# WHITE PAPER

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# Consumer Return Behaviors: B&M vs Omnichannel

## Introduction

How does consumer shopping behavior differ based on the shopping channel? This paper focuses on consumers who have made at least one return in a brick-and-mortar (B&M) store. These returner consumers were split into two groups:

- Omnichannel ("Omni")—Consumer making at least one purchase online that was later returned in a physical retail store (BORIS). Not all this consumer's purchases were made online.

- Brick-and-mortar (B&M)—Consumer shopping and returning exclusively in brick-and-mortar locations.

## Methodology

For this analysis, we randomly selected one retailer from each vertical. Anonymized consumer profiles were extracted, leveraging the Appriss® Verify Consumer Linking tool. This tool creates a comprehensive transactional history across multiple IDs and transactions within that retailer to allow us to calculate the total consumer purchase amount, return value, and return rates.

To reduce the risk that one-time return outliers may skew the results, we limited our analysis only to returner consumers associated with five or more purchases The most recent profile for each returner was then used for the analysis. Distributions were run on the combined full consumer datasets for the Omni and B&M consumer groups.

Simple random samples of each full consumer set were created for the purpose of visualizing the distributions and validated for sameness with the original distributions. Approximately 27 million consumers (about the population of Texas) are represented in the full dataset. Omni consumers accounted for 10.8% of the in-store return consumer population, with the rest being strictly brick-and-mortar consumers.

This consumer level analysis captured only known returners making B&M returns. Consumers who have never interacted with a B&M location for a return (that is, those who interacted exclusively through the ecommerce channel) were not included in this analysis.

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## Consumers Return Rate Distribution

Illustrated in Figure 1 is the return rate distribution for the two types of consumers. For example, looking at the first line in the table, 64.70% of Omni returner consumers had a return rate between 0% to 25%. In comparison, 76.92% of B&M only returner consumers had the same return rate band. Approximately 9.17% of Omni consumers, but only 5.04% of exclusive B&M consumers, have return rates higher than 50%. Omni consumers had a slightly higher level of representation in return rate ranges above 65% that are most frequently associated with fraud.

**Figure 1. Return Rate Distribution by Consumer Type**

| Return Rate | % of Omni Consumers | % of B&M Only Consumers |
|---|---|---|
| 0% to 25% | 64.70% | 76.92% |
| >25% to 50% | 26.13% | 18.04% |
| >50% to 65% | 5.20% | 2.81% |
| >65% to 80% | 2.33% | 1.18% |
| >80% to 90% | 0.76% | 0.40% |
| >90% to 100% | 0.46% | 0.27% |
| >100% | 0.42% | 0.38% |

## Consumers Purchases and Returns

One might expect that the Omni consumers would purchase more on average than those shopping exclusively in the B&M channel and to have a slightly higher return rate as a result of buying multiple sizes or styles online and returning items they do not like. However, in our analysis the median total purchases for Omni consumers were actually slightly lower at $1,077 vs. $1,276 for consumers interacting strictly with B&M locations.

As illustrated in Figure 2, the higher purchase amounts are associated more with B&M only consumers than Omni consumers. In the top 99th percentile, B&M only consumers spent 43% more at $15,000 in purchases as compared to $10,500 in purchases for Omni consumers. This diverges from conventional expectations and may be due to our analyzing only a subset of ecommerce returners who are making in-store returns.

**Figure 2. Purchase Amount Distribution by Consumer Type**

| Total Purchase Amount | | |
|---|---|---|
| Percentile | Omni Consumers ($) | B&M Only Consumers ($) |
| 1% | 139 | 128 |
| 5% | 288 | 235 |
| 10% | 303 | 330 |
| 25% | 522 | 607 |
| Median | 1,077 | 1,276 |
| 75% | 2,214 | 2,693 |
| 90% | 4,008 | 5,143 |
| 95% | 5,638 | 7,486 |
| 99% | 10,590 | 15,188 |

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In Figure 3 we illustrate the return amount distribution for the two consumer groups. The return amount behaviors we observe the opposite trend driving the imbalance in return rates. In this case, Omni consumers at the median have a higher total return amount at $189 vs. $150 for B&M only consumers. In the top 99th percentile, however, the data was the same for returns as it was for purchases. B&M only consumers returned 35% more; they had $3,609 in returns as compared to $2,675 in returns for Omni consumers.

**Figure 3. Return Amount Distribution by Consumer Type**

| Total Return Amount | | |
|---|---|---|
| Percentile | Omni Consumers ($) | B&M Only Consumers ($) |
| 1% | - | - |
| 5% | 25 | 16 |
| 10% | 40 | 27 |
| 25% | 87 | 61 |
| Median | 189 | 150 |
| 75% | 400 | 375 |
| 90% | 792 | 855 |
| 95% | 1,196 | 1,396 |
| 99% | 2,675 | 3,609 |

## Conclusion

Based on our observations of this active group of returners, consumers who opt to use ecommerce purchasing with the option to return in store may profile with smaller baskets on average coupled with higher return activity vs. their brick & mortar exclusive peers.

We believe this creates an opportunity for both purchase after return incentives and return management.

- While creating a pleasant BORIS experience, retailers may want to review their BORIS transaction policies and methods to ensure they do not introduce risk unnecessarily.

- Regardless of purchase channel, in-store returns offer an opportunity to save the sale.

## Limitations

One limitation in this analysis is that Verify currently primarily tracks consumer returns through the brick-and-mortar channel so ecommerce exclusive consumers were not considered in this analysis. Additionally, COVID impacted adoption of curbside pickup, and retailers may not have consistent designation of purchases that may have been initiated online but fulfilled through a store. As a result, buy-online-pickup-in-store (BOPIS) behaviors may be captured in either the ecommerce or B&M channel for a retailer depending on retailer designation, which could have impact which group a consumer was placed in. Future work may be specifically targeted at this category of purchase behavior.