COVID-19 BUSINESS SUPPORT - ISSUE 11

SME DIGEST

ADVICE FOR SMALL & MEDIUM SIZED ENTERPRISES

Edited by Adam Bernstein

SELLING ONLINE

RETURNING PAINS

Selling online can add much to a business – new customers, greater reach, and to an extent, 'free' advertising if social media is deployed properly.

By Adam Bernstein

But online brings the risk of returns from consumers because of a statutory right granted that lets them cancel an order within 14 days of receipt.

However, rights granted under law, as well as a retailer's desire to offer great customer service, give consumers confidence in what they may be ordering. That said, rights can be a curse for a retailer; at any one time a proportion of sales are at risk of being returned, there's a loss on delivery charges which must be refunded, administration cost related to processing the returns, and of course, the question of what to do with returned and potentially opened items. Data from US-based Redstag Fulfilment illustrates the problem. It suggests that returns could cost a firm anywhere between 20-65% of the cost of the goods.

But while one estimate suggests that returns could cost UK retailers £5.6bn a year by 2023, spare a thought for German retailers. A 2018 University of Bamberg study found that Germans already return €5.5bn worth of goods a year, a number that will surely grow.

Photo courtesy of Chris Fairweather & Thomas Lewis Jones

Consider Hafod Hardware; its 2019 Christmas video was shot for £100 and by mid-February 2020 had been seen more than 2.6 million times on YouTube.

INTERESTING FACTS...

So, what to do? What can retailers do to staunch the flow whilst not alienating the market?

To answer this question, it's first helpful to consider the results of a December 2018 survey for Globalwebindex. It questioned consumers in both the US and UK about their shopping and return habits; the results were quite illuminating.

First off, the survey found that age had a bearing on the return rates with 72% of 25-34's making a return compared to (just!) 42% of those aged 55-64. And of the sexes, it appears that men are the big returners – 35% of men would return compared to just 16% of women.

Interestingly, the survey found that "almost 80% of people in the US and the UK check the returns policy on a retailer's website before making a purchase." In other words, the concept of return is uppermost in a consumer's mind before making a purchase.

Another fact to emerge from the survey is that online returns are more likely when compared to purchases made in a physical store. This is partly a result of the Amazon Prime effect where delivery is free, and returns are made easy. Further, for some, it's less embarrassing to return items at distance than have to face a member of staff.

WHY WE RETURN

There are a number of reasons why consumers return products. Some are legitimate, but others are close on illegal if not morally bankrupt. Take 'wardrobing', where consumers order clothing to wear once, without removing tags, and then return the item for a refund after use. Electronics and tools see the same abuse.

But other reasons include faulty products on arrival, incorrect sizing or fit, product expectations not being met, the wrong item shipped, an appearance different from the advert, multiple sizes added to an order to get one correct item, impulse purchases, and purchases made to achieve free shipping.

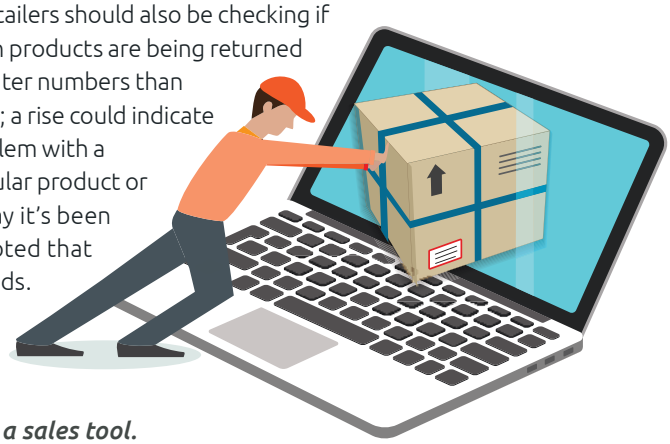
It's of note that according to Readycloud.com, an online shipping and marketing platform, 65% of returns occur because of a retailer's actions – especially those related to consumer expectations and sizing. But these should be easy to fix with detailed and accurate descriptions of the product, design, sizing, colour, materials, specifications and so on.

Quality imagery from different angles that allows consumers to determine what they're considering combined with regular and reliable sizing should also help.

Where appropriate, product videos may help consumers gain further insight. This approach works well with technical items including equipment and electronic devices. Allied to this is an option for consumers to review purchases with pointers for others on description accuracy.

Another option is to allow in-store collection when possible. This cuts out the shipping cost and risk of products being damaged or going missing in transit. It also gives consumers the chance to examine an item before completing the purchase which should reduce the need to return items as alternatives may be found while in store.

But retailers should also be checking if certain products are being returned in greater numbers than others; a rise could indicate a problem with a particular product or the way it's been promoted that misleads.



CREATING A RETURNS POLICY

A decent returns policy is a must and it should be written for use as a sales tool.

Be upfront: A returns policy should make it easy for the consumer to understand their position. It should give consumers peace of mind. Remember - almost 80% of consumers check a returns policy before making a purchase. To reiterate, almost 80% check the returns policy before making a purchase; retailers shouldn't give consumers a reason to shun a site.

Cover shipping costs: Nothing in life is ever truly free, but nevertheless, we like to think that it is. Even so, a 2012 study from Washington and Lee University in the US found that free returns can have a major impact on future sales. The research from two surveys, over 49 months, demonstrated that when consumers received free shipping on returned items, their purchases over the next two years increased by between 58% and 357%. In contrast, when consumers had to pay for return shipping, their subsequent purchases decreased by between 74% and 100%.

Give options: Convenience is orientated around the consumer, not the retailer. This makes it ever so important to offer options when making returns. In store, Royal Mail, Collect+, MyHermes, DHL - offer the flexibility that consumers demand.

For some instore is preferred as it's easier to head to town than find tape to package items up; it's instant, with no wait for a refund or worry about items lost in the post. It also allows the potential for a 'replacement' sale while reducing a retailer's own returns-related costs.

Others will still prefer to post the item back; a pre-printed returns label will be correctly addressed and legible.

The refund: It stings to make a refund but there's no point dallying. From the consumer's perspective it's an irritant that retailers seem quick to take payment, but slow to refund. Again, retailers that are slow may lose future custom.

Remember Christmas: Black Friday and Christmas makes for perilous times in retail as consumers often buy gifts ahead of the holiday season. By definition, the legal right to return won't apply and so retailers should extend the returns period if they want to win custom.

SUMMARY

It's a fact that consumers have rights which they are well aware of. This doesn't make it easy for retailers, but risks can be managed. If the right policy is put in place, a returns policy can become a great asset.

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