

APPAREL AND ACCESSORIES

Average online apparel return rate at 24.4pc: Coresight

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Return purchases in the United States is currently worth \$38 billion, causing companies to rethink current shopping experiences and systems. Image credit: Adobe

By EMILY IRIS DEGN

Consumers are increasingly making returns online, causing apparel brands and retailers to take a massive financial hit.

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According to Coresight Research's "[The True Cost of Apparel Returns](#)" insight report, the return rate for online apparel purchases in the United States is 24.4 percent, altogether worth \$38 billion. Consumers state sizing and fitting issues as their main concern, signaling a rising need for sizing inclusivity, virtual try-on innovations and an overall rethinking of the current shopping experience within fashion.

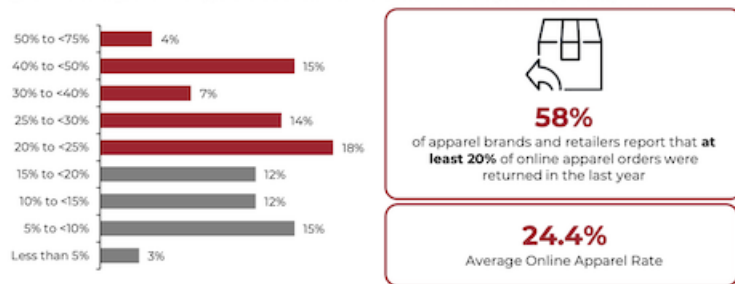
The findings for the report sponsored by 3DLook, an AI technology company are based on data collected online through B2B surveys of more than 100 "decision-makers" with roles equivalent to senior managers or above at US-based fashion companies and retailers, conducted on March 6, 2023. Respondents had to work at organizations that sell apparel that include online sales, bringing in an annual revenue of \$10 million or more.

The return of fashion

While the COVID-19 pandemic certainly accelerated online shopping sales, and the number of returns made because of it, fashion has especially been affected compared to other categories.

Forty-five percent of respondents stated that over the last two years, apparel return rates increased "moderately" or "significantly" for their companies. In fact, 58 percent of apparel brands and retailers reported that at least 20 percent or one-fifth of all online orders were returned in the last year.

Figure 1. Percentage of Online Apparel Orders Returned in the Last 12 Months (% of Respondents)



Base: 100 decision-makers at US-based apparel brands and retailers, surveyed on March 6, 2023
Source: Coresight Research

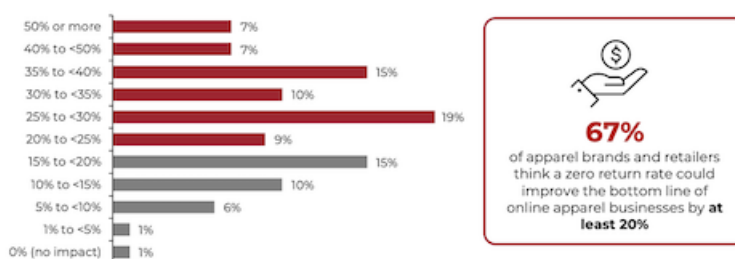
Return rates are surging in the face of a booming ecommerce industry. Image credit: Coresight

The footwear and apparel market as a whole is experiencing 7.9 percent more online returns than the national average for all online purchases, which sits at 16.5 percent. As the \$155.8 billion category sees \$38 billion in returns with \$25.1 billion in return-related processing costs changes to both the shopping experience and the inventory itself are necessary to avoid further loss.

Offline-based apparel companies are seeing especially high return rates on their online storefronts, compared to online-only shops, averaging 28 percent and 21 percent respectively. Leaders of the offline organizations reported returns reducing their company's bottom line by 28.9 percent, averaging an \$11.34 million loss.

Lenient return policies are largely considered to blame.

Figure 2. How Much a Zero Return Rate Would Improve the Bottom Line of Online Apparel Businesses (% of Respondents)



Base: 100 decision-makers at US-based apparel brands and retailers, surveyed on March 6, 2023
Source: Coresight Research

Leaders in the industry agree that minimizing returns has a huge savings potential. Image credit: Coresight Research

Sixty-seven percent of apparel retailers and brands responded to the survey stating that a zero return rate could improve their bottom lines by 20 percent at least. Those responding from online-based companies worth over \$100 million believed that the savings would be higher, reporting that it would save more than 50 percent.

Not only would a no-return policy grant substantial economic perks, but environmentally speaking, minimizing returns has significant value.

According to a 2020 report, 16 million metric tons of carbon dioxide are emitted from return orders' transportation impact alone (see story).

Reducing returns could not only lessen carbon emissions from transportation fuel but sidesteps the fossil fuel usage needed to make plastic return packaging. Additionally, as many companies do not always reuse returned items due to damage or policy, returns often lead to wasted clothing and textiles, which could be saved with the elimination of the option.

For deeper insights into how skyrocketing #return rates are hammering #retailers check out our newly published report, produced in partnership with @3dlook_me, found here:

<https://t.co/4BhwbjLrY>

Coresight Research (@CoresightNews) April 27, 2023

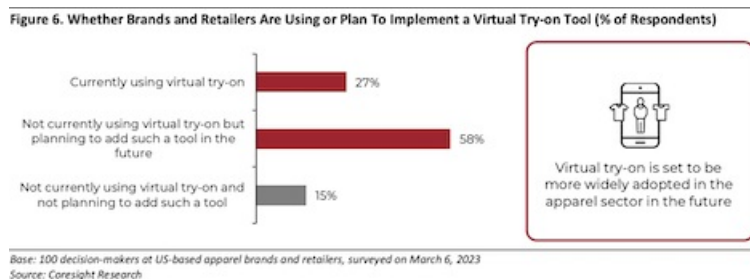
Slashing free shipping options could also prevent so many consumers from utilizing return options in the first place, as well as buying so many items just to try on and return those they do not want anymore.

Retailers focusing on quantity-over-quality choices at higher price points could lead to consumers buying fewer pieces, however, paired with a pay-to-return policy, the move has the potential to increase revenue. This places luxury in a strong position in the face of the upturned return trend, as luxury labels have higher price points, to begin with.

Embracing all bodies

Of the top three reasons stated for returns within the last 12 months, 53 percent of respondents named sizing and fitting issues as the reason behind it.

Virtual try-on tools are floated as a solution for this consumer concern. However, 27 percent of those surveyed stated that their companies are already using the technology 58 percent are not doing so yet, but plan to in the future.



AI technology is being explored as an option to enable consumers to find their sizes online. Image credit: Coresight

Of the 29 percent of respondents working at companies that use size recommender tools as a solution, 80 percent of them reported that it increases conversion.

Overall, proper sizing is a problem across companies, making size inclusivity an especially poignant topic for retail at large ([see story](#)).

Luxury brands that add inclusive sizing and body diversity to their products, marketing and modeling lineup have an opportunity to speak to those who are frustrated with the lack of accurate sizing and body representation ([see story](#)), which based on the return statistics, is a large number of consumers.