

## CASE STUDY

# Tuning In To Customer Satisfaction

This large consumer electronics chain operates online and in its hundreds of physical stores. The chain sells a wide range of merchandise including computers and office equipment, cell phones, home theater equipment and videos, cameras, car electronics, gaming systems and games, appliances, and audio systems and music.

### Situation

Executives at a major electronics chain knew restocking fees were driving away customers, but they were concerned about increased fraud if they eliminated the fees.

### Solution

A test of Verify® return authorization, a return optimization solution, proved that the retailer could safely eliminate the restocking fee.

- After a successful pilot, the retailer integrated Verify with the POS for the full chain rollout
- Real-time authorization decisions during the return process benefitted the 98-99 percent of good consumers and issued warnings or denials to consumers exhibiting outlier behavior.

### Financial Results

- Achieved a chain-wide 10+ percent reduction in return rate which was equivalent to hundreds of millions of dollars.
- Since Verify was put to work, 90 percent of stores have shown a decrease in return rate.

### Additional Benefits

- **Friendly.** With Verify in place, the company recognized its best customers during returns and offered better service, including the ability to match loyalty program levels to return policy variances.
- **Prevention.** During the first four months, the company's 25 worst serial returners decreased their returns by \$1 million (83 percent drop).
- **Deterrence.** During the first six months, one targeted group increased their purchases by more than two percent, but their average return rate dropped from 71 percent to 28 percent.

## Case Details

The president of US retail and the vice president of customer care at a consumer electronics chain embarked on a campaign to improve customer satisfaction. One phase of the program focused on the return desk, where customer loyalty could be built or broken. The president made the bold decision to eliminate the restocking fees that irked customers, a decision that would also help the chain compete with discount stores and ecommerce sites.

Eliminating restocking fees could increase return rates and expose the company to higher financial risk, but the potential benefits were alluring. The retailer turned to Appriss Retail to create a safety net and mitigate the risk of fraud. Appriss Retail's expertise in returns management, as well as its data-driven approach, fit the retailer's needs exactly.

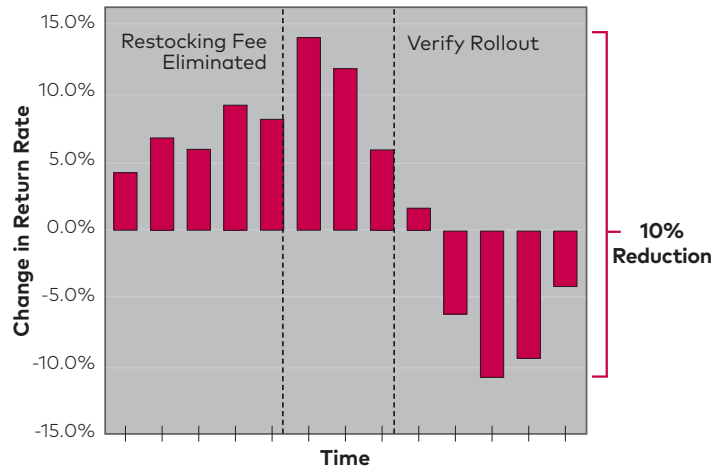
Appriss Retail created a program, managed through Verify<sup>®</sup> return authorization, which would allow the retailer to use advanced analytics to manage returns more intelligently. The program focused primarily on recognizing good consumers and changing the behavior of shoppers with extreme return habits.

The effect was dramatic. Although return rates had been rising steadily for seven consecutive quarters, Verify reversed the trend immediately. Within a year, the return rate had dropped 10.6 percent even though restocking fees had been discontinued in most categories.

Today, Asset Protection manages the day-to-day program and leverages Appriss Retail for analysis as different forms of return fraud surface in the marketplace.

## Dramatic Reduction in Returns

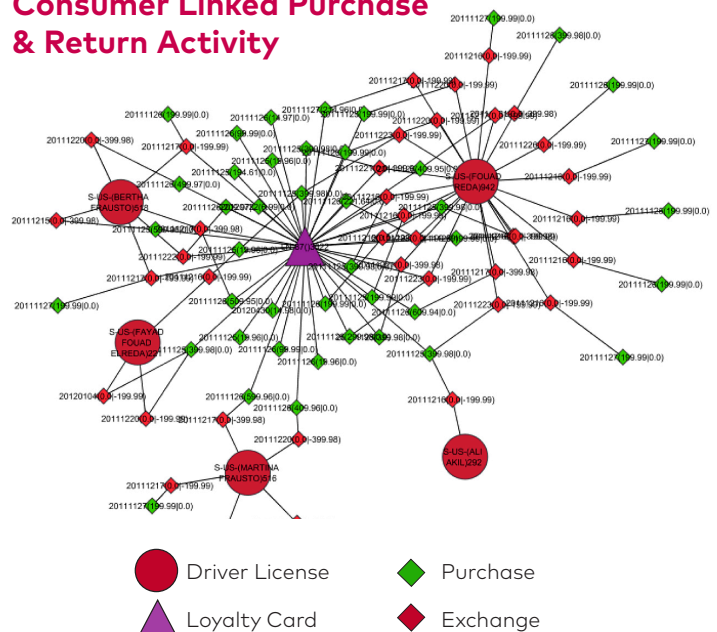
### Return Rates Two Years Before the Rollout and One Year Afterward



## Deters Extreme Behaviors

Retailers are often concerned about offending good customers. Appriss Retail designs its models to curtail only the activities of extreme outliers while allowing normal shopping and return activity. One such outlier was an individual who purchased and returned a large number of gaming systems. With Verify in place, the company saw a 97 percent deterrence in the consumer's returns.

## Consumer Linked Purchase & Return Activity



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