banned?
A Returning Problem

Are retailers planning to follow Amazon's lead and ban serial returners - and will shoppers accept potentially extreme punishments for returning too many items?

Contents

Introduction:

Rise of serial returners raises alarm for retailers

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With returns costing an estimated $640 billion or more worldwide, retailers are facing the headwinds of an ever growing phantom economy.[1] In an article in the Financial Times, Clear Returns estimates that returns cost UK retailers £60bn a year, £20bn of which is generated by items bought over the internet.[2] As the concern rises, and with the introduction of penalties such as Amazon's lifetime ban on serial returners, this report investigates the measures that retailers are taking - and how their responses are being viewed by consumers.

Therefore, in association with Onepoll, Brightpearl undertook an extensive survey comprising 4,000 adults who shop online in the UK and the US in combination with the views of 200 UK and US retail decision makers. The survey was conducted in September 2018. The survey results have been segmented by gender, age and region for consumers; and by company size and sector for retailers.

One of the most notable, and perhaps surprising, result from this survey is the extent to which shoppers and retailers both agree that the problem of chronic serial returners needs to be tackled. However, whether the retailers are being clear enough with consumers about how they will do this remains a point of contention.

"
Returns has been a growing issue for retail, and this research reveals the faultline runs deeper than expected. Businesses must be aware of and ready to act upon the insights before it's too late.

"
Gareth Austin Jones
Cocorose, London

1 https://www.telegraph.co.uk/business/2018/06/26/serial-returnerscreate-phantom-economy-costing-retailers-7bn

2 https://www.ft.com/content/52d26de8-c0e6-11e5-846f-79b0e3d20eaf

One

How widespread has the serial returner actually become?

Promise of free and cheap returns has led to a new breed of intentional returner

A constant issue for retailers is how they intend to mitigate the costs incurred as a result of the persistent problem of serial returners. Our survey reveals that almost half of customers agree that they will at some point buy multiple items with the intention of sending some back. This behaviour has been driven by the shift from bricks and mortar to the online marketplace, where customers do not have the benefit of seeing the item before purchasing and where returns policies have focussed on convenience in a bid to win business from physical stores. As the proportion of online purchases increases, so too will the cost of returns. An article by Shopify explains: "While the brick-and-mortar return rate is around 9%, online it's more than double that at 20%. And, during the holidays, returns surges to 30% or even as high as 50%, depending on the industry."[3]

It's a trend that's resonating with more and more retailers. Over one-third of retailers in the UK confirm that they have seen an uplift in serial returners over the last 12 months, a figure that rises to 42% in the United States.

From a customer segmentation perspective, the trend is most pronounced within the 18-34 age groups, where over a third of respondents in each segment confess to having bought more items with the intention to return some, a figure that drops to under a third in the other age groups. With the appeal of this activity growing among the younger age groups, it would suggest that serial returners are a burden that is here to stay... or are they?

We asked shoppers, how often do you buy multiple items with the intention of sending some back?

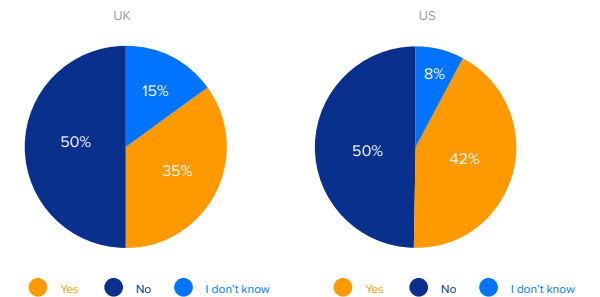**Around half of UK respondents said they had done this...**
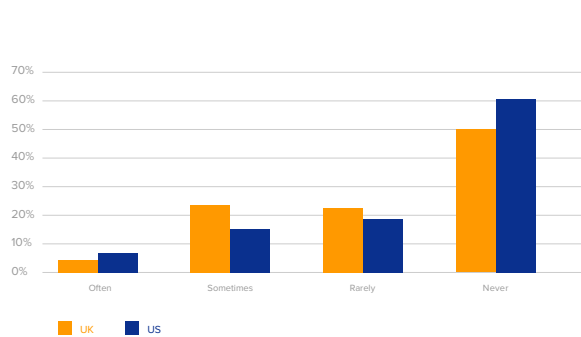
With younger age groups most likely to do it...
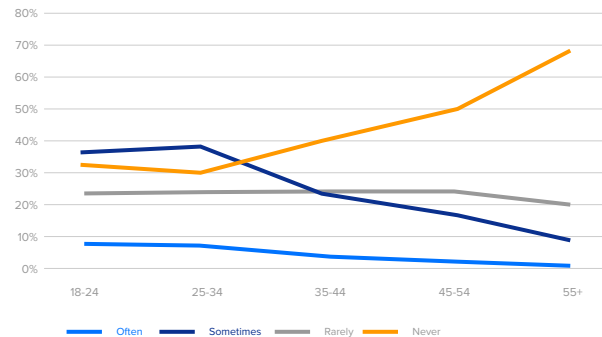
We asked retailers: "Has your business seen an uplift in intentional returns over the last 12 months, where shoppers buy more items with the intent of returning some?"

3 https://www.shopify.com/enterprise/102947142-how-to-reduce-your-return-rate-predict-exactly-what-customers-want

Two

Amazon fights back with lifetime bans - but is the move popular?

Shoppers broadly support the idea of lifetime bans

In an attempt to curb the rise of serial returners, Amazon announced in May this year that they are introducing a lifetime ban on this group, in a move that they claim is aimed at improving the retail experience for everyone.

Amazon themselves state: "We never take these decisions lightly, but with over 300 million customers around the world, we take action when appropriate to protect the experience for all our customers." Amazon has not put in writing what actually constitutes a chronic returner. Instead, Amazon takes action when they feel a consumer is abusing the policy. There is strong support for this policy from consumers.
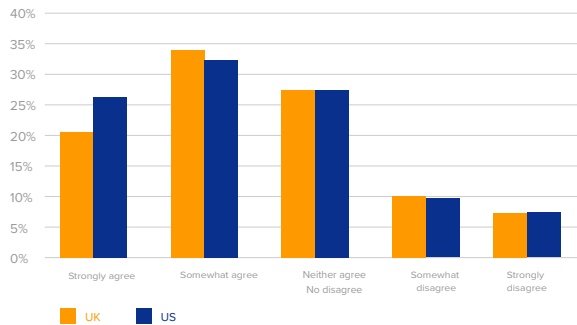
Just over one fifth of respondents in the UK indicated that they strongly agree that this is a fair policy for tackling the problem of serial returners and overall 56% of respondents believe it is to some degree a fair policy.

In the United States, this rises to over a quarter of respondents who strongly agree with the approach, while only 7% strongly disagree, both in the UK and the United States. Meanwhile, only 11% of respondents say they would never shop with an online retailer who imposed this condition.
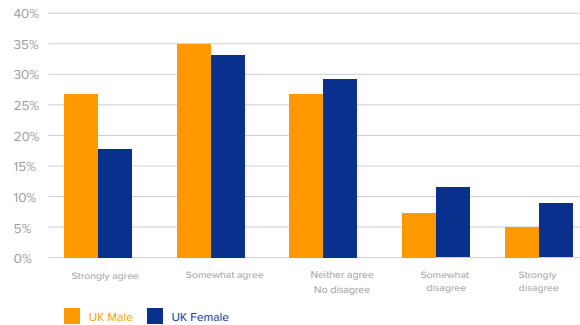
However, there are differences in attitudes when we take into account the demographic splits. It is a move that is more supported by men than women, while the younger age groups are more likely to disagree with the policy compared to the older age groups.

We asked internet shoppers: "To what extent do you agree or disagree with the statement: 'Amazon's intention to place "lifetime bans' on serial returners is fair'."
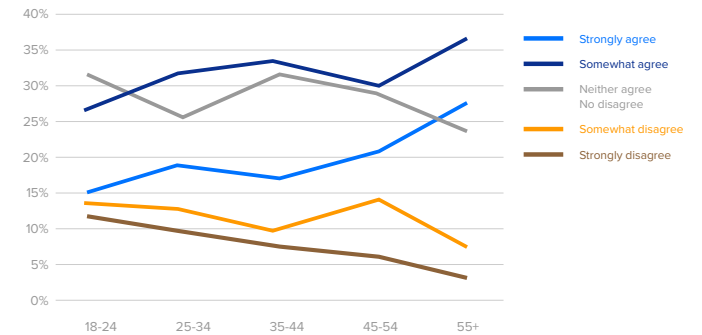
Over a quarter of American consumers agree that it is fair

With men more likely to agree

Although younger age groups are less convinced

4 https://eu.usatoday.com/story/tech/talkingtech/2018/05/23/amazon-bans-customers-who-return-tooa-many-orders/636089002/

Three

Amazon emboldens other retailers to follow suit
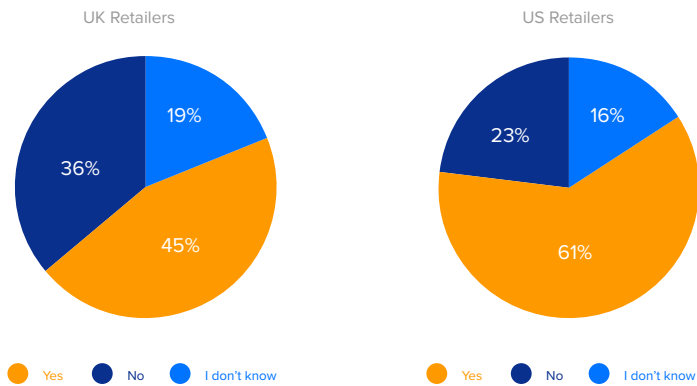
US retailers are most likely to follow suit

45% of retailers in the UK say they would introduce the same ban, with support highest in mid-sized companies. At its highest, 77% of retailers with 250-499 employees agree with implementing this policy.

However, it is retailers in the United States who are most closely aligned with Amazon's approach, as 61% of US retailers reveal that they would ban serial returners from their website permanently, while fewer than one-quarter are not inclined to follow this approach. Part of the problem has been created by a new wave of online bloggers who are showing a tendency to buy items in order to solely take a picture of themselves with the merchandise and then simply send it back afterwards. This type of activity has led to other retailers beyond Amazon, such as Nordstrom and Sephora, to also start implementing such measures.

Reconciling the shoppers' views and the retailer's perspective

Once again, however, the age breakdown provides some interesting insight, suggesting that a lifetime ban policy may not be right for all retailers straight away. It is important to note here that one-fifth of respondents in the 18 to 24 age group suggested that they would never shop with a retailer that imposed such a penalty for a high return rate.

Would you ban serial returners from shopping on your webiste permanently?

UK Retailers

- 19% I don't know
- 45% Yes
- 36% No

Legend: ● Yes ● No ● I don't know

US Retailers

- 16% I don't know
- 61% Yes
- 23% No

Legend: ● Yes ● No ● I don't know

Shoppers were quizzed on how ofter they'd want to shop at a retailer that banned serial returners...

By age group

(Line chart with x-axis age groups: 18-24, 25-34, 35-44, 45-54, 55+; y-axis 0%–60%)

Legend: — Often — Sometimes — Rarely — Never

3 https://www.shopify.com/enterprise/102947142-how-to-reduce-your-return-rate-predict-exactly-what-customers-want
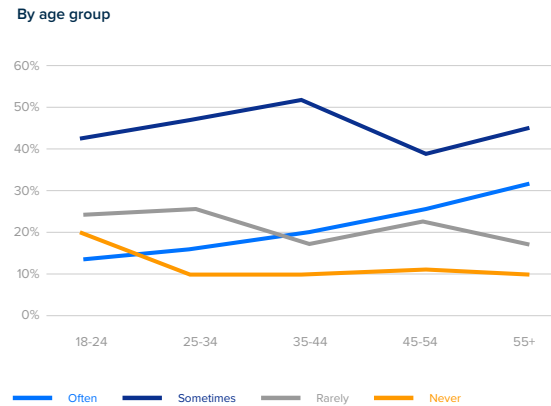
Four

Tolerance of serial returners varies by industry

'Overall 'Baby and toddler' is one of the least tolerant sectors

'Baby and toddler' is the most ruthless market segment, where 75% of retailers in this sector in the UK would ban serial returners and 80% would do the same in the US. However, in the US, it is 'toys and gifts' that comes out on top, with 82%. In the UK, it is followed by 'jewelry and watches,' which for US retailers is actually one of the most tolerant segments.

In the UK, on the other hand, the most tolerance comes in sectors such as 'clothing and fashion,' (where 55% would ban serial returners) and 'gifts and giftware' (50%). The higher level of tolerance is indicative of two markets that already have to deal with a high volume of returns based on the nature of their business. Furthermore, 'clothing and fashion' has been at the forefront of the ramifications of online purchasing behaviours, with the rise of intentional returns and a culture of 'try-before-you-buy' having an early impact.

The differences in attitude reveal that the way in which bans are implemented - and the thresholds for what is and what is not acceptable - will need to be considered in-line with the profile of shoppers within each segment and how they behave when shopping online. It also shows that any decision to pursue this strategy has to be balanced with the potential gains that are to be made when implementing it.'
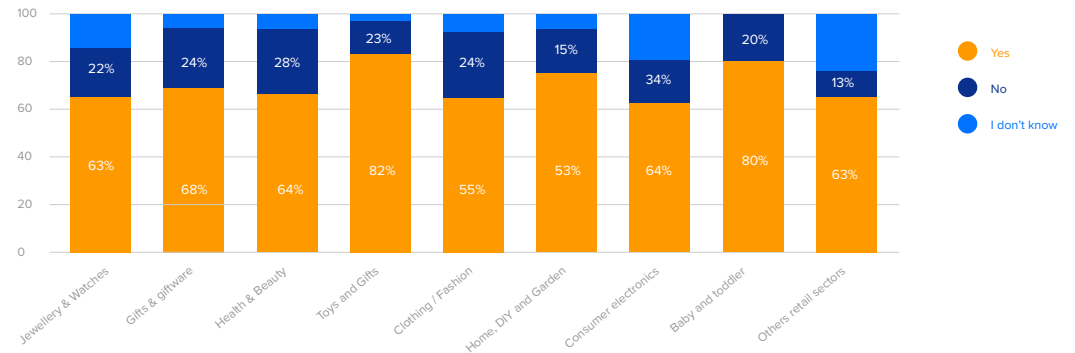
Would you ban serial returns from shopping on your webiste permanently?

UK and US retailers have very different views depending on their focus market...

UK

US

Yes
No
I don't know
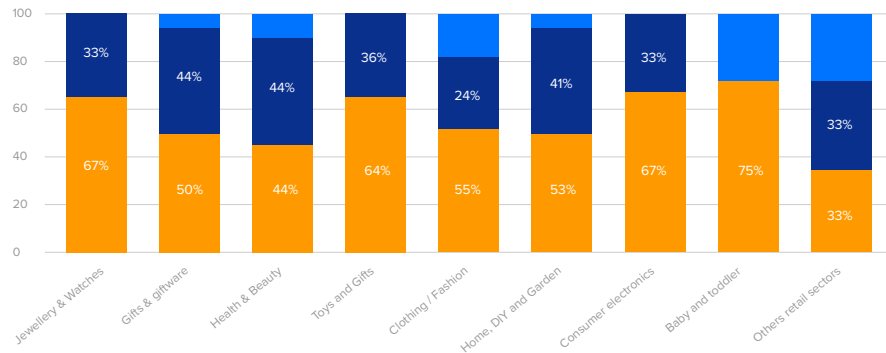
Five

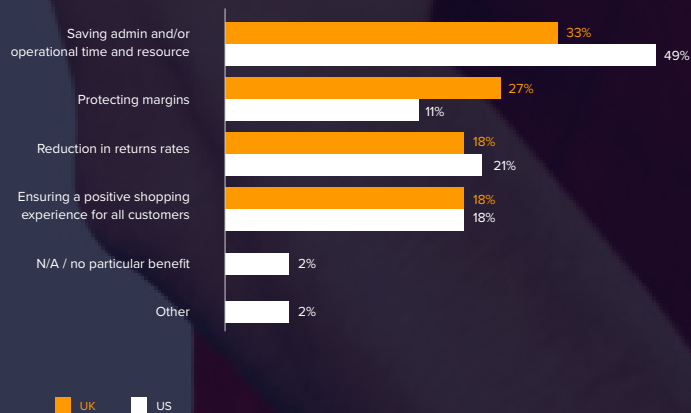# Do the benefits outweigh the disadvantage of losing customers?

Saving time and administration resource is seen as the primary advantage

Saving time and administration resources is cited as the biggest advantage of imposing lifetime bans on serial returners, with one-third of UK retailers and almost half of US retailers agreeing. Margins are another significant factor for UK retailers, although far less so in the US. 27% believe banning serial returners would protect them in the UK, compared to 11% in the US. Meanwhile, 18% in the UK believe a serial returner ban would lead to a reduction in return rates overall, compared to 21% in the US. Interestingly, ensuring a positive customer experience for all customers, the reason given by Amazon, comes in at a rather lowly fourth position in both the UK and US at 18%.

The beauty and cosmetics retailer, Sephora, builds on the customer experience explanation, stating: "We make every effort to accommodate returns, but a small fraction of customers take advantage of our policy, in many cases returning more than twice as much merchandise as they purchase. This limits product selection and unfairly impacts other clients." Sephora is among a number of retailers who are using technology solutions to detect abusive returns behaviour and offer incentives to other customers. However, as a report in Business Insider UK explains, "Many shoppers are unaware their returns are being tracked." This could create a breakdown of trust between the retailer and the customer – and in Europe, where data tracking is highly regulated, could also cause privacy or data handling concerns.

This begs the question, are retailers being customer focused enough, or is it all about efficiency and saving money? There is an extremely fine balance between protecting customers' overall experiences and implementing policies in a fair and transparent manner. Retailers will need to focus on how they deliver the message to shoppers about their policies in order to ensure that pursuit of operational efficiency does not damage the brand reputation.

Retailers were asked: What do you think would be the top benefit to your business of banning serial returners?

Category	UK	US
Saving admin and/or operational time and resource	33%	49%
Protecting margins	27%	11%
Reduction in returns rates	18%	21%
Ensuring a positive shopping experience for all customers	18%	18%
N/A / no particular benefit		2%
Other		2%

■ UK   □ US

5 https://www.racked.com/2018/3/13/17114952/sephora-banning-returns
6 http://uk.businessinsider.com/stores-that-track-returns-list-2018-3?r=US&IR=T/#amazon-1

Six

# Customers prefer lighter touch alternatives

Could there be better alternatives than lifetime bans?

Customers suggest some less punitive actions might be better - but first and foremost, retailers should provide clearer returns policies, which half of all UK consumers agreed with. This demonstrates that transparency is absolutely key and, unlike the credit rating system used in the financial sector, a returns risk rating may not be as broadly accepted as the initial results from shoppers above suggested, especially if more of them were to fall foul of the policy without understanding why. The practice can lead to high profile disputes. In one case, the story of Nir Nissim hit the headlines in the UK and the US, when he claimed to the Wall Street Journal that his account had been shut down for only having returned one item in 2018 and four in the previous year. The UK news outlet, The Independent, subsequently reported: "Mr Nissim's account was eventually restored following his complaint."

Results from shoppers indicate that the punitive action taken should in some cases be more sophisticated than simply introducing a lifetime ban, depending on the extent of the suspected abuse. For example, introducing a maximum returns quota and limiting the time that customers have to return items gain support from 33% and 28% of shoppers respectively (and 40% and 39% in the US), and these could be applied to different degrees, depending on the actions of specific individuals. Meanwhile, temporary bans would probably suit customers better than lifetime bans, with 28% of UK respondents also suggesting this would help retailers improve their return rates. Indeed, when positioned among other options, the lifetime ban is suggested as a method for controlling return rate by only 15% of shoppers. Finally, these results are a warning to retailers not to fix the issue through additional or increased charges or prices. Introducing charges for returns is supported by only 14% in the UK, while a mere 8% of shoppers (and 12% in the US) say that raising prices would yield any benefit for the retailer. Overall, the results show that retailers require a more in-depth understanding of what's driving the returns behaviour in order to take the most appropriate action. But, do retailers have enough information to be able to identify serial returners?

Customers responded to the question: "What steps do you think online brands should take to improve their returns situation?"

Half of UK shoppers and more than half of US shoppers are demanding clearer return policies
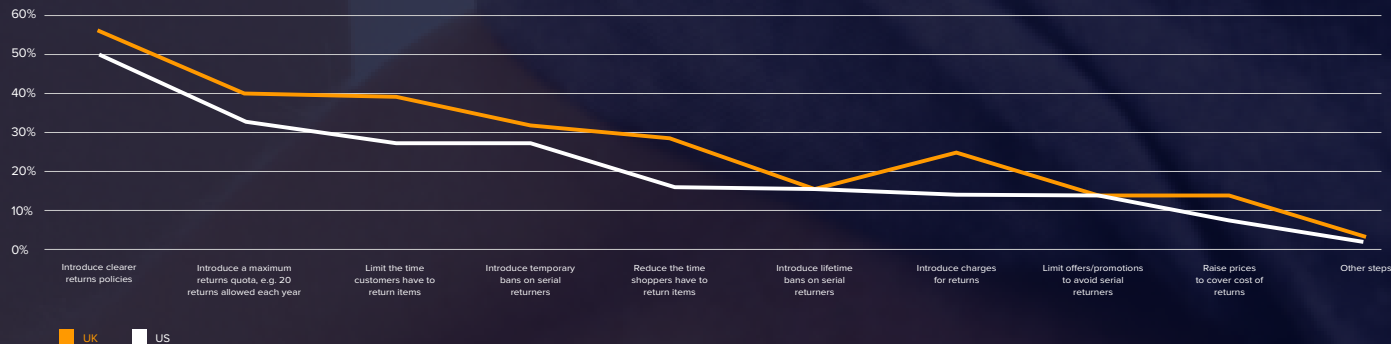
Seven

# Transparency is the key ingredient

A lack of reliable information damages customer experiences

Our results show that consumers are increasingly unsure about where they stand with regards to returning items. Part of the problem lies in the fact that many retailers do not currently have the right technologies in place. In fact, a staggering 44% of retailers say that they do not have the sufficient technology in place to be able to identify a serial returner and a further 15% of retailers don't know if their current technology would be able to identify serial returners. This lack of information, if used incorrectly, can result in a serious backlash on social media, as consumers are becoming ever more frustrated with the arbitrary decisions made by retailers. This was illustrated by recent tweets about Amazon, in which Nathan Peterson tweeted "Amazon just permanently shut down my family's account for too many returns. No warning." [8] In this case, Nathan had purchased over 550 goods from Amazon while returning only 43, significantly different than the example of Nir Nissim.

Without tools to track behavioural data, retailers will find it difficult to reach a definition of what constitutes a chronic serial returner within their business model. Without this clear definition and consistent application, both consumers' and retailers' concept of what is acceptable will remain a subject of debate. It could lead to consumers questioning the integrity and statistical reliability of retailers' algorithms and how they detect a serial returner.

A key area of development will be the extent to which retailers on the one hand and consumers on the other will mutually agree on what equates to a serial returner. Exacerbating this problem further is inadequate backend technology that can not cope with the current returns environment. This often leaves the returns part of the process being dealt with on an ad-hoc basis or in a disjointed manner, making tracking or more sophisticated judgements and assessments about customers' return behaviour difficult, or impossible.

We asked retailers: do you currently have technology in place to be able to identify who your serial returning online customers are?'

UK

US

Yes   No   I don't know

Yes   No   I don't know
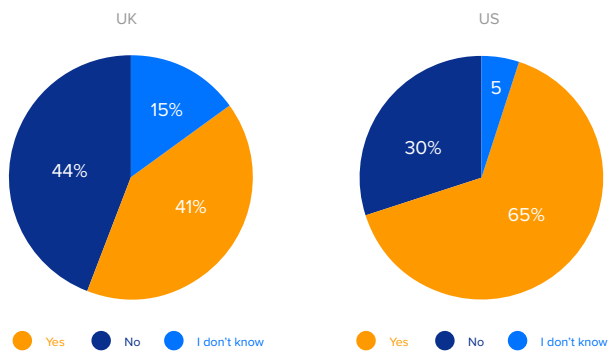
A breakdown by sector (combining UK/US data)

Yes
No
I don't know
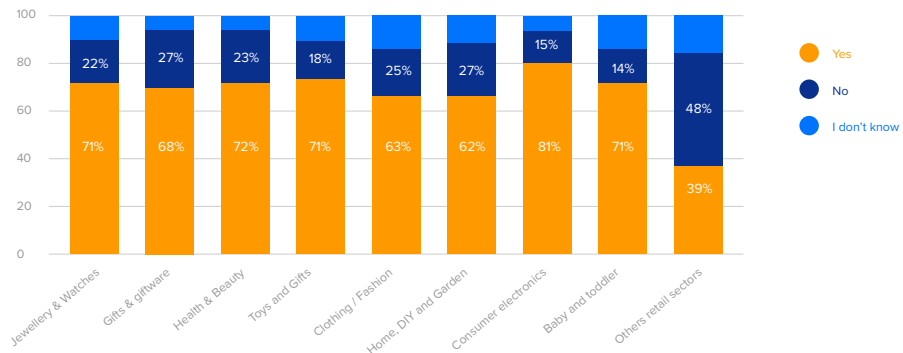
Conclusion

Innovative approaches win out

"

It's clear having an effective and convenient returns policy that satisfies customer needs is a crucial factor of success for retailers. While many have adopted new processes to help manage increasing returns volumes, the real focus should be on measures which help to reduce over-ordering in the first place.

Konrad Delling
Managing director of customer solutions at Barclaycard[9]

Investing to manage and measure returns could provide a competitive advantage

Consumers are looking for fairness and choice when returning merchandise. Some feel they have been unfairly treated by the large retailers which could alter brand perceptions. On the other hand, retailers are trying to mitigate the costs of defective merchandise and have adopted a more stringent approach in tackling serial returners to improve efficiency.

A ubiquitous feature that permeates throughout the return management discussion is how retailers do not have an easy-to-understand metric that qualifies a serial returner. Defining and measuring serial returners as part of a fair returns process and being able to communicate that process will maintain the retailer-consumer relationship

Returns could be a key differentiator for smaller retailers. While Amazon can afford a certain level of damage to their brand reputation and while it also has the volume to mitigate the impact of banning serial returners, this may not be the case for smaller retailers, depending on the proportion of their customers that engage in this behaviour. Using lifetime bans may not be the best course of action, especially if this type of activity could increase. Having a clearer understanding of how many customers are

serial returners, the trends, and the cost of these trends could help these retailers to initiate fairer policies, where lifetime bans are really only used as a last resort.

However, this requires a streamlined back office operation - one which is integrated into the overall reporting mechanisms of the organisation - so that businesses can accurately define the thresholds that need to be crossed to render a customer 'problematic' and make the right decisions based on customer profiles.

It's recommended that you regularly monitor your returns and CRM data in order to establish possible cases of "serial returners". Using Brightpearl to centralise returns data is one way to quickly identify serial returners and puts retailers in the informed position to make decisions on how they can weed out these problematic shoppers or limit the damage to their business through less punitive actions. For example, a marketing team being in the informed position to avoid sending problematic shoppers new offers and discounts, while your customer service team having a full profile of a customer to better see who they're dealing with.

Reflecting on the 'serial returner' problem

Views from retail experts, brands, and self-proclaimed
'problem shoppers'

The Retailer View

John Reid
Managing Director
Garment Quarter

I think like most online and brick and mortar stores, we've noticed an increasing challenge with serial returners. We sell high-end fashion and designer clothing, and while our returns rate remains low, particularly compared to industry standards, it's an issue which has become gradually more problematic for us over time - and one I predict will continue to snowball in future.

In my view, there are a few contributing factors behind the rise of the serial returner. Firstly, it is to be expected that customers need to see goods in real life and try them for size where applicable; but generous return policies, the introduction of Try Before You Buy (TBYB) as well as split payment options has helped to shape serial return habits.

Social media has also had a direct impact on returns, particularly for the luxury sector, where Garment Quarter operates. Some consumers, mostly a millennial audience, intentionally buy luxury items, for example high-end clothes, simply to capture them for their Instagram feed, before returning the products.

While the above example is an issue that may need addressing, I have less of an issue with shoppers buying multiples of items and returning some, as long as they do keep one or two items, and are genuinely 'trying before they buy', as this is a replication of the in-store experience. Those that have an issue with serial returners are misunderstanding a basic truth of retail, which is to provide as much convenience to your customer as possible.

That's not to suggest retailers should accept serial return habits completely. Brands must consider returns strategies which work best for them, and that help offset problematic shoppers. At Garment Quarter we offer free returns as long as the item is returned within seven days. This approach works for us, as it means customers don't sit on a product, and it allows us to receive returns and put them back into rotation much sooner.

Amazon's decision to ban serial returners seems an odd commercial decision to make, when they could realistically absorb the cost. In my opinion, the move is not customer-focused and appears contradictory to the recent roll out of a TBYB offer to its Prime membership.

Amazon is a service retailer that has built its reputation on speed, price, convenience and delivery - but with this decision I question whether they are losing track of what made them the behemoth they are today in the first place - a total customer-focused approach. It remains to be seen whether this will cause a negative backlash, and how that impacts sales.

At Garment Quarter we wouldn't follow this approach - at least not today, though I do understand Amazon's decision. We've had a few isolated cases of chronic returners and if this group became more prominent and really started damaging our bottom line significantly, we would need to readdress, perhaps introducing subscription-based models, where customers pay a yearly one-off fee to cover the cost of returns.

For now, our focus has been on essential preparation - introducing technology that enables us to build a single source of information around customer returns, including the ability to monitor serial returners to see how the trend develops over time and whether we need to review our returns strategy.

We integrated Brightpearl into our business this spring, and its already expanded our data capabilities, giving us more information on customers such as their purchase history and the product lines they prefer, and return levels across individual product ranges. This insight is invaluable; it puts us in a much more informed position to make intelligent decisions that benefit our operations in the long-term.

The last word on Amazon - if the ban serial returner ban does prove to be a successful strategy, other short-term focussed retailers may follow suit. In my view, it may help businesses to protect the bottom line initially, but it could have a damaging effect on customer loyalty. Serious consideration is needed to understand if the payoff is really worth it.

The Expert View

Nicole Leinbach Reyhle
Founder of Retail Minded &
Author of "Retail 101: The Guide
to Managing & Marketing Your
Retail Business"

Online buyers are notorious for appreciating convenience in their purchase journeys, so it comes as no surprise that many of these shoppers buy things to review in the comforts of their homes and then often return them if they are not satisfied. Likewise, many buyers genuinely intend to keep items they order online but instead discover there is a reason they need to return something. Collectively, these actions add up for many returns that Amazon has identified as problematic. More precisely, Amazon explains that "we never take these decisions lightly, but with over 300 million customers around the world, we take action when appropriate to protect the experience for all our customers."

From an operations perspective, every return made to Amazon costs them money. Factoring in both time and logistics, the cost of returns – even for a retail giant like Amazon – adds up. Keeping this in mind, I can appreciate the recent changes Amazon has made to those buyers who return items frequently. While I do think it may shift customers to shop elsewhere in some cases, I also think it will encourage customers to be more thought-sensitive to their purchases and returns alike. Ultimately, I think this will benefit other companies who will capture consumers who are frustrated or fearful of their purchases made on Amazon due to the potential risk of returns they may need to make – but this isn't necessarily a bad thing if you look at it from a competitor's perspective.

Another view to consider is how Amazon is changing the face of retail returns at large. They boldly partnered with select Kohl's store locations to welcome Amazon returns – something completely out of the box for one retailer to do with another – yet this has proven successful for them and they have since expanded this partnership. It's benefited both Amazon and Kohl's – helping drive foot traffic to Kohl's and even sales as a result while helping to elevate some of the frustrations of returns for customers and Amazon alike. Keeping this in mind, Amazon has longtime been recognized as changing the face of retail and their recent news of banning shoppers who make too many returns – as identified by their data tracking systems – is not something to be completely surprised by. Instead, it may be something for other retailers to learn from and consumers even, as well.

Retail is constantly changing and evolving as a result. Data, automation and artificial intelligence are all helping to drive this change, but customers still lead in identifying what truly impacts retail operations. Amazon recognizes that consumers have a huge influence on their infrastructure so their only way to help control this is to define more specific guidelines of their customer policies and expectations alike. I can appreciate this intent that they have,

though admittedly I do think it will alter customer behavior in a way that may not benefit Amazon entirely. Then again, the cost of returns may well be worth the cost of losing some business. As time passes, however, one things is certain. Amazon will surprise us all again with yet another change to reflect their current operational environment and expectations alike.
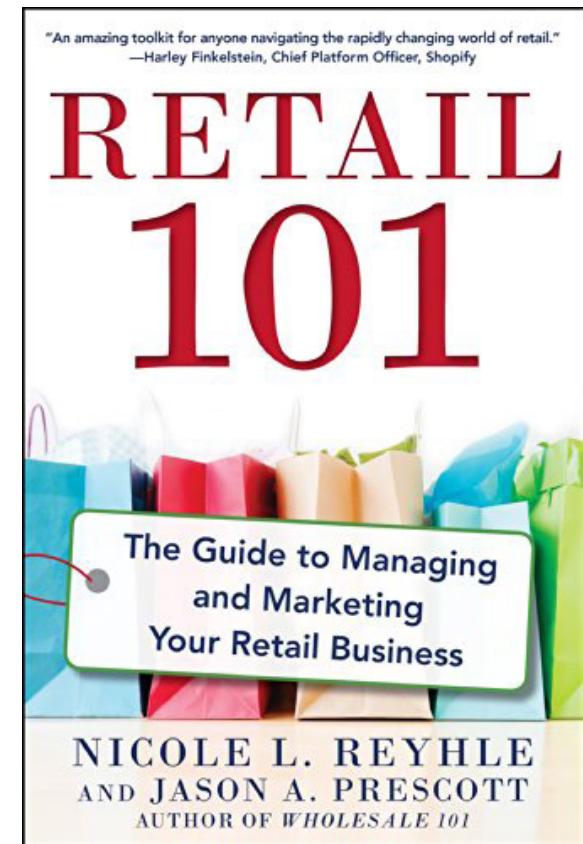
The Serial Returner

Hester Grainger
A personal stylist at Hester Styles and 'serial returner'

- Hester orders items every week, from a number of online retailers

- She deliberately over-orders to ensure she receives free delivery on each order

- She orders multiple sizes – so the minute she places an order, she knows that a lot will go back

- In total, Hester orders items totalling up to £300 a month – and returns up to two-thirds

Hester is a personal stylist at Hester Styles and a self-confessed 'serial returner', who regularly, deliberately, over-orders clothes – either to get free delivery, or to try multiple sizes, colours and styles.

I spend about £300 a month ordering clothes (my usual suspects include ASOS, New Look, River Island and La Redoute) and return up to £200 – i.e. two-thirds – of everything I order.

Most recently, I ordered six outfits for a wedding – and only ended up keeping one.

I've had bad experiences with retailers who have taken months to pay back refunds, and as a result I keep a note on my phone about what orders I'm returning, and the amounts of money due to come back to me – so that I don't miss any payments. But it hasn't changed the way I shop.

In my opinion, 'Serial returning' is now the way of the world. I think that as consumers, we want, need, expect – and deserve – multiple options. Especially with a garment that involves stepping out of your comfort zone. I think it's normal to order different colours and sizes – especially when sizes vary so much from retailer to retailer.

When considering Amazon's decision to ban shoppers who return too much, I think it is a dangerous move for retailers – and it would change my shopping habits if the retailers I regularly ordered from did this. Not only that, but it would change my opinion of that retailer.

I think ultimately, that retailers should trust their customers, and that there are many different reasons for consumers to return items, for

example, sizes not being standard, wanting to try different colours, not being sure if a style or garment will suit.

If retailers had lower free delivery thresholds (some retailers have low thresholds, like ASOS, whilst others only offer it on orders of £50, £75 or higher), I would order in smaller quantities. In a nutshell, free shipping is crucial and it's something that I look at first when I come across a new retailer. I'd go as far as to say that I wouldn't order from a brand that had unfavourable shipping and return options.

The Technology Take

Scott Hill
VP Product
Brightpearl

Returns are becoming a serious issue. Americans return more than $260 billion in goods each year, while in the UK, the lost revenue from returns costs retailers £60bn a year, £20bn of which is generated by items bought over the internet.

Much of this cost can be attributed to a rising cohort of serial returners, with 40% of retailers seeing an increase with "intentional returns" over the past year.

This is proving to be an incredibly expensive burden for retailers to take on - particularly when almost half of retailers are already seeing their margins being severely impacted by the cost of handling and packaging returns.

As a result, businesses must reconsider their approach to serial returners. Amazon's action to ban shoppers who return too much is sensible - it ensures they can continue to offer the lowest price possible to their most loyal customers. However, Amazon are only able to innovate their returns strategy because of previous investments in technology that allow them to track and identify those who return frequently.

This technology is now accessible to mid-market retailers. However, 69% of firms currently do not deploy any technology to manage their returns - a huge missed opportunity.

Whether to ban serial returners, flag them for removal from mailing lists that promote offers and discounts, or charge them more to return items is ultimately a decision for the merchant. However, what is imperative is having technology solutions in place that centralize returns data. This provides the ability to track, monitor and understand all "serial returners" allowing for more informed and intelligent decision making around how to manage these problematic shoppers.

What now?
Are you ready for the returns tsunami?

Whether it's due to mispacks, damaged goods, inevitable peak season returns or services like Try Before You Buy (TBYB), we believe there is a tsunami of returns coming and businesses like yours need to be ready for it. More than half of all retailers now claim their margins are being squeezed by avoidable returns caused by incorrect items being shipped out, products being damaged in transit, or faulty goods that are received.

Preventing these types of return are within your control. We've created a returns readiness self-assessment that you can take right now, which will assess your current set-up and capabilities against benchmark descriptions.

Based on your results, you'll then gain actionable advice on where you can focus improvements so your business can mitigate and protect itself against the impact of returns.

So... are you ready for the returns tsunami?

Take our self-assessment now to find out.

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