The Return Playbook

6 Ways to Turn Returns Into Revenue

A MERCHANT GUIDE

Actionable strategies top retailers use to reduce returns and keep more profit. Every one works with or without returns software.

Your next profit opportunity might be hiding in your returns.

19.3%

of online sales were expected to be returned in 2025.

NRF / HAPPY RETURNS, 2025

Most ecommerce brands focus on making the sale. More traffic. Better conversion rates. Higher average order values. More repeat customers.

But what happens to profitability when that sale comes back?

That's nearly one in every five dollars of online sales potentially heading back out the door. And it's not just the lost revenue. Returns create additional costs for shipping, handling, customer service, inspection, and inventory recovery.

The opportunity isn't just to process returns more efficiently. It's to prevent unnecessary returns, retain more revenue, and make smarter decisions about every return you receive.

Here are six practical moves to increase sales, keep more revenue, and protect your margins. You can implement them yourself. And if you would rather let AI do the heavy lifting, we will show you how Peg can help.

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1

Turn Your Return Policy into a Conversion Driver

81%

of consumers read return policies before shopping with a retailer.

NRF / HAPPY RETURNS, 2025

Customers are reading your return policy before they buy. Is yours helping conversion or hurting it?

According to the NRF's 2025 Retail Returns Landscape, 81% of consumers read return policies before shopping with a retailer and 82% say free returns are an important consideration when shopping online.

Your return policy is not just a customer service decision. It is part of your sales strategy. But that does not necessarily mean offering free returns on everything. The smartest policy balances customer confidence with your business economics.

WHAT YOU CAN DO TODAY

- [ ] **Review your policy.** Is it easy to find, understand, and use?
- [ ] **Evaluate free versus paid returns.** Consider whether customers should cover some or all return shipping costs.
- [ ] **Consider different fees.** Not every product or return reason has the same economics.
- [ ] **Measure the results.** Watch conversion rates, returns, satisfaction, and total costs.

THE OPPORTUNITY

A smarter return policy can help turn more shoppers into customers without sacrificing margin.

HOW PEG MAKES IT EASIER

Peg can automatically enforce your return policies, eligibility rules, and return fees, reducing manual decisions.

2

Save the Sale With Discount to Keep

$85

retained from a $100 sale with a $15 partial refund, and no physical return.

ILLUSTRATION, NOT PROFIT

What if you could turn a $100 return into $85 in retained revenue?

When a customer requests a return, consider offering a partial refund as an incentive to keep the product. It is called Discount to Keep, and it can be one of the simplest ways to protect profit.

Physical returns can require shipping, inspection, repackaging, and resale at a discount—or a write-off. A small incentive may produce a better financial outcome for both sides.

WHAT YOU CAN DO TODAY

- [ ] **Identify the right products.** Start with items expensive to ship, difficult to resell, or costly to process.
- [ ] **Know your costs.** Include shipping, handling, inspection, and potential inventory value loss.
- [ ] **Test different offers.** Try partial refunds of 10%, 15%, or 20%, where economics support them.
- [ ] **Track acceptance rates.** Compare each accepted offer with the financial outcome of a standard return.

THE OPPORTUNITY

Retain revenue, avoid unnecessary return costs, and give customers a convenient alternative.

HOW PEG MAKES IT EASIER

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Peg can automatically present eligible customers with a Discount to Keep offer, based on your return rules.

3

Keep Revenue in Your Store With Bonus Credit

54%

of surveyed digital shoppers would choose store credit over cash if offered a bonus.

NARVAR / EMARKETER, 2025

A $100 refund sends $100 out the door. What if your customer could choose $110 in store credit instead?

A refund to the original payment method is not the only possible resolution. Consider giving customers a reason to choose store credit instead: $110 in credit rather than a $100 cash refund.

Narvar research reported by EMARKETER found that 54% of digital shoppers would choose store credit over a cash refund if offered a bonus. Store credit is a future obligation, not immediate profit, but it can keep customers engaged with your business.

WHAT YOU CAN DO TODAY

- [ ] **Offer a choice.** Let eligible customers choose between the original payment method and store credit.
- [ ] **Add an incentive.** Test a 5% or 10% credit bonus.
- [ ] **Make the value obvious.** Show exactly how much additional credit the customer receives.
- [ ] **Track the impact.** Measure acceptance, redemption, repeat purchases, and margin on subsequent orders.

THE OPPORTUNITY

Keep customer spending within your store and encourage future purchases.

HOW PEG MAKES IT EASIER

Peg can present store-credit incentives as part of the return experience.

4 Stop Return Fraud Without Punishing Good Customers

9%

of retail returns were estimated to be fraudulent in 2025.

NRF / HAPPY RETURNS, 2025

Being customer-friendly does not mean you have to be an easy target.

The NRF estimated that 9% of all retail returns were fraudulent in 2025. Fraud can involve false damage claims, returning used merchandise, sending back a different item, or repeated policy abuse.

The answer is not to make returns difficult for everyone. It is to apply practical safeguards consistently and review questionable situations individually.

WHAT YOU CAN DO TODAY

- [ ] **Request photos.** Ask for images when customers report damage or defects.
- [ ] **Inspect merchandise.** Verify returned-item condition before refunding when appropriate.
- [ ] **Watch for patterns.** Look for unusual return frequency, repeat claims, and inconsistent details.
- [ ] **Apply consistent rules.** Document return requirements and follow them.
- [ ] **Review exceptions.** Give higher-risk situations attention without burdening honest customers.

THE OPPORTUNITY

Reduce preventable losses while protecting a customer-friendly experience.

HOW PEG MAKES IT EASIER

peg

Peg can enforce return rules, collect photographic evidence, and route suspicious or noncompliant requests for review.

5

Make Returns Easier for Customers, Not Harder for Your Team

71%

say a poor returns experience makes them less likely to shop with a retailer again.

NRF, 2025

Your customers shop 24/7. Why should they wait for business hours to start a return?

A return request can require a service agent to check the order, review the policy, collect a reason, verify eligibility, and coordinate next steps. Multiply that by hundreds of returns and the workload quickly grows.

Much of this routine work can be automated. The experience matters, too: 71% of consumers say a poor returns experience makes them less likely to shop with that retailer again, according to NRF research.

WHAT YOU CAN DO TODAY

- [ ] **Offer self-service returns.** Let customers initiate eligible requests anytime.
- [ ] **Collect information up front.** Capture order details, return reasons, and documentation.
- [ ] **Automate routine decisions.** Apply rules for eligibility and next steps.
- [ ] **Focus staff on exceptions.** Save human attention for complicated or unusual cases.
- [ ] **Track time spent.** Measure support hours devoted to returns.

THE OPPORTUNITY

Reduce manual work and response times while freeing your team to focus on retention and sales.

HOW PEG MAKES IT EASIER

peg

Peg uses AI to manage routine return requests, apply rules, and automate workflows while routing exceptions to your team.

6

Use Return Data to Prevent Your Next Return

1 in 5

dollars of online sales potentially heading back out the door.

NRF / HAPPY RETURNS, 2025

Which products are quietly draining your profits? Your return data may already have the answer.

Every return can reveal something: a best seller with a high return rate, a sizing issue, repeated damage complaints, or customer behavior worth reviewing.

These are opportunities to improve product descriptions, merchandising, packaging, customer experience, and profit—not just problems to process.

WHAT YOU CAN DO TODAY

- [ ] **Find high-return-rate products.** Compare returns with units sold, not just total return counts.
- [ ] **Understand return reasons.** Look for repeated sizing, quality, description, or damage issues.
- [ ] **Spot unusual patterns.** Look for return behavior worth further review.
- [ ] **Find refunded dollars.** Identify products creating the greatest financial exposure.
- [ ] **Calculate actual costs.** Include shipping, processing, service, and inventory losses.
- [ ] **Prioritize improvements.** Choose the actions with the highest likely financial impact.

THE OPPORTUNITY

Stop guessing about where returns hurt and prioritize changes backed by data.

HOW PEG MAKES IT EASIER

With FREE Peg Return Insights, Shopify merchants can access return reporting to spot trends, problem products, and improvement opportunities. Start free; use the full Peg solution when you are ready to automate decisions.

Six strategies. A stronger bottom line.

The Return Playbook Checklist

1 **Turn Your Return Policy into a Conversion Driver** p. 03
Review clarity, fees, conversion impact, and costs.

2 **Save the Sale With Discount to Keep** p. 04
Find products where a partial refund could save money.

3 **Keep Revenue in Your Store With Bonus Credit** p. 05
Test a credit incentive and track redemption.

4 **Stop Return Fraud Without Punishing Good Customers** p. 06
Verify claims and investigate suspicious patterns.

5 **Make Returns Easier for Customers, Not Harder for Your Team** p. 07
Offer self-service and automate routine decisions.

6 **Use Return Data to Prevent Your Next Return** p. 08
Find trends, fix root causes, and reduce avoidable returns.

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You don't need to overhaul everything at once. Pick the quick wins, build a smarter returns strategy, and create a better experience for your customers. Free Peg Return Insights shows you where to start: apps.shopify.com/peg

Start with insights. Take action when you're ready.

FREE
RETURN INSIGHTS

apps.shopify.com/peg →

You can implement these six strategies yourself. But deciding which changes will matter most starts with understanding your own returns.

Get FREE Peg Return Insights to discover what is driving returns in your Shopify store and where your biggest improvement opportunities may be.

When you are ready to put those insights into action, Peg can help automate smarter decisions—from Discount to Keep and bonus store credit to return-policy enforcement and self-service returns.

You work hard to make the sale.
Peg helps you keep more of it.

RESEARCH & NOTES

1 National Retail Federation / Happy Returns, 2025 Retail Returns Landscape (October 2025).

2 Narvar consumer research, as reported by EMARKETER (December 2025).

3 Statistics reflect the cited research populations and periods. The $100 Discount to Keep example is illustrative, not a claim of incremental profit. Product capabilities and free-tier availability should be confirmed against the current Peg offering before distribution.

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