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RETAIL

How retail returns are negatively affecting the environment: Coresight

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Coresight's report suggests retailers take responsibility for eliminating points in the purchasing process that lead to returns. Image credit: National Retail Federation

By NORA HOWE

The COVID-19 pandemic accelerated ecommerce and, with it, a rapid increase in financially and environmentally costly product returns.

Retail returns continue to have a negative impact on the environment across three key areas: landfill, carbon emissions and packaging and plastic waste. Coresight Research's Sustainability Insight Report, commissioned by Newmine, explores the variety of ways in which product returns have exacerbated the challenge of creating a sustainable retail business.

"Retailers do not fully understand what is driving returns, from size, color and feel to quality, late delivery or damage," said Marie Driscoll, managing director of luxury and fashion at Coresight Research, New York. "As ecommerce has grown to represent a greater share of overall retail, returns rates are rising.

"There is no such thing as free shipping and free returns, retailer profit margins take the hit and the environment is impacted with the unnecessary back and forth of unwanted goods."

Cost of returns

Online returns more than doubled in 2020 from 2019, a consequence of consumers turning to ecommerce shopping at record levels amid the COVID-19 pandemic. According to the National Retail Federation (NRF), shoppers in the United States returned approximately $428 billion in merchandise in 2020, about 10. 6 percent of total retail sales for the year (see story).

Each year in the U.S., around 5 billion pounds of returned goods reportedly end up in a landfill.

In its 2020 Impact Report, returns solutions provider Optoro stated that an estimated 16 million metric tons of carbon dioxide were emitted from the transportation of returns last year. The report also claims that ecommerce returns can produce 14 percent more landfill waste than brick-and-mortar returns, due to inefficiencies in traditional reverse logistics.

According to delivery consolidation service Olive, 75 percent of ecommerce's carbon emissions come from single-use packaging and last-mile delivery, and when retailers offer doorstep pickup of returns, it creates a first-mile return journey that potentially doubles carbon emissions.

In 2019, conservation organization Oceana estimated that Amazon generated 465 million pounds of plastic packaging, 22 million pounds of which ended up polluting freshwater and marine ecosystems.

Oceana claims that 465 million pounds of plastic packaging is equivalent to dumping a delivery van's worth of plastic into water ecosystems every 70 minutes. Image credit: Oceana

Implications for and the hidden costs of returns span the entire product lifecycle, from design to post purchase, according to Coresight.

In terms of product ideation and creation, Coresight suggests that the wrong assumptions about the size of an opportunity and market validity, as well as inadequate quality control spanning the vendor base, raw materials and assembly, can lead to the overproduction of goods.

The speed of delivery from manufacturer to distribution center, retail point of sale or the consumer is a factor for both retailers and shoppers. Consumers may not need an item if it does not arrive within a specific timeframe, leading to an increased likelihood of returns.

Additionally, a product may be lost, misplaced or damaged at distribution centers or in the retailer's store, and products that are damaged cannot be sold at full price.

The customer experience of a return impacts future sales opportunities and can adversely impact the lifetime value of a customer.

There are many other factors that result in high returns rates as well.

According to a report by Incisiv, the top cause of returns is product quality.

Of the top 10 causes of retail returns, the report found that only two are uncontrollable: "bought to try" and "no longer needed." The other, controllable reasons present opportunities for retailers to reduce returns and improve sales, profits and lifetime value.

Returns are highly prevalent in the apparel sector due to issues around the fit, color and quality of clothing, which have accelerated due to consumers having to make purchases online rather than in stores.

Coresight's survey findings from March 2021 reveal that 42.4 percent of U.S. consumers had returned unwanted products in the prior 12 months, with clothing being the most returned category at 46.5 percent.

Employing artificial intelligence (AI) and machine learning can help retailers and brands rapidly deploy returns solutions and reverse the returns trend. New innovative retail tech companies, including 3DLOOK, Newmine and Returnly, are developing solutions to address multiple returns challenges.

The top cause for returns is product quality. Image credit: Newmine

Through its research, Coresight proposes that consumers care about returns policies and consider them prior to making a purchase. Instead of implementing complicated return policies that cause consumers to seek out alternative options, retailers should address the reasons shoppers return items and eliminate those causes, especially considering 70 percent of the top reasons for returns are controllable.

Retailers should improve their strategic sustainability efforts and encourage and educate consumers to be sustainable too. Options such as buy-online, return in-store and central return drop offs at convenient locations reduce both costs and carbon emissions associated with returns.

Additionally, retailers can provide shoppers with information about the carbon footprint of their alternative delivery services when consumers complete online checkout, offering transparency into the environmental implications of their delivery choices and enabling shoppers to make more informed decisions.

Circular fashion

Coresight listed fashion and apparel as the top category for returns, listing product quality as the top cause of returns.

The luxury fashion industry is starting to adapt by implementing consignment and rental services to try and mitigate waste caused by overproduction and returns.

U.S. department store chain Nordstrom collaborated with secondhand clothing platform Goodfair to launch a monthly vintage clothing shop. The first installment of the monthly shop went live on Jan. 28, selling out within hours.

The collaboration is the latest way Nordstrom and other retailers are finding innovative ways to implement and maintain sustainability (see story).

Even before the pandemic, British fashion house Burberry linked with luxury consignment marketplace The RealReal to encourage consumers to extend the life cycle of their wardrobes. Launched on National Consignment Day on Oct. 7, 2019, the alliance intended to give Burberry consumers an incentive to sell their pre-owned garments on The RealReal (see story).

"For luxury brands, returns generally do not reflect quality issues, rather issues that are beyond the retailers' and brands' control," Ms. Driscoll said. "Often, its simply that the shopper changed their mind about the item.

"Many luxury shoppers buy a few choices with the intent to decide on keeping one and returning the rest," she said. "With luxury moving rapidly online, return rates are likely to rise as online shopping lacks the ability to test and try on."