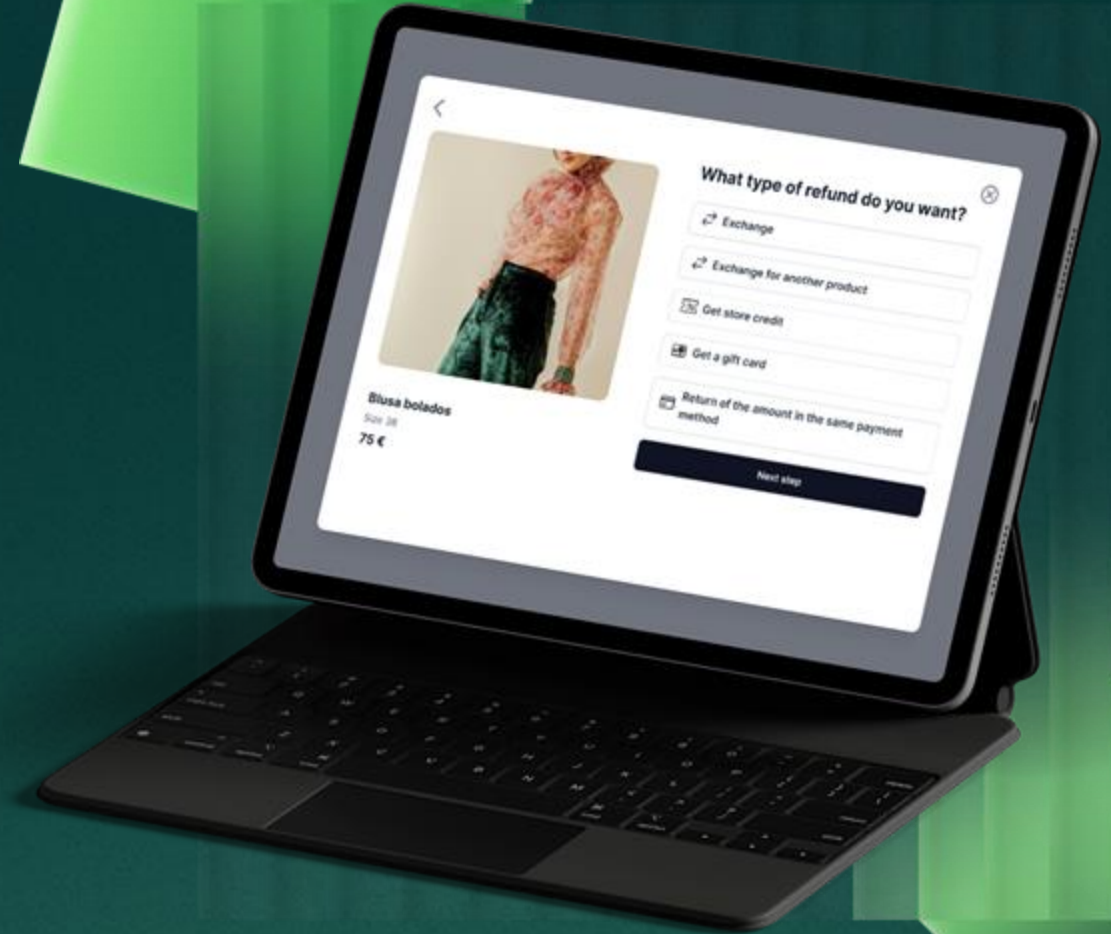


AI in returns | 2025

Generating value from returns with AI



What we believe in

**RETURNS ARE NOT A PROBLEM
– THEY ARE DATA GOLDMINES**



Post-purchase complexity

Clients spend 40% more time in post-purchase and interact with >6 stakeholders

PRE-PURCHASE

1. Category Browsing / Search
2. Product Listing Page (PLP)
3. Reviews & Ratings
4. Chatbot / Live Chat
5. FAQs or Help Center
6. Cart page
7. Checkout Page

POST-PURCHASE

1. Order Confirmation Page / email
2. Order Tracking Page
3. Shipping Notifications
4. Post-Purchase Survey or Review Prompt
5. Loyalty / Referral Program
6. Return Initiation Page/Form
7. Drop-off / Pick-up Logistics
8. Return Tracking and label
9. Refund
10. Customer Support Chat/Call

3 stakeholders

15 min

6 stakeholders

25 min

The returns problem

eCommerce returns have an increasingly negative impact on the P&L of retailers

20%

of all e-commerce sales are refunded

€1T

in lost revenues each year

+15%

projected growth in eCommerce returns in 2025

With returns and lost revenues still growing double digits in Europe and America, returns increasingly become a problem for the industry.

Source: iF Returns (2024)

The excess of returns twists the outlook for online
Its cost impacts the profitability and stock prices of Asos, Zalando & Boohoo



The scandalous reality of fashion retail's returns

Fashion businesses do not resell all the returned items they receive from customers, making a deep dent in profitability as well as the planet. Drapers examines what happens to this unwanted product, why retailers do not take it back and what needs to change to reduce its environmental impact.

BY EMMA FINAMORE
7 AUGUST 2023

Returns strain retailers' profits amid inflation

Retailers employ strategies to boost profits and adapt to evolving retail industry dynamics, including policy adjustments, fees and incentives.

Mohamed Dabo | May 25, 2023

The cost impact of returns entails marketing, operational and product losses, affecting product categories differently

	Impact lever	Cost associated	Relevant for (e.g.)
Return	Refund & Experience	Lost CAC (€/sale)	Fashion
	Logistics	Operational cost (€/return)	Bulky products (Electronics, Furniture...)
	Resell value	Markdown (%)	Consumer Electronics
	Fraud	Lost products (€/sales)	General

5 key use cases to exploit data in returns management

1

Sizing
recommendations to
REDUCE RETURNS

2

Contextual discovery to
**INCREASE CROSS-
SELLING**

3

Dynamic return
policies to
**REDUCE ABUSE
AND FRAUD**

4

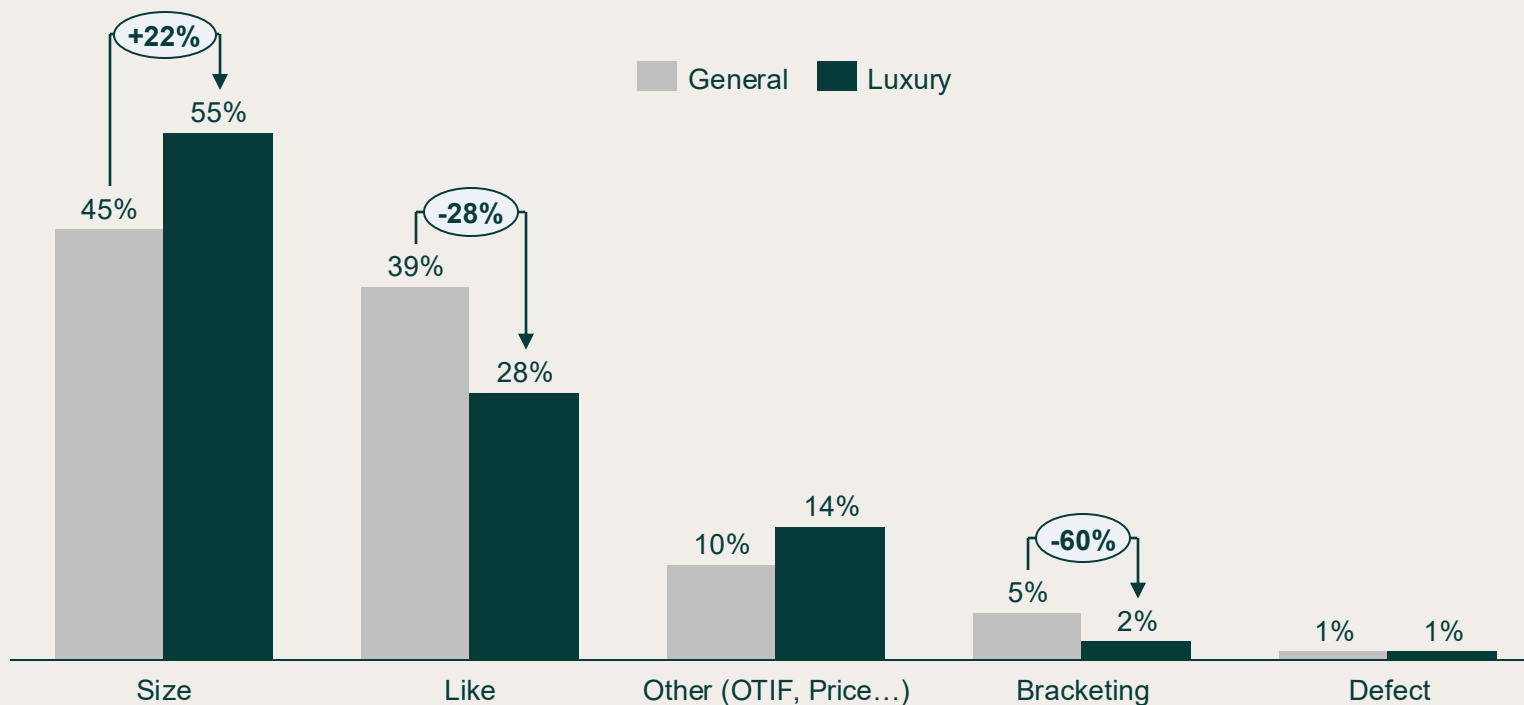
Proactive CS to
**REDUCE LOGISTIC
ISSUES**

5

Agent to
SPOT TRENDS

Sizing and product like account for >80% of declared return reasons

PERCENTAGE OF RETURN REASONS FREQUENCY FOR GENERAL APPAREL AND LUXURY BRANDS (%)



Return reasons expose purchasing behavior differences for the luxury category. While sizing is still dominant (c.55%) client behavior shows that clients tend to be more exigent with OTIF (4.p.p more than fashion) and product quality is 28% less frequent. Also bracketing is 60% less frequent than in general fashion, which is in line with a more thoughtful purchasing process by the client and the price point of the goods and highlights how clients in general apparel make use of promotional campaigns, BNPL and lower price points to bracket purchases

Key takeaway

Size exchange and size recommendations are key levers to reduce refunds and returns. It is key to analyze stock availability and the size curve/distribution to ensure clients can access the exchange of goods

Statistics are not fully reliable

RETURN REASONS STATISTICS

Choose a reason

It's too big

Additional comments

It's too small

Product has defects

Changed my mind

I found it cheaper

Wrong item

COMMON ISSUES WITH RETURN REASON ANALYSIS

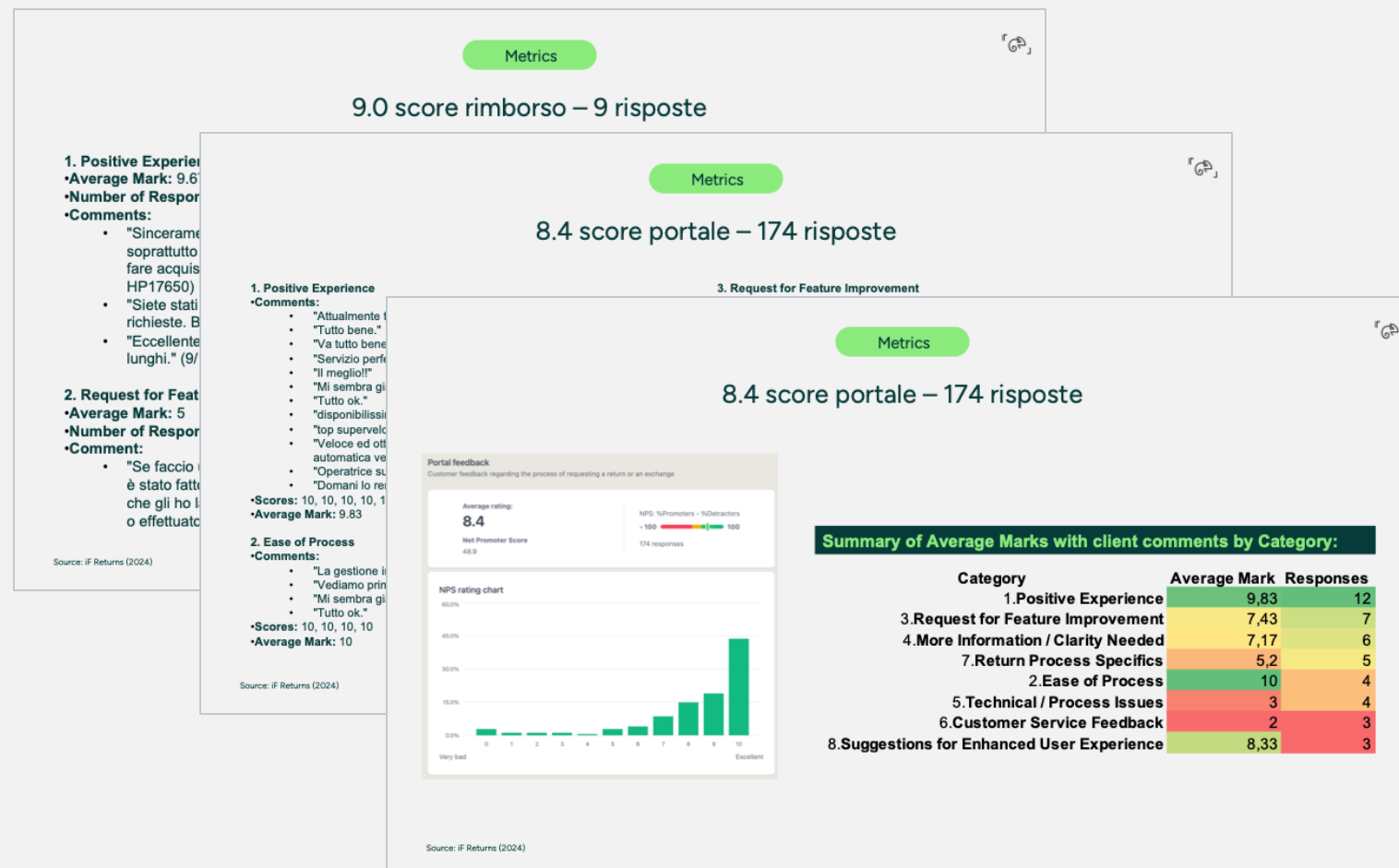
- Client declares the first comment without looking
- Vague comments
- Not able to gather data instore or preprinted returns
- Limited return reason options
- Lack of categorization or granularity
- Poor integration in reporting
- No text analysis



Unstructured data is a key source of insights

UNSTRUCTURED DATA ANALYTICS FROM CLIENT FEEDBACK

2024



Source: iF Returns (2024);

Benchmark results fashion and luxury

27%

Return reason
comments

43%

NPS Return
request
comments

- Clients leave product, policies, price, experience and process feedback
- Feedback is used to improve product feeds and processes

Combining statistics with NLP creates a clear vision of return drivers

RETURN REASONS STATISTICS

Choose a reason

It's too big >

Additional comments

It's too small >

Product has defects >

Changed my mind >

I found it cheaper >

Wrong item >

COMMENTS AFTER NLP (EXAMPLES)

1. 🛠️ "Inconsistent sizing" 📏

💡 **Insight:** Shoppers are frustrated by unpredictable fits across sizes and styles, especially when size charts don't match real-life products.

👤 **Comments:**

- "I ordered the same jeans in two colors—one fits perfectly, the other I can't even button."
- "I followed the size chart exactly, and the dress was still way too tight around the bust."
- "I usually wear a medium, but this 'medium' looked like an XL on me."

2. 🔍 "Poor product representation" 🖼️

💡 **Insight:** Customers often return items because the real-life product doesn't match images or descriptions—materials, colors, or fit feel misleading.

👤 **Comments:**

- "This blouse looked silky online but arrived as a stiff, scratchy material."
- "The color of the jacket is completely different—it's way more orange than the soft tan in the photos."
- "The dress seemed structured in the photos but fits like a loose t-shirt in real life."

5. 🧵 "Wear and tear mistaken for defects" 🧺

💡 **Insight:** Some customers return used items citing "defects" after weeks of use, which burdens support and inventory.

👤 **Comments:**

- "The seams started coming apart after two washes—clearly poor quality."
- "Shoes scuffed way too easily. Are these even real leather?"
- "It's unraveling at the hem... I've only worn it five times."

1

Sizing
recommendations to
REDUCE RETURNS

Product Impact



Automatically recommend size fitting to reduce returns before they occur

The screenshot displays a product page interface. At the top, under the heading 'Size', there is a row of six size selection buttons: 36, 37, 38, 39, 40, and 41. The button for size 36 is highlighted with a black border. To the right of these buttons is a link labeled 'SIZE CHART'. Below the size buttons, there is a section titled 'Size Recommendation' with an exclamation mark icon. The text reads: 'Size Recommendation: If you have doubts between 2 sizes, we recommend choosing the largest'. Below this text is a horizontal slider with three dots. The first dot is labeled 'RUNS SMALL', the middle dot is labeled 'TRUE TO ITS SIZE', and the third dot is labeled 'RUNS BIG'. At the bottom of the interface is a large black button with the text 'ADD TO CART' in white capital letters.

Size recommendations

5-8%

Reduction in returns

Optimization

Improved product insights to optimize
manufacturing/vendors, recommendations and
refund reduction strategies

Our needs and like are more sensitive to our current context than to our history

HISTORICAL



VS

CONTEXTUAL



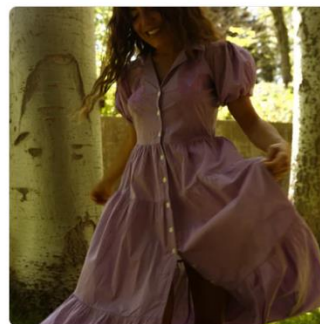
Contextual questions improve cross-selling performance by 15p.p.

I'm returning a dress and I still need to find one
for the wedding of my friend...

TRADITIONAL DISCOVERY

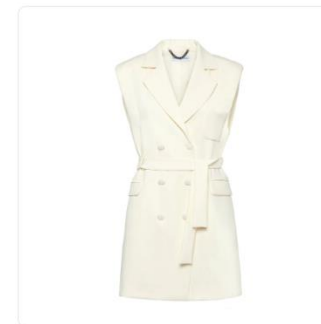
Cambio con altri articoli con 590,00 € credito

4 articoli in "dress"



da rimborsare
TAMADITE DRESS

570,00 €



da rimborsare
CABANA DRESS

308,00 €



da pagare
ONDE-PRINT LONG
DRESS

1460,00 €

Contextual questions improve cross-selling performance by 15p.p.

I'm returning a dress and I still need to find one
for the wedding of my friend...

BUT

When is the wedding happening?

Is it a night or day wedding?

What style do you like?

Is the dress code strict?

In which city is the wedding?

Do you want to avoid something?

CONTEXT BASED DISCOVERY

Absolutely! Since you're returning a dress that was too small and need a stylish alternative for a wedding in Madrid on July 10, I've curated a selection of Zara dresses that align with Chiara Ferragni's chic and feminine style. Here are some top picks:

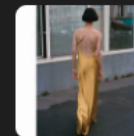
Satin Midi Dress with Cowl Neckline

This elegant satin midi dress features a ruched cowl neckline and twisted armholes, offering a flattering silhouette. It's perfect for summer weddings and is priced at £35.99. The Sun +3



Yellow Asymmetric Satin Dress

Inspired by the iconic gown from 'How to Lose a Guy in 10 Days,' this dress boasts an asymmetric neckline and a fitted waist. It's a standout choice for wedding guests, available for under £50. The Sun +1



Printed Satin Effect Midi Dress

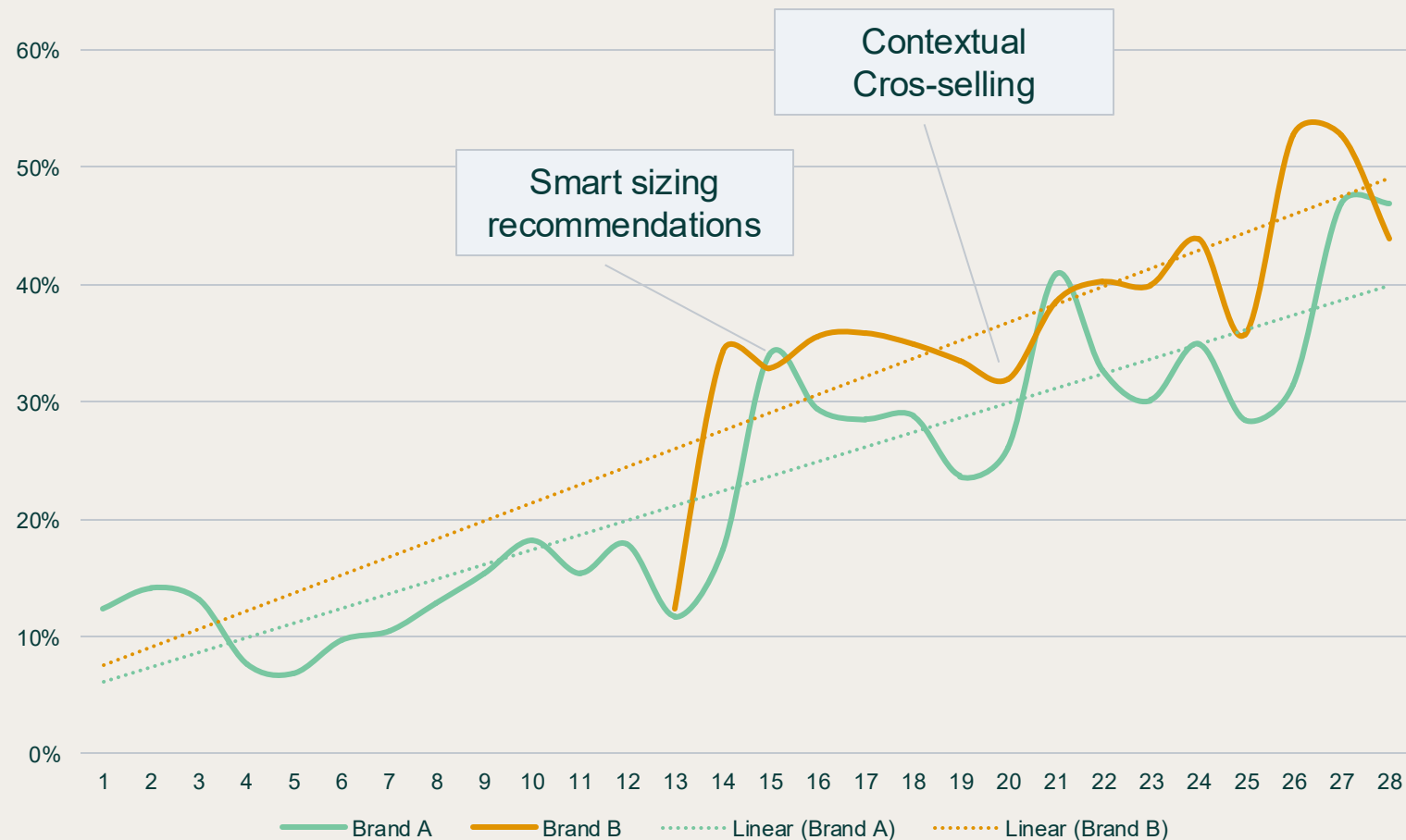
Featuring an abstract blooming print with a twisted front detail, this satin effect midi dress is both modern and romantic. It's priced at \$70 and adds a touch of artistry to your ensemble. InStyle



Refund reduction reaches values >50% with AI contextual cross-selling

REFUND REDUCTION TREND (%)

LAST 28 MONTHS



Benchmark results fashion and luxury

BRAND A

48%

Peak refund
reductions

BRAND B

52%

Peak refund
reductions

Fraud and abuse control require UX segmentation

FRAUD AND ABUSE SOURCES IN FASHION

Type	Description	Prevalence	Risk to Brand
Wardrobing	Customer wears item once and returns (e.g., for social events)	Very High	High (lost margin, can't resell as new)
Empty Box/Item Switch	Returns package with a different or no item inside	Medium-High	Very High (direct fraud)
Fake Defect Claims	Claims product is defective to avoid return shipping or restocking fees	Medium	Medium
Serial Returners	Frequent, habitual returners who cost more than they spend	High	Medium
Stolen Product Returns	Attempt to return stolen or counterfeit goods for refund/store credit	Low-Medium	Very High

IMPACT OF ABUSE

Metric	Premium and Luxury	Fast fashion
Avg. Return Rate	25–35%	15–20%
Return Abuse Rate (est.)	5–10% of returns	2–4% of returns
Wardrobing Incidence	~20-30%	~10–12%
Cost per Abusive Return	\$180–\$450	\$50–\$100

Example

A luxury retailer with \$1B in online GMV and a 30% return rate may lose \$15M–\$30M annually from return abuse. A best-in-class strategy integrates customer behavior analytics, item-level verification technologies, and policy differentiation, thus reducing abuse by up to 45% without damaging customer experience

3

Dynamic return policies to
**REDUCE ABUSE
AND FRAUD**

Dynamic UX
reduces 82% of
fraud and abuse
cases

COMMON FLAGS:

- Purchase behavior
- Past return behavior
- Return reason selection
- Refund method selection
- Payment methods
- Cart composition (bracketing)

LOYAL


A

B

SERIAL
RETURNER

AI in returns

X ULTRA 5 GORE-TEX
42 / Blanco
160,00 €



What do you want to do?

- ↻ Exchange for another size or color
- Up to 15,00 € extra credit
↻ Exchange for another product
- +10% discount
🎁 Try our new gift card!! 🥳
- Transportation fees will apply
📦 Return of the amount in the same payment method

— See less options

Next Step

A1

A2

How and when to send your products

0 Calle del Marqués de Monteaugudo 24, 40, 28028 - Madrid, Spain [Change address](#)

- Drop-off service DHL Recommended option
50% less illi: 6,00 €
Find a nearby DHL office to leave your package [HERE](#).
- Drop-off service Inpost
50% less illi: 5,00 €
Find a nearby Inpost office to leave your package [HERE](#).
- Drop-off service Correos
4,00 €

Choose method of transport

Marchelacolombine Shopify V2 store locations


Drop off your package at any Marchelacolombine Shopify V2 store

Spain

- Calle de Baeza 3
28002 - Madrid, ES
9:00 - 18:00
0.87 km away
- Calle de Fortunata y Jacinta, 12
28020 - Madrid, ES
Lunes a Viernes de 9:00 am a 9:00pm
3.01 km away
- Juan de Mariana 6
28014 - Madrid, ES
Lunes a Sábado de 10:30 a 14:40 y de 16:30 a 20:30
3.15 km away
- Av. Isabel la Católica
41004 - Sevilla, ES
Lunes a Sábado de 10:30 a 14:40 y de 16:30 a 20:30
394.99 km away
- Dr. Vázquez Iglesias
10002 - A Coruña, ES
Lunes a Sábado de 10:30 a 14:40 y de 16:30 a 20:30

Confirm

X ULTRA 5 GORE-TEX
42 / Blanco
160,00 €



What do you want to do?

- ↻ Exchange for another size or color
- ↻ Exchange for another product

+ See more options

Next Step

Il prodotto ha dei difetti

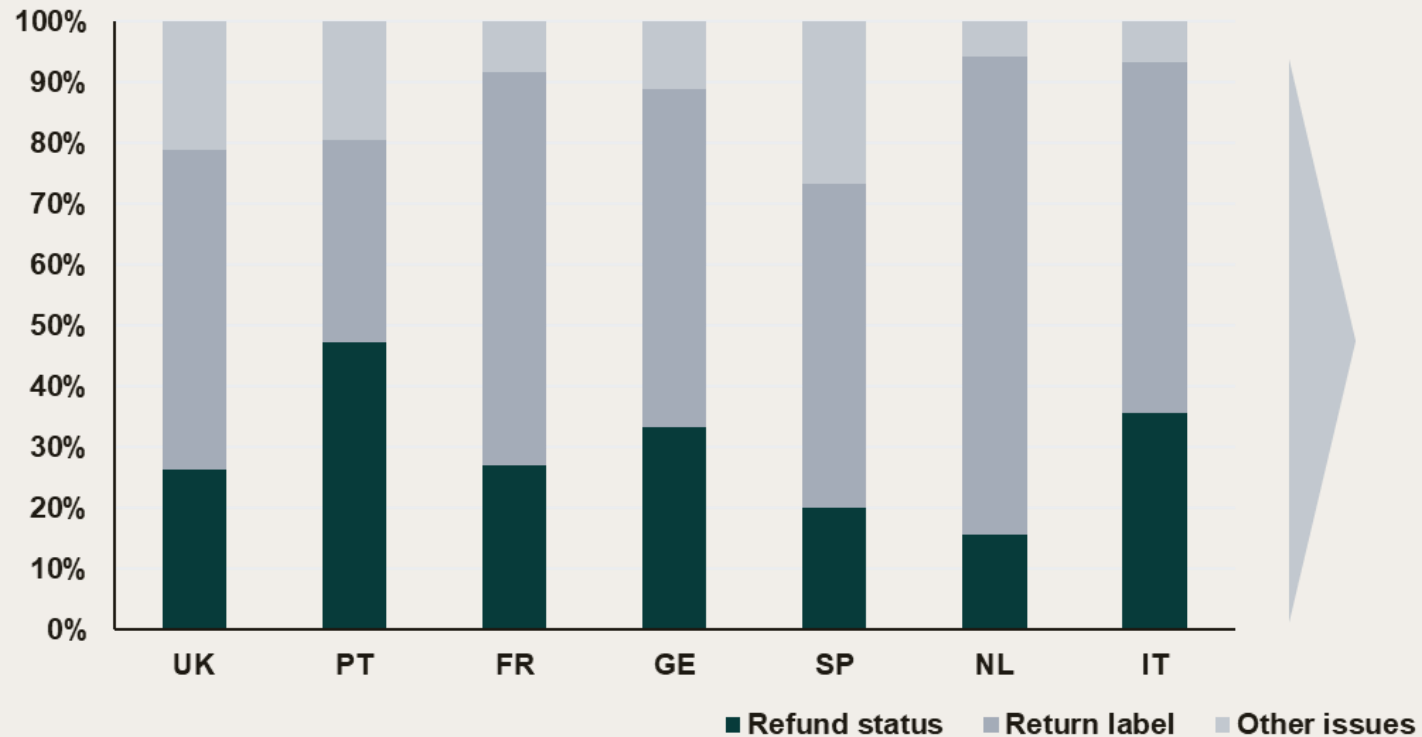
Commenti obbligatori*

È necessario aggiungere foto come prova
(Fino a 2 foto, PNG o JPEG)

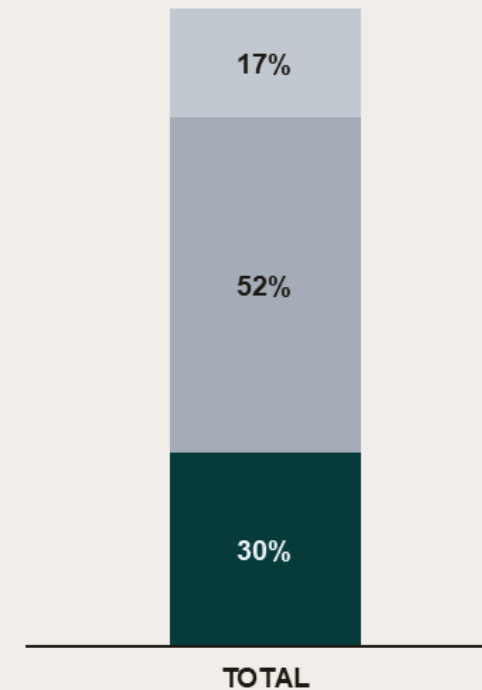
Carica un file o trascinalo qui

23% of pick-ups fail and 83% of CS tickets are due to return issues

Claim type per return per country (%)



Average claim type per return (%)



Proactive communication increases NPS and reduces ticket management

JOURNEY STATUSES

2025-04-15 13:00:00	PICK UP FAILED	
2025-04-14 22:57:16	REQUESTED	
2025-04-15 00:57:16	PICK UP IN PROGRESS	PDTE ASIGNAR
2025-04-15 00:57:16	PICK UP IN PROGRESS	ASIGNADA
2025-04-15 09:27:32	PICK UP IN PROGRESS	TRANSMITIDA
2025-04-15 10:31:52	PICK UP IN PROGRESS	ASIGNADA
2025-04-15 09:31:52	PICK UP IN PROGRESS	TRANSMITIDA
2025-04-15 10:32:50	PICK UP IN PROGRESS	PDTE ASIGNAR ERROR ASIGNACIÓN RUTA
2025-04-15 09:32:50	PICK UP IN PROGRESS	RECHAZADA POR CONDUCTOR ERROR ASIGNACIÓN RUTA
2025-04-15 11:44:07	PICK UP IN PROGRESS	ASIGNADA

AI DRIVEN PROTOCOLS

1. Send mail/SMS to client to inform about delay
2. Re-program pick-up with back-up carrier
3. Execute refund when package is in transit

AI issue resolution

+10p.p.

NPS of issues

-65%

Tickets
managed

Agents offer differential data insights to take return process decisions

We are going to launch a **2nd unit at 50% campaign** next month coinciding with the **launch of the summer collection**. Which **effect can this have on return rates** and where can we expect the biggest changes?

Agents offer differential data insights to take return process decisions

We are going to launch a **2nd unit at 50% campaign** next month coinciding with the **launch of the summer collection**. Which **effect can this have on return rates** and where can we expect the biggest changes?

KEY EFFECTS OF THE PROMOTION

1. Increased Bracketing Behavior

Customers are likely to purchase more items (especially sizes or styles) to hit the discount threshold, then return the extra units. Expect more:

- “Ordered multiple sizes”
- “Didn’t need both”
- “Kept one, returned the second”

2. Impulse Purchases

The promotional urgency drives faster, less-considered purchases. This increases:

- Buyer’s remorse returns
- “Changed mind” as a top reason

3. Pair-Based Returns

Since the discount is tied to buying multiple units, customers returning **one item of a discounted pair** may trigger:

- **Confusion over refund amounts**
- **CS tickets or disputes** about “partial return” value






OPERATIONAL RECOMMENDATION

- Flag “promo pair” returns in the system to calculate adjusted refund values automatically.
- Highlight return terms during checkout to reduce confusion.
- Push **exchanges or store credit** as the first option in the return flow.

Return rates should stabilize post-campaign, but expect a higher-than-usual return volume throughout the 3-week window following launch.

Source: iF Returns (2025);

WHERE TO EXPECT THE BIGGEST CHANGES

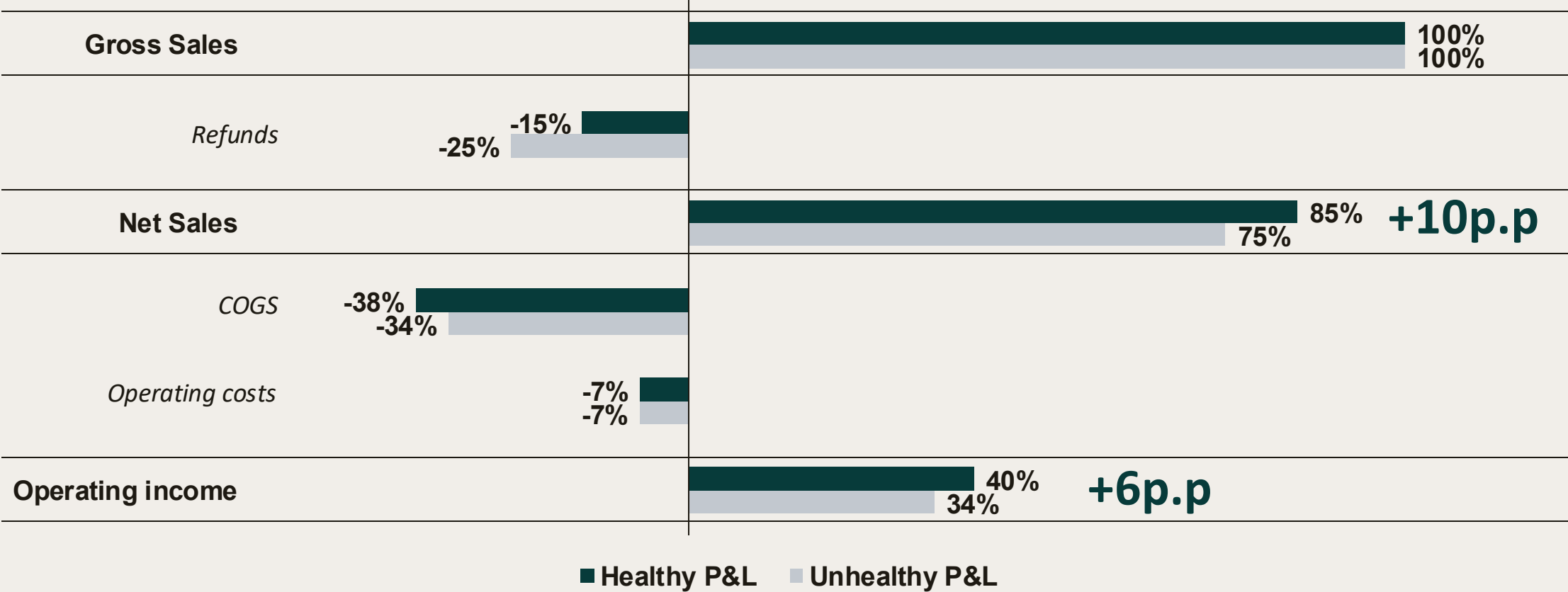
Area	Change	Notes
Apparel – Dresses & Tops	 Spike	Most often bracketed for size/style
First-time buyers	 More returns	Less sizing familiarity, promo-driven buys
Return reasons: “Too large/Too small”	 Surge	New collection + lack of fit data
Return timing	 Faster	More returns within 5–10 days post-delivery
CS workload	 Increased	Higher volume of questions about “promo pricing and returns”



Strategies from top performers

Top performers reach +10p.p in net sales and 6p.p. in op. income by reducing refunds

P&L effect of healthy returns management (% of Gross Sales)



Source: iF Returns (2024);

What should brands be thinking about?

Are we collecting the right data at every stage of the customer journey to fuel AI insights?

Have we built a centralized system to integrate returns data with purchase, sizing, and customer feedback?

Do we have automated workflows in place to identify and resolve return-related issues at scale?

Is our UX adaptive enough to dynamically adjust based on customer behavior and fraud signals?

What safeguards are we implementing to identify and reduce return fraud or policy abuse?

Do we have clear KPIs to measure the impact of AI on reducing return rates and improving CX?

**Returns are
customer stories
waiting to be
understood...**



**AI helps you
listen and act.**

AI offers unlimited possibilities and depending on your client strategy you would go further or not with automations.

It is important not to lose client insights or contact, as comfortable as it may become.

Choose your automations wisely and make sure you are in control of the UX and client touchpoint.





Join Us!

Transform ecommerce returns
into your next big return on
investment

Contact us at:

www.ifreturns.com

sales.team@ifreturns.com

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