

RETURNS IN 2026: KEY INSIGHTS FOR MODERN RETAIL



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WHAT DO RETURNS LOOK LIKE IN 2026?

Returns are a part of life, and shoppers make a lot of them—especially with 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 have to navigate the operational and financial burdens of managing them. In 2026, that means retailers must optimize returns processing to mitigate returns challenges and maximize the value of returned inventory. All while creating the kind of experience that rewards and retains loyal, long-term customers. That's not even factoring in the massive influx of returns generated by the peak holiday shopping season, which exacerbates returns challenges at the beginning of the new year 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 throughout the year. We created this report to showcase our data-driven insights into the key retailer and consumer returns trends that will shape commerce in 2026 and beyond.

RADIAL AND TWO BOXES REVERSE LOGISTICS RETAILER & CONSUMER SURVEYS

To dig deeper into the key trends surrounding retail returns and the reverse supply chain, Radial and Two Boxes launched a multi-industry retailer survey and a US consumer survey in 2025. We discovered key insights into both the challenges and opportunities retailers have within their returns processes, as well as how consumers experience making returns.

Unless otherwise cited, the data and charts in this report came from these surveys, 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



CONSUMER EXPECTATIONS FOR RETURNS IN 2026 ACROSS INDUSTRIES

If brands seek to optimize returns, they first need to understand both consumer expectations and assess retailer challenges. First, let's dive into consumer frustrations around returns.

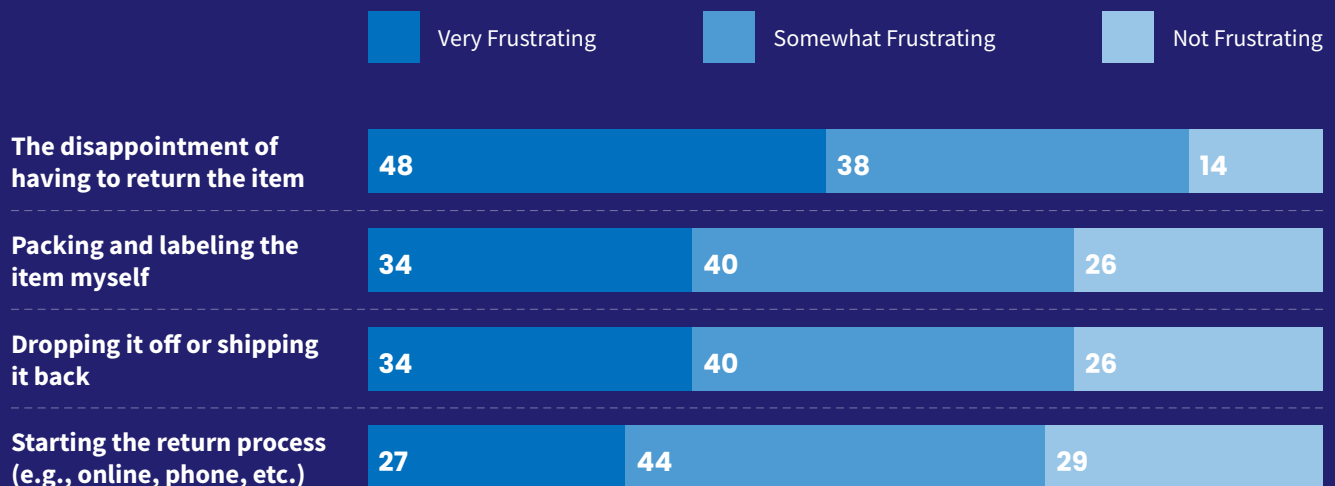
CONSUMERS FIND RETURNS FRUSTRATING

Our data revealed a key trend—one many retailers know well. Consumers do not like making returns. For nearly half of consumers, the most frustrating element of returns is the fact that they must return a product at all. That makes sense: It's disappointing when a product doesn't meet expectations, and that frustration can build with the additional steps required to make a return.



QUESTION:

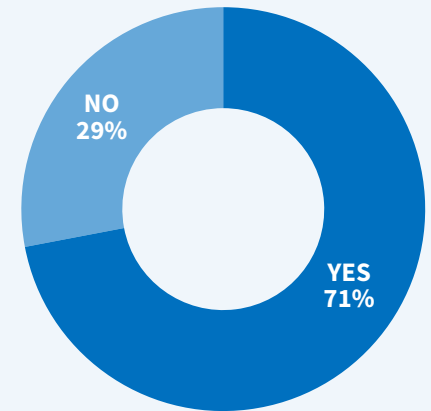
HOW FRUSTRATING ARE EACH OF THE FOLLOWING PARTS OF MAKING A RETURN?



Returns can be so frustrating that up to 71% of shoppers will simply keep products they don't want, and won't be purchasing again, rather than deal with returns processes. This creates an uphill battle for retailers, who already bear the burden and costs of the return itself. They face lower customer satisfaction and still need to balance internal policy and process changes to accelerate product disposition and minimize costs with customer satisfaction.

QUESTION:

HAVE YOU EVER KEPT AN ITEM YOU DIDN'T WANT BECAUSE THE HASSLE OR COST OF RETURNING IT WASN'T WORTH IT?



CONSUMERS BALANCE TRADEOFFS OVER REFUNDS

Consumers also create a challenge for retailers when it comes to return refunds. Brands have a tricky balance to achieve when it comes to preferred refund options. Consumers expect the ideal return experience by default, but as retailers look to design a great customer experience while protecting their bottom line, it's important to understand the friction consumers are willing to take on in the returns process. For example, 30% of consumers are willing to wait a little longer for a full refund, while 23% accept an instant refund with slightly less money back. Interestingly, this trend shifts by generation. Baby Boomers are most likely to wait for a full refund and are the least likely to seek an instant refund with slightly less money back. Younger shoppers, especially Gen Z, are more open to instant refunds. Additionally, Gen Z is the most likely to accept a full refund minus a return fee, albeit at only 15%.

Consumers are not particularly interested in exchanges. Only 13% of shoppers are open to an exchange for the same item and only 9% are open to a different item exchange as a top option. This indicates that the majority of returns are not due to a sizing, fit, or usage issue, in which case shoppers like a product but need a better "fit". There could be a variety of factors for exchange frustration, including frustrations with quality, blind buying boredom, or selecting a better fitting alternative from another brand. Either way, shoppers don't want to make a brand-specific exchange when other options are available.

MOST PREFERRED REFUND OPTIONS

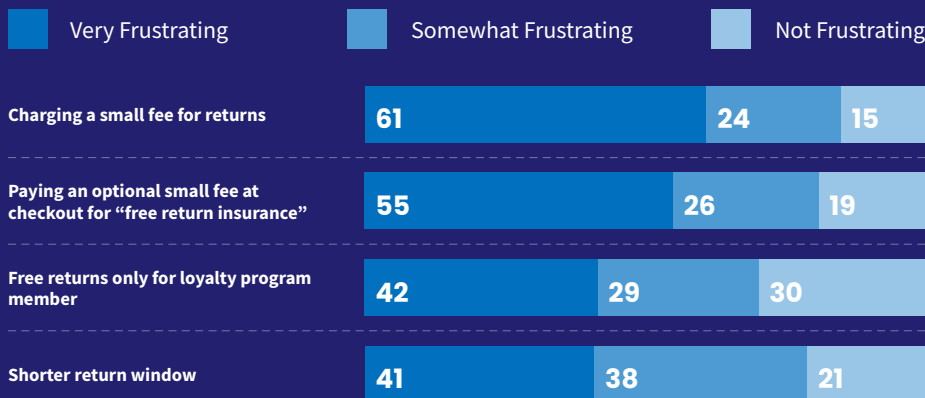
Rank	Total	Baby Boomers	Gen X	Millennials	Gen Z
Instant refund, but slightly less back	24	13	19	29	32
Full refund once item verified	30	34	31	31	26
Full refund minus a return fee	12	9	11	12	15
Instant store credit	13	13	14	10	13
Exchange for same item	13	18	15	12	8
Exchange for different item	9	13	10	7	7

SHOPPERS DO NOT WANT TO PAY RETURN FEES

Shoppers want refunds, but they don't want to pay for returns. In fact, 61% of consumers say paying return fees will make them less interested in shopping with brands again. While they are open to other return policies, like shorter return windows or even free returns for loyalty members only, they are not interested in paying anything additional for a return. Any kind of fee associated with a return seems to indicate a negative perception from consumers. Consumers also respond negatively to false fraud allegations. 49% of shoppers will stop shopping with a retailer that flagged a legitimate return as fraudulent. An equal amount will stop shopping if they are charged with surprise fees. With this in mind, brands should be careful how stringent their predictive fraud detection and prevention becomes.

QUESTION:

IF AN ONLINE STORE HAD THE FOLLOWING RETURN POLICIES, HOW WOULD IT AFFECT YOUR DECISION TO SHOP THERE?



61%

of consumers say paying return fees will make them less interested in shopping with brands again

QUESTION:

IF YOU HAD THE FOLLOWING ONLINE RETURNS EXPERIENCE, HOW WOULD IT AFFECT YOUR DECISION?



49%

will stop shopping with a retailer that flagged a return as fraudulent

CONSUMERS CREATE A RETURNS FRAUD CONUNDRUM FOR RETAILERS

As we will discuss in further detail later, retailers face significant challenges with returns fraud and abuse. Importantly, Radial and Two Boxes' research indicates a disconnect between how retailers and consumers view returns fraud and abuse. Shoppers find certain types of fraud acceptable, even normal, while retailers feel the pain of fraudulent returns.

Consumers View Fraud and Abuse Differently than Retailers

There are fundamental differences in how consumers define returns fraud and abuse. One big example: Consumers are generally more open to "friendly fraud", like bracketing (purchasing multiple items in different styles and colors with the intent to return them) and returning items outside retailers' published return windows. This is particularly true for younger shoppers, where for instance, 57% of Gen Z and 50% of Millennials frequently or occasionally bracket.

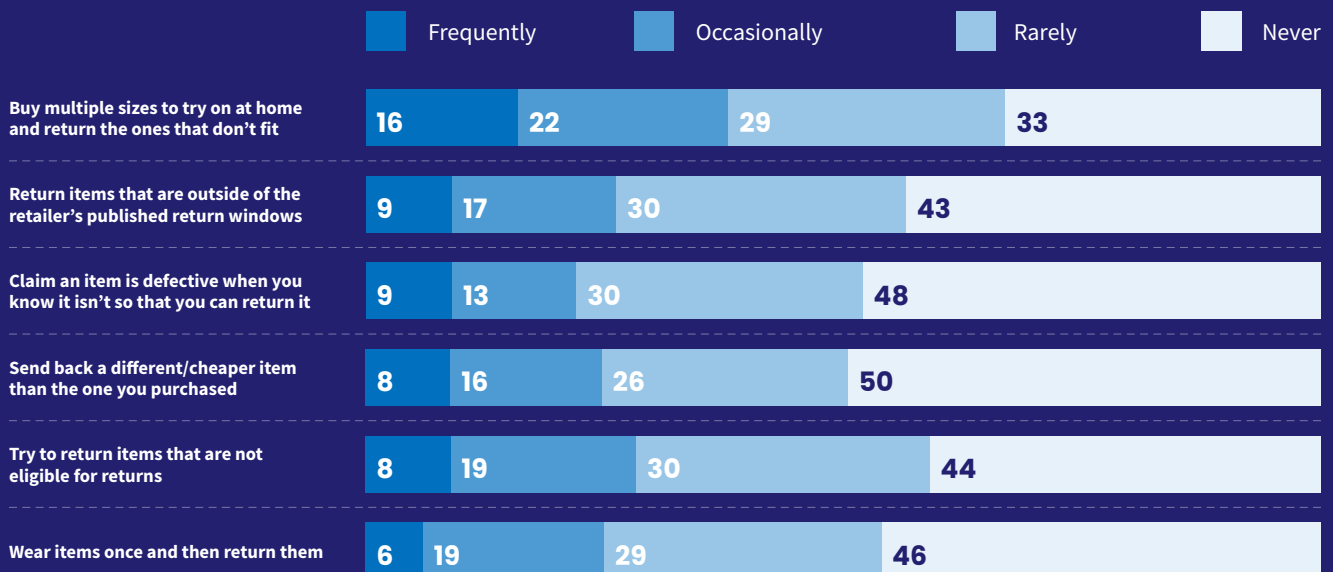


"Many brands feel confident in their fraud prevention today, but the data tells a different story — returns fraud still tops the list of pain points. The solution isn't stricter policies that punish good customers, it's smarter, tech-driven approaches that spot and stop abuse early. Protecting revenue and ensuring a great customer experience."

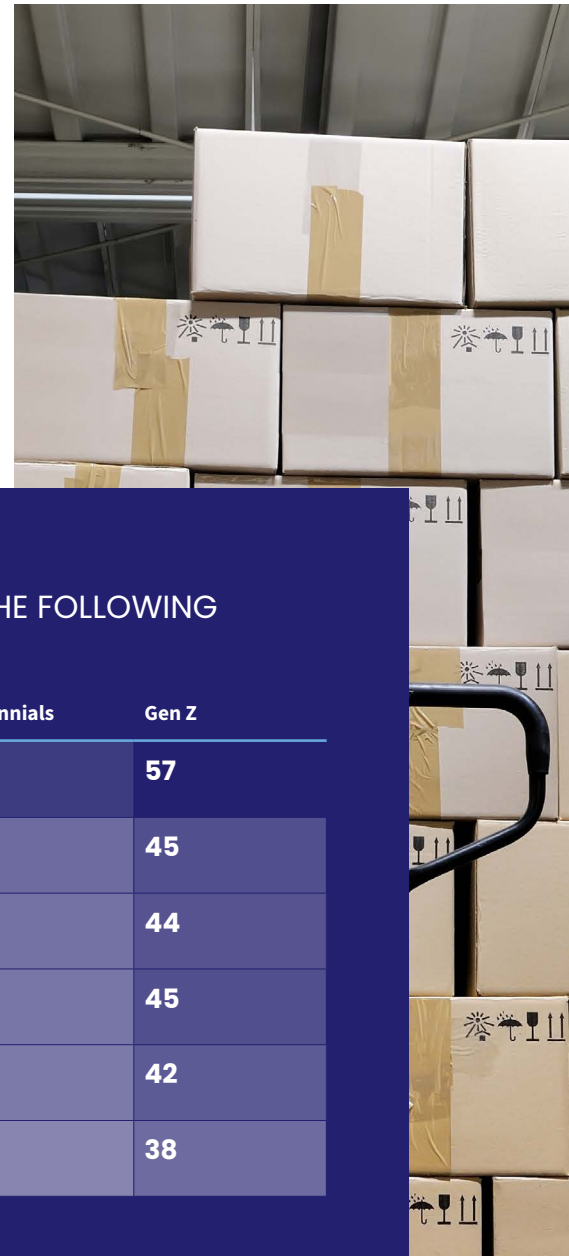
Kyle Bertin — Co-Founder & CEO, Two Boxes

QUESTION:

IF YOU HAD THE FOLLOWING ONLINE RETURNS EXPERIENCE, HOW WOULD IT AFFECT YOUR DECISION?



Importantly, when we look at the demographic data, younger shoppers tend to expand their focus beyond “friendly fraud” and into other categories of more malicious fraud. Millennials and Gen Z are more likely to return items that are not eligible for returns. And while the rates are lower compared to friendly fraud like bracketing, younger generations are more likely than older shoppers to send back different items than the ones they purchased and to claim items are defective. Forty-two percent of Gen Z shoppers at least occasionally switch items, compared to only 4% of Baby Boomers. To navigate the growing population of younger shoppers open to at least some types of returns fraud, retailers will need to carefully examine and improve their fraud detection processes.



QUESTION:

HOW OFTEN DO YOU FREQUENTLY OR OCCASIONALLY DO THE FOLLOWING ACTIVITIES WITH ONLINE ORDERS?

Response	Total	Baby Boomers	Gen X	Millennials	Gen Z
Buy multiple sizes and return the ones that don't fit	39	13	31	50	57
Return items outside of published return windows	27	5	17	38	45
Try to return items not eligible for returns	26	6	17	36	44
Wear items once and return them	25	4	15	35	45
Send back a different item than the one you purchased	24	4	16	34	42
Claim an item is defective when it's not	23	4	17	31	38

RETAILERS MUST UNDERSTAND CONSUMERS TO TRULY OPTIMIZE RETURNS

Retailers can optimize their overarching returns management by first understanding how and why consumers make returns. Additionally, they must consider how shoppers view returns fraud behavior—and how younger shoppers are evolving their fraud activities. With data in hand, retailers can then reassess the elements that make their customers’ return experiences great: from returns options, timelines, fee requirements, and fraud automation. The bottom line: They must reward great customers via a streamlined returns process while weeding out bad actors.



RETAILER PERSPECTIVE: THE STATE OF RETURNS IN 2026



With key consumer trends in our back pockets, it's time to dive into retailers' perspectives. 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. 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 challenging during and after the hectic holiday season.

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?

Returns are increasing

29

Returns are decreasing

38

Returns are staying about the same

33

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. As consumers blur lines with “friendly fraud”, and bad actors grow bolder, fraud methods are growing more complex. For example, retailers list label tampering and fraudulent tracking as the top issue, followed by serial abuse and policy abuse. 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 RETURN 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.

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.





“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

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.

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.

QUESTION:

ARE YOU CURRENTLY/WOULD YOU OUTSOURCE RETURNS PROCESSING TO A 3PL?

I currently outsource returns processing to a 3PL

52

I currently manage returns in-house, but would consider outsourcing to a 3PL

35

I currently manage returns in-house, and plan to continue doing so

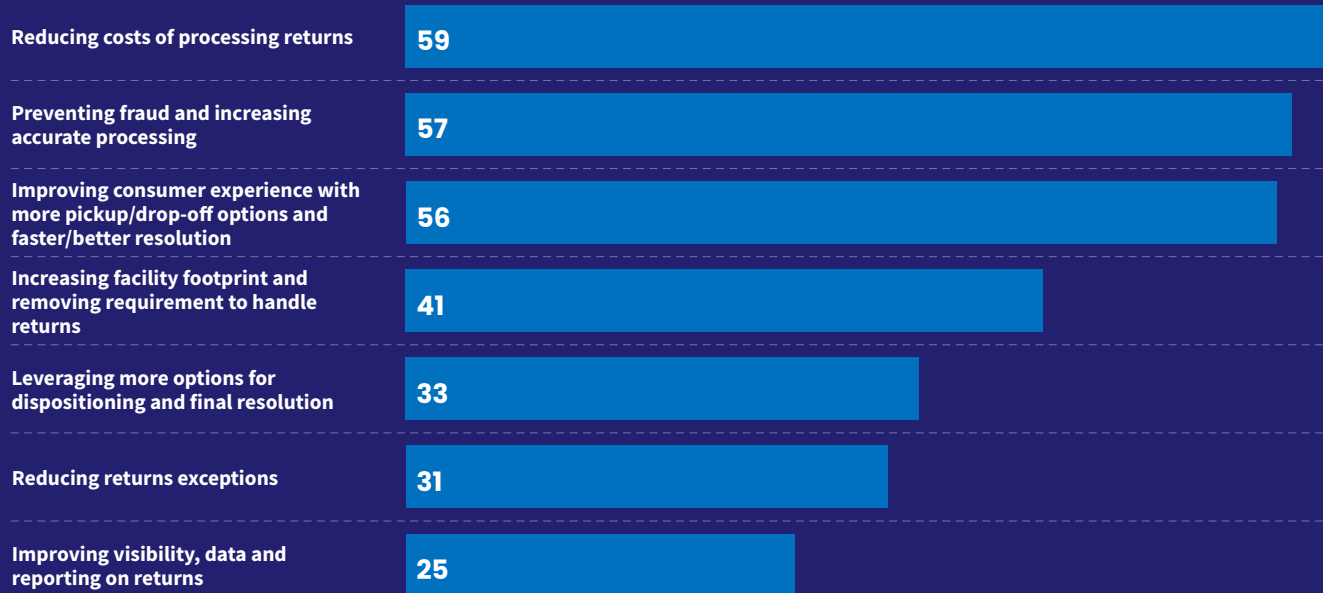
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RETAILERS ENGAGE WITH LOGISTICS PARTNERS TO REDUCE RETURNS COSTS

As previously noted, retailers consistently seek to reduce costs and drive value from 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.

QUESTION:

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



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.

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.

MODERN BRANDS EXPECT GREAT RETURNS MANAGEMENT FROM THEIR 3PLS

While many modern 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: 66% of retailers believe that it is important or very important that their order fulfillment partners can process returns effectively. And 57% are most likely or likely to end a relationship with a 3PL over poor returns capabilities.

» **Retailers primarily seek to reduce returns costs and outsource operations:**

59% of retailers consider reducing costs and outsourcing returns processes as their primary objectives when working with a 3PL to process returns. A further 57% seek to prevent fraud and increase processing accuracy.

» **Returns payment services, processing services, and transportation top the list of desired 3PL capabilities:**

Retailers are most likely to work with 3PLs when they offer payment services (64%), optimal returns processing (52%), and returns transportation solutions to balance speed and cost (46%). And they have high expectations for data-driven reporting to ensure reliable, cost-effective returns processing occurs day-after-day.

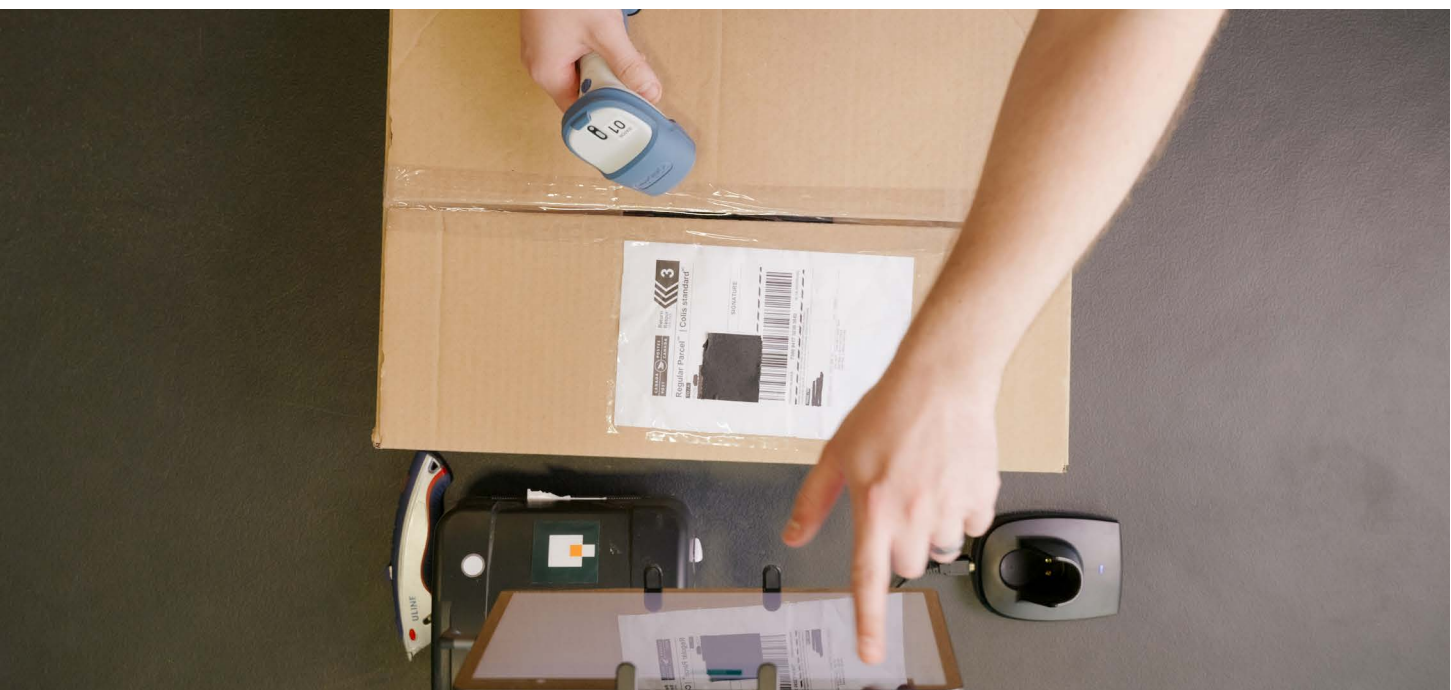




FULFILLMENT PARTNERS ARE POSITIONED TO OPTIMIZE RETURNS FOR MODERN RETAILERS

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.**
- » **Implement customer-focused solutions developed through deep cross-industry experience and by obsessively tracking consumer expectations.**



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; this helps you manage SLAs and identify FTID fraud.

Create clear returns SOPs by product type.



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.



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.



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.

