

# The Online Reality

Alan O'Neill, author of 'Premium is the New Black' and 'Culture Matters', and Managing Director of change agents Kara, takes some time out to speak to RLI about the matter of returns, an unfortunate reality of online retail sales.



**B**efore the pandemic started a year ago, digitisation (the conversion from analogue to digital) and digitalisation (the use of digital technologies and digitised data) was emerging to support the fourth industrial revolution. Over the past year both have increased in importance exponentially. Digital platforms have saved the day for many businesses, both B2B and B2C. Digital is no longer the future. It is now.

## Online In Retail

While online is now a must for all of us, let me say, online is not a low-cost model. One of the biggest costs for fashion retailers in particular, is returns. In the US market alone, online returns more than doubled in 2020, at an estimated cost of \$550bn.

But what's the impact of this for your business? Think of your overhead costs of re-handling, re-packaging and the general administration costs associated with all of that. Consider also the extra stock holding required to cover for all this stock. The costs of returns are now so significant that some online retailers just dump the returns into landfill. Amazon and other big names have algorithms that determine whether the customer should even return the product, or simply dump it.

Now let's park the issue of waste and landfill for another day, as that is really upsetting. But think of the emerging commercial risk where customers get to keep their reject and the replacement. Customer behaviours change. For example, free deliveries were introduced three years after Amazon first offered its Prime membership subscription in 2005. Other retailers then had no choice but to do the same. Customers learned to expect it from every site and indeed made purchasing decisions based on sites' delivery rules. Similarly with Black Friday, what started out as an American phenomenon linked to Thanksgiving, has now become an annual retail norm around the world. Consumers are now well-used to the discounting madness that it brings. How we manage returns is a business imperative that requires effort to prevent them in the first place.

## Tips to Mitigate Returns

Retailers have to accept a certain level of returns and account for it in their margin. But additionally, they should explore what can be done to prevent it in the first place. We know that some customers are naughty. They buy multiple colours or sizes of an item, knowing that they can send them back. Let's assume that accounts for some, but not all.

1. Audit your own website. Ensure your website is well designed and laid out, with a primary focus on adaptability to mobile devices. Mobile first should be your mantra.
2. Put more time into quality imagery and sufficient

descriptions, so that customers can make better decisions. If the brand that supplied you with the merchandise doesn't have good photography, then you should consider doing your own. I appreciate this can be costly, so consider it carefully.

3. Sizes can vary across brands. When buying a pair of jeans a few months ago, the assistant presented me with two pairs of different brands. Despite both being the same measurements for waist and leg, they were dramatically different in fit. So you can multiply that issue when you think of women's, men's and children's brands. Virtual fit applications will become more available but in the meantime, improve your descriptions. Don't just copy and paste from the brand's catalogue.
4. Chatbots and virtual human assistants that interject while the customer is online will help to create a dialogue between the retailer and the customer. They can aid customers to select the right size and style based on your available product selection.
5. Use analytics to understand and categorise returns to identify those products with high-return frequency in order to better understand why. The analysis can then be used for corrective actions aimed at reducing return rates in the first place.

## The Last Word

What Amazon and others have now started with this returns model is a real problem. And it's not just an issue for fashion merchandise. They are educating customers with a new standard that they will come to expect across the board. Once the toothpaste is out of the tube, you can't put it back in.

But even with the ferocious might of Amazon, it has only recently started to make money after 25 years. Most of its \$10bn profit comes from their B2B web and advertisement services business. Take care that you do the best you can to mitigate the risks of an emerging phenomenon.

