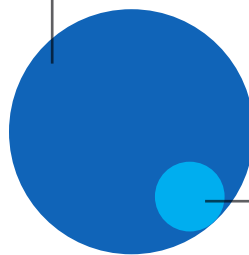


# Consumer Returns in the Retail Industry 2019

Total merchandise returns account for \$309 billion in lost sales for US retailers. This revenue size would rank #2 on the Fortune 500.

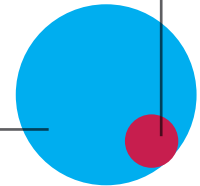
## Merchandise Returns and Returns Fraud

NRF 2019 US Industry Sales  
\$3,810 Billion



Amount of merchandise returned as a % of total sales (avg. 8.1%) \$309B

Amount of fraudulent returns as a % of total returns (avg. 8.8%) \$27B



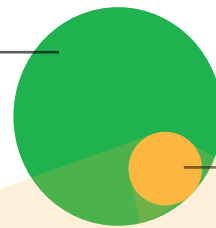
## Returns Offer Great Consumer Opportunities

- Returns are good. Your best shoppers often make the most returns.
- The point-of-return is a real customer service "moment of truth."
- In-store returns are a chance to meet and convert an online buyer.
- Returns are an opportunity to cross-sell or up-sell a known customer.
- Returns can be managed. How they are handled impacts consumer perceptions.

Return fraud risk is increasing. Annual losses from merchandise return fraud are estimated at \$27 billion, up 35% over 2018. The estimated return fraud percentage of 8.8% is 76% higher than last year.

## Online Returns and Return Fraud

US retail industry online sales as a % of total sales \$427B



Amount of online purchases returned as a % of online sales \$41B



Amount of online purchases returned to brick-and-mortar stores (BORIS) \$20B

Amount of fraudulent returns to brick-and-mortar stores \$1.6B



Amount of online purchases returned to non-store locations (warehouse, call center, manufacturer) \$17B

Amount of fraudulent returns to non-store locations \$0.4B

# Key Findings

## Summary of Return Fraud in the US

Metric	Avg.	Retail Industry	Example Company (\$1B)	Loss per \$100 of	
				Sales	Returns
NRF Retail Industry Sales (1) (2) (in-store and online)	100%	\$3,810,060,000,000	\$1,000,000,000		
Returns (3)	8.1%	\$308,614,860,000	\$81,000,000		
Return Fraud (3)	8.8%	\$27,158,107,680	\$7,128,000	\$0.71	\$8.80

(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 2018 actuals and an estimated growth rate of 4.1%.

(3) Return and return fraud averages are derived from survey of retailers by Appriss Retail, Nov. 2019.

(4) 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.

## Summary of Returns and Return Fraud by Receipt Type in the US

Metric	Avg.	Retail Industry
NRF Retail Industry Sales	100%	\$3,810,060,000,000
Returns	8.1%	\$308,614,860,000
Non-Receipted Returns (1)	11.8%	\$36,416,553,480
Non-Receipted Return Fraud (1)	21.1%	\$7,683,892,784
Receipted Returns (1)	88.2%	\$272,198,306,520
Receipted Return Fraud (2)	7.2%	\$19,474,214,896

(1) National Retail Federation 2018 Organized Retail Crime Survey, Nov. 2018.

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

## Summary of Online Returns and Return Fraud in the US

Metric	Avg.	Retail Industry
NRF Retail Industry Sales	100%	\$3,810,060,000,000
Retail Industry Online Sales (1)	11.2%	\$426,726,720,000
Online Returns (2)	9.6%	\$40,965,765,120
Online Returns to Brick-and-Mortar Stores (BORIS) (2) (3)	50.0%	\$20,482,882,560
Online Return Fraud to Brick-and-Mortar Stores (2)	7.8%	\$1,597,664,840
Online Returns to Non-Store Locations (2) (3)	41.7%	\$17,082,724,055
Online Return Fraud to Non-Store locations (2)	2.5%	\$427,068,101

(1) US Census Bureau, Quarterly Retail E-commerce Sales, Nov. 2019.

(2) Return and return fraud averages are derived from survey of retailers by Appriss Retail, Nov. 2019.

(3) Averages should add to 100%, but not enforced by survey tool.

Receipted returns are a hidden risk. Applying data from the 2018 survey, receipted return fraud accounts for \$19B (more than 7% of all receipted returns) compared to \$7.6B for non-receipted. This risk comes from behaviors like shoplifting, double dipping, employee collusion, tender switching, wardrobing/renting, and more.

# Additional Research

## Which Examples of Return Fraud Have Retailers Experienced in the Past Year?

When optimizing online returns shipping costs, you should first consider preventing fraudulent returns from entering your reverse logistics channel.

Return Fraud Example	2018
Return of stolen merchandise (shoplifting)	77.3%
Employee return fraud or collusion with external sources	63.6%
Return of merchandise purchased with fraudulent or stolen tender	59.1%
Returns made by organized retail crime groups	48.5%
Wardrobing or renting (returns of used, non-defective merchandise)	31.8%

Source: National Retail Federation 2018 Organized Retail Crime Survey. Nov. 2018. Reprinted from 2018 Consumer Returns in the Retail Industry report.

## Return Fraud Impacts

### 859,000 LOST RETAIL JOBS

Retailers must offset the negative business impact of return fraud by increasing prices to consumers and by reducing costs—which too often means a loss of jobs. At an average retail salary of \$31,500 per year (U.S. Bureau of Labor Statistics, Retail Trade sector, October 2019), return fraud is costing American workers as many as 859,833 jobs.

### \$1.6B LOST STATE TAXES

There are significant retail revenue losses caused by return fraud; therefore, states in the US are losing \$1.6 billion in sales tax revenues.

### \$0.4B LOST LOCAL TAXES

It is estimated another \$400 million of sales tax revenues are lost at the local level in the US due to return fraud.

## Cost of Returns

- A return is a lost sale. Cash, profits, and margin percentage are reduced.
- Returns increase labor costs due to inspection and re-stocking time.
- Higher returns require more working capital to source merchandise.
- Returns cause markdowns, out-of-stocks, and logistics expenses to increase.
- Returns cannot always be resold.
  - In the Forrester Research Report "Retailers, Reduce the Pain of Online Returns", it is estimated that "half of online returns have little to no salvage value."

The largest risk for online returns is in-store. BORIS (buy-online-return-in-store) return fraud is \$1.6B compared to \$0.4B for non-store locations.

# Returns Summary

## Return Rate by Retail Category

Retail Category	Blended Return Rate (1)
Apparel	12.5%
Auto Parts	19.9%
Beauty	5.3%
Department Stores	12.6%
Drug/Pharmacies	2.1%
Footwear	15.8%
Hard Goods	4.7%
Home Improvement	10.3%
Housewares	10.9%
Sporting Goods	6.8%
<b>Survey Average (2) (3)</b>	<b>8.1%</b>

(1) Retail category rates derived from Appriss Retail analysis of 40,000 stores in the specialty and general merchandise retail segments. Appriss Retail reviews data direct from 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.

(2) Survey average is derived from survey of retailers by Appriss Retail, Nov. 2019.

(3) The survey average return rate (8.1%) is lower 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	8.60%
Credit Card	10.15%
Debit	9.90%
Gift Card/Merchandise Credit	14.80%

(1) Payment type rates derived from Appriss Retail analysis of 40,000 stores in the specialty and general merchandise retail segments. Appriss Retail reviews data direct from 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.

## Reduce Returns, Shrink, 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 this source.

## Welcome BORIS (Online Returns) Transactions

Preventing fraud is only one of the challenges at the retail return desk; improving the shopping experience is an equally important trend. 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 the Customer 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 customer service perspective a return is a “moment of truth” that can be planned for and maximized.

If fact, according to data from Boston Consulting Group in the “2019 U.S. and Specialty Retail Outlook”, and reported in *Women’s Wear Daily*, “it is more important to have easy returns than an enjoyable shopping experience... Almost 40 percent of experts [surveyed said] allowing easy returns is the most important consumer need.” 

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