



Return Economics 2026

Exclusive insights from the UK's top 100
retailers on managing the cost of returns

Introduction

Returns, alongside delivery, are one of the most commercially important components of the fashion e-commerce experience. They sit at the intersection of customer expectations, conversion performance, operational cost, and profitability.

Since 2023, the industry has faced sustained inflation, rising carrier and fulfilment costs, and increased focus on margin and contribution. Retailers have responded by increasing product prices 10-20%, introducing return fees and revisiting the structure of their return policies. Others have not.

To understand how the market has evolved, we analysed the delivery and returns policies of the UK's top 100 fashion retailers in 2026, replicating the same research conducted in 2023. This enables a direct comparison of what has changed, what has remained stable, and where retailers appear to be adapting or holding course.

This report aims to provide retail executives with an objective view of how the industry is responding and where the greatest opportunities for margin improvement actually lie. It focuses primarily on the UK market, with comparative benchmarks from the Nordics to illustrate how return behaviours vary across mature e-commerce markets.



Where the market stands

One of the most striking findings from the 2026 benchmark is the level of inertia across the market. While some brands have adapted meaningfully, a large proportion of retailers have not materially changed their return policies since 2023.

Where costs have risen but policies have remained static, retailers may now be absorbing a greater share of return costs than they were two years ago. At the same time, return fees are becoming increasingly normalised, as 35% of brands now charge for returns, up from 23% in 2023, with adoption led by H&M in mass market, COS in mid-market retail and Harrods in luxury.

Return windows remain one of the most stable policy levers, with approximately three quarters of brands continuing to offer a 28 to 30 day return period, and adoption of shorter 14 day windows declining slightly since 2023.

Overall, the industry has reached a partial equilibrium, but meaningful opportunity remains for retailers who have not yet revisited delivery and returns structures in light of the current cost environment.

The uncomfortable truth about returns

Returns are here to stay as part of e-commerce and the trust contract that makes online shopping possible in the first place, especially in fashion where fit and feel matter. If a brand makes returns cumbersome enough to detract customers from a potential return, they are likely to complete the return and never come back.

UK retailers have spent the past two years discussing return rates, yet little has changed in what they actually think about returns as such. Another piece of our research from 2023 suggests that of 40 retailers actively pursuing return rate reduction, only two succeeded through improvements like sizing consistency and product descriptions.

For established brands, these fundamentals are typically already in place, and the reductions were modest regardless — just a few percentage points.

Return rates may be stubborn, but return economics is not. Return fees, windows and processing speed are all within a retailer's control, and the brands adjusting these levers are seeing results without the conversion impact many fear.

35%

of UK's top 100 brands charge for returns in 2026

16%

of UK's top 100 brands offer a 14-day return window in 2026

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Traditionally viewed as a failure metric, return operations are a reality worth managing strategically.

Know your normal: return rates

Return rates across the fashion industry vary significantly by category. Womenswear, for example, runs higher than menswear, and dresses regularly see return rates as high as 50%, even for well-established brands. Comparing your rate to a generic industry average without accounting for product mix often creates unnecessary concern.

There's also a psychological dimension. Return rates correlate with customer base characteristics, meaning more mature customers shopping on desktop tend to return less frequently than younger, fashion-forward customers shopping on mobile. Fashion brands targeting the latter demographic shouldn't benchmark themselves against the former, because the customer profiles are fundamentally different.

To illustrate, one mid-market UK womenswear brand we work with reports a return rate of 52%, up 4 percentage points year-over-year (YoY). It seems to be driven largely by a growing share of new customers unfamiliar with the brand's sizing and fit, as well as the target demographic behaviour. By contrast, a UK high-end accessories retailer reports a return rate of 6%, down 3 percentage points YoY, which shows how significantly rates vary by product category and customer base.

The variation extends across markets. Data from September through December 2025 within Nordic fashion, accessories, and sportswear brands shows return rates ranging from 20% to 29% across the quarter — very different again from both UK examples.

Know your normal: return reasons

Data from September through December 2025 shows that more than half of all returns in fashion, sportswear, and accessories stem from size and fit issues. In the UK, 52.9% of returns fall into this category; in the Nordics, 52.8%. Style and appearance account for another fifth, with 19.6% in the UK and 22.1% in the Nordics.

Together, these two categories represent over 70% of all returns in both regions. The implication is clear — the majority of returns aren't driven by product defects, delivery failures, or buyer's remorse. They're driven by the inherent uncertainty of buying clothes online without trying them on first.



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There seems to be little room for quick fixes. Quality and material issues account for just 7.8% of UK returns and 4.1% in the Nordics, which suggests that product quality isn't the primary driver. Delivery problems are negligible at under 2% in both markets. The 'changed mind' and 'multiple items' category, which includes bracketing behaviour, sits at 8.2% in the UK and 11% in the Nordics.

Even with perfect product descriptions and sizing tools, more than half of returns would likely persist. The data reinforces the case for managing return economics rather than focusing solely on return rate reduction.

The true costs of returns

Shipping and processing costs are visible and expected, unlike product value depreciation. When items return too late to sell at full price, the financial impact is far greater than shipping and processing expenses. If a £100 dress returned after 30 days misses its selling window entirely, it becomes a £50 markdown or, worse, liquidation stock. The environmental cost follows the same logic — the real waste lies in producing items that never find a buyer.

According to Fashion's New Playbook for Online Returns by The Business of Fashion, the total cost of returns can range from £14.40 to £37.10 per item. Discounting and liquidation accounts for £4.70 up to £26.40, which can exceed all other costs combined. These include shipping and transportation at £3.75 to £5.80, warehouse processing at £2.10 to £3.00, and customer care at around £1.85.

Traditionally viewed as a failure metric, returns are an operational reality worth accommodating and managing strategically. It's not only about reducing return rates but also about creating better return policy structure to improve margins.

The returns charging revolution

As already mentioned, charging for returns has continued to accelerate and become increasingly normalised across UK fashion retail — 35% of brands now charge for returns, up from 23% in 2023.

Firmly established in mass market retail, return fees are becoming increasingly common in luxury too. In the affordable luxury segment, the share of brands charging for returns increased to 20% today from only 4% in 2023, while luxury went up to 12% from 0% over the same period. As paid returns become more normalised in the mainstream market, adoption is gradually moving upmarket.

In our findings, no brand that introduced return fees has subsequently removed them. Early concerns focused on potential conversion or loyalty impact, and the absence of reversals suggests that retailers have generally found return fees to be commercially sustainable as a cost recovery lever.

Return fees have also increased over the period, broadly in line with inflation. Standard practice appears to be a gift card or a flat fee deducted from the refund, though some brands offer free in-store returns as an alternative. It proves that this is becoming an embedded part of the operating model rather than a temporary experiment.

Some retailers are testing more targeted approaches. ASOS, for instance, introduced a £3.95 refund deduction specifically for customers with high return histories, over 70% of the total value of their past orders, a policy that also depends on the membership status and the order value kept.

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Return fees don't reduce return volumes but they do help recover costs without hurting conversion.



The impact of returns

£14.40 - £37.10

Total cost

£4.70 - £26.40

Discount & Liquidation

£2.10 - £3.00

Warehouse processing

£3.75 - £5.80

Shipping & Transportation

c. £1.85

Customer care

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The biggest cost of returns isn't shipping or processing but the cost of discounting and liquidation when items return after the full-price selling window.

Source: Fashion's New Playbook for Online Returns by The Business of Fashion

The basket size strategy

There's a distinction worth making between returns that erode margin and returns that contribute to a net positive outcome, even after accounting for the cost of processing them.

The economics start with customer acquisition. For most fashion retailers, the marketing cost of acquiring a new customer is substantial, often larger than the marginal cost of shipping an additional item. This changes how bracketing should be evaluated.

Consider what happens when a first-time customer orders a single item, finds it doesn't fit and returns it. The retailer absorbs the return processing cost and loses the acquisition spend that brought that customer to the site in the first place.

Worse, if a first-time shopper doesn't keep anything from their order, they often conclude the brand simply isn't right for them. Repeat purchase rates from that segment are typically very low, and the customer is unlikely to return.

Alternatively, a first-time customer orders the same item in two sizes, tries both, keeps the one that fits and returns the other. The return rate on that order is 50%, but the outcome is different — there's a net sale, the acquisition spend is recovered, and the customer now has a piece that fits, with the high likelihood of becoming a long-term shopper.

The term 'bracketing' — customers ordering multiple sizes with the intention of keeping one — often conjures images of customers ordering half a dozen sizes of the same item, trying them all, and returning most. It's a behaviour many retailers instinctively want to discourage, but data suggests a more nuanced view.

According to the brands we work with, most customers who bracket order two sizes — very few customers order more than that. The items are tried on briefly at home and returned in as-new condition, ready to be resold. Processed quickly, this creates a better outcome for inventory than a single-item order returned after three weeks.

Framed this way, the incremental cost of sending a second item is comparatively small relative to the upside of a completed sale, a satisfied customer, and a higher chance of repeat purchase.

The instinct to minimise return rates makes sense on the surface, but return rate as a metric doesn't distinguish between a return that still resulted in a sale and one that didn't. For retail leaders evaluating returns, the more useful questions may be: what's our keep rate? What share of first-time customers kept at least one item? Of the items that come back, how quickly can we resell them at full price?



Returns are a time problem, not a shipping problem

As mentioned, the biggest cost of returns isn't shipping or processing but discounting and liquidation when items return after the full-price selling window. Items that miss their season often end up in landfill or incineration, while retailers overproduce by 30-50% to compensate for expected returns.

The 14 vs. 30-day return window dilemma

The legal minimum return window in the UK and Nordics is 14 days, yet the majority of brands offer 30 days, and some go further to 60. Although many retailers are currently reducing extreme long-tail policies introduced over the pandemic back towards the market norm of 28-30 days.

Consider Harrods, a luxury brand associated with generous customer policies, that reduced their return window to 14 days. If Harrods determined that 14 days was sufficient, it raises a question about whether longer windows serve any strategic purpose for other segments.

Out of 20% of UK brands who offered a 14-day return window in 2023, only 16% do so today. There's also a striking market segmentation. No mass or mid-market brands offer a 14-day return window, while 32% of affordable luxury and luxury brands actually do so.

Across Scandinavia, for comparison, not so many brands operate at the 14-day legal minimum either: GANNI, Holzweiler and Filippa K in the mid-market and TOTEME and Acne Studios in luxury.

The pattern suggests tighter return windows are not incompatible with strong brands, because they are driven less by customer behaviour and more by inventory economics. Higher-value, lower-stock brands may have greater incentive to recover stock quickly and reduce markdown exposure.

Customers move fast, returns policy moves slowly

To understand how quickly customers actually act, we tracked the average time between an order being created and the moment the customer initiates the return. This measures the decision and action phase, not the full end-to-end cycle of shipping, warehouse receipt and refund.

Across September to December 2025, behaviour was remarkably consistent across markets. The UK averaged 12.4 days, while the Nordics averaged 12.5 days. In other words, most customers are already initiating returns within a timeframe that aligns closely with a 14-day window.

12.4 days

on average from ordering to returning in the UK*

12.5 days

on average from ordering to returning in Scandinavia*

*Measured from order created to return reported.

The argument for shorter windows is straightforward — it's speed. One premium UK brand that moved to a 14-day window found that stock was out of circulation for an average of only eight days. Compare that to the 20-25 day cycles common elsewhere, and the inventory implications become clear.

Shorter windows don't just improve inventory turnover. They reduce the risk of items missing their selling window entirely, as discussed earlier. Psychologically, most customers know within minutes of trying an item whether they intend to keep it. The 30-day window doesn't serve the decision-making process but simply delays action.

Some brands are experimenting with tiered approaches — free returns within the first seven days, and a modest fee thereafter to nudge faster behaviour without removing flexibility entirely.

Luxury brands tend toward shorter windows already, likely because they hold thinner stock and can't afford items to be out of circulation for extended periods. Mass market brands have largely defaulted to 30 days, perhaps assuming it's a competitive necessity. The data suggests the 14-day assumption is worth testing.



What these three strategies have in common

Basket value, return fees and return windows share simple characteristics. They're within the retailer's direct control, don't immediately require tech investment or large-scale operational transformation, and can be tested incrementally.

Yet the data and our conversations with large UK and Nordic retailers suggests this business strategy remains untouched, even as brands invest significant energy in discussing return rates, a metric that has proven stubbornly resistant to change.

Rather than pursuing return rate reduction through product data improvements or customer education — strategies that have shown limited success for established brands — retailers are likely to achieve faster results by adjusting the policies already at their disposal.



Strategic recommendations

Benchmarks from 2026 suggest an industry that has reached a partial equilibrium — while paid returns are increasingly normalised, return windows remain conservative despite the cost of late stock recovery.

Although return rates are largely resistant to change, return economics is not. There is a meaningful variation across segments and substantial scope for brands to reassess how return economics aligns with their positioning, customer expectations, and margin priorities. The path forward lies in three interconnected areas of data visibility, customer understanding, and policy action.

Building data visibility first

Most retailers lack basic visibility into why customers return items. Paper return forms require manual data entry that rarely happens; the data sits unused in warehouse bins. Without this foundation, every subsequent decision becomes guesswork.

Digital return platforms address this gap by making return reasons trackable and analysable. Retailers can finally answer questions like ‘what percentage of returns are preventable?’ and ‘which products have return rates above our average?’ Visible patterns inform everything from product development to customer segmentation.

Understanding your customers and products

Once return data becomes visible, the next step is developing insights that inform action. Two dimensions matter most — product-level patterns and customer-level behaviour.

Product-level analysis

reveals which items drive disproportionate returns. When a product has a return rate significantly higher than your average, the issue is likely the product itself, not the customers buying it. This might indicate a sizing inconsistency, a misleading product image, or a quality issue worth addressing at the source. Products with persistently high return rates warrant review with product and merchandising teams, not just customer-facing fixes.

Customer-level segmentation

distinguishes between customers who are profitable after accounting for returns and those who are not. Customers who buy frequently and return occasionally generate more profitable transactions than customers who buy once and keep everything. Conversely, a small segment of customers, often around 1-2%, can drive a disproportionate share of returns. Understanding who falls into each category enables differentiated treatment.

From insight to action

Visibility and understanding create options, so the final step is implementing policies that align with what the data reveals.

Dynamic return terms

allow different customers to receive different conditions based on their history. Reliable customers — meaning those with consistent purchase behaviour and low return rates — might receive extended windows and free returns as a reward. Customers with high return histories might face shorter windows or modest fees. The key is framing these as earned benefits rather than penalties, ideally integrated into loyalty programmes where tiered rewards already exist.

Speed incentives

encourage faster returns through pricing. A tiered structure, like free returns within seven days and a small fee after that, nudges customers to act quickly without removing flexibility entirely. Given that most customers know within minutes of trying an item whether they'll keep it, the 30-day window serves procrastination more than decision-making.

Loyalty programmes

also allow retailers to differentiate terms based on customer value or behaviour. New Balance offers free returns as a membership benefit. Boohoo charges £1.99 per return but exempts Premier members for one free return per order. ASOS monitors return rates over a rolling 12-month window, applying fees only to customers who consistently return 70% or more of their purchases. You can reward reliability with flexibility and recover costs where behaviour erodes margin. These work best when positioned as earned benefits rather than penalties.

Exchange-first prompts

convert potential refunds into new sales. When a customer initiates a return for fit reasons, offering an immediate exchange at no additional shipping cost keeps the relationship active. Data suggests exchange platforms can convert up to 30% of returns into new purchases, compared to single-digit percentages when customers must repurchase separately. McKinsey states that in 2026, 41% trust AI search results more than traditional advertising, so AI-driven exchanges can additionally increase personalisation and CTLV.

Try-before-you-buy models

offer another approach for brands where fit uncertainty drives a significant share of returns. Such services allow customers to try items at home without committing to purchase upfront, which reduces friction at the point of decision. Alongside supporting conversion and customer acquisition, these services provide a more controlled returns channel. By encouraging faster decision-making and minimising long lead-time returns, they help ensure items that are not kept are returned quickly and can be resold in season and at full price.

Visible tags

help prevent wardrobing where customers buy, wear, and then return items. Some luxury brands have already introduced visible tags on high-value items, which has effectively reduced fraudulent returns, so other fashion segments can follow suit.



What to test first

For retailers looking to act on these recommendations, a sequenced approach makes sense.

[Digitise return reason capture](#) if you haven't already. This creates the foundation for everything else.

[Audit your return fees](#) against current processing costs. If you're not charging, consider whether a modest fee, framed transparently, could contribute to cost recovery without the conversion impact many brands fear.

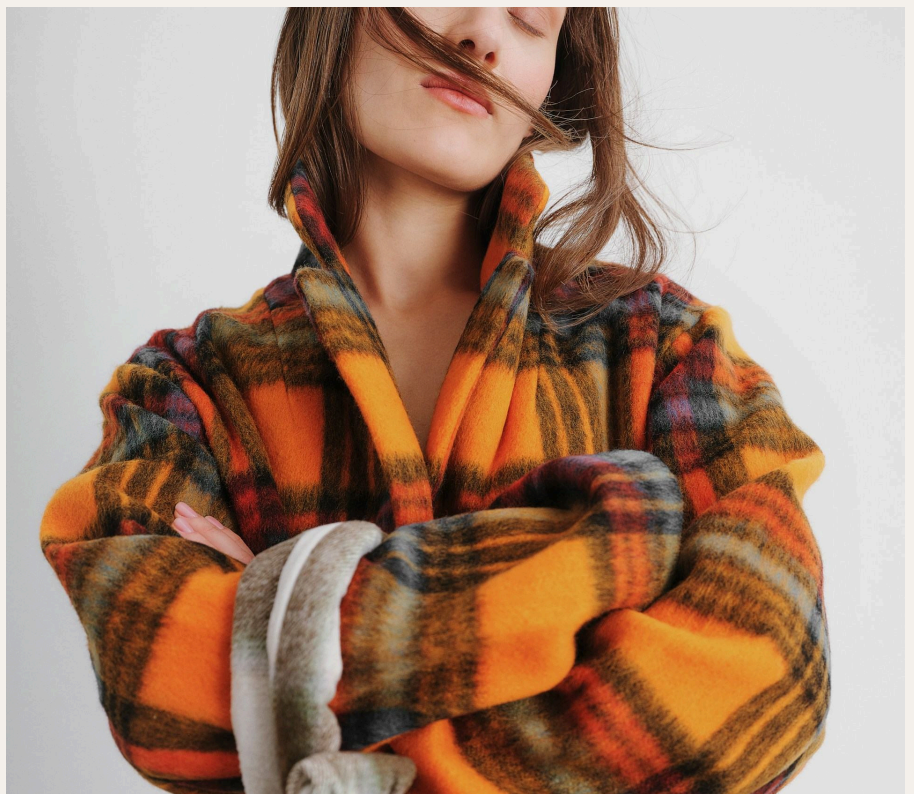
[Review your return window](#) against the data. If a large share of your returns happen within 14 days, a 30-day window delays inventory recovery.

[Segment your customer base](#) by profitability including returns. Identify the top and bottom 10% and consider differentiated policies for each.

[Test tiered return pricing](#) in a limited market or customer segment before rolling out broadly. Measure conversion, return speed and CTLV together, not just return rate alone.

[Integrate return benefits into loyalty programmes](#) rather than applying blanket policies. Frame extended windows and free returns as rewards for valued customers, not universal entitlements.

The retailers who have moved on these levers haven't reported the negative consequences many brands fear. What they have reported is improved cost recovery and faster inventory turns. For retail leaders focused on margin protection in a challenging economic environment, that may be the most compelling data point of all.



UK's top 100 retailers analysed

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Superdry
Swarovski
Sweaty Betty
Ted Baker
The Fold
The Outnet
The White Company
Theory
TK Maxx
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Harper helps retailers bring the fitting room experience online through elevated Try Before You Buy services. Alongside driving conversion and new customer acquisition, Harper is designed to accelerate return speed, helping items that are not kept to be resold in season and reducing exposure to discounting and liquidation.

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