The Smart Path to Profit:

How Efficient Returns Cut Costs and Fuel Growth

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Achieving a delicate balance between cost management and customer experience is crucial. Without close analysis and optimization, post-purchase operations can become a revenue sink.

Here's the deal: the **size, sophistication, and experience** of your returns provider significantly impact your performance as an ecommerce brand.

Establishing mature, automated back-end processes, specifically with returns, leads to higher conversion rates and enhanced Customer Lifetime Value (CLTV).

Size

Sophistication

Experience
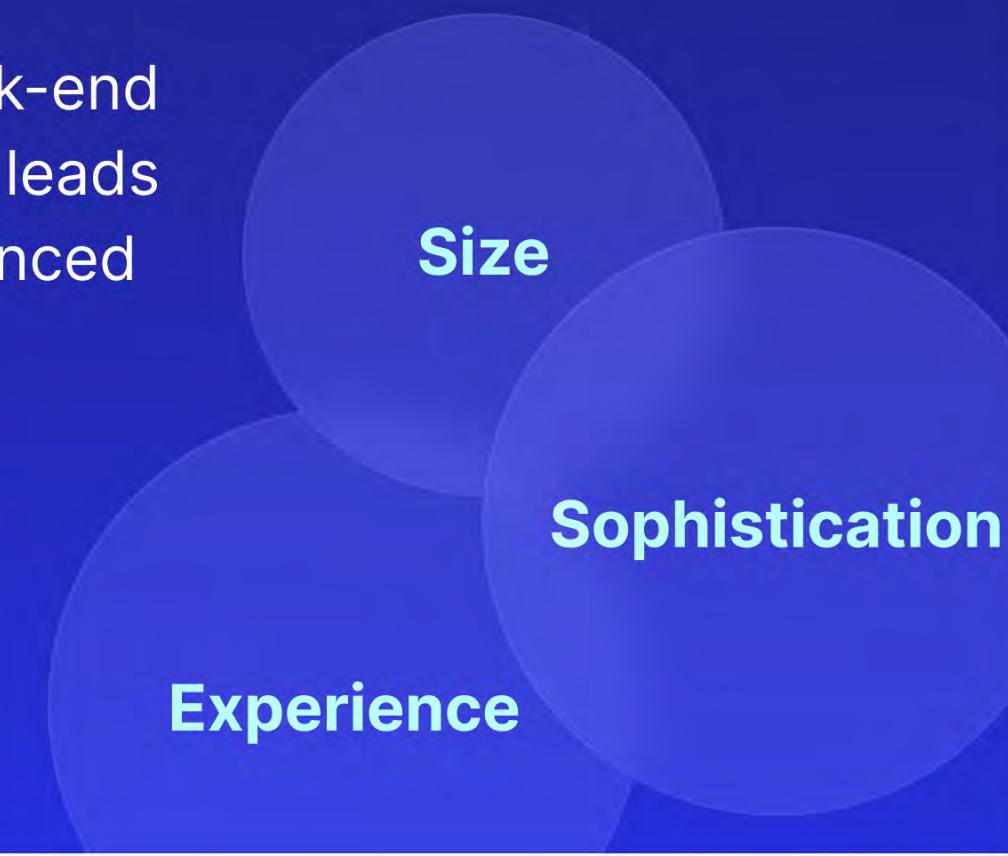
The key?
Investing strategically to maximize returns without wasting resources.

This report highlights recent data that shows how a personalized approach to return policies can drive your best customers to shop again—and how control in customization and return fees can have a big impact on ROI.

01

From Manual to Automated = Long-Term Growth for Enterprise Brands

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Overall Insights

Brands switching to more robust systems that are well-integrated with the rest of their tech stack are finding improvements in customer lifetime value (CLTV) that add up over time.

Specifically, CLTV increases differently depending on your starting point:

Businesses with previously manual solutions found:

Enterprise customers see a median **6.5% increase** in first-time shopper CLTV. When you multiply that by all of your first-time buyers, this has a big compounding effect over time. Not to mention, **6.5%** practically covers the cost of acquiring that customer to begin with.

6.5%

Business with previously non-manual solutions:

Enterprise customers can expect an average increase of **12%** in first-time shoppers CLTV.

12%

We also found a significant increase in cost savings:

Merchants can save up to **$2,500** annually for every 1,000 returns processed when transitioning from having no previous returns solution to using a dedicated solution.

$2,500

Enterprise businesses demonstrated notable savings in their first year as well:

Enterprise merchants from a Manual Return Solution see an average of **$23,700** in savings in their first year.

$23,700

Overall Insights

While there are plenty of immediate benefits to automating your returns, the real payoff is in the long term:

Some of the top-performing merchants using Loop retain up to **80%** of their revenue from the first to the second year.

80%

Enterprise and mid-market brands can expect a **5% increase** in CLTV in first-time shopper CLTV.

5%

Top performing merchants have experienced over a **20% increase** in first-time customer CLTV between the 1st year on Loop and the 2nd year on Loop, indicating a substantial boost in long-term customer value and profitability.

20%
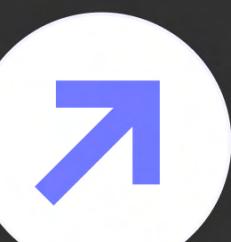
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The Top Loop Workflows for Intelligent Customization and Increased Shipping Efficiency

01

Identify Final Sale Items using a product tag, product ID, product Stock Keeping Units (SKU), product type, or vendor to limit the returns of a specific product.

02

Reject worn items using an "Ask a Question" template. Ask questions such as, "Has this item been worn?" or "Have the tags been removed?" to better know when to reject or accept the return.

03

Using customer tags, increase Shop Now Bonuses or store credit incentives for VIP customers — include advantages such as extended return windows.

04

Implement quality assurance for damaged returns. Use a workflow consisting of return reasons, a photo upload portal for products with indicated damage, and a manual review of uploaded photos.

05

Use "Return Count" to navigate increasing fees for high customer return counts, setting additional fees for frequent customers.

Key Takeaways

01 While implementing a returns solution might require investment, the long-term savings and operational efficiencies far outweigh the initial costs. This is especially true considering that customer-centric brands report profits that are **60%** higher than those that don't prioritize CX.

02 Shoppers aren't as afraid of return fees as it may seem. Over 63% of Loop merchants charge return fees today, with no negative impact to repeat purchase rates. And, 70% of shoppers agree that they're willing to pay for a more convenient, premium return experience.

Loop's new **Offset feature** helps you provide a top-notch return experience that justifies a return fee, and easily offsets your return costs. How?

Offset by Loop is a return coverage model that allows merchants to offer customers the option to pay a small upfront fee to avoid a higher return fee later. This model is beneficial for merchants who currently charge return fees, like an $7 handling fee, by providing a more consumer-friendly approach that covers the cost of returns shipping and software.

◐ **Offset**

03 Enterprise brands should prioritize solutions offering comprehensive features for fraud detection, customization, or integrations. You need a returns partner that allows you to give your customers the post-purchase experience they expect, and fast.

04 Yes, the returns experience should replace the oversaturated automated customer support experience. Still, it shouldn't be any less delightful, and your software should be able to support these interactions.

Key Takeaways

05 The average customer retention percentage in ecommerce is around **38%**, meaning only about four out of 10 customers stick with one single brand for more than one year. This combined with Loop's data, tells us

- Efficient returns management contributes significantly to a positive customer experience, which in turn drives higher retention rates and increased CLTV.
- Brands prioritizing smooth and hassle-free returns can build stronger customer relationships, leading to repeat business and higher lifetime value.

06 Automated exchanges are great, but brands still need to be able to lower costs with returns. Don't avoid the cost of a more robust partner when in return you're likely to improve CLTV and increase revenue.

For a $0 barrier to entry to free up cash flow around your returns, **Offset by Loop** offers a free plan. Loop will cover your shipping costs and the return fees customers pay is allocated back to Loop.

**Don't sacrifice future CLTV for short-term cost efficiency.**

02

Slash Costs and Ship Smart With Return Fees

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Overall Insights

Faster delivery is expected

A Forrester report says **82%** of ecommerce leaders found that offering faster delivery increases shopper conversion. **How fast?**

Five years ago, customers expected delivery to take an average of 5.7 days. However, in 2024, customers expect delivery to take between **2 and 3 days**. This expectation also affects returns.
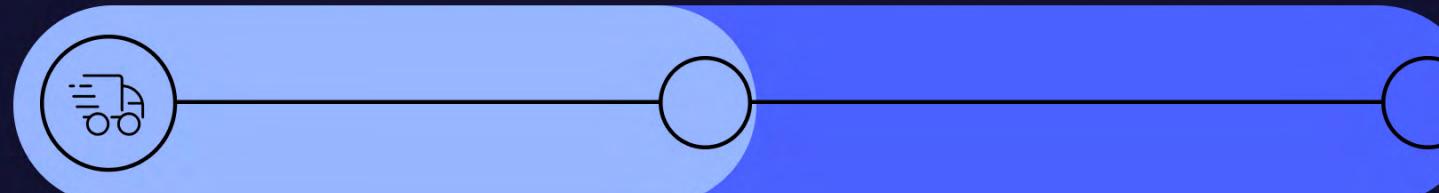
2024
Expectation: 2-3 Days

2019
Expectation: 5.7 Days

How can you apply these expectations to returns?

01 **Take advantage of Loop's logistic partners.** Even though Loop doesn't focus on the physical handling of returns, it does streamline the process with your 3PL partner by automatically syncing the return merchandise authorization (RMA) so the 3PL can automatically process, flag, and list all return data.

02 **Save money with Loop's shipping carrier partners.** As a Loop user, you can access discounted rates with partners like FedEx, United States Postal Service, Canada Post and more.

03 **Incorporate dynamic routing,** automatically finding the most sustainable reverse logistics path for each returned product based on qualities such as the product category, condition, and associated shipping fees.

Return fees won't break your customer relationships

Today's merchants often mitigate costs by charging return fees. 63% of Loop merchants now charge return fees. This begs the question: How are customers reacting to return fees? Are they reducing the number of orders they return? Are they choosing different return outcomes when presented with a fee?

We analyzed six months of data before and after fees were implemented to gauge the impact of flat fees:

Return Rate remains stable at **10%** before and after merchants implement fees.

Repeat Purchase Rate also **remains stable** at **48%**, suggesting that customers prioritize product quality, customer experience, or brand loyalty over the cost of the return.

48%
Repeat Purchase Rate

10%
Return Rate

The Loop Refund Rate declined by **2%** after return fees were implemented. We'd expect customers to be dissuaded by fees, but this slight decrease could indicate that customers value getting their money back, even if it's reduced.

↘ **2%**

Store Credit Rate and Exchange Rate both **increased** by **1%** after implementing fees — Exchange Rate hovers around 28%, while Store Credit hovers around 9%. These slight increases coincide with the total decrease of 2% in Refund Rate.

↗ **1%**

Results from Loop Customers

When incorporating return fees, enterprise brands will see an average shipping saving of 10%. With Loop, some of our top-performing enterprise brands reduced shipping rates by up to **75%**.

Looking at some of the top enterprise performers, it's safe to say that they have impressively cost-killed shipping rates:

Footwear brand achieved a **55% reduction.**
Women's apparel brand realized a **50% reduction.**
Home goods brand saw a **47% reduction.**
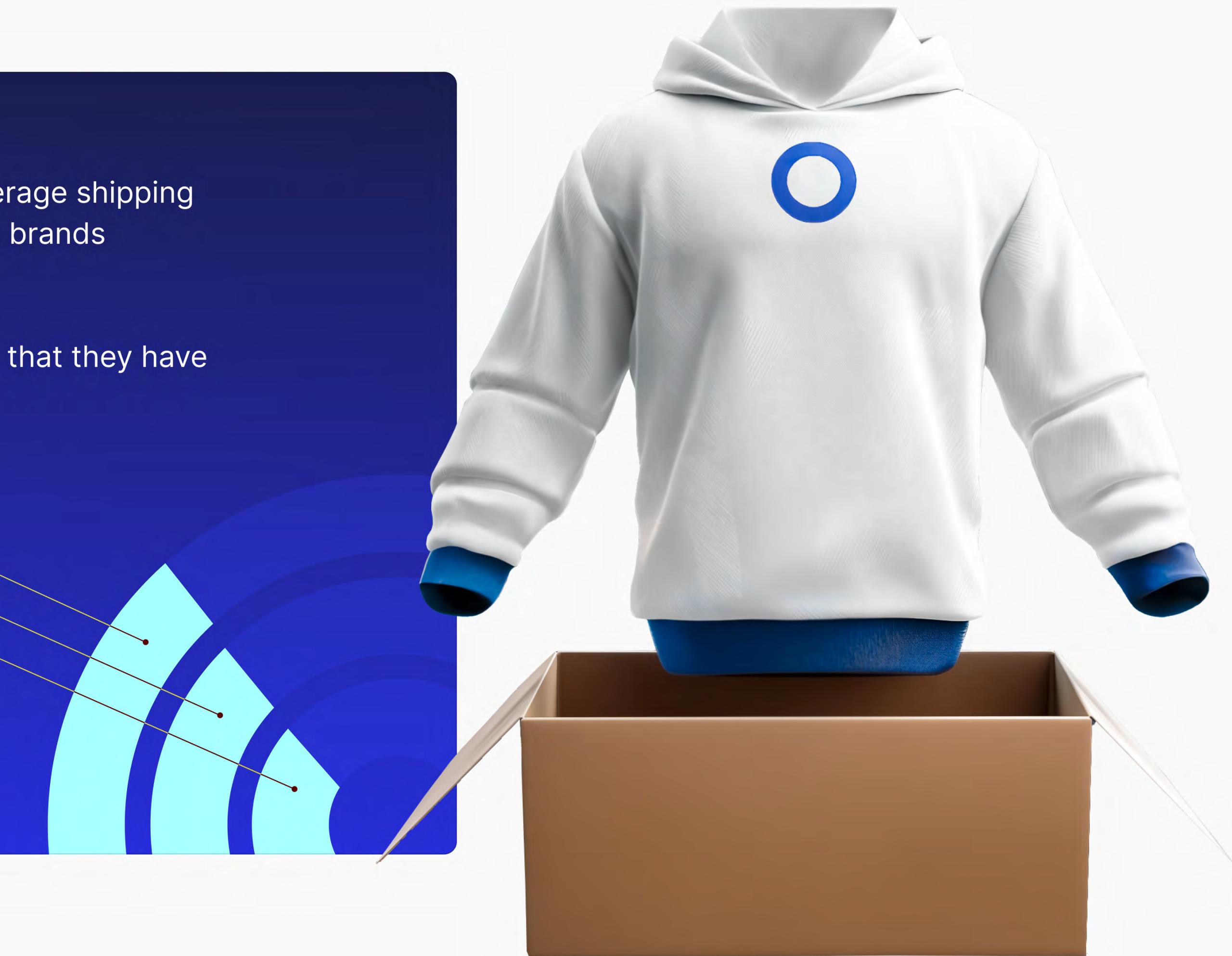
Key Takeaways

01
Brands that effectively manage shipping and return costs can offer more competitive pricing or better customer service without compromising profitability. This is a significant advantage reflected in customer attraction and retention.

02
Flat fees do not seem to impact customer behavior related to Return Rates, Repeat Purchase Rates, or Loop's Return Outcome Rates — suggesting customers may not prioritize free returns as much as expected.

03
At some point, **free loses its value**. The sheer perception of getting a win will mean a lot more to customers. For example, a customer *earning* a free return for an action, like being on a higher-tiered loyalty program or spending a certain amount, or paying a small fee during checkout.

And, now with Loop Offset, brands can benefit from all of Loop's industry leading software and support, all for free. By offering customers the option to pay a small fee at checkout, to unlock free returns later, you can completely cover the costs of return shipping including Loop software costs.

Learn more

Offset

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03

Reduce Time to Resolution and Reallocate Resources

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Overall Insights

Brands that are automating returns see two key wins:

Reduction in Time to Resolution*:

Merchants experience a 2.4-day (9.86%) reduction in Time to Resolution in their first year. This improvement means issues are resolved nearly 10% faster, leading to quicker customer satisfaction and a smoother overall experience.

The time to fully process a return

↗ **9.86%**

Savings in Customer Experience (CX) Time:

Over the past 12 months (from February 2023 to February 2024), merchants have saved an estimated $8.8 million in CX time. This substantial efficiency gain reflects significant improvements in customer service operations.

+ $8.8 million

Five key features from Loop are helping them achieve this:

01   **Best-in-class integrations** with the Shopify ecosystem - including helpdesks, marketing communications, 3PLs and more - that keep customers informed about the status of their return. These integrations streamline processes and save valuable customer experience time.

02   **In-transit processing** automates processing events when items are scanned by the carrier. This automation pushes outcomes to Shopify without requiring manual intervention from the customer service team, saving significant time and effort.

03   **Preventative workflows** help merchants avoid abuse. For example:
- First Customer Return: Use in-transit processing.
- Subsequent Returns: Get notified and handle manually to monitor for potential abuse.
- Exchanges/Store Credit: Promote exchanges or in-store credit to save the sale.

04   Implement **instant exchange options** to prevent customer service teams from dealing with out-of-stock issues. This approach ensures a smoother process and enhances customer satisfaction.

05   Provide **flexible return options** so customers can make a return in the way that's most convenient to them, such as Return Bars™.

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Key Takeaways

01 Reducing the time to resolve customer issues by nearly **10%** enhances operational efficiency. Customer service teams can manage more inquiries in less time, reducing backlogs and improving response times. Specifically,

- Integrating returns with your help desk means customers can start the process directly from chat, eliminating manual back-and-forth communication.
- Automating returns and exchanges from live chat or help centers allows customer service teams to focus on more personalized, high-priority tickets.

02 The time saved in customer service can be redirected to other critical areas. Brands can reinvest these resources into product development, marketing initiatives, or overall business operations, fostering growth and innovation.

03 Partnering with services like **Return Bars** by Happy Returns to offer more return flexibility shows tangible benefits. Customers using Happy Returns see a **19% increase** in CLTV over those using other return methods.

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Inspo From Aviator Nation

Aviator Nation

Problem

As Aviator Nation's ecommerce business grew, so did its return rate, creating a need to streamline its returns process. Handling each return manually was labor-intensive and time-consuming, detracting from their ability to serve customers efficiently.

Approach

By automating their returns with Loop, Aviator Nation implemented features like Instant Exchange, enabling customers to quickly swap items without waiting to return them, which led to an 11% reduction in their refund rate. Loop's Workflows further enhanced efficiency by allowing customers to self-serve most returns, saving Aviator Nation $115,205 in labor costs and enabling their customer service team to focus on high-value interactions.

Results

Aviator Nation retained 56.6% of revenue from returns, saved over $155,000 annually in support costs, and generated nearly $11 in upsell value per return, demonstrating significant savings and profitable growth.

64.6% Revenue retained from returns

$115K Annual Savings on CX

$12.03 Upsell value per return

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Loop: The Smart Investment for Sustained Growth

Investing in a leading solution like Loop offers substantial long-term benefits, especially in terms of customer lifetime value (CLTV) and overall business profitability.

Loop focuses on long-term benefits that grow with your business. The incremental value provided over time makes Loop a smart investment, supporting your business as it scales from SMB to enterprise levels.

Book a Demo

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