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Analysis of the Hållbar E-Handel survey on Returns

RETURNS WITHIN THE ECOMMERCE SECTOR

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Introduction

Between July and October 2021, a digital questionnaire was distributed to the members of Hållbar E-handel concerning product returns. The questionnaire was distributed by Hållbar E-Handel but was designed and operationalised by them in collaboration with the Hållbar E-Handel returns team (Sharon Cullinane from The University of Gothenburg, Gloria Tramontana from Boozt and Jessica Kjellson-Helle from Qliro). The purpose of the questionnaire was to gather insights into the product returns issue; retailers attitudes to its importance and contribution to environmental problems as well as ways of reducing the sustainability impact of returns. This information could then be used to help reduce the environmental impact of returns. The survey focused mainly on clothing returns, as it is this sector which has the highest return rates. However, all members were asked about their general attitude to returns. Seventeen companies responded to the questionnaire. The small number of responses means that the survey has little validity and the results cannot be generalised, so caution must be used in their interpretation. However, important insights can still be gathered from the survey.

The breakdown of company types is shown in Figure 1.

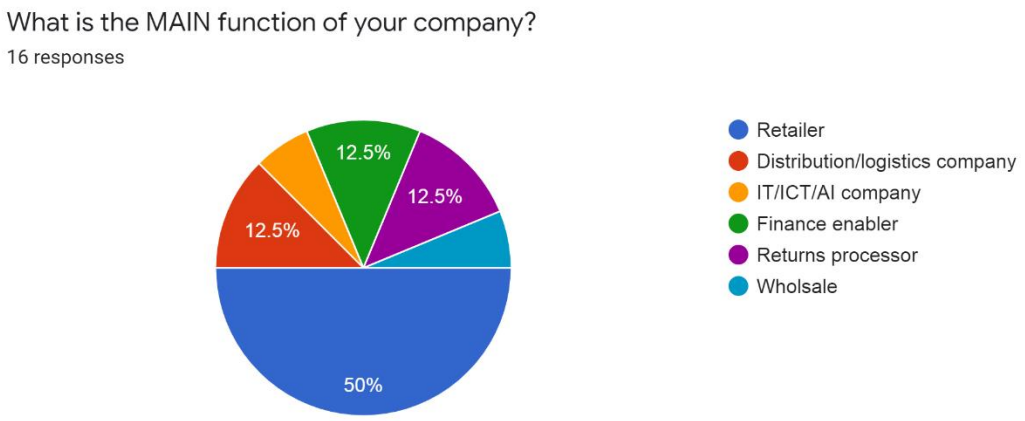


Figure 1. The main function of the respondents' companies.

Survey Results

Respondents were asked about their return rates. Figure 2 shows that of the 11 respondents that answered this question (and for whom this question was relevant), 7 had returns rates of around 30% or more, with 2 having return rates of 50% or more. This highlights the scale of the problem

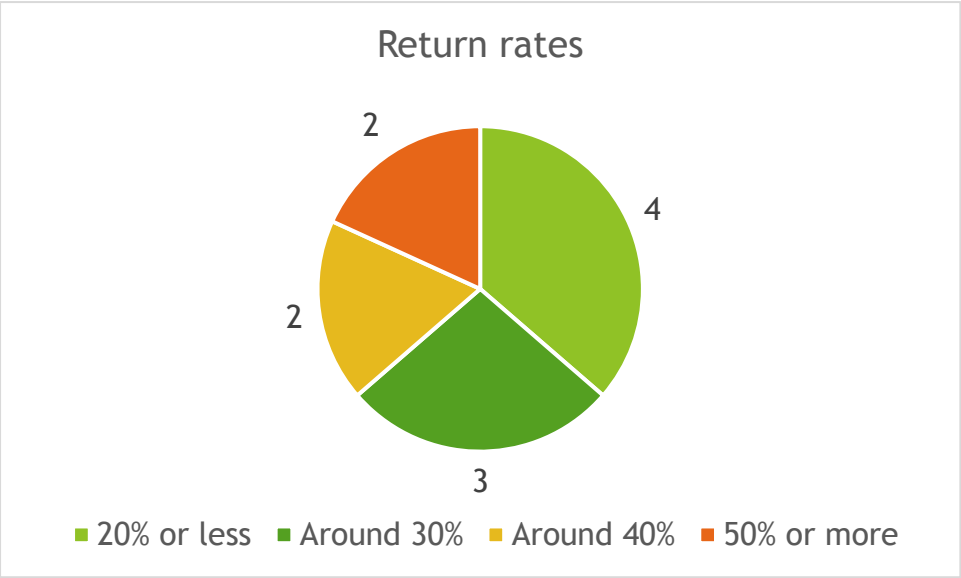


Figure 2. Product return rates.

One of the issues highlighted in previous research by the University of Gothenburg was that some clothing retailers sent their returns to other countries to be processed because of the high cost of processing them in Sweden. Sometimes the journey taken by the returned clothes was very long; hundreds and sometimes thousands of kilometres. Sometimes goods travelled by truck and sometimes by a combination of truck and ship. With return rates being so high, some products would undergo several such journeys as they were being returned multiple times. Figure 3 shows that of the 12 respondents that responded to this question, 50% responded that some or all of the returns were not processed in-house, indicating that they were likely sent to a cheaper-wage country to be processed either directly or indirectly.

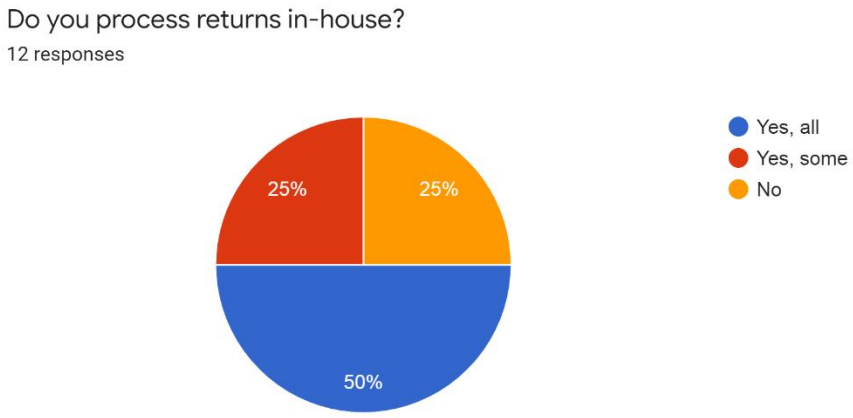


Figure 3. Returns processing location

In order to get a feeling for the importance of returns to the companies, all respondents were asked about the importance of product returns in terms of both the environment and their own company profitability. Figure 4 shows that of the 17 respondents to the questionnaire, 12 considered that they were very important for the environment. Indeed, returns were seen as being a more important issue for the environment than for company profitability.

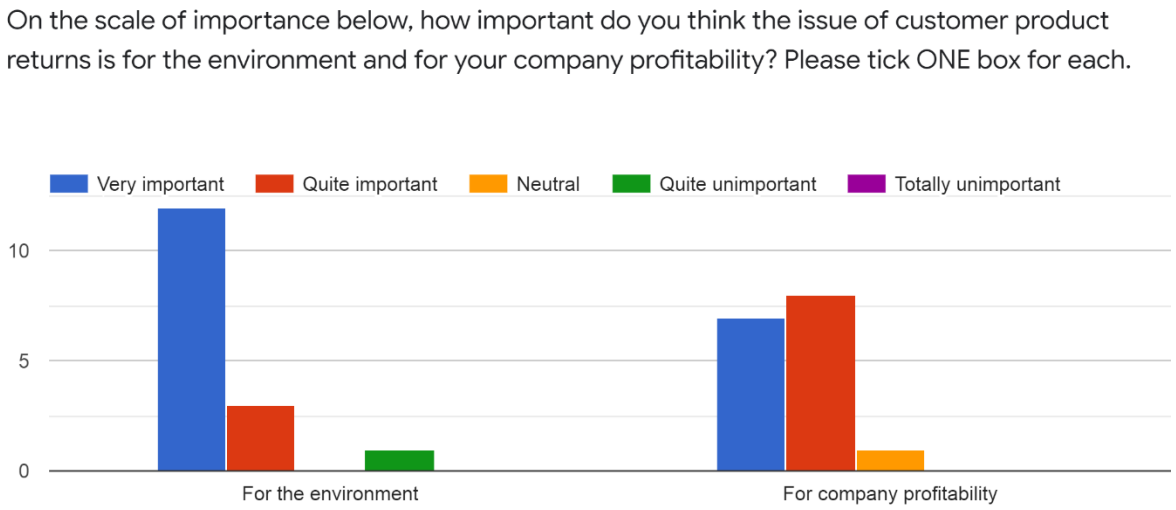


Figure 4. Importance of returns to the environment and company profitability.

In the previous research mentioned above by the University of Gothenburg, it was stated that there were several key stakeholders in reducing the environmental impact of returns, namely consumers, retailers and distribution companies. It was also stated that there were three key functional aspects that needed to be addressed, namely reducing the number of returns, improving the efficiency of the returns process and improving the sustainability of the vehicles, equipment and infrastructure (warehouses). There is also the key issue of consumer travel related to returns. This is summarised in table 1 and figure 5.

Table 1. Stakeholders, Measures and Wider influences in the returns process.

Stakeholders	Measures	Wider influences
Consumers	Reduce the number of returns	Consumer behaviour/psychology
Retailers	Improve the efficiency of returns process (including reducing road freight transport)	Information and communication technology (ICT)
Distribution companies	Improve sustainability of vehicles, equipment and infrastructure	Company profitability

	Reduce consumer travel	Innovation environment
		Government policy
		Consumer finance provision
		Technology

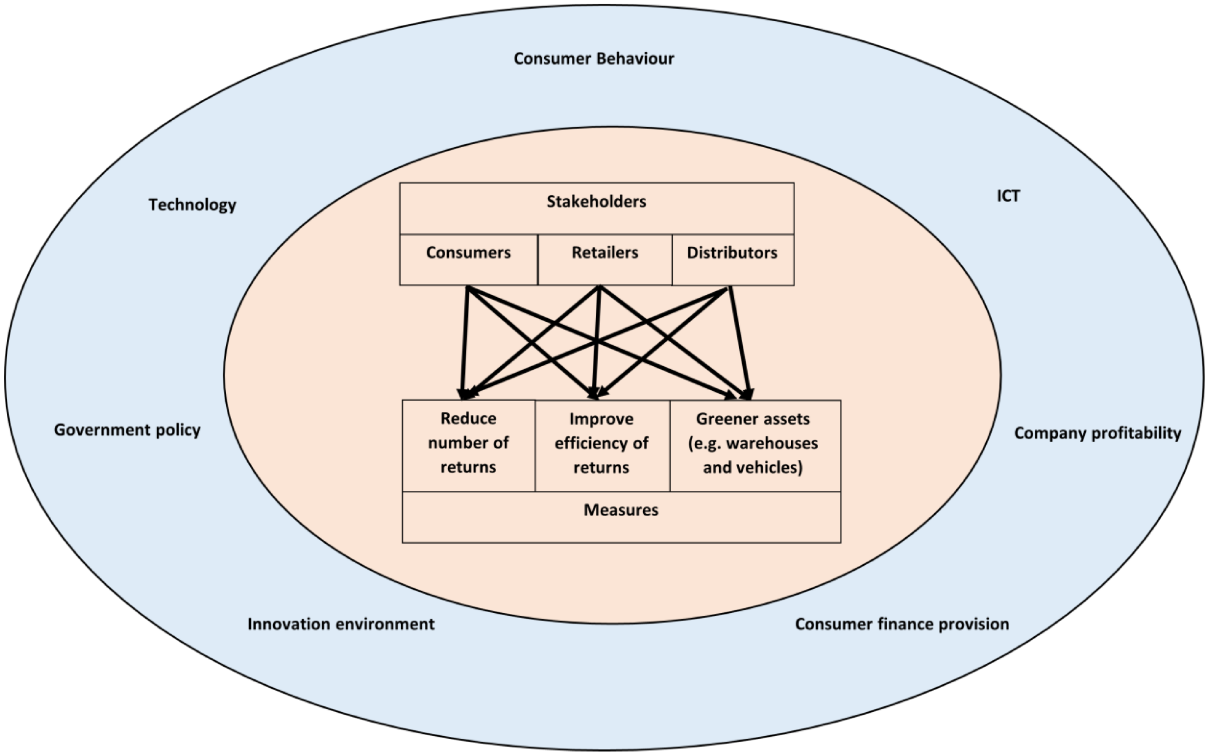


Figure 5. Conceptualisation of returns process

One of the most important aspects of the survey was to try to find ways to improve the environmental sustainability of the returns process. Respondents were asked to state, on a 5 point Likert scale of 'Very Important' to 'Not at all important' the types of measure that could be introduced to improve the environmental sustainability of returns. As can be seen in Table 2, the number 1 measure was making consumers aware of the environmental impacts of their returns. In other words, consumer education was viewed as being key to improving sustainability. It is interesting that in this current survey, the measure that was viewed as being most important in improving environmental sustainability was deemed to be a consumer issue. The next 3 most important issues were retailer issues and concerned website clarity issues and returns pricing issues. It is notoriously difficult to accurately display clothing on a website. No two computers will display a single colour in the same way. It is also very difficult to display textures and 'feel' accurately. Sizing is also a huge issue. There is no standard sizing classification in Europe; a size 'large' in one company is not the same as a 'large' in another (and this is the easy element; dealing with body curves etc. is a whole added issue). Digitalisation has an important role to play in these measures but so too has marketing. It is still the norm to display clothes on models who are unrealistic for the majority of consumers. There are some notable exceptions, but many companies insist on using thin, tall models when most consumers are not thin and tall.

Measures centred around the provision of lockers (a distribution company measure), although considered important, were viewed as less important.

Table 2. Importance attached to measures to improve the environmental footprint of returns.

Measure	Average	Rank
Making consumers aware of the environmental impacts	4.8	1
Accuracy of website description (sizes, textiles, materials used)	4.7	2
Accuracy of website images (clearer images of product and embedded features)	4.5	3
Returns pricing policies	4. 4	4
Improving the sustainability of the equipment/facilities used (electric vehicles, greener warehouses etc)	4.3	5
Reducing consumers travel by increasing the number and location of unmanned collection points (lockers)	4.1	6
Tracking/tracing and other IT solutions	3.7	7=
Add consumer choice of returns options	3.7	7=
Artificial intelligence solutions	3.6	9
Reducing consumers travel by increasing the number and location of manned collection points	3.4	10

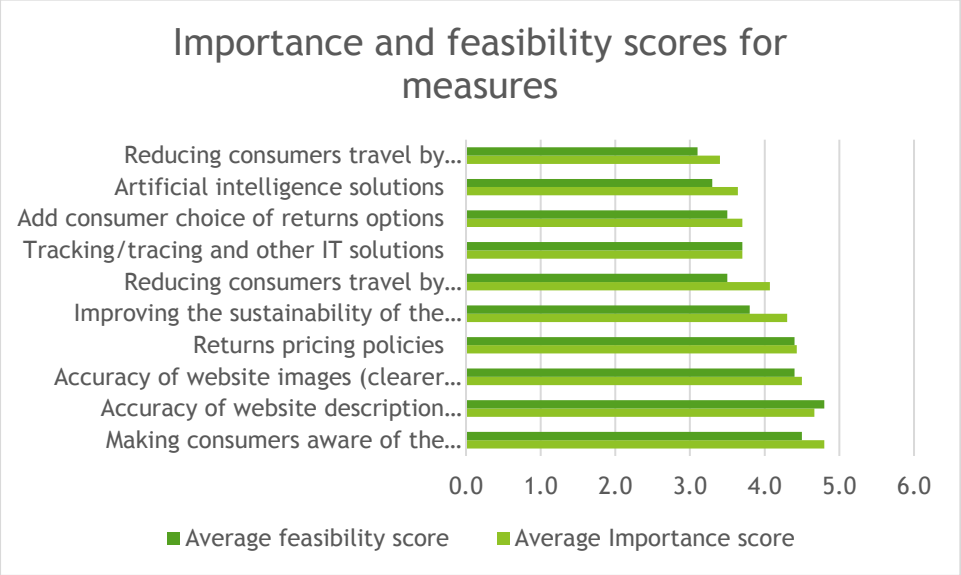
It is one thing being deemed as important to improve, but another to be feasible. Respondents were therefore also asked about the feasibility of the measures proposed. The results are shown in Table 3. Interestingly here, the most feasible measure was viewed as being to improve the accuracy of website descriptions. Making consumers aware of the environmental impacts was viewed as being the 2nd most feasible. The issue of how to make consumers aware of the environmental impacts of returns without negatively impacting on company profitability would be a useful avenue to pursue, as an appreciation of the impact on the environment of returns may well lead to reduced purchases.

Table 3. Feasibility of measures to improve the environmental footprint of returns

Measure	Average score	Rank
Accuracy of website description (sizes, textiles, materials used)	4.8	1
Making consumers aware of the environmental impacts	4.5	2
Accuracy of website images (clearer images of product and embedded features)	4.4	3
Returns pricing policies	4.3	4
Improving the sustainability of the equipment/facilities used (electric vehicles, greener warehouses etc)	3.8	5
Tracking/tracing and other IT solutions	3.7	6
Add consumer choice of returns options	3.5	7=
Reducing consumers travel by increasing the number and location of unmanned collection points (lockers)	3.5	7=
Artificial intelligence solutions	3.3	9

Reducing consumers travel by increasing the number and location of manned collection points	3.1	10

Figure 6 below combines the two scales for ease of comparison



Packaging and Planning.

Environmental sustainability is receiving a great deal of attention at the moment and many companies are seeking to become more environmentally sustainable. Figure 7 illustrates that all except one of the respondent's companies have a plan to reduce the environmental impact of their operations.

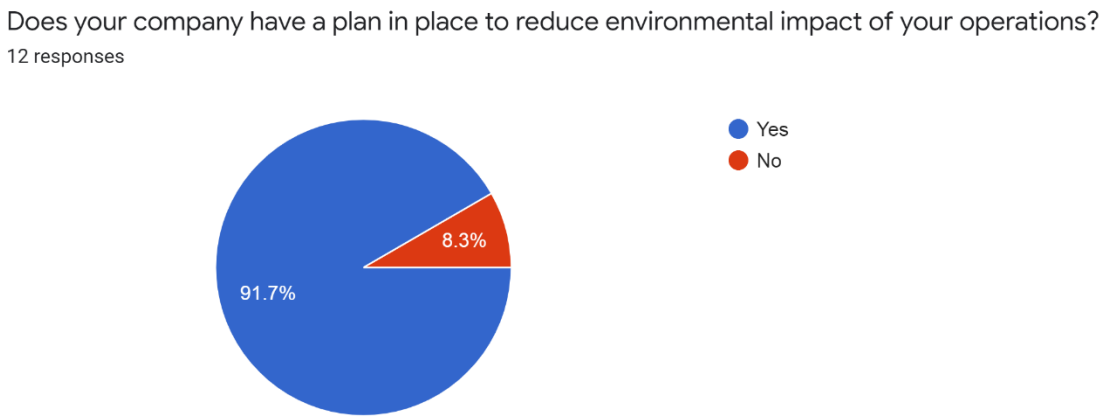


Figure 7. Planning to reduce the environmental impact of operations

Environmental sustainability has many elements. A key element is packaging. Whilst companies can actively operationalise plans to reduce or make their outward packaging more sustainable, the returns packaging causes more problems since it is customers who decide how to package their returns to a certain extent. One method to improve the sustainability of the returns packaging is to replace the plastic returns bag with a material which is less environmentally damaging, such as paper or a recyclable plastic. It has also been the practice generally to include a returns label in the outward package, so one measure that can be implemented to improve sustainability is to stop this practice and either make the consumer print out their own label if they want to return their product, or even better, to use a system of digital labelling. Figure 8 indicates the extent to which companies have implemented or are considering implementing various returns packaging alternatives.

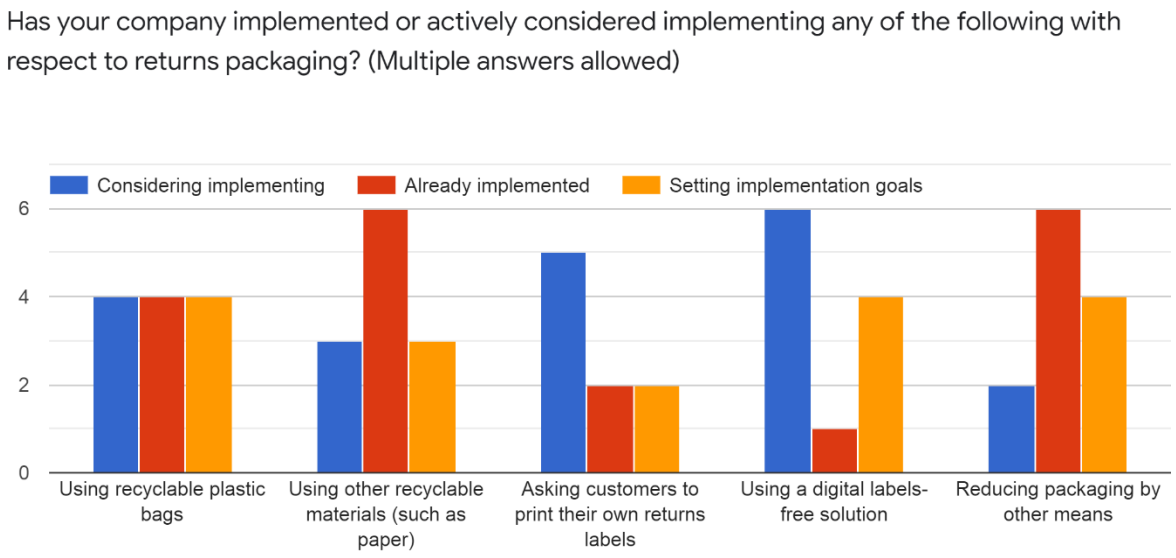


Figure 8. Returns packaging options.

Respondents were asked about what they did with their returns packaging waste. It is clear from the responses that most companies employed a variety of options from repurposing some or all of it, through having it collected to burning it. There were insufficient responses to be able to determine any patterns. What is clear is that most companies used a variety of options.

Ten companies stated that they used a courier to collect their returns. Asked how important the environmental credentials of the couriers were when the couriers were chosen, the average score was 7 out of 10. It is quite difficult to ascertain the environmental credentials of couriers as many put rather a positive spin on how environmentally friendly their operations are. However, if more companies at least enquire about this aspect of the courier's operations before they are selected, it will increase the likeihood of courier companies taking positive environmental steps.

Summary

The results of the questionnaire survey of Hållbar E-Handel members cannot be deemed to be anything more than indicative because of the small number of respondents. However, the results of the survey indicate that companies view returns as being an important issue for the environment; moreso than for company profitability. Respondents viewed the most important measure that could be put into place to improve the environmental sustainability of returns is to make consumers more aware of the environmental consequences of their returns. Although not viewed as bein the most feasible measure, this was viewed as the 2nd most feasible issue. Methods of accomplishing this goal must be considered if the return rate is to be decreased. The second level of measure that needs to be considered is trying to improve the accuracy of the websites descriptions and images. These are somewhat computer dependent, with no two computers displaying images in the same way (there is nearly always a variation in colour for instance). It is maybe also difficult to imagine that this will make a huge difference with most consumers now making orders from their (very small) phones, where the detail is very difficult to view.