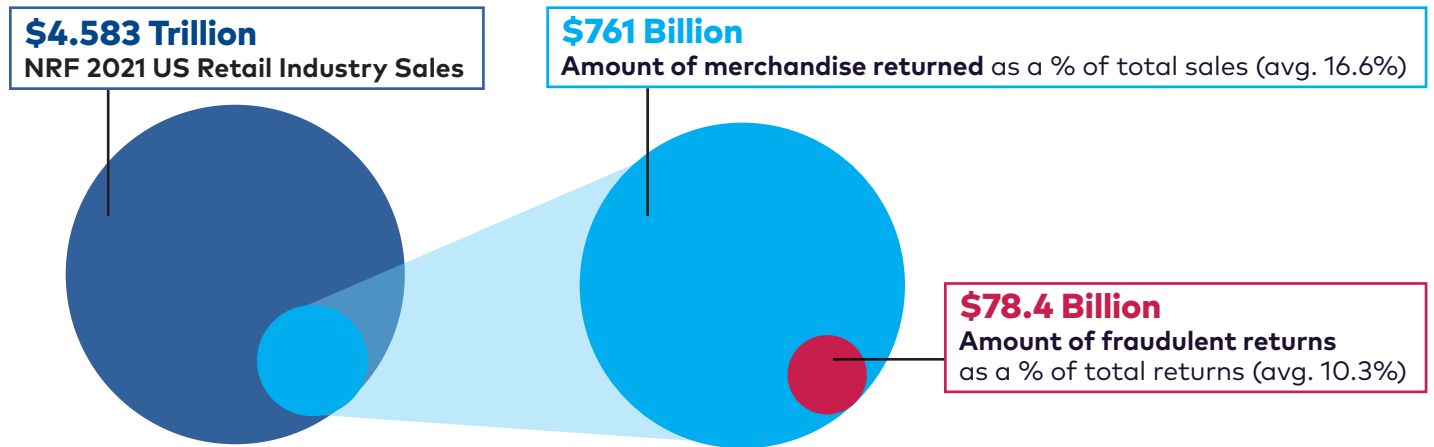


Consumer Returns in the Retail Industry 2021

Merchandise Returns



Source: Appriss Retail and National Retail Federation 2021 Returns Survey, Oct-Nov 2021.

Return Facts

- Total returns account for **\$761 billion in lost sales** for US retailers. This revenue is larger than the U.S. Federal Government spent on National Defense in 2020. (www.cbo.gov/publication/57170)
- For every \$1 billion in sales, the **average retailer incurs \$166 million** in merchandise returns.
- **Online orders have a higher rate of return** and are a major driver of the overall growth of returns.
- For every \$100 in returned merchandise accepted, **retailers lose \$10.30 to return fraud**, up from \$8.80 in 2019.
- Returned returns are **a hidden risk** from behaviors like shoplifting, collusion, wardrobing, and more.

Summary of Returns and Return Fraud

Metric	Average	Retail Industry
NRF 2021 US retail industry sales ⁽¹⁾ (in-store and online)	100%	\$4,583,000,000,000
Total amount of returns	16.6%	\$760,778,000,000
Total amount of fraudulent returns	10.3%	\$78,360,134,000
Non-receipted returns	15.6%	\$118,681,368,000
Non-receipted return fraud	12.8%	\$15,191,215,104
Receipted returns	84.4%	\$642,096,632,000
Receipted return fraud ⁽²⁾	9.8%	\$63,168,918,896

Source: Appriss Retail and National Retail Federation 2021 Returns Survey, Oct-Nov 2021.

Note: National Retail Federation notes that findings are directional only. All findings are among the responding companies and have not been scaled as a reflection on the retail industry as a whole, or to match firmographics of prior years' surveys.

(1) The National Retail Federation's US retail industry sales figure includes most traditional retail categories including non-store, auto parts and accessories stores, discounters, department stores, grocery stores, and specialty stores, and excludes sales at automotive dealers, gas stations, and restaurants. .

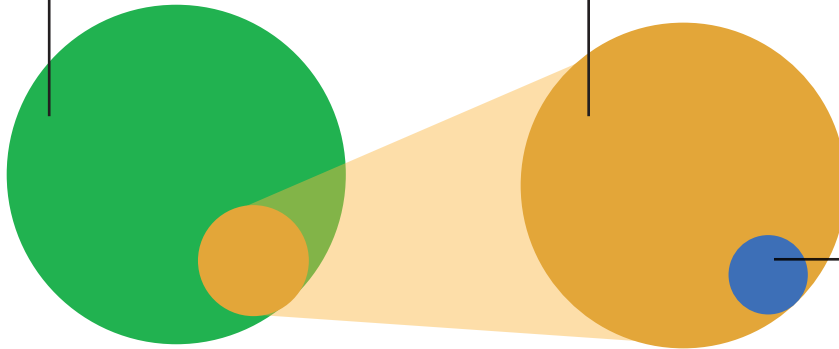
(2) Receipted return fraud derived by subtracting non-receipted return fraud from total return fraud.

Holiday Returns

\$887 Billion
NRF 2021 US Holiday Sales

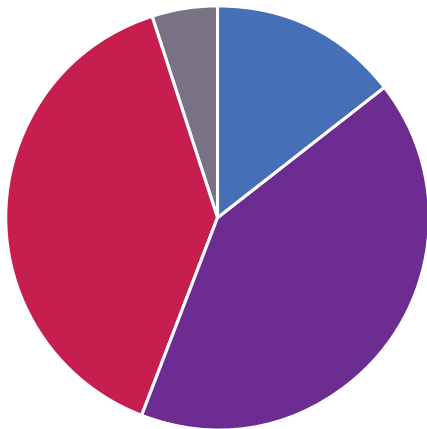
\$158 Billion
Amount of merchandise returned as a % of holiday sales (avg. 17.8%)

\$17.0 Billion
Amount of fraudulent returns as a % of holiday returns (avg. 10.8%)



Source: Appriss Retail and National Retail Federation 2021 Returns Survey Oct-Nov 2021

Were you planning to hire more staff to handle returns during the holidays?



- Yes, significantly more - 14.63%
- Yes, somewhat more - 41.46%
- No - 39.02%
- Unknown - 4.88%

Source: National Retail Federation 2021 Returns Survey Oct-Nov 2021

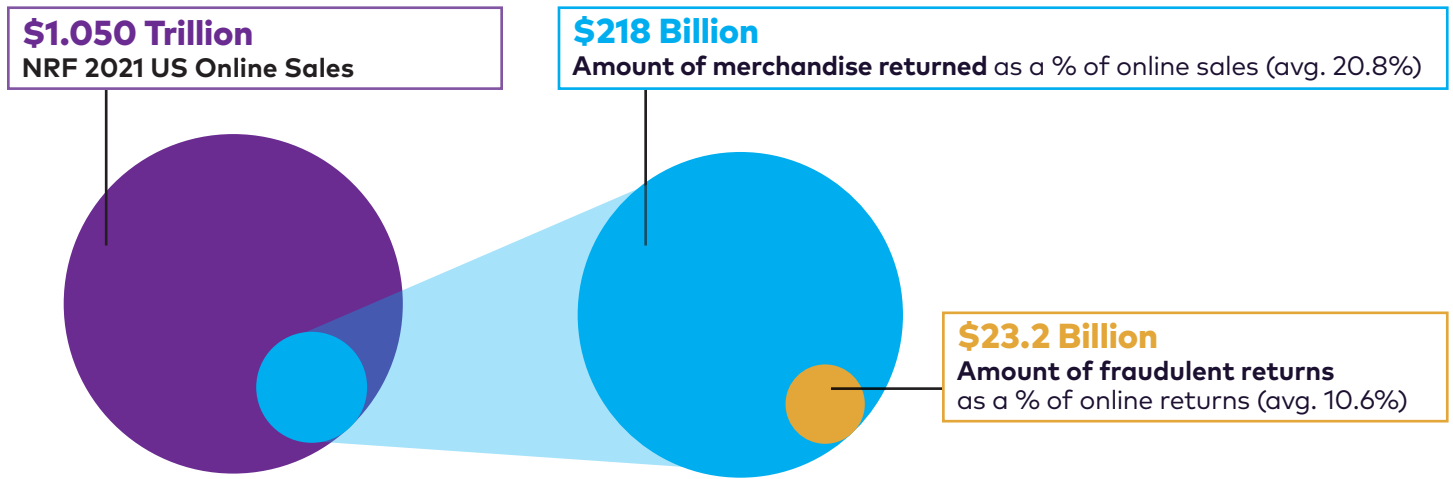
Holiday Return Changes

What were your plans to offer customers the option to make returns using 3rd party "no box", "no label" providers to process your returns?

Response	Average
Currently offer this	2.44%
Do not currently offer this but plan to roll it out during the 2021 Holiday season	12.20%
Do not currently offer but plan to roll it out after the 2021 Holiday season	2.44%
Do not currently offer and have no immediate plans	82.93%

Source: Appriss Retail and National Retail Federation 2021 Returns Survey Oct-Nov 2021

Online Returns



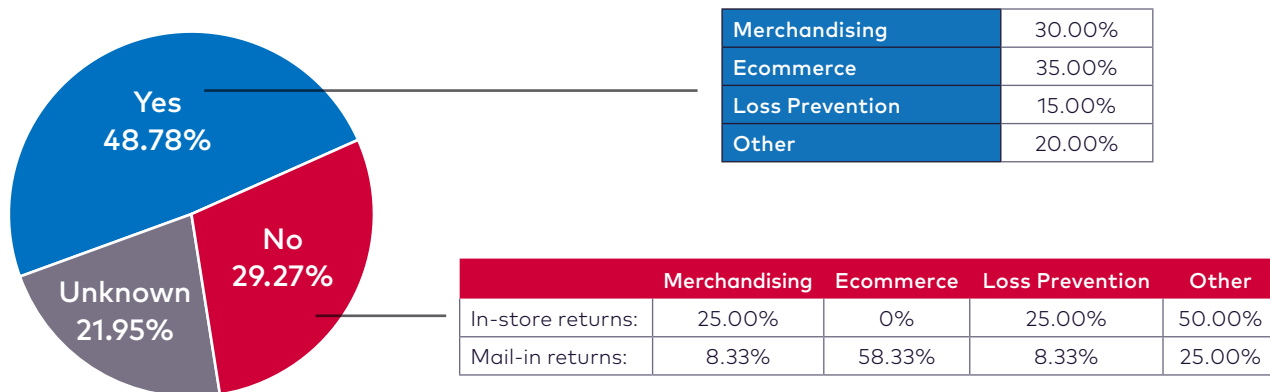
Source: Appriss Retail and National Retail Federation 2021 Returns Survey Oct-Nov 2021

Returns Can Be Great Opportunities

- **Returns can improve experience.** Your best shoppers often make the most returns.
- In-store returns are a method to **meet and convert** an online buyer.
- **Returns can be managed.** How they are handled impacts experience perceptions.
- Returns are an **opportunity to sell** to a known customer.

Managing Online Returns

Is the same department responsible for overseeing both in-store and mail-in returns?



Source: Appriss Retail and National Retail Federation 2021 Returns Survey Oct-Nov 2021

Return Issues

Which Examples of Return Fraud Have Retailers Experienced in the Past Year?

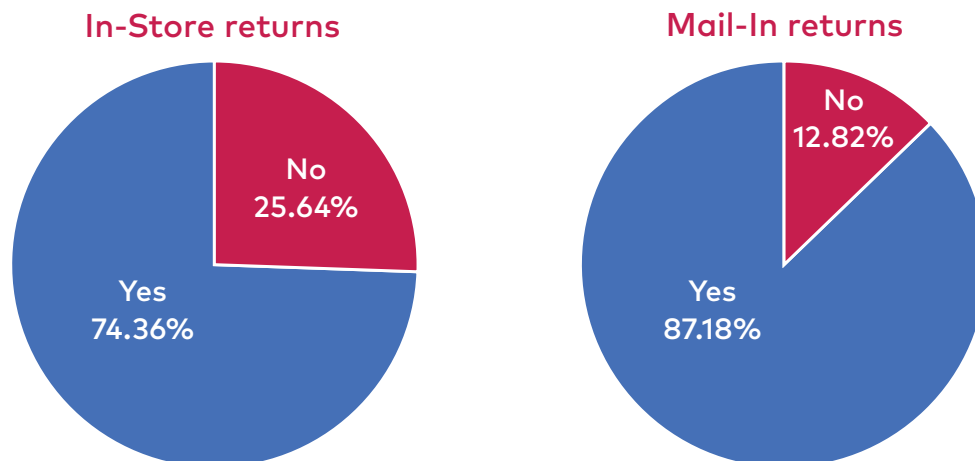
Response	Average
Wardrobing (returns of used, non-defective merchandise)	68.42%
Return of shoplifted/stolen merchandise	56.14%
Employee return fraud and/or collusion with external sources	35.09%
Return of merchandise purchased on fraudulent or stolen tender	35.09%
Returns using e-receipts	28.07%
Returns made by ORC groups	19.30%
Returns using counterfeit receipts	10.53%
None of the above	5.26%
Other	5.26%

Source: Appriss Retail and National Retail Federation 2021 Returns Survey Oct-Nov 2021

What Are the Biggest Returns Challenges Retailers Are Facing Right Now?

- "Cost of processing and increase in volume"
- "Fraudulent returns, or people using an item and then returning"
- "Logistics costs and long shipping time, moving to multiple DCs and coming up with a standard process"
- "To keep track of return inventory and update it back into my stock list"
- "Timely processing of online returns due to insufficient customer documentation"
- "How to handle the refurbishing or reprocessing to the floor"
- "Organized theft rings"
- "No receipt, or wanting a cash refund with it not being a credit card purchase"
- "Lost/damaged packages and shipping delays"
- "Customer retention and/or converting to exchanges"
- "Current policies regarding non-receipted returns and exchanges — it is encouraging fraudulent activity"
- "Products offered online only returned to stores and immediately marked down, buying in bulk and returning merchandise, returning and rebuying at a sale price"

Do You Require Receipts for Returns?



Source: Appriss Retail and National Retail Federation 2021 Returns Survey Oct-Nov 2021

Post-Pandemic Returns

Return Volumes

Compared to pre-pandemic levels, has the percentage of returns that are made to a brick-and-mortar store increased, decreased, or stayed the same?

Response	Average
Increased significantly (More than 5%)	26.19%
Increased slightly (Between 1% and 5%)	19.05%
Stayed the same	33.33%
Decreased slightly (Between -1% and -5%)	16.67%
Decreased significantly (More than -5%)	4.76%

Source: Appriss Retail and National Retail Federation 2021 Returns Survey Oct-Nov 2021

Managing Returns

Do you charge for mailed/shipped returns?

Response	Average
Yes, we currently charge	39.53%
No, but we plan to for the holiday season	2.33%
No, and we don't plan to	39.53%
Not yet decided	18.60%

Source: Appriss Retail and National Retail Federation 2021 Returns Survey Oct-Nov 2021

Return Changes

In light of the recently announced package rate increases, are you changing any of your returns policies or providing expanded opportunities for customers to return their orders?

Response	Average
Yes	4.76%
No	59.52%
Not sure	35.71%

Source: Appriss Retail and National Retail Federation 2021 Returns Survey Oct-Nov 2021

Lost Sales Tax Impact of Return Fraud

US STATE	% OF NATIONWIDE RETAIL SALES ⁽¹⁾	SALES	RETURNS	STATE SALES TAX RATE ⁽²⁾	RETURN FRAUD ESTIMATE	
					LOST RETAIL REVENUE	LOST SALES TAX REVENUE
Alabama	1.50%	\$68,745,000,000	\$13,683,057,554	4.000%	\$1,409,354,928	\$56,374,197
Alaska	0.26%	\$11,915,800,000	\$2,371,729,976	0.000%	\$244,288,188	\$0
Arizona	2.24%	\$102,659,200,000	\$20,433,365,947	5.600%	\$2,104,636,693	\$117,859,655
Arkansas	0.91%	\$41,705,300,000	\$8,301,054,916	6.500%	\$855,008,656	\$55,575,563
California	11.90%	\$545,377,000,000	\$108,552,256,595	6.000%	\$11,180,882,429	\$670,852,946
Colorado	1.70%	\$77,911,000,000	\$15,507,465,228	2.900%	\$1,597,268,918	\$46,320,799
Connecticut	1.25%	\$57,287,500,000	\$11,402,547,962	6.350%	\$1,174,462,440	\$74,578,365
Delaware	0.37%	\$16,957,100,000	\$3,375,154,197	0.000%	\$347,640,882	\$0
Dist. of Columbia	0.15%	\$6,874,500,000	\$1,368,305,755	6.000%	\$140,935,493	\$8,456,130
Florida	7.30%	\$334,559,000,000	\$66,590,880,096	6.000%	\$6,858,860,650	\$411,531,639
Georgia	3.01%	\$137,948,300,000	\$27,457,335,492	4.000%	\$2,828,105,556	\$113,124,222
Hawaii	0.50%	\$22,915,000,000	\$4,561,019,185	4.000%	\$469,784,976	\$18,791,399
Idaho	0.51%	\$23,373,300,000	\$4,652,239,568	6.000%	\$479,180,676	\$28,750,841
Illinois	4.05%	\$185,611,500,000	\$36,944,255,396	6.250%	\$3,805,258,306	\$237,828,644
Indiana	1.99%	\$91,201,700,000	\$18,152,856,355	7.000%	\$1,869,744,205	\$130,882,094
Iowa	0.92%	\$42,163,600,000	\$8,392,275,300	6.000%	\$864,404,356	\$51,864,261
Kansas	0.79%	\$36,205,700,000	\$7,206,410,312	6.500%	\$742,260,262	\$48,246,917
Kentucky	1.26%	\$57,745,800,000	\$11,493,768,345	6.000%	\$1,183,858,140	\$71,031,488
Louisiana	1.33%	\$60,953,900,000	\$12,132,311,031	4.450%	\$1,249,628,036	\$55,608,448
Maine	0.51%	\$23,373,300,000	\$4,652,239,568	5.500%	\$479,180,676	\$26,354,937
Maryland	1.99%	\$91,201,700,000	\$18,152,856,355	6.000%	\$1,869,744,205	\$112,184,652
Massachusetts	2.34%	\$107,242,200,000	\$21,345,569,784	6.250%	\$2,198,593,688	\$137,412,105
Michigan	3.10%	\$142,073,000,000	\$28,278,318,945	6.000%	\$2,912,666,851	\$174,760,011
Minnesota	1.80%	\$82,494,000,000	\$16,419,669,065	6.875%	\$1,691,225,914	\$116,271,782
Mississippi	0.89%	\$40,788,700,000	\$8,118,614,149	7.000%	\$836,217,257	\$58,535,208
Missouri	1.97%	\$90,285,100,000	\$17,970,415,588	4.225%	\$1,850,952,806	\$78,202,756
Montana	0.36%	\$16,498,800,000	\$3,283,933,813	0.000%	\$338,245,183	\$0
Nebraska	0.62%	\$28,414,600,000	\$5,655,663,789	5.500%	\$582,533,370	\$32,039,335
Nevada	1.14%	\$52,246,200,000	\$10,399,123,741	6.850%	\$1,071,109,745	\$73,371,018
New Hampshire	0.67%	\$30,706,100,000	\$6,111,765,707	0.000%	\$629,511,868	\$0
New Jersey	3.12%	\$142,989,600,000	\$28,460,759,712	6.515%	\$2,931,458,250	\$190,984,505
New Mexico	0.62%	\$28,414,600,000	\$5,655,663,789	5.125%	\$582,533,370	\$29,854,835
New York	5.93%	\$271,771,900,000	\$54,093,687,530	4.000%	\$5,571,649,816	\$222,865,993
North Carolina	2.89%	\$132,448,700,000	\$26,362,690,887	4.750%	\$2,715,357,161	\$128,979,465
North Dakota	0.25%	\$11,457,500,000	\$2,280,509,592	5.000%	\$234,892,488	\$11,744,624
Ohio	3.39%	\$155,363,700,000	\$30,923,710,072	5.750%	\$3,185,142,137	\$183,145,673
Oklahoma	1.00%	\$45,830,000,000	\$9,122,038,369	4.500%	\$939,569,952	\$42,280,648
Oregon	1.27%	\$58,204,100,000	\$11,584,988,729	0.000%	\$1,193,253,839	\$0
Pennsylvania	4.07%	\$186,528,100,000	\$37,126,696,163	6.000%	\$3,824,049,705	\$229,442,982
Rhode Island	0.34%	\$15,582,200,000	\$3,101,493,046	7.000%	\$319,453,784	\$22,361,765
South Carolina	1.36%	\$62,328,800,000	\$12,405,972,182	6.000%	\$1,277,815,135	\$76,668,908
South Dakota	0.32%	\$14,665,600,000	\$2,919,052,278	4.500%	\$300,662,385	\$13,529,807
Tennessee	2.10%	\$96,243,000,000	\$19,156,280,576	7.000%	\$1,973,096,899	\$138,116,783
Texas	7.49%	\$343,266,700,000	\$68,324,067,386	6.250%	\$7,037,378,941	\$439,836,184
Utah	0.84%	\$38,497,200,000	\$7,662,512,230	4.850%	\$789,238,760	\$38,278,080
Vermont	0.25%	\$11,457,500,000	\$2,280,509,592	6.000%	\$234,892,488	\$14,093,549
Virginia	2.63%	\$120,532,900,000	\$23,990,960,911	4.524%	\$2,471,068,974	\$111,791,160
Washington	2.26%	\$103,575,800,000	\$20,615,806,715	6.500%	\$2,123,428,092	\$138,022,826
West Virginia	0.54%	\$24,748,200,000	\$4,925,900,719	6.000%	\$507,367,774	\$30,442,066
Wisconsin	1.80%	\$82,494,000,000	\$16,419,669,065	5.000%	\$1,691,225,914	\$84,561,296
Wyoming	0.21%	\$9,624,300,000	\$1,915,628,058	4.000%	\$197,309,690	\$7,892,388
Total						\$5,161,702,949

Source: Apriss Retail and National Retail Federation 2021 Returns Survey, Oct-Nov 2021.

(1) Source: U.S. Census

(2) Source: Federation of Tax Administrators (www.taxadmin.org)

Additional Information

Return Costs

- **A return is a lost sale.** Cash, profits, and margin percentage are reduced.
- **Returns increase labor costs** due to inspection and re-stocking time.
- Returns cause markdowns, out-of-stocks, and logistics **expenses to increase.**
- Returns **cannot always be resold.**

Return Fraud Impacts

Retailers must offset the negative business impact of return fraud by increasing prices to consumers and by reducing costs.

2M LOST RETAIL JOBS

At an average retail salary of \$35,800 per year (U.S. Bureau of Labor Statistics, Retail Trade sector, October 2021), return fraud is costing American workers the equivalent of 2,188,861 jobs.

\$5B LOST STATE TAXES

There are significant retail revenue losses caused by return fraud – sales that should not be refunded – therefore, US states are losing \$5.161 billion in sales tax revenues.

\$1.6B LOST LOCAL TAXES

It is estimated another 1.644 billion of sales tax revenues are lost at the local level in the US due to return fraud.

Survey Demographics

- Conducted by NRF between October 13, 2021 and November 15, 2021.
- Responses from 57 retailers.
- Efforts to include as many retailers as possible, across all segments and sizes.

How many retail stores does your company operate?

Response	Average
Less than 10	23.08%
10 – 25	5.13%
26 – 50	10.26%
51 – 100	5.13%
More than 100	56.41%

Which of the following best describes your level at your organization?

Response	Average
C-Suite	5.13%
VP	12.82%
Director	28.21%
Manager	41.03%
Other	12.82%

Source: Appriss Retail and National Retail Federation 2021 Returns Survey Oct-Nov 2021

Returns Summary

Return Rate by Retail Category

Retail Category	Blended Return Rate ⁽¹⁾
Apparel	12.2%
Auto Parts	19.4%
Beauty	4.3%
Department Stores	11.4%
Drug/Pharmacies	1.6%
Footwear	9.1%
Hard Goods	3.8%
Home Improvement	11.5%
Housewares	11.5%
Sporting Goods	7.6%
Survey Average ^{(2) (3)}	10.6%

(1) Retail category rates derived from a 2020 Appriss Retail analysis of 44,000 stores in the specialty and general merchandise retail segments. Appriss Retail reviews data direct from anonymous ecommerce and POS T-Logs—so all returns, exchanges, online returns, employee sale returns, and other refund scenarios are considered to build a blended return rate.

(2) Survey average is derived from a survey of retailers by Appriss Retail and NRF, Oct - Nov 2021.

(3) The survey average return rate is different than the blended return rate in several of the retail categories because it includes retailers outside of these select categories, like grocery stores.

Return Rate by Payment Type

Original Payment Type	Blended Return Rate ⁽¹⁾
Cash	12.69%
Credit Card	22.78%
Debit	7.04%
Other	13.90%

(1) Payment type rates derived from a 2019 Appriss Retail analysis of 40,000 stores in the specialty and general merchandise retail segments. Appriss Retail reviews data direct from anonymous ecommerce and POS T-Logs—so all returns, exchanges, on-line returns, employee sale returns, and other refund scenarios are considered to build a blended return rate.

Returns, BORIS, and Total Loss

In the competitive world of retail, it is essential to understand how returns and return fraud reduce net sales and contribute to inventory shortage (shrink) and total loss. This information can be used by loss prevention professionals to compare their own program results, with an eye toward developing best practices and reducing losses from returns.

Additionally, the increase in buy-online-return-in-store (BORIS) returns is driving new demands—such as offering “frictionless” returns. The ability to offer more flexible and lenient returns, while still mitigating the risk of fraud and abuse, is more critical than ever.

Engage Your Customers at the Return Desk

Your best shoppers make the most returns. Returns are a chance to increase interaction with that consumer, provide them with a great experience, and engender their loyalty for future shopping trips. Although accounting-wise a return is a lost sale, from a service perspective a return is a “moment of truth” that can be planned for and maximized. 🛍️

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