WHITE PAPER

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# Fighting Omnichannel Return Loss During the Holiday Season

The holidays are truly a wonderful time of the year—eventful, energetic, and hopefully, extremely profitable for retailers. However, this exciting season can also present unique challenges. Holiday returns can hinder potential revenue boosts, costing money as well as employees' valuable time. During these gift-giving months, retailers face the very real threat of merchandise return loss. Therefore, they must work carefully to find a balance between maintaining fair and consistent return policies that enhance the consumer experience for their holiday shoppers and loyal consumers and preventing the multi-billion-dollar problems of return fraud and abuse.

The returns experience is ideal for retailers to provide excellent consumer service and allow flexibility to those requesting returns and exchanges—especially for omnichannel retailers offering blended-channel services like buy-online-return-in-store (BORIS) as well as single-channel returns. All of these can be accomplished while still curtailing fraudulent and abusive returns. Retailers nationwide are taking this proactive approach to ensure that the suspicious deeds of some do not impact valued consumers.

## The Reality of Holiday Returns

Retailers can experience return loss in a wide range of forms during the holidays, all of them expensive and inconvenient. Most often, according to the National Retail Federation's (NRF) 2020 Returns Survey, criminals will return merchandise that has been stolen, either for cash or for store credit. Other fraudsters will use falsified, stolen or reused receipts to return store goods. Still others engage in "renting" or "wardrobing," in which the person purchases an item—such as a specialized tool or a dress—uses it, and then returns it for a refund (sometimes even taking advantage of free shipping).

"Criminals have long been fond of using a 'woe is me' mantra because of the economy, but the truth remains that most return fraud is more 'greed' than 'need,'" explained Joe LaRocca, former senior asset protection advisor for the NRF. "In many cases, return fraud is committed by people who use technology to produce counterfeit receipts or take advantage of lenient return policies by stealing large quantities of merchandise and returning it to dozens of stores without a receipt."

While retailers fight return losses all year long, the problem worsens considerably when the holiday season arrives. According to the NRF "Holiday FAQs," 20%–30% of a typical retailer's annual revenue occur during the holiday season. In the 2020 Returns Survey, NRF estimated retailers should expect 13% of the sales to be returned, and of those, 10% would probably be fraudulent. This equates to $10.2 billion in revenue loss during this critical selling period. While these statistics are from studies in the United States, European, and Canadian retailers experience similar holiday peaks.

Particularly noticeable in omnichannel transactions, consumers may buy items specifically with the intent to return them. These are not all wardrobing/renting scenarios; many consumers postpone their final purchase decisions until they have the products at home. Unwanted products are returned.

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## Tips for Reducing Retail Revenue Shortfall During the Holiday Season

Retailers have access to unprecedented methods for stopping return loss, as well as other rampant forms of retail crime, during what should be their most exhilarating and lucrative season. For companies using return authorization systems, industry leaders offer the following guidelines to ensure that holiday consumers are treated fairly—without allowing additional fraud:

- **Allow More Flexibility During this Season**—For retailers that use a receipt age limit and wish to provide a more lenient receipt age policy during the holidays, some retail experts recommend allowing for returns on receipts that are older than normal but only during a brief window. For example, a policy that, between Dec. 20 and Jan. 31, allows receipted returns on purchases that occurred after Oct. 31.

- **Ensure Consistent Use of Loss Prevention Tools**—Retailers should resist the temptation to forsake their automated return tools in lieu of transaction speed, as this can be counter-intuitive to the reported metrics showing both returns and return loss spike at this time of year. Consistent use of such tools prevents fraudulent and abusive returns that could otherwise fly under the radar.

- **Properly Staff the Point-of-Return**—Retailers that have invested time, money, and resources to hire seasonal workers should maximize the opportunity to impact consumer service during this ideal time. Many consumers making returns are visiting that particular store or contacting ecommerce consumer service for the first time. It's a chance to make a positive, lasting impression. Know your return patterns and staff to make this return a great consumer experience.

- **Maintain a Smooth Return Process with Proper Training**—Nothing is more frustrating than having a slow-moving line caused by employee confusion over return policies and procedures. In addition to appropriate return transaction training, consider providing a simple script to each new employee to help guide them through common questions and scenarios arising from returns.

- **Seize the Opportunity to Convert Lost Sales into Revenue**—Don't forget that returns are lost sales and use any ideas or resources to help convert the return into a sale. There's an unprecedented level of foot traffic in your store at this time of year—maximize it by giving the consumer a reason to keep shopping and spending their refunds with you, right now, instead of spending it weeks from now or with a competitor.

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