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ECOMMERCE RETURNS 2023:
The role for parcel carriers & posts

METHODOLOGY

We surveyed respondents from ecommerce retail businesses across the UK, France, Germany, Italy and Spain. Candidates were vetted to ensure they were active employees of ecommerce retail businesses. Respondents filled out 4 demographic questions and 15 survey questions. There was a total of 150 respondents with relevant backgrounds and industry participation.

Notes:

1. Return rates were measured as self-reported estimates by respondents.
2. Those already using a carrier-provided solution were excluded from the question "Would you be interested in using a digital solution provided by your logistics or delivery provider, to help you manage ecommerce returns?", so there were 121 total respondents for this question rather than 150.

INTRODUCTION

Most merchants continue to report significant challenges around returns. Two statistics from our research help to tell the story.

Firstly, 84% of merchants believe that their own returns processes are good or very good.

Secondly, 75% say that it's a high or very high priority to make them better.

How should we interpret these datapoints, which on their face seem pretty contradictory? There are three factors to consider. One, merchants can only compare themselves to other merchants. If nobody seems to have solved the problem, and everyone is just doing their best, then by the standards of the competition, your own work might seem 'good' or 'very good' even if it hasn't solved the problem. Two, we're asking respondents to mark their own homework and tell us how good a job they think they're doing — they may be reluctant to admit that their own decisions and approaches aren't up to scratch! Finally, three: it's a really hard problem with multiple elements — experiential, financial, technological, logistical — and 99% of merchants don't have the scale, resources, or experience to truly solve it independently.

The fact that 3 in 4 retail businesses across Europe are making returns a high or very high priority tells us that clearly 84% of them cannot have already figured it out. They may not know exactly where their issues lie, they might find them hard to address, they might not see many examples of what good looks like in the market — but they know they have a problem, and want it fixed.

We commissioned this research of European ecommerce businesses for the second year running because we want to track the impact of global economic changes and a very different ecommerce landscape on returns. In this report, we'll cover how merchants experience returns — what returns rates they're dealing with, the extent of the challenges returns pose to their businesses, where returns sits among their priorities, the tools they're using to manage returns and the role of the parcel carrier and postal operator to help them.

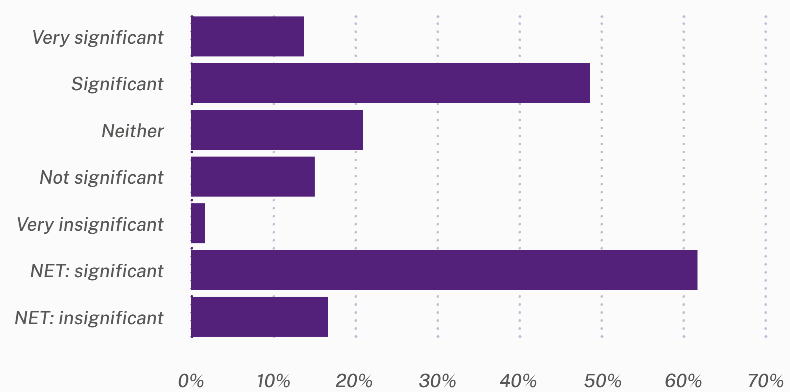
In my foreword to the 2022 version of this report, I wrote that by failing to help their merchant customers manage returns and passively benefiting from the boom of reverse logistics, parcel carriers were at risk of missing out on a role that could rightfully have been theirs, as partners and enablers of ecommerce success rather than purely logistical suppliers. The scale, expertise and relationships that parcel carriers enjoy make them ideal providers of real solutions to the problem of ecommerce returns, but many need a strategic shift to realise their potential in this arena.

Tim Robinson
Doddle CEO

THE DATA

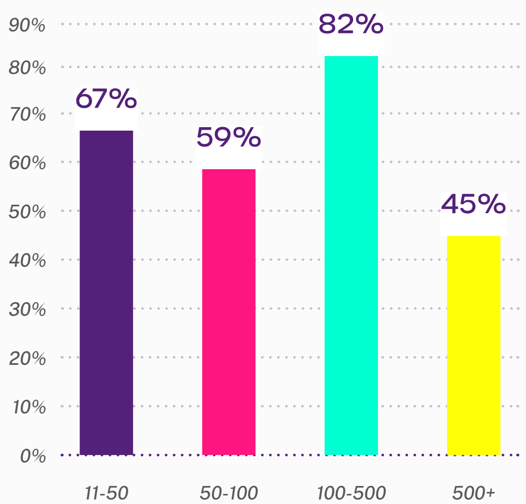
Returns remain a major problem for ecommerce businesses of all sizes

To what extent are ecommerce returns a significant problem for your business?



63%
of merchants say returns are a "significant" or "very significant" problem – **up from 57% in 2022**

Significance of returns by business size



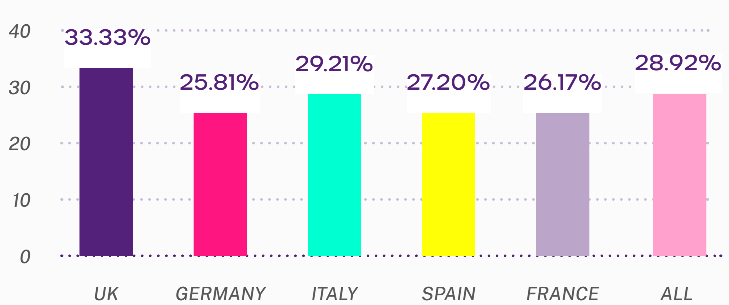
Over 80% of large merchants
(those with between 100 and 500 employees) say returns is a significant issue, **up 30 percentage points since 2022**

Smaller merchants remain badly affected, with two thirds (67%) of businesses with 11–50 employees and 59% of businesses with 50–100 employees saying returns are a significant problem

The biggest merchants were the least likely to say returns were a major pain point in 2023, although 45% still reported significant challenges, down 3 percentage points since 2022

What return rates are merchants experiencing?

Mean estimated return rate by market



28.9%
Average estimated return rate across all markets, **up 5.5 p.p. since 2022**

33%
UK average return rate as estimated by merchants

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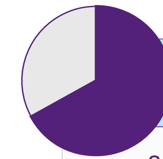
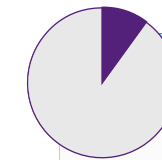
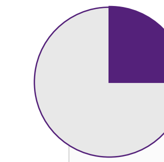
A worsening issue



67%
say return rates have increased in the last 12 months

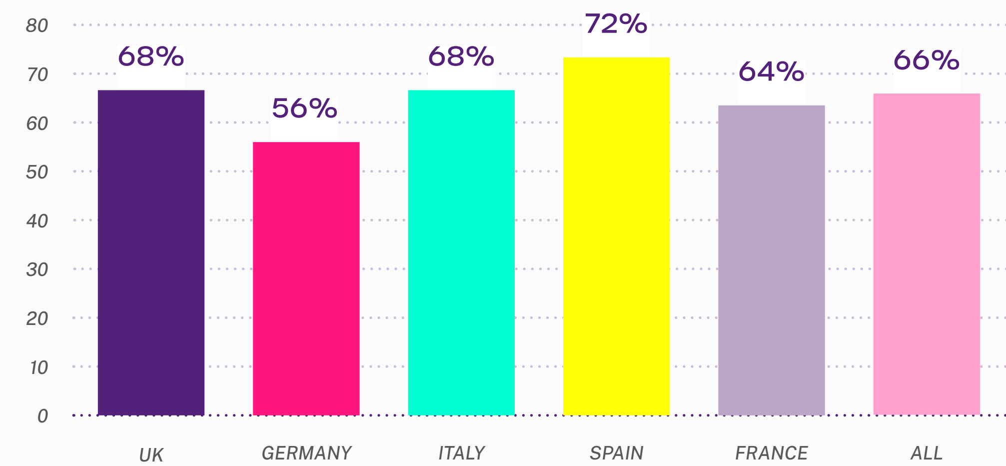


9%
see them dropping

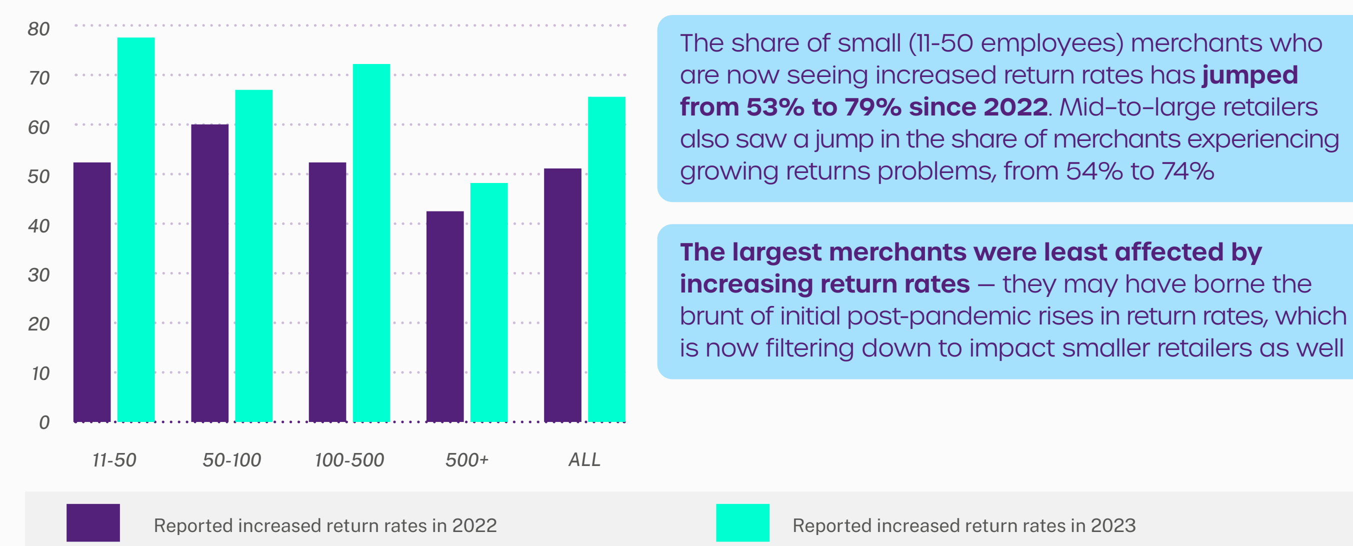


25%
report no change

Which markets are more affected by increasing return rates?
Share of merchants by market who report increasing return rate over the past 12 months



Returns growing in SME space as well as the mid-market retailer
Businesses experiencing increasing return rates, by size and year

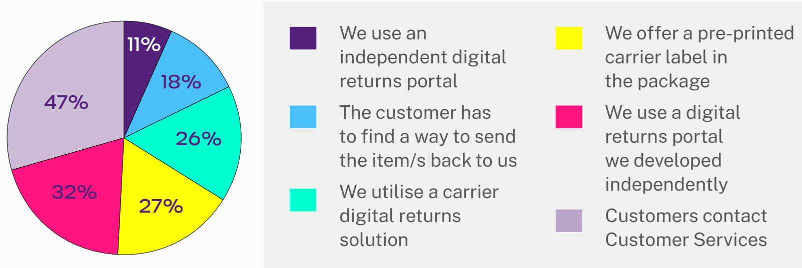


The share of small (11-50 employees) merchants who are now seeing increased return rates has **jumped from 53% to 79% since 2022**. Mid-to-large retailers also saw a jump in the share of merchants experiencing growing returns problems, from 54% to 74%

The largest merchants were least affected by increasing return rates – they may have borne the brunt of initial post-pandemic rises in return rates, which is now filtering down to impact smaller retailers as well

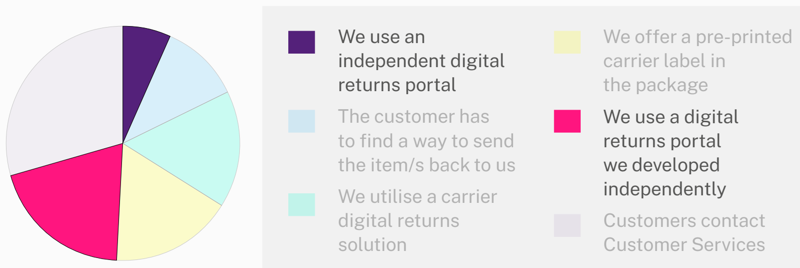
What are merchants offering?

Returns solutions offered by retailers



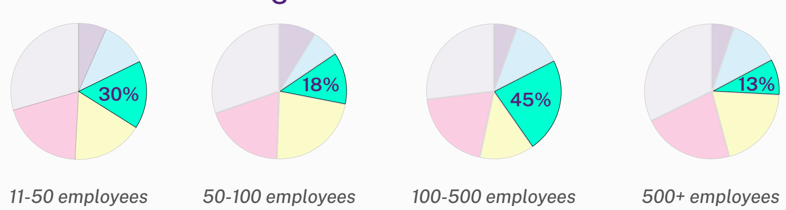
There are a multitude of methods offered, with no predominant winner – **the most common returns initiation method is to contact customer service**

Integrated Returns solutions offered by retailers



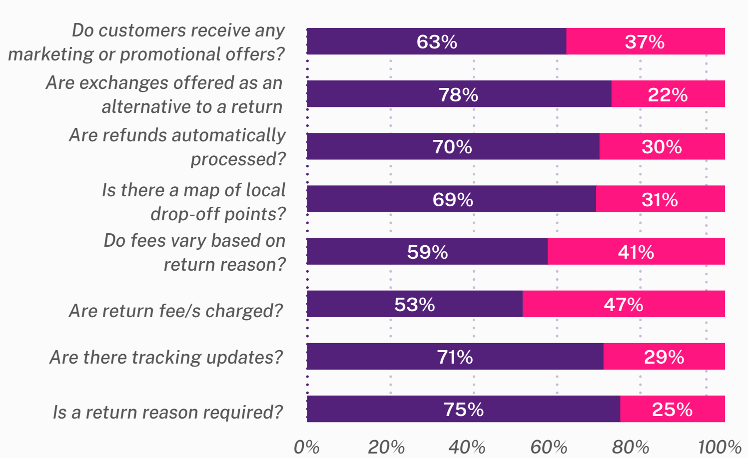
Integrated returns portals, whether developed in house or by third party providers, require customers to input an order number, tying the return to a record of purchase. This allows retailers to capture data about the return and associate it with shopper data and purchase data, giving them more control and insight. These are the most sophisticated returns approaches, used by just 39% of merchants, up 3pp from 2022

We use a carrier digital returns solution



Carrier solutions have decent market share for SMEs, and impressive reach in the mid-to-large segment of our respondents, but are lagging behind in the middle and at the enterprise level

The Customer Journey



53% **charge for returns** – merchants are divided over free returns

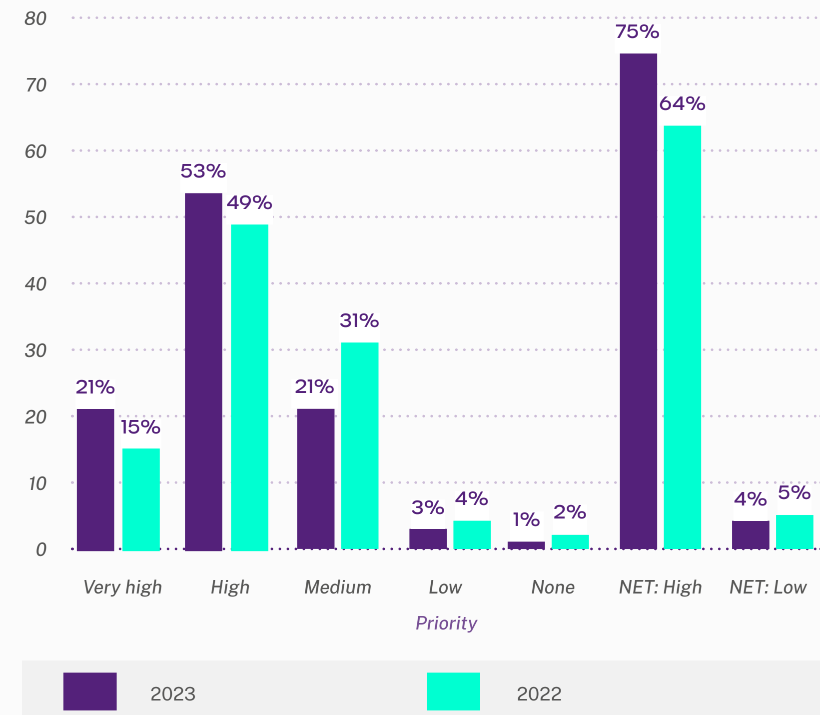
59% say their **fee depends on the reason** given for return

1/4 **aren't requiring customers to give a reason** for their return

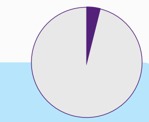
30% of merchants still **manually approve refunds**

Are they prioritising making returns better?

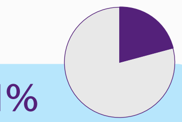
Returns improvement priority by year



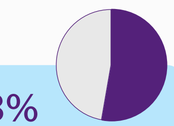
A more urgent priority, for more merchants



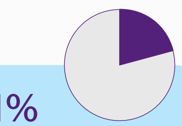
4% of retailers say it's a low or no priority – **↓1 percentage point vs 2022**



21% of retailers say it's a very high priority – **↑6 percentage points vs 2022**

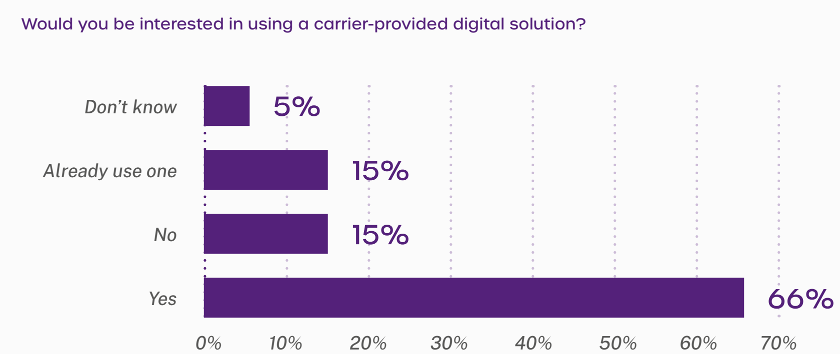


53% say it's a high priority – **↑4 percentage points vs 2022**



21% say it's a medium priority – **↓10 percentage points vs 2022**

Would they use a carrier solution?



77% of those who don't already use one say they'd be interested in using a digital returns solution provided by their logistics or delivery provider to manage ecommerce returns

Key themes continue to emerge

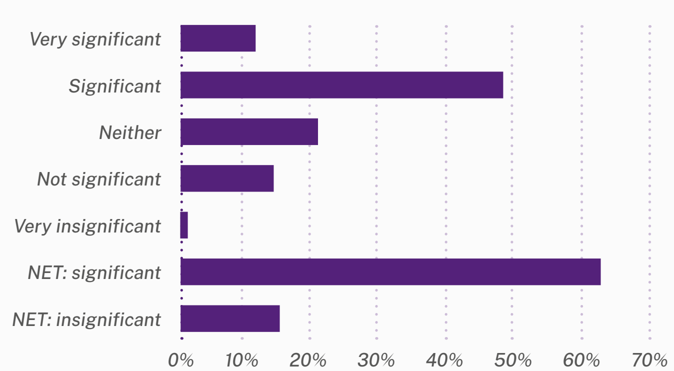
- eCommerce returns remain a major barrier to merchant success
- It's a higher priority than ever, for more merchants
- The application of technology to this space is fragmented and often basic
- Carrier solutions are in demand

THE CONTEXT OF ECOMMERCE RETURNS

A severe challenge across verticals and business sizes

Just under two thirds (63%) of our survey respondents told us that returns were a significant or very significant problem for their ecommerce business, up from 57% in 2022. That shows just how broadly the effects of returns are felt, stretching well beyond the verticals we typically associate with problematic returns, like fashion and apparel.

To what extent are ecommerce returns a significant problem for your business?

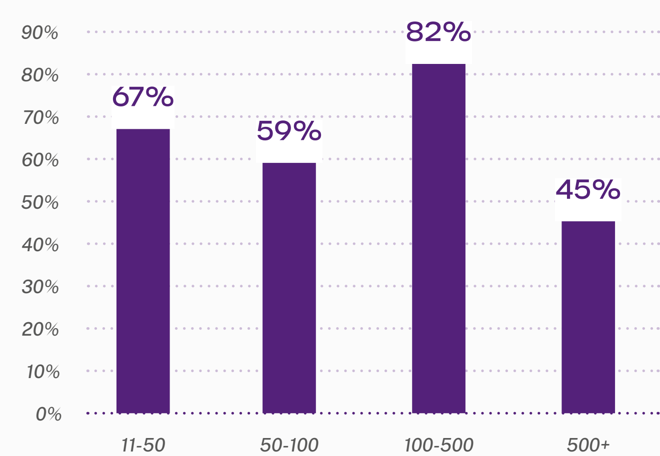


One third (33%) of our sample told us that their returns rate was over 25%

One third (33%) of our sample told us that their returns rate was over 25% — these were predominantly retailers operating in categories like fashion, health, children's toys and books. With returns at such a high rate, it's massively challenging to stay profitable. When more than one in four orders is not only unprofitable, but actually generates no revenue and more than doubles in cost, any business will struggle to succeed.

Looking at the impact on different sizes of business, it's unsurprising that retailers with 500+ employees have been best placed to adapt to the difficulties of ecommerce returns. Only 45% of retailers of this scale reported finding returns a significant or very significant problem in 2023, down from 48% in 2022. These merchants have more resources to marshal and more data to learn from when it comes to tackling returns and building solutions to help mitigate their impact. Even still, 45% report that returns remain a significant challenge.

Significance of returns by business size



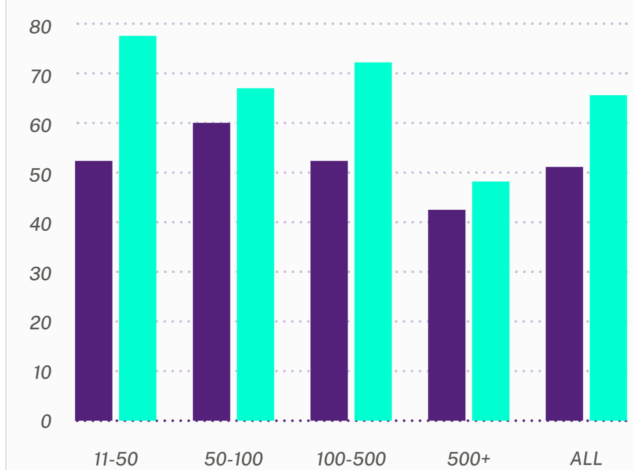
When more than one in four orders is not only unprofitable, but actually generates no revenue and more than doubles in cost, any business will struggle to succeed.

It's far harder for mid-sized and smaller businesses to manage. Mid-to-large retailers have been worst affected. 80% of those sampled from this bracket (100-500 employees) told us returns were a significant problem, up 30 percentage points since 2022.

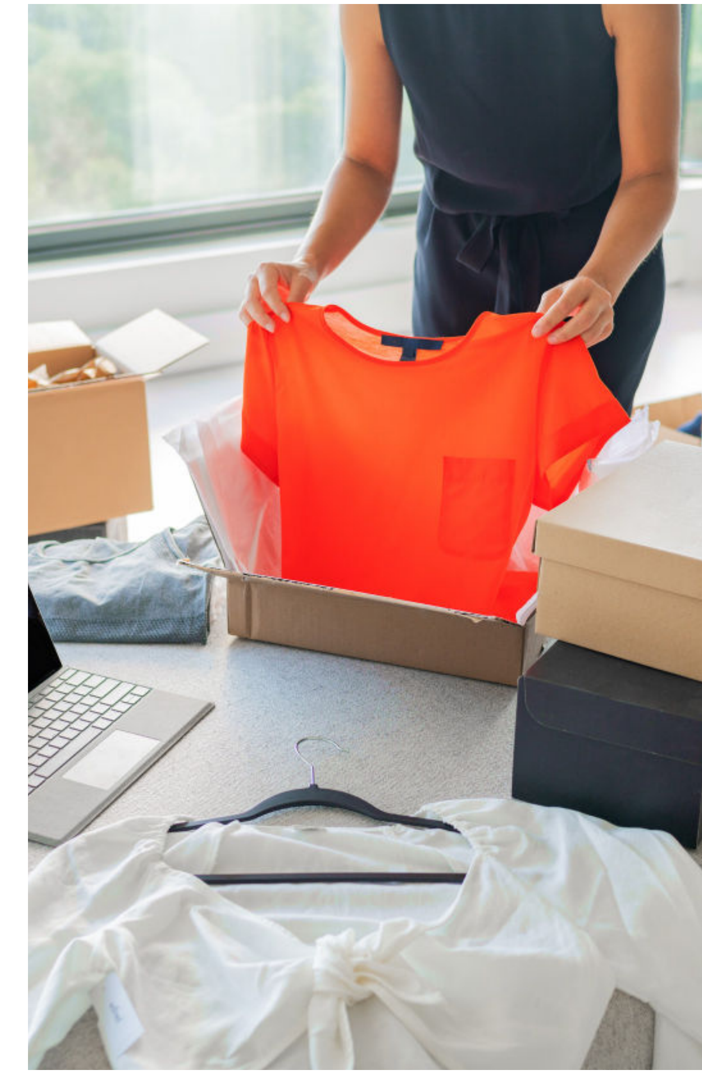
Worsening rates

The estimated rate of returns increased from 23.44% in 2022 to 28.92% in 2023. That's backed up by two thirds (66%) of respondents reporting that the rate of returns they experience had increased in the last 12 months. In 2022, that figure was just over half (51%). This rise in the rate of returns might go some way to explaining the increase in merchants identifying returns as a problem area, as well as the increase in priority given to improving returns.

Businesses experiencing increasing return rates, by size and year

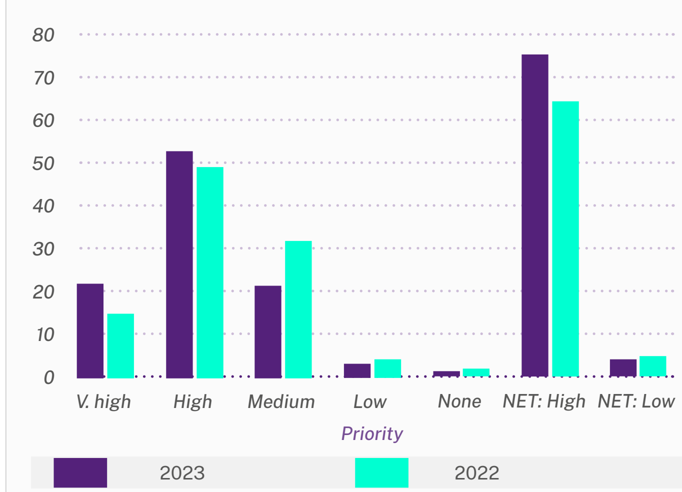


The increase in reported rates is true across business sizes, though judging by the differences in those reporting returns as a significant issue, larger retailers were simply better prepared than others. Small retailers (with 11-50 employees) were most likely to report increasing return rates over the last 12 months.



Merchants seek to make urgent changes in returns

Returns improvement priority by year



Based on our data, it seems that merchants who had returns as a medium priority in 2022 have ramped up the urgency this year. This "Medium" priority segment dropped from nearly a third of merchants in 2022 (31%) to only a fifth (21%) in 2023, at the same time as the share of those rating returns as a 'Very High' or 'High' priority increased by 10%. This is likely to be partly in response to the increasing return rates affecting bottom lines, as well as growing concern over consumer spending habits and economic forecasts.

The past year has also seen major retailers move away from growth-oriented returns strategies. Those typically involved generous returns policies with free return shipping (often via a pre-printed label) and long windows within which consumers could return items for a full refund, no matter the reason they gave for their return.

More than half of merchants now charge for returns

However, in a climate where growth is no longer the primary objective as the overall European ecommerce market slows, merchants are looking at ways to make their delivery and returns offering cost-effective as well as competitive. Customers are more likely to have to pay for returns than not – 53% of merchants in our survey reported charging a fee for returns, whether for shipping, restocking cost or other payments associated with returning goods.

In general, returns have become an even higher priority than they already were, and for a broader share of merchants than before, thanks to strategic changes aimed at weathering a period of lower growth and reduced enthusiasm for online shopping due to the increasing cost of living.

How an increased cost of living could drive willingness to pay return fees

The conventional wisdom in the ecommerce growth period between 2014 and 2021 dictated that charging for returns would upset customers, who had already had a bad experience and no longer wanted the product. Making them pay for a return would reduce their future lifetime value by more than the value of the fee, the argument went.

However, given that most retailers are telling us that their return rate has risen, at the same time as more and more are introducing charges, these fees don't seem to be preventing returns — or repeat custom.

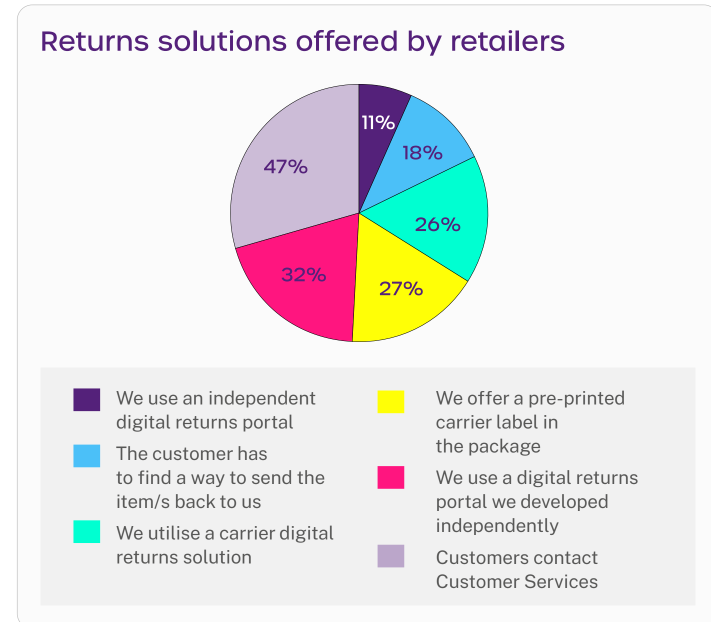
The increase in return rates could partly come as a result of consumers becoming more cost-conscious and preferring to have money on hand rather than products that they're not entirely happy with. Where before these goods might have been 'good enough', or at least not worth the trouble of returning, now it seems that more consumers are willing to pay a small fee to obtain a refund and get their cash back.

HOW ECOMMERCE RETURNS WORK TODAY

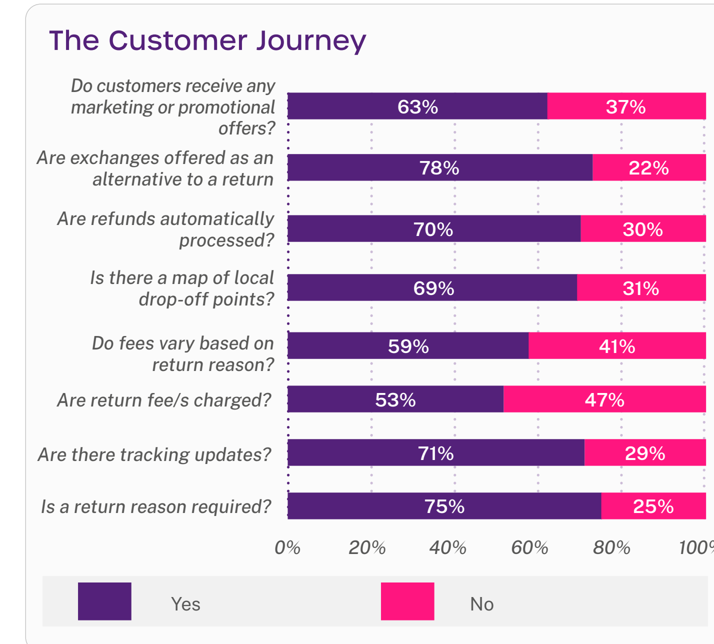
Solutions are fragmented and inconsistent

No two merchants are the same. They have different products, target customers, strategies and philosophies. Nowhere is that clearer than when it comes to returns.

while some merchants (27%) include free returns labels in every package they ship, and consequently receive returns passively with minimal notice and almost no control.



N.B. Respondents were able to select multiple answers in cases where they used more than one return initiation method, so these figures do not sum to 100%.

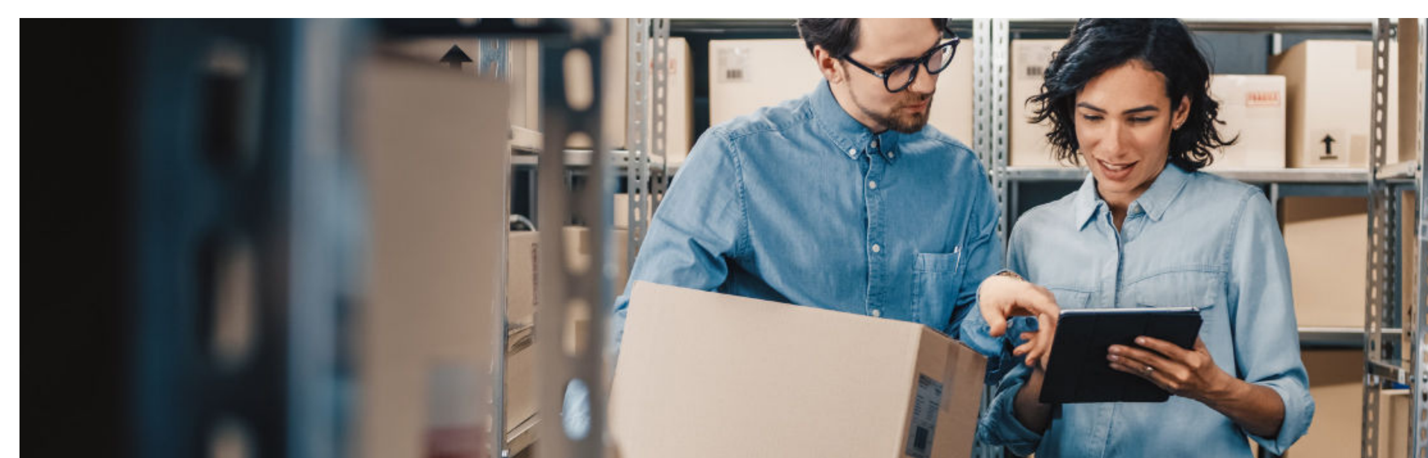


Our respondents have a broad mix of solutions and propositions. Sometimes even within single merchants, options vary — the same item has to be returned differently depending on the channel it was purchased through.

Inconsistencies like these are partly why customers find returns a headache. Some merchants cannot process online returns in stores, for others it's the only option. Some merchants require explicit authorisation from customer service before a customer can receive a shipping label (the cost of which is likely to come out of their refund);

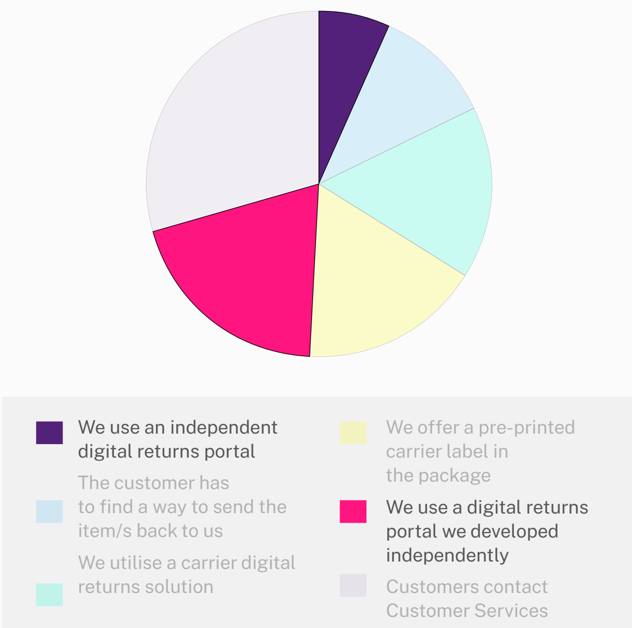
1 in 4 retailers are not tracking the reason for return

From a CX perspective, the inconsistency continues when it comes to important elements of the returns journey like tracking, refunds, drop-off point access, fees, and more. The elements that retailers found most consensus on were exchanges, which 78% of retailers offer, and return reasons, which 75% of retailers require. The fact that a quarter of retailers are not even attempting to track the reasons for returns (and still more only get patchy or unreliable data about return reasons as a result of paper-based processes) demonstrates just how much could be improved by wider adoption of digital solutions.



Digital solutions: integrated or isolated

Integrated Returns solutions offered by retailers



The majority of merchants aren't using an integrated returns solution

39% of retailers surveyed used either an independently or internally developed returns portal. 32% of retailers surveyed said that they'd developed their own returns portal, and 11% use a third-party provided portal — there is some overlap between these groups with some merchants using both solutions.

These are the kinds of solution which can be connected to order data from the merchant, allowing for a smoother customer journey where shoppers are presented with their recent purchases and can select which ones to return and why. Such 'integrated' solutions also mean retailers have greater visibility and control over the process — they can prevent out-of-window or ineligible items from being selected, for example. They also only pay for returns shipping on items actually returned, rather than printing labels for each outbound order.

While our dataset doesn't explicitly clarify whether internally developed portals are integrated to order data, we can say that at least a clear majority of merchants (61%) are still using inferior, non-integrated solutions.

Manual, paper-based and customer-service approaches

By far the most common option of returning a parcel remains for customers to contact customer service, a method which is available in 47% of merchant returns propositions. This method is likely to involve a more manual approach to authorisation, approval and label generation, which makes it more expensive than a digital framework where the returns policies are effectively baked-in to the user journey, rather than discussed with a customer support agent.

27% take an alternative, low-touch approach by including pre-printed returns labels in the package of each delivery, meaning that customers can simply return any item at any time, so the initiation of the return is very much hands-off for the retailer. However, because of the lack of control, retailers are likely to experience ineligible returns being sent, wasting time and money in shipping, handling and grading, as well as determining refund authorisation for each return. Paper slips are also not a reliable way to receive important returns data, such as reason for return. Finally, printing hard-to-recycle sticky labels in each package, where on average 70-80% will not be used, generates significant waste and unnecessary cost.

Finally, 18% of European merchants told us that consumers have to find their own way when it comes to returning an item — they don't make it easy to obtain a return label, whether digitally or physically. Presumably these merchants aim to limit returns, though putting so much onus on the consumer might put off shoppers from purchasing in the first place as well as lowering the volume of returns received.

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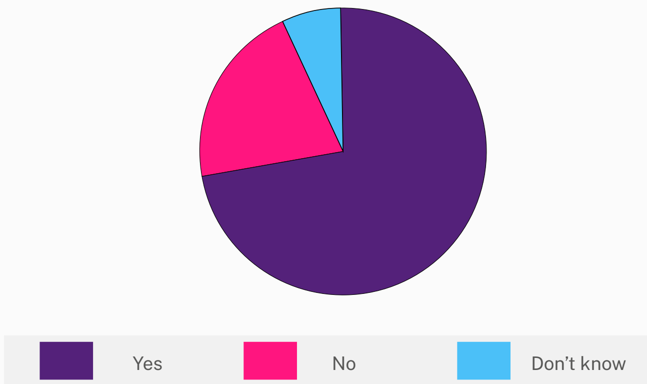
Carrier solutions remain stagnant in market share

Solutions provided by parcel carriers increased very slightly in usage, from 24% in 2022 to 26% in 2023, but have not made significant inroads in any area of the market in the last year.

Does your current delivery or logistics provider offer a digital solution to help manage ecommerce returns?



more than a quarter of the market is not aware of carrier solutions

73% of respondents told us that their logistics/delivery provider offers a digital solution to help with returns. Over a fifth (21%) of our sample reported that their carrier/logistics provider didn't offer any digital returns solution at all, and another 7% didn't know. That means more than a quarter of the market is not aware of carrier solutions, whether because they're not provided at all, or not being correctly marketed to merchants.

However, two-thirds of those who don't yet use a digital solution provided by carriers indicated that they'd be interested in one. That's up 8 percentage points since last year, indicating that already-strong interest in carrier-provided solutions is growing, but the fact that usage has barely increased suggests that this demand is currently underserved.

Small businesses are under huge pressure with returns, and adopting technology

One of the key market segments struggling most with returns is small businesses (with 11-50 employees). 79% say their return rate has increased in the last 12 months, and two thirds (67%) say returns is a significant or very significant problem.

However, these small businesses are adopting technology rapidly. In 2022, of the same segment of our sample, just 7% used a self-developed returns portal, and none used a 3rd-party returns portal. Only 17% were using carrier solutions.

In 2023, 27% use an internally-developed solution, 30% partner with a carrier digital platform, and 12% have a 3rd-party tool. However, it might be a concern for carriers that even with a substantial head start in this market, their market share has had a smaller increase than the increased use of internally-developed tools, and their growth has been nearly matched by 3rd-party solution providers, who had almost no presence in this segment previously.

Smaller merchants have less investment capability, scarce IT resources and less overall time and capacity to focus on returns. They're less likely to want to pay fees for a solution, but need a returns offering that works with their specific channel set-up: almost half (48%) sell on marketplaces, and 30% sell through other third-party websites.

One reason why carrier solutions might be losing out to self-developed and third-party tools is that they do not offer the benefits of integration which we discussed previously. That limits the effectiveness of carrier returns offerings, as merchants don't receive as much insight and control over the process.

TOWARDS A MORE FUNCTIONAL RETURNS ECOSYSTEM

Today, a confusing mix of third-party, carrier-provided and internally-built solutions are competing to help merchants digitise and improve their returns. As it stands, the offerings are not particularly efficient.

Building solutions internally might be a viable path for the biggest merchants with sophisticated digital teams and capacity, but even for them, maintaining and upgrading these platforms in line with the market will be a challenge. For smaller businesses, internally developed solutions are likely to be an inferior and less resilient version of those developed by technology vendors, and while they'll avoid paying a license fee, they'll miss out on vital features to help control the problem of returns.

As a rule, carrier-provided returns solutions currently don't match up to third-party tools in terms of integration and sophistication, focusing more on label generation than addressing the various challenges involved in ecommerce returns for merchants. But on their own, third-party software vendors don't have the actual logistical capability or broad networks of merchants to approach returns in a truly connected way that allows them to scale solutions. In time, they have the opportunity to scale and start to take control of returns volume, but it will take considerable investment and dedication.

From the carrier perspective, the idea of third parties taking control of a growing source of volume, and prospectively directing it to whichever reverse logistics provider is cheapest, should ring strategic alarm bells — especially when a big majority of merchants say they'd be interested in solutions from their logistics provider.

If carriers, posts and other last-mile logistics businesses are not able to gear their digital returns offerings to the needs of merchants, they'll risk losing a valuable source of revenue and becoming commoditised. By contrast, if they can help their customers with a technology solution that helps to address their ecommerce returns challenges, they'll find retaining those customers and winning new business easier.

In the merchant sphere, the ability to manage returns cost-effectively without alienating customers has become a key indicator for success. The same is now true for their logistics providers too.

ABOUT DODDLE

Doddle helps carriers and posts around the world make ecommerce delivery and returns more efficient, customer-friendly and useful. Years of fulfilment experience in the world's most advanced e-commerce markets gives us the expertise to help carriers create delivery and returns strategies that enhance customer experience, promote sustainable solutions and drive profitability and efficiency. Our white-label technology platform powers the creation, roll out and management of a full out-of-home delivery and returns ecosystem.

Each of the solutions in the platform is designed to drive loyalty, create cross selling opportunities, promote efficiency, and address the need for more sustainable supply chains. Doddle's expertise and technology is trusted by some of the world's biggest retail and logistics businesses from ASOS and Amazon to USPS and Australia Post. Headquartered in London, UK, Doddle also has regional teams in the U.S., Australia, Europe and Japan.

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