

Profit Protection in the Spotlight

This specialty retailer designs, manufactures, and sells women's apparel, lingerie, and beauty products. It operates an expansive network of stores as well as through direct channels.

Situation

Can a retailer optimize its return rate by reducing return fraud and abuse while keeping customer satisfaction levels high? This retailer in a very competitive market conducted an extensive test and achieved red carpet-worthy results.

Solution

The retailer tested, and later implemented, the Verify® return optimization solution from Appriss Retail.

Financial Results

- Over the life of the test, the return rate for the pilot stores dropped to 8.7 percent, a 20.2 percent change.
- The technology became a deterrent for people once they realized their merchandise return behaviors were being more closely monitored.
- Some of the worst offenders went from very high return frequencies to almost no returns.
- After implementation, the retailer saw a 14.2 percent total change in return rates within these stores.

Additional Benefits

- The pilot stores' net sales improved during the test.
- Verify was successful in deterring organized retail crime, stopping a fraud ring in one metro area that had previously processed over \$300,000 in fraudulent returns.

Case Details

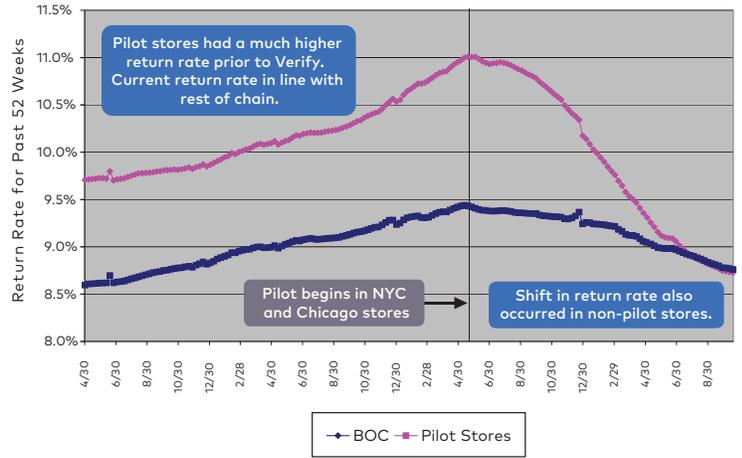
To combat return fraud, and its closely related offenses of shrink and organized retail crime, retailers have turned to Appriss Retail for a reliable system for predicting and preventing retail return fraud: Verify return authorization. This solution, an industry first, allows companies to monitor the return behavior of shoppers, and warn or deny individuals flagged as questionable, while still approving all legitimate returns.

A major women's apparel retailer evaluated the impact of this return optimization tool. The technology's predictive modeling measured the likelihood of fraudulent or abusive behavior, as well as the likelihood of a consumer's profitability. The study involved two major market areas. More than 100 test stores were studied and compared to the balance of chain stores during the same time frame.

The stores selected for the test had reported a higher return rate than the rest of stores prior to adopting the new technology—10.9 percent compared to 9.4 percent. However, as soon as the new return fraud prevention system was "turned on," a shift in the return rate occurred almost instantly, as shown in the chart "Reducing Return Rates." The dramatic impact of the solution quickly became clear.

Reducing Return Rates

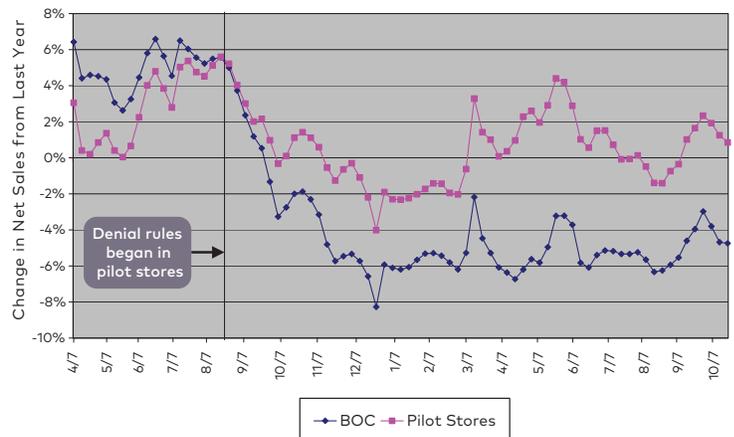
Return Rate Pilot vs. Balance-of-Chain (BOC) 52 Week Moving Average



Improving Net Sales

The pilot stores' net sales also improved. The retailer's profits were no longer walking out the door with shoppers who abused the return policy, and instead, more shoppers found their desired styles and sizes in stock. In addition, by reducing returns, less revenue was being returned to consumers in the form of refunds. With more revenue being retained in net sales, the retailer was able to take control of the return fraud problem it faced.

Change in Net Sales from 1 Year Prior (Pilot vs. BOC) 12-week Moving Average



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