

2024 Consumer Returns in the Retail Industry

NRF National
Retail
Federation



Happy Returns
a UPS Company

EXECUTIVE SUMMARY



Today's customer journey includes an increasingly important landmark: Returns. Whether it's considering return policies before making a purchase, embracing omnichannel return options or deciding to become a repeat customer based on a returns experience, consumers are influenced by returns at nearly every decision point in the path to purchase. Retailers are responding by investing in a variety of innovative returns options. But, at the same time, they are facing growing costs for managing and processing returns. This is only complicated by the prevalence of fraudulent and abusive returns practices. To understand this shifting landscape, NRF and Happy Returns, a UPS company, explored both consumer and retailer perspectives and priorities for the returns experience. The report, *2024 Consumer Returns in the Retail Industry*, found that:

- Returns continue to pose a significant cost for the industry. Retailers estimate that 16.9% of their annual sales in 2024 will be returned and total returns for the retail industry are projected to reach \$890 billion in 2024.
- Returns impact the consumer journey both before and after a purchase. Seventy-six percent of consumers consider free returns a key factor in deciding where to shop, and 67% say a negative return experience would discourage them from shopping with a retailer again.
- Ease of making a return is essential. Improving consumers' returns experience tops the list of retailer business goals in 2025, and 40% of retailers agree that a better return experience means customers will spend more with their brand over time. Eighty-four percent of consumers are more likely to shop with a retailer that offers box-free, label-free returns and immediate refunds.
- More than two-thirds of retailers surveyed (68%) say they are prioritizing upgrading their returns capabilities within the next six months. In addition, improving the returns experience and reducing the return rate are viewed as two of the most important elements for businesses in achieving their 2025 goals — ranking above increasing online sales.
- Fraudulent and abusive returns practices, a growing trend among younger consumers, continue to pose a challenge. Ninety-three percent of retailers report that retail fraud and other exploitive behavior is a significant issue for their business.

THE ECONOMIC IMPACT OF RETAIL RETURNS

| Historical return rate | | |
|------------------------|--------------------|------------------------------|
| | Annual return rate | Total cost of retail returns |
| 2019 | 8.1% | \$309B |
| 2020 | 10.6% | \$428B |
| 2021 | 16.6% | \$760.8B |
| 2022 | 16.5% | \$816.8B |
| 2023* | -- | -- |
| 2024 | 16.9% | \$890B |

*Note: NRF's 2023 study on retail returns used a different methodology to calculate the return rate that is not directly comparable to other years' data

Question: Of your total annual sales this year, what percentage do you estimate will be returned?
 Source: Happy Returns and NRF, 2024 Merchant Survey and NRF October 2024 Retailer Survey

2024 annual return rate

On average, retailers estimate that 16.9% of their annual sales in 2024 will be returned, in line with 16.5% in 2022 and 16.6% in 2021 but well above the 8.1% reported in 2019. And total returns for the retail industry are expected to reach \$890 billion in 2024. Return rates can be even higher for online channels. A separate NRF study conducted in October 2024 found that, on average, retailers' online return rates were 21% higher than their overall return rates.

| 2024 Returns snapshot | 2024 | Historical average (2019 – 2022) |
|-----------------------------------------------------------|--------------------|----------------------------------|
| | Annual return rate | 16.9% |
| Percent difference between online and annual return rate | +21% | +23% |
| Percent difference between holiday and annual return rate | +17% | +13%* |

Note: Data on holiday return rates is not available for 2019 and the average percent difference is calculated using data from 2020 – 2022



THE ECONOMIC IMPACT OF RETAIL RETURNS CONTINUED

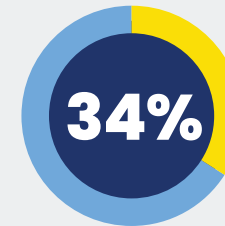
2024 holiday season

While returns occur year-round, the holidays typically include a spike in retail sales, returns and exchanges. A separate NRF study found that for the 2024 holiday season, retailers expect their return rate to be 17% higher, on average, than their annual return rate. Retailers are taking steps to address this higher volume: 40% will seek additional support from third-party logistics providers and over one-third (34%) of retailers are hiring additional staff to specifically handle returns during this season.

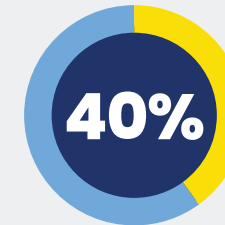
Source: NRF, October 2024 Returns Member Poll



Retailer tactics to manage returns volume during the holidays



Are hiring seasonal staff to manage returns volume during the holidays



Will seek additional support from third-party logistics providers

Where retailers are hiring more staff to handle holiday returns



Question: Which of the following does your company do to manage higher return volumes during the holidays?
Source: Happy Returns and NRF, 2024 Merchant Survey

NRF is forecasting that for 2024, retail sales during the months of November and December will grow between 2.5% and 3.5% over 2023 to between \$879.5 billion and \$989 billion. Online and non-store sales are expected to increase between 8% and 9% over last year, reaching a total between \$295.1 billion and \$297.9 billion.

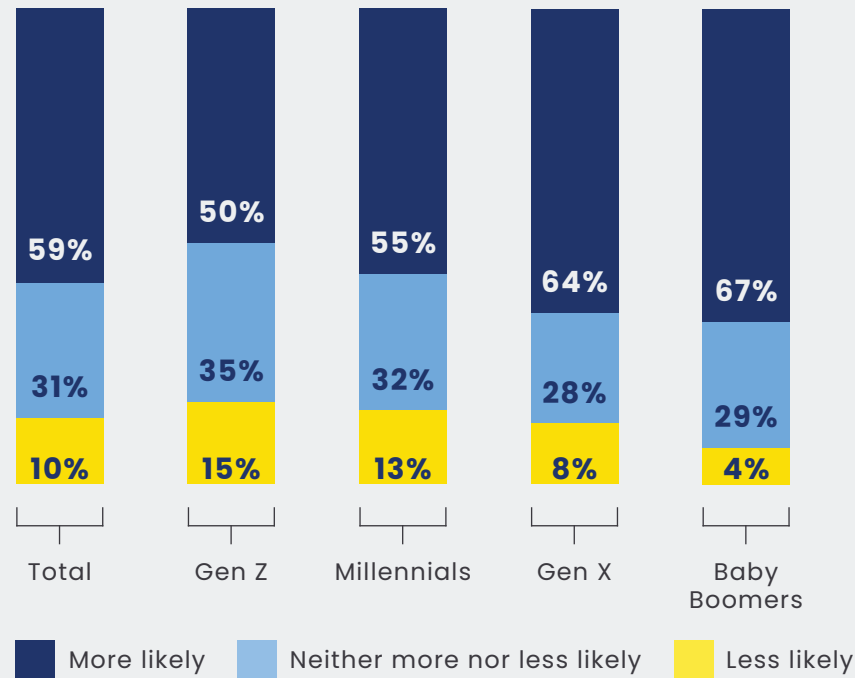
THE ECONOMIC IMPACT OF RETAIL RETURNS CONTINUED



Shoppers are paying attention as well – 59% say they are more likely to consider retailer return policies before making a purchase during the holidays. And for those returning any unwanted gifts, most will look to make those returns within a month of receiving the item.

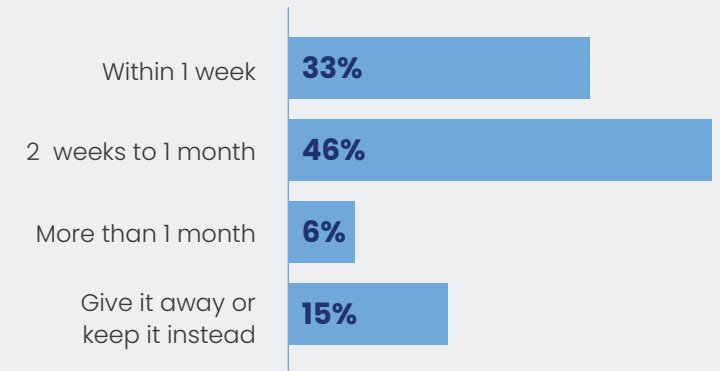
How consumers view holiday returns

Whether consumers are more or less likely to consider return policies during the holidays



Question: During the holiday season are you more or less likely to consider a retailer's return policy before making a purchase? / When you receive a holiday gift that you want to return, when do you think you are most likely to do it?
Source: Happy Returns and NRF, 2024 Consumer Survey

When consumers typically return unwanted holiday gifts

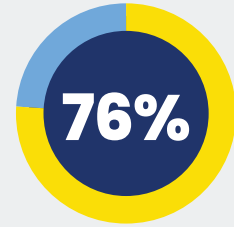


Key takeaway

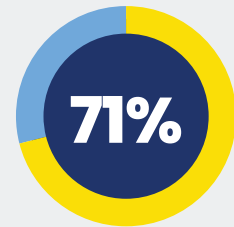
Even as return rates begin to stabilize, they remain substantial – and costly – for retailers, making it essential to address their significant operational and financial impact.

RETURNS MATTER: CONSUMER AND RETAILER PRIORITIES WHEN IT COMES TO RETURNS

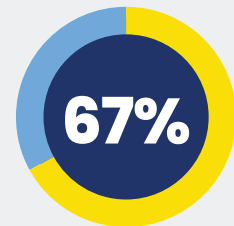
Returns play a significant role at every point in the purchase process



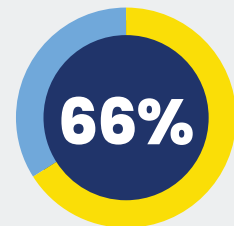
Free returns are an important consideration when shopping with a retailer online.



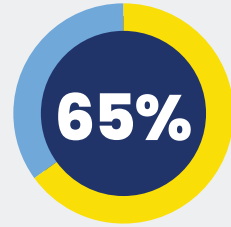
I am more likely to choose a return option that gives me an **instantly initiated refund or exchange**.



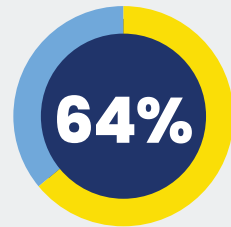
If I have a **poor returns experience**, I am less likely to shop with that retailer again.



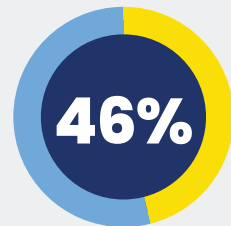
I am more likely to **return an online purchase in person** if it means I'd receive my refund at the time of drop-off.



I am more likely to make an in-person return if it means I can return it **without a box or label**.



I am more likely to shop a retailer that offers **printerless, box-free returns** at nearby locations.



I have **abandoned a purchase** because the merchant did not offer a convenient return method.

*Question: Percent of consumers who agree (top 2 box) with the following statements about returning online purchases
Source: Happy Returns and NRF, 2024 Consumer Survey*

Consumers have high expectations for returns

Return policies and expectations impact the consumer all throughout their shopping experience. More than two-thirds (67%) of consumers say a negative return experience would discourage them from shopping with a retailer again and 46% of shoppers have abandoned a purchase because they were dissatisfied with the return process or options available. How does that translate to consumer expectations?

The value of immediate refunds: Seventy-one percent say they are more likely to choose return options that offer immediate refunds or exchanges at the drop-off point. In-person drop-offs at a third-party location not owned by the retailer are also gaining popularity. Sixty-six percent of shoppers prefer this method when it is also tied to faster refunds.

Thinking outside the box: Two-thirds (65%) of consumers are more likely to opt for in-person returns that don't require a box or label, and another 64% of consumers seek out retailers that offer this service.

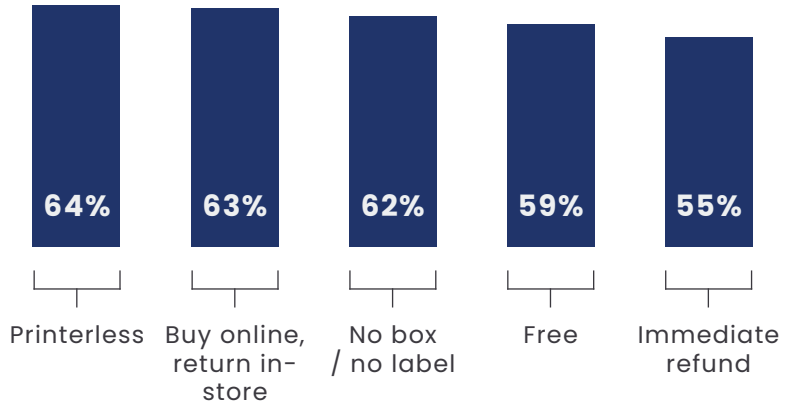
Printers pose a challenge: Printer access is a key issue for many, with less than half (42%) of consumers saying they have regular access to a printer for return labels. That goes down to 33% among Millennials and 29% among Gen Z.

RETURNS MATTER: CONSUMER AND RETAILER PRIORITIES

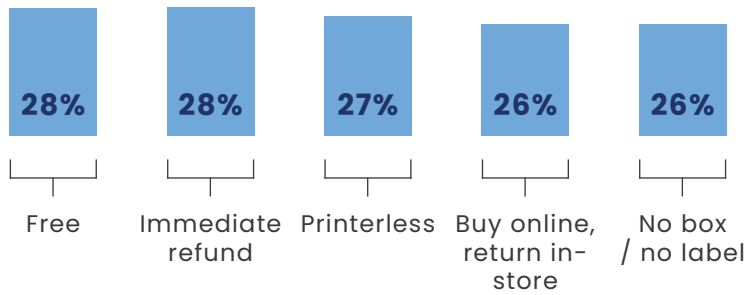
WHEN IT COMES TO RETURNS *CONTINUED*

How far consumers are willing to travel to drop off different types of returns

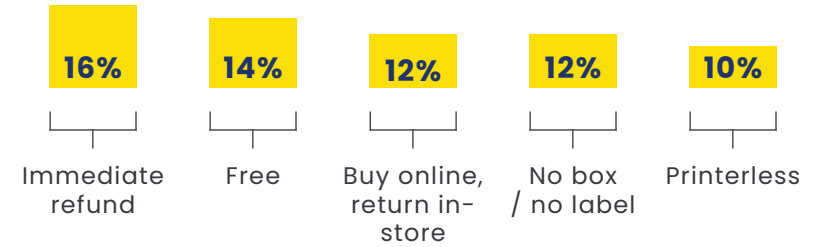
5 miles or less



5.1 to 10 miles



More than 10 miles



Travel distance plays a factor: Travel distance might also be a barrier. Most consumers, particularly younger ones, are unwilling to travel more than five miles to drop off a return, emphasizing the need for convenient, nearby return options.

Question: How far would you travel to make each of the following types of returns? Source: Happy Returns and NRF, 2024 Consumer Survey



Bundling returns: Many consumers want to cut down on how many returns trips they take. Overall, 44% of online shoppers report they wait until they have more than one item to return before visiting a return location. This delay ultimately impacts retailers, slowing down the return cycle and prolonging the time it takes for products to re-enter inventory, adding extra costs and challenges for retailers to manage.

RETURNS MATTER: CONSUMER AND RETAILER PRIORITIES

WHEN IT COMES TO RETURNS *CONTINUED*

Retailers are embracing a variety of returns methods

Retailers are meeting these shifts in consumer demand by offering more options for returning online items than ever before. These range from cross-brand partnerships, where a consumer can return items from one brand to another brand's store, to no box/no label returns, to allowing shoppers to keep an item rather than shipping it back. Adoption can vary by retailer type. For example, big box stores and department stores are more likely than other retail sectors to allow customers to return items without a box or label and show a QR code to a carrier or drop an item at a third-party location.

Implementation of online return methods varies across the industry

| Currently offer for online purchases | Total | Mass/ Club/Dept | Softlines | Hardlines |
|-------------------------------------------------------------------|-------|--------------------|-----------|-----------|
| Mail (packaging and printing done by the shopper) | 39% | 22% | 37% | 56% |
| Mail with prepaid label included in the box | 37% | 34% | 34% | 39% |
| No box / no label | 37% | 53% | 35% | 32% |
| Customers pay an upfront fee for the option to return items later | 35% | 34% | 38% | 37% |
| Buy online return in store (BORIS) | 33% | 28% | 33% | 35% |
| Mail with QR code for carrier to print return label | 32% | 34% | 33% | 24% |
| At-home pick-up | 31% | 22% | 29% | 37% |
| Let consumers keep the product and decide what to do with it | 24% | 31% | 25% | 22% |

Question: Which of the following return methods do you offer for online purchases?
Source: Happy Returns and NRF, 2024 Merchant Survey

* Caution: small base size (n=32)



THE HIDDEN COST OF RETURNS: THE IMPACT OF FRAUDULENT AND ABUSIVE RETURNS PRACTICES

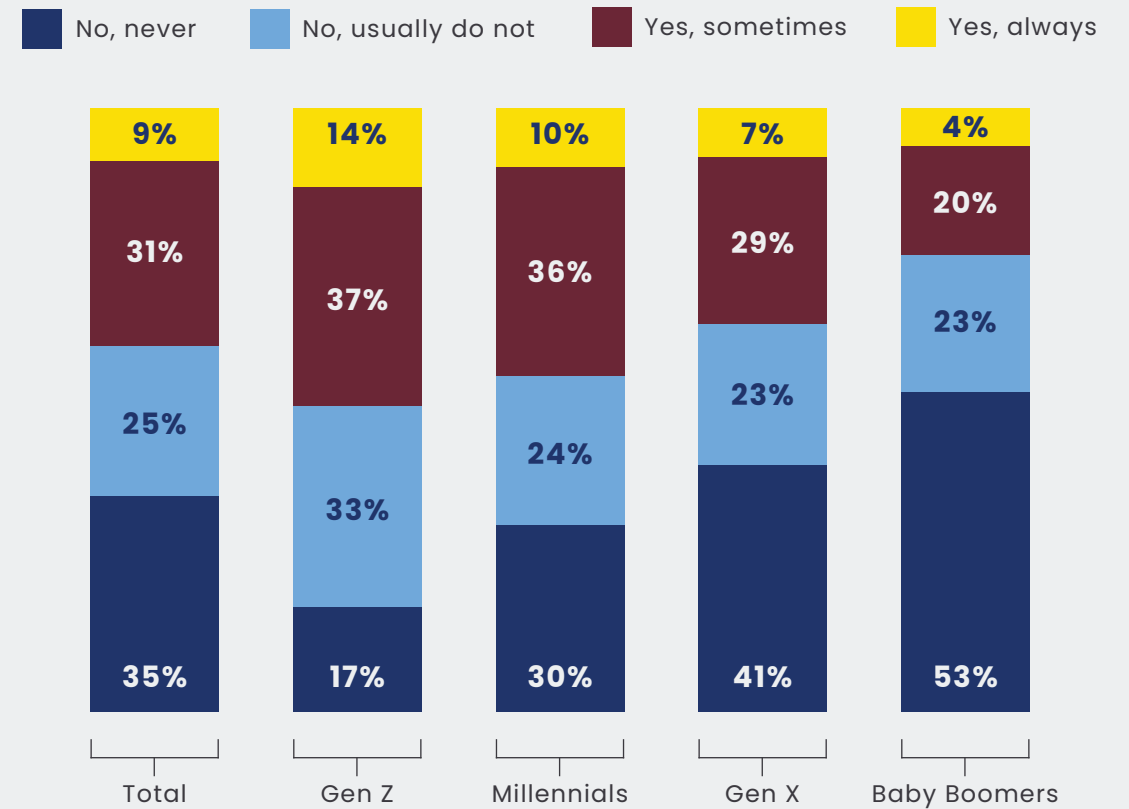
Consumer habits can drive up the cost of returns

In addition to meeting consumer expectations for convenience, retailers are also facing rising pressure on their costs and logistics as a result of broader shifts in consumer behavior. For example, bracketing – the practice of purchasing multiple items with the intent to return some – has become increasingly common across all age groups, but is especially prevalent among younger shoppers. When asked about their apparel and footwear purchases, 51% of Gen Z consumers report engaging in bracketing (with 14% saying they always bracket) compared with their Gen X (36%) and Baby Boomer (24%) counterparts.

For many consumers, bracketing may simply be a convenient part of shopping online that gives them more confidence in their purchase decisions. On the retailer side, however, these behaviors inflate return volumes, increase shipping and restocking costs, and complicate inventory management. Retailers report that, on average, one-quarter (25%) of their transactions included at least one item that was bracketed and 73% have seen an increase in this behavior over the past 12 months.



Consumers who say they've ordered multiple clothes or shoes with the intent of returning them



Question: When shopping online for apparel or footwear in the last 12 months, did you ever purchase an item in more than one size, color or style, with plans to return one or more of them?
 Source: Happy Returns and NRF, 2024 Consumer Survey

THE HIDDEN COST OF RETURNS: THE IMPACT OF FRAUDULENT AND ABUSIVE RETURNS PRACTICES CONTINUED

Retailer perspectives

“The biggest issue is how to find a balance between providing a smooth return process and controlling the return rate, which makes managing logistics and processing orders very complicated.”

– Retailer

“One of the biggest challenges companies are currently facing is the rising cost of managing logistics for returns, which includes transportation restocking and potential disposal of items.”

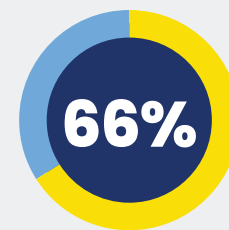
– Retailer

Some retailers have begun changing their return policies or charging fees in the face of rising costs. In the past year, 66% of retailers have started charging fees for one or more return methods to offset costs.



Free returns are no longer the default

Started charging for at least one return method in last 12 months



66% of retailers started charging for 1 or more return methods in the last 12 months

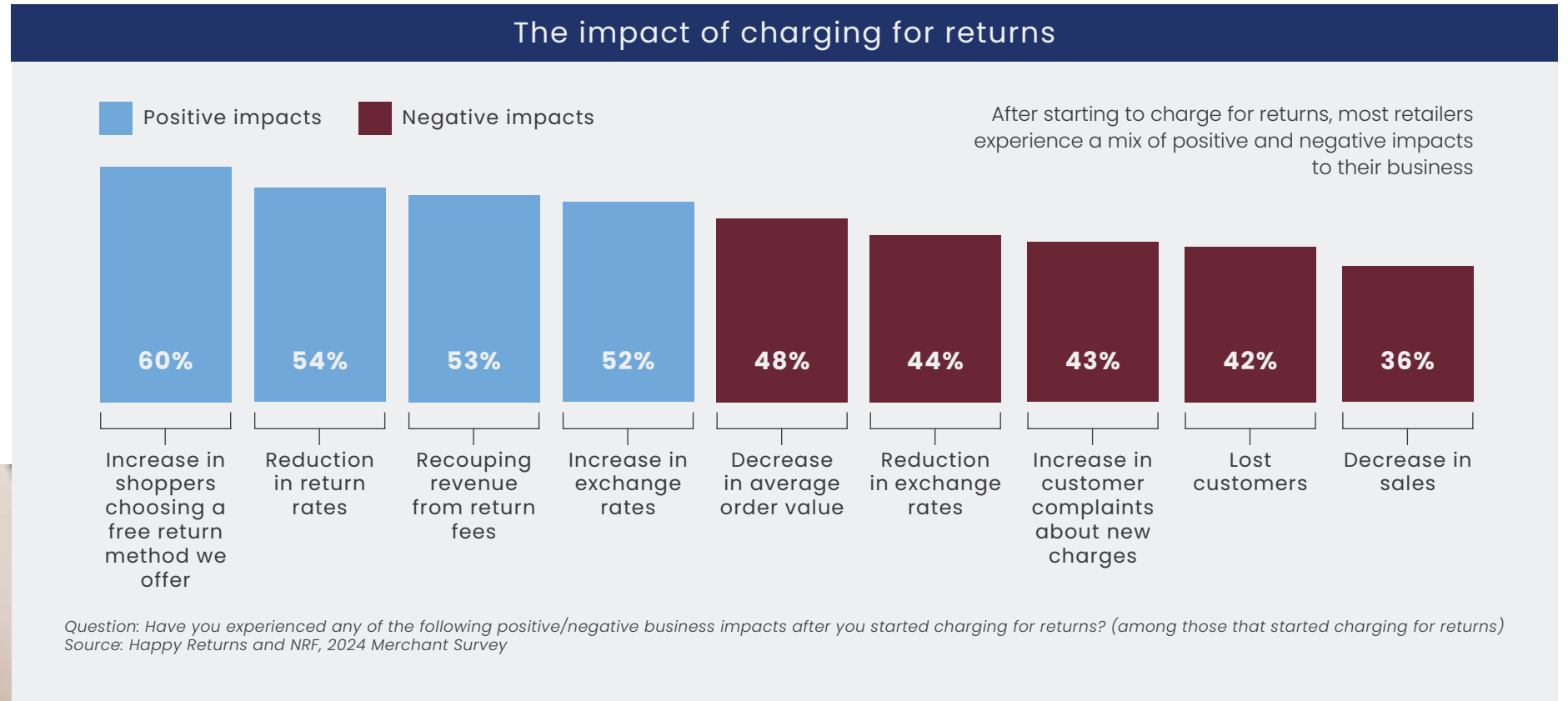
Question: In the last 12 months, did you start charging for one or more return methods? / Why did you start charging for those return methods?
Source: Happy Returns and NRF, 2024 Merchant Survey

Reasons for starting to charge for returns among those that started charging for returns

- 44%** Increases in cost of operations to process returns
- 41%** Increases in carrier shipping costs
- 40%** Shoppers more tolerant of paying return processing fees
- 39%** To mitigate return fraud
- 36%** To discourage returns and reduce return rates

THE HIDDEN COST OF RETURNS: THE IMPACT OF FRAUDULENT AND ABUSIVE RETURNS PRACTICES CONTINUED

The result of charging for returns is mixed — some retailers are influencing consumer behavior by offering no-cost exchanges or subsidized return options that are the least costly for them, while others have seen a spike in customer complaints or even lost customers. Given the priority shoppers place on free returns, retailers have to walk a fine line in implementing these policies. The key may lie in ensuring shoppers still have options, such as free return drop-off or free returns as part of a loyalty program, as well as being upfront and transparent about charges and fees.



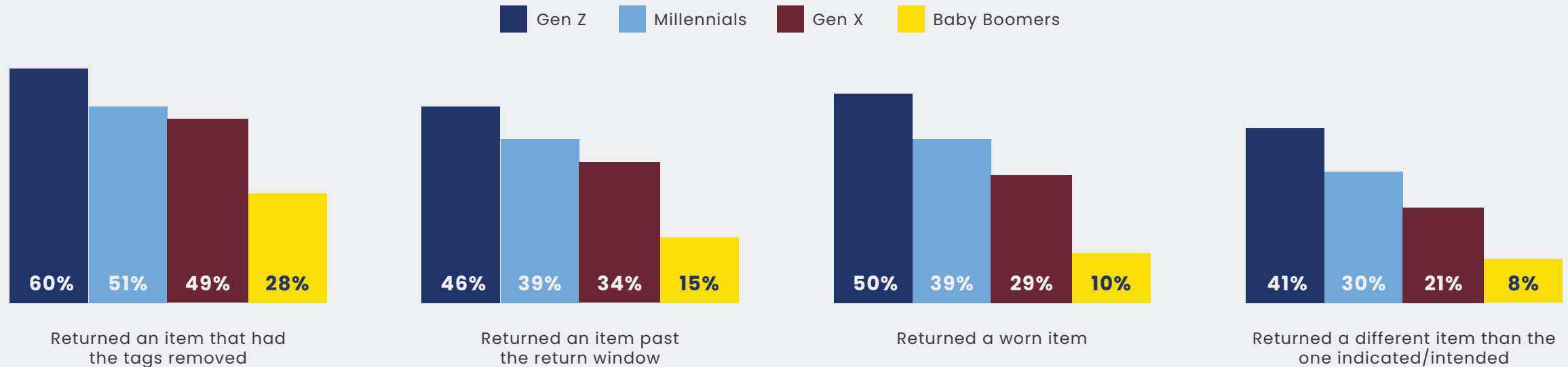
THE HIDDEN COST OF RETURNS: THE IMPACT OF FRAUDULENT AND ABUSIVE RETURNS PRACTICES CONTINUED

Fraudulent and abusive returns pose additional challenges

While bracketing, in and of itself, does not violate retailers' return policies, other consumer actions – such as returns of items with tags removed, or returns of used or worn items (also known as wardrobing) – blur the lines between legitimate returns and exploitation of the returns process.



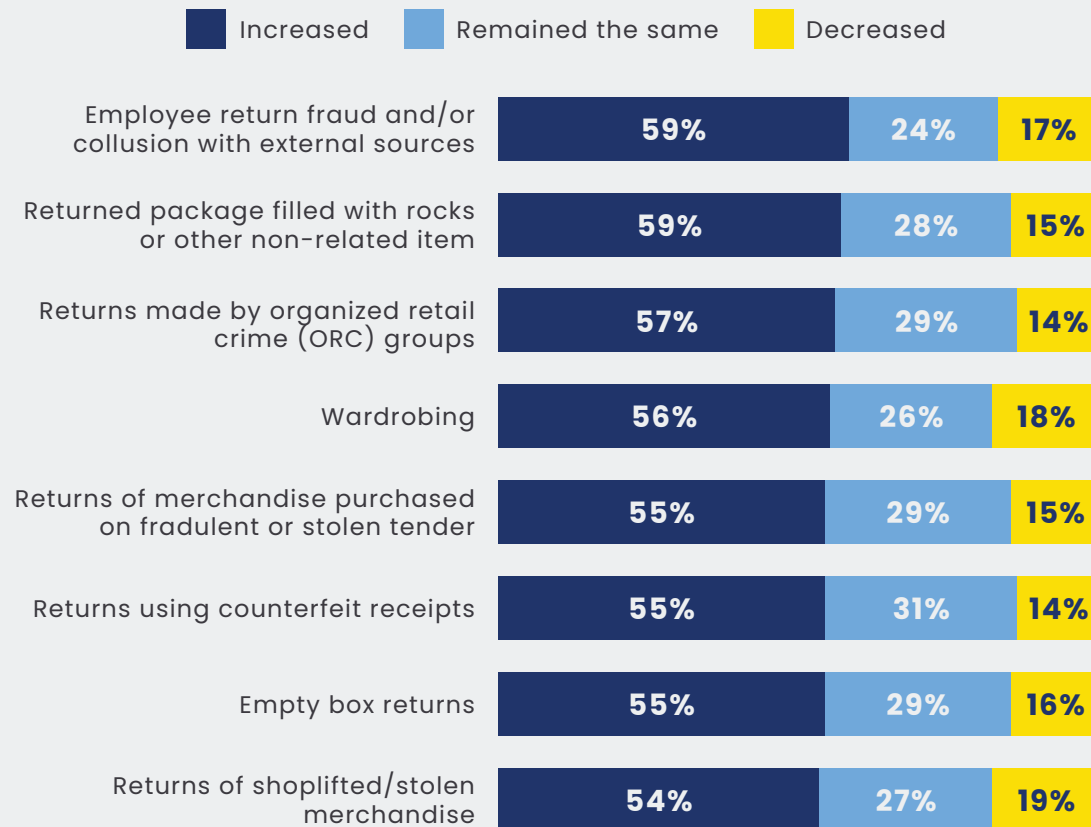
Abusive or exploitive consumer returns behaviors



Question: In the past year, have you engaged in the following activities?
Source: Happy Returns and NRF, 2024 Consumer Survey

THE HIDDEN COST OF RETURNS: THE IMPACT OF FRAUDULENT AND ABUSIVE RETURNS PRACTICES CONTINUED

Prevalence of retail fraud compared with last year



Question: Compared to last year, how much are you experiencing the following types of return fraud?
Source: Happy Returns and NRF, 2024 Merchant Survey

In general, younger shoppers are more likely to engage in behaviors that push the boundaries of return policies, but the concerns — and the impact — span all generations. Retailers are responding by tightening return policies and implementing item verification processes and new technology. While effective, this can also contribute to rising operational costs. In addition, due to strains on warehouse and third-party logistics resources, 60% of retailers have had to choose between fulfilling new orders and processing returns.

Retailers are also seeing an increase in more explicitly fraudulent behavior such as returns of items purchased on stolen tender or returned packages filled with rocks or other unrelated items. And, overall, 93% of merchants report that retail fraud and other exploitive behavior is a significant issue for their business.

Tactics to reduce return fraud and abuse

- 56%** Require item verification prior to issuing a refund
- 51%** Modify refund methods after a designated timeframe
- 50%** Increase return fees for fraudulent shoppers
- 44%** Block shoppers with high return rates

Question: Which of the following tactics do you use to reduce return fraud?
Source: Happy Returns and NRF, 2024 Merchant Survey

In response to this environment, almost all retailers (99%) now employ one or more tactics to reduce return fraud such as requiring item verification before issuing a refund, modifying return timelines or blocking shoppers that exhibit patterns of abusive returns behavior.

CONSUMER VS. RETAILER PERSPECTIVES: WHERE THEY ALIGN AND DIVERGE

Both consumers and the retailers that serve them understand the key role returns play in today's shopping environment. And they agree on many of the fundamentals such as the importance of convenience and keeping down costs. However, there are understandable differences in terms of how these two stakeholders prioritize different aspects of the returns process and how they balance the sometimes competing needs for speed, efficiency and low cost.

Convenience and choice remain key

Both consumers and retailers recognize that ease of return is essential, so much so that merchants and brands said improving the returns experience for customers was one of the most important elements to achieving their 2025 business goals. And 46% of shoppers abandoned a purchase because the merchant did not offer a convenient return method. But it's not just about ease — it's also about choice. Both consumers and retailers agree that shoppers are more likely to buy from brands that provide options such as buy online, return in store or no box / no label returns. This also aligns with what retailers are prioritizing. The ability to provide customers with more flexible omnichannel return options was the top reason retailers changed their policies in the last year.

Reducing costs is a priority

Consumers and retailers alike also see the value in free returns; 76% of consumers say free returns influence their shopping decisions, and 41% of retailers acknowledge that free returns are important to their shoppers.

Yet there are differences. Even though many consumers still expect free returns and may abandon a purchase if fees are applied, as noted, many retailers are charging for at least some return methods to help manage costs. While this discrepancy can lead to friction — 42% of retailers report lost customers due to fees — retailers are offering alternatives such as free returns for loyalty program members. These tactics work; 61% of consumers are likely to sign up for a retailer's loyalty program if it includes that free return benefit.



CONSUMER VS. RETAILER PERSPECTIVES: WHERE THEY ALIGN AND DIVERGE *CONTINUED*

Timing for refunds is a point of contention

Consumers and retailers also differ in terms of the priority they place on instant refunds. Seventy-one percent of consumers say they're more likely to choose return options that provide an instantly initiated refund or exchange. Conversely, only 27% of retailers view this as most important to their customers. Additionally, fraud prevention tactics such as item verification, if it doesn't happen at the point of return, can delay refunds. The most powerful combination, then, is that of convenience and immediacy: 84% of consumers are more likely to shop with a retailer that offers box-free, label-free returns and immediate refunds.

Different perspectives on sustainability

Thirty-eight percent of retailers say that consumers are willing to pay more for an environmentally friendly or sustainable returns option. While initially this seems to align with consumer perspectives — 31% of consumers say they are willing to pay more for sustainable return options — the reality is more nuanced. Fewer than 10% of shoppers list sustainable returns as one of their top three considerations when sending back an item. This gap highlights the need for retailers to approach charging more for eco-friendly returns with caution, balancing consumers' desire for sustainability against the other factors impacting their wallet.



LOOKING AHEAD: THE 2025 VISION FOR RETURNS



By the end of 2025, returns will be **more seamless, faster and more consumer-friendly**, driven by **improved logistics and automation**. The industry recognizes that efficient returns are not merely a competitive advantage but an essential investment to sustain business. Retailers that can reduce the friction of returns, while minimizing costs, will be better positioned to meet consumer demands and avoid potential risks to their operations.

When retailers look to the future, more than two-thirds (68%) say they are prioritizing upgrading their returns capabilities within the next six months. In addition, improving the returns experience and reducing the return rate are viewed as two of the most important elements for businesses in achieving their 2025 goals — ranking above increasing online sales.

Improving this experience means balancing a number of factors: Fully understanding customer expectations; effectively and efficiently managing logistics costs and inventory; creatively preparing for seasons likely to bring a spike in returns such as the winter holidays; setting and communicating clear returns policies that combat retail fraud and abuse while providing flexibility and convenience for shoppers; exploring emerging technology for returns automation, analytics and reporting; and helping consumers understand the impact of behaviors such as wardrobing and bracketing.



About the Study

Fielded August – September 2024

This fall, NRF partnered with Happy Returns, a UPS company, to conduct two complementary surveys, aiming to understand the dynamics of online returns from both consumers and ecommerce professionals. The first survey gathered responses from 2,007 consumers who had returned at least one online purchase within the past year, exploring their shopping preferences, return experiences and expectations for the upcoming 2024 winter holiday season. The second survey engaged 249 ecommerce and finance professionals from large U.S. retailers (with \$500M+ in revenue), across verticals, to gather insights into their return rates and the operational challenges they face with returns processing. By comparing perspectives from both sides, the goal was to uncover valuable insights into the online return landscape.



About NRF

The National Retail Federation passionately advocates for the people, brands, policies and ideas that help retail succeed. 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 \$5.3 trillion to annual GDP and supporting more than one in four U.S. jobs – 55 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)

About Happy Returns

Happy Returns, a UPS company, provides end-to-end returns solutions for online retailers and shoppers through a unique combination of returns software plus reverse logistics. Through its nationwide network of Return Bar® locations, Happy Returns delights shoppers by enabling them to drop off returns with no packaging or printing in under 60 seconds. Returns are consolidated, sorted in automated facilities, and bulk shipped back to retailers, driving cost savings and operational efficiency. [Happyreturns.com](https://www.happyreturns.com)