

2025 Retail Returns Landscape

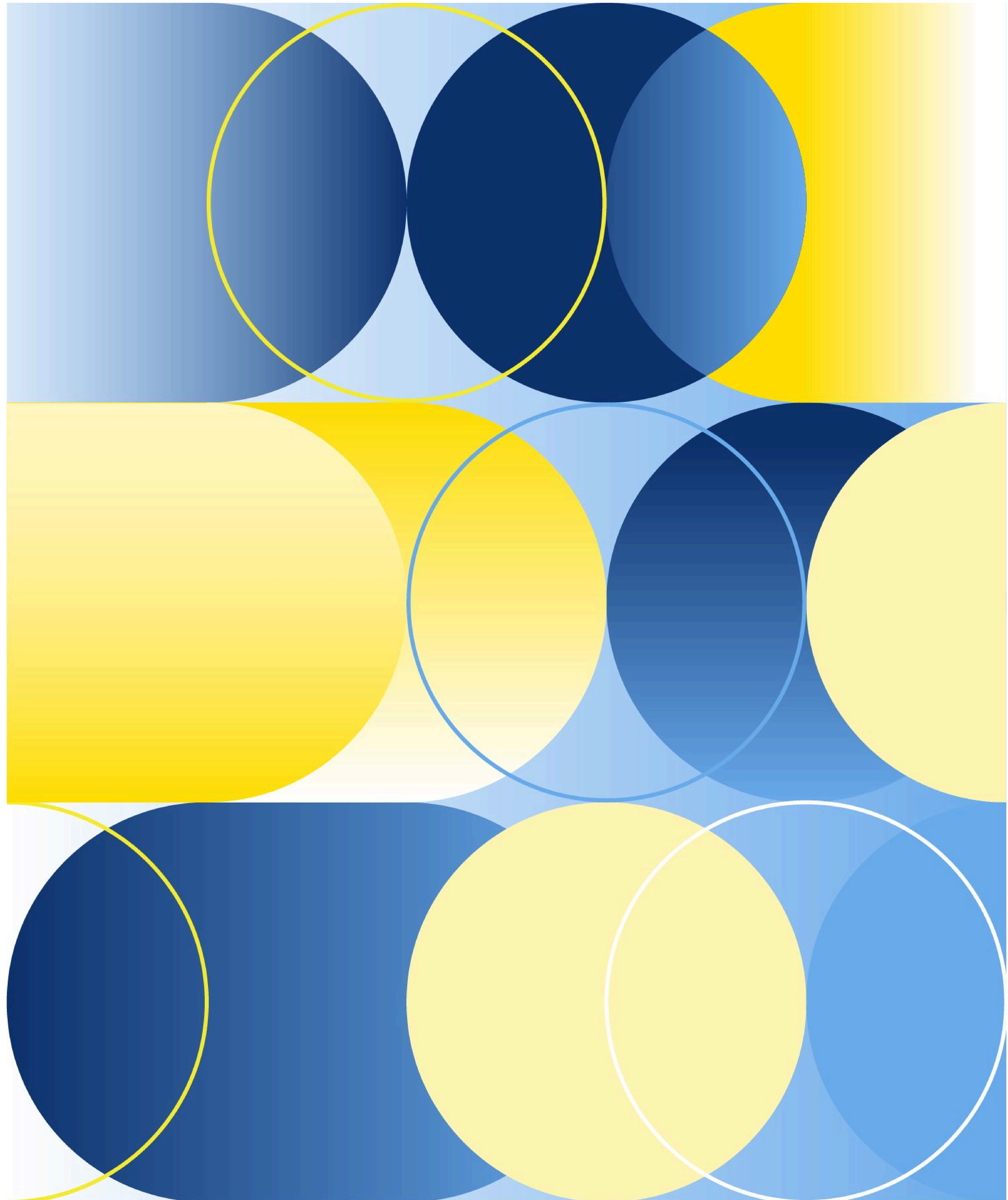


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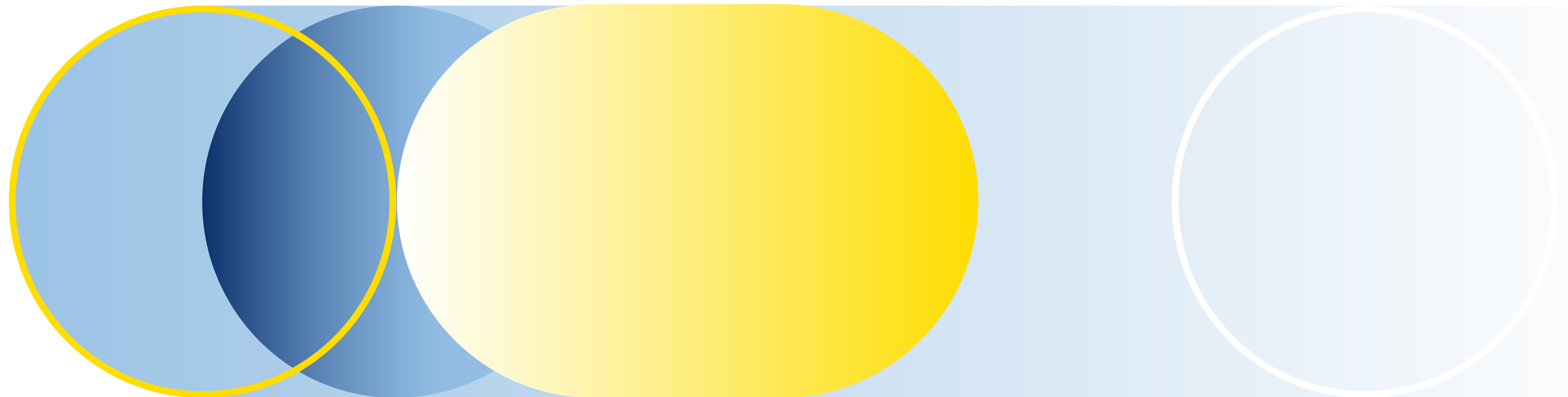
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Executive Summary

Returns are growing in importance — with both retailers and consumers. To understand how these pressures are shaping the retail landscape, the National Retail Federation (NRF) and Happy Returns, a UPS company, explored both consumer and retailer perspectives and priorities for the returns experience.

This report uncovers how retailers are responding with innovations and adjustments to their returns processes and how shoppers are reacting. While consumers continue to demand fast, convenient, flexible — and free — returns, retailers face increasing costs and risks that are reshaping the experience.

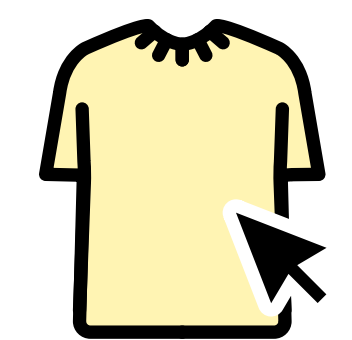
Retailers surveyed indicate their top priorities for 2026 are increasing online sales and reducing return rates. Looking ahead, it is more important than ever for retailers to effectively manage the cost of returns while also bridging consumers' growing expectations. Reconciling these two perspectives requires a multi-faceted approach that incorporates both front-facing strategies such as clear return policies and investing in frictionless return methods as well as innovative solutions to deter fraud and accelerate the supply chain.



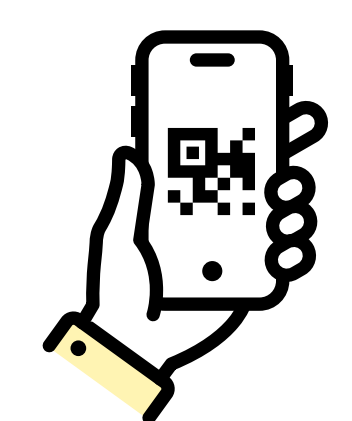
Key Findings



Retailers estimate 15.8% of total annual sales will be returned in 2025 and total returns for the retail industry are projected to reach \$849.9 billion in 2025.



While overall return rates may remain steady, some areas are facing more pressure than others. An estimated 19.3% of online sales will be returned in 2025.



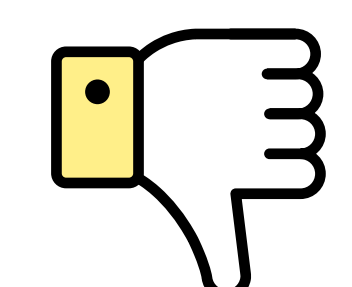
Additionally, as Gen Z's influence grows, so does their impact on the return's ecosystem. Those between the ages of 18 and 30 made 7.7 returns of online purchases in the last 12 months on average, more than any other generation.



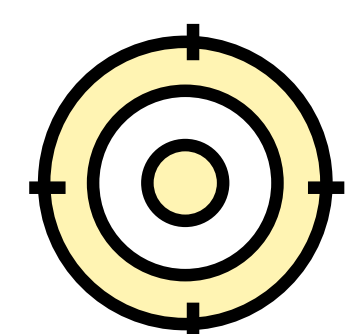
Return policies have even more of an impact on consumers' purchasing decisions: 82% say free returns are an important consideration when shopping online (up from 76% last year), 81% are reading return policies before shopping with a retailer (up from 77% last year), and 71% say that a poor returns experience will make them less likely to shop with a retailer (up from 67% in 2024).



Return fraud is an ongoing concern for the industry. The report found that 9% of all returns are fraudulent.



Consumers' attitudes toward returns are part of the challenge. Almost half of shoppers (45%) say it's acceptable to "bend the rules" when returning items, particularly if they're unsatisfied with a purchase.



85% of merchants say they are using AI or machine learning in their returns process to identify and combat fraud, but the results have been mixed: Only 45% of retailers believe these tools are truly effective at preventing fraud on their own.

Returns' Impact on Overall Business Performance

Returns are no longer the endpoint of the shopping experience. What once was seen as a necessary cost of doing business has now become a central driver of retail strategy, directly influencing profitability, customer experience, and operational resilience. Returns today affect three critical pillars of retail performance:

1. Customer retention

Shoppers are more likely than ever to base their repeat purchases on returns experiences. From free return shipping to instant refunds, customers expect a seamless process — and they're willing to walk away from retailers that fail to deliver: 57% of shoppers will not shop with a retailer after being charged for a return, a rate that has sharply increased from 40% in 2024.



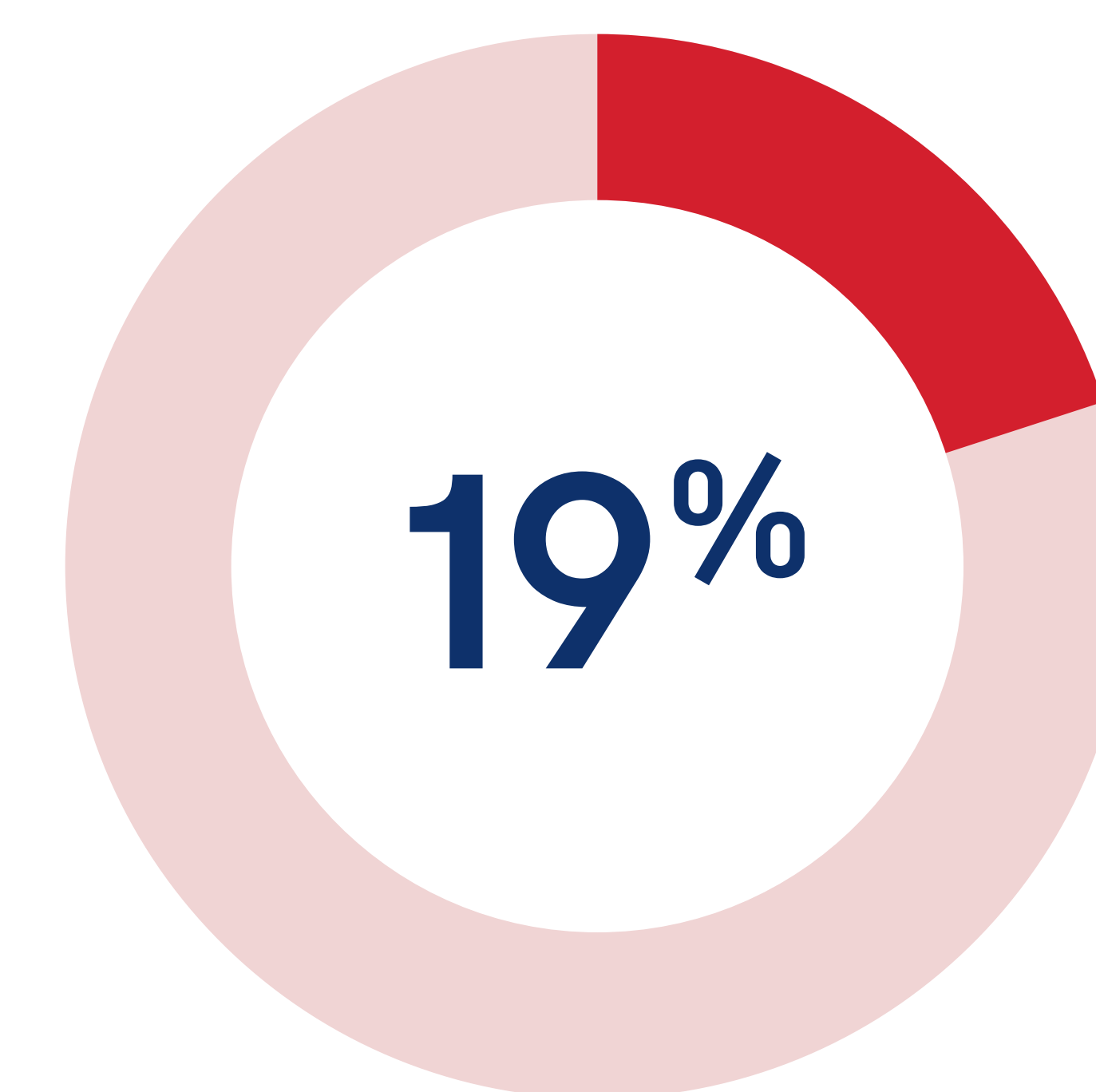


2. Costly behavior, return policy abuse, and fraud

While consumers push for convenience, merchants face rising exposure to costly, abusive, and fraudulent behaviors. Close to two-thirds (62%) of consumers admit to participating in at least one return behavior that is costly to retailers or abuses their return policies, like bracketing and wardrobing or more serious forms of return fraud like sending empty boxes, swapped items, or overstating quantities. More than one-quarter (26%) of merchants say that return fraud has a high impact on their return policy. These retailers specifically design their return process to mitigate fraud.

3. Operational pressure

The cost and complexity of reverse logistics is a significant business challenge retailers are facing. Delays in processing generate costly customer service contacts and shopper dissatisfaction while eroding margins as merchandise waits to be restocked or resold. It's in this operations category that a partnership with a returns provider can be a huge benefit to a retailer: 42% of retailers report that working with a returns provider can facilitate a better customer experience, 39% say that the partnership can reduce the costs of return shipping, and 19% expect to see a reduction in customer service engagements.



of retailers say it takes too long to process and restock returns

Merchant survey question: *What is your typical returns cycle time—from when a customer ships or drops off a return to when the item is back in stock and available to sell? **If the company is seeking to improve the restocking rate, what is the target or ideal timeframe from return initiation to product availability?

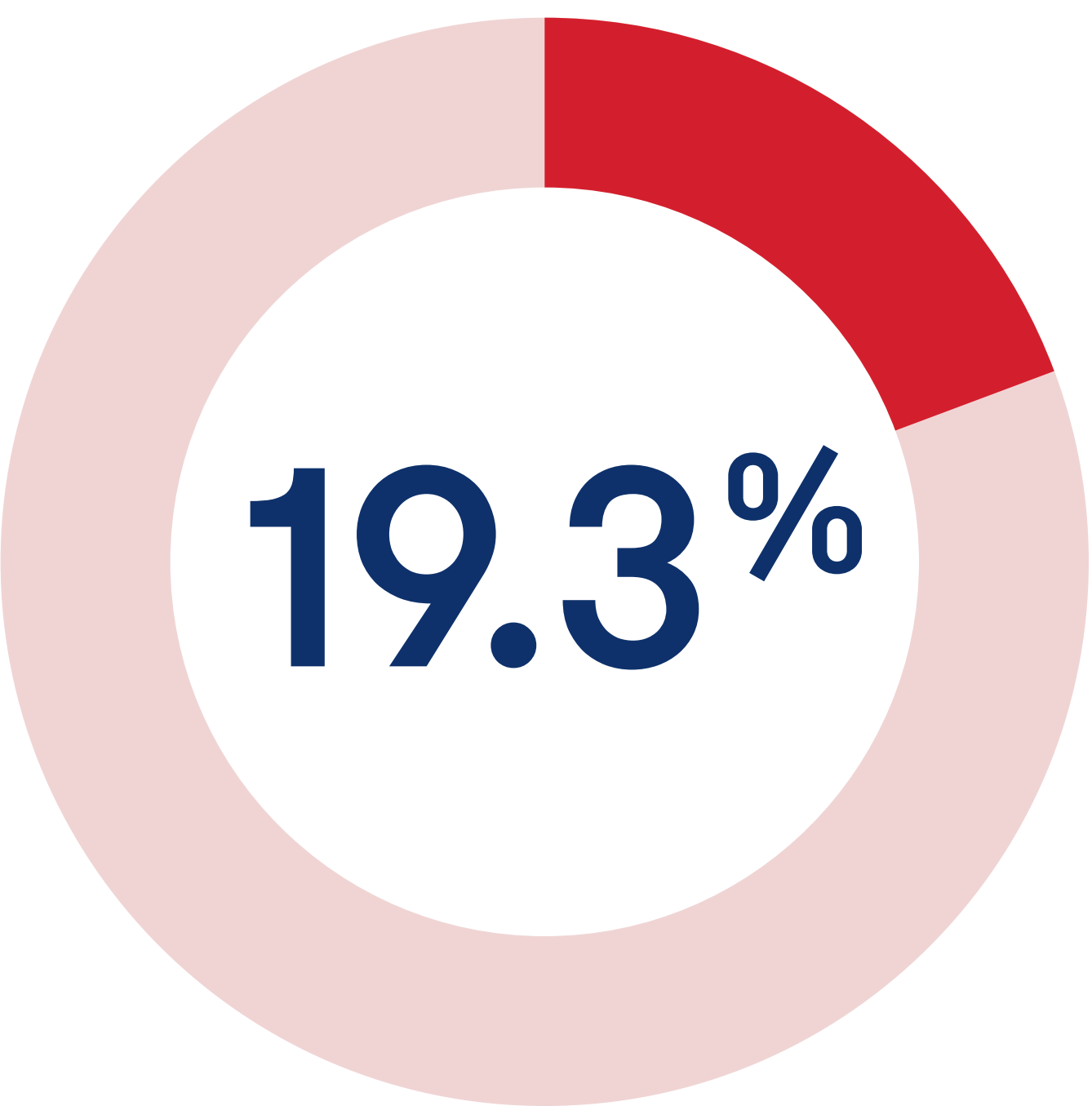
Overall return rates remain steady; online return rates face increased pressure

Historical return rate

	Annual return rate	Total cost of retail returns
2019	8.1%	\$309B
2020	10.6%	\$428B
2021	16.6%	\$760.8B
2022	16.5%	\$816.8B
2023*	--	--
2024	16.9%	\$890B
2025	15.8%	\$849.9B

*Note: NRF’s 2023 study on retail returns used a different methodology to calculate the return rate that is not directly comparable to other years’ data

Merchant survey question: What percentage of the following sales types this year do you estimate will be returned?



On average, 19.3% of online sales are expected to be returned in 2025. In a separate study conducted by NRF in October 2024, retailers reported that online return rates were, on average, 21% higher than their overall return rates.

Merchant survey question: What percentage of the following sales types this year do you estimate will be returned?

Consumers want free, fast, and easy returns



Merchant survey question: How much do you agree or disagree with the following statements about returning online purchases?

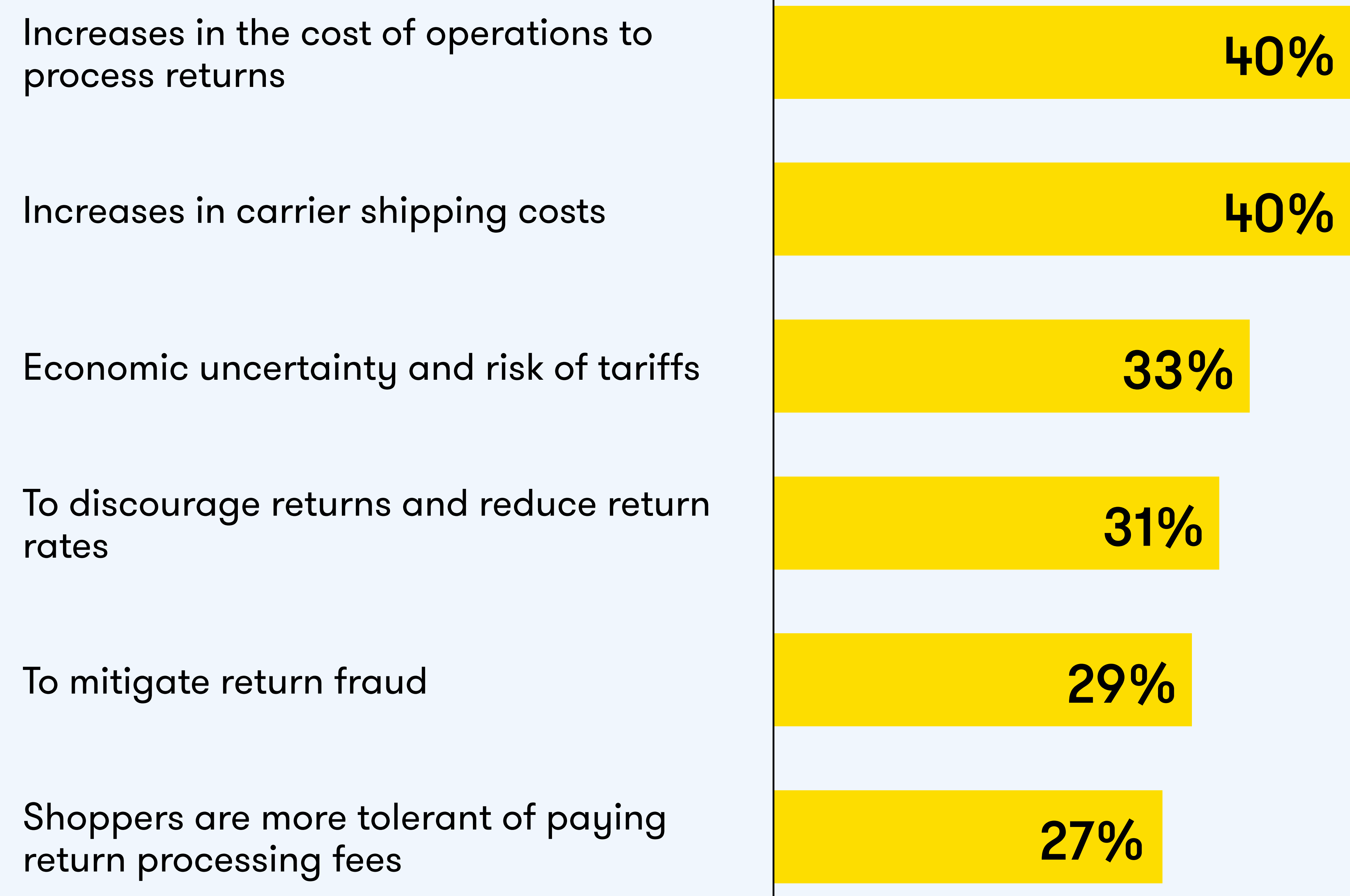
The Balancing Act: Retailers Navigate Cost, Complex Processes, and Shopper Expectations

Retailers are in a difficult balancing act. On the one hand, consumers have high expectations, and for the most part want returns to be free, fast, and frictionless. On the other, merchants face rising operational costs, growing fraud exposure, and pressure to protect margins. To navigate this tension, many retailers are reshaping their returns policies. However, some may still run the risk of introducing friction into the customer experience.

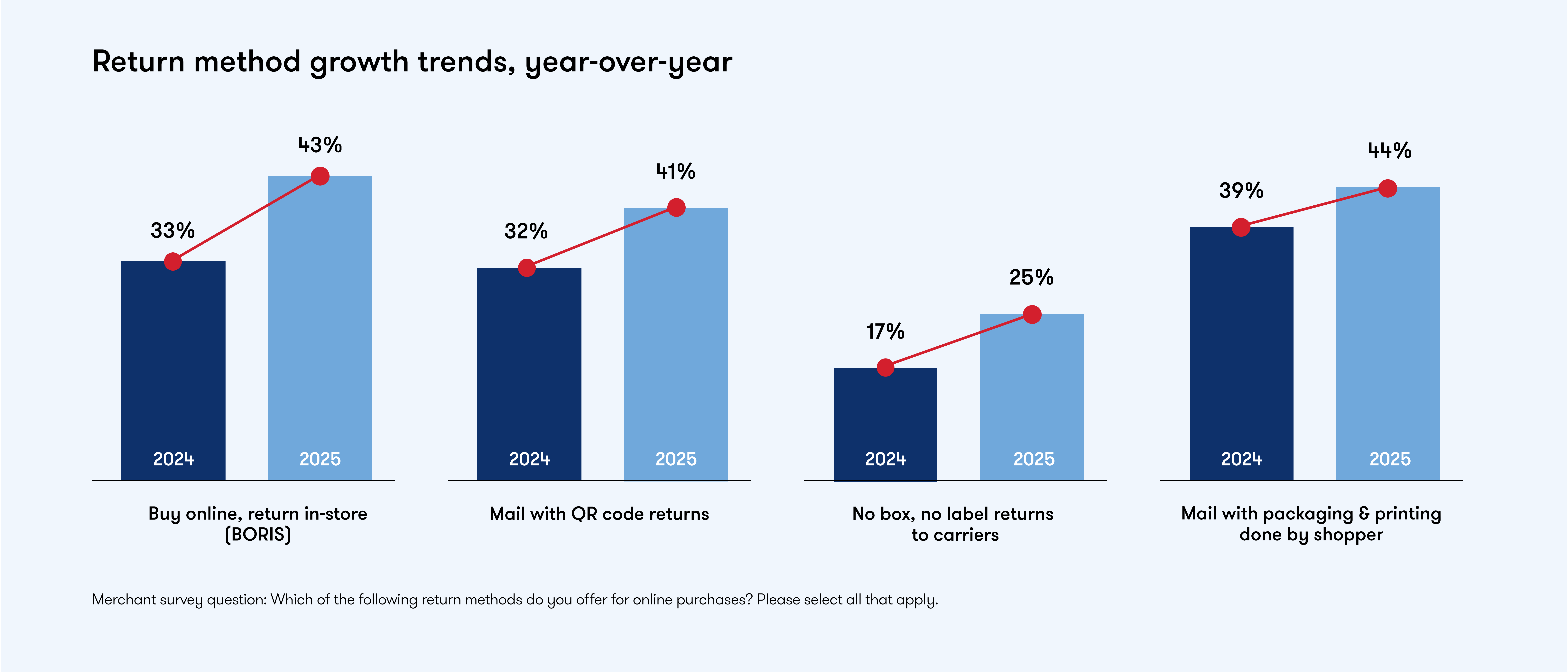
During the COVID-19 pandemic, flexible returns became a competitive advantage. Features such as extended return windows, no-cost shipping, and instant refunds encouraged online shopping during a period of uncertainty. Now, however, those policies are proving harder to sustain as return volumes and the costs of reverse logistics, shipping, and restocking grow.

Reasons merchants charge or start to charge for returns

(% ranked 1st / 2nd) among those charging for returns



Merchant survey question: What reasons impact(ed) the decision about charging for various return methods? Rank in order of importance with 1 being the most important reason?



How shoppers make returns of online purchases is shifting. Retailer adoption of no box, no label returns to carriers is up 8 percentage points, reflecting merchants’ interest in more efficient, customer-friendly methods. Across other return methods, buy online, return in-store (BORIS) grew by 10 percentage points year-over-year, mail returns using a QR code for carrier label printing are up 9 percentage points, and traditional mail returns where the shopper packages and prints his or her own label is up 5 percentage points. These shifts show that retailers are experimenting with ways to simplify returns while reducing operational friction.

Policy changes include introducing or raising return fees on some return methods, limiting the number of accepted return methods, or reducing investments in returns infrastructure. 72% of all merchants surveyed have started charging for at least one return option in the past 12 months. This is up from 66% in 2024. While some retailers report benefits such as lower return volumes or more exchanges, many also acknowledge an increase in customer complaints, indicating dissatisfaction with the return experience as a whole.



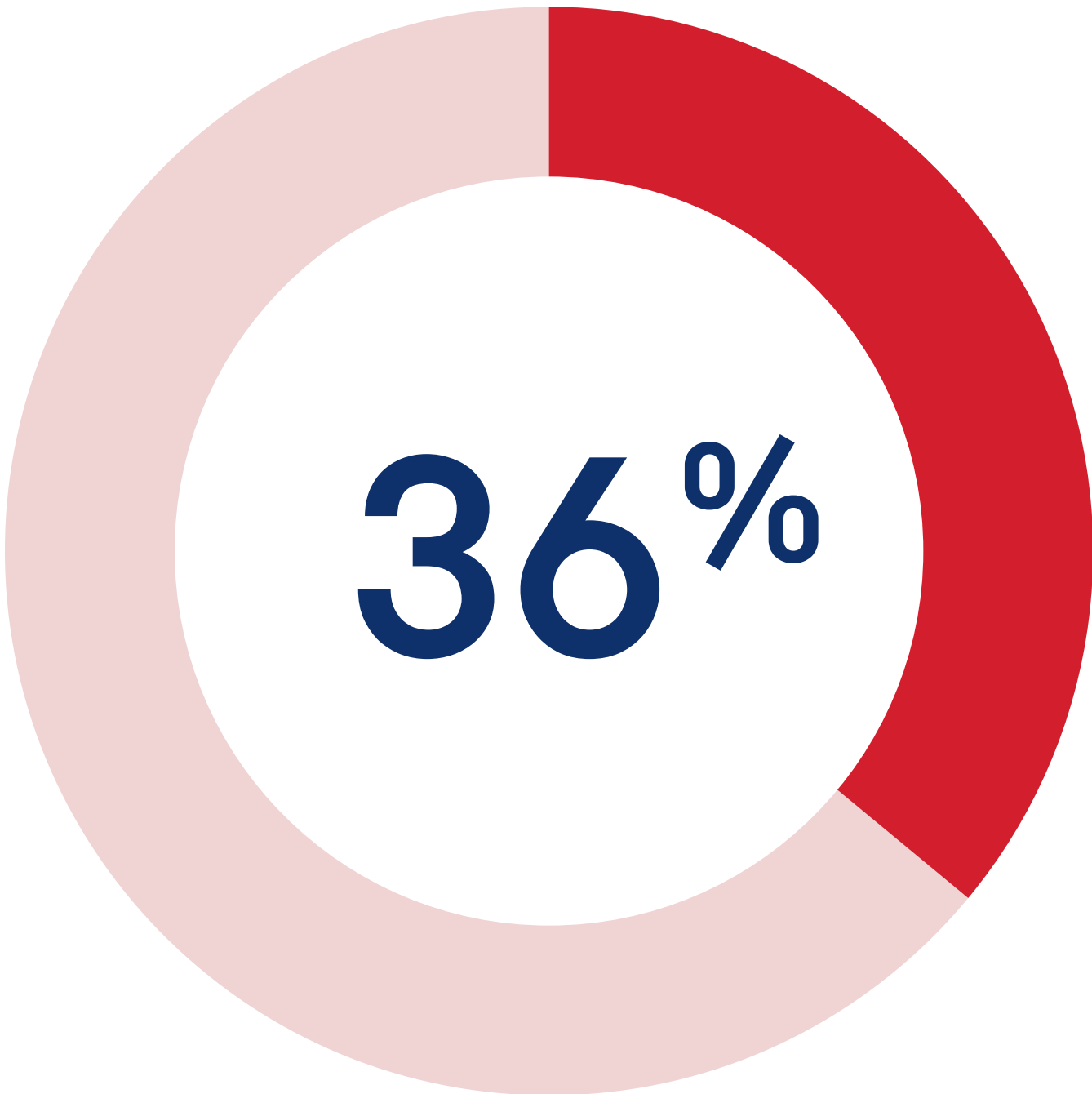
Merchants describe the following positive effects of implementing fees for returns:

- 53% report a reduction in overall return rates
- 52% say that they're experiencing an increase in exchange rates
- 51% increase in shoppers choosing a different, free return method
- 43% recouping revenue from returns
- 42% report a reduction in return fraud

But at what risk? Merchants describe the downsides of charging for returns:

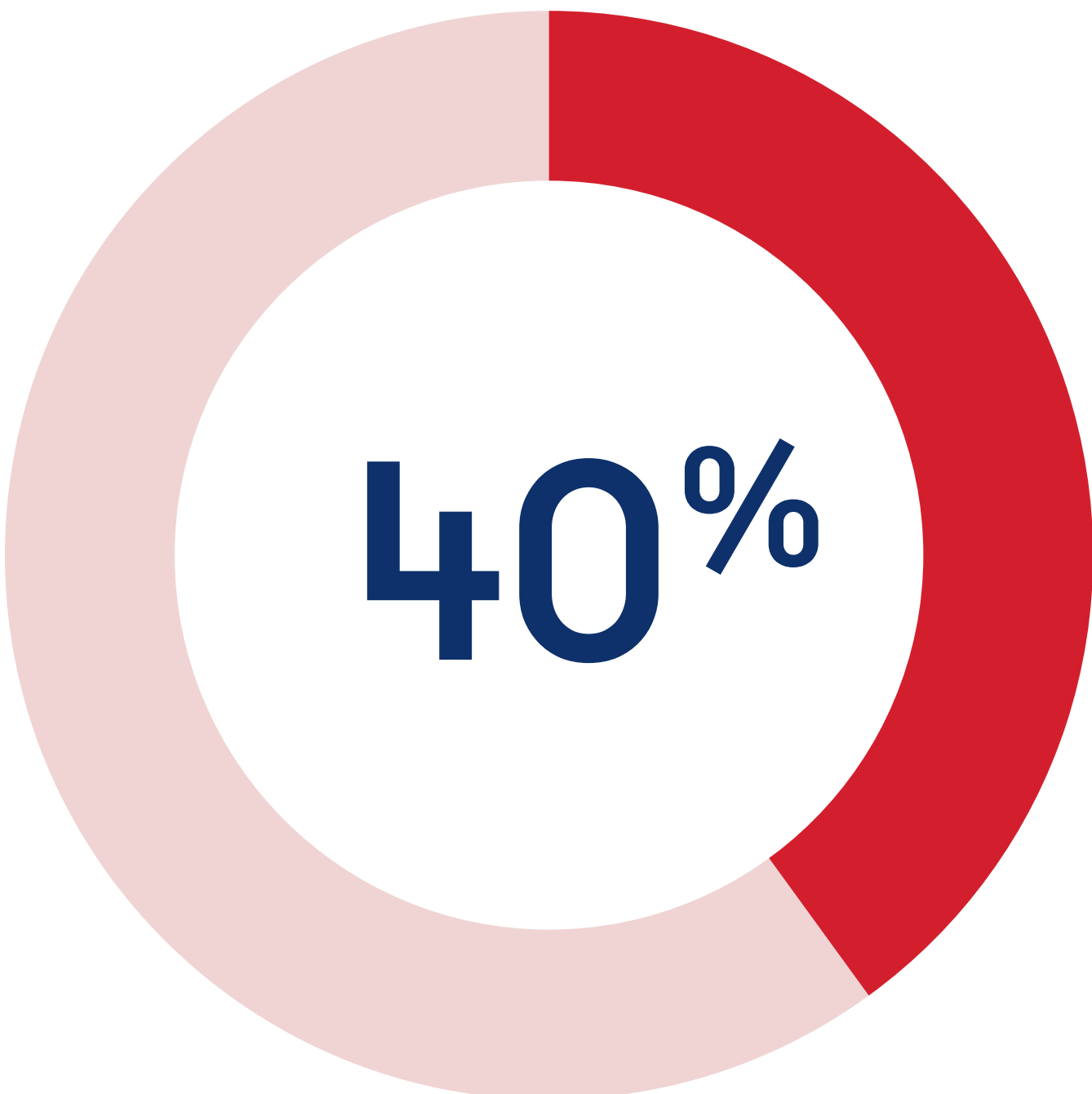
- 47% report an increase in customer complaints
- 44% say return fraud increased
- 39% report a reduction in exchange rates
- 37% say that they've lost customers over return fees
- 34% are seeing a reduction in average order value
- 24% saw a decrease in sales

Scaling online sales, managing the operational strain



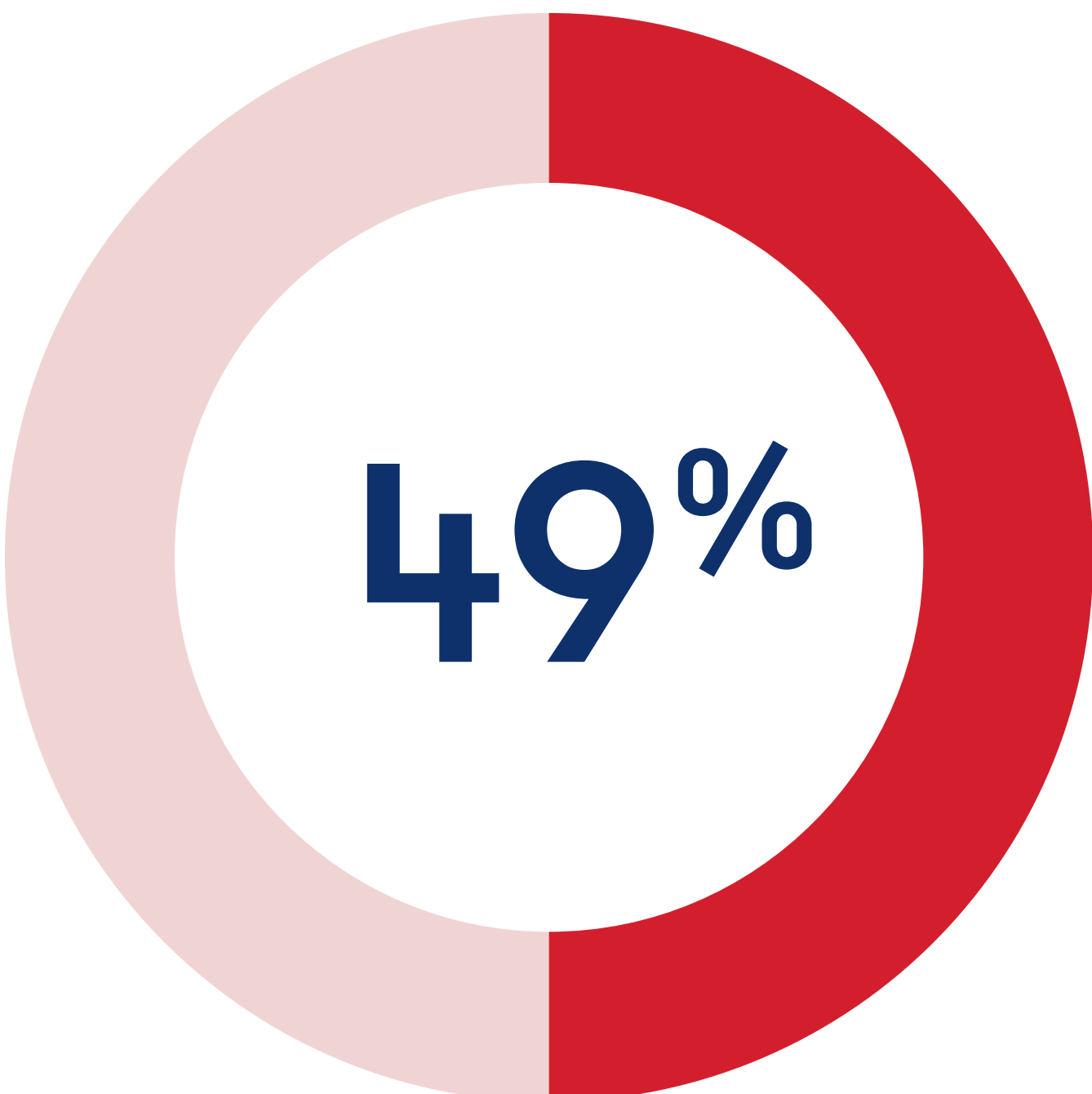
of retailers say they need to increase online sales to reach their 2026 business goals

Merchant survey question: Which of the following are most important for your company to reach its overarching 2026 business goals?



40% of retailers have had to prioritize outbound shipping over processing inbound returns because of limited warehouse resources or the limits of their third-party logistics provider

Merchant survey question: In the past 12 months, have you ever had to choose between shipping new outbound orders vs. processing inbound returns, due to limited resources in your warehouse or third party logistics provider?



About half of retailers report that it takes 6-10 days to restock returned items — but 19% of retailers say that timeline needs to be faster to maintain margin

Merchant survey question: What is your typical returns cycle time—from when a customer ships or drops off a return to when the item is back in stock and available to sell? Q48] If the company is seeking to improve the restocking rate, what is the target or ideal timeframe from return initiation to product availability?

Limited warehouse resources are another piece of the reverse logistics puzzle: 40% of retailers have had to choose between outbound shipping versus processing inbound returns because of limited warehouse resources or third-party logistics resources. As merchants continue to invest in efforts to increase online sales to reach their 2026 goals, the weight and importance of leveraging technology with operational efficiencies will continue to grow.

Shoppers (Still) Want Returns to be Free, Fast, and Easy

Consumer shopping and return habits have continued to evolve in ways that reflect omnichannel preferences and rising expectations for convenience and value. Shoppers are purchasing more than ever before, and with that comes the potential for more returns. Gen Z stands out as a particularly influential group, spending more per order than other generations while also returning items at higher rates. Their behaviors — such as bracketing and wardrobing — are reshaping what retailers must anticipate in the post-purchase experience.

81%

say they check the return policy when shopping online with a retailer for the first time, up from 77% in 2024

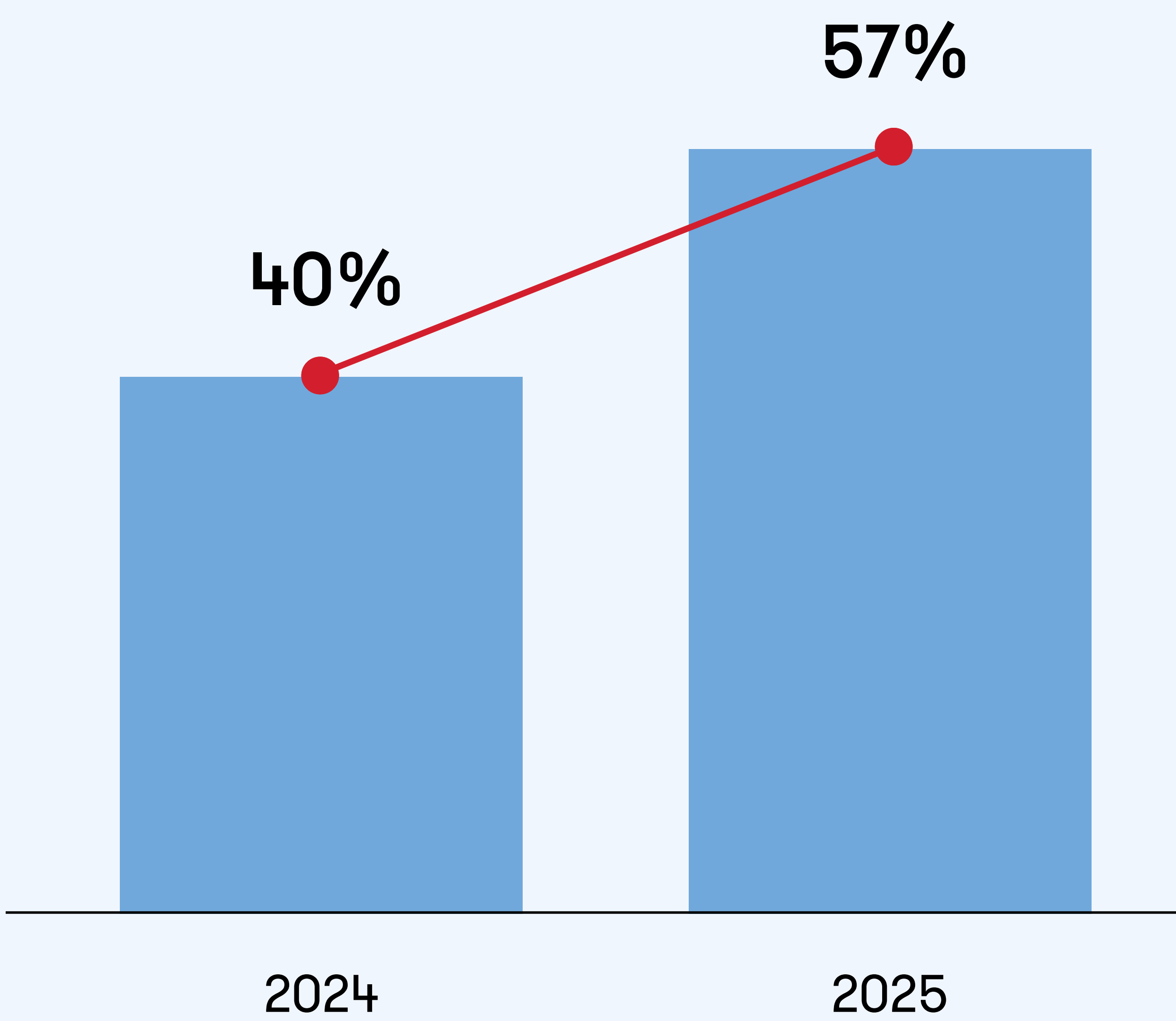
77%

say a retailer’s return policy is an important consideration when shopping with a retailer online, up from 70% in 2024

Consumer survey question: How much do you agree or disagree with the following statements about returning online purchases?

Return fees risk driving shoppers away

% of shopper who decided not to shop with a retailer after being charged for returns

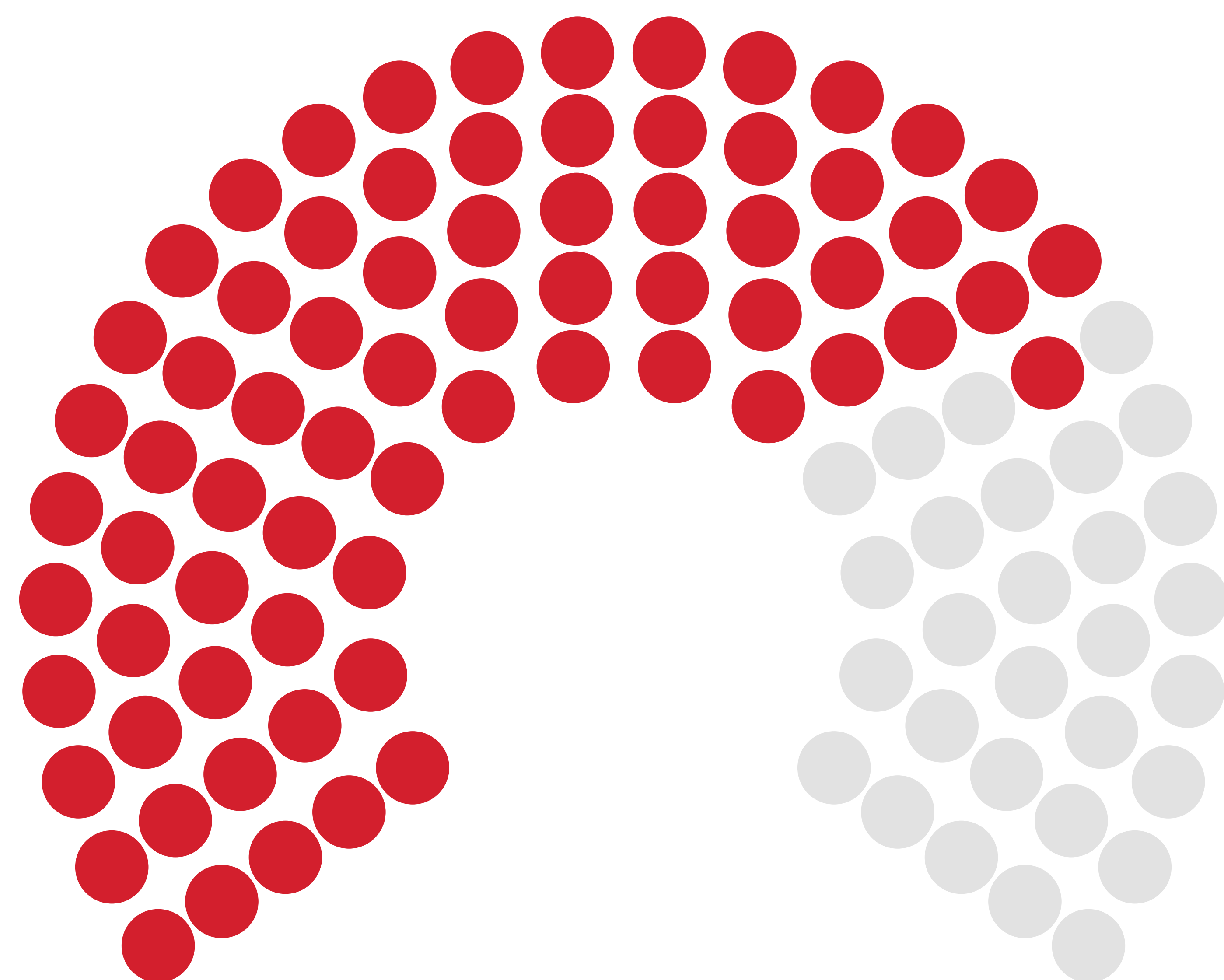


Consumer survey question: Have you ever decided to not shop with a retailer after they started charging for returns?

SECTION 3: THE SHOPPER POINT OF VIEW

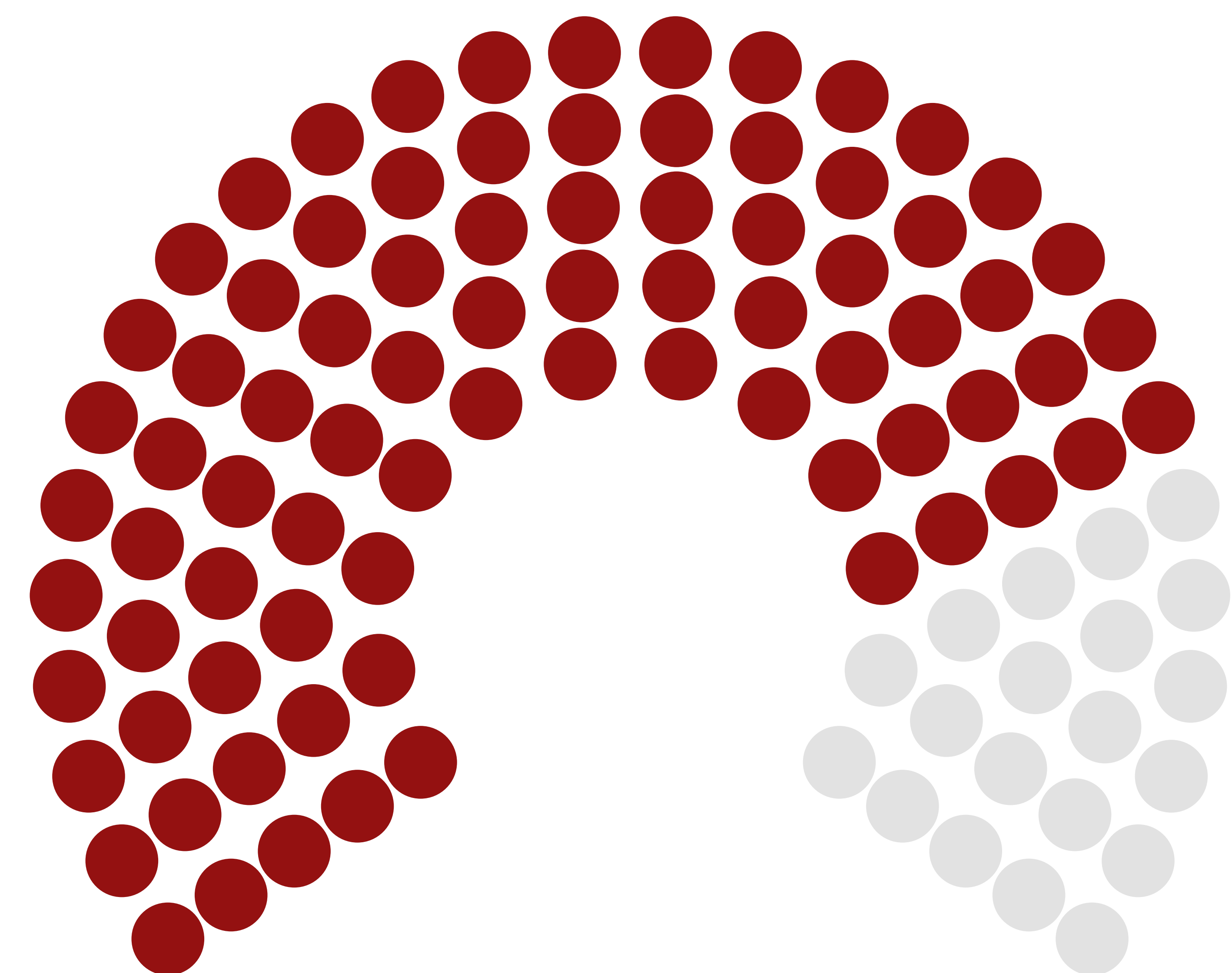
Consumers' self-described "return personalities" further illustrate how diverse return behaviors have become, ranging from those who are prepared for any returns' scenario and keep tape, printers, and a tracking app at the ready, to those who may procrastinate and put off returns indefinitely.

Returns are increasingly a factor in customers' shopping decisions. Free returns, immediate refunds, and no-hassle drop-off options dominate consumer preferences, with many even willing to adjust their shopping choices based on a retailer's policy. Compared with last year, more consumers are checking and considering return policies before making a purchase and say a negative returns experience makes them less likely to shop with a retailer in the future. Importantly, consumers are vocal about these experiences, with poor returns driving negative word-of-mouth reviews and lost loyalty. These growing trends underscore how central the returns process has become in defining overall customer satisfaction and shaping long-term shopping behavior.



71% of shoppers say that if they have a poor returns experience, they are less likely to shop with that retailer again, up from 67% last year

Consumer survey question: How much do you agree or disagree with the following statements about returning online purchases?



80% of respondents tell friends and family after a bad returns experience most or some of the time

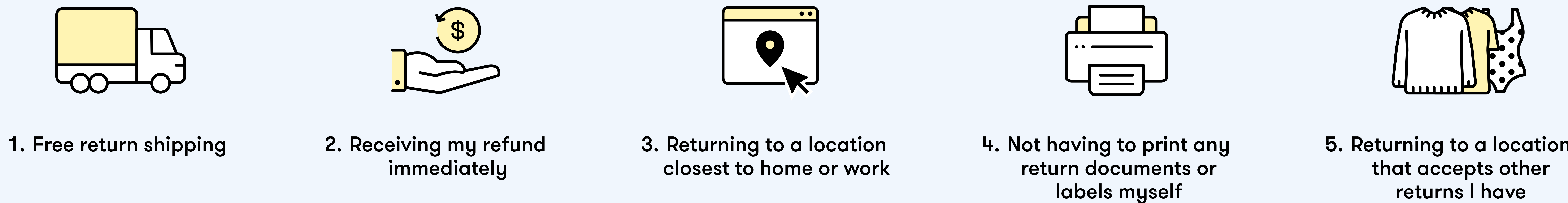
Consumer survey question: When you have a bad returns experience, how often do you do each of the following?

Consumers crave convenience



Consumer survey questions: *Imagine there is an online clothing and footwear retailer that offers the option to return items to a third-party location near you. Assuming this new option has the following characteristics: free returns, immediate refunds when you return the item, no packaging required, and no printing required, how would this impact your likelihood to shop with the retailer online? **How long do you think it should take to return an item online? ***Please rank the following methods for returning an online purchase from most to least preferred ****How much do you agree or disagree with the following statements about returning online purchases?

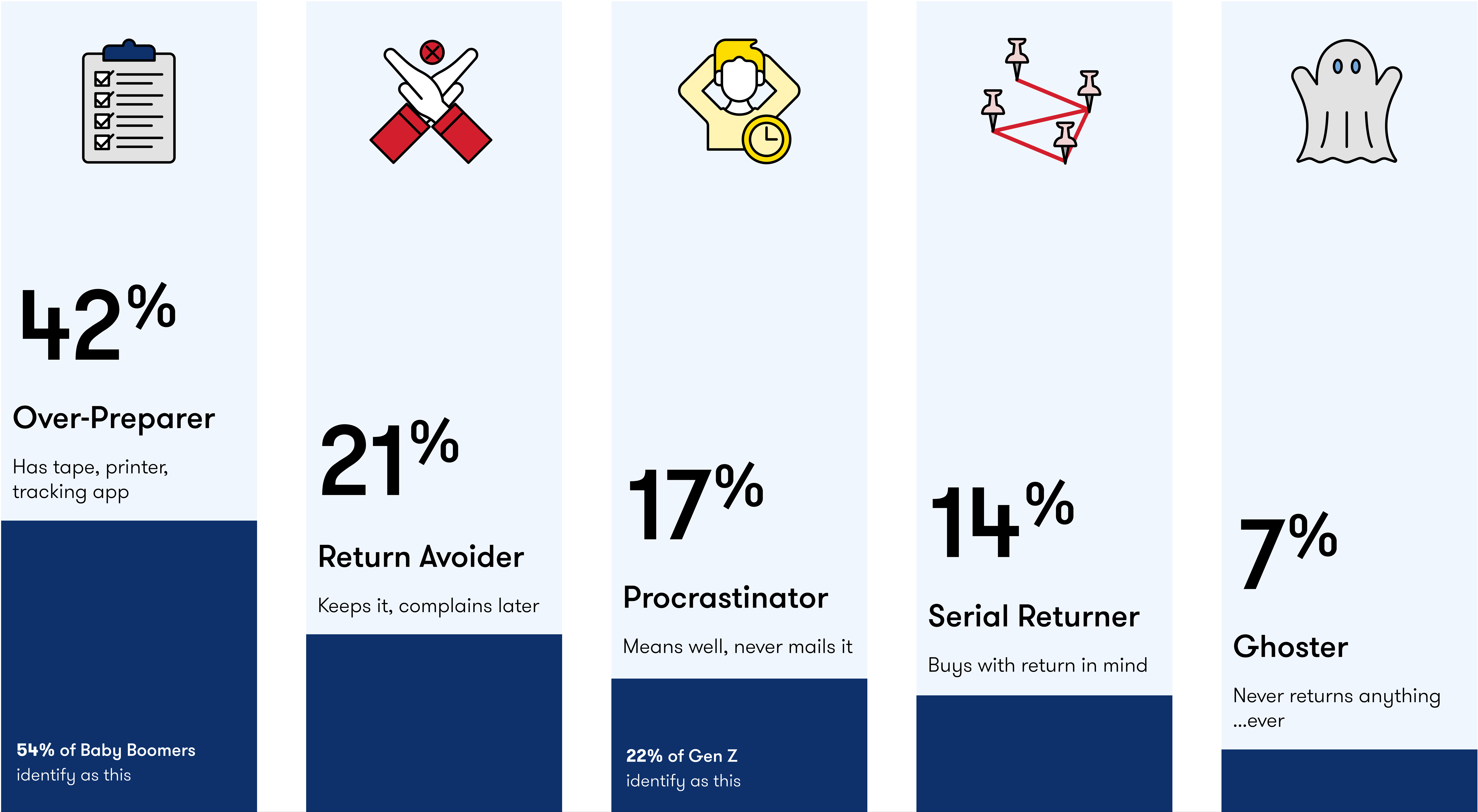
Top five returns priorities for consumers



Consumer survey question: Which of the following are the top 3 most important factors to you when you are RETURNING an item you purchased online?

What's your returns personality?

Shoppers responded by choosing a profile most aligned with their return habits.



Consumer survey question: What's your return personality?

Spotlight on Gen Z

Among all demographics, Gen Z is reshaping the returns landscape most dramatically. Their shopping and returning habits diverge sharply from older generations, setting expectations that are both an opportunity and a challenge for retailers.

Spending and shopping habits

Gen Z tends to shop online less frequently than older consumers but spends more per purchase. Their higher average order values reflect both greater comfort with digital-first shopping and a willingness to experiment with new products and brands. However, they are more likely to engage in “bracketing” — buying multiple variations (sizes, colors, or styles) with the intention of keeping only some — which drives up return rates.

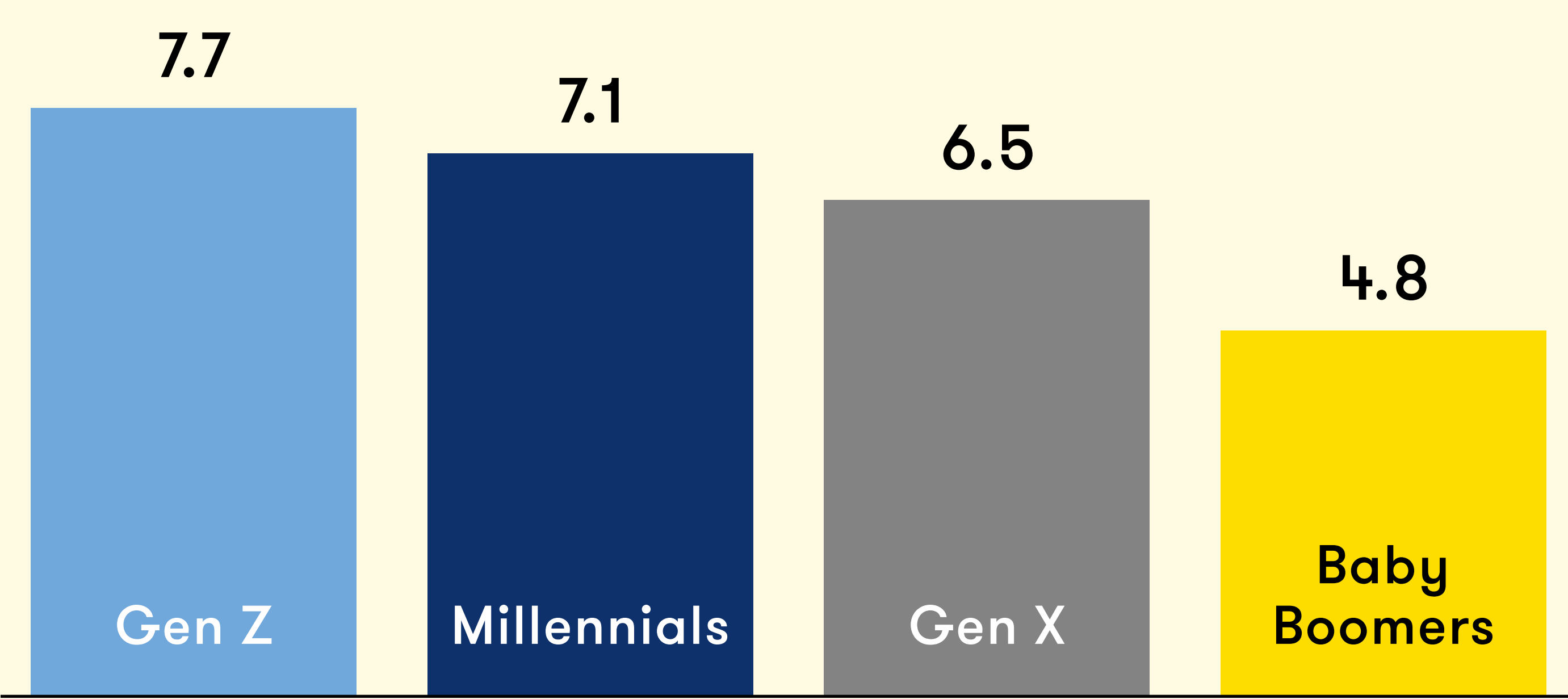
Return volume

This generation also returns more than others. They are also more likely to engage in wardrobing (e.g., buying apparel to wear once before returning) and even more questionable behaviors, such as sending back the wrong item as a decoy or even empty boxes. Two-thirds of Gen Z shoppers say it is acceptable to bend the truth when making a return, particularly if they’re unsatisfied with the product or the store has a strict policy.

	Average online order value	Total online purchases in the last 12 months
Gen Z	\$208	30.4
Millenials	\$203	33.5
Gen X	\$151	35.0
Baby Boomers	\$82	32.6

Consumer survey question: *What was the average price of the online orders you placed in the last year? **Approximately how many total online purchases have you made within the last 12 months (from all online stores/retailers)?

Average number of returns in the last 12 months



Consumer survey question: Of the online purchases you made in the last 12 months, approximately how many did you return?

Spotlight on Gen Z, cont.

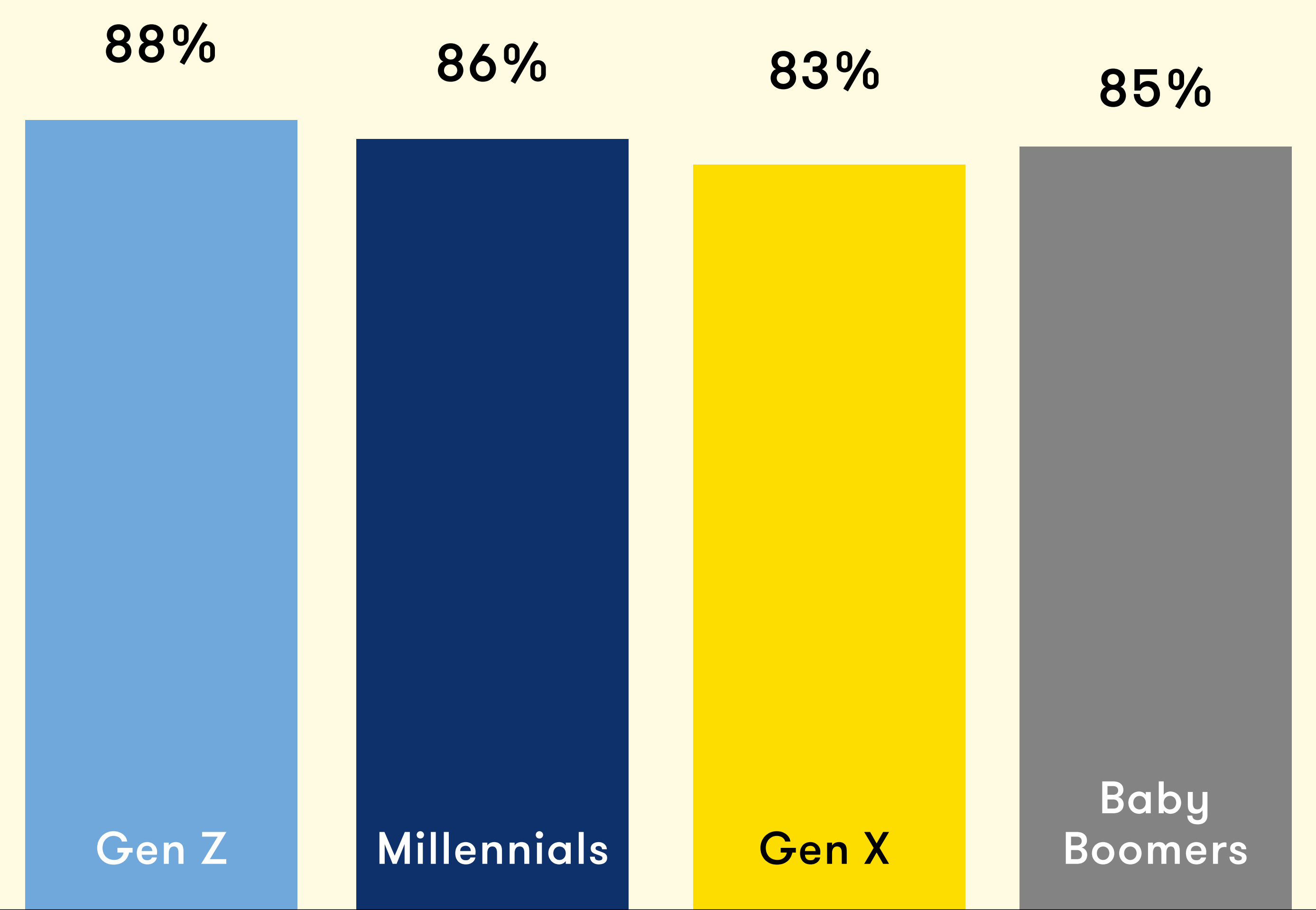
Expectations for retailers

Convenience is non-negotiable. Gen Z shoppers are highly receptive to retailers that offer free, box-free, label-free returns with instant refunds — and many say they are more likely to shop with brands that deliver on those features.

Implications for merchants

For retailers, Gen Z represents both future growth and present risk. While they do tend to spend more and influence broader consumer trends, their higher return rates and irregular returns behavior add complexity to operations. Addressing these patterns will require policy changes, innovation (i.e., AI-driven fraud detection), and customer experience investments (such as sizing tools and reviews) that align with Gen Z’s expectations.

Shoppers will choose a retailer offering free returns and immediate refunds at third-party locations over others offering alternative return methods:



Consumer survey question: Imagine there is an online clothing and footwear retailer that, in addition to their existing return methods, now offers the option to return items to a third-party location (like Kohl’s, The UPS Store, etc.) near you. Assuming this new option has the following characteristics: free returns, immediate refunds when you return the item, no packaging required, and no printing required, how would this impact your likelihood to shop with the retailer online?

Retailers are Battling Return Fraud and Safeguarding Against Ambivalent Shoppers

It's not just the scale of fraud that is growing, it's the sophistication. From straightforward empty boxes to elaborate schemes involving decoy items, price switching, and false tracking IDs (when a shopper manipulates or falsifies the return shipping label and tracking information), fraudulent activity is growing in prevalence.

Let's start by defining the different types of irregular returns behavior:

9%

of all returns are fraudulent

Merchant survey questions: *Approximately what percentage of your returns are fraudulent, excluding bracketing and wardrobing (if applicable)?

Return fraud

Retail return fraud occurs when a customer purposefully exploits a retailer's return process. The person engaging in this fraudulent behavior may have a few goals in mind — getting a refund, receiving a discount on a high value item, or in the case of an organized scam, making a profit on stolen goods. But at its core, the goal of return fraud is to obtain something without paying what is owed to the retailer.

Returns abuse

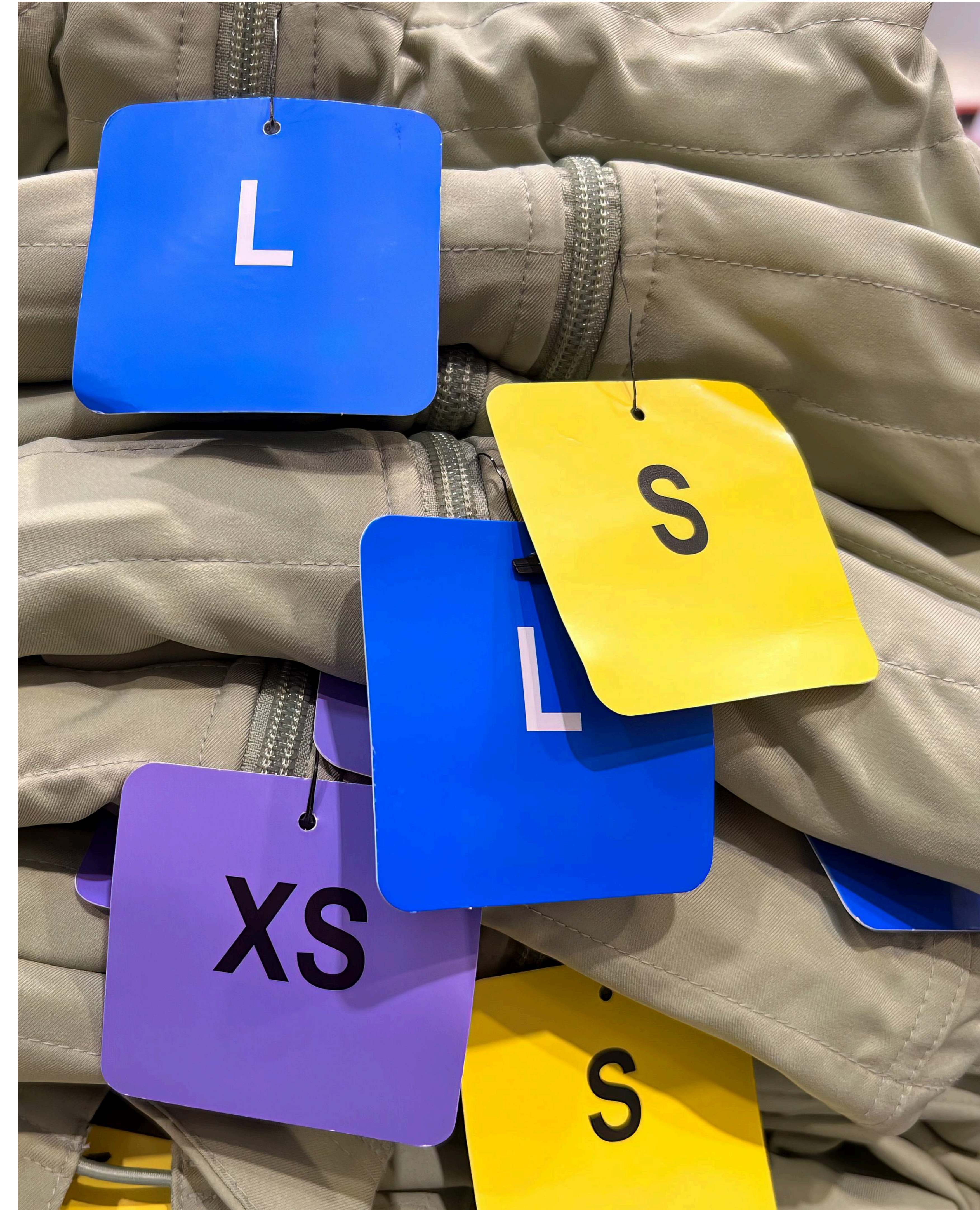
Returns abuse seeks to exploit a retailer's return policy, as in the case of wardrobing. When someone purchases an item for short-term use and returns it in used condition looking for a full refund, they're engaging in wardrobing.

Costly behavior

While neither fraud nor abuse, bracketing is an example of costly behavior. In the case of bracketing, a customer purchases multiple products with the intention of sending some or most of them back. Retailers shoulder a costly burden when a shopper brackets their purchases, but this behavior is often driven by a goal of trying on different sizes or testing different fabrics. It is considered normal shopping behavior when it's within the bounds of the retailer's returns policy and time frame.

In contrast, some actions such as overstating return quantities, decoy returns, label tampering, or sending back an empty box cross the line into explicitly fraudulent behavior. The majority of retailers that track such incidents have seen increases in practices like overstated quantity of returns (71%), empty box or box of rocks (65%), and decoy returns such as counterfeit items (64%).

For merchants, the cost of such return fraud is stark. Among those that track these incidents, fraudulent returns — which exclude bracketing and wardrobing — are estimated to account for 9% of returns on average in 2025. Put another way, nearly one out of every 10 returns is lost to fraud.



SECTION 4: RETAIL RETURN FRAUD AND RETURN POLICY ABUSE

While such actions contribute to retailers’ rising costs, consumers may not realize the severity. Forty-five percent of shoppers say it’s acceptable to bend the rules when returning items, particularly if they’re unsatisfied with a purchase or believe the retailer can absorb the loss. This generationally skewed perspective — with Gen Z most likely to justify costly behavior like wardrobing or bracketing — highlights the growing disconnect between customer attitudes and retailer realities. Merchants report nearly one in four (23%) purchases in the last year include a bracketed item, a figure that rises to 26% in apparel and footwear categories.

The result is a double bind: Retailers must invest in fraud detection without creating so much friction that they alienate honest customers.

How shoppers bend (and break) returns policies — especially Gen Z

Behavior type		% of <u>all</u> shoppers who admit doing this	% of <u>Gen Z</u> shoppers who admit doing this
Fraud	Admit to bending the truth "sometimes"	45%	66%
	Decoy return	20%	39%
	Shipped fewer items back	21%	37%
	FTID / Label tampering	20%	38%
	Empty box return	18%	33%
Returns policy abuse	Wardrobing (returning used items)	27%	49%
Costly behavior	Bracketing (buying with intent to return)	36%	53%

Consumer survey questions: *In the past year, have you...? **Do you think it’s ever acceptable to bend the truth when making a return?

New technologies offer partial relief

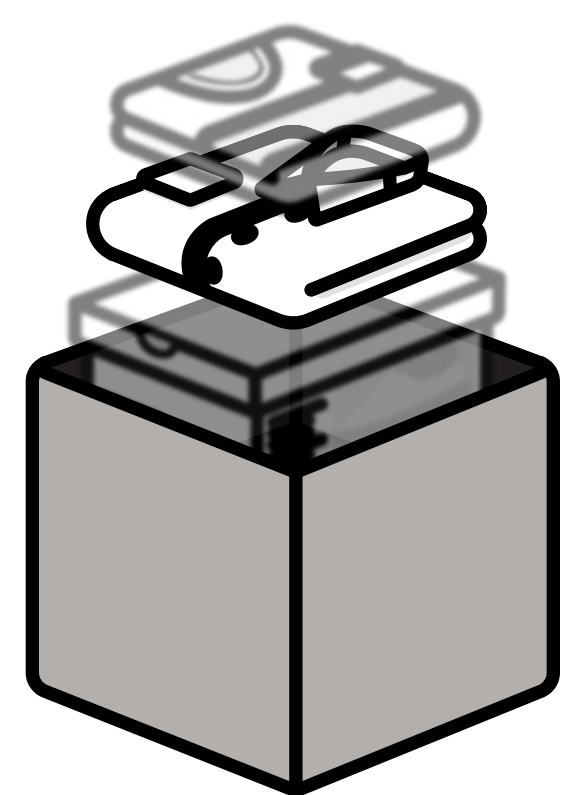
Retailers are increasingly experimenting with artificial intelligence to identify and combat fraud, but results are mixed.

- Widespread adoption: 85% of merchants say they are using AI or machine learning in their returns process to identify and combat fraud, for example, to detect suspicious behaviors such as overstated quantities, empty box claims, or label tampering.
- Mixed results: While 45% of retailers report it to be effective, 40% say results have been mixed.

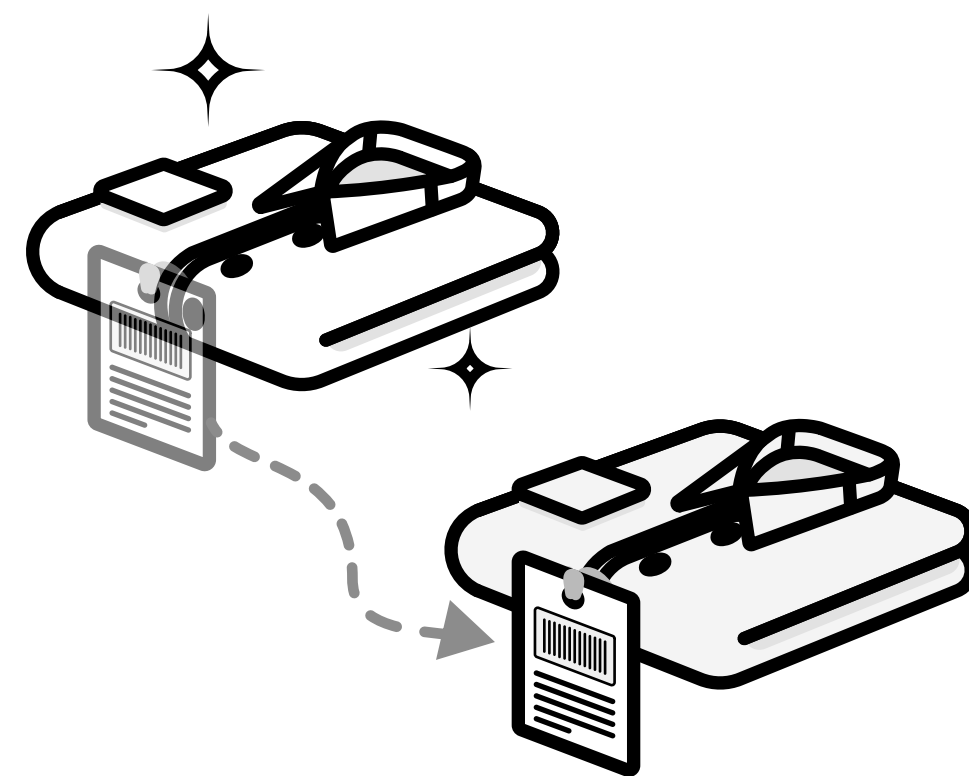
AI tools are becoming a standard feature of returns fraud management, but retailers view AI as one tactic among many — alongside fees, stricter policies, and manual checks — rather than a cure-all for the challenging returns landscape.



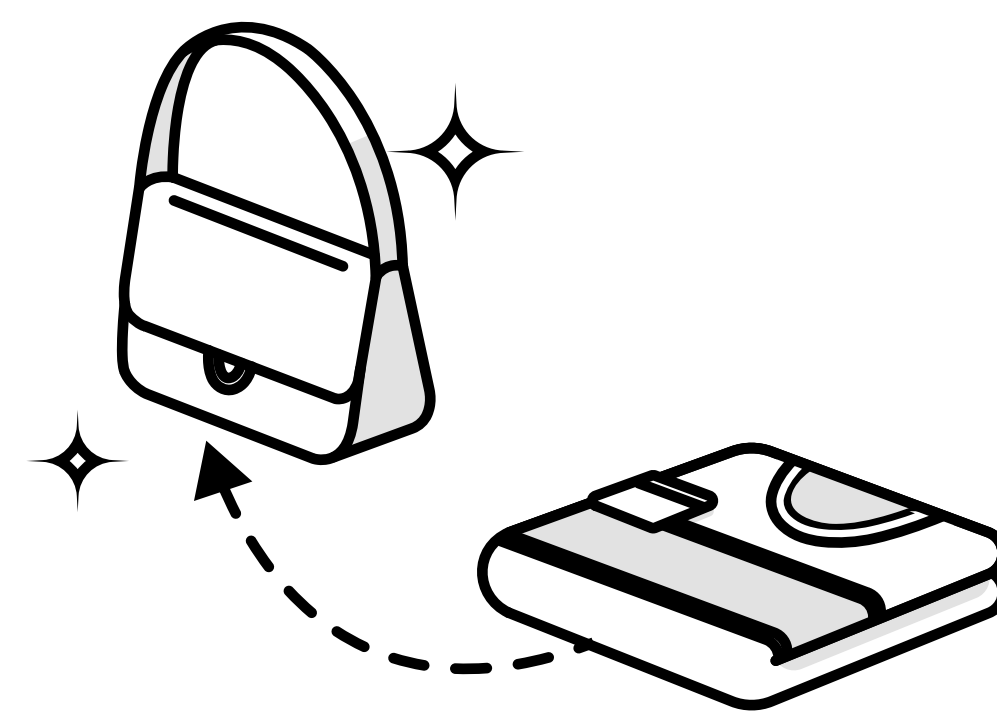
Merchants rank fraud types by prevalence



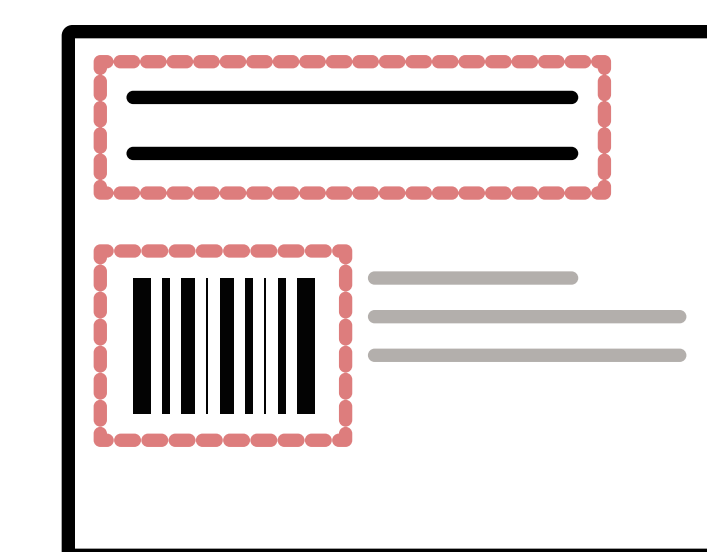
1. Overstated quantity



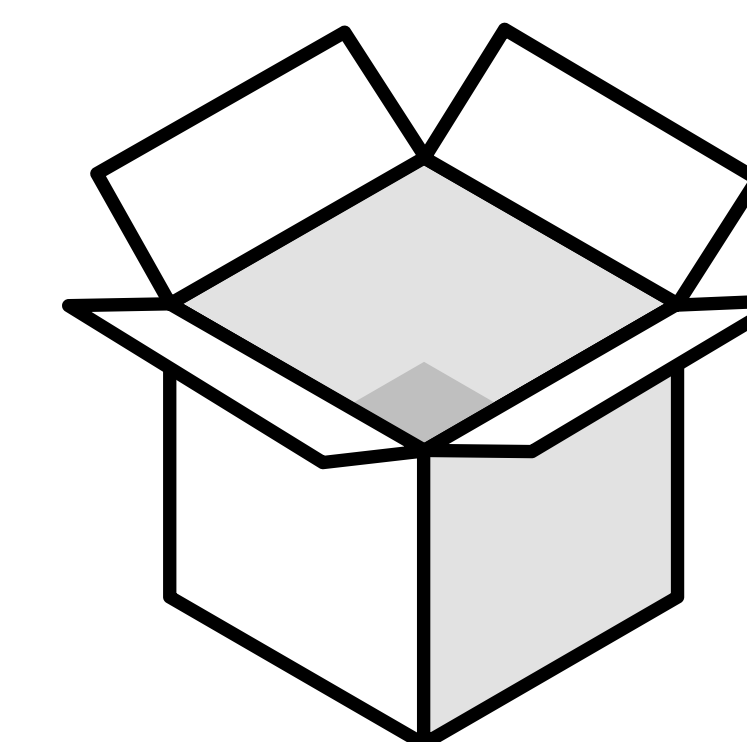
2. Decoy returns



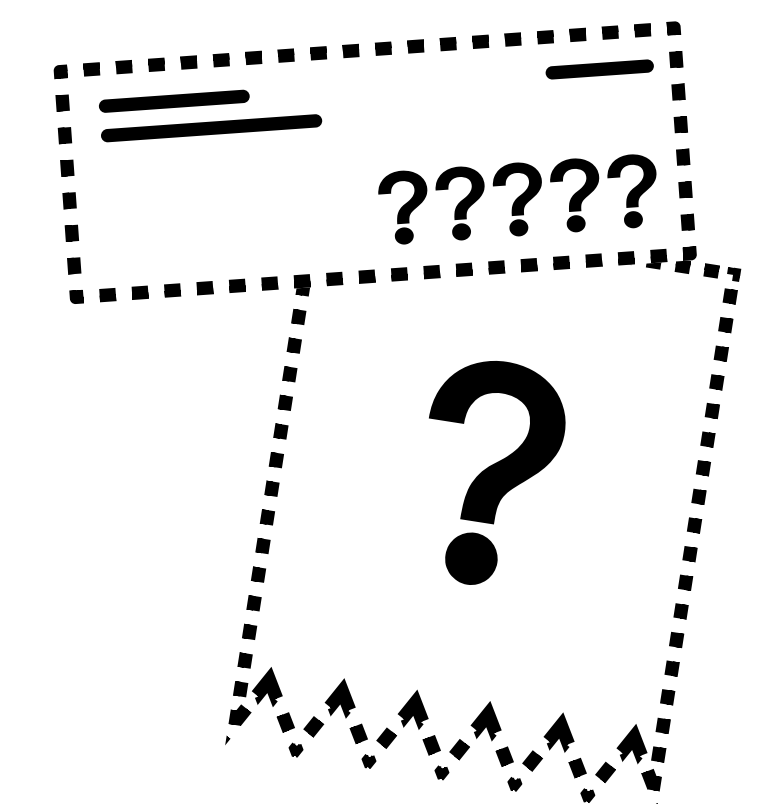
3. Price switching



4. Label tampering



5. Empty box/box of rocks



6. No proof return

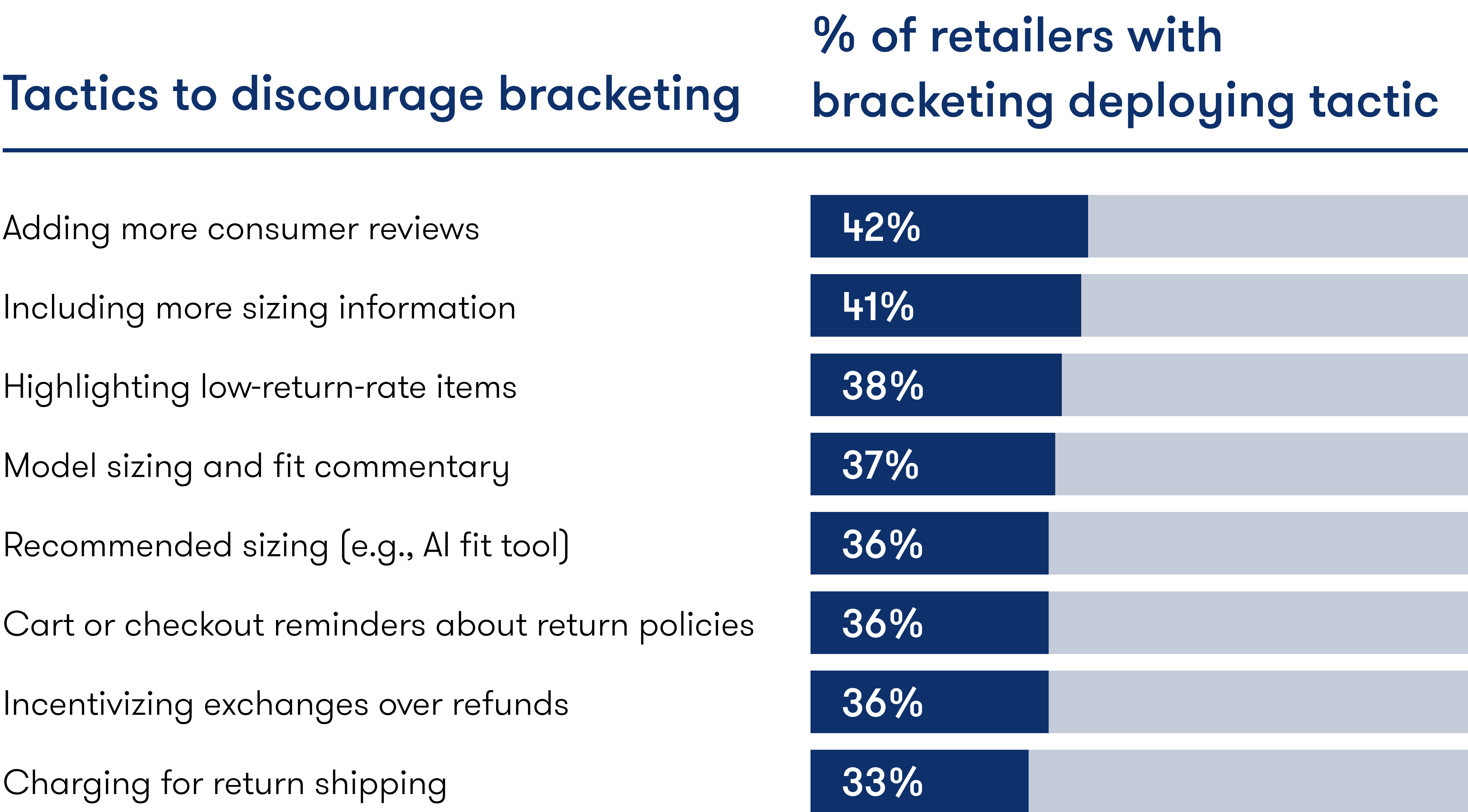
Merchant survey questions: Of the types of fraud that you're tracking, which ones are the most prevalent? Rank the following types of fraud in order of prevalence, with 1 being the most prevalent.

SECTION 4: RETAIL RETURN FRAUD AND RETURN POLICY ABUSE

While not fraudulent, costly behaviors like bracketing remain a significant business problem and add to the retailer’s cost and complexity in managing their returns processes.

The key to combating bracketing? Better tools and online experiences, so that shoppers feel more confident in their purchases, particularly when making online purchases. The investment in the customer experience compounds to maximize brand touchpoints while also alleviating costly return behaviors:

Merchants invest in customer experience to mitigate costly bracketing



Merchant survey questions: What tactics has your company taken to discourage bracketing? Please select all that apply. Is your company currently using AI or machine learning to detect or prevent return fraud?

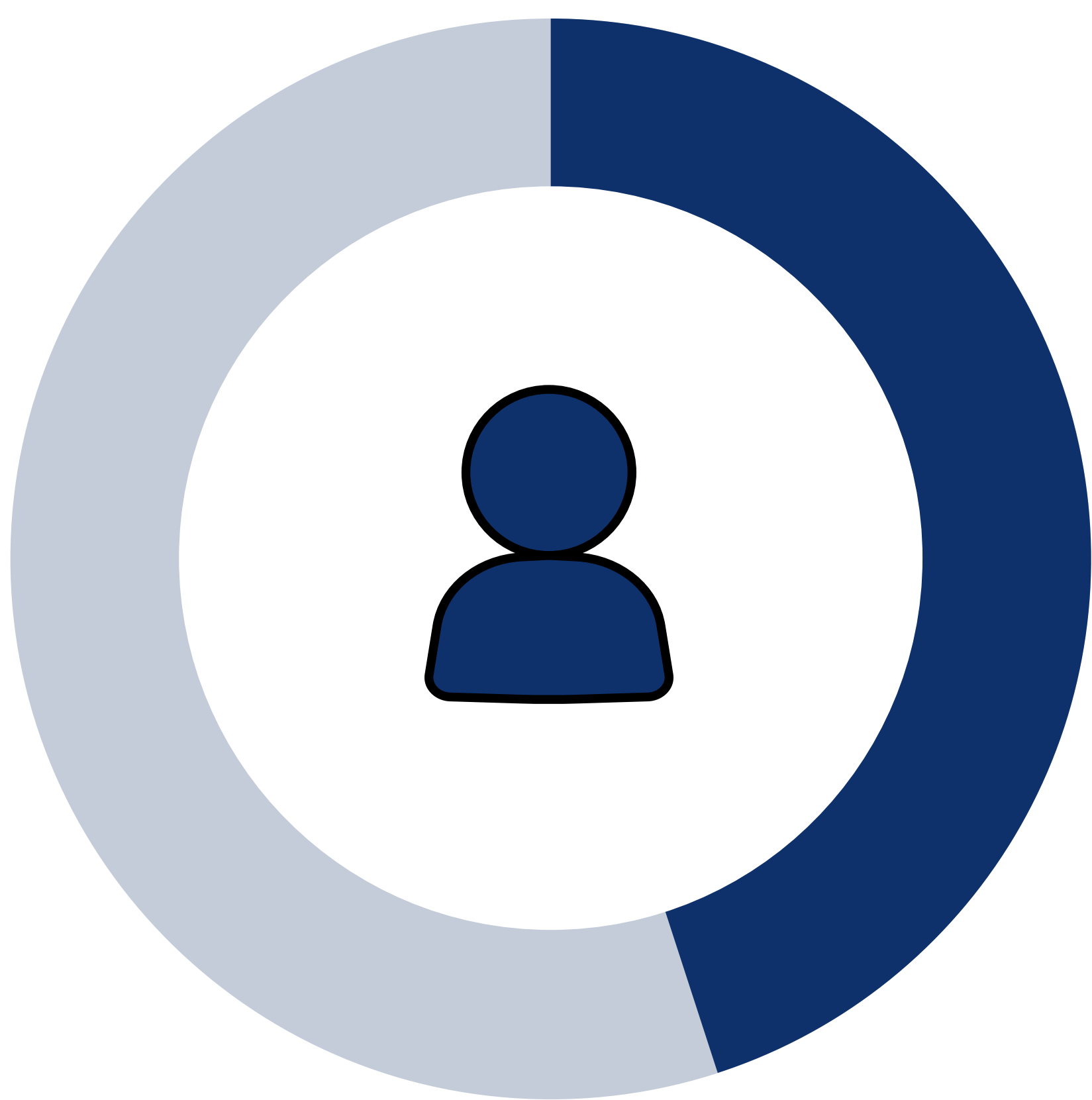
85%

of retailers are using AI & machine learning tools to help detect or prevent fraud

BUT

40%

say that results have been mixed



45% of shoppers say it’s fine to bend the rules when making a return

Consumer survey question: Do you think it’s ever acceptable to bend the truth when making a return?

The Holidays Magnify Everything — Especially Returns

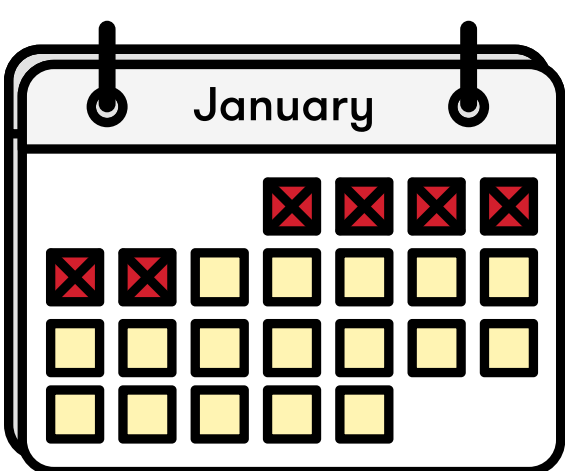
Peak season stress doesn’t stop at fulfillment. Holiday 2025 is expected to bring higher return volumes, stretching policies, systems, and patience alike. While overall holiday return rates remain steady year over year, merchants expect a surge in fraudulent returns during the holiday season, adding a new layer of risk at retail’s busiest time.

Retailers are planning ahead by leaning more heavily on third-party logistics partners, tightening service-level agreements, and hiring seasonal staff, particularly in distribution centers. Many are also refining policies to better manage return windows and deploying fraud monitoring tools to identify suspicious activity before it overwhelms operations.



17%
of holiday sales will be returned in 2025, according to merchant reports

Merchant survey question: Looking ahead to the holiday season, what percentage of your total holiday sales this year do you estimate will be returned?

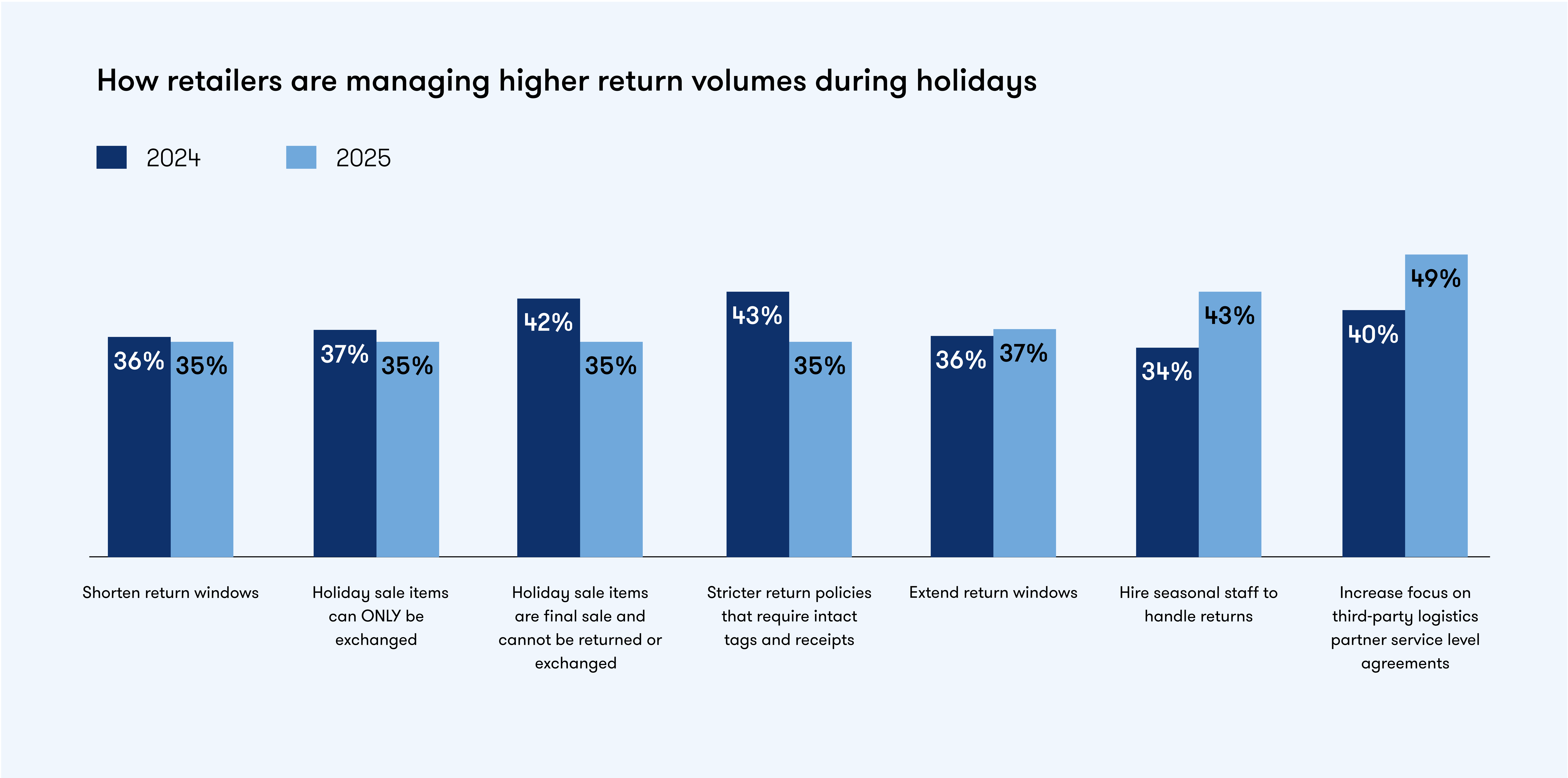


82%
of shoppers will return unwanted holiday gifts within one month of receipt

Consumer survey question: When you receive a holiday gift that you want to return, when do you think you are most likely to do it?



To alleviate operational strain and preserve customer loyalty, retailers are prioritizing experience over restriction — focusing on third-party logistics SLAs, hiring seasonal staff, and extending return windows, rather than enforcing stricter policies or final-sale limits. Compared to last year, fewer retailers are relying on those stricter tactics, signaling a clear shift toward more flexible, shopper-friendly approaches during the holidays. In other words, peak season isn’t just about managing volume — it’s an opportunity to strengthen customer loyalty and keep shoppers coming back long after the holiday lights have been put away.



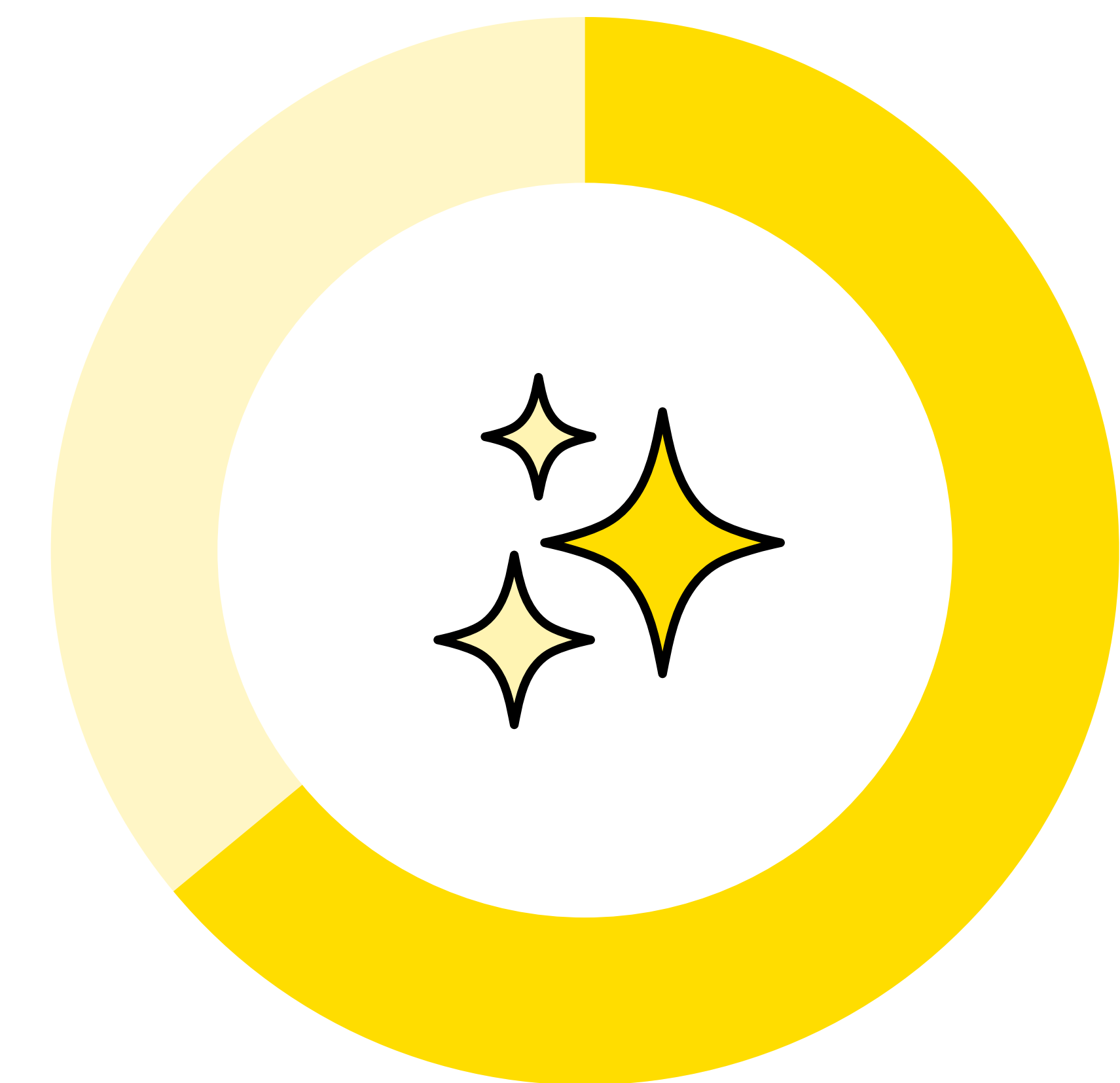
The Future of Returns

Shoppers and retailers share a common vision for what makes a good return: It should be convenient, fast, and flexible.

From the consumer perspective, the essentials are clear. Shoppers expect free returns, instant or near-instant refunds, and a box-free, label-free process that takes as little time as possible. In fact, more than three-quarters (82%) of consumers say the return process should take less than 10 minutes — and many (52%) won't purchase at all if they anticipate a difficult return.

Retailers, however, face a different reality. While they understand these consumer preferences, they must balance them against operational costs, fraud prevention, logistical complexity, and recent trade policy. The majority (72%) of merchants now charge for at least some return options, often citing rising shipping costs (40%) and fraud (29%) as justification. Many acknowledge that these measures help manage margins but also increase customer complaints (47%) and lost customers (37%).

Retailers know returns also present an opportunity: Nearly two-thirds say upgrading their returns capabilities within the next six months is a priority.



64% of merchants say upgrading their returns capabilities within the next 6 months is a priority

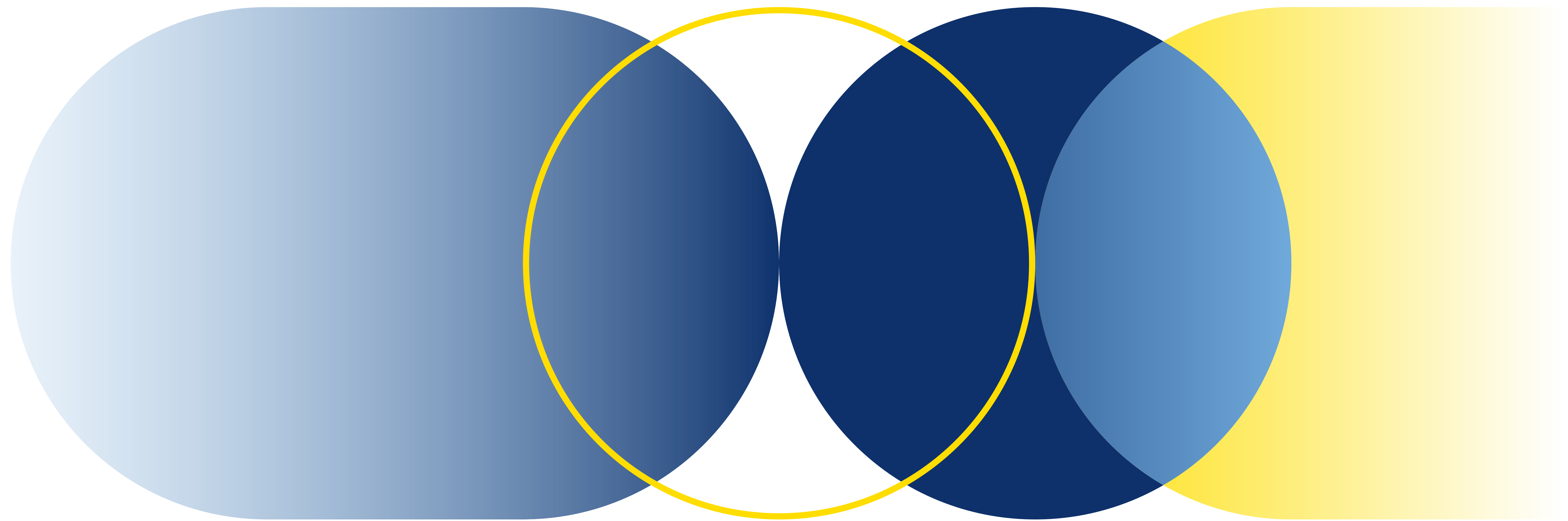
Merchant survey question: Regarding resource prioritization for new business projects, where does upgrading your company's returns capabilities rate in terms of urgency?

CONCLUSION

Most retailers are already experimenting with artificial intelligence to manage return fraud — 85% of merchants say they are using AI or machine learning to combat return fraud. While 45% report their usage of these tools have been effective in uncovering fraudulent returns or returns behavior, another 40% say results have been mixed.

While not a definite cure-all — AI is one tactic among many, which often comes with fees, stricter policies, and manual checks — it does promise to make its impact on the returns landscape. Looking ahead to 2026 and beyond, the retail industry is taking charge of returns as it finds the overlap between these new technologies and environmental, regulatory, and financial factors.

Returns are a tool retailers can use to reduce risk, protect revenue, and strengthen both internal processes and customer relationships. Through it all, they remain committed to enhancing the shopping experience and meeting consumer expectations.



About the Study

Fielded August – September 2025

This fall, NRF partnered with Happy Returns, a UPS company, to conduct two complementary surveys, aiming to understand the dynamics of returns from both consumers and retailer professionals. The first survey gathered responses from 2,006 consumers who have returned at least one online purchase in the past 12 months to learn about their online shopping habits, returns experiences, and unethical returns behaviors, as well as their outlook for 2025 holiday shopping. The second survey engaged 358 professionals involved in ecommerce for large (revenue \$500M+) merchants in the US representing a mix of verticals, to gain insights into their return rates, returns policies, and the challenges they face, especially regarding fraudulent returns behaviors among consumers. By comparing perspectives from both sides, the goal was to uncover valuable insights into the returns landscape in the United States.

About NRF

The National Retail Federation passionately advocates for the people, brands, policies and ideas that help retail succeed. From its headquarters in Washington, D.C., NRF empowers the industry that powers the economy. Retail is the nation's largest private-sector employer, contributing \$5.3 trillion to annual GDP and supporting more than one in four U.S. jobs — 55 million working Americans. For over a century, NRF has been a voice for every retailer and every retail job, educating, inspiring and communicating the powerful impact retail has on local communities and global economies. [Nrf.com](https://www.nrf.com)

About Happy Returns

Happy Returns, a UPS company, provides end-to-end returns solutions for online retailers and shoppers through a unique combination of returns software plus reverse logistics. Through its nationwide network of Return Bar® locations, Happy Returns delights shoppers by enabling them to drop off returns with no packaging or printing in under 60 seconds. Returns are consolidated, sorted in automated facilities, and bulk shipped back to retailers, improving operational efficiency and helping prevent fraud through item-level verification.