

URBANTHREADS Q4 2024 RETURNS ANALYSIS

Data Analyst Intern Assessment Report

EXECUTIVE SUMMARY

The Q4 2024 dataset reveals a critical operational challenge: UrbanThreads' return rate has reached 52.02%, significantly exceeding both the stated 19% baseline and the target of 15%. Analysis of 346 orders across October-December 2024 identified four primary root causes driving this unsustainable return rate, with targeted recommendations projected to reduce returns by 35-40 percentage points within two quarters.

Key Performance Indicators

Metric	Value
Total Orders	346
Total Returns	180
Return Rate	52.02%
Average Order Value	₹2,959

Root Cause Analysis

1. Product-Specific Issues (Accounts for ~45% of Returns)

- Size Issue: 67 returns (37% of all returns) — particularly severe in Dresses (62.9% return rate) and Outerwear (76.5% return rate)
- Quality Defect: 32 returns (18%) — concentrated in high-value categories
- Hypothesis: Inadequate sizing information and inconsistent quality control, especially for complex garments

2. Channel-Specific Vulnerabilities (Instagram Shop: 65.1% Return Rate)

- Instagram Shop generates 31.5% of orders but 39.4% of returns
- New customers via Instagram: 71.6% return rate (highest risk segment)
- Hypothesis: Impulse purchasing driven by social media, inadequate product visualization

3. Payment Method Correlation (COD: 60.3% vs. Prepaid: 50.2%)

- Cash-on-Delivery orders show 10 percentage point higher return rate
- Hypothesis: Lower commitment threshold enables speculative ordering

4. Fulfillment and Quality Control Gaps

- Wrong Item: 28 returns (16%) — indicates picking/packing errors
- Damaged in Transit: 24 returns (13%) — packaging or logistics issues

Actionable Recommendations (Targeting 15% Return Rate)

Priority 1: Enhanced Product Information (Target: -15 percentage points)

1. Action: Implement comprehensive sizing guides with model measurements, customer fit reviews, and AR try-on for Dresses, Outerwear, and Tops
2. Expected Impact: Reduce size-related returns from 67 to ~30 cases (55% reduction)
3. Testing: A/B test enhanced sizing vs. current state for Dresses category; measure return rate over 6 weeks

Priority 2: Instagram Shop Optimization (Target: -8 percentage points)

4. Action: Implement pre-purchase fit quiz, detailed product videos, and explicit size/return policy disclosure on Instagram checkout
5. Expected Impact: Reduce Instagram return rate from 65.1% to ~45% (matching mobile app performance)
6. Risk Mitigation: Monitor conversion rate to ensure interventions don't suppress sales

Priority 3: COD Payment Restructuring (Target: -5 percentage points)

7. Action: Introduce ₹100 non-refundable booking fee for COD orders, or offer 5% discount for prepaid payment
8. Expected Impact: Shift 30-40% of COD users to prepaid, reducing overall return rate by 5 percentage points
9. Trade-off: May lose 10-15% of COD customers, but improves unit economics

Priority 4: Quality Control Enhancement (Target: -7 percentage points)

10. Action: Implement multi-point quality inspection before dispatch; automated verification for order accuracy (SKU matching)
11. Expected Impact: Reduce Quality Defect returns by 60% and Wrong Item returns by 80%
12. Investment: Additional 30-45 seconds per order in fulfillment time

Proposed Testing & Validation Framework

Recommendation: Implement phased rollout with A/B testing over 8-week period

- Weeks 1-2: Pilot enhanced sizing guides for Dresses category (50% traffic); track return rate, time-on-page, conversion
- Weeks 3-4: Test Instagram fit quiz (random 50% assignment); measure change in return reasons and overall return rate
- Weeks 5-6: Introduce COD booking fee in select cities; monitor conversion impact and return rate change
- Weeks 7-8: Full implementation of quality control protocol; measure defect and wrong-item return reduction

Critical Assumptions & Data Limitations

Assumptions

- Return rate calculation assumes all delivered orders had equal opportunity to be returned within the 30-day window
- Missing Discount Codes treated as zero discount (not an error)
- One order with negative quantity (Order ID: UT-100010, Qty: -1) treated as data entry error; minimal impact on aggregate metrics
- Customer type 'New' vs. 'Returning' assumed accurately reflects first-time vs. repeat purchase status

Limitations

- Dataset limited to Q4 2024 (346 orders) — seasonal bias likely, recommendations may not generalize to other quarters
- No customer lifetime value data — cannot assess long-term profitability impact of return policies
- Return reasons are high-level categories; lack granular detail (e.g., 'Size Issue' doesn't specify if sizing runs large/small)
- Unable to validate against business rules V1-V10 without PDF access — potential undetected data quality issues remain
- No competitive benchmarking data — unclear if 52% return rate is industry anomaly or category norm

Conclusion

The 52.02% return rate represents an existential operational challenge requiring immediate intervention. The proposed four-priority framework targets the 35-40 percentage point reduction needed to reach the 15% goal within two quarters. Critical success factors include:

- Aggressive investment in product visualization and sizing tools (especially for Dresses and Outerwear)
- Channel-specific optimization for Instagram Shop to address the 71.6% return rate among new customers
- Payment policy restructuring to align customer commitment with order finalization
- Operational excellence in fulfillment to eliminate controllable errors (wrong items, quality defects)

Recommended immediate action: Begin A/B testing sizing guide enhancements for Dresses category this week, as this single intervention could reduce overall returns by 10-15 percentage points based on the data.

— *End of Report* —