

Online festive orders to be harder to return

Retailers, brands may raise the bar for returns to protect margins

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Online orders for categories such as fashion, accessories, home decor and kidswear are likely to be harder to return this festive season as companies look at maximising earnings and minimising logistics hurdles, experts said.

Direct-to-consumer companies as well as e-commerce platforms Flipkart and Amazon may set a higher bar for accepting returns than in previous festive seasons to maintain margins by eliminating the costs of reverse logistics, staffing and packaging, according to two executives aware of the matter.

Product returns tend to spike by as much as 30% in the last three months of the calendar year, when e-commerce companies typically run sales during major festivals such as Dussehra and Diwali compared to business-as-usual days, according to Shashwat Swaroop, co-founder of GoKwik-owned Return Prime, a returns and exchange optimisation platform.

Common ways to curb returns include shortening the return window, charging a return fee to those who do so frequently, offering only store credit, and disallowing payments at delivery, the executives said. Swaroop added that in some cases, sellers may choose to be lenient with loyal customers while restricting the option for others.

E-commerce companies, especially marketplaces, have tried to curb returns over the past few years. Last year, Myntra introduced a fee of ₹199 to ₹299 for customers with a high rate of returns. However, with the rate of returns rising, they are scrutinising consumer behaviour more closely now than ever.

Amazon, Flipkart and Nykaa did not



Companies are looking at maximising earnings, minimising logistics hurdles. BLOOMBERG

respond to queries sent by *Mint*.

Product returns could cost Indian e-commerce companies \$20-30 billion in revenue by 2025, according to estimates by Return Prime. E-commerce in India is expected to be worth \$188 billion by 2025, according to Brand Equity India Foundation, which cited Grant Thornton estimates.

COSTLY RETURN TICKET

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WAYS to curb returns include shortening window, charging fee, store credit, disabling COD

While online sales grew 38% during the pandemic, the rate of returns doubled. "Attractive deals on online platforms have led to an increase in impulse shopping and hence higher chances of buying something you did not really like or need. In apparel, it's also possible that customers bought something to be worn only for an event,"

said an online apparel company executive.

The cost of reverse logistics can be pinching, right from picking up the product, shipping it back to the warehouse, conducting quality checks, and eventually refunding the money, according to Satish Meena, an advisor at Datum Intelligence. "Returns generally account for 10-12% of the entire product cost, leaving brands very little earnings. In some cases, brands may have to pay out of pocket to facilitate the return."

The biggest online purchases during the festive season are in the fashion category, followed by groceries and personal care, according to Datum Intelligence's 2024 festive sales report.

The highest number of returns are in fashion, which includes accessories, handbags, and footwear. Personal care and electronics can be returned only in exceptional cases of defect or damage during transit.

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