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.FASHION

Reshopping “Returns, Refunds and Respending”

How streamlining returns and refunds will help drive future sales and long-term loyalty

IN PARTNERSHIP WITH



UK at a fashion e-commerce “tipping point”

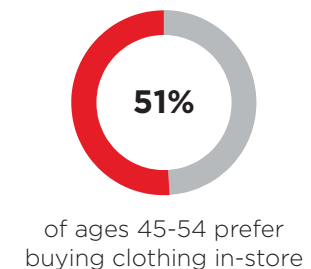
Online fashion sales in the UK are now set to outstrip those on the high street in 2022 – that’s three years earlier than pre-pandemic predictions.

According to a recent study, “The Future of the European Apparel Industry”, carried out by Retail Economics and commissioned by global law practice Eversheds Sutherland, the UK will be the first major European market where this phenomenon takes place. The report states that some 52% of all fashion transactions in the UK are set to occur online in 2022. Other European markets are not expected to hit that tipping point until 2025.

The UK has always been a nation of e-commerce enthusiasts, particularly in fashion, with some of the industry’s biggest names having been born here from ASOS to Boohoo and Net-A-Porter to Farfetch. This enthusiasm has only been enhanced by the pandemic and it’s also spread to previously reluctant online shoppers.

TheIndustry.fashion’s monthly study of fashion consumers’ behaviour, The Index, reveals that some 49% of consumers say that shopping online (via desktop, tablet or mobile) is now their preferred method of buying clothing. That figure increases to 60% when it comes to shoppers under the age of 34 and 58% to shoppers in the 35-44 year old age bracket. The 45-54 year olds say they still prefer shopping in-store, but even then, it’s only just (at 51%).

52% of all fashion transactions in the UK are set to occur online in 2022.



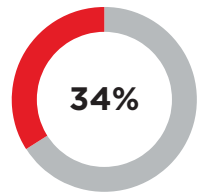
UK at a fashion e-commerce “tipping point” (cont.)

The three forced shutdowns of non-essential retail that ran across 2020 and into 2021 meant fashion shoppers were forced online out of necessity and now that the stores are open, that forced behaviour has become a habit (even for former online shopping refuseniks – some 34% of over 65s now say they prefer shopping online, double the figure of pre-pandemic).

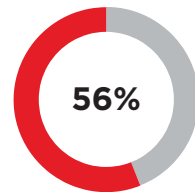
These figures are backed up by this study, carried out by TheIndustry.fashion in partnership with Advanced Supply Chain Group (ASCG), which seeks to examine consumers’ attitudes and behaviours when it comes to shopping for fashion online and, crucially, the part the returns process plays in those attitudes and behaviours.

During October 2021 we carried out a survey of 2,000 nationally representative consumers, which shows that, in the wake of the pandemic, some 56% of consumers say they will now buy most or all of their clothing online (for under 44s, that figure is around 65% – see over for graph).

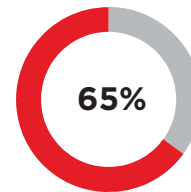
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of over 65s prefer buying clothing online



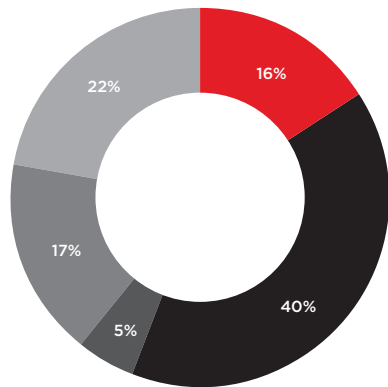
of all ages now buy most of their clothing online



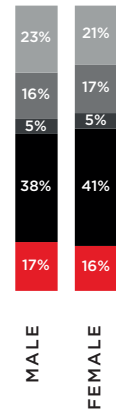
of under 44 year olds now buy most of their clothing online

How lockdown has changed fashion shopping behaviour

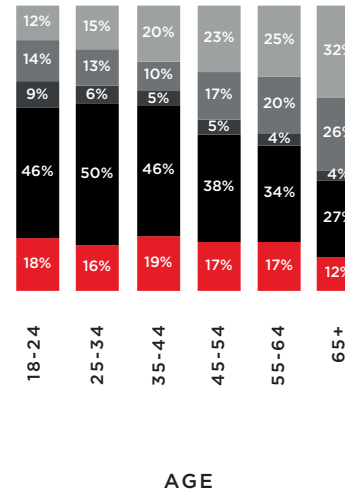
Now that stores are open, what effect has this had on your fashion/apparel shopping?



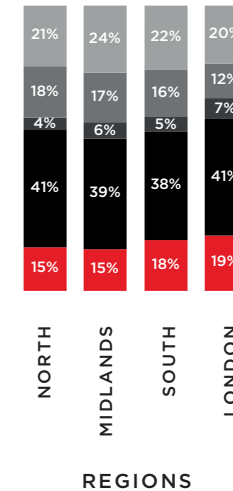
OVERALL
GENDER



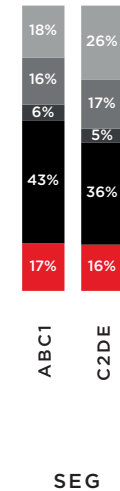
MALE
FEMALE



AGE



REGIONS



SEG

KEY

- I will continue to buy all of my clothing online
- I will buy most of my clothing online
- I will buy all of my clothing in-store
- I will buy most of my clothing in-store
- My habits will remain the same

The opportunity and challenge from the shift to digital

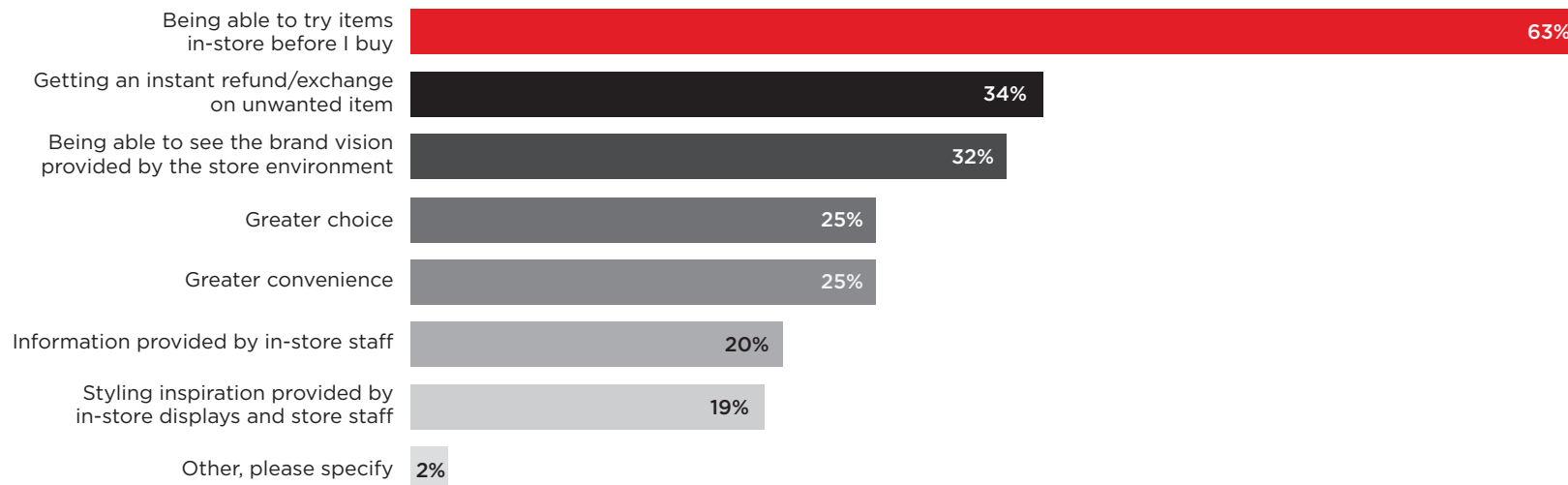
On the one hand this shift to digital presents UK online fashion retailers with a golden opportunity for driving sales, but it also presents them with a potential returns headache. Just as the laws of gravity dictate that what goes up must come down, the laws of fashion e-commerce dictate that what goes out must come back (or at least, according to rough industry averages, around 30-40% of womenswear and 15-30%). The more you sell, the more returns you

will have to process and the more stock (and cash) you will have tied up in that process, unless you work hard to streamline it.

For while stores are now perceived to be at a disadvantage to online, they have one undisputable USP: people can try before they buy, and in fashion, this is a crucial benefit.

Some 63% of our respondents say that the ability to try clothes on in-store is physical retail's most important benefit.

When shopping for fashion/apparel in-store, which are the greatest benefits



Overcoming digital's main disadvantage

Encouraging at-home try-ons, rather than resisting returns

In order to minimise this perceived benefit that physical retail has over online retail, retailers should refrain from resisting returns and encourage consumers to try on items in the comfort of their own home. “[Being able to try in-store] is the most important benefit for almost two-thirds of shoppers. Retailers must take this on board if they want to encourage ecommerce purchases and accept that returns are part and parcel of online shopping. Consumers use their bedrooms and bathrooms as changing rooms and want to try different sizes, styles and colours of clothing at their convenience. They will naturally return some of the clothes they ordered as options. If they can't do this or find it problematic, they will shop elsewhere,” ASCG Commercial Director Caroline Ellis explains.

As such, knowing they can easily return items is the factor most likely to encourage consumers to spend with a retailer, our study reveals. When coupled with the attraction of flexible payments, it becomes clear that consumers are resistant to having their cash tied up in purchases they are not yet sure they want. Removing that resistance will reap rewards.

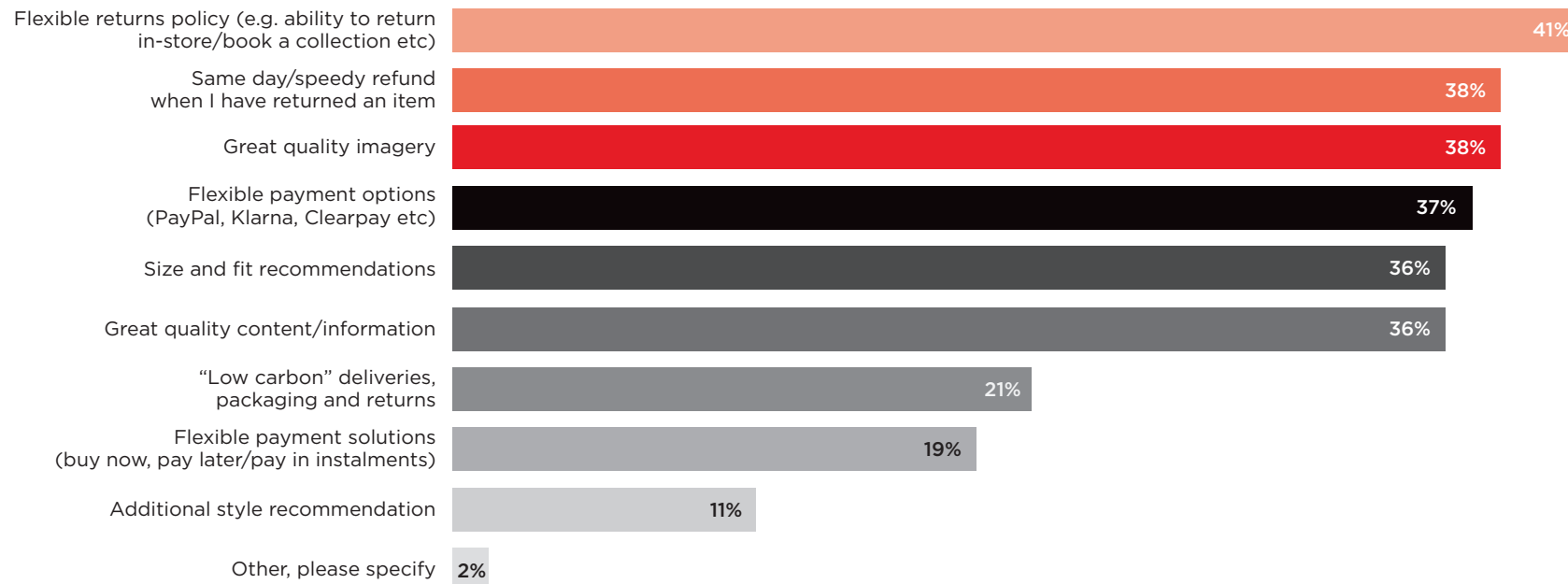
“They will naturally return some of the clothes they ordered as options. If they can't do this or find it problematic, they will shop elsewhere,”

Caroline Ellis - ASCG



Easy returns encourage online spending

When shopping online, which factors are likely to encourage you to purchase?



"Flexible returns options rank as the most influential factor affecting purchasing for online shoppers. The influence of returns policies on sales will likely grow further as more people shop online and existing e-commerce customers buy more. We can expect to see more innovation in returns options, and they could prove a real competitive edge for retailers. It's important that supply chain strategies and software have the ability and agility to offer more dynamic returns options and to keep pace with consumer trends. Retailers must avoid clunky systems that take an age to update and implement change," ASCG's Caroline Ellis says.

Easy returns drive respend and loyalty

Transparency on returns attracts new customers, ease of returns brings them back

Many retailers will admit that their attitude towards returns has, at some point, been to dissuade them wherever they can. But our research shows that full transparency on the returns process and a quick and easy returns policy will drive sales for a retailer, and furthermore, will help protect margins.

Encouraging and incentivising consumers to return items more quickly will ensure products are returned to sale in a timely manner and, more likely, this means they can be sold at full price. Product languishing in a consumer's home or in a convoluted returns process can often end up in an end of season sale eroding precious margin.

ASCG's Caroline Ellis says: "Returns need to be treated much in the same way as a sales channel. It's just as important to have accurate stock inventory management data for products coming back into a company, as it is for those outbound products which have been sold. Complete visibility of returns enables retailers to maximise the opportunity to resell an item and minimise any margin dilution."



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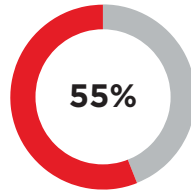
Caroline Ellis - ASCG

Easy returns drive respend and loyalty (cont.)

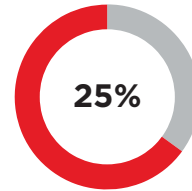
Our study shows that just 12% of consumers return unwanted items on the same day they were received, while 55% say it takes them two to three days with a quarter saying it takes them between one week and one month to return items, typically.

Some basic housekeeping can help this issue, such as ensuring the packaging can be easily repurposed for returns and that the correct labels (or a QR code to scan at the Post Office) are included with the delivery. Not having these will inevitably slow down the process with 37% of our consumers saying the need to repackage items slows down their returns and 33% saying the lack of a label will do so.

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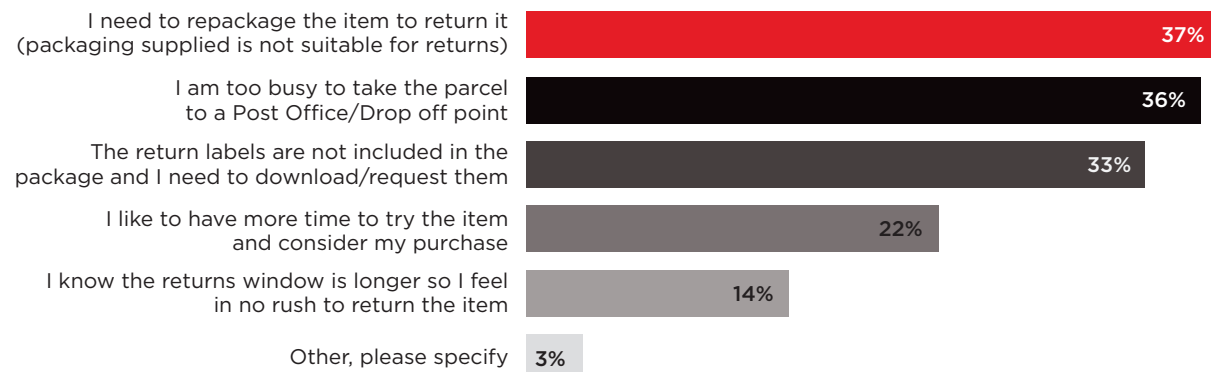
take 2-3 days to return items



take between 7-30 days to return items

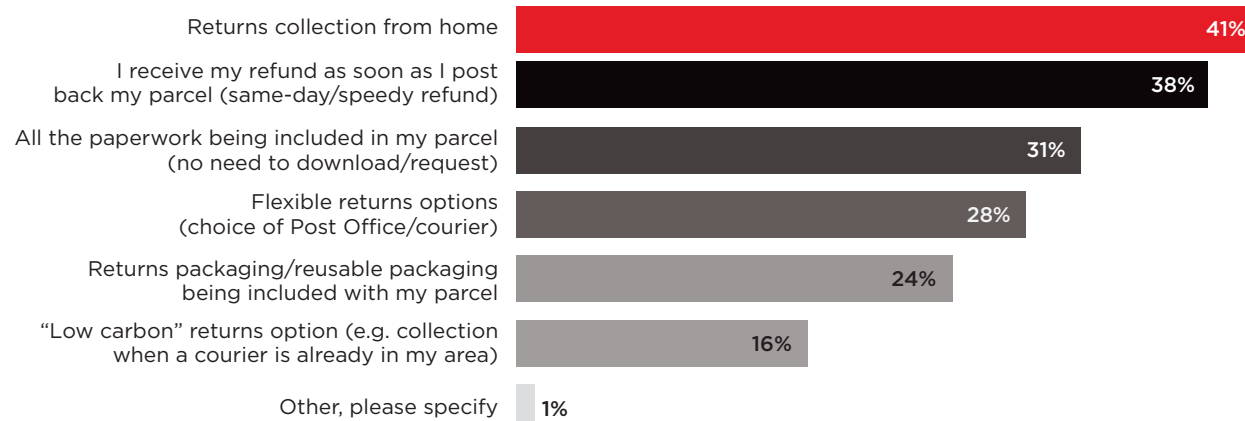
The barriers to a quick return from a customer

If it takes you longer than two to three days to return an item/s, what typically causes the delay?



How speedy refunds encourage speedy returns

What would encourage you to return an item to a retailer more quickly?



The factor that will galvanise the quickest action when it comes to returning items is the promise of a speedy or same day refund, whereby the consumer is refunded as soon as the item is logged as having been returned. Outside of a collection from home, this was the second most cited factor by our 2,000 consumers when it came to encouraging them to return an item more quickly.



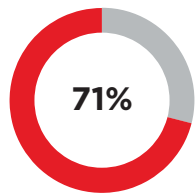
How speedy refunds lead to speedy respending

Removing the wait for a refund encourages quick reshopping

Not only will speedy refunds encourage consumers to return a product more quickly, offering this service is highly likely to encourage consumers to respend with the retailer they bought their initial item from. At present around 38% of consumers say they will always wait for refund before respending while a further 22% will wait if it is a large sum of money (clearly this is a highly subjective matter, so we can assume around 60% of consumers are likely to wait for a refund before respending).

When asked whether they would be more likely to respend money with a retailer if they received a speedy refund, some 71% of respondents agreed that they would, while a further 20% were not sure. What is clear is that a vast majority of people could be persuaded to respend if their money is returned in a timely manner and this is a popular view across all age groups (agreements declines as consumers get older but there is still strong support for this statement in the over-65 age group with 58% agreeing). See a breakdown of our consumers answers overleaf.

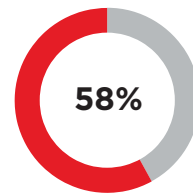
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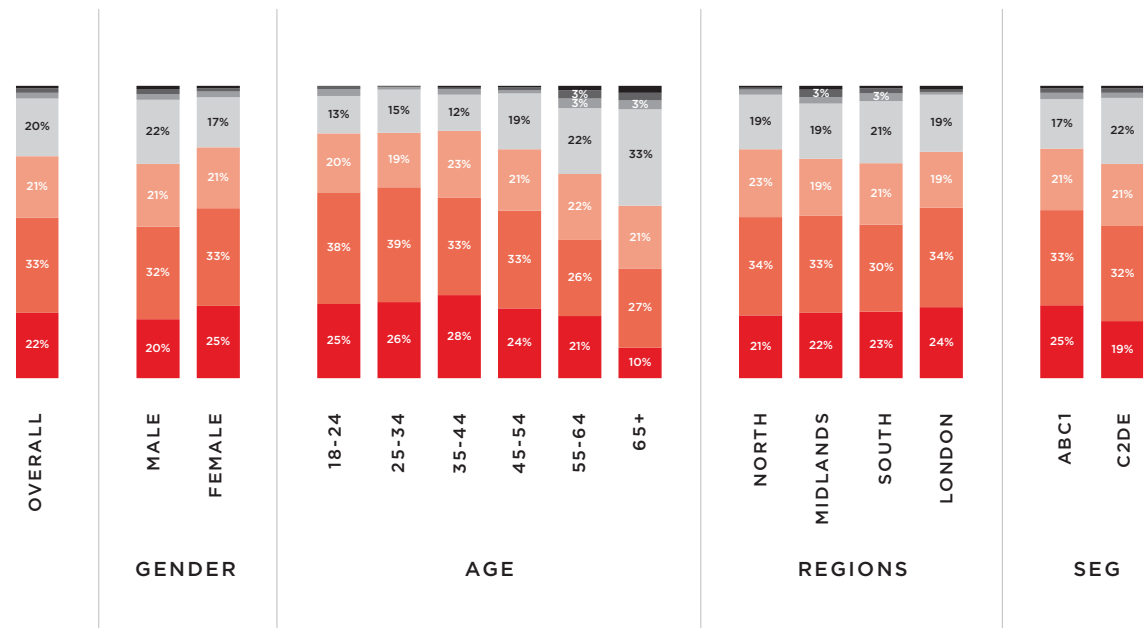
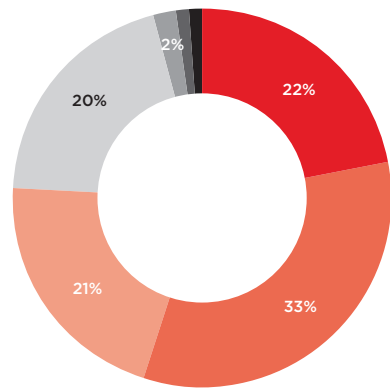
say they don't know if they would respend if they received a speedy refund



of over 65s say they would respend if they received a speedy refund

Converting returns into respend

If you received a same-day/speedy refund, would it encourage you to re-spend that money with a brand/retailer?



- KEY**
- Strongly agree
 - Agree
 - Somewhat agree
 - Neither agree nor disagree
 - Somewhat disagree
 - Disagree
 - Strongly disagree

How fast refunds can lead to long-term loyalty

ASCG's Caroline Ellis says that implementing supply chain software to address refunds will reap huge potential rewards for retailers. "The inconvenience of returning an item and having to wait for refunds and exchanges are major barriers to online shopping and spending, Retailers can remove these pain points by keeping returns quick and simple for shoppers. Supply chain software is key to this to realising this," she explains.

Furthermore, not only would the removal of this pain-point encourage respend after a return is made, it encourages long-term loyalty and will increase the frequency of spend.

When asked whether the offer of a speedy refund would encourage shoppers to spend online more frequently, a huge 68% of consumers agreed. A demographic breakdown shows that this would be particularly true of young consumers with 79% of under 24s agreeing and 78% of under 44s. Again, agreement tails off a little with older consumers but agreement is still strong.

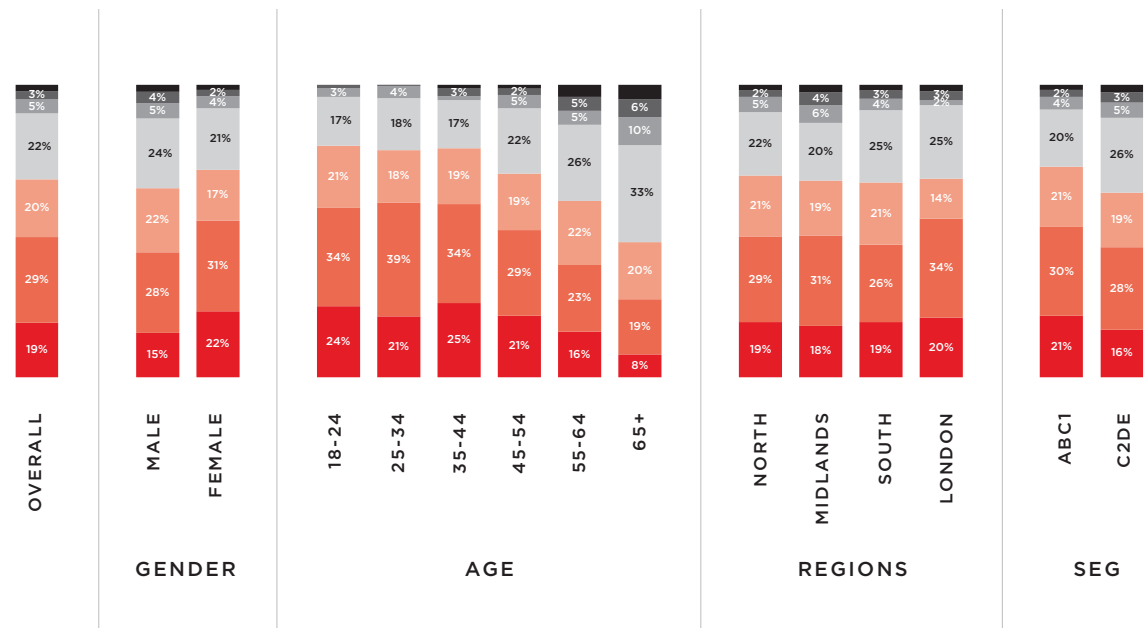
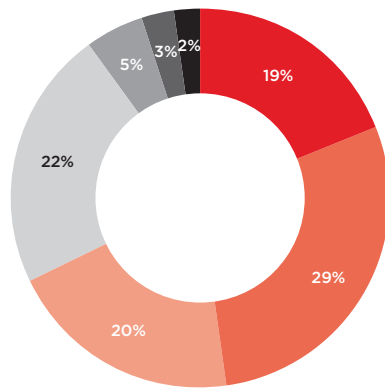
The case for offering this service for young fashion retailers, or retailers targeting consumers with young families, seems clear since these groups are less likely to want their cash tied up in potentially unwanted purchases. While most consumers (61%) say they would not expect to pay for a return under any circumstance, some 21% said they would pay for a return if they were promised a refund on the same day (rising to 38% among under 24s). While implementing a paid returns policy may not make sense, these figures do underscore how attractive this option is with more than a third of young consumers willing to pay for it (see graph overleaf).

Of course, in order to implement a speedy refund, retailers do require a system that allows them track exactly where their parcels are at any one point in time, as ASCG's Ellis points out: "If retailers want to speed up refunds to encourage reshopping, they need supply chain software that provides up-to-date information about the status of a returned item as soon as it leaves a shopper's possession."

"If retailers want to speed up refunds to encourage reshopping, they need supply chain software that provides up-to-date information about the status of a returned item as soon as it leaves a shopper's possession."

How fast refunds can lead to long-term loyalty (cont.)

Would same day/speedy refund encourage you to buy clothing online more frequently?



- KEY
- Strongly agree
 - Agree
 - Somewhat agree
 - Neither agree nor disagree
 - Somewhat disagree
 - Disagree
 - Strongly disagree

Top Takeaways

How can retailers ensure their returns policy and process is optimised?

Our research shows that the potential rewards from optimising returns are huge, and will only get bigger as the e-commerce market grows. With online shopping set to outpace physical retail in fashion for the first time in the UK next year, now is the time for retailers to embrace returns.

Here's how...

- Retailers need an end-to-end, fully integrated supply chain management strategy. This needs to have the ability and capacity to handle returns in much the same way that outbound stock / sales are handled
- Supply chain software, such as ASCG's Vector, that enables the full integration of sales channels and third parties (e.g. final mile delivery companies that collect returns or collection points such as a Post Office) presents the opportunity for returns to be logged in the system as soon as they leave a customer's possession. This can accelerate the processing of a refund
- Software that's set up and able to effectively process returns will prove a rich source of data, which can provide intelligence about returns trends. At the touch of a button, retailers can pull information to find out more about any reoccurring reasons for items coming back. This can enable the early identification of any problems such as product defects and can also provide information that can be used to optimise stock management and sales to reduce overall returns and improve efficiencies
- Having access to continuously updating returns data can be used to effectively plan the re-processing of returned items to get them ready more quickly and back into circulation for resale. This information can also prove particularly useful when processing orders for high-demand items. For example, if an item is selling out and colour or size options are low on stock, by knowing exactly what is being returned, when it'll arrive and when it'll be ready for resale can enable retailers to sell the item to another shopper, rather than missing out on a sale due to limited stock availability



About ASCG



Founded in Yorkshire in 1997, Advanced Supply Chain Group (ASCG) has established itself as an international logistics company moving over 139million products around the globe each year for the biggest and most successful retailers and consumer brands.

The company has continually invested in expanding its operations, opening an international network of warehouses and fulfilment centres. From its Bradford-base, ASCG now operates seven owned sites across the UK, Europe and Middle East. This is supported by trading partnerships that span every continent, meaning ASCG can effectively move goods anywhere in the world.

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About TheIndustry.fashion

TheIndustry.fashion is a leading platform providing insights and intelligence on the UK fashion retail market. Our offer includes daily news, features and interviews on the market, along with a master database of UK fashion retail, regular consumer studies, podcasts, onkine and live events, and bespoke research.

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About our study

TheIndustry.fashion, in partnership with ASCG, commissioned consumer research experts at Savanta to interview 2,000 nationally representative fashion shoppers in across the UK. To participate in the study, shoppers must have purchased fashion for themselves and/or others in the three months prior to taking part in the study.

Our sample comprised 2,001 participants of which 1,013 were male and 984 were female. The respondents were broadly equally split across all age groups and regions with roughly 51% of respondents from ABC1 and 49% from C2DE demographic groups.

