

RETAIL

## Retail has a returns problem

March 7, 2018



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By **Ronen Luzon**

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We have all had this issue – you are shopping online and finally find that perfect date-night dress or new shirt sure to give you that extra confidence boost at your big presentation. You anxiously refresh the tracking information in eager anticipation of its delivery. Your package finally arrives at your front door and you rip it open – only to be let down when it does not fit.

The impact that returns are having on the retail industry is massive.

Throwing a fit

The lack of a true sizing system results in buyer confusion and, often, the ordering of an ill-fitting item. The retailer is left to pick up the tab for the cost of return shipping, as well as making an exchange for a new item.

With nearly 20 percent to 30 percent of online apparel orders being returned – 70 percent of those returns due to problems with fit – this has become an expensive issue, costing the retailer anywhere from \$3 to \$12 per order.

One **study cites total expenses** to online retailers from apparel returns at \$1.4 billion, which is roughly 2.5 percent of the total online revenue – \$60 billion – of apparel and accessories in 2015.

Returns have become such an expensive issue that we have begun to see legacy retailers change decades-old return policies to cut costs.

For the last 100 years, Freeport, ME-based cataloger and online retailer L.L. Bean had accepted returns of basically any item, regardless of when it was purchased, with or without a receipt. But over the last five years, the **company reported** losing \$250 million-worth of returned items that could not be resold.

For as much money brands and retailers are making by shipping merchandise out to consumers, it is a tremendous hit to the bottom line when it comes back in.

Sizing up

While the easiest way to fix this problem would be to fix the overarching issue related to product sizing, there is no universal system that guarantees a correct fit across brands.

Where some retailers sell pants by waist and length, others tag them as small, medium or large.

Fortunately, there is technology available to the market that would allow consumers to take their true measurements **using a mobile device**, which would then sync directly to a retailer's sizing chart and hand-select items in a size that corresponds to their specific measurements. This ensures a true fit and a correct purchase each and every time.

Other technologies guess your size based on user-submitted photos, or ask you **to enter what you think your measurements are** so they can recommend what will fit you best. There is also **3D scanning**, virtual try-on and other methods using data analytics.

THE SIZING and return issue has created a sizeable market opportunity for technology companies that can provide a solution enabling retailers to recoup these losses.

As the industry continues to drive innovation, we should see retailers trying out these various solutions as a way to increase customer experience while also improving their own bottom line.

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