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THE STATE OF RETAIL RETURNS IN 2025

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WHAT DO RETURNS LOOK LIKE IN 2025?

Returns are a part of life, and shoppers make a lot of them—especially for online orders. eCommerce return volumes are three times higher than physical retail returns.[1] And returns create a persistent challenge for eCommerce brands. Customers have high expectations for returns, but ultimately retailers carry the operational and financial burdens of managing them. In 2025, that means retailers must optimize returns processing to mitigate returns fraud and maximize the value of returned inventory—all while creating the kind of experience customers expect to both reward and retain loyalty long-term. And that's not even factoring in the massive influx of returns generated by the peak holiday shopping season, which exacerbates returns challenges and amplifies the importance of great customer experiences.

Radial and Two Boxes understand the unique challenges returns processing creates for retailers, and we have the data-backed perspective they need to optimize returns all year long. In the first part of this report, we will describe industry-wide trends before focusing on the apparel and footwear sectors, which experience higher return rates on average and present some unique challenges when it comes to returned products.

RADIAL AND TWO BOXES REVERSE SUPPLY CHAIN RETAILER SURVEY – JULY 2025

To dig deeper into the key trends surrounding retail returns and the reverse supply chain, Radial and Two Boxes launched a survey of 200 retailers in July 2025. We discovered key insights into both the challenges and opportunities retailers have within their returns processes.

Unless otherwise cited, the data and charts in this report came from a July 2025 retailer survey sponsored by Radial and Two Boxes. The report also references additional resources where cited. Learn more at:

- **Radial:** radial.com/insights
- **Two Boxes:** twoboxes.com/resources

METHODOLOGY & CONTEXT

- 200 retailer respondents
- Industries surveyed: Apparel/Footwear/Accessories, Home Improvement and Garden, Sports and Fitness, Home Furnishings, Health and Beauty, Consumer Electronics
- Conducted July 2025

THE STATE OF RETURNS ACROSS INDUSTRIES

Our analysis uncovered overarching insights and trends across industries, including the state of return rates, key returns challenges for retailers, returns fraud issues and how retailers work with 3PLs to help manage returns.

RETURNS NORMALIZE AT HIGH RATES

eCommerce returns are stabilizing at high rates after spiking amid the COVID-19 pandemic, despite retailer changes to reduce returns. Consumers are comfortable with making eCommerce returns and even embrace return policies as a way to try out multiple sizes or versions of merchandise. While consumers have high expectations for returns, it's retailers that must juggle costs, complexities, and returns challenges—all while creating a great customer experience. This is especially true during and after the hectic holiday season.

71%

perceive return rates as staying the same or decreasing.

While nearly one-third of retailers see returns increasing, **71%** perceive them as staying about the same or decreasing. This indicates that return rates are stabilizing after a hectic period starting in 2020.

QUESTION:

CURRENTLY, RETURN RATES ARE ESTIMATED TO BE ABOUT 30% FOR ONLINE ORDERS. HOW DOES YOUR RETURNS SITUATION COMPARE?

44%

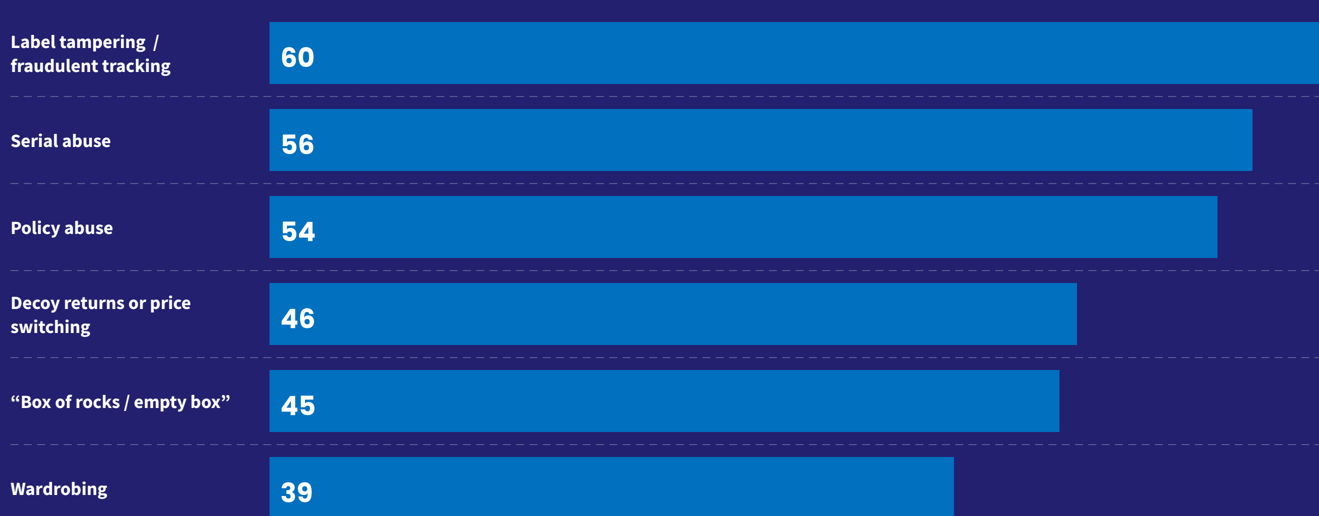
of brands describe managing returns fraud and abuse as the biggest pain point in their current returns process.

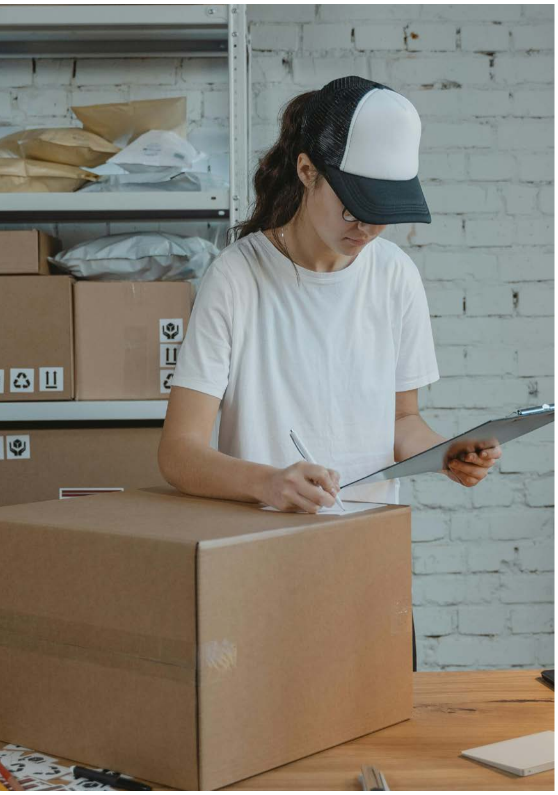
RETAILERS CONSIDER FRAUD AND ABUSE THE TOP RETURNS PAIN POINT

44% of brands describe managing returns fraud and abuse as the biggest pain point in their current returns process. Fraud methods are growing more complex. For example, retailers list label tampering and fraudulent tracking as the top causes of fraud. This may indicate that fraudsters are growing more sophisticated as simpler decoy and empty box returns fall further down the list.

QUESTION:

WHAT ARE THE MOST COMMON TYPES OF ONLINE RETURNS FRAUD AND ABUSE YOU SEE TODAY?





RETAILERS FOCUS ON REDUCING POTENTIAL RETURNS LOSSES

When it comes to returns processing and dispositioning, brands focus on maximizing value and reducing potential losses whenever possible:

» The majority of brands (59%) resell between 11% and 50% of their returns through existing channels to maximize their return-to-stock opportunities.

» Some retailers turn to third-party resellers, with over a third liquidating 11-25% of their returns and 15% liquidating up to 50%.

» Retailers also seek to drive returns value through manufacturer credits, as well as outlet and clearance options.

» Recommerce platforms performed well, with 28% of retailers leveraging them for 11-25% of their returns in order to sell as “like new” products after refurbishing.

Ultimately, retailers seek disposition options that reduce the need to destroy, donate, or recycle products. But many retailers may still need to improve grading, restocking, and future commerce options to maximize the value of returned inventory long-term.

NEARLY HALF OF RETAILERS MANAGE RETURNS IN-HOUSE

Nearly half (48%) of surveyed retailers currently manage returns in-house. While brands work with external partners as they grow, some brands opt to manage returns in-house, even at scale. Over one-third of brands managing returns internally would consider outsourcing to a 3PL, however.

48%

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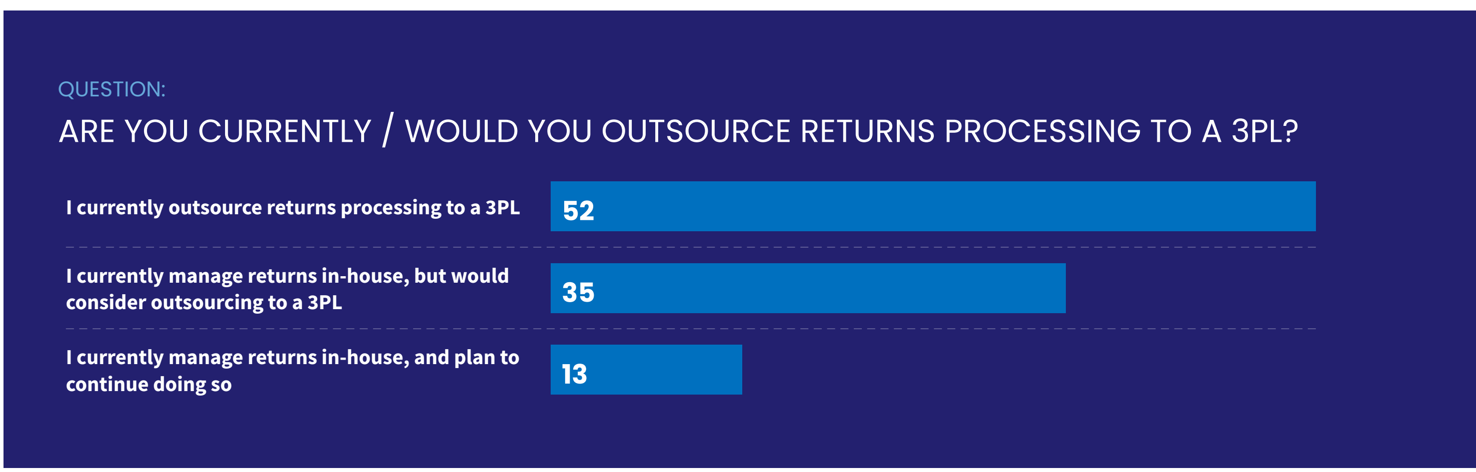


In-house returns management can create significant operational headaches as brands grow and scale. It requires dedicated labor, processes, and technology considerations to manage efficiently and effectively—all while mitigating potential fraud and navigating customer service requirements.

"Did you know that over half of consumers say the most frustrating thing about returns is having to return the product at all? What if retailers found a way to break the returns paradigm and actually create really great customer experiences while simplifying their own processes? It takes work, and it probably means finding the right strategic partners, but think of the reward. That's less cost and complexity for a way better customer experience."

Shauna Bowen – EVP and Chief Digital and Transformation Officer, Radial

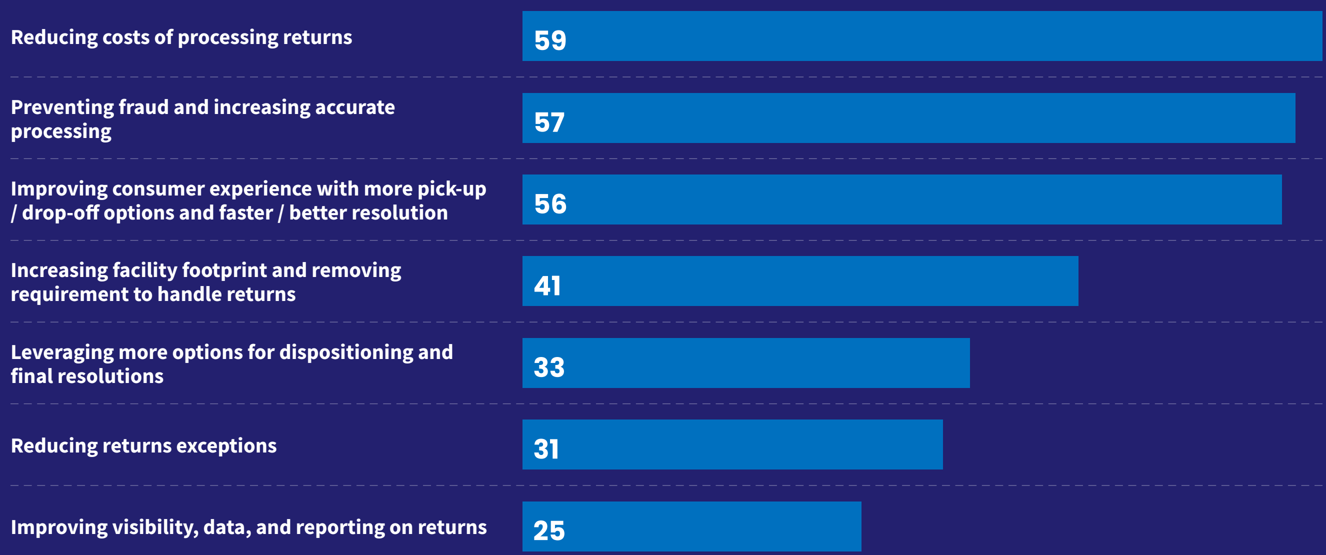
RETAILERS ENGAGE WITH LOGISTICS PARTNERS TO REDUCE RETURNS COSTS

As previously noted, retailers consistently seek to reduce costs and drive value out of their returns processes. For those that choose to work with 3PLs, 59% do so to reduce returns costs. Over 56% of retailers seek partners to support fraud prevention, improve returns accuracy, and improve the consumer return experience with more pick-up and drop-off options.

Retailers turn to logistics experts to support operations in order to drive revenue and customer retention. Selecting the right partner is critical. In fact, 28% of brands will likely stop working with a 3PL over poor returns operations. This signals the need for 3PLs to ensure returns processing capabilities are optimized.

QUESTION:

IF YOU WERE TO WORK WITH A 3PL ON PROCESSING RETURNS, WHAT WOULD BE YOUR PRIMARY OBJECTIVES?



BRANDS ACROSS INDUSTRIES SEEK TO OPTIMIZE RETURNS

Whether it's mitigating returns fraud, navigating customer service requirements, or operationalizing returns in-house or with a logistics partner, brands across industries recognize that returns challenges aren't going away.

Let's dive into the sectors that face the highest return volumes on average: apparel and footwear.

KEY RETURNS TRENDS FOR APPAREL & FOOTWEAR RETAILERS

While our research highlighted relevant returns trends across retail categories, it's worth digging deeper into the key returns challenges and opportunities for apparel and footwear brands. 56% of apparel and footwear brands indicated that they were at or above 30% return rates, which is higher than the average for all eCommerce purchases. As customer expectations evolve, and return policies mature, these retailers face new challenges and new opportunities for growth and cost reduction.

Here's what we discovered in our latest returns survey:

» **Over half of apparel and footwear brands manage returns in-house, but most consider 3PL options:** 53% of brands currently manage returns in-house, but nearly half of them are assessing whether to outsource returns processing to a 3PL partner. Many brands outsource as they grow, indicating that processing returns in-house is challenging to scale effectively.

» **Lack of convenient returns options ties with returns fraud as top pain point:** Apparel and footwear brands struggle with returns fraud. 38% of respondents identified it as a major pain point. But 38% are also concerned with a lack of convenient returns options for their customers. This makes sense, as many apparel and footwear brands need to meet Amazon-like expectations from their customers while providing an array of size and fit requirements. And they must execute while facing higher return rates than other industries. Plus, they need to provide options without exposing themselves to significant costs and operational headaches.

» **Retailers issue refunds prior to inspection, leaving them vulnerable to fraud:** 91% of apparel and footwear retailers offer refunds or exchanges before inspecting the returned item. That can create significant fraud risks. When refunds or exchanges are initiated before the item is dropped off in a designated location, it leaves room for fraud and cash flow challenges. While creating a great customer experience is necessary for brands, there are opportunities to enhance returns processing to reduce fraud risks.

» **Several factors affect return costs:** For apparel and footwear brands, returns costs are driven first by Customer Service costs (65%), followed by inventory shrinkage and lower resale value due to fraud, damages, or unsaleable items (62%). Retailers also struggle with returns exceptions and labor availability in their warehouses (29%). Leading retailers are taking a comprehensive approach to reducing return related costs — evaluating the full returns journey, from RMA to restock.

HALF OF APPAREL AND FOOTWEAR BRANDS SAY 10% OR MORE OF RETURNS ARE FRAUDULENT

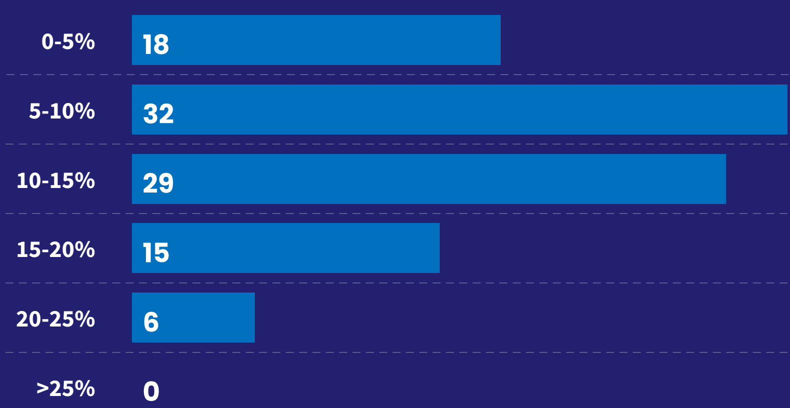
Apparel and footwear brands continue to struggle with fraud — a significant driver of returns costs.

While the impact of fraud is clear, retailers must balance a great customer experience with deploying effective solutions that weed out bad actors.

QUESTION:

WHAT WOULD YOU ESTIMATE IS YOUR CURRENT FRAUD RATE AS A % OF TOTAL RETURNS?

Apparel and Footwear responses:



“Returns fraud is a growing and quickly evolving problem — it’s not just empty boxes anymore. We’re seeing sophisticated tactics like label tampering and fake tracking becoming the new normal. The challenge is that most 3PLs aren’t designed to catch these types of bad actors. They’re optimized for speed, not fraud prevention, which leaves retailers exposed. That’s why many are partnering with technologies that are purpose-built to fortify returns operations.”

Kyle Bertin — Co-Founder & CEO, Two Boxes

TYPES OF RETURNS FRAUD

Fraud is evolving, and bad actors are getting smarter. Fraudsters abuse returns processes through various methods – from label tampering to policy abuse to empty box fraud.

65% of apparel and footwear brands indicate policy abuse as the leading cause of fraud, where fraudsters request returns outside of published timeframes. These brands deal with policy abuse more than any other surveyed industry outside of consumer electronics. 56% also struggle with serial abuse, when shoppers consistently return items at higher-than-average levels.

QUESTION:

WHAT ARE THE MOST COMMON TYPES OF ONLINE RETURNS FRAUD AND ABUSE YOU SEE TODAY?

Apparel and Footwear responses:

MANY APPAREL AND FOOTWEAR BRANDS CLAIM CONFIDENCE IN FRAUD PREVENTION BUT NEED TO ADDRESS FRAUD DIFFERENTLY

68% of apparel and footwear retailers claim they proactively identify fraud and are confident in their current fraud prevention strategies, yet 38% cite returns fraud and abuse as the leading pain in returns today. 38% of brands are interested in investing in preventative technology such as AI or other data-driven solutions designed to identify returns fraud when requests are made. A further 35% are assessing requiring customers to pay returns fees, and 32% are considering more stringent return policies to reduce fraud activity.

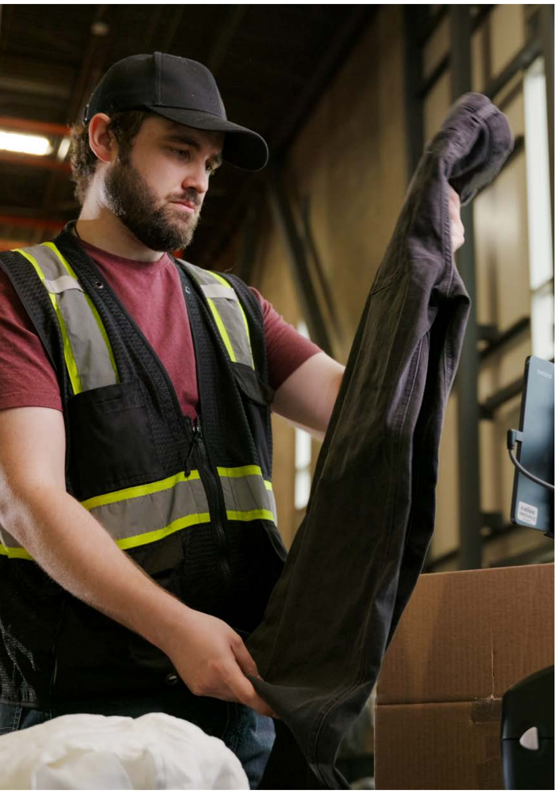
38%

of brands are interested in investing in preventative technology to identify returns fraud.

APPAREL AND FOOTWEAR BRANDS EXPECT GREAT RETURNS MANAGEMENT FROM THEIR 3PLS

While many apparel and footwear retailers manage returns in-house, they are increasingly seeking to outsource the process to third-party logistics providers (3PLs). When they do decide to outsource, brands have high expectations.

- **3PL partners must be returns experts, not just fulfillment pros:** 74% of Apparel and Footwear brands believe that it is important or very important that their order fulfillment partners can process returns effectively. And 29% are most likely to end a relationship with a 3PL over poor returns capabilities.
- **Apparel and footwear brands primarily seek to reduce returns costs and outsource operations:** 50% of retailers consider reducing costs and outsourcing returns processes as their primary objectives when working with a 3PL to process returns. A further 47% seek to prevent fraud and increase processing accuracy.
- **Returns processing services, payment services, and transportation top the list of desired 3PL capabilities:** Apparel and footwear brands are most likely to work with 3PLs who offer optimal returns processing (56%), returns payment services to manage refunds and costs (50%), and returns transportation solutions to balance speed and cost (47%). And they have high expectations for data-driven reporting to ensure reliable, cost-effective returns processing occurs day-after-day.



FULFILLMENT PARTNERS ARE UNIQUELY POSITIONED TO OPTIMIZE RETURNS FOR APPAREL AND FOOTWEAR RETAILERS

Retailers will always need to manage returns, but they don't have to be painful. 3PL partners are uniquely positioned to help brands across industries solve the biggest returns pain points. Retailers benefit from the combination of highly experienced operators working with leading technologies to reduce costs and tailor return policies to benefit loyal customers while disincentivizing fraudulent bad actors.

- **Leverage proven processes and technology enhancements to accurately detect and mitigate returns fraud, all while creating one-to-one policies designed to reward your most loyal customers.**
- **Improve returns processing time and return-to-stock rates to improve inventory health.**
- **Provide the visibility to track and report what matters to brands.**

HERE ARE THE STEPS TO TAKE FOR PEAK RETURNS VOLUMES

Retailers face a variety of challenges during peak return periods, like the end of the holiday season every year. Don't stress: There are steps you can take to prepare for and manage peak returns year-over-year.

INBOUND VISIBILITY AND TRACKING

SYMPTOMS

- Spikes in volumes lead to backlogs and missed SLAs
- Difficulty managing staffing and retailer expectations

ACTIONS

Explore opportunities to get access to inbound tracking data, where possible.

Use returns processing data to forecast labor demand before returns arrive.

RECEIVING AND PRIORITIZATION

SYMPTOMS

- Return outcomes and processing times are inconsistent / inaccurate
- Not every return is created equal, but they're often treated the same

ACTIONS

Get a legitimate receipt scan into your process, and compare to delivery confirmations for reconciliation.

Create clear returns SOPs by product type and sort returns according to priority based on contents.

RETURNS FRAUD

SYMPTOMS

- Initiating refunds on damaged returns, empty boxes, and missing inventory

ACTIONS

Refund post-inspection.

Get a receipt scan following delivery, helping identify FTID fraud early.

SOP AND QUALITY MANAGEMENT

SYMPTOMS

- Inaccurate disposition outcomes
- Low quality inventory returning to stock, or high-quality inventory pushed to secondary locations (i.e., re-commerce / disposal)

ACTIONS

Thoroughly document return SOPs by product type.

Observe returns processing within the warehouse.

Randomly audit returns regularly.

DATA CAPTURE AND VISIBILITY

SYMPTOMS

- Inability to measure returns quality & key metrics (i.e., UPH, RTS, fraud rate, etc.)

ACTIONS

Create shared systems for measuring returns processing.

Explore no / low-code solutions before investing in dedicated technology to capture more granular inspection and disposition data.

ABOUT RADIAL

Radial is the industry's largest 3PL fulfillment provider that offers integrated payment, fraud detection, and omnichannel solutions to mid-market and enterprise brands. Leveraging over 40 years of industry expertise, Radial offers scalable fulfillment for each modern brand's unique needs.

Our team supports brands in tackling common eCommerce challenges, from maintaining delivery consistency to ensuring secure transactions. With a commitment to fulfilling promises from click to delivery, Radial empowers brands to navigate the dynamic digital landscape with the confidence and capability to deliver a seamless, secure, and superior eCommerce experience.

Learn about our solutions at **radial.com.**

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ABOUT TWO BOXES

Two Boxes transforms returns from a liability into a strategic asset by optimizing warehouse returns operations. Since 2022, we've processed almost $1 billion in returned inventory for 50+ 3PLs & hundreds of brands globally. By improving processing speed, visibility, and inventory quality, retailers and 3PLs have achieved 3X increases in returns processed per hour, 85% plus restock rates, and 90% reductions in returns fraud & abuse. Named one of The Information's 50 Most Promising Startups of 2023, Two Boxes continues to redefine reverse logistics.

Learn more at **twoboxes.com.**

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Citations

[1] Sky Canaves, "US Retail eCommerce Returns 2025," EMARKETER, 2025.