

How COVID-19 Altered Consumer Behavior and Retail Returns

DATA REPORT

JUNE 2020



Over the last three months, we've seen the COVID-19 pandemic disrupt retail as we know it.

As stores shuttered, consumers moved increasingly online—both to shop and to return. In May, we reported that average weekly return volumes flowing through Optoro's Returns Management solution decreased by 20%, but predicted that many retailers would see regional returns spikes as stores re-opened.

To further understand the consumer sentiment and behavior driving the shifts in returns patterns, we surveyed over 2,000 US consumers* to find out what motivated them to shop and return—or NOT shop and return—during the isolation period.

*2039 US consumers were surveyed between May 8-10, 2020

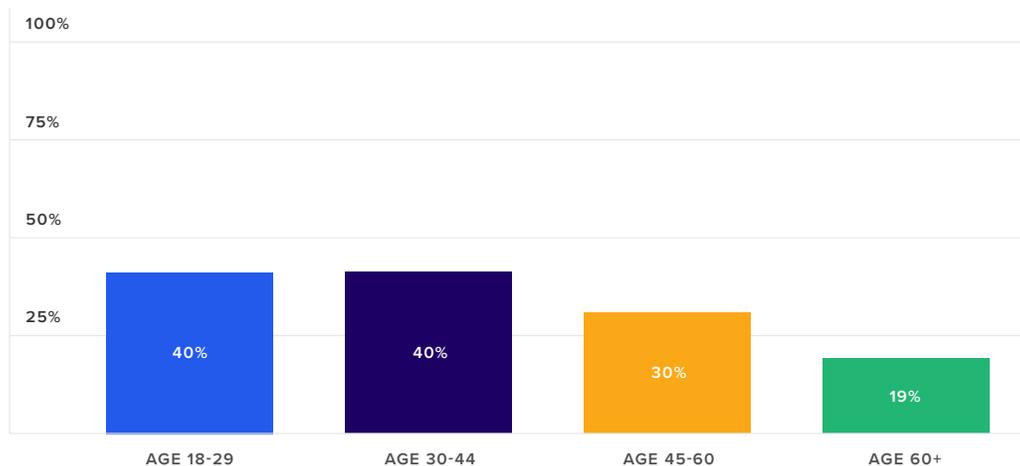
How Store Closures Affected Return Habits

Before the COVID-19 pandemic hit, we found that 66% of shoppers preferred to return items to stores, as opposed to online.¹ But with stores closed, both retailers and consumers needed to adjust returns policies and habits.

In earlier consumer research, we found 89% of consumers who had recently made a return, checked the return policy before they even purchased an item.² And many retailers decided to extend their return policies to make up for the fact that consumers could no longer use their preferred method. **According to our latest research, one third of consumers took advantage of those extended return periods and actually made a purchase BECAUSE of it.** Younger shoppers especially appreciated the flexibility as 40% of 18-29 year olds were motivated to make a purchase because of an extended return policy, as opposed to only 14% of shoppers 60 and older.

We also found that **one in three people indicated that they held onto one or more returns during the isolation period, waiting for stores to reopen.** And we discovered that younger shoppers were more likely to alter their returns habits, as 40% of 18-44 year olds were holding onto a return, whereas only 19% of shoppers 60 and older were.

CONSUMERS HOLDING ONTO ONE OR MORE RETURNS



And as stores continue to open across the country, we expect that this behavioral shift will continue for some time. **At 44%, almost half of younger consumers say they still won't feel comfortable going to stores once they reopen.**

1 Holiday Returns Consumer Survey, Optoro, February 2020.

2 Retail Returns and the Consumer Experience, Optoro, 2018.

How Retailers Can Adapt

As we've reported previously, a negative returns experience can deter 89% of consumers from becoming repeat customers, so it's imperative that retailers adapt to changing consumer needs.

Return policies should be re-evaluated to extend return time windows, even as stores reopen. Retailers should also examine return methods and ensure that they're offering safe and convenient returns options such as curbside drop-offs, online returns, and contactless store returns—which is especially important for those who cater to younger consumers.

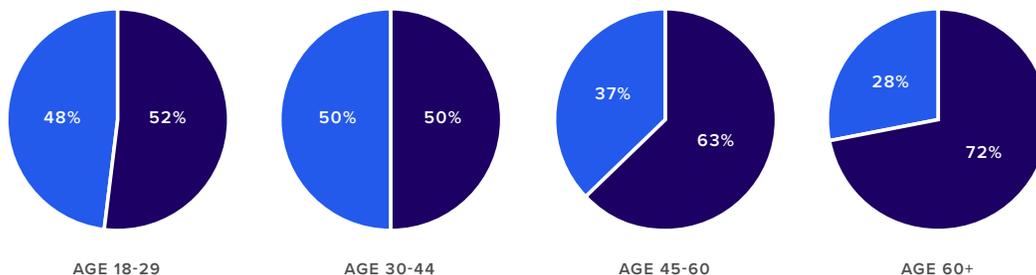
How Safety Concerns Affected Returns Habits

While most shoppers previously preferred to return items to stores, **31% mailed in an item during the isolation period and 44% said that they would continue to use that method even once stores reopened.**

Again, we saw that age plays a factor in returns habits as a majority of respondents aged 18-60 plan to continue returning by mail, while a majority of shoppers aged 60+ will continue to return in stores.

We also found that younger consumers exercised more caution when it came to other returns drop-off methods. 48% of consumers aged 18-29 and 50% of consumers aged 30-44 avoided dropping off a return at drop-off locations that remained open during the isolation period, compared to only 28% of those aged 60 and older.

CONSUMERS WHO AVOIDED RETURNS DROP-OFFS DURING ISOLATION PERIOD



How Retailers Can Adapt

This signals a potential shift in returns habits that could last beyond the immediate crisis. Retailers should ensure that their online returns strategies provide a positive customer experience. Offering a self-service returns initiation portal and options for returns drop-offs can go a long way in retaining customers. **According to our research, females especially appreciate a self-service portal as their preferred method of returns initiation, more so than men.**

And to appease store safety concerns, retailers should adopt returns methods that allow customers to feel more safe coming into the store. Offering express returns mobile portals that let customers queue up their return data ahead of time or even dedicating certain areas of the store to be returns-only can quell fears.

How Financial Concerns Affected Returns Habits

Retail store closures and safety concerns haven't been the only disruption in recent months—the economy has also had a major impact on consumption.

As of May 12, 2020, combined spending across all consumer categories dropped by almost 30% YOY.³

Of our respondents who made a return during quarantine, 35% of people aged 18-29 said their return was due to budget restrictions. Yet, as we reported in May, consumers are still shopping for certain categories of inventory that they deem essential. So while consumers may return an expensive luxury item, they could still be in the market for something that meets their new needs. And the return experience is an opportunity to offer a chance to convert returns into exchanges.

We found that **34% of respondents who made a return during quarantine used their refund to make another purchase with the same brand, while 14% used it to make a purchase from a different brand.** Offering a customer-friendly returns experience can prevent the loss of customers to another brand.

³ How US Consumers Are Spending Differently During COVID-19, Visual Capitalist, May 21, 2020, <https://www.visualcapitalist.com/how-u-s-consumers-are-spending-differently-during-covid-19/>

How Retailers Can Adapt

A quick refund is one of the most important returns considerations for many consumers. Offering an instant refund or credit can not only garner loyalty, but it can also spur shoppers to immediately shop again. And even for those cash-strapped consumers who won't immediately repurchase, they'll be more likely to return to shop in the future if they're provided with a positive returns experience.

We've also seen an increase in consumers looking to secondary markets for discounted deals. Vestaire Collective, a fashion retail site, has reported a 44% increase in listings this past month, and resale company ThredUp reported similar increases.⁴

While consumers are looking to curb spending, retailers can take advantage of secondary market channels by connecting returned and excess inventory to buyers looking for discounted goods.

Conclusion

From store closures forcing altered methods of return, to increased safety and financial concerns, consumers' return habits have changed. While a majority of consumers once preferred to return to stores, many will now be looking for what they feel is the safest option. Re-evaluating return policies to allow for flexible return windows and contactless drop-off methods, shifting processes to optimize the online returns experience and embracing secondary markets can set retailers up for success in the post-COVID world.

⁴ As Retail Struggles, the Online Resale Market Is Booming, The Rob Report, May 18, 2020, <https://robbreport.com/style/accessories/online-fashion-resale-is-booming-during-the-covid-19-lockdown-2921981/>



Optoro is the leading provider of returns technology for retailers and brands, using data and real-time decision making to make returns better for customers, retailers, and the planet. From an easy online customer returns portal, to warehouse processing and resale, Optoro offers one unified platform to improve outcomes across all points in the returns process. Retailers and brands—including Best Buy, Ikea, Target, and Staples—trust Optoro’s solution to make returns a strategic advantage for their business and enable sustainability initiatives across their supply chain.

Learn more about Optoro’s solutions at www.optoro.com