

IN-STORE

## Making the most out of holiday returns

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*Saks' 2014 holiday gift boxes*

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By SARAH JONES

In the days and weeks after the holidays, retailers will be swamped with returns, often considered a negative aspect of the shopping season.

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**Luxury Daily**

Returns are inevitable, but being prepared to provide a positive return process can benefit a brand in the long term. As shoppers come into stores looking to trade in merchandise, it gives retailers an opportunity to reach clients who are possibly first-time customers, as well as potentially, and carefully, convincing them to trade up for a larger purchase.

“Upselling is different for different types of luxury brands and if done well, can earn extra revenue for the company,” said Dr. Mousumi Bose Godbole, consumer behavior and marketing professor at Fairfield University’s [Dolan School of Business](#). “However, if done badly, it can really backfire.”

### Trading up

Upselling can be tricky, but if done correctly, it can help strengthen the bond between a customer and a particular store.

Dr. Bose Godbole’s advice for retailers is to really know your customer. For luxury brands, perhaps one of the most important consumer knowledge to have is understanding a client’s financial status.

Sales associates may be able to perceive a customer's spending power through what credit card they are using. Pushing a product that is out of a customer's means may turn them off and lead them to feel that the sales associate is trying to trick them into buying something.



*Dior sales associate*

Convincing a consumer to spring for a more expensive model is most effective when the sales associate is able to truly explain the benefit and the value of a product.

Recognizing the costs associated with a brand is also important.

“Ultimately, the perceived value for the brand should be higher than the costs incurred – not only the monetary cost but also the psychological cost of a return, social cost if any, physical cost of transporting the product, search cost and others,” Dr. Bose Godbole said. “Sometimes, some of these costs may be so high, for example, emotional cost due to social embarrassment related to the brand, that the customer may emotionally distance herself from upselling and the employee.”

Creating a rapport with a customer will help an associate decide whether upselling is the right tactic. Having a conversation with the client who is returning an item can help provide context and give the associate more background on their wants and needs.



*Rendering of Fortnum & Mason Heathrow store*

Sometimes, an upsell is not the best strategy.

"I think an upsell post-Christmas is always going to be challenging, as shoppers are expecting reduced prices, luxury market or otherwise," Ms. Rosenblum said. "So I'd probably think more about add-on items, and basically over-spending on the return, rather than offering a more expensive version of the same thing.

"In other words, think about cross-sells, not up-sells."

### Fraud prevention

Retailers' bottom lines are being threatened by return fraud, which is estimated to cost stores \$3.6 billion this holiday season, according to the National Retail Federation's 2014 Return Fraud Survey. According to the poll, 92.7 percent of retailers have experienced the return of stolen merchandise.

In an effort to provide a service for digital-savvy customers, many stores have implemented electronic receipts. However, these are a growing cause of fraudulent returns, with 18.2 percent saying they had experienced return fraud with e-receipts, up from 2013's 15.5 percent.

Wardrobing, or returning worn, but not defective merchandise is also a growing concern.

Some retailers have implemented policies to prevent fraud. For instance, Bloomingdale's now places a black tag separate from the price tag on its dresses costing more than \$150. Once the tag is removed at home, it can no longer be returned.



*Bloomingdale's Palo Alto store*

Putting these restrictions on luxury consumers can get sticky, since it interferes with their

perception of the customer service at a particular store.

“This is not a simple task, as the luxury shopper does not expect to be challenged in ‘weird ways’ – no receipt, no return, things like that,” said Paula Rosenblum, managing partner at [RSR Research](#), Miami. “I think the best idea is to think about theft on the front-end of the sale, rather than on the return side.

“A fraudulent return likely comes from a stolen item or a counterfeit item,” she said. “So making sure that best loss prevention practices are in place, including security guards, tags, etc. is the best way to stop fraud before it starts.”

Front-end approach

Even with positive policies in place, the best thing is to avoid returns altogether, by making sure sales associates provide the best direction possible when a gifter comes to the store in the first place.

“This is the paradox associated with returns,” Ms. Rosenblum said. “The absolute best way to turn them into repeat customers is to provide impeccable service. That creates a risk of accepting some fraudulent transactions.

“That’s why the best practice is to manage the front-end, pre-sale better.”

It is in a store’s best interest to having sales associates create a positive experience upon a return. Getting them to work with clients to potentially make a new sale and go above and beyond is easier when they are incentivized, either through reward or through verbal praise and feedback.

Making sure that this experience is the best possible can help a retailer potentially get a first-time customer back in the door.

The increase in holiday transactions made via ecommerce channels as well as the tendency for consumers to exchange unwanted holiday gifts leaves luxury marketers with the opportunity to gather information from prospects and impress them through in-person and digitally-based service in the coming weeks.

Luxury brands and retailers should take a 360-degree approach to offering returns and exchanges to show the best prospects that they can provide whenever-wherever service that is often a differentiator for the high-end shopping experience. All in all, marketers should be ready to convert those who come in with returns and gift cards into active customers through gathering information and impressing them through correspondence ([see story](#)).

“This is inherently related to the concept of the service-profit-chain,” Dr. Godbole said. “Internal marketing to the employees through training and motivation leads to good interactive marketing between customers and employees, which provides the context for upselling.

“A good experience during upselling will generate a positive response from the customer leading to repeat purchase,” she said. “Soon, acquaintances turn to friends and friends to

partners through the processes of satisfaction, trust and loyalty.”

Final Take

*Sarah Jones, editorial assistant on Luxury Daily, New York*

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