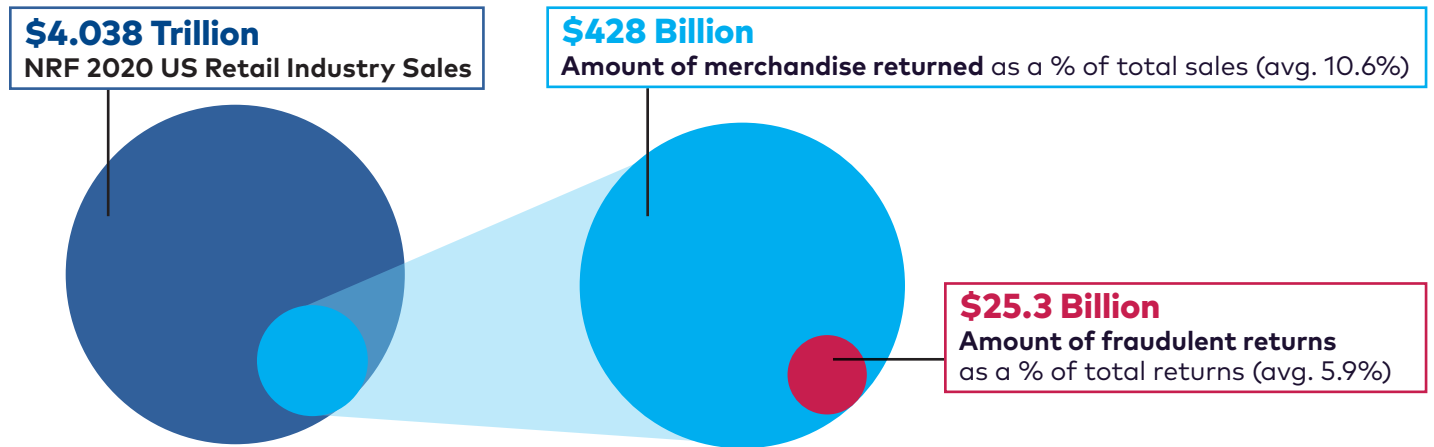


Consumer Returns in the Retail Industry 2020

Merchandise Returns



Source: National Retail Federation 2020 Returns Survey, Oct-Nov 2020.

Return Facts

- Total returns account for **\$428 billion in lost sales** for US retailers. This revenue is almost the size of the US Medicaid program. (www.cbo.gov/topics/health-care)
- For every \$1 billion in sales, the **average retailer incurs \$106 million** in merchandise returns.
- **Online returns more than doubled** and are a major driver of the overall growth of returns.
- For every \$100 in returned merchandise accepted, **retailers lose \$5.90 to return fraud**.
- Returned returns are **a hidden risk** from behaviors like shoplifting, collusion, wardrobing, and more.

Summary of Returns and Return Fraud

Metric	Average	Retail Industry
NRF 2020 US retail industry sales ⁽¹⁾⁽²⁾ (in-store and online)	100%	\$4,037,825,212,000
Total amount of returns	10.6%	\$428,009,472,472
Total amount of fraudulent returns	5.9%	\$25,252,558,876
Non-receipted returns	17.8%	\$76,185,686,100
Non-receipted return fraud	16.6%	\$12,646,823,893
Receipted returns	82.2%	\$351,823,786,372
Receipted return fraud ⁽³⁾	3.6%	\$12,605,734,983

Source: National Retail Federation 2020 Returns Survey, Oct-Nov 2020.

Note: National Retail Federation notes that findings are directional only. All findings are among the responding companies and have not been scaled as a reflection on the retail industry as a whole, or to match firmographics of prior years' surveys.

(1) The National Retail Federation's US retail industry sales figure includes most traditional retail categories including non-store, auto parts and accessories stores, discounters, department stores, grocery stores, and specialty stores, and excludes sales at automotive dealers, gas stations, and restaurants.

(2) Retail sales estimated from NRF reports using 2020 actuals through 10 months and an estimated holiday sales growth rate of 4.4%.

(3) Receipted return fraud derived by subtracting non-receipted return fraud from total return fraud.

Holiday Returns

\$761 Billion

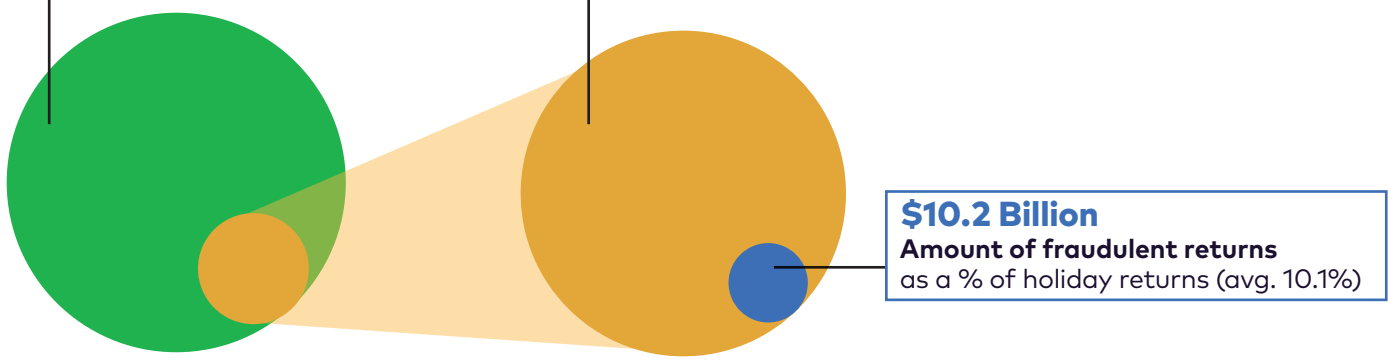
NRF 2020 US Holiday Sales

\$101 Billion

Amount of merchandise returned as a % of holiday sales (avg. 13.3%)

\$10.2 Billion

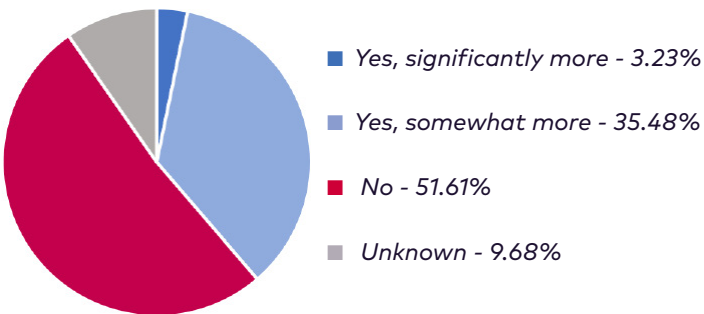
Amount of fraudulent returns as a % of holiday returns (avg. 10.1%)



Source: National Retail Federation 2020 Returns Survey Oct-Nov 2020

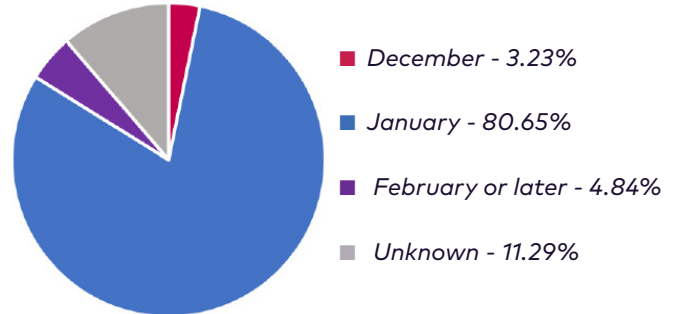
Managing Holiday Returns

Are you hiring more staff to handle returns during the holidays?



Source: National Retail Federation 2020 Returns Survey Oct-Nov 2020

When do you expect to receive the majority of returns?



Holiday Return Changes

Are you expecting that you will need to allow more or less time for processing returns this season?

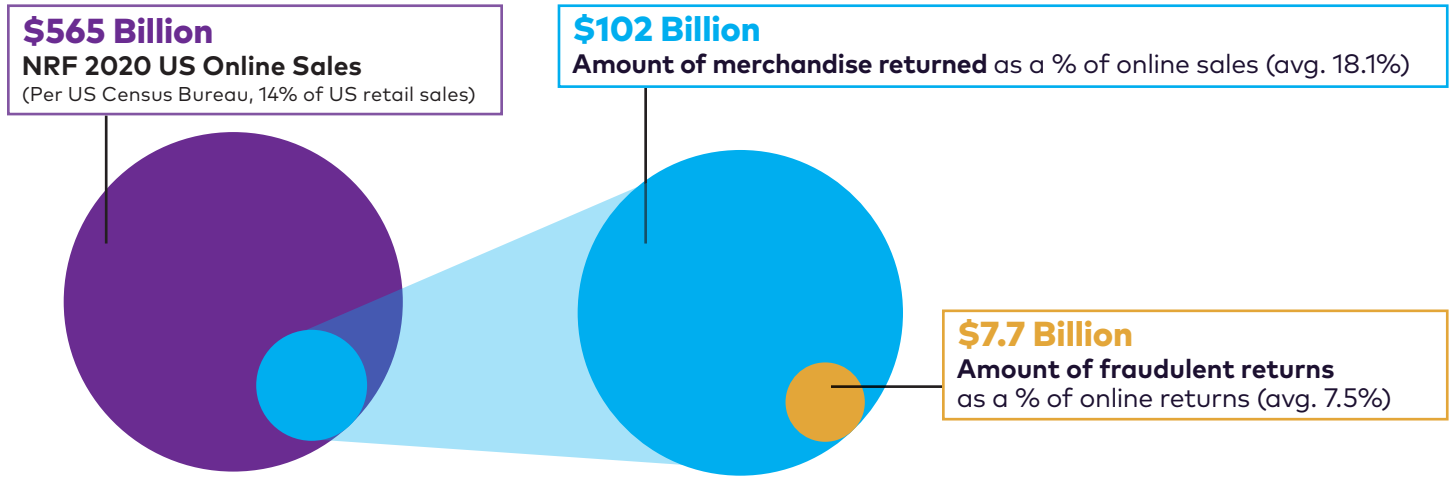
Response	Average
Significantly more	8.06%
Somewhat more	45.16%
Same amount of time	38.71%
Somewhat less	1.61%
Significantly less	0.00%
Unknown	6.45%

Source: National Retail Federation 2020 Returns Survey Oct-Nov 2020

How are you communicating processing changes to your customers?

- "In-store signage"
- "Website (return policy page and/or terms and conditions)"
- "Printed on receipt and/or order confirmation"
- "Digital (emails and/or social media)"
- "Not communicating, no changes"

Online Returns



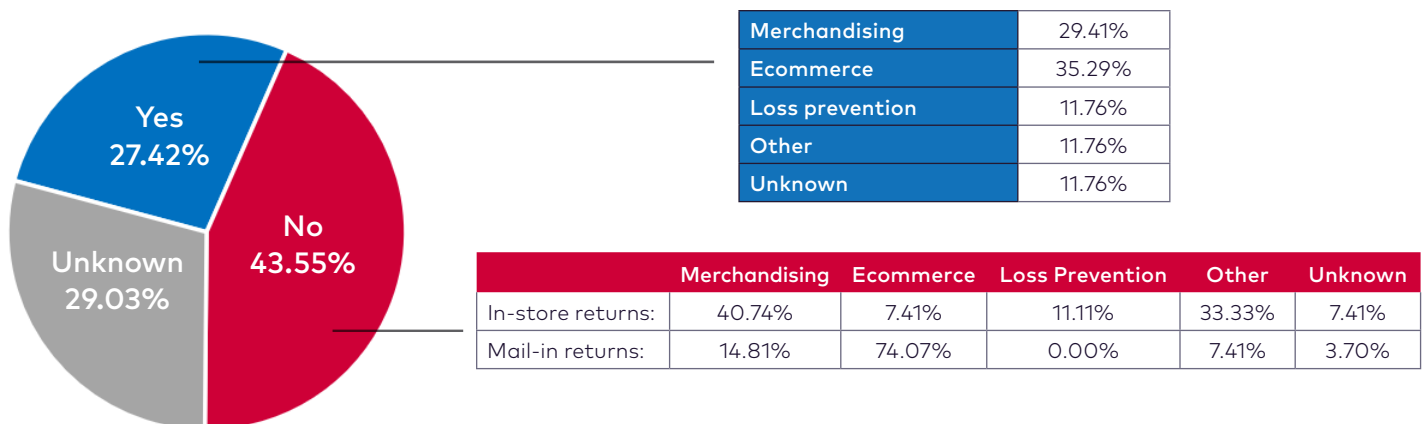
Source: National Retail Federation 2020 Returns Survey Oct-Nov 2020

Returns Offer Great Opportunities

- **Returns are good.** Your best shoppers often make the most returns.
- In-store returns are a method to **meet and convert** an online buyer.
- **Returns can be managed.** How they are handled impacts experience perceptions.
- Returns are an **opportunity to sell** to a known customer.

Managing Online Returns

Is the same department responsible for overseeing both in-store and mail-in returns?



Source: National Retail Federation 2020 Returns Survey Oct-Nov 2020

Returns Summary

Return Rate by Retail Category

Retail Category	Blended Return Rate ⁽¹⁾
Apparel	12.2%
Auto Parts	19.4%
Beauty	4.3%
Department Stores	11.4%
Drug/Pharmacies	1.6%
Footwear	9.1%
Hard Goods	3.8%
Home Improvement	11.5%
Housewares	11.5%
Sporting Goods	7.6%
Survey Average ^{(2) (3)}	10.6%

(1) Retail category rates derived from Appriss Retail analysis of 44,000 stores in the specialty and general merchandise retail segments. Appriss Retail reviews data direct from anonymous ecommerce and POS T-Logs—so all returns, exchanges, online returns, employee sale returns, and other refund scenarios are considered to build a blended return rate.

(2) Survey average is derived from a survey of retailers by NRF, Oct - Nov 2020.

(3) The survey average return rate is different than the blended return rate in several of the retail categories because it includes retailers outside of these select categories, like grocery stores.

Return Rate by Payment Type

Original Payment Type	Blended Return Rate ⁽¹⁾
Cash	12.69%
Credit Card	22.78%
Debit	7.04%
Other	13.90%

(1) Payment type rates derived from a 2019 analysis of 40,000 stores in the specialty and general merchandise retail segments. Appriss Retail reviews data direct from anonymous ecommerce and POS T-Logs—so all returns, exchanges, on-line returns, employee sale returns, and other refund scenarios are considered to build a blended return rate.

Returns, BORIS, and Total Loss

In the competitive world of retail, it is essential to understand how returns and return fraud reduce net sales and contribute to inventory shortage (shrink) and total loss. This information can be used by loss prevention professionals to compare their own program results, with an eye toward developing best practices and reducing losses from returns.

Additionally, the increase in buy-online-return-in-store (BORIS) returns is driving new demands—such as offering “frictionless” returns. The ability to offer more flexible and lenient returns, while still mitigating the risk of fraud and abuse, is more critical than ever.

Improve Experience at the Return Desk

Your best shoppers make the most returns. Returns are a chance to increase interaction with that consumer, provide them with a great experience, and engender their loyalty for future shopping trips. Although accounting-wise a return is a lost sale, from a service perspective a return is a “moment of truth” that can be planned for and maximized. 🌸

Americas +1 949 262 5100

Europe/Middle East/Africa +44 (0)20 7430 0715

Asia/Pacific +1 949 262 5100

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