Returns Happen 2023

An inside look at what return methods shoppers prefer, how their online shopping behavior is evolving, and how merchants are responding to rising return rates

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Executive summary

The COVID-19 pandemic caused significant changes in the retail and supply chain industries, especially in e-commerce. Merchants had to rapidly adapt their e-commerce strategies in response to global lockdowns and store closures. Almost overnight, e-commerce was the new norm. This rapid shift set a new benchmark for online shopping experiences.

In a post-Covid world, as e-commerce sales continue to grow, online returns are in the spotlight and have the power to make or break a sale. An effective returns process is a key competitive advantage for omnichannel merchants.

Happy Returns, a UPS company, conducted its annual merchant and consumer surveys to understand evolving shopping habits, online returns preferences, and how merchants are responding to rising return rates.

Both surveys were conducted in partnership with TRC, an independent research firm, and include the results of 2,000 U.S. shoppers and 200 Enterprise apparel and footwear merchants.

Key findings

01 In-person returns are no longer a nice-to-have, they're a must-have – and they're on the rise

In-person returns are still the No. 1 preferred return method by shoppers and growing in popularity, with a 26% increase year-over-year.

02 Mail returns are no longer acceptable for the vast majority of shoppers

90% of shoppers avoid or refrain from shopping with merchants that require mail returns, and 55% of shoppers have abandoned a purchase because there was no convenient return option.

03 The success of in-person returns depends on the size of the returns network

94% of shoppers are willing to travel up to two miles for box-free in-person returns, highlighting the power of proximity.

04 Returns aren't slowing down

More shoppers are returning orders for refunds instead of making exchanges and 87% of merchants reported an increase in return rates this year.

05 Merchants are feeling the impact of higher return volumes

79% of merchants surveyed have had to choose between shipping new orders versus processing returns due to limited warehouse resources.

06 Merchants are adding return fees to offset increasing returns

81% of merchants surveyed started charging for at least one return method in the last 12 months predominantly to help reduce return rates.

07 How merchants implement return fees matters

After introducing return fees, 59% of merchants said shoppers opted for the least expensive option, and 33% reported losing customers, underscoring the need for a careful and considerate approach when implementing fees.

THE ECONOMY OF RETURNS

Return rates are on the rise

Shoppers report that economic pressures haven't curtailed how often they shop online, but they may be more selective about the purchases they make ... and those they keep.

Main takeaways

- Both shoppers and merchants confirm that return rates have significantly increased

- For merchants to stay competitive, it's crucial to provide seamless online shopping and returns experiences that suits the habits of different generations

E-commerce is up, but so are returns

Despite economic pressures and cost-of-living increases, e-commerce is still growing at 7.5% year-over-year[1]. And 76% of shoppers say they are shopping online the same amount, if not more.

However, 87% of merchants say return rates increased and the data shows a significant swing in annual return rates overall. In 2022, only 15% of merchants had return rates over 20%. This year, that number jumped to 47%—suggesting a noticeable change in overall consumer spending as return rates surge.

There's also a shift in how shoppers return online purchases. Instead of exchanging orders, more people are asking for refunds.

The combination of higher return rates and more shoppers requesting refunds suggests two trends: consumers are being more selective about what online purchases they keep and "bracketing," where people buy multiple items with the intention of returning some, is becoming more common.
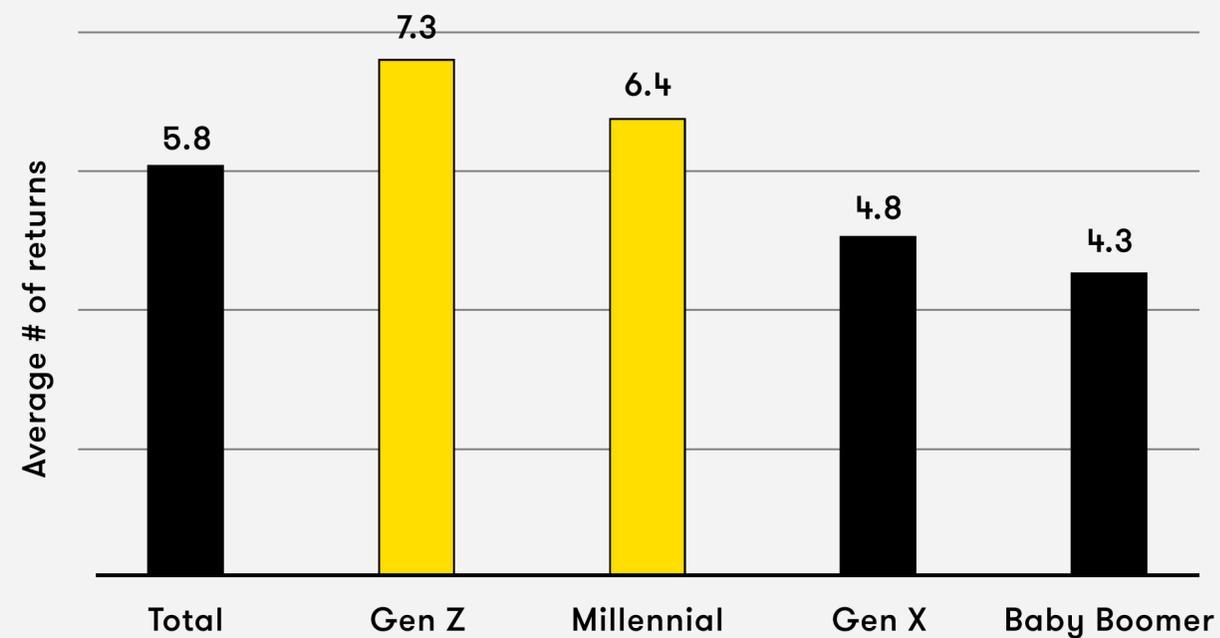
Merchant-reported annual return rates

	0-10%	11-20%	21-30+%
2022	30%	55%	15%
2023	3%	52%	47%

12% Reported more than 31%

● 2022   ● 2023

87%
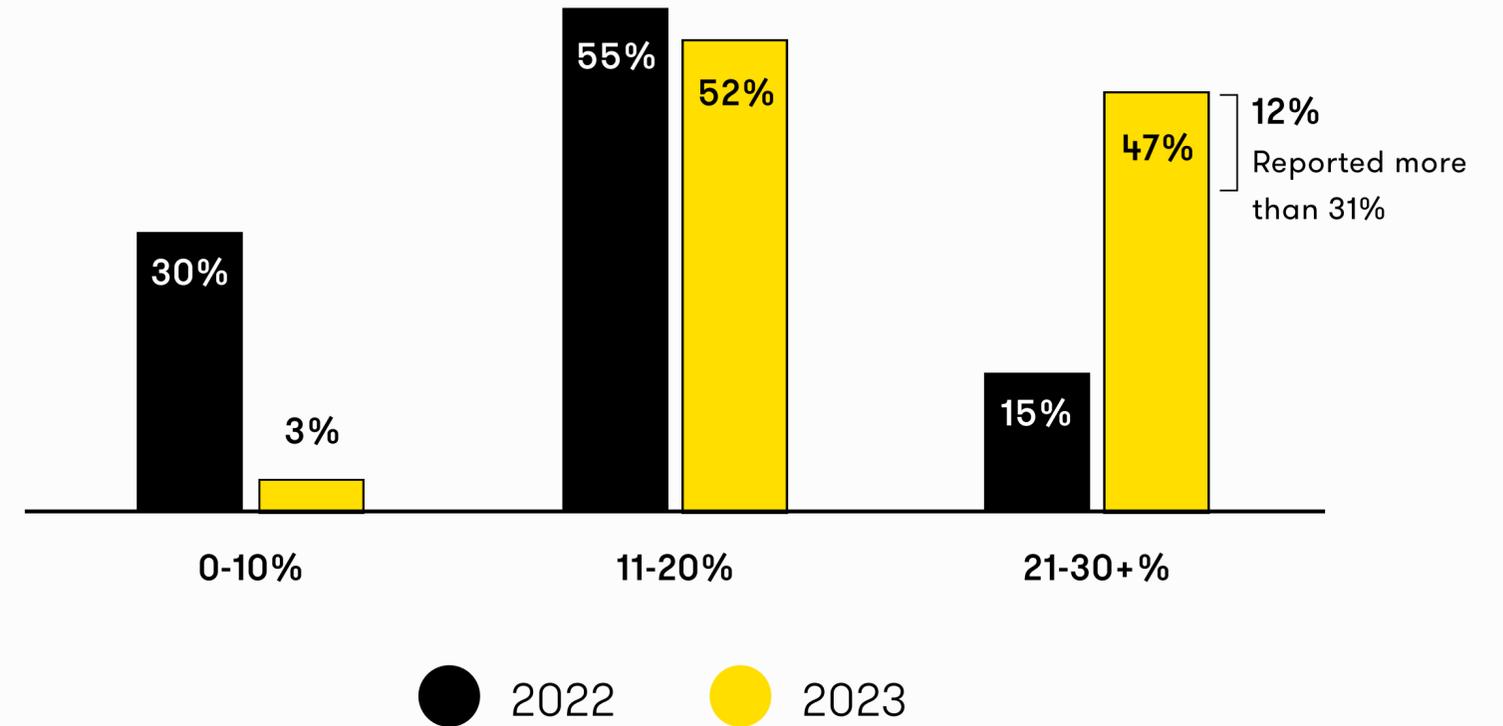
of merchants say return rates have increased

Gen Z and Millennials drive higher return rates

In today's market, Millennials and Gen Z make up most of the workforce[2]—giving them more spending power and a stronger influence over shopping patterns than ever before. Compared to Baby Boomers and Gen X, Millennials and Gen Z tend to spend more on each online order. They also make more returns. This suggests that younger generations are more comfortable shopping online and will continue to accelerate e-commerce sales growth as their buying power increases.

It also shows that return policies are increasingly important to them given their propensity for returns, which indicates how important it is for merchants' return policies to keep up with evolving shopper behavior.

In general, 81% of shoppers surveyed check return policies before shopping with a merchant for the first time.

Looking forward, the merchants that will be most successful are those that can provide a smooth and convenient online shopping experience, which includes efficient returns tailored to the different shopping habits of various generations.

Average number of online returns compared to average order values*

Average # of returns

	Total	Gen Z	Millennial	Gen X	Baby Boomer
	5.8	7.3	6.4	4.8	4.3

$140	**$174**	**$158**	$120	$85

Average value of online orders

*In the last 12 months

How do returns influence shoppers' buying decisions?

Return policies are so important they can impact revenue before a purchase is even made. If returns aren't easy and convenient, first-time shoppers won't shop, while returning customers may stray.

81% of shoppers review return policies before making a purchase with a merchant for the first time

73% of shoppers agree that a poor returns experience impacts their decision to shop with a merchant in the future

55% of shoppers abandoned a purchase because the return policy didn't offer a convenient return option

GAINING GROUND

In-person returns continue to displace mail as shoppers' preferred return method

The ability to shop 24/7 has made e-commerce extremely convenient. Now, shoppers expect that same convenience when making online returns.

Main takeaways

- In-person returns are still the No. 1 preferred return method by shoppers, with a 26% increase year-over-year

- 90% of shoppers try to avoid or refrain from shopping with merchants that require mail returns

- Proximity and the size of the drop-off network for in-person returns matters

Shoppers overwhelmingly prefer in-person returns

In the world of e-commerce, there are three main ways to handle online returns: traditional mail returns, home pick-up, and in-person returns without the need for boxes or labels*.

Mail returns used to be the default return method, but now it's inconvenient for most shoppers. In fact, a staggering 90% try to avoid or refrain from making a purchase with a merchant that requires mail returns.

Home pick-up showed potential when many people were working remotely during the pandemic, but it turns out only 9% of shoppers prefer it, and few are willing to pay for the service.

In-person returns are gaining popularity and are shoppers' No. 1 preferred return method for the second year in a row – with a 26% year-over-year increase overall.

Additionally, shoppers listed fast refunds as one of their top three most important return features. If a merchant can provide in-person returns and immediately initiated refunds, then that becomes an offer that's tough to beat.

And it makes sense. As people return to their daily lives of going into the office, picking up the kids, and running errands, the convenience of quickly dropping off a return without the hassle of packaging and printing a label is clearly an enticing option for online shoppers.

Shoppers' most preferred return methods

Box-free, label-free return drop off*

67%

Mail returns

24%

Home pick-up

9%
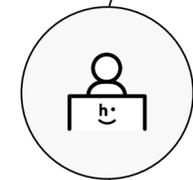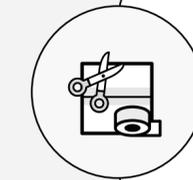
*In-person returns includes a merchant's store or to third-party drop-off locations

THE SHOPPERS SURVEYED WERE CLEAR

In-person returns are the No. 1 preferred return method by shoppers

By the numbers.

91% of shoppers are more likely to shop with a retailer that offers box-free, label-free, in-person returns and immediately initiated refunds

90% of shoppers avoid or refrain from shopping with merchants that require mail returns

67% of shoppers say they would rather make a return at a physical location than return purchases by mail or schedule an at-home pick-up
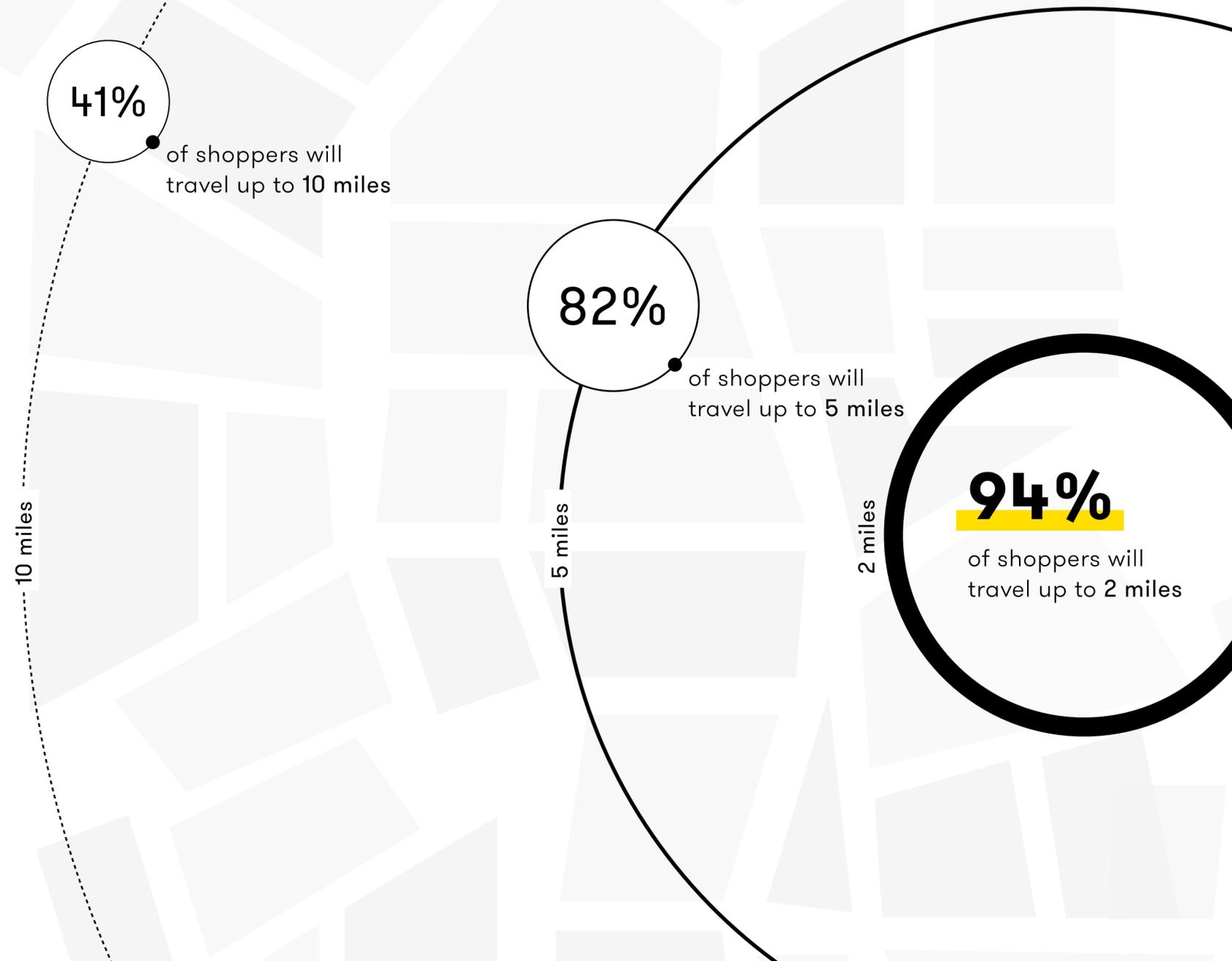
For in-person returns, proximity matters

The success of an in-person returns offering depends on the size of the returns network. High adoption rates are directly linked to how close return locations are to customers.

Nearly all shoppers surveyed (94%) are willing to travel up to two miles to make an in-person return, which based off Happy Returns' data can lead to an impressive 88% adoption rate[3] if merchants can offer that level of proximity.

However, shoppers' willingness to travel diminishes with every mile – dropping to 82% at five miles and falling precipitously to 41% at 10 miles.

To help ensure widespread adoption, merchants need thousands of drop-off locations close to customers. And that just isn't possible without access to a robust third-party network.

Merchants can benefit from partnering with a returns solution provider that offers in-person returns. In-person return solutions can help reduce the number of individual return shipments by aggregating returns, thereby assisting merchants in saving money and time. And, they can help increase sustainability by reducing material waste resulting from single return packages.

41%
of shoppers will
travel up to **10 miles**

82%
of shoppers will
travel up to **5 miles**

94%
of shoppers will
travel up to **2 miles**

10 miles

5 miles

2 miles

**Consumers' willingness to travel
for in-person returns**

In-person returns and Net Promoter Scores[4]

Merchants can increase their NPS for online returns by offering an in-person option, especially if it's free.

	In-person returns	Mail returns
92 NPS	FREE	$
83 NPS	$	$

Merchants that charge for mail returns but offer free, in-person returns have an average 92 NPS. Merchants that charge for both mail and in-person returns have an average 83 NPS.

That means merchants that offer free, in-person returns have a 11% higher NPS than merchants that choose to charge.

THE RETURN ON RETURNS

New return policies influence online shopping behavior

Are free returns a thing of the past? For many merchants, the cost of not charging for some return methods is too high.

03

Main takeaways:

- In 2023, the majority of merchants implemented fees for at least one return method

- Most merchants have had to make a trade-off between fulfilling orders and processing returns

- A majority of merchants believe their return policy falls short of consumer expectations, and most are planning to upgrade it within the next six months

Implementing return fees is a balancing act

When asked what they believe shoppers value, 99% of merchants agree that free returns are important to shoppers. But it appears merchants are stuck between a rock and hard place.

In response to increasing return rates, 81% of merchants introduced fees for at least one return method in 2023.

This is a significant shift from their 2022 projections, where only 16% of merchants had planned to incorporate new or extra fees into their return policies.

81%

Of merchants began charging for at least one return method in 2023

And at what cost? Here's where consumers and merchants disagree

The cost of returns is a key consideration for shoppers, but merchants believe they're willing to pay for returns more than the survey results suggest.

Free returns. When asked why they started to charge for returns, 35% of merchants said it's because shoppers are more tolerant of paying fees and they also rank free returns as the least important consideration for online shoppers. Shoppers, however, disagree. Their most important consideration when shopping online is free returns.

Home pick-up. Most merchants (57%) strongly believe consumers are willing to pay a fee for home or office pick-up, but according to consumers, that's not even close. Only 9% of shoppers said home pick-up is important to them.

Sustainability. Fifty-three percent of merchants believe shoppers will pay more for sustainable return options, but only 13% are strongly willing to pay and just 11% say it's a top consideration when shopping online.

The bright side of return fees

For merchants to have a return policy that increases operational efficiencies and also delights shoppers, deciding when and how to charge for returns is vital.

Instead of subsidizing all return fees, merchants can use a "carrot and stick" strategy. They can use return fees to help guide shoppers to choose the more cost-effective return option, helping to balance the cost of returns with the affordability that shoppers want. And some already are. Among surveyed merchants that recently added fees, 59% saw more customers using the free return method they offer.

Combining these fees with appealing incentives could improve the process further. For example, merchants that charge for certain returns but offer free exchanges can increase positive customer responses.
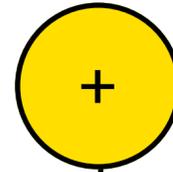
Since implementing fees, merchants report

Increase in shoppers choosing the free return option

59%

Increase in exchange rates

57%

Reduction in return rates

53%

Recouping revenue from return fees

49%

Since implementing fees, merchants report

Decrease in average order value

48%

Increase in customer complaints

48%

Decrease in sales

40%

Lost customers

33%

The high cost of return fees

For some merchants, return fees are causing problems. Nearly half (48%) of merchants saw lower average order values, 40% had reduced sales, and a third lost customers due to fees.

This surge in returns is also creating operational issues. Forty-eight percent of fee-imposing merchants had more customer complaints, which could directly affect their NPS (Net Promoter Score).

More importantly, 79% of merchants had to choose between processing returns and fulfilling orders. With this significant trade-off and increasing returns, many merchants believe they need to revamp their return strategies; 28% said their return policy needs a complete overhaul.

1 in 3

merchants lost customers after adding return fees

Is bracketing to blame for return fees?

Bracketing online purchases is like trying on clothes in a virtual fitting room. Shoppers often buy multiple sizes or colors to make sure they get what they want with the intention of returning the items that don't work.
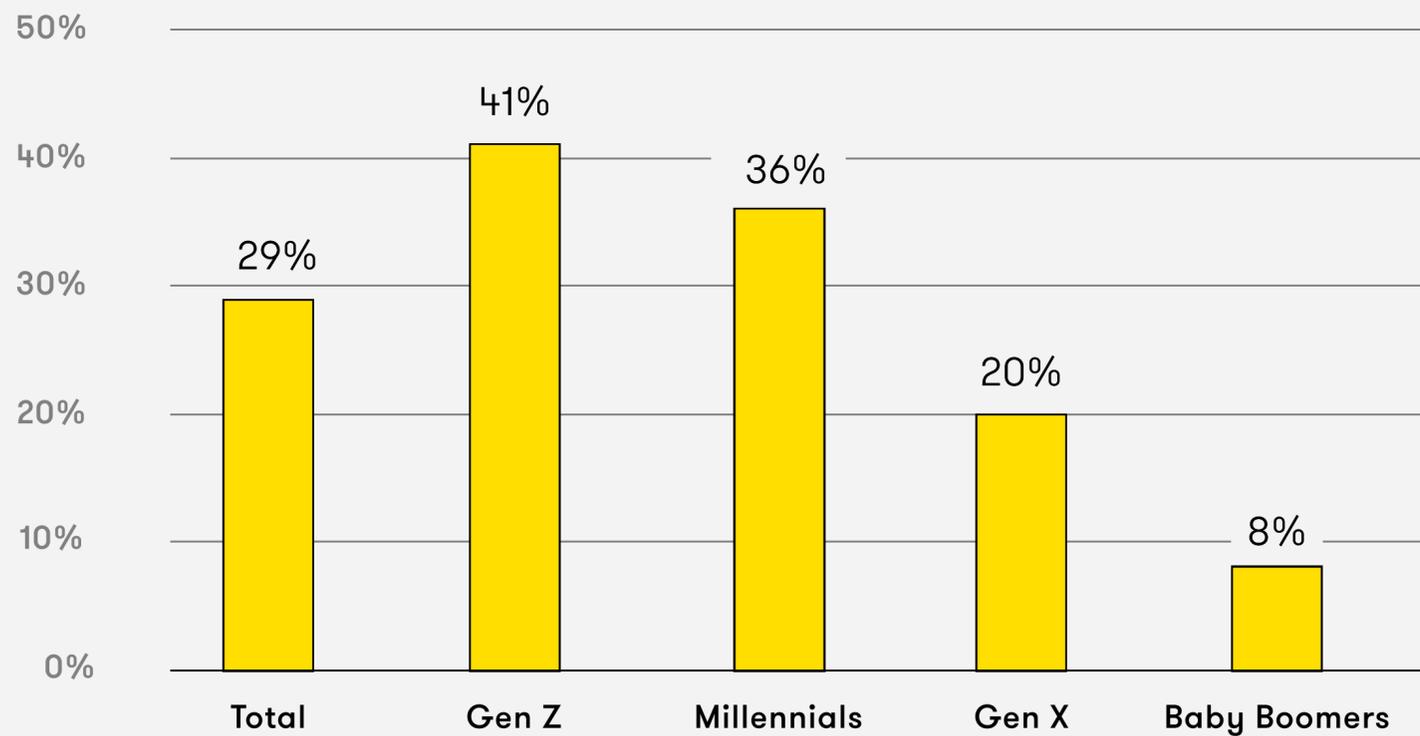
Although it's most popular among Millennials and Gen Z, 70% of all shoppers have bracketed an online purchase before. And it's growing. Merchants reported a 19% increase in bracketing year-over-year and because it inherently increases return rates, bracketing may be a key contributor behind the choice to charge.

Many shoppers have enjoyed free returns on bracketed purchases, but it may come at a cost moving forward, making it an intriguing trend to watch as shoppers weigh convenience against return fees.

Average percent of shoppers that have bracketed online orders

S   M   L

Category	Percent
Total	70%
Gen Z	86%
Millennials	76%
Gen X	61%
Baby Boomers	51%

0%   25%   50%   75%
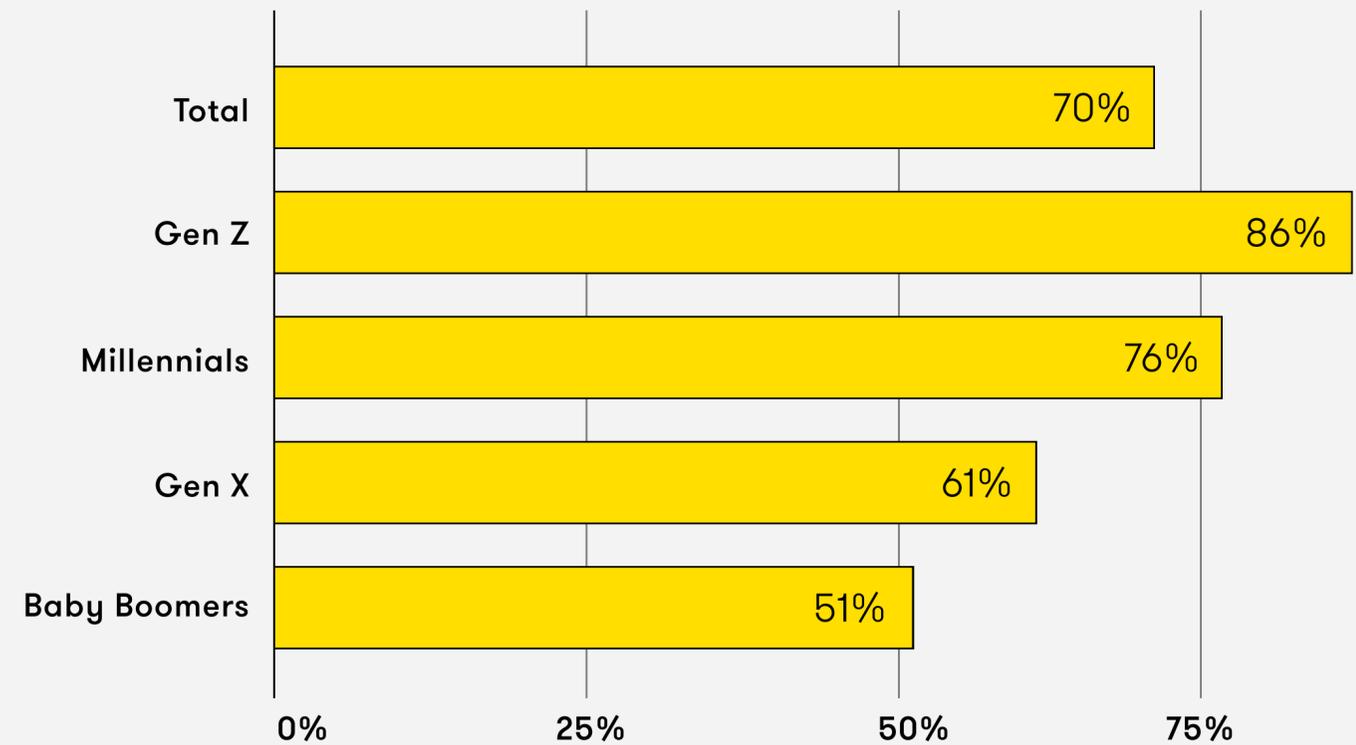
Average percent of shoppers that plan to gift bracket during the holidays

Category	Value
Total	29%
Gen Z	41%
Millennials	36%
Gen X	20%
Baby Boomers	8%

A NEW TREND MAY BE EMERGING

Gift bracketing

On Cyber Monday, almost 1 in 5 (19%) shoppers plan bracket purchases, but there's a new twist this holiday season.

People are not just bracketing for themselves; they plan to do it for gifts, too. This means they'll buy more than one option and return what doesn't suit the gift recipient.

In general, 29% of shoppers are likely to gift bracket, with Millennials and Gen Z leading the trend. Thirty-six percent of Millennials and 41% of Gen Z shoppers plan to bracket gifts.

LOOKING AHEAD

2024 is a pivotal year for returns

Great returns experiences have the potential to unlock customer loyalty while also improving operations.

Main takeaways:

- Many merchants believe their current returns process doesn't meet shopper expectations, and some think it needs a complete overhaul

- A large majority of merchants aim to improve their return capabilities in the next six months

- Most merchants view return fraud as a significant issue, but fewer than half design their returns process to protect against it

Merchants focus on upleveling their returns solutions

Many merchants surveyed said a key focus in 2024 is "improving the returns experience", suggesting return fees are not the panacea for the current state of returns.

In fact, only 19% of merchants surveyed have return policies that exceed shopper expectations. Most (60%) believe their current return experience falls short of shopper expectations, with 28% thinking it needs a complete overhaul.

To bridge this gap, 83% of merchants plan to improve their return capabilities in the next six months, and nearly all (98%) within a year.

83%

Of merchants say they want to upgrade their return capabilities within the next six months

Most important initiatives for 2024

Improve returns experience for customers

Increase online sales

Reduce operational costs

Reduce return rates

Keeping waste out of landfills

Improve operations via staffing or automation

Increase exchange rate

The benefits of in-person returns go beyond great shopper experiences

Customer satisfaction is a vital aspect of any returns solution. Given the popularity of in-person returns among shoppers, it's crucial for merchants to explore how to either introduce or enhance their in-person return process. This includes ensuring the availability of a widespread and convenient drop-off network, implementing item scanning for return verification, and offering immediate refunds to enhance the overall customer experience.

91%

of shoppers are more likely to shop with a merchant that offers box-free, label-free, in-person returns and immediately initiated refunds

01 Immediately initiated refunds

Shoppers want fast refunds, with 70% being more likely to choose in-person returns that include immediately initiated refunds on drop-off. Merchants recognize the importance, ranking it as the No. 1 important feature for customers.

In-person returns, without boxes or labels, can enable merchants to verify returns at the time of drop-off with real-time item scanning. This helps them to more confidently provide faster refunds, while simultaneously helping to reduce customer service calls about returns.

02 Mitigating returns fraud

Ninety-nine percent of merchants say returns fraud is a significant issue, and the majority (69%) see it as a very significant problem. Yet only 51% design their returns process with fraud protection.

On-site item scanning can act as a first line of defense against returns fraud. In-person returns help ensure the right products are getting returned at the point of drop-off—helping merchants design a returns solution that protects them against fraud.

79%
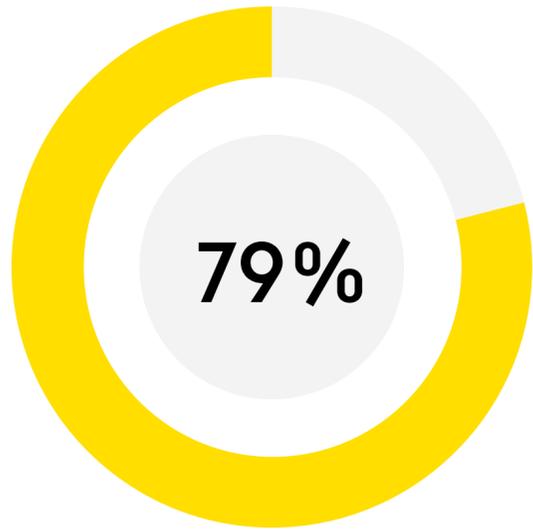
of merchants have
had to choose between
fulfilling new orders
over processing returns

60%
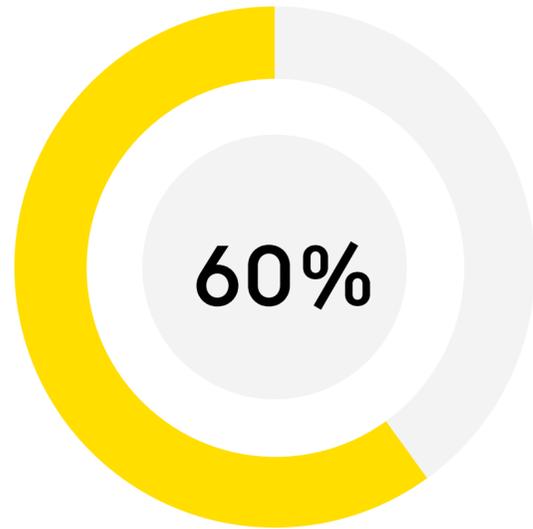
of merchants say their
return policy doesn't meet
consumer expectations

03 Reverse logistics

High return rates disrupt merchant supply chains, with 79% facing
a choice between shipping new orders and handling returns due to
limited warehouse resources. When asked what they would reduce
by 30%, half of the merchants (50%) would prioritize cutting down the
time it takes to process returns over decreasing customer service calls
or shipping costs.

Collaborating with the right provider can help alleviate operational
challenges, such as managing return volumes by sorting and combining
returns into consolidated shipments for the merchant—an approach
that can enhance reverse logistics efficiency for merchant's teams.

If you could choose one of the following to decrease by 30%, which would you choose?

50%	31%	19%
Operational time it takes to process returns	Overall return shipping costs	No. of customer service tickets

023

In-person returns lead the way

A great return policy is a powerful tool.
Happy Returns can help.

Return policies can help merchants boost customer satisfaction, reduce costs, and retain revenue. And by partnering with the right in-person returns provider, merchants can test different fees and incentives to help guide customer behavior. They can also improve the proximity of drop-off points to help ensure they are close to customers, and enhance their reverse logistics capabilities for smoother returns and better visibility overall.

About Happy Returns

Used by companies including Gymshark, Everlane, and REVOLVE, Happy Returns, a UPS company, provides end-to-end returns solutions for online merchants and shoppers through a unique combination of returns software plus reverse logistics. Through its nationwide network of more than 10,000 Return Bar locations, Happy Returns delights shoppers by enabling them to drop off returns with no packaging or printing in as little as 60 seconds. Returns are aggregated and shipped using reusable totes, reducing costs for merchants and driving sustainability by reducing cardboard waste and carbon emissions. www.happyreturns.com

About the research

Consumers

- The consumer survey was conducted by TRC, commissioned by Happy Returns, with fieldwork administered by Forsta. The survey sampled 2,000 U.S. consumers who returned an online purchase within the past year and are above the age of 18. This survey was fielded in mid-August 2023.

Merchants

- The merchant survey was conducted by TRC, commissioned by Happy Returns, with fieldwork administered by Forsta. This survey sampled 200 U.S. senior-level executives from apparel and footwear merchants with revenue of $500 million or more. This survey was fielded in mid-August 2023.

Sources

1. Census.gov, US Census Bureau News, August 2023.
2. Bls.gov, Labor Force Statistics from the Current Population Survey in Q2 of 2023. Data updated in October 2023.
3. Based on Happy Returns internal data from August 21, 2023 to September 25, 2023.
4. Based on Happy Returns internal data 2022 analysis by comparing merchant fees with NPS reviews.