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Analysing and Minimizing Customer Returns for a Men's Wear Brand on E-commerce Marketplaces

ISHWAR KUMAR
Assistant Professor
National Institute of Fashion Technology, Jodhpur (Rajasthan) India

ABSTRACT

Returns from e-commerce stores can spread like a disease, gnawing away at profit margins, decimating conversion rates, and eventually endangering your company. The fashion industry has witnessed a significant shift towards e-commerce in recent years, as an increasing number of consumers opt to purchase clothing and accessories through online channels. As a result of this change, retailers now have to deal with significant return rates. The goal of the study is to identify the reasons behind high return rates as well as potential strategies that we employ to reduce returns and enhance the overall brand image. The paper claims that there is a connection between high return rates in the fashion industry, size and fit issues, and product quality. This paper outlines tactics for resolving quality concerns and expanding a menswear brand's online business across various e-commerce channels. The main objectives are to create a standard operating procedure (SOP) that is brand-specific, and vendor assessment for the quality of the fabric.

Keywords : E-commerce, Online retail, Product returns, High return rate, Vendor assessment, Reducing returns

INTRODUCTION

In the world of e-commerce, different marketplaces offer unique opportunities and challenges for businesses looking to expand their reach and maximize sales. Each marketplace has its distinct characteristics, audience demographics, and seller requirements. For instance, established platforms like Amazon provide immense visibility and a large customer base but also have strict competition and fee structures to navigate. On the other hand, emerging marketplaces such as Shopify offer more specialized niches and customization options but may require additional marketing efforts to gain traction.

By strategically diversifying across multiple marketplaces, e-commerce businesses can tap into diverse audiences, mitigate risks, and capitalize on the strengths of each platform. However, managing multiple channels effectively requires careful planning, robust inventory management, and a cohesive branding strategy to maintain consistency across all touchpoints. Ultimately, success in e-commerce hinges on understanding the nuances of different marketplaces and tailoring strategies to capitalize on their respective strengths while mitigating challenges.

E-commerce, often known as electronic commerce, is the exchange of goods and services as well as the sending of money and data through an electronic network, most commonly the internet. These business dealings can be either B2B (business-to-business), B2C (business-toconsumer), C2C (consumer-to-consumer), or C2B. (Rosencrance, 2019) With the pandemic Covid -19 issue and the world being on and off lockdown, brands and organizations are looking for all opportunities to preserve market strength and acquire as much as feasible. The rapidly growing and highly profitable E-commerce retailing sector in India and the variety of Indian consumers are the main reasons to discuss e-commerce among the brands and organizations. In a world full of competition to be on top, brands and organizations are making every possible way to acquire and retain

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customers, and E-commerce is one of the best ways to do so. Some businesses require continuous acquisition as the only way to survive in the industry. The internet is what drives e-commerce. Customers use their own devices to access an online store to browse the selection and place orders for goods or services (Rosencrance, 2019)

The e-commerce industry in India has changed how business is conducted there and opened up a variety of market niches, including business-to-business (B2B), direct-to-consumer (D2C), consumer-to-consumer (C2C), and consumer-to-business (C2B) (C2B). Significant markets like D2C and B2B have grown tremendously in recent years. By FY27, the D2C market in India is anticipated to grow to $60 billion. The global e-commerce market is anticipated to increase by 21.5% in 2022 to reach US$ 74.8 billion, and is projected to reach US$ 350 billion by 2030.

Product returns in ecommerce are an inescapable part of the business. In recent years, more and more businesses and consumers have participated in electronic commerce. Because of the special nature of e-commerce, the return rate of online retail is much higher than offline retail. According to the online retailers' return rules, consumers can return goods to the retailers or to the manufacturer. The return channel will impact the manufacturer's and retailers profits through e-commerce has become an important industry that is growing rapidly, many online retailers fail to be profitable.

One important reason for this is product returns, which constitute a considerable cost factor. A significant portion of online retailers report that lowering the rate of product returns by 10% could increase profitability by over 20% (Pur *et al.,* 2013). The overall return rate varies, but for online retailers specializing in fashion, it is often higher than 50% of all purchases (Asdecker, 2015). The consequences of online platforms are significant. Tangible costs are incurred in the form of lost sales and postage monies, as well as costs of collecting and processing returns. Intangible costs include loss of goodwill with customers (Mazareanu, 2021). Despite all these significant overheads in the form of dealing with returns, e-commerce platforms are cautious about setting up roadblocks to returns, and sometimes even have return policies that work to the consumer's advantage. Ecommerce platforms therefore try to reduce the cost of returns. This need to reduce the cost of returns is even more apparent in the Southeast Asian market, where ecommerce companies have made significant investments over the past 10-15 years to compete for customer bases (Ruehl and Sender, 2020). Many companies still remain in the red as a result of these investments and continue to 'dig deeper' to this day, reluctant to compromise on the customer experience (Ruehl and Sender, 2020).

Objectives:

Primary Objective:

- To identify the root causes contributing to high customer return rates in the men's wear category on e-commerce platforms.
- To develop strategies to reduce these return rates by addressing identified issues.

Secondary Objective:

- To analyze historical sales and return data and identify patterns, trends, and correlations that may provide insights into factors contributing to high return rates.
- To conduct thorough assessments of product quality to identify any recurring issues or defects that may be contributing to returns.
- To standardize the manufacturing process, thereby reducing errors and subsequently lowering the return rate.

Literature Review:

One of the most significant and active economic sectors in India is e-commerce. The quick growth in Internet access is what propels its development. Over the last few years, the marketplace has dominated e-commerce. There are benefits and drawbacks for buyers and sellers alike. Worldwide, e-commerce has grown to be a vital tool for both small and large enterprises, allowing them to interact with and sell to clients. The online exchange of goods and services is known as e-commerce. We address the factors driving India's digital commerce market in this article, along with the growth of the e-commerce sector and its many sectors within the nation. The e-commerce sector is receiving assistance from foreign investors since it is one of the fastest-growing and presents a significant investment opportunity given the size of the Indian market. It also addresses the opportunities and issues related to e-commerce in India in the context of the world market. One of the areas that is growing the fastest is e-commerce, and India has fantastic investment potential. Investment has increased

dramatically since last year, and more is expected in the years to come.

In the ever-evolving realm of online retail, it is imperative for men's clothing brands to focus on two key objectives: decreasing the rate of customer returns and cultivating brand growth. In the context of e-commerce platforms, this literature review examines current research and tactics meant to accomplish these ends. This evaluation attempts to offer a thorough grasp of the potential and difficulties related to boosting brand growth and minimizing returns in the men's clothing industry by combining insights from other studies.

The influence of online advertising on customers' intent to purchase through ecommerce websites was emphasized (Source 9). This indicates the significance of digital advertising in 24 driving consumer purchase behavior and the potential for targeted advertising strategies in ecommerce. Wuisan and Handra (2023) provided a comprehensive definition of ecommerce, emphasizing its role in selling products and services directly to consumers through electronic media and the Internet. This definition underscores the central role of digital platforms in facilitating transactions between businesses and consumers

Research Design:

We have analyzed the market to understand where the brand stands in comparison to competitors and how well it is positioned in terms of visibility, market share, and customer perception. The company's product line or brand with the greatest return rate receives special attention. This could be ascertained by identifying the most frequently returned items by examining sales data (Fornari *et al.,* 2016). Collecting information from the production back end as well as the sales front end. Sales data, client opinions, and quality control reports from the production facilities are included in order to give a thorough picture of the whole supply chain. Thorough examination of the reasons behind product returns, including possible investigations into matters such as sizing problems, material defects, or disparities in product descriptions. Root cause analysis is done using methods like the 5 Whys and the fishbone diagram.

Compiling the results of the data analysis and making practical recommendations to lower the return rate constitute the last step. This could entail updating product descriptions, refining product designs, enhancing quality control procedures, or improving customer service. Each of these actions is essential for methodically addressing the problems causing high return rates and creating practical plans to lower them, which will ultimately increase customer satisfaction and save operating expenses.

METHODOLOGY

Analysis of sales data:

1. Analyzed data of Amazon and Myntra for boys and men's ethnic wear hence figured out units sold per month and found out top sellers/vendors/ brands.
2. Analyzed of which verticals are sold most of which brands/seller, the revenue generated, price point of selling, discounts being offered, maximum returns/delays
3. Reasons for sales of various verticals of top sellers were gained through regional managers.

Analysis of returns data:

1. This step included compiling and analyzing return data and customer feedback to understand the reasons behind returns.
2. Common issues included size mismatches, fabric quality, or discrepancies in product description

Identification of weak areas:

1. Analysis of weak areas by brainstorming and discussion with Satguru Garments team.
2. Trends pertaining to customer dissatisfaction with products were identified through the analysis of customer reviews and ratings on e-commerce platforms.
3. To ensure that the core reasons of each issue were being treated rather than merely the symptoms, tools such as the fishbone diagram and the 5 Whys technique were employed to go deeper into each one that was identified.

Creation of seller return report:

1. Statistics illustrating the rates of return for each vendor's merchandise.
2. A thorough vendor assessment was conducted. 3. Creation of a Tech Pack 4. Reduction of DHU%

Implementation and Analysing the results:

1. Implemented Tech pack and reduced DHU%.

Analysis of Result:

1. Interpreted data of the following weeks after implementation to ensure returns were reduced.

RESULTS AND DISCUSSION

Sales Data from Platform "A" :

Booking revenue refers to the total value of sales contracts secured within a period, regardless of whether the product/service has been received or returned. Net revenue is the actual income earned from sales after deducting returns, discounts, and allowances. It represents the true revenue earned.

Interpretation:

After analysing the Table 1 and Fig.1, it is observed that the sales for the starting month, *i.e.*, November, were pretty good, with a total of around 25 lakhs. However, the sales decreased in the following months, with December and January recording sales of 15lakhs respectively. Also, there was a huge difference in the booking revenue and net revenue.

Table 1: Amazon month-wise sales data

Months	Sum of Booking Revenue in Lakhs	Sum of Net Revenue in Lakhs
Nov	Rs. 25,28,368.03	Rs. 15,92,366.19
Dec	Rs. 15,97,288.00	Rs. 10,07,888.73
Jan	Rs. 15,61,154.06	Rs. 10,16,311.29
Total	Rs. 56,86,810.09	Rs. 36,16,566.21

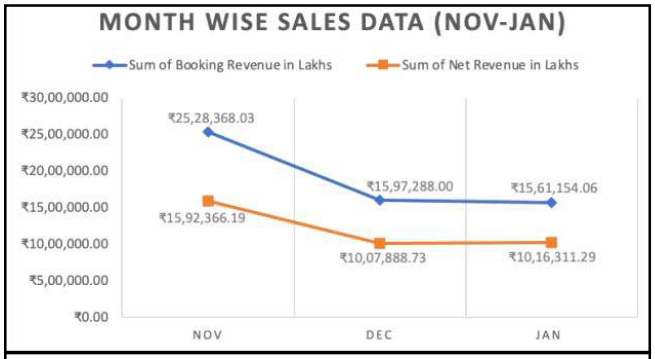

Fig. 1 : Amazon month-wise sales data

Sales Data from Platform "B" :

The three-month data from the Myntra platform was also analysed to introspect the difference between sum of booking and net revenue generated month wise. The reason for difference in booking revenue and net revenue generated were also listed.

Interpretation:

After analysing the Table 2 and Fig. 2, it is observed that the sales for the starting month, *i.e.*, November, were pretty good, with a total of around 66 lakhs. However, the sales decreased in the following months, with December and January recording sales of 37 lakhs, respectively. Also, there was a huge difference in the booking revenue and net revenue.

Table 2 : Myntra month-wise sales data

Months	Sum of Booking Revenue in Lakhs	Sum of Net Revenue in Lakhs
Nov	Rs. 66,01,055.00	Rs. 39,47,430.89
Dec	Rs. 37,68,389.00	Rs. 23,51,474.74
Jan	Rs. 37,73,774.00	Rs. 23,96,346.49
Total	Rs. 1,41,43,218.00	Rs. 85,95,252.12

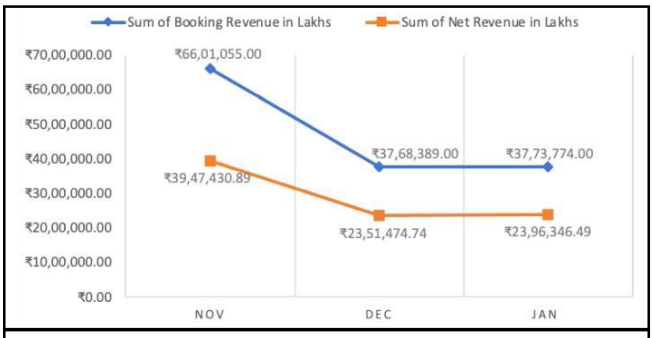

Fig. 2 : Myntra month-wise sales data

Return Data:

The reason for analyzing the data was a significant discrepancy observed between the booked revenue and net revenue. Booked revenue represents the total value of orders or sales made by a company during a specific period, while net revenue reflects the revenue earned after adjusting for all returns, exchanges, and discounts. By analyzing this difference, companies can identify potential issues and make informed decisions to improve their overall revenue performance

Interpretation:

It is observed that the return percentage is the highest in the month of Nov at 39.32% and in the months of Dec and Jan it is 37.39% and 36.03%, respectively. The cumulative return percentage for three months is 37.91% (Table 3).

Findings :

The first step after analysis of returns data was to

Table 3 : Difference in Booking Revenue and Net Revenue

Months	Sum of Booking Revenue in Lakhs	Sum of Net Revenue in Lakhs	Return amount	Return %
Nov	91,29,423.03	55,39,797.08	35,89,625.95	39.32
Dec	53,65,677.00	33,59,363.46	20,06,313.54	37.39
Jan	53,34,928.06	34,12,657.78	19,22,270.28	36.03
Total	1,98,30,028.09	1,23,11,818.32	75,18,209.77	37.91

create a report with a high number of returns. The report contains reasons for return. By examining the data on returns, we can identify common issues such as product defects, sizing problems, or unmet customer expectations. This insight allows us to address these issues proactively, refine their products, and enhance quality control processes. Understanding the reasons behind returns helps reduce return rates, build customer trust, and improve overall business.

Table 4 : Return Reasons

Return Reasons	Quantity
QUALITY_UNACCEPTABLE	273
APPAREL_TOO_LARGE	112
APPAREL_TOO_SMALL	109
UNDELIVERABLE_REFUSED	98
DID_NOT_LIKE_COLOR	73
APPAREL_STYLE	59
DEFECTIVE	34
UNWANTED_ITEM	16
FOUND_BETTER_PRICE	10
MISSING_PARTS	4
MISORDERED	4

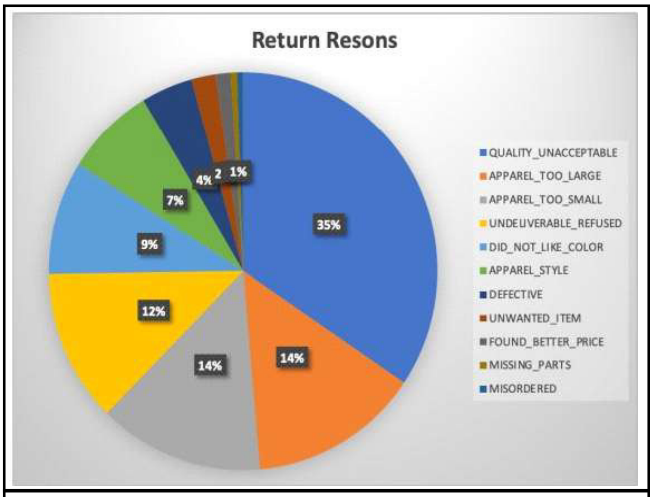

Fig. 3 : Return Reasons Percentage

Interpretation:

The major issue of return is noted as the quality of the fabric contributing 35% of the total returns. The second major issue is the size of the garment contributing 28% of the total sales (Table 4 and Fig. 3).

Conclusion:

In conclusion, reducing the return rate in men's ethnic wear can be achieved through stringent quality control measures, precise sizing guidelines, and robust vendor assessments. Implementing comprehensive Standard Operating Procedures (SOPs) and utilizing detailed tech packs ensure consistency in fabric and trims. Regular analysis of defect data and continuous improvements in the manufacturing process further enhance product quality.

By addressing these key areas, we can significantly lower return rates, leading to increased customer satisfaction and loyalty. Vendor assessment is crucial for ensuring high product quality and reliability. By thoroughly evaluating suppliers, companies can confirm that they meet quality standards and deliver consistent, defect-free materials. This process helps prevent issues related to poor-quality fabrics and trims, reduces the risk of production delays, and ensures that end products meet customer expectations. Effective vendor assessment fosters strong, reliable partnerships, ultimately contributing to better product quality and increased customer satisfaction.

Reducing Defects per Hundred Units (DHU) is vital for lowering return rates. By closely monitoring and analyzing DHU data, manufacturers can identify recurring issues and implement targeted improvements in the production process. This proactive approach ensures higher product quality, minimizes errors, and enhances overall consistency. Consequently, fewer defective items reach customers, leading to a significant reduction in return rates and improved customer satisfaction.

Interpretation:

The reduced percentage is 4.87%, where the return

Table 5 : Return % after implementation

Market Place	Months	Sum of Booking Revenue in Lakhs	Sum of Net Revenue in Lakhs	Return amount	Return %
Amazon	Apr	17,36,113.00	11,74,306.83	5,61,806.17	32.36
Myntra	Apr	37,89,774.00	25,11,862.21	12,77,911.79	33.72
Total	Apr	55,25,887.00	36,86,169.04	18,39,717.96	33.04

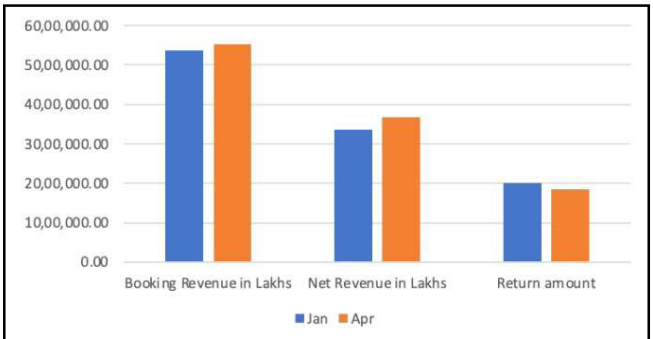

Fig. 4 : Sales data pre and post implementation

rate came down to 33.04%. After analyzing the tables, it is observed that the sales for the April month, has increased to 55 Lakhs. In the month of December and January, it was 53 Lakhs. So there is an increase in sales by 2 Lakhs. The return amount has decreased from 20 Lakhs to 18 Lakhs where there is a profit of 2 Lakhs in the Net Revenue (Table 5 and Fig, 4).

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