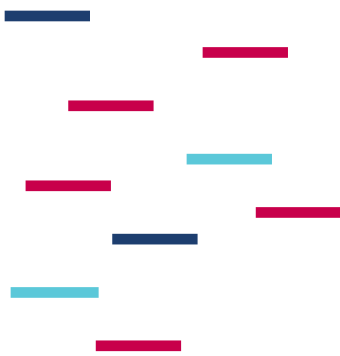




2022 Consumer Returns in the Retail Industry

Executive Summary



- Retail sales are on track to increase between 6% and 8% year-over-year. Non-store and online sales year-over-year, which are included in the total figure, are expected to grow between 11% and 13%.
- As retail sales have continued to grow, return rates and return fraud rates have remained essentially flat year-over-year: 16.5% in 2022 compared with 16.6% in 2021.
- For the first time since 2019, when online data was captured as part of this survey, online return rates are in line with overall return rates and have dropped by 21%.
- Holiday return rates are also essentially flat year-over-year at 17.9%, but holiday return fraud decreased slightly from 10.8% to 10.1%.
- Of the nearly 44% of respondents planning to hire to handle returns during the holidays, more than 70% intend to add staff to stores.
- Responsibility for returns has shifted from ecommerce to supply chain in scenarios where one department is responsible for both in-store and online returns and when in-store and online returns are handled separately.
- Buy online, return in-store (BORIS) return fraud is expected to be 48% higher than fraud in returns to non-store locations, potentially spotlighting an area to further streamline data and process protocols when multichannel return processes are present.

Summary of Returns and Return Fraud

NRF 2022 U.S. Retail Industry Sales ⁽¹⁾ (In-store and online)	100%	\$4,950,000,000,000
Total In-store Sales ⁽²⁾	73.9%	\$3,660,000,000,000
Total Online Sales	26.1%	\$1,290,000,000,000
Total Amount of Retail Returns	16.5%	\$816,750,000,000
Total Amount of Retail Returns from In-store Sales	16.5%	\$603,900,000,000
Total Amount of Retail Returns from Online Sales	16.5%	\$212,850,000,000
Total Amount of Fraudulent Returns	10.4%	\$84,942,000,000
Total Amount of Fraudulent Returns (In-store)	10.3%	\$62,167,050,000
Total Amount of Fraudulent Returns (Online)	10.7%	\$22,774,950,000

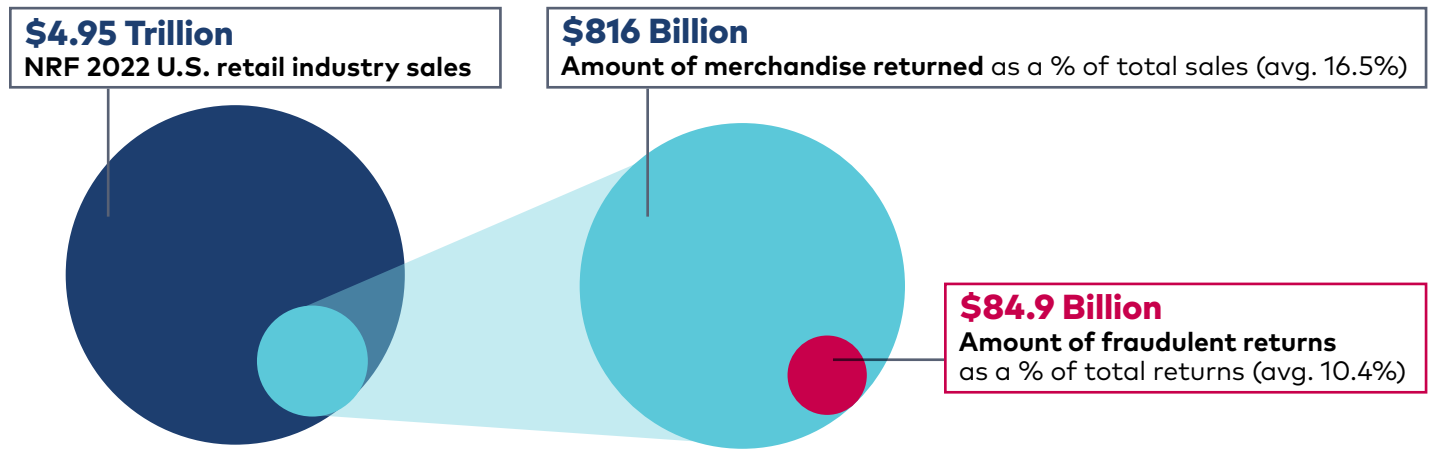
Source: Appriss Retail and National Retail Federation 2022 Returns Survey, Sept.-Oct. 2022.

Note: The 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 U.S. 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) In-store numbers derived by subtracting online from total sales.

MERCHANDISE SALES, RETURNS AND RETURN FRAUD

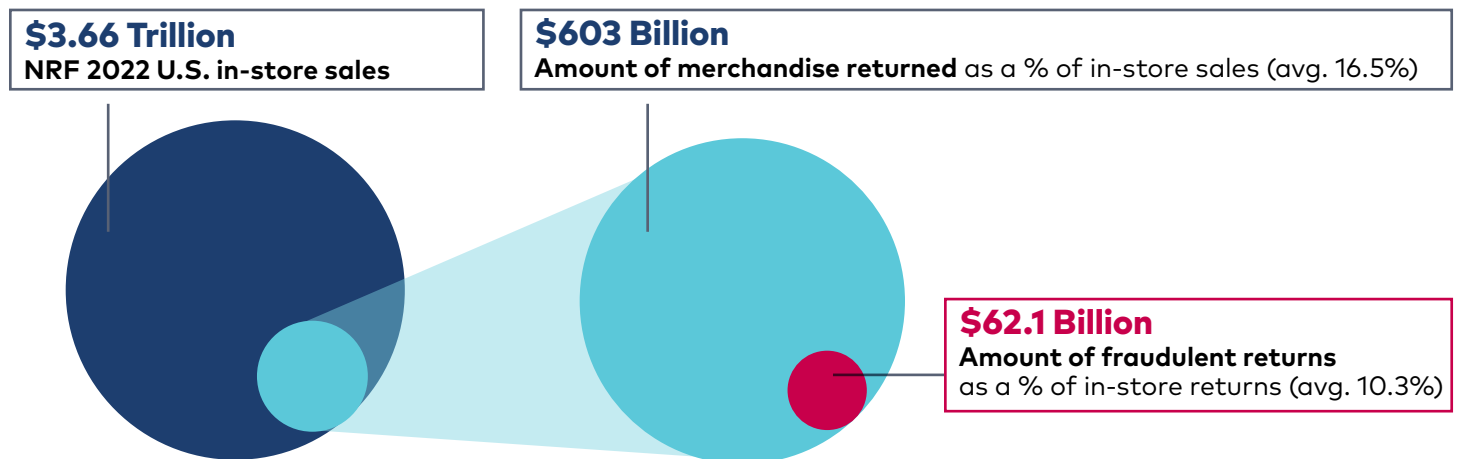


Source: Appriss Retail and National Retail Federation 2022 Returns Survey, Sept.-Oct. 2022.

Return Facts

- Total returns account for \$816 billion in lost sales for U.S. retailers. This revenue is larger than the U.S. federal government spent on education, training and employment programs in 2022.⁽¹⁾
- For every \$1 billion in sales, the average retailer incurs \$165 million in merchandise returns.
- For every \$100 in returned merchandise accepted, retailers lose \$10.40 to return fraud.
- The expectation of fraud, even when a receipt is present, jumped 43% year-over-year, from 9.8% in 2021 to 14% in this year's survey.

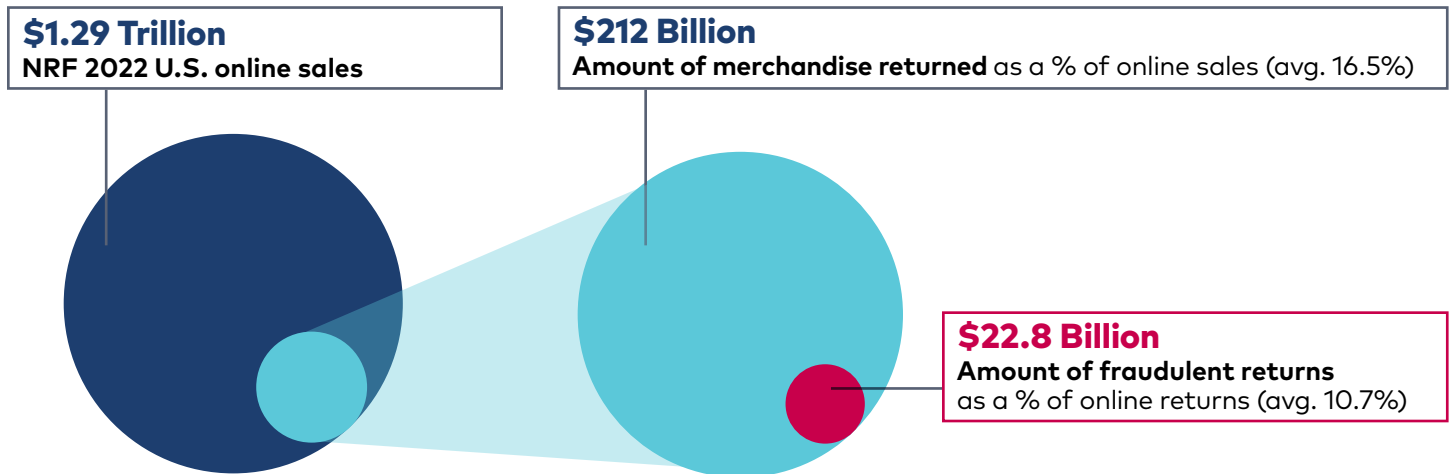
IN-STORE SALES, RETURNS AND RETURN FRAUD



Source: Appriss Retail and National Retail Federation 2022 Returns Survey, Sept.-Oct. 2022.

Note: The 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) Source: <https://www.usaspending.gov/>

ONLINE SALES, RETURNS AND RETURN FRAUD



Source: Appriss Retail and National Retail Federation 2022 Returns Survey Sept.-Oct. 2022

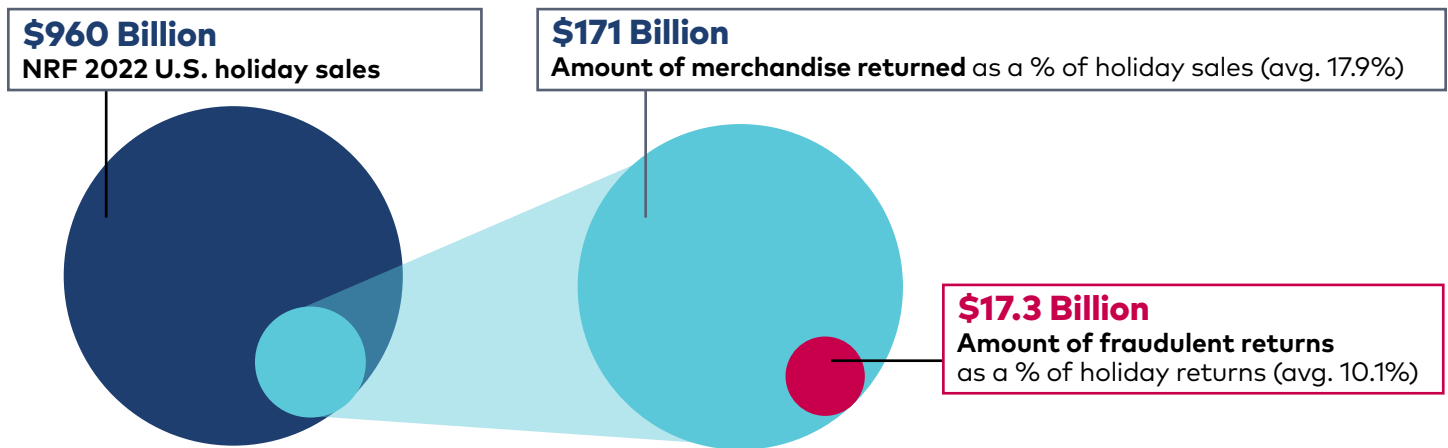
Managing Online Return Fraud

Online purchases being returned to a store, often referred to as buy online, return in-store or BORIS, presents both opportunities and challenges. Retailers can lower shipping and inventory costs, recapture revenue and potentially improve green initiatives by lowering carbon emissions and waste. However, improving multichannel transaction visibility will be critical to ensure savings are not offset by higher fraud rates.

BORIS RETURN FRAUD IS ESTIMATED TO BE 48% HIGHER THAN RETURNS TO NON-STORE LOCATIONS.

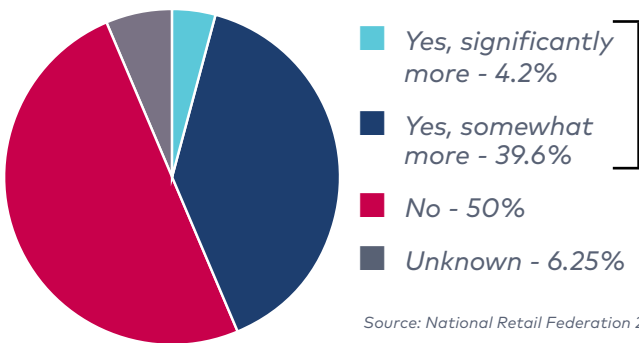


HOLIDAY SALES, RETURNS AND RETURN FRAUD



Source: Appriss Retail and National Retail Federation 2022 Returns Survey Sept.-Oct. 2022

ARE YOU PLANNING TO HIRE MORE STAFF TO HANDLE RETURNS DURING THE HOLIDAY SEASON?



Source: National Retail Federation 2022 Returns Survey Sept.-Oct. 2022

WHERE ARE YOU PLANNING TO HIRE MORE STAFF TO HANDLE RETURNS DURING THE HOLIDAY SEASON?

In stores	71.4%
In distribution centers/warehouses	52.4%
Headquarters	4.8%
Call centers	23.8%

44% of respondents plan to hire more staff to handle returns during the holidays. Of these, more than 70% plan to add more staff to stores. With returns being such a high touchpoint for retailers, it is in their best interest to think of returns as another opportunity to build customer loyalty or even encourage another sale. A study conducted by Appriss Retail found that just 22%⁽¹⁾ of retailers believe they are effective at incentivizing shoppers at the point of return, suggesting there is still room for improvement here for the industry.

(1) <https://apprissretail.com/resource/2022-state-of-the-industry-returns-as-an-engagement-strategy/>

Processing Holiday Returns

WHAT ARE 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	10.4%
Do not currently offer this but plan to roll it out during the 2022 holiday season	4.2%
Do not currently offer but plan to roll it out after the 2022 holiday season	14.6%
Do not currently offer and have no immediate plans	70.1%

Source: Appriss Retail and National Retail Federation 2022 Returns Survey Sept.-Oct. 2022

RETURN ISSUES

WHICH EXAMPLES OF RETURN FRAUD HAVE RETAILERS EXPERIENCED IN THE PAST YEAR?

Response	Average
Wardrobing (returns of used, non-defective merchandise)	50.0%
Return of shoplifted/stolen merchandise	41.43%
Employee return fraud and/or collusion with external sources	30.0%
Return of merchandise purchased with fraudulent or stolen tender	41.43%
Returns using e-receipts	21.43%
Returns made by ORC groups	20.0%
Returns using counterfeit receipts	11.43%
None of the above	24.29%
Other	8.57%

Source: Appriss Retail and National Retail Federation 2022 Returns Survey Sept.-Oct. 2022

WHAT ARE THE BIGGEST CHALLENGES RETAILERS ARE FACING RIGHT NOW?

While there were numerous write-in responses, almost one-third of them mentioned return abuse or inventory issues.

- ▶ "Return of used goods"
- ▶ "Online purchasing [of] the wrong size"
- ▶ "Re-processing goods at warehouse on digital returns"
- ▶ "The biggest pain point for stores is stranded inventory"
- ▶ "Non-delivery complaints"
- ▶ "Online returns in stores"
- ▶ "Restocking [or] reselling the returned goods"
- ▶ "Tracking the source and reasons"
- ▶ "Same people constantly return"
- ▶ "Customers expecting us to accept return of used, not defective, merchandise"
- ▶ "Returns after 90 days"
- ▶ "Damaged returns or policy abuse"
- ▶ "No way to track correct customer information"
- ▶ "Shipping costs"
- ▶ "Using found receipts to return stolen items"
- ▶ "Fraud returns allowed by associate"
- ▶ "Internal fraud"
- ▶ "Self-service returns"
- ▶ "Returns of shoplifted merchandise"
- ▶ "Growing ORC issues"

Requiring Receipts

Fewer retailers are requiring receipts compared with 2021 (74.4%), which is surprising given that respondents indicate fraud is almost 4 points higher when a receipt is not present – 14% compared with the overall fraud of 10.4%. Retailers are also facing new types of fraud for receipted returns. Fraudsters may be taking advantage of data synchronization delays between point-of-sale and merchant systems, allowing them to use e-receipts for multiple returns in-store. Multichannel retailers may need to consider additional technology solutions to prevent fraudulent return attempts.

DO YOU REQUIRE RECEIPTS FOR RETURNS?

NON-RECEIPTS AND FRAUD

In-store returns

Mail-in returns

No **29%**
Yes **71%**

No **15%**
Yes **85%**

22.1% Percentage of returns made without a receipt

14% Percentage of returns made without a receipt estimated to be fraudulent

Source: Appriss Retail and National Retail Federation 2022 Returns Survey Sept.-Oct. 2022

RETURN VOLUMES AND OWNERSHIP

Return Volumes

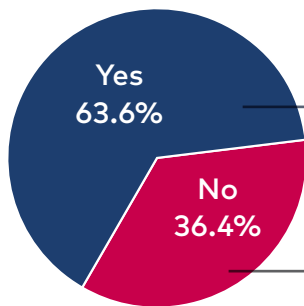
COMPARED WITH 2021, HAS THE PERCENTAGE OF RETURNS THAT ARE MADE TO A BRICKS-AND-MORTAR STORE INCREASED, DECREASED OR STAYED THE SAME?

Response	Average
Increased significantly (More than 5%)	12.5%
Increased slightly (Between 1% and 5%)	20.8%
Stayed the same	54.2%
Decreased slightly (Between -1% and -5%)	10.4%
Decreased significantly (More than -5%)	2.1%

Source: Appriss Retail and National Retail Federation 2022 Returns Survey Sept.-Oct. 2022

Who Owns Returns?

IS THE SAME DEPARTMENT RESPONSIBLE FOR OVERSEEING BOTH IN-STORE AND MAIL-IN RETURNS?



Merchandising	28.6%
Ecommerce	9.5%
Loss Prevention	23.8%
Supply Chain	14.3%
Other	23.8%

Includes responses from retailers that self-report as multichannel.

	Merchandising	Ecommerce	Loss Prevention	Other	Supply Chain
In-store returns:	13.3%	6.7%	13.3%	40%	20%
Mail-in returns:	0.0%	13.3%	20%	13.3%	53.3%

Source: Appriss Retail and National Retail Federation 2022 Returns Survey Sept.-Oct. 2022

THE IMPACT OF RETURN FRAUD LOST SALES TAX

U.S. STATE	% OF NATIONWIDE RETAIL SALES ⁽¹⁾	SALES	RETURNS	STATE SALES TAX RATE ⁽²⁾	RETURN FRAUD ESTIMATE	
					LOST RETAIL REVENUE	LOST SALES TAX REVENUE
Alabama	1.54%	\$76,101,813,509	\$12,556,799,229	4.00%	\$1,305,907,120	\$52,236,285
Alaska	0.26%	\$12,807,960,300	\$2,113,313,450	0.00%	\$219,784,599	\$0
Arizona	1.92%	\$94,954,843,303	\$15,667,549,145	5.60%	\$1,629,425,111	\$91,247,806
Arkansas	0.99%	\$49,082,728,232	\$8,098,650,158	6.50%	\$842,259,616	\$54,746,875
California	11.15%	\$551,924,195,844	\$91,067,492,314	7.25%	\$9,471,019,201	\$686,648,892
Colorado	1.65%	\$81,583,302,269	\$13,461,244,874	2.90%	\$1,399,969,467	\$40,599,115
Connecticut	1.14%	\$56,652,645,338	\$9,347,686,481	6.35%	\$972,159,394	\$61,732,122
Delaware	0.34%	\$16,607,397,347	\$2,740,220,562	0.00%	\$284,982,938	\$0
Dist. of Columbia	0.15%	\$7,610,181,351	\$1,255,679,923	6.00%	\$130,590,712	\$7,835,443
Florida	6.93%	\$343,122,111,335	\$56,615,148,370	6.00%	\$5,887,975,431	\$353,278,526
Georgia	3.01%	\$149,103,207,679	\$24,602,029,267	4.00%	\$2,558,611,044	\$102,344,442
Hawaii	3.37%	\$166,642,052,255	\$27,495,938,622	4.00%	\$2,859,577,617	\$114,383,105
Idaho	0.52%	\$25,732,902,848	\$4,245,928,970	6.00%	\$441,576,613	\$26,494,597
Illinois	3.79%	\$187,839,747,325	\$30,993,558,309	6.25%	\$3,223,330,064	\$201,458,129
Indiana	1.94%	\$96,039,749,441	\$15,846,558,658	7.00%	\$1,648,042,100	\$115,362,947
Iowa	0.98%	\$48,311,137,045	\$7,971,337,612	6.00%	\$829,019,112	\$49,741,147
Kansas	0.79%	\$38,988,729,536	\$6,433,140,373	6.50%	\$669,046,599	\$43,488,029
Kentucky	1.27%	\$62,646,463,804	\$10,336,666,528	6.00%	\$1,075,013,319	\$64,500,799
Louisiana	1.35%	\$66,984,410,539	\$11,052,427,739	4.45%	\$1,149,452,485	\$51,150,636
Maine	0.48%	\$23,608,688,396	\$3,895,433,585	5.50%	\$405,125,093	\$22,281,880
Maryland	1.79%	\$88,800,804,648	\$14,652,132,767	6.00%	\$1,523,821,808	\$91,429,308
Massachusetts	2.12%	\$104,826,525,158	\$17,296,376,651	6.25%	\$1,798,823,172	\$112,426,448
Michigan	2.94%	\$145,432,770,178	\$23,996,407,079	6.00%	\$2,495,626,336	\$149,737,580
Minnesota	1.86%	\$91,991,200,906	\$15,178,548,150	6.88%	\$1,578,569,008	\$108,526,619
Mississippi	0.99%	\$49,030,781,151	\$8,090,078,890	7.00%	\$841,368,205	\$58,895,774
Missouri	2.05%	\$101,414,141,432	\$16,733,333,336	4.23%	\$1,740,266,667	\$73,526,267
Montana	0.38%	\$18,836,478,826	\$3,108,019,006	0.00%	\$323,233,977	\$0
Nebraska	0.65%	\$32,033,097,778	\$5,285,461,133	5.50%	\$549,687,958	\$30,232,838
Nevada	1.08%	\$53,583,453,003	\$8,841,269,745	6.85%	\$919,492,054	\$62,985,206
New Hampshire	0.59%	\$29,317,796,209	\$4,837,436,374	0.00%	\$503,093,383	\$0
New Jersey	2.96%	\$146,371,046,115	\$24,151,222,609	6.63%	\$2,511,727,151	\$166,401,924
New Mexico	0.66%	\$32,440,602,423	\$5,352,699,400	5.12%	\$556,680,738	\$28,529,888
New York	5.63%	\$278,727,961,674	\$45,990,113,676	4.00%	\$4,782,971,822	\$191,318,873
North Carolina	2.92%	\$144,752,486,975	\$23,884,160,351	4.75%	\$2,483,952,676	\$117,987,752
North Dakota	0.28%	\$13,918,048,548	\$2,296,478,010	5.00%	\$238,833,713	\$11,941,686
Ohio	3.23%	\$159,946,124,127	\$26,391,110,481	5.75%	\$2,744,675,490	\$157,818,841
Oklahoma	1.08%	\$53,650,546,230	\$8,852,340,128	4.50%	\$920,643,373	\$41,428,952
Oregon	1.22%	\$60,490,135,115	\$9,980,872,294	0.00%	\$1,038,010,719	\$0
Pennsylvania	3.76%	\$185,890,938,207	\$30,672,004,804	6.00%	\$3,189,888,500	\$191,393,310
Rhode Island	0.31%	\$15,469,188,477	\$2,552,416,099	7.00%	\$265,451,274	\$18,581,589
South Carolina	1.44%	\$71,288,189,638	\$11,762,551,290	6.00%	\$1,223,305,334	\$73,398,320
South Dakota	0.34%	\$16,653,234,678	\$2,747,783,722	4.50%	\$285,769,507	\$12,859,628
Tennessee	2.14%	\$105,959,011,727	\$17,483,236,935	7.00%	\$1,818,256,641	\$127,277,965
Texas	7.61%	\$376,536,152,236	\$62,128,465,119	6.25%	\$6,461,360,372	\$403,835,023
Utah	0.84%	\$41,379,564,047	\$6,827,628,068	4.85%	\$710,073,319	\$34,438,556
Vermont	0.26%	\$12,916,571,685	\$2,131,234,328	6.00%	\$221,648,370	\$13,298,902
Virginia	2.55%	\$126,451,523,791	\$20,864,501,426	4.30%	\$2,169,908,148	\$93,306,050
Washington	2.15%	\$106,630,749,418	\$17,594,073,654	6.50%	\$1,829,783,660	\$118,935,938
West Virginia	0.55%	\$27,396,652,863	\$4,520,447,722	6.00%	\$470,126,563	\$28,207,594
Wisconsin	1.82%	\$89,991,451,906	\$14,848,589,565	5.00%	\$1,544,253,315	\$77,212,666
Wyoming	0.23%	\$11,528,503,133	\$1,902,203,017	4.00%	\$197,829,114	\$7,913,165
Total		\$4,950,000,000,000	\$816,750,000,000		\$84,942,000,000	\$4,743,377,433

Source: Appriss Retail and National Retail Federation 2022 Returns Survey, Sept.-Oct. 2022

(1) Source: Federation of Tax Administrators (<http://www.taxadmin.org/>)

(2) Source: State % of sales calculated using YoY state sales growth from census.gov

Survey Demographics

- Conducted by NRF between September 19, 2022 and October 14, 2022
- 70 retailers participated in the survey

HOW MANY RETAIL STORES DOES YOUR COMPANY OPERATE?

Response	Average
Less than 10	38.3%
10 – 25	4.3%
26 – 50	4.3%
51 – 100	10.6%
More than 100	42.5%

WHICH OF THE FOLLOWING BEST DESCRIBES YOUR LEVEL AT YOUR ORGANIZATION?

Response	Average
C-Suite	6.4%
VP	8.5%
Director	27.6%
Manager	44.6%
Other	12.7%

WHICH DESCRIPTION BEST DESCRIBES YOUR COMPANY?

Response	Average
Multichannel – primarily store-based (more than 50% of sales from physical stores)	53.19%
Multichannel – primarily online-based (more than 50% of sales online)	10.64%
Multichannel – without a majority of sales from any single channel (physical store, catalog or online)	12.77%
Multichannel – primarily catalog-based (more than 50% of sales from catalog)	0.00%
Store-based only	6.38%
Pure play (online only)	17.02%

Source: Appriss Retail and National Retail Federation 2022 Returns Survey Sept.-Oct. 2022



The National Retail Federation, the world's largest retail trade association, passionately advocates for the people, brands, policies and ideas that help retail thrive. From its headquarters in Washington, D.C., NRF empowers the industry that powers the economy. Retail is the nation's largest private-sector employer, contributing \$3.9 trillion to annual GDP and supporting one in four U.S. jobs — 52 million working Americans. For over a century, NRF has been a voice for every retailer and every retail job, educating, inspiring and communicating the powerful impact retail has on local communities and global economies. [nrf.com](https://www.nrf.com)



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