

RETAIL

## Smart strategies for a successful 2024 gift return season

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*The National Retail Federation was quite bullish on U.S. consumer spend this holiday season, regardless of geopolitical events or overall economic trends. Image: National Retail Federation*

By **Tommy Lamb**

Ready for the holiday hangover? The early part of the new year is not just about resolutions it is also about returns and for some companies a major hit to their P&L.

According to Shopify, ecommerce holiday return rates range from 20-30 percent, which means one of every four holiday purchases gets sent back in January.

Retailers facing a tough return season actually have a golden opportunity to identify the gift getters when they come to the site.

Bluecore found that during the 2022 holiday season, retailers failed to identify 75 percent of the traffic on its site. Any sane retailer would see this as a fantastic way to engage as many "returners" as possible, as well as loyal customers, new visitors and anyone in between.

Not all offers are created equal

As marketers, our reflex is to get returners to purchase something else ASAP. That is not always going to drive the most lifetime value or retain the customer.

It is not about which offer drives the best near-term value, but which offer drives the best behavior to drive higher long-term value.

At one large beauty retailer I worked with, we looked at the value of every possible action a customer could take and found that an immediate purchase was not the top revenue generating behavior.

Actions such as downloading the app, signing up for a credit card or joining the loyalty program can be more valuable than a simple purchase in the long run.

These insights stopped us from simply throwing a site wide "15 percent off any item" offer at everyone who returned a product and laid a fertile testing ground for incentivizing high value behavior

If a purchase is the best action after all, there are different ways to get returners to convert.

We calculated the overall value of different types of offers and found that a discount on a product could be more costly

we calculated the overall value of different types of offers and found that a discount on a product could be more costly and less effective than offering free shipping on a next purchase or free fast delivery.

For example, if a company's average order value (AOV) is around \$70, a 15 percent offer costs more than \$10 while expedited shipping comes in at \$8. And more often than not, the perceived value of expedited shipping is far greater than a 15 percent off discount, which, to many customers is barely more than tax.

If someone cannot be enticed to purchase, retailers can still drive valuable behavior through engagement on social platforms and product reviews.



*Tommy Lamb*

Double down on data

The results of this kind of analysis need to be combined with customer insights to deliver messaging that is as valuable for sender and recipient as possible.

Retailers can appeal to many more returners with even the slightest personalization.

Keep in mind, it is important to not personalize for personalization sake, but only when there is a value-add.

As retailers learn about this cohort, they can group like customers using loyalty, lifetime value (LTV), discount sensitivity and first-time visitor status.

Within these groups, customer data can be used to tailor offers that do not just drive a purchase, but drive the highest value behavior for that brand.

While imperfect, this approach will establish a baseline from which to test against, like a bias for action for the customer.

Recent, high AOV and loyal customers should be treated to messaging that moves them up-market. Consumers want to feel seen and unique if they are treated like a stranger despite having visited or purchased, it is an insult that is hard to recover from.

For example, anyone in the loyalty program should get a perk: the higher the tier, the better the offer.

Data can inform communications even if the returner does not have a strong order history. Identification marketing tools can help here.

Retailers can look at the customer flow from end to end: what ads they have been exposed to and from where they navigated. If they have shopped the site, they can look at what they have viewed or carted even if they have not purchased.

Customer insights can help retailers determine which products to highlight, whatever the offer: 15 percent off, free shipping or VIP early access. Do not show a customer metallic makeup if they are all about natural skin care unless, of course, the data indicates that is the next best category.

If there is not a lot of existing data to go on, retailers can look at the return itself.

Good gifters usually try to buy something from a retailer their loved one actually likes. Maybe they got the size or color wrong, but were pretty close.

Retailers can gently nudge the returner to trade, rather than simply send back.

Retailers with a broad variety of styles can draw from brands that were purchased in the past and suggest an appropriate switch. PacSun's Fear of God line might be scarily beige for the customer who typically buys purple

PlayBoy.

Data can be used to create a flow that ladders through different offers and products in descending priority order based on which offer and product categories, drive the highest value behavior which data-driven marketing automation tools make a lot easier.

While no one needs to be in a 120-day email flow a handful of mutually exclusive, but categorically exhaustive (MECE) messages are much better than one tone-deaf call action but the right number for the specific category for the specific customer is only clear with testing.

Next it is time to test different sequential messaging.

Perhaps the first one combines an ask to download the app in exchange for free shipping with images featuring a brand they have bought before. If that does not work, the next offer might be an ask to join the VIP list with an offer to preview the capsule collection of a favorite brand.

Still no response?

The next step could be to use AI-based analysis and incentivize new behavior, such as switching to a brand they might not have tried but might like based on typical buying behavior in that lookalike group think Amazon's "People who like Uggs also like Snuggies"

Love, do not just sell

Offers are important, but so is the return experience itself.

Remember, the return process is a chore, and retailers can make that chore a lot better with a streamlined process and some good messaging.

Making it hard to return items does not prioritize customer experience, and can leave someone with a bad impression of the brand.

Amazon makes everything easy, including returns, and is a benchmark that other retailers will be judged by.

Even without a global shipping network to facilitate easy returns, brands such as Free People and Outdoor Voices have implemented strategies to make returns super easy for the consumer.

Outdoor Voices even offers immediate store credit for a replacement item before the returned item is shipped back.

RETURNERS ALSO appreciate a heartfelt "We're sorry this one didn't work out!" message along with whatever marketing flow to which they will be treated.

If treated to an experience that is valuable enough, they might be willing to share info about why a product did not work out and even be motivated to purchase something else.

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