



How To Make Your Data Work Harder To Reduce Garment Return Rates



Introduction

As co-founder of Dressipi, I recently sat on a panel at *Retail Week Tech* with Vicky Brock formerly of Clear Returns. Vicky is brilliant and has dedicated many years to understanding the key drivers behind returns behaviour across all industries.

At Dressipi we have also done a fair amount of work to understand the specifics surrounding the fashion industry. Based on the conversation, there were a couple of insights that I thought worth highlighting and sharing.



Sarah McVittie co-founder of Dressipi and Vicky Brock formerly of Clear Returns, at Retail Week Tech

1. Why understanding your return drivers is important to your business

Vicky spoke about the fact that returns are always going to be a feature of the retail industry but at their current levels, they are expensive and unsustainable. As every retailer knows, it's not simply the cost of sending out the items and getting them sent back. There are three other key areas of costs:

- **Costs of getting product back into circulation**
This is getting it back to the warehouse, re-packaging, cleaning and returning it to the shop floor or distribution center). These costs can vary from £4 to £20 depending on the retailer.
- **Opportunity cost of not having available stock**
This is particularly the case in fashion with regular seasons/ product drops. Depending on when an item is purchased, and how long the return cycle takes (typically 2-6 weeks), it may well end up being returned and having to go straight into discounting / markdowns rather than having been made available for someone else to purchase.
- **Costs of restocking**
Typically garments take between 2-6 weeks to get returned so depending on the sales volume of an item, retailers can either order more stock or wait for the returns to come back in. If they order in more stock and that garment has a high return rate, this typically ends up with retailers ordering way more stock than they can sell – therefore decreasing sell-through rates and increasing markdowns.

2. Quantity and quality of data

Something of a bugbear to us both was the poor quality of data held by most retailers. Everything from the lack of data on the customer, the transactions data (often incomplete and housed in various different locations) and the product data (sparsely and inaccurately attributed). The data held by retailers is rarely good enough (in both quantity and quality) to predict and reduce returns.

At Dressipi, we have very detailed data on every customer. We have our own taxonomy for every product category, tagging every single product with up to 40-50 features. This enables us to do far more accurate propensity modelling on customer profile features and their propensity to buy and to keep certain garments. We can see, for example, that women with a certain bust size will tend to keep garments with certain necklines but are very likely to return garments with other necklines.

3. Focus on the right metrics to drive up revenues *and* margins

We both highlighted that retailers typically focus on conversion and gross sales but this can be misleading and won't always lead to margin improvement. For example, if retailers push a high sales volume garment without understanding that the return rate is greater than 60/70% then it will end up significantly decreasing profitability.

We tend to use Net Demand Per Visitor as our key metric and then break that metric down by the relative impacts on Average Order Value (AOV), Conversion Rates, Frequency of Purchases and Return Rates.

Ideally, you can increase your customer's annual spend *and* ensure they keep an increase portion of that spend.

4. Analyse your data to understand your key drivers

Key reasons behind the returns will vary by retailer but at both Clear Returns and Dressipi we find they broadly fall into the following areas:

- **Customer behaviour**

Are they perpetual returners or non-returners? If they are returners are they profitable or not? If you can get your non-profitable returners to keep just one more garment a year they become profitable (this is possible through better recommendations, ensuring everything in their basket looks great on them so they are less likely to return items). Is it a style issue (what suits me and works with my wardrobe) or a sizing issue (sizing only tends to help new customers who are unsure of what size to buy in a new brand)?

- **Wrong products / features**

This can either be faulty products or just garment features (style, necklines, embellishments, type of waistband, etc) that do not resonate with your customer base.

- **Press / marketing images**

Some on-trend garments can look amazing in campaign shots but are hard for most normal women to pull-off (drop-waisted dresses were a good example a few years ago). Although they look like best sellers they end up being very highly returned products, in many cases making them loss-making. Similarly, if the photography is too good then customers can feel disappointed when the items finally arrive and are completely different from the promise of the photo.

5. Simple analysis every retailer can do

We do a lot of analysis when we start working with our retail partners and much of that is based on the specific customer and garment data that we apply.

There are also some simple things you can do as a retailer. If for example, you wanted to understand whether giving sizing advice or style advice was going to drive a bigger reduction in return rates, you can do the simple analysis below.

Take transactional data over a period (the last 12 months) and create the following two tables.

Table 1 Where sizing is an issue

Look at customers who have purchased multiple sizes of the same items (across any time period/number of orders) and have sent at least one item back – this suggests that sizing is the issue.

Where sizing is an issue	Example data		Comments
Total products purchased	1,200,000		Total products purchased in time period
Total products returned	500,000		Total products returned in time period
Return rate	42%		(Total products returned)/(Total products purchased)
Total products bought in multiple sizes	130,000		Same product bought in 2+ sizes by same customer across multiple orders
as % of all purchases	11%		(Total products bought in multiple sizes)/Total products purchased
	Purchases	Returns	Comments
Where sizing is an issue	41,000	20,000	Where at least 1 item is kept but the others are returned
as % of all multiple size purchases	32%		
as % of all returns		4%	
Kept all garments	13,000		Where the customer kept both items
as % of all multiple size purchases	10%		
as % of all purchases	1%		
Returned all garments	76,000	75,000	All items are returned (suggests sizing and/or style is the main issue)
as % of all multiple size purchases	58%		
as % of all returns		15%	
Total returns as result of sizing		57,500	Sum (Where sizing is an issue)+ 50% (Returned both garments)
as % of all returns		12%	

Table 2 Where style is an issue

Look at customers who have bought multiple options within the same garment category and have sent at least one back – this suggests that styling and what suits them / works with their wardrobe is the primary issue in terms of returns.

Where style is an issue	Example data	Comments	
Total products purchased	1,200,000	Total products purchased in time period	
Total products returned	500,000	Total products returned in time period	
Return rate	42%	(Total products returned)/(Total products purchased)	
Total products bought in multiple styles as % of all purchases	600,000 50%	Multiple options same garment category bought by customer within one orde (Total products bought in multiple styles)/Total products purchased	
	Purchases	Returns	Comments
Where style is an issue	270,000	200,000	Where at least 1 is kept but the others are returned
as % of all multiple style purchases	45%		
as % of all returns		40%	
Kept all garments	220,000		Where the customer kept both items
as % of all multiple style purchases	37%		
as % of all purchases	18%		
Returned all garments	110,000	100,000	Where all items are returned (suggests that style is the main issue)
as % of all multiple stylepurchases	18%		
as % of all returns		20%	
Total returns as result of style		250,000	Sum (Where style is an issue)+ (Returned all garments)
as % of all returns		50%	

Here at Dressipi, we find that style is typically a bigger issue than size in terms of reducing returns across our range of partners. Our Fashion Prediction Platform ensures retailers create highly personalised shopping experiences for their customers that understand them, their style and their preferences. This helps customers choose items that are more likely to appeal, not only increasing revenue but also reducing returns, therefore increasing margins at the same time.

There are other quick ways to reduce returns but these all require a deeper understanding of both the customer base and the product features/attributes and are surfaced as part of the Dressipi service offering.

Summary

Returns are expensive and carry a hidden cost as they can impact so many areas of a retailer's operation. The poor quality and sparsity of the data held by many retailers on both the customers and the products serve to exacerbate the issue.

There is no silver bullet for solving this problem, as there are a number of reasons why items are returned (and each of these reasons will impact each retailer differently).

It is firstly important to get the right data in place, and to then use that data to understand the quickest and easiest way to reduce returns without impacting or reducing revenue or sales: is it customer behaviour, product/feature mix or different marketing behaviour?

Having real clarity as to the key metrics that can drive revenue growth alongside profit/margin growth also represents an important element of this process.

At Dressipi, not only do we now understand the detailed data that is required to apply at both the customer and the product level but we also run 4 or 5 pieces of analysis to understand where to focus our efforts if reducing returns is a KPI that is important for our partners. The results are impressive with our partners enjoying up to 15% reductions in returns.

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About Dressipi

Dressipi is the world's only Fashion Prediction Platform, enabling retailers to predict what their customers will buy and not return, optimising profitability and giving customers the best possible experience. Our data-driven approach helps drive significant new revenues for retailers (a minimum of 8% increase in net incremental revenue per visitor), decrease returns (by 15%) and increase conversion and frequency of purchase (by up to 30%).

Leading retailers use Dressipi's Fashion Prediction Platform for its best in class recommendations and prediction scores, enabling radically improved customer experiences and more informed decisions on demand to supply matching, merchandising and acquisition. Our unique database of over 5 million connectable fashion customers combined with fashion specific AI, expert knowledge and proprietary structured product data means retailers can be more profitable, more customer centric and more efficient.

#bepredictive

Contact Dressipi

To learn more about how Dressipi's data-driven approach accelerates leading retailers to be truly predictive, get in touch today.

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