

Fashion E-Tail and the Impact of Returns

Subjects: **Others**

Contributor: Carolina Faya , Carolina Bozzi , , Claudia Mont'Alvão

Despite the increasing number of individuals adopting digital channels to buy goods, it seems there are still some issues that harm these transactions. High return and exchange rates have developed into a problem.

e-commerce

sustainable consumption

sustainable design

1. Introduction

Despite the increasing number of individuals adopting digital channels to buy goods, it seems there are still some issues that harm these transactions. High return and exchange rates have developed into a problem. The lack of direct contact with products forces consumers to gather all the necessary information to make buying decisions from pictures and textual descriptions. When these are not complete this process can become more difficult, leading to mistaken acquisitions. Consumers adopt tactics to increase the chances of buying an item that will meet their expectations; they buy more than one size/colour of the same item and return those that were not according to their liking. In fact, consumers who engage in too frequent returns are called “serial returners” ^{[1][2]}. This practice, like any return or exchange, has negative impacts on important aspects of e-commerce such as the user experience (UX), the logistics chain, not to mention the environment.

2. Online Shopping

E-commerce is an ever-booming market, 19% of all global purchases in 2020 were made digitally. Surpassing the expected 17.5% by 2021 ^[3]. In fact, the Adobe digital economy index report ^[4] predicted that global e-commerce would reach 4.2 trillion by the end of 2021, having reached \$876 billion in Q1. This growth has been accelerated by the restrictions imposed on physical stores by the COVID-19 pandemic ^[5].

In the UK, e-commerce attracted the largest number of new consumers online 15% of consumers who reported having shopped in 2021 had never purchased anything online before March 2020. In the US, 9% of online shoppers are new to this activity.

3. Returns

In addition, the clothing industry does not follow a single measurement system resulting in size inconsistencies between brands. Fit and size are the top reasons people return clothes accounting for 46% of all returns to non-

Amazon retailers and 34% of returns to Amazon [6]. These factors confuse the buyer causing them to return products that do not meet their expectations.

Issues related to the sustainability of the fashion industry are usually related to the impact of textile production and waste [7][8]. Impacts caused by the transport of goods have been overlooked. E-commerce logistics chains are a major source of damage to the environment, producing massive amounts of greenhouse effect gases. Returns cause an immense carbon footprint, it is estimated that they generate five billion pounds of waste each year in the US alone (the equivalent to three times the amount of trash produced in Seattle every year), whilst dumping 15 million metric tons of carbon dioxide into the atmosphere, the equivalent of 3 million cars driving for one year [23]. Up to 10% of what is purchased in physical stores is returned; in online stores that number is as high as 40%, and over 25% end up in landfills accounting for about €5.5 billion annually [9]. Renwick [10] argues that online returns can be up to 50% (one of the interviewees mentioned 70%).

Transportation, whether by air, sea, or land, has a significant impact on the environment before the product even reaches a retailer's distribution centre [11]. Recently, some fashion retail giants have signed the Cargo Owners for Zero-Emission Vessels (coZEV) coalition, they pledged to achieve zero-carbon shipping by 2040 [12]. However, this only covers part of the chain. Mckinnon [13] estimates that the global greenhouse gas emissions from logistics as being in the region of 2500 Mt CO₂e (Metric tons of carbon dioxide equivalent or MT CO₂e). Road is the largest source (about 1600 Mt CO₂e), followed by shipping (500 Mt CO₂e), air freight (300 Mt CO₂e), and rail (100 Mt CO₂e). Warehousing is also a contributing factor [14].

Easy-return policies contribute to intensifying the impact caused by transportation as it doubles (sometimes triples or quadruples) the number of journeys required to fulfil orders. According to [15], any goods returned will inevitably incur environmental costs in the process and, in general terms, environmental sustainability will be greater the fewer the number of products is returned. Regarding the environmental effects of reverse logistics, there are four major sources of problems; namely the long-haul element of any trip, the short-haul (distribution) element, the last mile trip to/from the customer, and the logistics storage and handling facilities in terms of warehouses/distribution centres [15].

At a moment when global authorities are focusing on reducing CO₂ emissions, especially in Europe [16], it is paramount to identify the main culprits. Also, consumers are increasingly more willing to make sustainable buying decisions, and should be aware of how their buying habits are damaging the environment [17][18].

Another problem is that returns can be difficult for retailers to handle as many lack the technology or do not know how to deal with returned goods [19]. Usually, if the returned items are not sent to landfills, they are sold to discounters, wholesalers, or liquidators. However, not all companies engage in remarketing their products, Burberry, for example, admitted to burning clothing and accessories that were not sold and H&M said it burned fifteen tons of clothes considered unfit to recycle [20].

Returns are also expensive. Fashion retailers especially suffer this problem since some customers buy garments in different sizes, then use their homes as dressing rooms. Size and fit are some of the top reasons buyers return clothing items [21]. According to an article by Vogue Business, an online retailer reported \$499 million in sales in 2018, but in the same year, it spent \$531 million on returns [22]. Still, according to the fashion outlet, experts estimate that retailers are losing a third of their revenue because of returns. Reverse logistics costs are difficult to track because they are usually not documented by companies [23].

NRF and Appriss Retail [24] surveyed retailers to better understand the current returns landscape. The report includes a look at the overall impact of consumer returns, how the holiday season and the COVID-19 pandemic impact returns, and benchmarking data on return fraud. Some key findings reveal that the total returns account for over \$400 billion in lost sales for U.S. retailers. Also, online returns have more than doubled and are a major driver of the growth of returns. On average, retailers expected 13.3% of the merchandise sold during the 2020 holiday season to be returned. The estimated cost of these holiday returns is \$101 billion.

High rates of exchanges and returns possibly occur because clothing has more non-digital attributes that are better evaluated by direct contact [25], such as the texture of the fabric.

Another source of confusion is vanity sizing, which consists of the manipulation of size labels. As [23][26], researchers believe that better product presentations that include good quality photos, online videos, and so on, may lead to fewer returns.

4. Mental Imagery

As it is not possible to inspect a product directly in the online environment, the concept of mental imagery stands out. It is related to consumers' ability to process information and recall previous experiences. When a product is absent, individuals evaluate it using their imagination [27][28]. Studies examine the impacts of product presentations on the formation of mental imagery [29][30][31][32][33][34][35][27]. Variables such as sharpness [29][32][28] and concreteness [33][35][27] are considered. Clear information has the potential to bring the consumer closer to a direct experience [32] and decrease uncertainty as it compensates for the lack of tactile information [28], while concrete words can evoke sensory experiences [33]. Presentations impact perceived quality [36], they can be considered as a signal that affects consumers' perceptions of a product. A signal "is an action that the seller can take to convey information credibly about unobservable product quality to the buyer" [37].

Despite their valuable contribution, the mentioned studies focus on conversion. Whereas researchers believe that designing complete product presentation pages can contribute to the formation of quality mental imagery enabling consumers to make more informed buying (or not buying) decisions, prioritizing well-being. This approach is beneficial to the humans involved, but it is also beneficial to the industry if researchers consider the lifetime value of a consumer [38]. If the consumer is well informed, trusts the information presented on digital interfaces, and does not buy products that do not meet their expectations, they can become more valuable in the long term and more satisfied. It is about aligning the interests of both sides: that of the brand and consumers.

Elaborating product presentations is a key contribution for the online consumer's decision-making. The product presentation page is a fundamental source of information for consumers to evaluate whether that item meets their needs. This information impacts the entire process that begins then, with effects on the after-sales, as misinformation may lead to returns and/or exchanges. Consequently, themes such as conscious consumption and corporate social responsibility come into the discussion. This concept is represented in **Figure 1**.



Figure 1. More information leads to fewer returns. Source: the authors.

Effective presentations must be organized in a way that transforms data into information ^[39]. Owing to the complexity of size systems, it is essential to focus efforts to aid their understanding ^[40] contributing to the notion of Corporate Social Responsibility, in which businesses and society are intertwined rather than constituting separate entities ^[41]. In addition, more conscious and informed choices will result in fewer returns, consequently, the volume of discards will decrease, giving rise to Sustainable Development.

5. Human-Centred Design

Researchers consider that the terms human-centred and user-centred cannot be used interchangeably. Human-centred relates to a broader context and covers issues such as educating consumers to be more aware of their choices and not just leading them to buy. Norman ^[42] argues that human-centred approaches should be more comprehensive and consider problems as an interconnected system of processes, and therefore, mapping the online shopping journey can bring to light some issues related to product presentations in digital interfaces and enable the identification of possible solutions to optimize communication with the consumer.

Human-centred approaches focus on all human beings involved in a process and all aspects of that relationship. They are not limited to the user in the equation, but go beyond, including the social environment and contexts of use ^{[42][43]}. Better informing a consumer is not only beneficial from a sustainability perspective but also from a social bias and in addition to contributing to Sustainable Development goals. Sustainable design, to be valuable at all, requires sustainable consumption. There is little merit in aspiring to create a sustainable product if its user does not recognize and act on its potential to support sustainable behaviour ^[44].

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