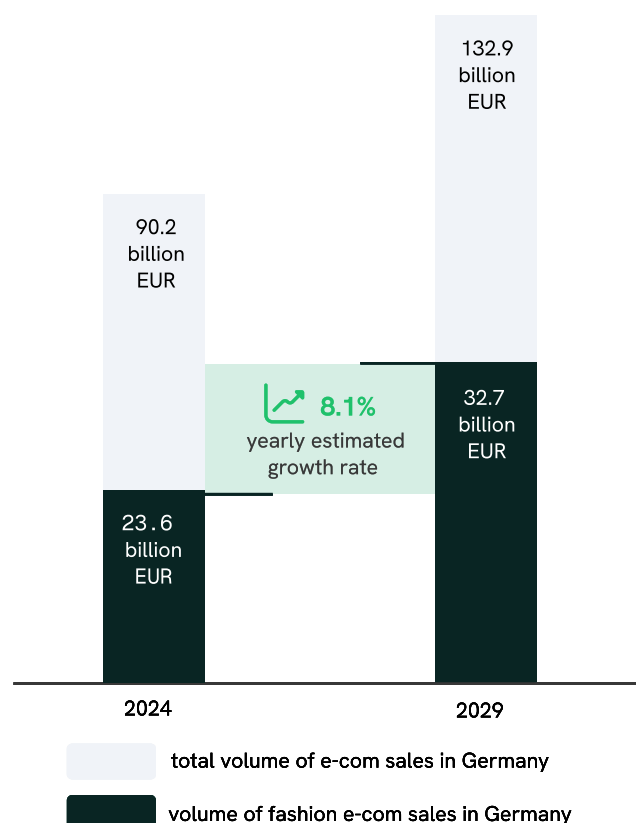
THE STATUS QUO

The fashion e-commerce industry is growing, volume-driven, and powered by new technology

In Germany, 79% of 16-74 year olds frequently shop online, creating an e-commerce market worth 90.2 billion euros for 2024, where the fashion & accessories sector accounts for almost a third of its volume with 23.6%. Further, it is expected to rise up to 32.7 billion euros by 2029².

To address growing demand, online retailers have increasingly adopted new technologies, such as artificial intelligence (AI), to enhance customer experiences and boost sales. This shift has led to a 213% increase in the adoption of AI across various areas and organizations³.

However, much of this AI usage is concentrated in areas like chatbots and other front-end applications, rather than in functions that directly impact gross margins, such as return management. With rising costs and shrinking margins, After Sales Channels are becoming increasingly critical areas to optimize with advanced technology. This is particularly important as return quotas remain persistently high, and return management continues to lag behind in leveraging technological innovation.



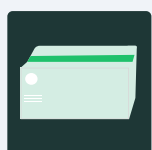
Returns are becoming increasingly relevant in terms of their negative impact on profitability and environment

According to the Federal Network Agency, 3.94 billion⁶ parcels were sent in Germany in 2023, with returns comprising a significant and growing challenge across all sectors. Approximately one in four parcels was returned, amounting to around 986 million returns that year. The returns rate is particularly high in the fashion e-commerce, since 83% of returns and 91% of all items are being returned⁴, with an average of 2.7 items per return³.

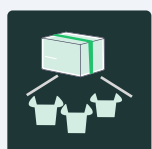
The primary reasons are fit issues (86%) and aesthetic disappointment, with selection preferences, playing a significant role particularly among young women⁵.

Reasons for returns:

1. Fit of the clothing (86% of returns)⁵
2. Aesthetic disappointment



986
million parcels
were sent
back as
returns 2023



83%
of these returns
came from the
fashion sector⁴



64%
of fashion
orders are being
returned³

Rising numbers of returns have an impact on the environment

Most customers are unaware that 93.2% of returned items can be resold as new rather than be destroyed, offering clear advantages for sustainability and repeat sales.⁴ However, the logistics and processing required to make these returns resalable in fulfillment centers significantly impact emissions. In 2024, the 83% fashion returns of the 986 million total e-commerce returns contributed approximately 2.2 million tons of CO₂, based on an average of 2.7 kg of CO₂ per return.

Models to prevent customers from returning items have not been effective and proven solutions remain missing

Although return rates in the fashion sector are alarmingly high, solutions on the market have not shown relevant results. The most important measures for retailers to prevent returns are currently⁵:

- 1. Detailed product information (83%)
- 2. Personalised recommendation (48%)
- 3. Fast shipping (44%)

OUR INTERVIEWS

We spoke to customer service, logistics and e-commerce managers in the fashion industry to capture the various perspectives on current return processes

As a company dedicated to the future of returns management, we have spent the last few months intensively seeking out exchanges with relevant players from the industry. In a series of interviews and discussions with a total of 34 online shops from the footwear, sports & outdoor and accessories sectors, we were able to gain valuable insights into the current challenges of returns processes. The surveyed companies sell medium- to high-quality products and around 70% of them already use digital returns portals. The perspectives of the interviewees vary greatly depending on their role in the company.



Technologies such as measurement techniques and virtual fitting rooms, which could theoretically help to reduce fit problems, have so far had little impact on returns rates. In addition, only a few companies use return portals effectively or specifically enquire about the reasons for returns in order to improve their range and products. Interestingly, for the companies who use return reasoning, usual answers like "the item doesn't fit" or "is not liked" are not impactful⁵ to reduce return amounts and neither are used effectively in company processes.

Role in Company:	Perspective:
Customer Service Manager	<ul style="list-style-type: none">Returns should not lead to rising customer service tickets
E-Commerce Manager	<ul style="list-style-type: none">Return management should provide data evaluations for strategic improvementsRefunds should be automated
Logistics & Supply Chain Manager	<ul style="list-style-type: none">Returns should not cause such high operational costsReturn rates need to be reduced

THE PROBLEMS

We defined seven problem cluster within returns management

Based on our interviews, we have identified and prioritized the key problem areas in returns management. These challenges vary in detail depending on company size and specialization, but affect all core aspects of the returns process. The key problem areas that emerged from our discussions are presented below:

1. Evaluation and use of return reasons

Companies receive insufficient information about why products are returned. The available data is often unspecific and is not systematically analyzed, meaning that valuable insights for product development or marketing are not used.

2. Difficulty in lowering the return rate

The general problem of high return rates remains a major challenge for many retailers. It is particularly difficult to significantly reduce returns in the fashion and outdoor industry since customers want the "touch and feel" experience.

3. High product variety cause unique challenges

Products such as jackets and sunglasses are often ordered in multiple sizes or styles in order to make a selection. Another example is that tops often come back with traces of deodorant, which limits reusability and incurs additional costs.

4. Cross-boarder shipping and customs

International shipping to non-EU countries, such as Switzerland, poses particular problems for many retailers. High custom duties and complicated return shipping systems increase costs and make it difficult to process returns internationally efficient.

"Clickable return reasons are not very useful and therefore cannot be analyzed as effectively as we would like. We would like to know more precisely why the return is being made."

- Chief Operating Officer of OACE

5. Lack of digitalization and skills

Many retailers struggle to design the process digitally from end to end, resulting in challenges with customer communication, complaints, and tracking. The lack of data transparency is particularly critical, as raw data is often not recorded and evaluated.

6. Manual work involved in accepting returns

The manual processing of returns leads to a high workload in many companies, which is exacerbated by a shortage of skilled workers. Many retailers rely on temporary staff to handle the returns process, but this is often inefficient.

7. Delayed Refunds

As many processes are still handled manually, refunds often take too long and do not meet customers' expectations. Greater automation is therefore an urgent concern for many companies.

Insufficient analysis of reasons for returns and a lack of customer involvement weaken the effectiveness of the returns process and customer loyalty. Consistent use of digital returns information could, however, improve product development, sales and strategic decision making.

"To speed up the development cycles of our products, detailed analyses of how often new articles are returned and why are crucial." - Operations Manager of Ryzon

SHOPPERS OPINION

Shoppers want to give more detailed reasons for returns and can imagine using voice, image or text-based media in the returns process

As part of a digital survey, we asked shoppers whether it makes sense to offer more options for justifying their returns.

The survey results show that 67.5% of respondents have sent a return within the last month. A remarkable 90.5% of these people were honest about their reasons for return, showing that the majority of returns reasons are truthful across all age groups. Over 60% of participants would like to give more detailed reasons for returns. Among the remaining 40%, 80% would still be willing to be motivated to provide detailed reasons for returns through incentives such as vouchers or discounts.

End users also show an openness to different media formats; while familiar options such as photos and text are being accepted, unusual approaches such as chat, video or especially voice messages are of major interest. A crucial factor for success in providing detailed reasons for return is that users can truly express themselves in "their own words", that there is no influence on the acceptance of the return and that a simple, user-centered process is offered.



200 Participants were questioned



37.3 average participant age



90.5% truthfully stated the last reason for return



> 60% of respondents would like to give more detailed reasons for returns



80% of the remaining respondents would do so for discounts



Usability, user orientation and simplicity are success factors

THE SOLUTION

Our new feature FLEXSHARE allows customer centric return reasoning via AI voice message and picture within our return portal:

- In addition to clickable return reasons, FLEXSHARE also enables voice, photo, text and video
- FLEXSHARE aims to evaluate and provide insights both product-related and customer-related

Advantages for online retailers

- Solves inefficiencies in return reasons
- Provides post-sales opportunities
- Boosts customer loyalty
- Enhances product development

Advantages for returning customers

- Customizable feedback levels for a smooth and easy process
- Ensures customers feel understood and valued

The image displays three overlapping screenshots of the FLEXSHARE return portal. Each screen asks: "Wie war deine Erfahrung mit dem Produkt?" (How was your experience with the product?). Below the question, it says: "Was hältst du vom Produkt und wie war dein Einkauf?" (What do you think of the product and how was your purchase?) and "Teile dein Feedback und mach den Unterschied." (Share your feedback and make the difference). The first screenshot shows the "Text" input option with a character count of 433/500. The second screenshot shows the "Sprachnachricht" (Voice message) and "Foto" (Photo) options. The third screenshot shows the "Video hochladen" (Upload video) option with a "Max. 3 Bilder" (Max. 3 images) limit. Each screen has a "WEITER" (Next) button at the bottom.

CONTACT & SOURCES

Interested in discovering the untapped potential of return reasons with us?
We look forward to hear from you!



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¹Source: European E-Commerce Report 2024 - https://ecommerce-europe.eu/wp-content/uploads/2024/10CMI2024_Complete_light_v1.pdf

²Source: E-Commerce in Germany by Statista - <https://de.statista.com/statistik/kategorien/kategorie/10/themen/80/branche/b2c-e-commerce/#overview> & <https://de.statista.com/outlook/emo/ecommerce>

³Source: Online Monitor 2023 des Handelsverbandes Deutschland - <https://einzelhandel.de/online-monitor>

⁴Source: Retourentacho 2022 - <http://www.retourenforschung.de/info-ergebnisse-des-europaeischen-retourentachos-veroeffentlicht.html>

⁵Source: Retourenkompendium 2023 - <https://bev.h.org/daten-studien/retourenkompendium>

⁶Source: Paket Sendungsmengen der Bundesnetzagentur - https://www.bundesnetzagentur.de/DE/Fachthemen/Datenportal/3_Post/_svg_Post/Post_Paket/P_Paketmarkt_Mengen/P_Paketmarkt_Mengen.html

⁷Source: Greenpeace Retourenreport - <https://www.greenpeace.org/static/planet4-italy-stateless/2024/02/d25c1da6-inchiesta-report-1.pdf>