

Välkomna

Returer inom klädhandeln – attityder och miljö

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UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

Reducing the environmental impact of the returns of clothing ordered online: Stage 2

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What prompted our initial research?

Visit to Littlewoods in the UK revealed around 6000 'returns' received a day. Shrink wrapped in blue plastic, termed 'Uglies' and left in the corner!

Visit to a major Swedish e-tailer in Sweden with the students showed similar thing. Discussion with the CEO of the company revealed surprising returns' journeys.





Clothing Returns



- Average return rate for clothing is 22%, varying between customer and clothing type and country. It can reach 60%+ for high-fashion items.
- Approximately 35% of these returns are made cross-border
- So, literally billions of items of clothing are being returned to retailers every year leading to considerable environmental and economic costs.



Returns by country and brand (Swedish clothing e-tailer)

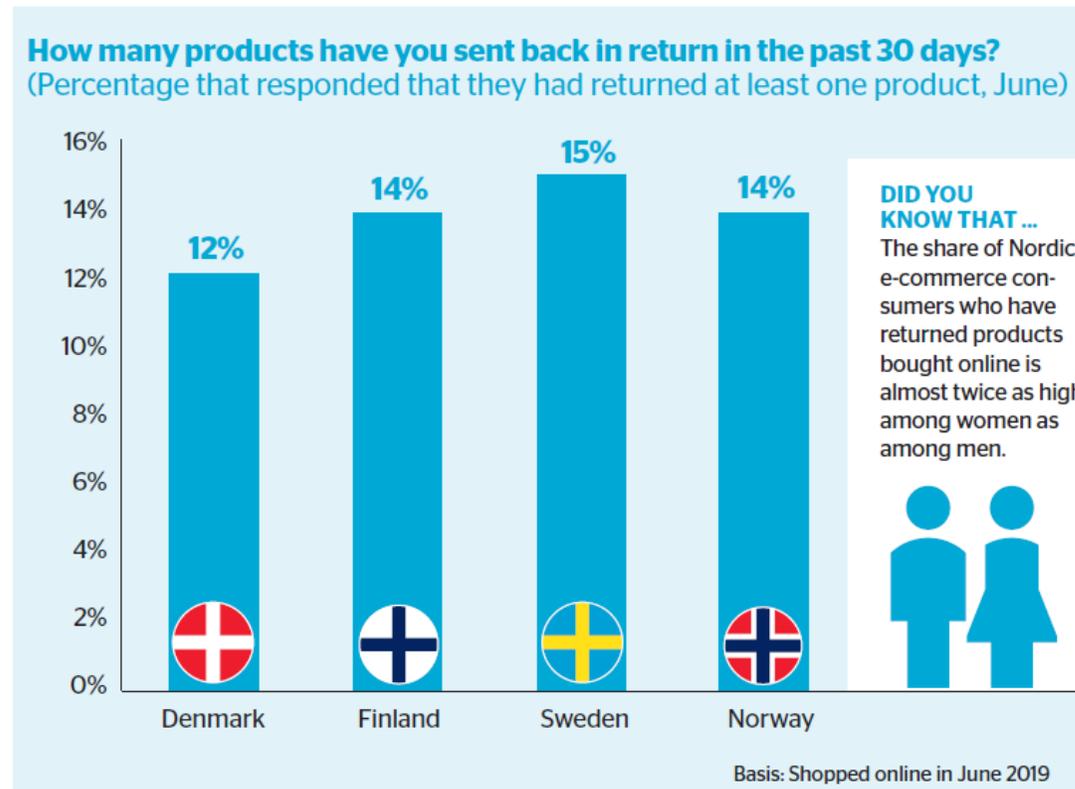
Country	Brand A (low fashion)		Brand B (high fashion)	
	% returns (on an item basis)	Items returned (per year)	% returns (on an item basis)	Items returned (per year)
Finland	24.5	126,000	45	51,700
Sweden	15.6	248,000	31.6	176,000
Denmark	13.9	44,000	25.7	10,000
Norway	14.2	74,000	25.3	7,500

Source: case study company with 200 employees





Returns in the Nordic Countries



Source:
Postnord, 2019





One reason why returns are so high?





Returns aren't a new phenomenon but something that has been normalised by the continued growth of online shopping and the rise of the 'empowered consumer' (Klarna, 2019)





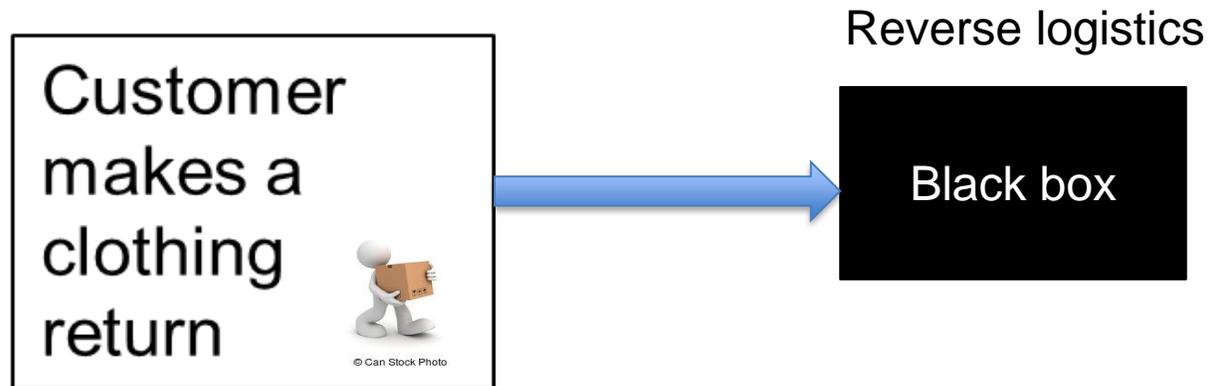
Reasons for customer returns

- Damaged/faulty items
- The wrong items being received
- The items not looking like they do on the website/not matching expectations
- The items not fitting
- The customer just changing their mind
- Customers buying multiple items and sending some back
- Fraudulent reasons (wardrobing, renting, fakes) (about 10% of returns)
- Items never picked up from collection point
- Returns are free/cheap



What happens when a customer sends something back which they've bought online?

As far as the customer is concerned



Returns are Easy

1 Print



2 Prepare Package



3 Attach Return Label



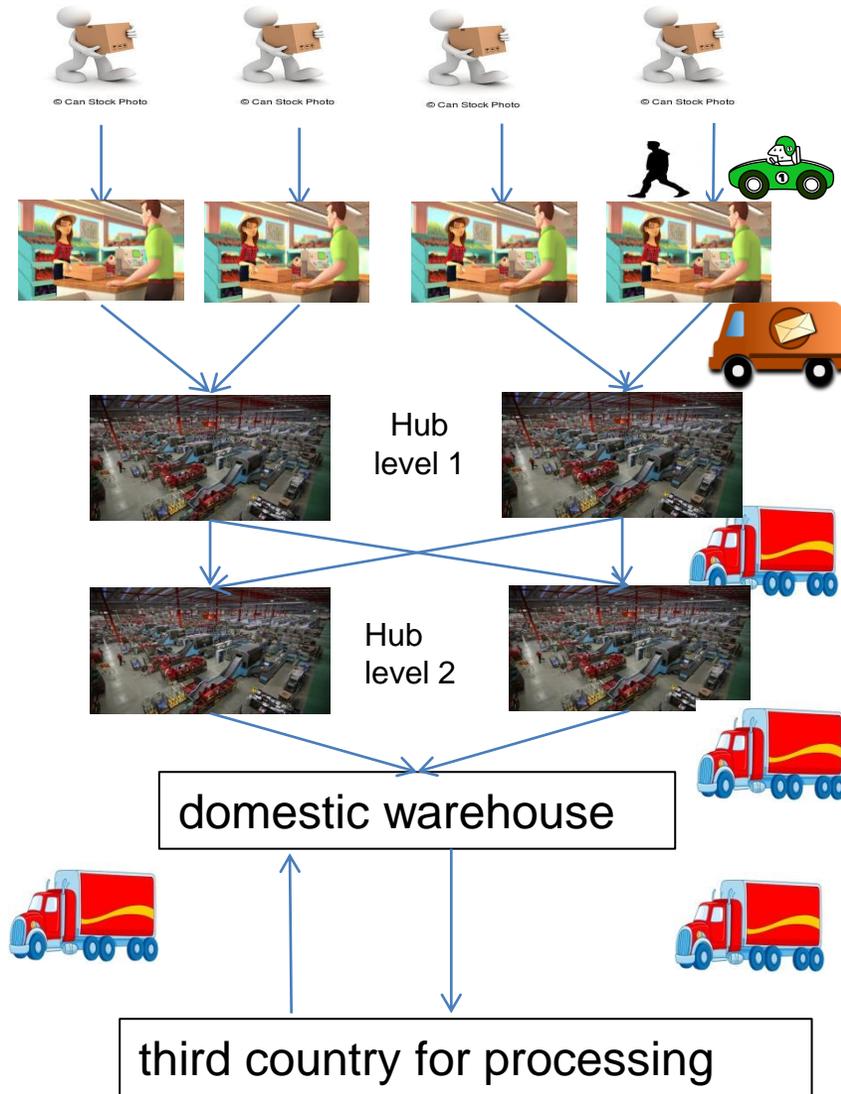
4 Ship it!



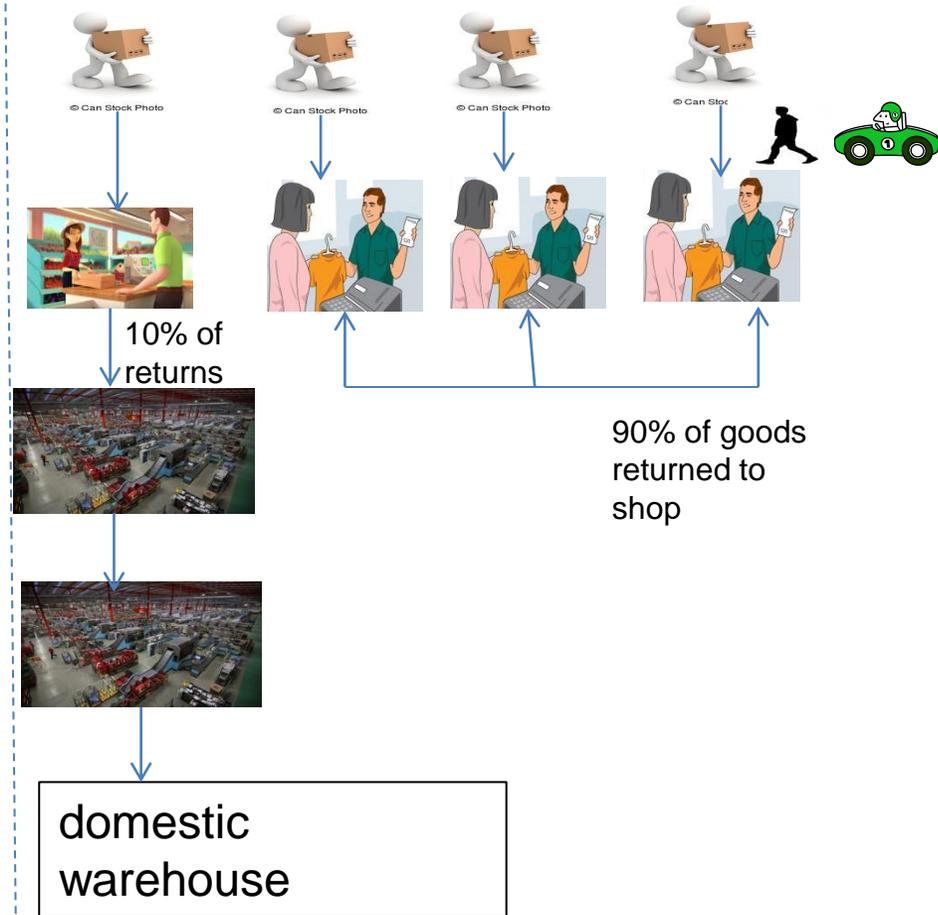
Results

A complex mixture of returns processes which vary considerably by company and country from which returns are being made

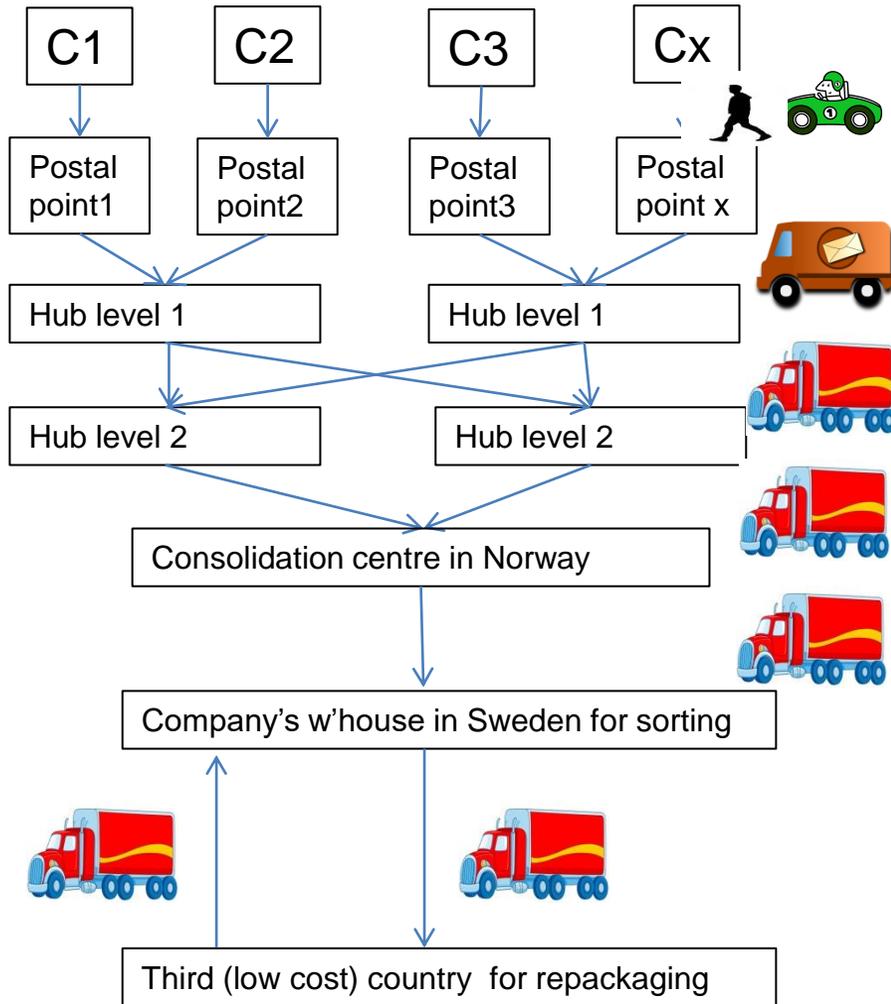
Pure e-tailer's Swedish Returns Operations



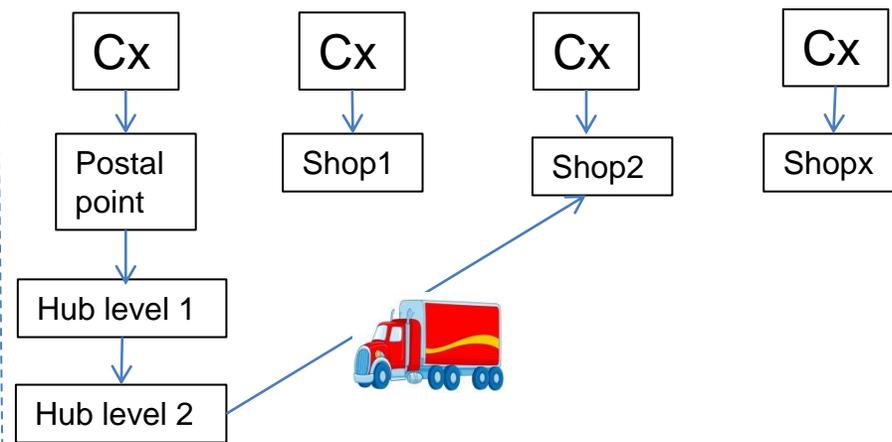
Mixed retailer's Swedish Returns Operations



Company E's Norwegian Returns Operations

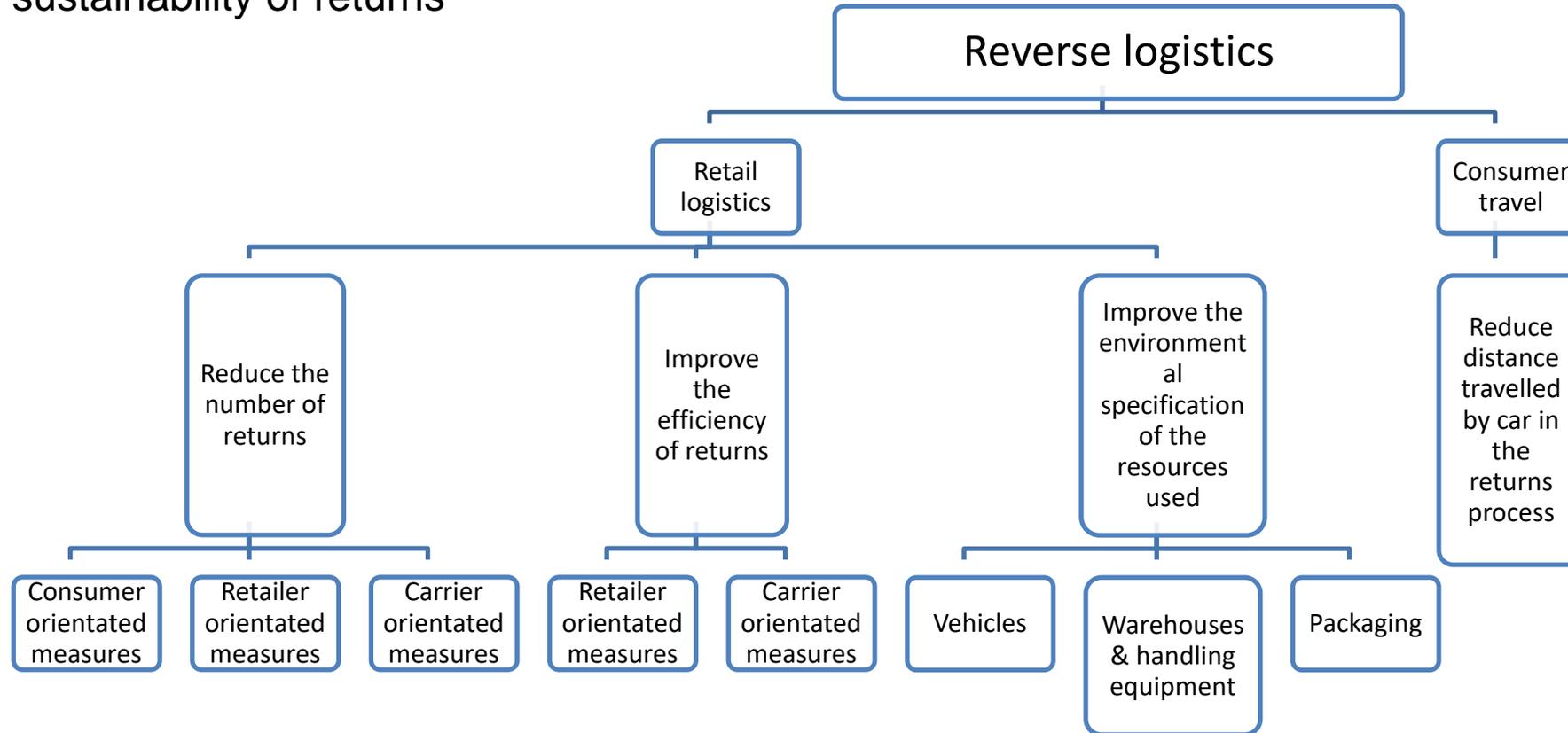


Company L's Norwegian Returns Operations





Summary of measures to increase environmental sustainability of returns





Initial results – 3 categories of measures

Box A
Consumer orientated measures

- Education to inform consumers of environmental consequences of returns
- Increase product customisation and curation
- Improve pre-purchase customer support
- Consider refunds policy (e.g. refunds without returns for good customers)
- Discourage over-ordering

Box B
Retailer orientated measures

- Improve quality and accuracy of information on website
- Fewer order mistakes
- Improve returns tracking and tracing
- Returns pricing policy
- Digitalisation provision (such as digital changing rooms)
- Consider packaging policy to minimise damage (whilst reducing environmental impact)

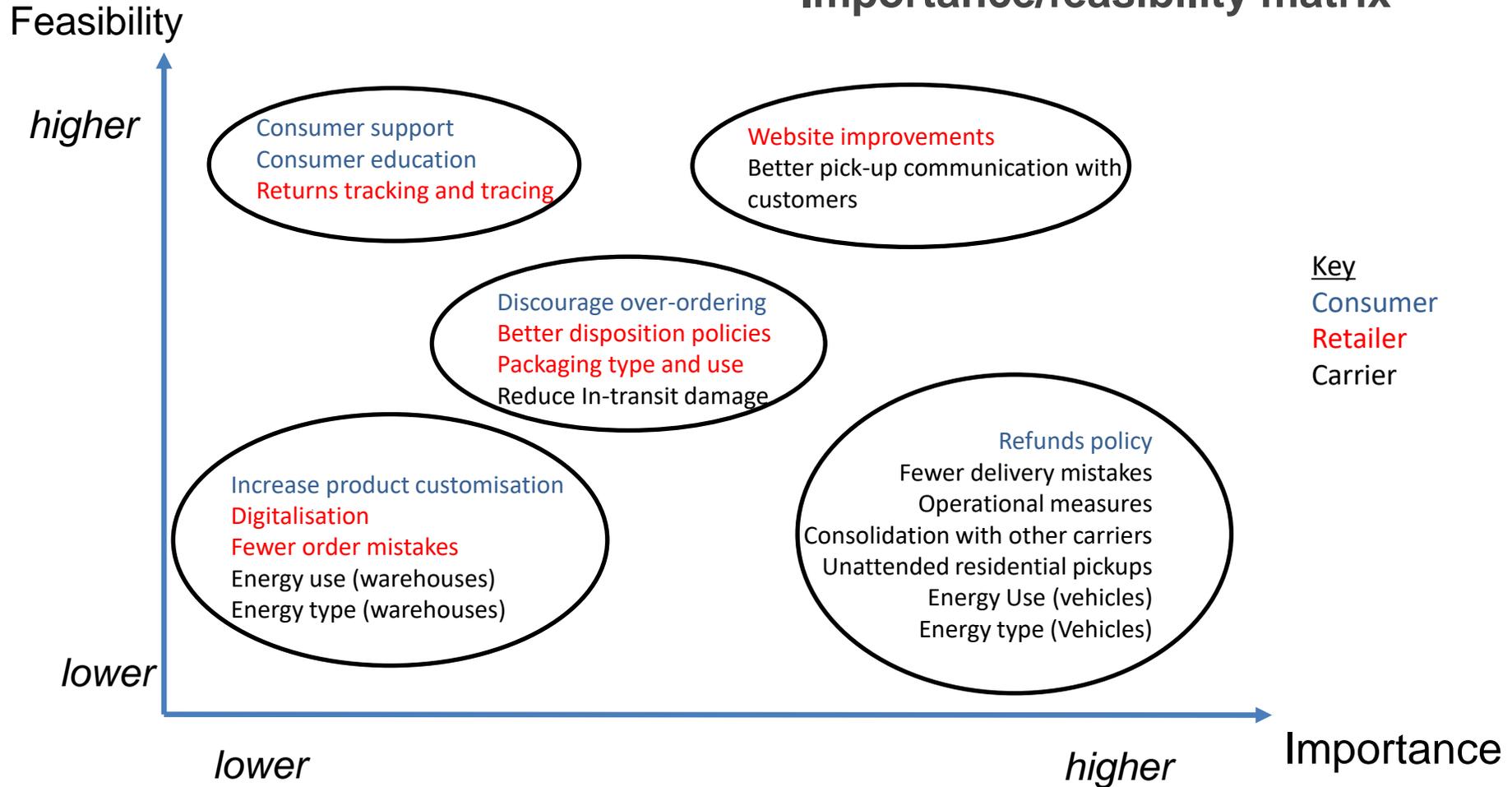
Box C
Distributor orientated measures

- Fewer delivery mistakes
- Reduce in-transit damages
- Improve communication with customer to reduce failed pick-ups
- Consider unattended residential pick-up options





Importance/feasibility matrix





Impacts of Covid-19

- Large increase in the percentage of goods bought online, including clothes but
- Decrease in the overall sales of clothing as people spend more of their income on 'essentials'
- Many first time online customers
- Many companies have increased their returns windows to give customers more confidence to order
- Some evidence of a reduction in returns, maybe because of
 - more time to look at websites properly (fewer impulse purchases)
 - less willingness to actually physically make the returns (travel issues)
 - less money to spend so more thought about exactly what to buy





Next phases of the project

- Large-scale probability survey of 4000 individuals in Sweden carried out in October 2020 to look at: consumer behaviour – reasons why people make returns
 - the impact of various returns policies on returns
 - linking the above to consumer characteristics such as age, gender, where they live but also personality traits - enabled by including a psychologist in our research team.
- This will be followed by a survey to determine the travel patterns of people making returns – to enable us to calculate the environmental impacts of the personal travel aspect
- Finally, working with 2 large online clothing retailers, a data based experiment to determine the behavioural reactions to changes in returns policies.





New Swedish Initiative (industry/academic collaboration)

- **Hållbar e-handel**

- Returns

- Collect best practice across industry to reduce returns
- Promote knowledge across peers and consumers
- Improve traceability of returns
- Promote transparency of carbon footprint in relation to returns
- Set guidelines for responsible return handling
- Develop a code of best practice?





Concluding Remarks

- Returns pose big problems and incur large costs for clothing companies selling online.
- Most agreed that it was a problem that was going to get worse before it gets better.
- The impact on the environment of the logistics involved in reverse logistics is considerable
- Measures need to be taken to reduce these impacts





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Thank you!

Questions?

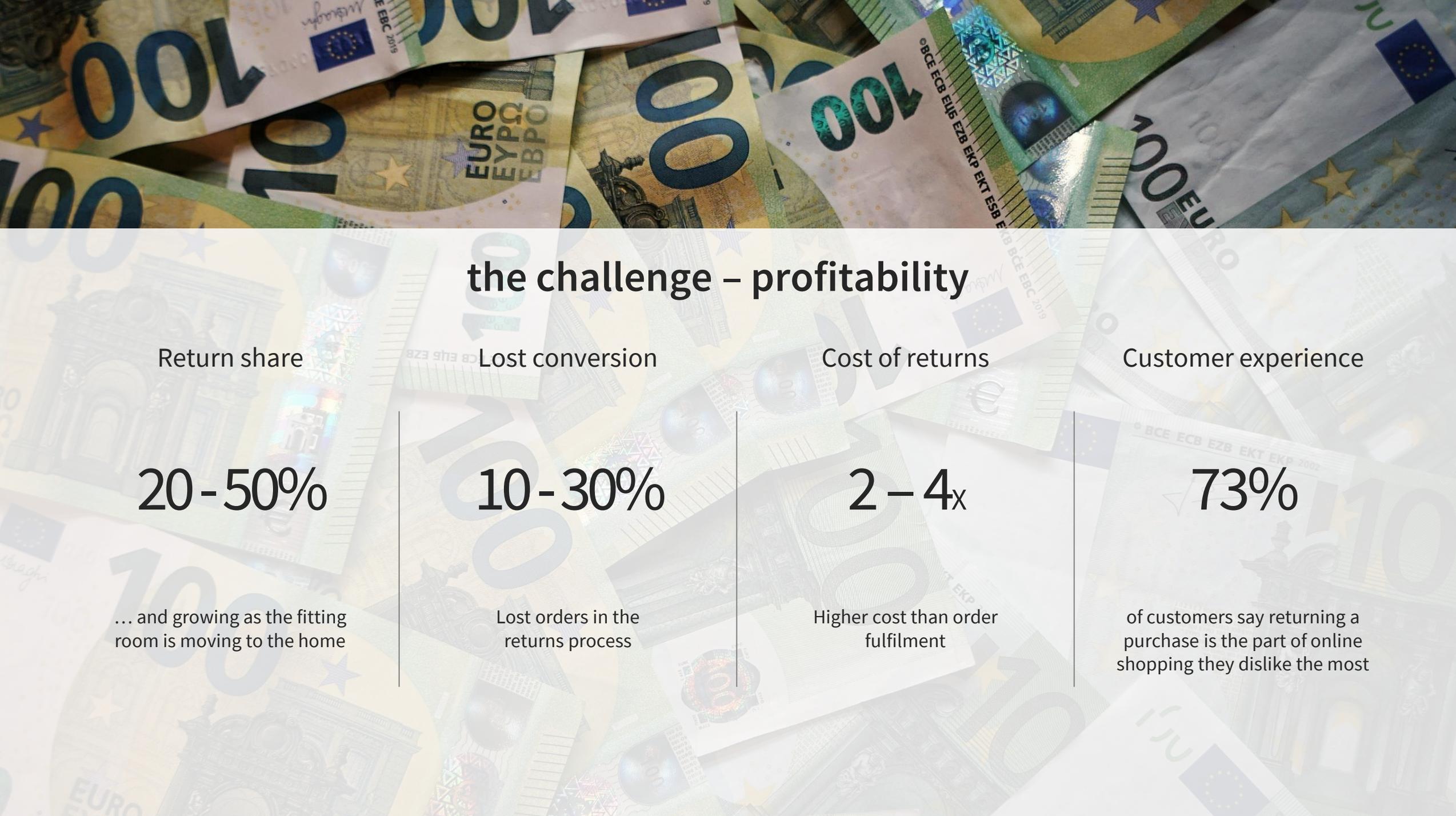




Lösningar för hur hantera attityder och miljö?

Markus Nordlund





the challenge – profitability

Return share

20 - 50%

... and growing as the fitting room is moving to the home

Lost conversion

10 - 30%

Lost orders in the returns process

Cost of returns

2 - 4x

Higher cost than order fulfilment

Customer experience

73%

of customers say returning a purchase is the part of online shopping they dislike the most



the challenge – environmental

The unused product

2 MN

tons of returned inventory sent to landfills by U.S. retailers each year

Unnecessary transportation

3–5

Shipments to return the item to its origination

Emissions

12 MN

tons of carbon dioxide, or 4.5 billion liter of fuel only from returns

- Sustainable
- Qualitative
- Profitable

COTTON PRODUCER

FABRIC PRODUCER

SEWING FACTORY

eCOM MERCHANT

-
-
-

-
-
-

-
-
-

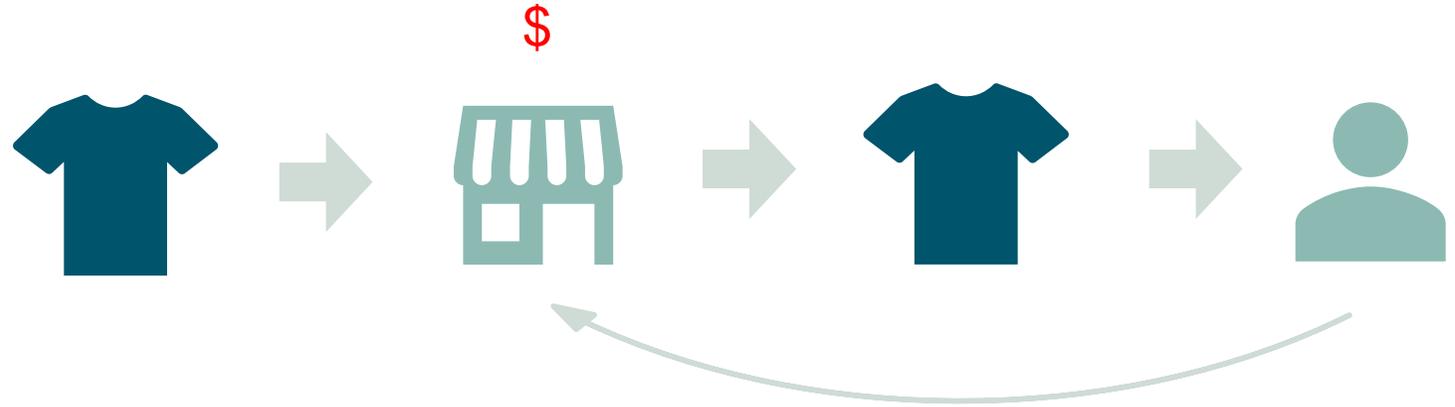
profitability equals sustainability



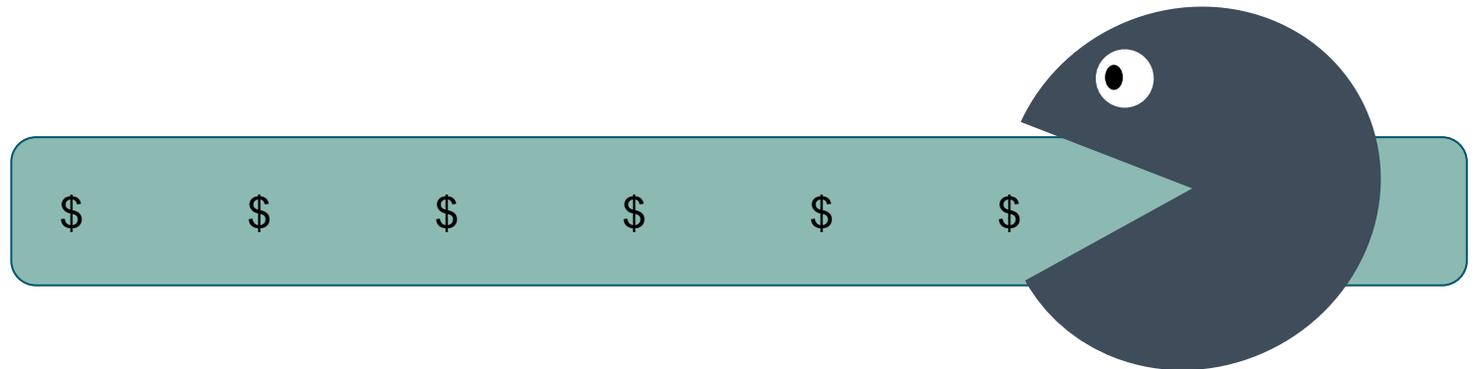
we are not managing the last part in the value chain good enough!



Profitability – classic retail



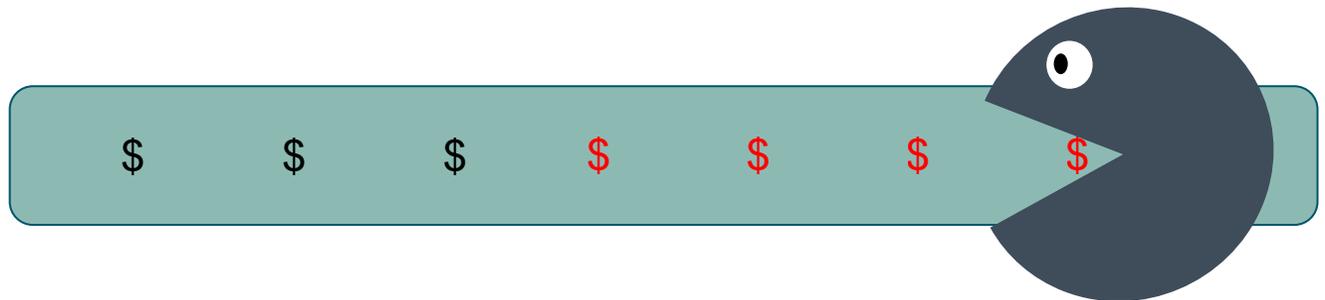
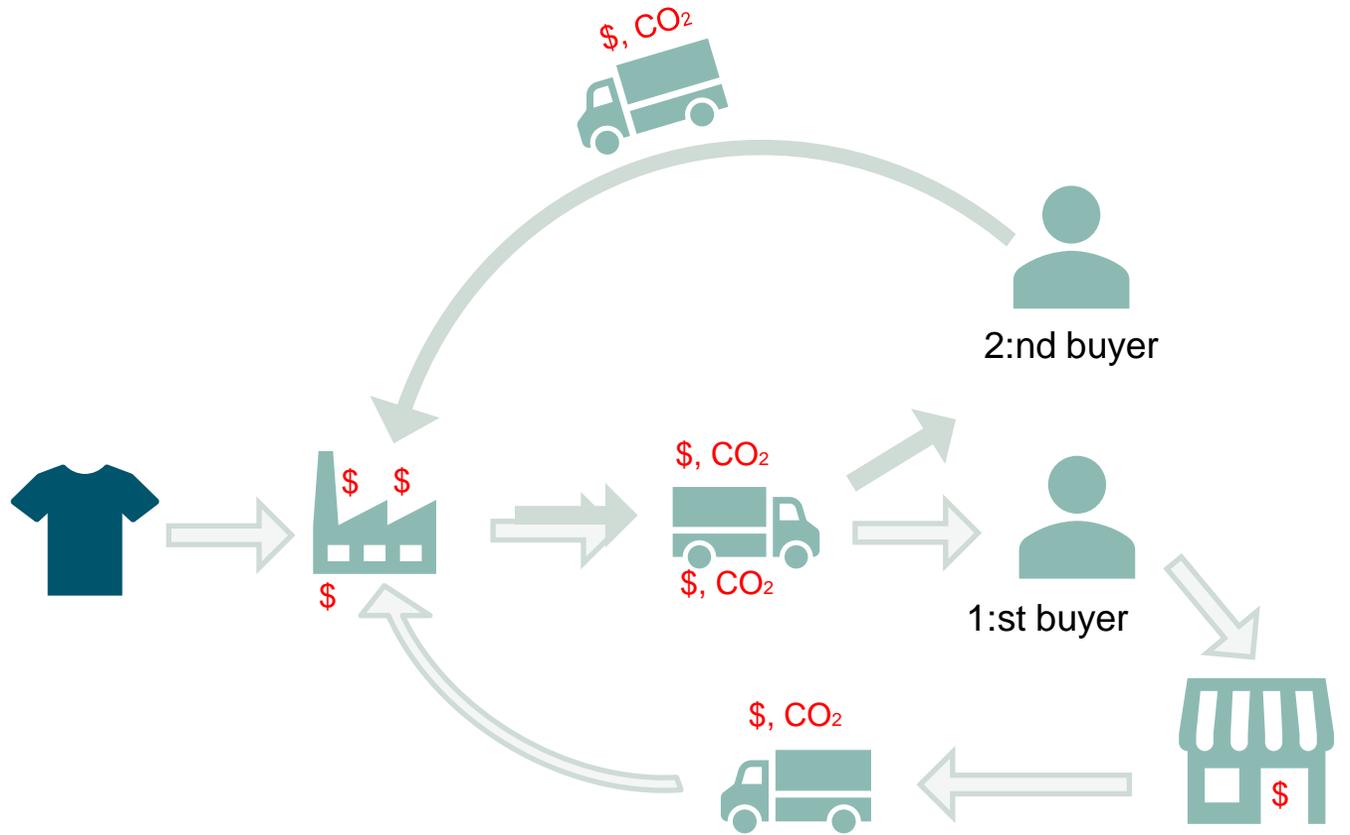
What's eating your margins?



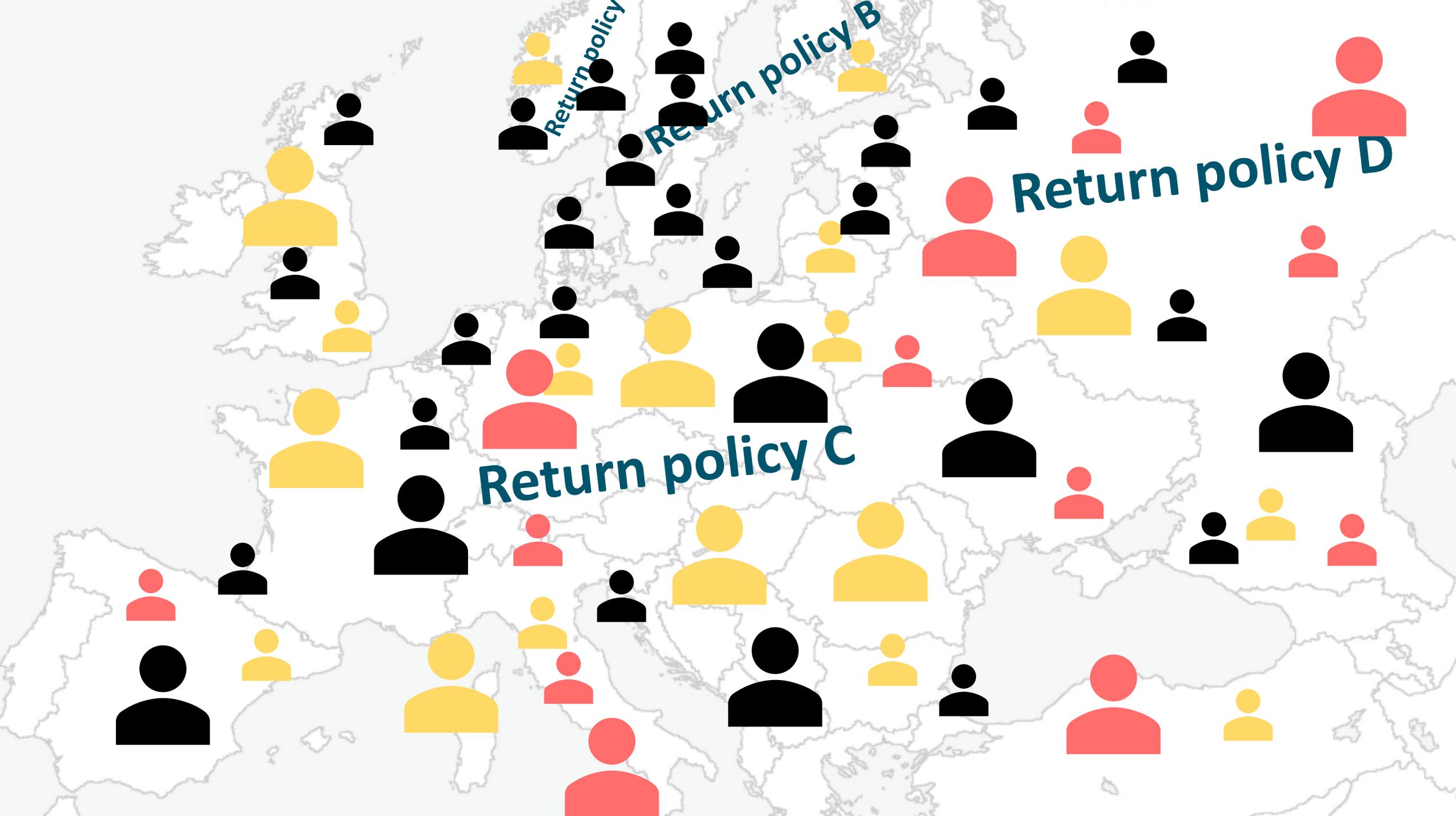


Profitability – eCommerce

What's eating your margins?







Return policy A

Return policy B

Return policy C

Return policy D



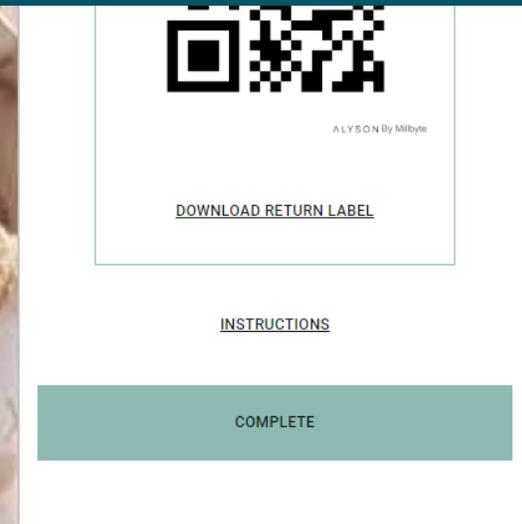
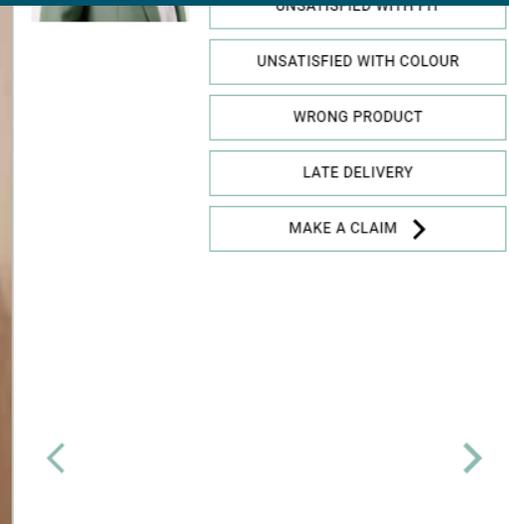
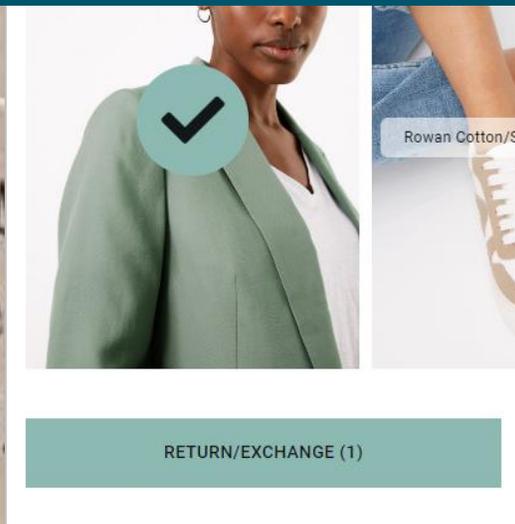
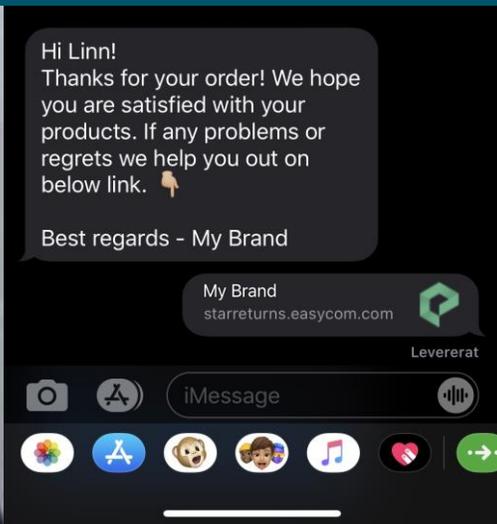
1. Digitalize your return process and return policy



Customer experience



Lost conversion



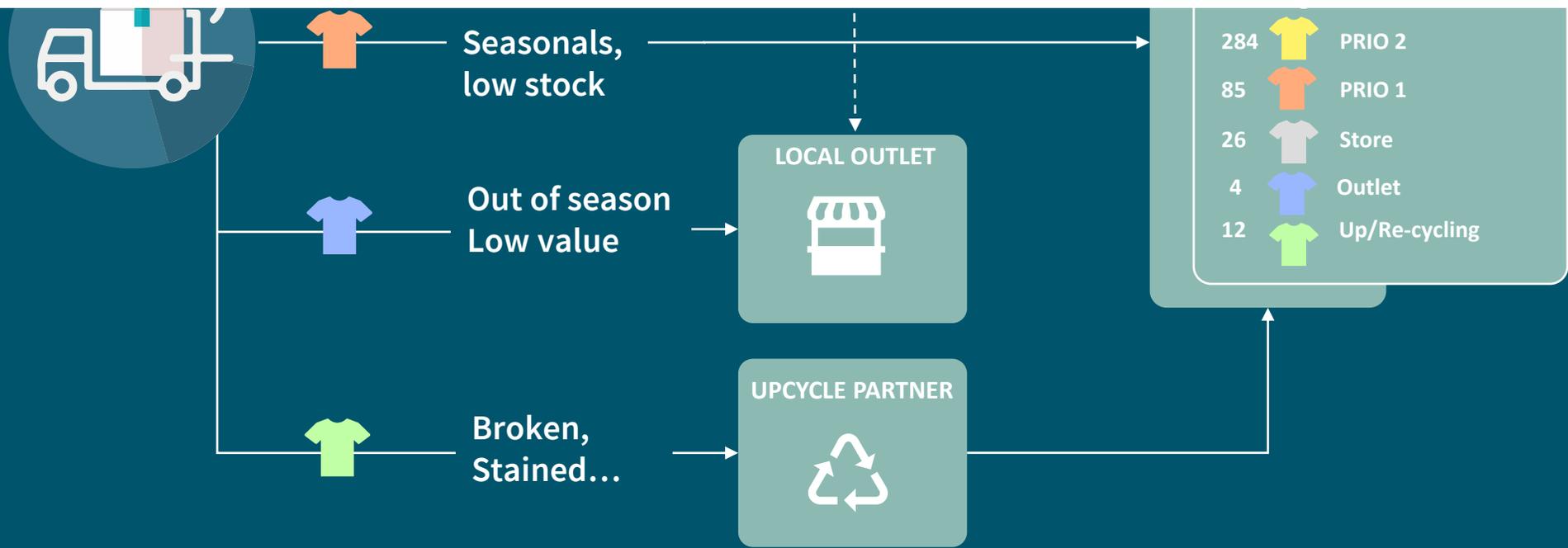


2 . Optimized return logistics and return room management

 Cost of returns

 Out of season, overstock

 Unnecessary transportations





3. Utilize the true profitability potential - Customers & Products



Return share



Profitability



Cost of returns

 True profit share

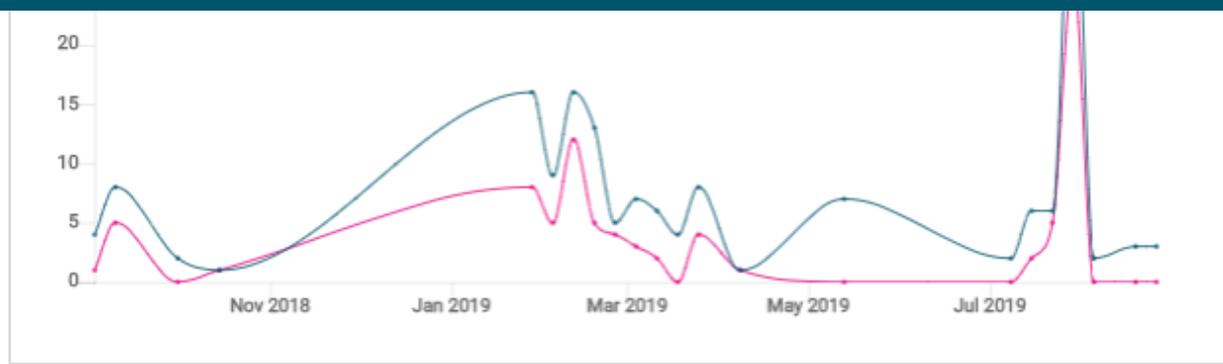
-24.8%

[SHOW IN CHART](#)

 Return share

50.0%

[SHOW IN CHART](#)



Take away´s

1. Returer är bra och dåliga

Främja lönsamma och hållbara beteenden och bromsa dåliga

2. Jobba mot att styra er affär baserat på “true profitability”

Maximera lönsamhet och minimera CO2 I varje transaktion

3. Digitalisera er returprocess

Vi kan inte styra någonting vi inte ser!

Tack för ditt deltagande

För frågor om studien; kontakta Sharon Cullinane, Handelshögskolan i Göteborg

För löpande nyheter från Handelsrådet; prenumerera på Handelsrådets nyhetsbrev via info@handelsradet.se

För löpande inbjudningar till CFRs workshops och event, maila infoCFR@handels.gu.se

För löpande nyheter och spaningar om handel; prenumerera på HUIs nyhetsbrev via www.hui.se

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