

March 31, 2010, 12:00 AM

## Get Back

### Return policies can win over customers, and there's more than one path to success.

By Paul Demery

Topics: [Distribution center](#), [Fulfillment house](#), [Online shopping](#), [Returning](#), [Zappos.com](#)

Customers on average return 35% of the items they order from Zappos.com Inc., a web-only retailer of footwear, apparel and other merchandise. But there's a certain group that returns 50% of what they buy.

Zappos loves those customers.

That's because those consumers tend to purchase from among Zappos' most expensive lines of footwear, then happily take advantage of the e-retailer's generous and well-publicized returns policy: Zappos not only will take back any item within 365 days of delivery, but also pays for the return shipping.

And since it costs the same to ship a \$300 pair of pumps as it does to ship a \$30 pair of sandals, the Zappos policy of winning over shoppers with its returns policy has helped to bring in high profit margins on many of its orders, says Craig Adkins, vice president of services and operations at Zappos, which was acquired last year by Amazon.com Inc.

"Our best customers have the highest return rates, but they are also the ones that spend the most money with us and are our most profitable customers," Adkins says.

Emphasis on service

That returns policy seems to have worked for Zappos, which topped the \$1 billion mark in gross sales-before returns-in 2008, then sold itself to Amazon last year for \$847 million. But then Zappos executives have always emphasized that they tried to win customers' loyalty through great customer service, and not by trying to sell shoes at the lowest prices on the web.

Deep discounters may choose to avoid returns altogether, while other e-retailers may set policies less generous than those of Zappos, allowing returns for periods of less than a year, requiring customers to pay for return shipping and insisting they request a return label.

Retailers should find a policy that suits their overall strategy and stick to it, says Noam Paransky, senior manager and logistics expert at retail consultants Kurt Salmon Associates. "The generosity of a returns policy needs to be tied to a brand strategy," he adds.

It's an important decision for every web retailer.

On average, data compiled from about 50 Kurt Salmon clients show that online consumers return apparel and other soft goods at relatively high rates of from 20% to 30% of orders (with women usually at the high end of that range, and men at the low end) compared to less than 10% for hard goods like gifts, home products and toys, Paransky says.

Making it easy for customers to send their stuff back can rack up heavy costs in inventory management as well as shipping, but not doing so can leave e-retailers with a bad mark and fewer repeat customers, experts say. "Our research shows that companies committed to an easy returns process get high marks from consumers," says John Ernsberger, co-founder of StellaService, a new company that monitors online customer experience.

More conditions

Despite the risk of alienating consumers, one survey indicates that many online retailers tightened their returns policy during the 2009 holiday season. In its annual Mystery Shopping Survey of 100 e-retailers conducted during the fourth quarter of 2009, The E-tailing Group Inc. found a trend toward shorter return windows and a sharp drop in the number of retailers offering an unconditional returns policy.

The study found that only 14% of retailers provided an unconditional return policy that guaranteed 100% satisfaction in the fourth quarter of last year, down from 72% a year earlier. It also found that 46% had restricted their return windows to within 30 days of when a customer received an order, compared to 10% a year earlier.

In general, however, Paransky says that Kurt Salmon has noticed among its client retailers that a returns policy helps a brand's image, and that easing the returns process for customers has not led to a corresponding increase in the number of returns.

"We've not seen empirical evidence that, as the ease of making returns goes up, the returns rate also went up, but we have seen that it creates a positive experience for the retail brand," he says.

That has been the experience at BuySeasons Inc. A new optional returns service implemented with UPS last year did not increase the retailer's average return rate, which is less than 5% of orders, even though it made it easier and less costly for customers to return packages, says Terry Rowinski, vice president of operations for BuySeasons. "We were watching to see if this would drive our returns rate higher, but we found that it hasn't," he says.

BuySeasons introduced the UPS Flexible Returns Program on its costume products site, BuyCostumes.com, last summer, just before its peak shopping season leading up to Halloween. The UPS program, which customers access through the Returns link that appears at the top of every web page at BuyCostumes.com, lets customers download a shipping label and enter an online request for package pickup. The return shipping cost to customers is a flat \$7, a price that Rowinski figures is less expensive 90% of the time compared to when customers handle their own shipping.

Revenue neutral

BuySeasons allows customers to return most items within 14 days of the date they received their order. Customers must first click into the Returns section to request a Return Authorization Number and list what they're returning and why. If the item to be returned is within the accepted time limit and not on a list of nonreturnable products, such as special order costumes or helium tanks, customers can then choose to arrange for their own shipping back to BuySeasons or opt for the UPS program. More than half opt for UPS, Rowinski says.

BuySeasons breaks even on the UPS program, Rowinski says, and gets the benefit of a better picture of when customers are beginning to process returns, which helps BuySeasons schedule its warehouse staff and better manage its available inventory. In the future, the retailer may consider directly integrating the UPS returns-processing system into its own inventory management system so it can automatically update stock levels with merchandise being returned.

- [Previous](#)
- [1](#)
- [2](#)
- [Next](#)

Next in Customer service:

[Holiday shopping was easier in 2009](#)