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REVERSE LOGISTICS GROUP

CONSUMER RETURNS DURING AND AFTER COVID-19

WHITEPAPER
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Introduction

20%

*of total global sales in 2023 will be e-commerce.**

15%

*of e-commerce spending is made on fashion items.**

55%

*of shoppers made cross-border purchases in 2020.**

E-commerce was always on a growth trajectory but over the past year, this growth has accelerated at a pace that nobody quite anticipated. The Covid-19 pandemic has driven digital transformations in many aspects of life, from communication to commerce. As a result of the global health crisis, temporary retail store closures have been evident in many areas around the world. This spurred brands to shift online to maintain business, while consumers turned to the web as their essential source of commerce during this time.

With more people than ever before shopping online, returns volumes from this spending also increased. This led to peak season volumes being sustained throughout the year with no signs of this trend slowing. After years of being overlooked, retail brands are now seeing the importance of returns; not only in terms of cost-saving and customer experience but also in the larger context of sustainability and commerce.

As e-commerce continuously emerges as the most popular and convenient way to shop, online customers are now also more diversified than before. New audiences have been introduced, or have become more dependent, on e-commerce during the pandemic.

Consumer demands differ across countries and demographics and have evolved during the Covid-19 years. That's why it's important for brands to understand their customer base and their desires.

To better understand this, in relation to returns, we've conducted a global market study focusing on how customers, in various territories, prefer to return and why. Plus, how their preferences may change as life transforms once again in a post-pandemic market.

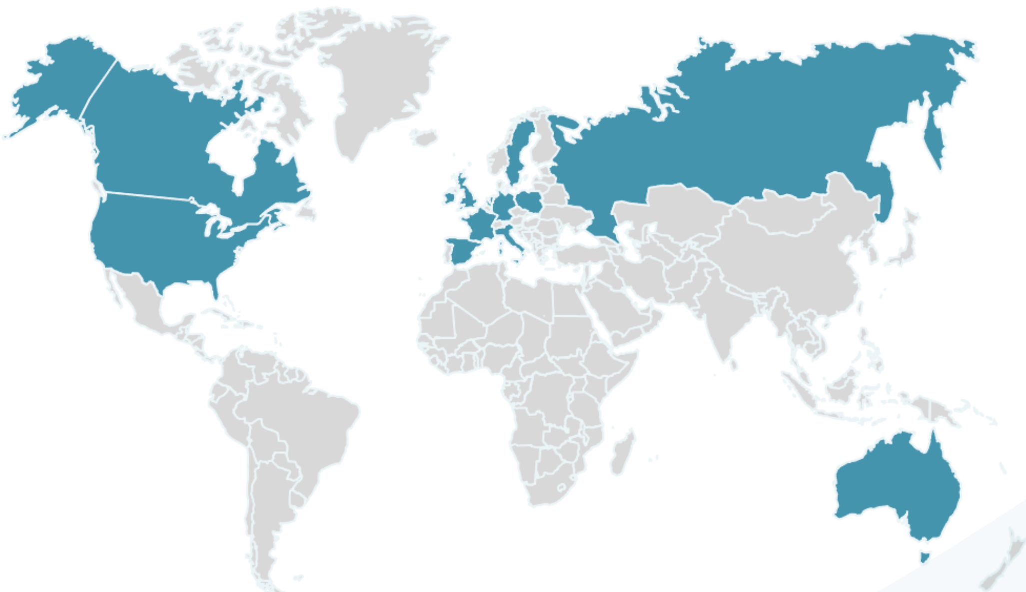
*https://www.statista.com/statistics/220177/b2c-e-commerce-sales-cagr-forecast-for-selected-countries/
*https://chainstoreage.com/study-e-commerce-market-will-continue-strong-growth-2021

The Study

3500+ consumer participants

varied demographics

12 countries



Consumer Returns During the Pandemic

During the pandemic, e-commerce boomed, with more people shopping online than ever before. Naturally, this increase also led to a growth in return volumes.

Consumers responded that during this time their preferred return methods were drop-off (39%), pick-up (31%), parcel locker (15%), and return to store (14%).

Although the popularity of each first-mile channel differed per country and age group, it was clear that local postal drop-off points were the most rated and convenient way of returning in the midst of the pandemic.

39%

of consumers worldwide stated that dropping off returns locally was their preferred returns method.

14%

of consumers indicated that returning to retail stores was their preferred first-mile channel.

Most popular returns methods, per country

Country	Most popular method
DE	drop-off 60%
ES	pick-up 35%
FR	drop-off 52%
GB	pick-up 38%
IT	pick-up 72%
NL	drop-off 71%
PL	locker 52%
RU	drop-off 38%
SE	drop-off 38%
CA	drop-off 38%
USA	drop-off 42%
AU	drop-off /pick-up 32%

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Consumer Returns During the Pandemic

Although trends emerged between the most and least popular ways to return among consumers, answers largely varied across the board. This demonstrates that brands need to be flexible and accommodating with their returns process to satisfy consumer demands, especially if operations are cross-border in nature.

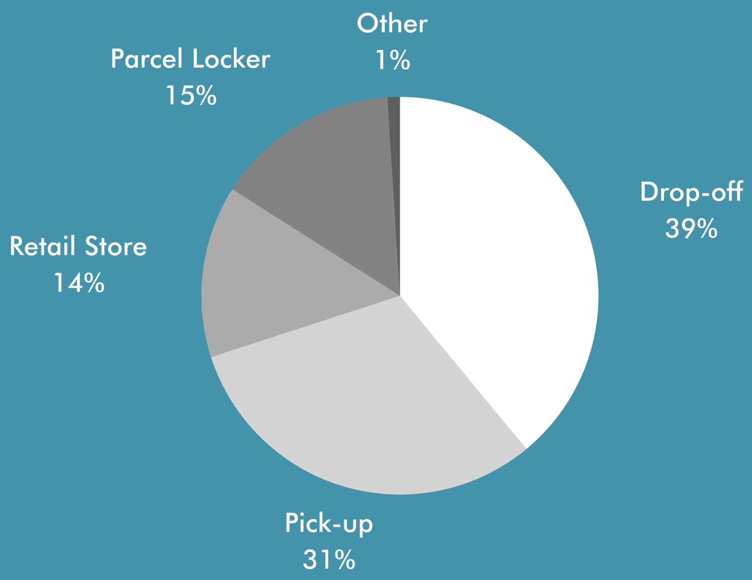
Least popular returns methods, per country

DE	**ES**	**FR**
retail store 7%	drop-off 16%	locker 12%
GB	**IT**	**NL**
locker/retail store 13%	retail 3%	retail store 4%
PL	**RU**	**SE**
retail store 5%	retail store 5%	pick-up 16%
CA	**USA**	**AU**
locker 7%	locker 5%	locker 10%

86%

say that a positive returns experience would encourage them to shop with the same online retailer again.

Consumer Returns During the Pandemic



Foot 37%

Bike 16%

Car 58%

Public Transport 11%

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The data concludes that, across countries, the most and least popular ways to return during the pandemic varied considerably. This may be due to a difference in the services available in each country, such as postal carrier capabilities. Or, alternatively, it could also be related to Covid-19 lockdown measures, which also differed in severity geographically. In any case, the findings show that a multi-channel approach is needed to fulfill the variation in consumer demands.

Despite the difference in results, it's clear that certain return methods were front-runners when it comes to customer preferences. Non-contact ways to return, such as dropping off parcels at local postal points and getting them picked up by a courier showed to be most popular during the pandemic. Most likely this is linked to public health measures which resulted in retail store closures and more people staying and shopping from the safety of their home.

In terms of first-mile transport methods to a drop-off point, the findings also varied widely per region. In North America, for example, using the car was the most popular transport used to drop-off returns. Whereas in many European countries, the majority of survey participants indicated that they'd prefer to walk to a postal access point. The size, setup, and infrastructure of towns and cities in each respective country will have likely affected this result.

Interestingly, methods such as walking and cycling almost matched the popularity of cars for first-mile transport. This is an encouraging figure when looking at the usage of environmentally conscious transport avenues. If available, it seems a large portion of customers will opt for a sustainable way to return their parcels.

Consumer Returns After the Pandemic

Key Variations

Drop-Off	+3%	42%
Pick-Up	-5%	26%
Retail Store	+3%	17%
Locker	-1%	14%

Key Conclusions...

The share of retail and drop-off points will grow after the pandemic

The preference for pick-ups and lockers will decrease after the pandemic.

Comparing the data on how consumers preferred to return during the pandemic, to how they plan to afterward, it's clear to see that consumers are eager to return to physical stores. The data indicates that retail stores may have a resurgence after the pandemic, and play an increased role in returns. This was a commonality seen in the data associated with most of the countries included in the study. In Great Britain, for example, the number of consumers planning to return to stores after the pandemic increased by 7%, from 13 to 20%. In Australia, the number increased by 6%. On average, the other countries in the survey witnessed a 3 to 5 % increase in this intention.

Although lockers and pick-up options for returns may be seen as highly convenient, the number of consumers planning to use these options after the pandemic fell slightly. This may indicate that the popularity of these 'non-contact' return methods saw a rise in popularity as a result of the social distancing aspect of the pandemic.

For brands, the outlook of a retail rebound may be exciting. Perhaps a prediction that, in the future, there will be an appetite for e-commerce and retail stores to work in tandem with each other.

Omni-Channel Returns

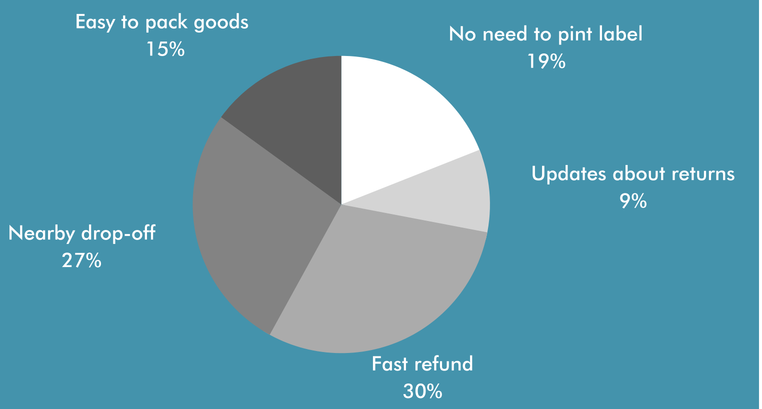
Transforming first-mile flows from complex to convenient.

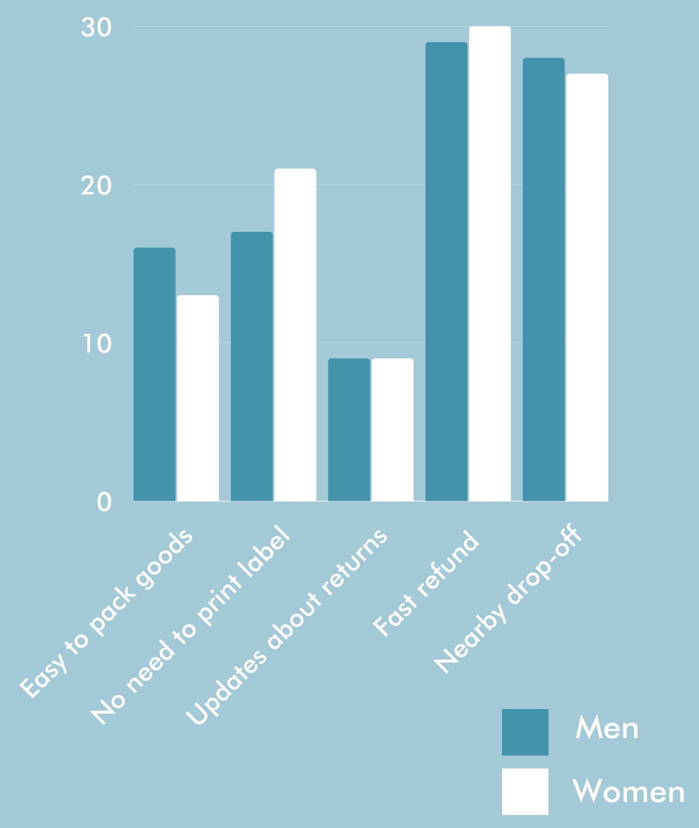
The data captured in this study shows that offering multiple and diverse returns streams for customers is essential. However, it can add complexity to the returns process. Each channel may require a different approach, collaborations, or products and services to ensure its success. If an omnichannel reverse logistics flow is not optimized, consumers may receive an inconsistent returns experience from brands. For example, a consumer returning to store will have their return processed immediately, and can often expect a quicker refund time than if they returned via a drop-off point as this method requires extra time for transportation. Additionally, postal carrier services may vary per country, or region, and this may also affect the processing and refund time experienced by the consumer. Of course, customer satisfaction is key for brands, as this promotes future sales and boosts reputation in the market. That's why it's important to offer a consistent, flexible and seamless returns flow for all customers, everywhere.

At Cycleon, we embrace omnichannel returns as a way to impress end consumers, while at the same time ensuring the value of returns are maintained for brands through quick and smart processing decisions.

Our global and regional logistics network, alongside integrated IT tools and platforms, ensures that we can merge returns channels in one single flow. With products such as refund trigger, and instant label generation, customers will receive the same fast and high-quality returns experience, no matter how or where they send products back.

A Pleasant Returns Experience





The modern consumer has grown to expect a quick and convenient delivery service, including features such as same-day and free deliveries. These expectations have now become the norm and have extended to what is expected of returns.

The pandemic saw more people than ever before turning to online shopping as a way to meet their consumer needs. In a time of store closures and stay-at-home regulations, e-commerce became an essential service.

Perhaps overlooked in the past, the survey outcome showed that returns have now become an essential part of the overall sales journey and customer experience.

The data gathered from the global survey points to this. The conclusion drawn from the results is that consumer demands vary, per country and age group. Suggesting that brands need to optimize their returns from multiple angles to retain satisfaction.

Despite the variation in results, two preferences came out on top as the most desired returns features; the first being fast refund time (30%) and the second, a nearby located drop-off point (27%).

Across the board, speed and convenience lead the way for a pleasant returns experience. An opinion that showed to be consistent across the board, for consumers in varying locations, of different age groups and genders. And regarding gender, the preferences of men and women were equally weighted.

Another interesting observation showed that convenience in relation to sustainability was a popular combination. Approximately 30% of participants indicated that a waste-reducing solution of paperless returns was the desired option to have on offer.

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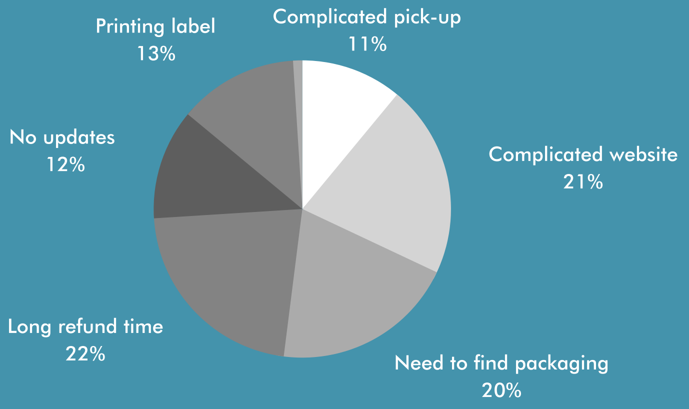
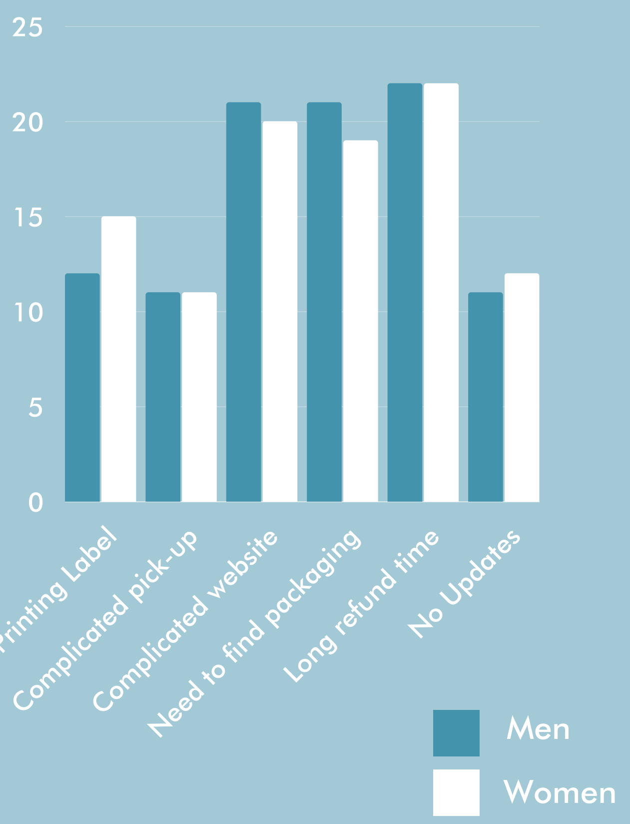
A Difficult Returns Experience





In terms of what makes a returns experience difficult, consumers' answers were also varied. Yet from this, the conclusion can be drawn that it is important to factor in all preferences when designing and executing a reverse logistics flow. It's important to address all 'issues' to ensure a consistent and reputable returns channel for customers.

Taking the survey results into account, the top three most troubling attributes were comparable globally. This strengthens the observation that multiple areas of the returns flow must be optimized in order to meet consumer expectations.

Reflecting on the conclusion that speed and convenience equate to the most pleasant returns experience it's interesting to see that a large number of survey participants said that a complicated website would dampen their experience. This highlights that online return forms and portals are an area that brands should focus on especially. Unlike refund times, a consumer has a direct interaction with a brand through their website or returns form. Therefore, although it was not the most selected choice, it's significant in that it relates to a personal interaction with customers.

When comparing what makes a pleasant and a difficult returns experience, the findings show that across genders there is little variation and a consensus about what is preferable.

Looking back on paperless returns, a high number (19%) selected this as a feature of a positive experience, whereas a smaller number (13%) saw the lack of this as contributing to a negative experience. Perhaps concluding that this feature is not essential but a 'very nice to have' option that may set brands apart from their competitors.

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Sustainability and Returns

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Half of all those consumers surveyed indicated that they would be willing to pay an additional cost to ensure that their return was handled and processed sustainably. The average price people were willing to pay totaled up to 5 $/€ per return.

1 in 2
would pay more for sustainable returns transport

3 in 4
would wait longer for a refund if the return was processed sustainably

75% of consumers in the study selected that they would wait longer for a refund on their returns if this was done in a more environmentally friendly manner. Such a high percentage truly shows that sustainability is growing as a consumer demand and interest globally, across all demographics.

At Cycleon, we're focused on making returns more sustainable and are constantly innovating to find new and unique ways to achieve this. Currently, our key focus areas are:

- Reducing overall parcel movement
- Decreasing C02 emissions associated with returns
- Promoting resource recovery and supporting the circular economy
- Working with suppliers on joint sustainability goals

Find out more on www.cycleon.com/sustainability

Key Findings

The Role of Retail Stores

During the pandemic, many countries saw retail store closures as part of larger societal lockdown measures. However, as stores begin to reopen, it's clear that shoppers are planning to use stores more for returns. During the pandemic, 14% of survey participants indicated return-to-store as their preferred returns method, compared to 17% afterward.

The Necessity of Omni-Channel

The variation in responses among consumers only exemplifies the need to offer shoppers several methods to return – an omnichannel approach. All these channels are needed to ensure that brands are catering to what is most suitable and convenient for their customers. For example, results for the same returns method varied up to 50%+ between countries in some cases.

Increasing Sustainability Engagement

Efforts to make returns more environmentally friendly are a growing concern for both retailers and consumers. This increased engagement with sustainability was reflected in the survey results with 75% of participants indicating they would make concessions journey to support a greener returns journey.

More Info?

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