

Immediate Gratification

Online retailers bolster sales and customer relations with physical return locations

by LAURI GIESEN

For many potential shoppers, one of the biggest obstacles to making a purchase online is the possibility of having to return the merchandise later.

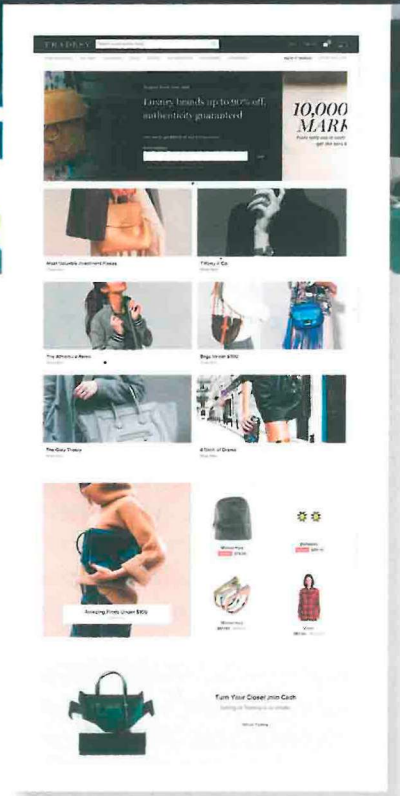
If the fit is not right or the product doesn't look exactly like it did on the website, returns may be inevitable. And returning the merchandise can be a hassle, especially when dealing with online retailers that do not have bricks-and-mortar stores — some customers may not even make a desired purchase if they are not sure the product will be exactly right.

Now Tradesy, an online peer-to-peer sales company, is working with startup Happy Returns on a pilot where customers can return merchandise they don't want in physical locations — often at the concierge kiosk at a local mall.

Tradesy was founded in 2012 by Tracy DiNunzio, to enable women to make money off the unworn clothing and accessories in their closets. Pricing, listing, buying, selling, shipping and returning items is seamless; Tradesy receives a 9 percent commission on sales.

Tradesy was attracted to the program because of the ease of return it provided to online customers. “There is a segment of customers that do not want to have to repackage and mail items they want to return,” says Kamini Lane, head of marketing for Tradesy. “There is a lot of ease with an in-store return.”

Happy Returns was founded by David Sobie and Mark Geller; the two worked together at HauteLook, a flash sale pioneer that was acquired by Nordstrom in 2011. One of the programs Sobie and



Geller worked on after the acquisition was enabling HauteLook shoppers to return products to Nordstrom Rack stores.

“The Return to Rack program gave HauteLook shoppers the option to return to store in addition to the existing return by mail process,” Sobie says. “What we quickly realized was that if given a choice, online shoppers overwhelmingly prefer to return in person, and that those returns represented valuable foot traffic for Rack stores.”

INSTANT CREDIT

Happy Returns works with retailers as well as malls and other locations that can accept returned merchandise and authorize immediate credit to customers. About \$260 billion in merchandise was returned in 2015, according to NRF research.

In the bricks-and-mortar world, typically between 5 and 10 percent of merchandise sold is returned, Sobie says, but that amount is typically between three and four times higher for online retailers.

Not only are return issues creating a hassle for customers, they often limit sales. A recent Happy Returns survey found that about 40 percent of surveyed customers have avoided purchasing a product they wanted because they did not want to take the chance they would have to return the item.

“Return problems are holding back sales for online retailers,” Sobie says.

In early rollouts, Happy Returns signed up six online retailers and secured seven return locations in five cities. The company has ambitious plans for this year, looking to expand from five cities to about 15 and up to 40 locations hosting its return bars or concierge centers.

Return bars, such as the location in Santa Monica Place mall, are owned or rented and staffed by Happy Returns. The company also contracts with malls’ existing concierge desks; in those cases, mall staff handles returns. This approach is being tested at Westfield malls in San Francisco and Canoga Park, Calif. There are also return locations in the Galleria Mall in Houston as well as several shopping centers in the Chicago region and in Tyson Corners, Va.

“We have a mix of the two models,” Sobie says. “The concierge approach has some cost advantages to us because we do not have to provide staff and we can speed up the time it takes to make a return.”

Tradesy is finding that both approaches work for its customers. “We have always offered the ability to return merchandise and we are trying to make it easier for customers,” Lane says.



One advantage to in-store returns is that customers get instant credit for their purchase rather than waiting a few days if they mail in the item, she says. About half of the Tradesy customers who live in areas where in-store return is available have chosen that option.

“We’ve gotten great customer satisfaction scores from people who have used it,” she says. “About 90 percent say they liked the service.”

The cost of handling the transactions in-store is less than the cost of mailing in the merchandise, she says.

COMPETITIVE ADVANTAGE

Sobie says Happy Returns has special appeal to sellers of apparel and accessories that deal with fit issues, as well as retailers that are exclusively online or those with a small footprint, such as a local retailer that sells merchandise nationally online.

“Retailers that feel the pain of returns the most are the ones most likely to benefit from our program,” he says. “This is great for a local retailer that wants to expand its sales territory because we can provide them with more return bars than they can open stores.”

Tradesy uses an enhanced returns policy to give it a competitive edge. The site deals in luxury apparel for women who are typically between 25 and 40 years old. Items are usually sold at up to 90 percent off the common retail price.

Because the sales are peer-to-peer, with Tradesy facilitating the sales, returns are more complicated than with retailers that sell direct.

“Most peer-to-peer websites don’t handle the returns,” Lane says. “They often require that the buyer deal directly with the seller. But we guarantee the authenticity of the merchandise and we process all the returns for the customers.”

She says having an on-site return option gives Tradesy an even bigger competitive advantage.

There are multiple ways for retailers to tell customers that they can return items at selected physical locations. “A great place to put the notice is inside of the box of the product delivered,” Sobie says. “Merchants can include a card that promotes the fact that there are return locations near that customer.”

Some retailers choose to send out emails to customers located near drop locations, telling them where they can return items and the hours of the return location. Others integrate details of the return locations in the shipment or return explanations on their websites. Pop-up windows could be used for customers making purchases in areas where the returns are accepted.

Ultimately, when there are more locations nationally, retailers will want to prominently display the fact that products can be returned at nearby locations. That could spur additional sales.

“On-site promotions are a challenge to date because customers can only return to certain places,” Sobie says. “But once we have more locations available, it should give customers more confidence in making a purchase.”

Tradesy has sent email blasts describing the service to customers near locations where the option is available. It has also put information on its website with return instructions listing physical locations where returns can be made.

“We’ve given our customers this positive experience,” Lane says. “We want to let them know that this is available.” **STORES**

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