(Re)turning Point
How Retailers Can Attract Holiday Shoppers with Better Return Policies
For retailers, holiday shopping season is ripe with potential. Strong sales during the holidays have the potential to change a business’s outlook for years to come.\(^1\) Holiday shopping season, defined in this report as the period from November 1 to December 24, accounts for as much as 30 percent of a retailer’s annual revenue, according to the National Retail Federation (NRF).\(^2\) The holiday shopping tradition arose in the early 20th century with consumerist culture, as more people moved to the cities to work in factories and joined the middle class.\(^3\) Holiday shopping continued to grow in importance throughout the century and exploded in the ’90s as a revenue powerhouse with recognition of Black Friday as an all-but-official national holiday.\(^4\) In 2017, 174 million Americans shopped Black Friday weekend alone.\(^5\)

Plenty of reports have delved into holiday shopping, but most do not incorporate the complete shopping lifecycle. Returns are a massive part of the holiday shopping tradition. Last year UPS even established a “National Returns Day,” estimating it would transport as many 1.3 million returns on January 5.\(^6\) While retailers may be tempted to think of returns and purchases as disparate behaviors, they are in fact correlated. Promocodes.com, in partnership with Research Now, surveyed 1,000 Americans to find out what matters most to consumers when holiday shopping.

Perhaps unsurprisingly, many shoppers listed price and sales as the top criteria when choosing where to shop; however, many consumers stated that retailer policies — specifically return policies — affected their final assessment of a “deal.” The thinking goes, ‘A low price with a bad policy might not be such a bargain after all.’

In this report, we look at the factors that motivate or disincentivize consumers to shop at certain retailers during the holiday shopping season and offer recommendations for creating policies that will help businesses retain customers.

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Thinking Beyond Price

In our consumerist culture, we have accepted that price is the end-all, be-all for business success. Our results suggest that this essential truth of capitalism is indeed, true. Price was our respondents’ chief consideration when shopping for gifts both in store (44.1 percent ranked No. 1) and online (47.5 percent ranked No. 1). As one respondent explained, “Price is important. Why pay more for something? If you are on a fixed dollar amount per person, and you can save $10, that's good toward another gift." Others were more matter of fact: “Prices are what drives a person to the company.”

We predicted price would reign supreme, but we did not expect that price would not even make the top half of priorities in many respondents’ lists. Specifically, 17.8 percent of respondents ranked price in the bottom half of priorities when shopping in store for gifts and 19 percent ranked it in the bottom half when shopping online. This suggests that consumers view purchases not just as a certain item acquired at a certain rate, but as a package deal that consists of both a physical product and a set of policies. Respondents echoed this value judgment in their comments. As one noted, “On certain websites, shipping can be a big deal-breaker for me because it will cost as much as if I got it in store and I don't get to try it out or see it in person.” Many respondents took strong stances on the limited value of price, stating “Online shopping is not worthwhile if it has high shipping charges and a poor return policy” and “I expect a better price if I’m paying shipping on top of the item’s cost.” While a company’s reputation and ethics ranked lowest overall in the list of consumer priorities, for nearly 1 in 5 consumers buying gifts online (19.6 percent), it was a top three priority. As one respondent put it, “Ethics is everything.” Another noted, “It’s all about how I feel about the company. Image says a lot. I feel companies with bad reputations don't deserve my
A company’s reputation and ethics had slightly less effect on shopping in store for gifts — only 15.9 percent considered ethics a top three priority when shopping in store.

When asked for a breakdown of where they do their personal and gift shopping, respondents reported they shop slightly more in store for themselves (61.43 percent versus 38.57 percent), but equally online and in store for gifts. Convenience (ranked No. 3 overall after prices and sales / coupon promotions) was the top motivation for shopping in store, though many respondents also highlighted the value of being able to assess an item in person. Not everyone was sold on the in-store experience, however. As one respondent commented: “Stores are usually messy and checkout lines are long. It’s easier to shop online at my own pace and not rifle through a mess or spend ten minutes trying to find something.”

"Online shopping is not worthwhile if it has high shipping charges and a poor return policy"
The Shopping Lifecycle

In this report, we define the shopping lifecycle as the series of consumer behaviors that occur with each purchase. There is the initial decision of whom you are shopping for and where you will shop based, which is guided by the priorities explored in “Thinking Beyond Price.” Then, there is the decision to purchase an item, and finally, more often than retailers might like, there is the decision to return said item. This process might sound like a straight line with three distinct phases and an end; in reality, retailers should approach consumer behavior as a loop. Retailers often cut off this loop by having bad store policies, such as strict return policies.

We asked consumers about the impact return policies have on where they choose to shop, both online and in store. A majority (50.7 percent) said they avoid shopping at retailers with strict return policies and 29 percent strongly agreed with this statement. These respondents viewed a retailer’s return policy as a pivotal factor in their shopping habits: “If I don’t like a return policy then I don’t deal with the company.”

Others shared that good return policies motivated them to spend more. As one respondent noted, “I don’t like feeling like I can’t return something easily. I would rather pay more and know I can bring it back if it is not right for me.” Another added that one major retailer has “the best return policy ever, and it encourages me to spend more money with them.”

While some stores’ reputations precede them, consumers often learn about bad return policies through first-hand experience. That experience does lasting damage, our survey found. More than 63 percent of respondents agreed (and 35 percent strongly agreed) with the statement, “If I have a negative return experience, I will not return to that retailer.” Respondents who reported that return policies affected how much they spend at a given store said they would spend no more than an average of $43.12 at a store with a bad return policy. The bottom line: while bad return policies may help retailers offer lower prices, they come at a cost.

Respondents who reported that return policies affect how much they spend at a given store would spend no more than $43.12 on average at a store with a bad return policy.

If I have a negative return experience, I will not return to that retailer.

35% STRONGLY AGREE
63% AGREE

I avoid shopping at retailers with strict return policies.

29% STRONGLY AGREE
51% AGREE
Return Policies Worth Buying For

Return policies are not created equal. Consumers have distinct preferences for certain policies, and are relatively indifferent to others. While several consumers mentioned that they do not return items on a regular basis, they report that, when giving a gift, they want to know the recipient will get their full money’s worth whether they like the item or not.

The ability for a gift recipient to get a full refund for a returned item (rather than an exchange or store credit) was either the first or second priority for more than half of respondents across both online and in store purchases (specifically, 52.3 percent when buying gifts online and 55.6 percent when buying gifts in store). Many respondents expressed an attitude that a full refund policy is simply common sense. “If I pay with cash I want cash back as long as I have a receipt to prove I paid cash,” one respondent said. According to another respondent, “It’s unfair to make me exchange something I don’t want for another item I don’t want.”

Other respondents focused on the positive impact a full refund policy had on their feelings toward certain retailers, with comments like “Providing full refunds is a comfort that allows me to purchase more freely.” Another respondent wrote, “Full refunds without limitations show companies are loyal and value you as a customer, even when you feel the need to return a product of theirs. It also makes for higher return-customer rates.”

The second most popular return policy option for gifts purchased online was free return shipping. More than half of respondents (52.6 percent) ranked free return shipping as one of their top two must-haves when shopping for gifts online (30.6 percent ranked it in the top two when shopping for themselves). Consumers reported being dissatisfied with any policy options that

What return policy option is most important to you when shopping online for gifts?

- Provides full refund: 33.6%
- Does not limit returns to exchange or store credit
- Free return shipping: 27.8%
- No time limit for returns: 12.1%
- Option to return in store: 11.0%
- Accept returns without tags or original packaging: 9.3%
- Accepts returns for used items: 6.2%
required them to pay more to return an item. While we did not list restocking fees as an option, the policy nonetheless came up frequently in comments as a factor in how consumers view retailers. Responses reflected this negative sentiment: “If I have to pay to return then it’s almost not worth returning,” “Nobody wants to pay to have something returned,” and “I don’t like having to pay or lose money to return an unsatisfactory item.”

For gifts purchased in store, consumers ranked the ability for a recipient to return an item without a receipt as second most important overall. It was the No. 1 choice for 20.9 percent of respondents, and 40.7 percent ranked “no receipt required” in their top two policies. In comments, respondents highlighted several different reasons why the option to return without receipts was important to them, including the frequency of receipts being lost and a desire to avoid revealing how much they paid for an item. However a potential issue was pointed out by one consumer, who stated: “How do you not ask to see a receipt when returning an item? Could have been stolen!” A possible solution to this issue came from a different respondent, who spoke highly of one retailer’s ability to pull up old receipts with just a phone number.

Rounding out the top three return policy options, consumers ranked the ability to return an item at any time as their third highest priority when buying gifts both online and in store. Many attributed the importance of this policy to the weeks — and potentially months — that pass between buying and giving a gift. As one respondent put it, “If I buy something in November and it’s for Christmas, I need to know it can be returned after Christmas.” This rang true even for consumers shopping for themselves. A respondent noted, “No time limit is perfect. I may need more time to decide if I like the item or not.”
Takeaways

Is there a way for retailers to “win” the battle for returns policy approval without losing out on revenue? Our findings suggest a few ways to keep shoppers honest, while also providing the convenience that leads consumers to visit stores year-round.

- **Create a rewards program** and encourage frequent shoppers (or frequent receipt-misplacers) to join. Make sure the rewards database includes purchase history as a default, so rewards members can return even if they do not have the paper receipt.

- **Consider expanding your return timeframe.** Consumers do not like the idea of a gift recipient being stuck with an item due to a bad return policy. Longer return windows allow shoppers to prepare for the holidays on their own time and prevent congestion in customer service lines.

- **Make it easy for customers to return an item** by providing free return shipping, or at the very least, the option to return any item purchased online in store. If a consumer knows that it will be difficult to return a product, there is a 50.7 percent chance he or she will not bother walking into your store. If a customer finds an item unsatisfactory and the cost of free return shipping is less than what the customer paid for the item, letting the consumer keep the item for free is a great way to show you value their business.

- **Do not saddle your customers with store credit.** The short-term impact on your bottom line may be great, but long term it will cost you business.

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