TechSee
Intelligent Visual Assistance

2019 SURVEY: NO FAULT FOUND PRODUCT RETURNS

A broad study of more than 3,000 US consumers was conducted to examine the reasons consumers return non-defective electronic products and to explore ways to prevent these costly returns.

KEY FINDINGS

Product returns are rampant

41% of consumers have returned a non-defective electronic product in the past 12 months - to both physical and online stores equally - contributing to the $17 billion/year the CE industry spends on return-related activities.

Many returns can be avoided

While 59% claim that the product didn't meet their needs or expectations, 41% indicate that the reason for the return was not necessarily related directly to the product: 28% claim that the product differed from the way they envisioned it, while 13% claim that the product was too complex to set up or use.

Many products are returned early on

65% of respondents decided to return non-defective electronics early on, citing frustration and/or confusion during product unboxing/unpackaging, installation, and first use.

Good customer service can prevent returns

53% of consumers will return a product if they find it hard to install and nearly 70% would return the product if they find it hard to operate. 72% stated that good customer service would dissuade them from returning the product.

Vision is the key

The majority of consumers who have returned products (65%) also stated they had never seen or interacted with a product they'd returned – physically or virtually via video or augmented reality – prior to purchasing; only 16 percent claimed they'd had the ability to "try before they buy."

Video and augmented reality are effective technologies to help prevent returns

Viewing product manuals and still images during unpackaging, installation, and first use was not enough to prevent a return; only 23% reported that an image, such as a product manual picture, would deter them from returning the product. Some 44%, on the other hand, expressed a clear preference for a live video session with a product expert.

INTRODUCTION

Consumer electronics (CE) manufacturers, communication carriers and retailers spend an estimated $17 billion every year on costs related to receiving, assessing, repairing, re-boxing, restocking and reselling returned merchandise. And that number will continue to rise, with Statista estimating that return deliveries in the US alone will cost $550 billion by 2020, 75.2% more than in 2016, not including the added expenses of restocking and inventory losses. With Accenture reporting that 68% of these CE returns fall under the umbrella of no fault found (NFF) – situations where despite the customer perceiving a problem, no fault is detected when the item is tested against the original specifications – the issue of consumer returns translates into a massive pain point for the CE industry.

Accenture's report also concludes that solving this NFF problem – or even reducing it slightly – could have a significant impact on a company's bottom line. A mere 1% reduction in the number of NFF cases could translate to 4% in annual savings on return and repair costs, or $21 million for a typical large consumer electronics manufacturer and $16 million for the average consumer electronics retailer.

This massive savings opportunity has led companies to seek solutions aimed at reducing the number of items returned, as along with associated technician dispatches, product pickups and replacements.

With this opportunity in mind, a comprehensive survey was conducted with the following goals:

- To learn more about the prevalence of NFF returns

- To understand the reasons behind consumer returns of non-defective devices

- To discover when consumers are most likely to return these devices

- To gauge consumer sentiment about ways manufacturers and retailers can improve NFF return rates

METHODOLOGY

Responses were generated from a pool of 3,098 randomly chosen consumers via an online opinion panel. Respondents were between the ages of 18 to over 60, of varying incomes, education levels, and geographic locations within the continental United States. Responses were split between genders, with 52% female respondents and 48% male respondents. 85% of the surveys were taken on a mobile device, while 15% were taken on a desktop/laptop.
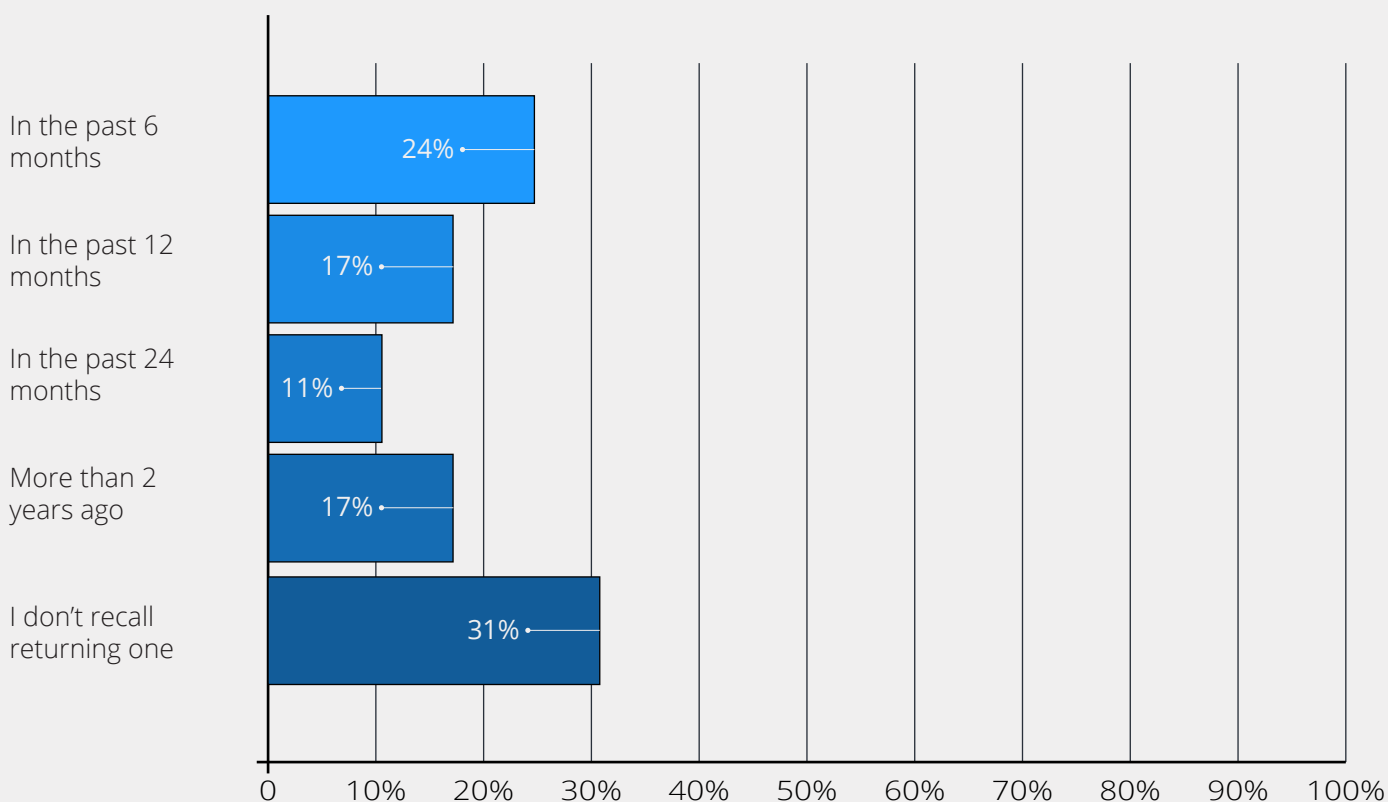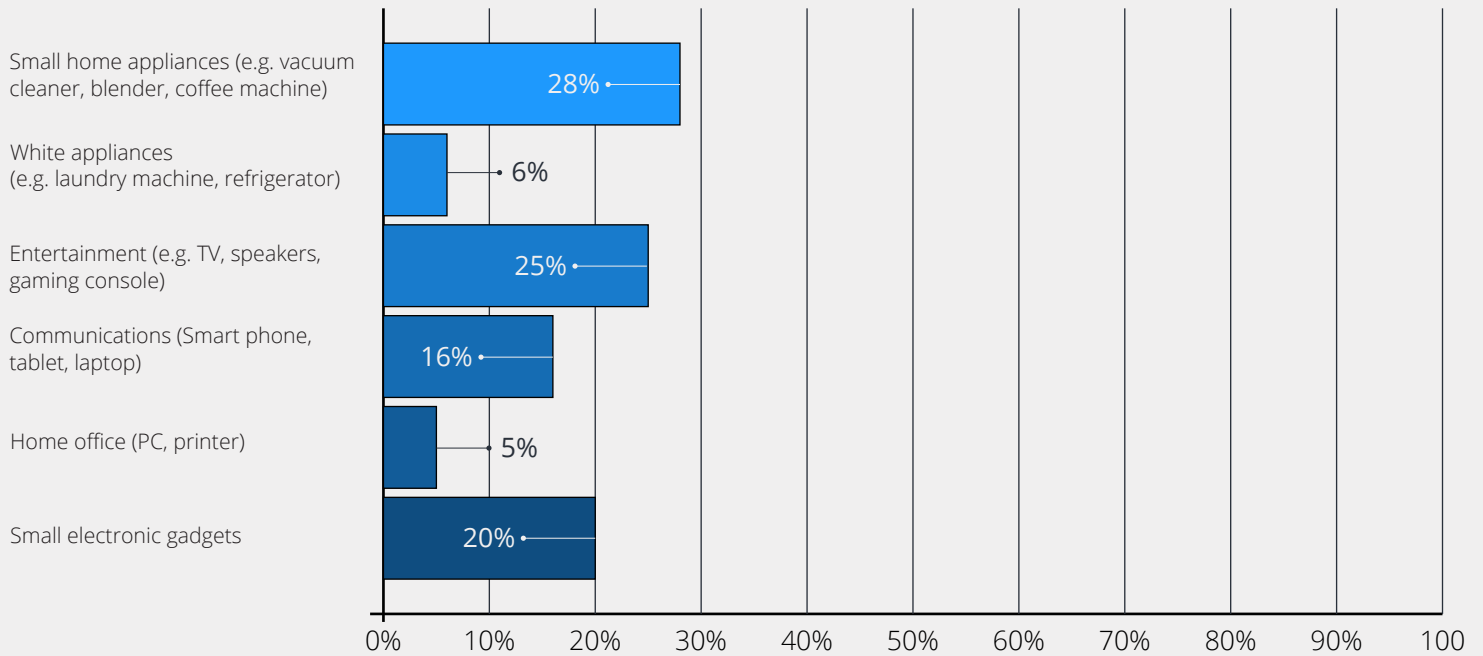
PRODUCT RETURNS ARE RAMPANT

The survey revealed that 41% of consumers have returned a non-defective electronic product in the past 12 months. Most of the returned products were small home appliances (28%), entertainment-related devices (25%), small electronic gadgets (20%) and phones/tablets (16%). Interestingly, while e-commerce return rates have never been higher, having grown by 95% over the past five years, there were almost equal numbers of returns to physical and online stores (45% and 43% respectively). This clearly indicates that NFF returns are a pain point across the entire industry and dispels the common assumption that e-commerce has a higher return rate than brick-and-mortar stores when it comes to electronics.

The prevalence of product returns might be partly the fault of the manufacturers and retailers themselves. As businesses become more customer-focused, "hassle-free" returns and exchanges are increasingly common. In fact, research shows consumers will often shun retailers that don't maintain generous return policies. So, with easy returns increasingly becoming a standard business practice, it is more important than ever to uncover the reasons behind consumer returns of non-defective products, as well as ways in which businesses can reduce the return rate and improve their bottom line.

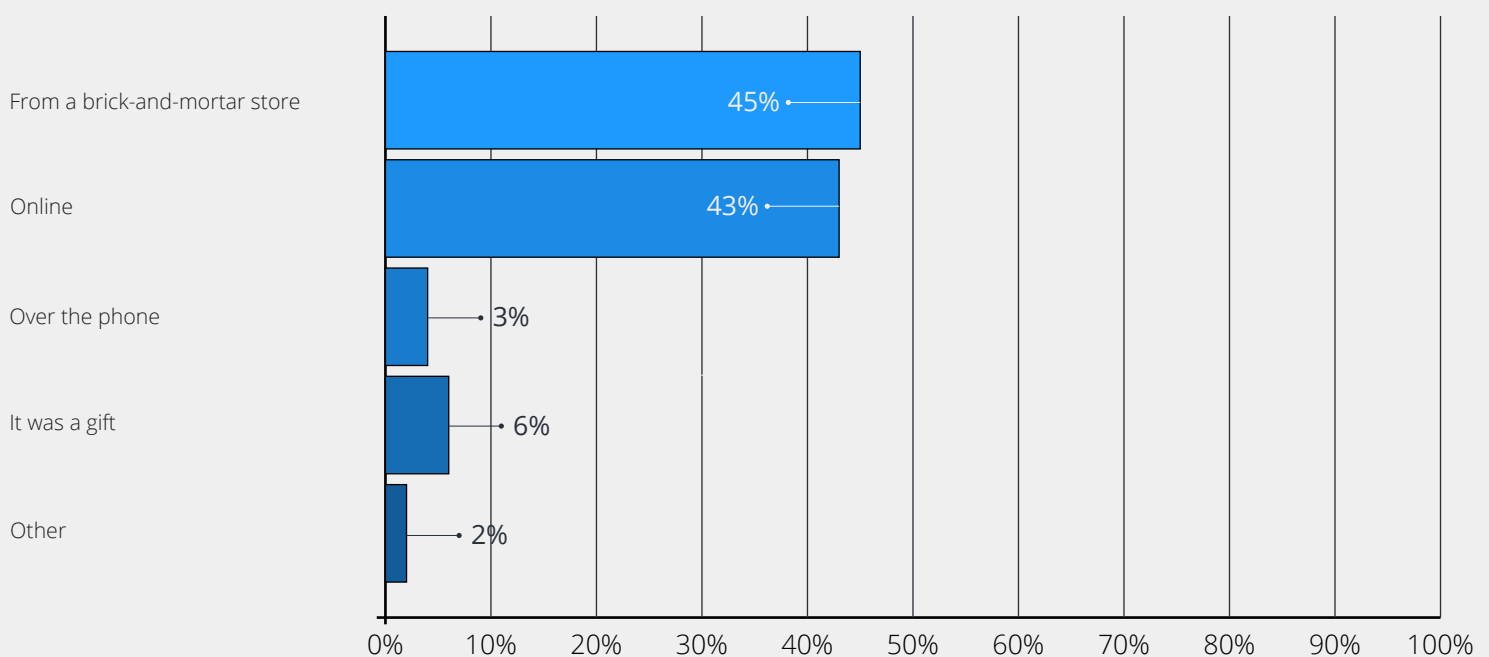## When was the last time you returned a non-defective electronic product?

Category	Percentage
In the past 6 months	24%
In the past 12 months	17%
In the past 24 months	11%
More than 2 years ago	17%
I don't recall returning one	31%

In which category was the last electronic product you returned?

- Small home appliances (e.g. vacuum cleaner, blender, coffee machine): **28%**
- White appliances (e.g. laundry machine, refrigerator): **6%**
- Entertainment (e.g. TV, speakers, gaming console): **25%**
- Communications (Smart phone, tablet, laptop): **16%**
- Home office (PC, printer): **5%**
- Small electronic gadgets: **20%**

(X-axis: 0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100)

How did you buy that product?

- From a brick-and-mortar store: **45%**
- Online: **43%**
- Over the phone: **3%**
- It was a gift: **6%**
- Other: **2%**

(X-axis: 0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%)
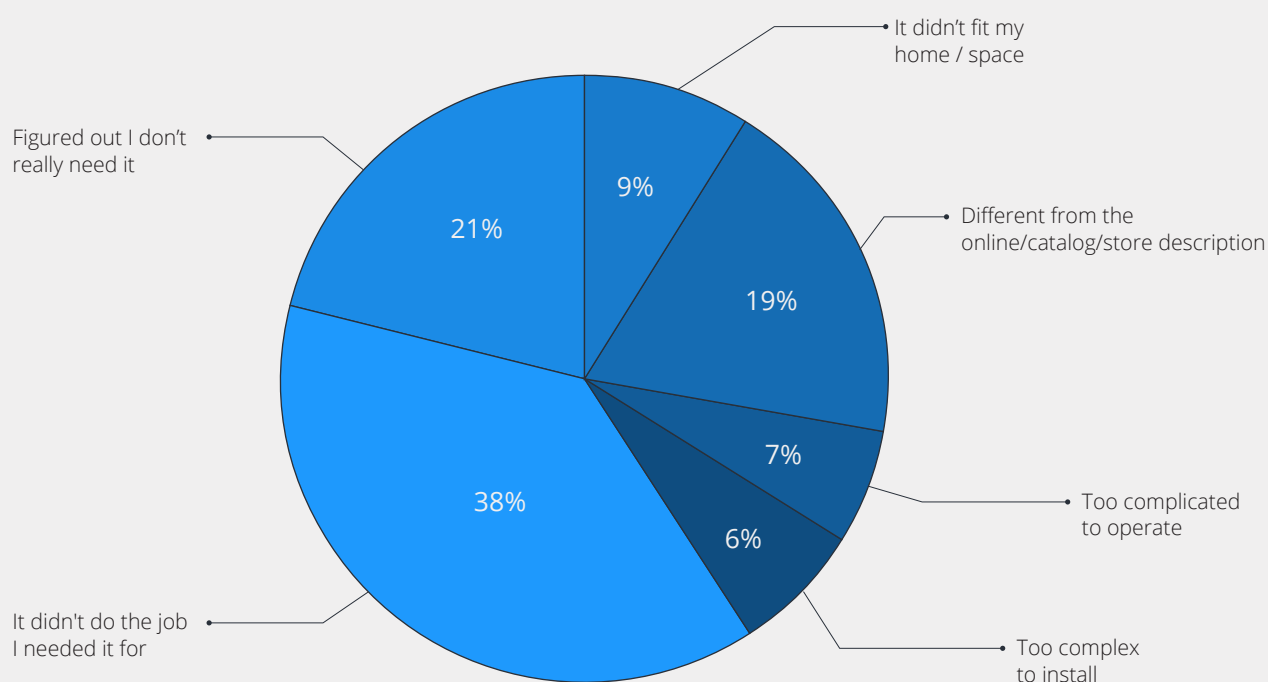
REASONS FOR RETURNS VARY

While it would be logical to place blame on product quality or lack of features for the high rate of returns, interestingly, 41% say that the reason for the return was not necessarily related directly to the product at all. This is consistent with the Accenture research, which highlights that only 5% of returns are related to actual product defects, while 27% of returns are due to "buyer's remorse."

Instead, 28% claim that the product they chose to return simply differed from the way they had envisioned it: either it was different than they imagined it from the product description or it did not properly fit their home or space. This number almost doubles when it comes to large electronic appliances such as laundry machines or refrigerators where exact product dimensions are critical, with 53% reporting that they returned their purchase when the appliance ultimately did not suit their physical space. Businesses can reduce NFF returns of items that differ from the way customers envisioned them by providing customers with the ability to see or experience the product – as well as its features and dimensions – before purchase.

An additional 13% claim that the product they chose to return was too complex to set up or use. When the items returned were entertainment-related, such as gaming consoles, TVs or speakers, this number jumps to 17%, indicating a real opportunity for manufacturers and retailers in this segment to place a greater emphasis on customer service. In general, businesses can reduce NFF returns of items that customers may find complicated to install or operate by delivering a better initial customer service experience to assist customers with installation or activation of their new products.

The final 59% claim that the product they chose to return didn't meet their needs or expectations, or they decided they did not need the item after all.

What was the reason you returned that non-defective electronic product?

- It didn't fit my home / space — 9%
- Different from the online/catalog/store description — 19%
- Too complicated to operate — 7%
- Too complex to install — 6%
- It didn't do the job I needed it for — 38%
- Figured out I don't really need it — 21%

* Other 0%

INITIAL EXPERIENCE WITH PRODUCT IMPACTS RETURN RATE

According to the data, the vast majority of customers (83%) decided to return the product after opening it: 28% after unboxing it, 13% after trying to install it, 24% after trying to use the product for the first time, and 18% after an initial use period of a few days or weeks. This further underscores that more positive unboxing and customer service experiences – both immediately post-purchase and on an ongoing basis – have the power to influence whether the device will ultimately be returned.

Interestingly, the majority of consumers who have returned products (65%) had not physically seen them before purchase. 20% were able to see the product live before purchase, but only 16% had the opportunity to 'try before they buy' or experience the product firsthand before purchase. Clearly, the visual gap between what a customer sees and experiences will make a difference to return rates – a phenomenon that is relevant for both online and brick-and-mortar retailers. In fact, from the respondents who made their purchase from a brick-and-mortar store, more than one-third (34%) said they did not have a chance to see the product at all or only saw it as a 2D image. It comes as no surprise that 23% of these in-store buyers still returned the product because it differed from the way they envisioned it or because it was too complex to set up or use.

Consumer Quotes

"Allow people time to interact with the product before purchasing, and have easy customer service if the customer finds if difficult to adjust to the product."
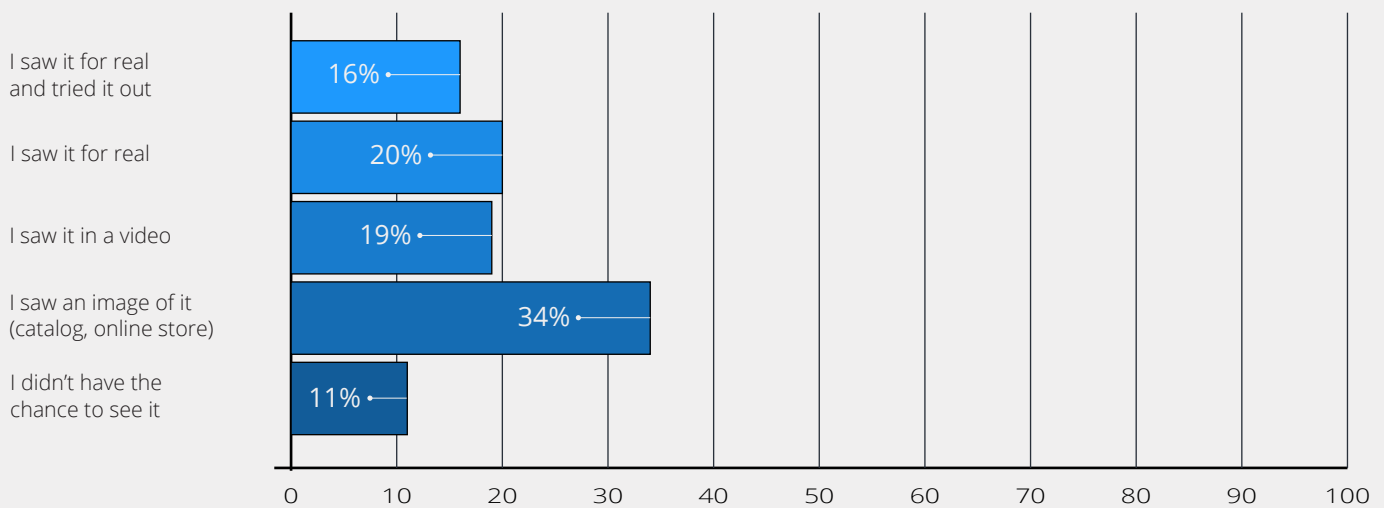
"A lot of electronics are complicated to set up & people give up."

How long did it take you to decide to return the product?

17%
Right after purchase, before opening it

28%
After unboxing the product

13%
After trying to install the product

24%
After trying to use the product for the first time

18%
After initial use of a few days or weeks

How did you experience the product before getting hold of it?

Category	Percentage
I saw it for real and tried it out	16%
I saw it for real	20%
I saw it in a video	19%
I saw an image of it (catalog, online store)	34%
I didn't have the chance to see it	11%

0 10 20 30 40 50 60 70 80 90 100

CUSTOMER SERVICE IS KEY

53% of respondents reported that they would return a non-defective electronic product if they found it difficult to install, and nearly 70% would return it if they found it hard to operate, suggesting customer support is a critical component in lowering NFF returns. This is especially worrisome in the age of the Internet of Things (IoT), where the number of smart devices is exploding, resulting in a continuous rise in the need for consumers to install and activate their connected gadgets. Research by Gartner, Inc. shows that consumers are the largest users of connected devices, with the number of active units worldwide expected to reach 20.4 billion by 2020.

This data is aligned with another TechSee survey on the topic: self-installation – the process that enables customers to install home electronic devices without requiring the help of a technician or a contact center – which is preferred by 3 out of 4 survey respondents. This willingness has already been translated into action with 66% of consumers having self-installed home electronics in the past 12 months. As customers continue to demand better experiences, and as the range and complexity of connected devices multiplies, there will be an increasing demand for expert assistance with installations and setup.

This need is even more acute with Baby Boomers – the generation born worldwide between 1946 and 1964 – 62% of this age group reported that they would return a non-defective electronic product if they found it difficult to install, and a full 75% said they would return it if they found it hard to operate.

The good news is that it seems customers can be dissuaded from returning their non-defective devices, with 72% reporting that help from a product expert could change their mind about the return by showing them how to properly install and use it. In fact, a good initial customer experience is the first step toward building brand loyalty. A Walker study found that by the year 2020, customer experience will overtake price and product as the key brand differentiator. Meanwhile, research shows that 44% of consumers will take their business elsewhere due to a poor customer service experience.
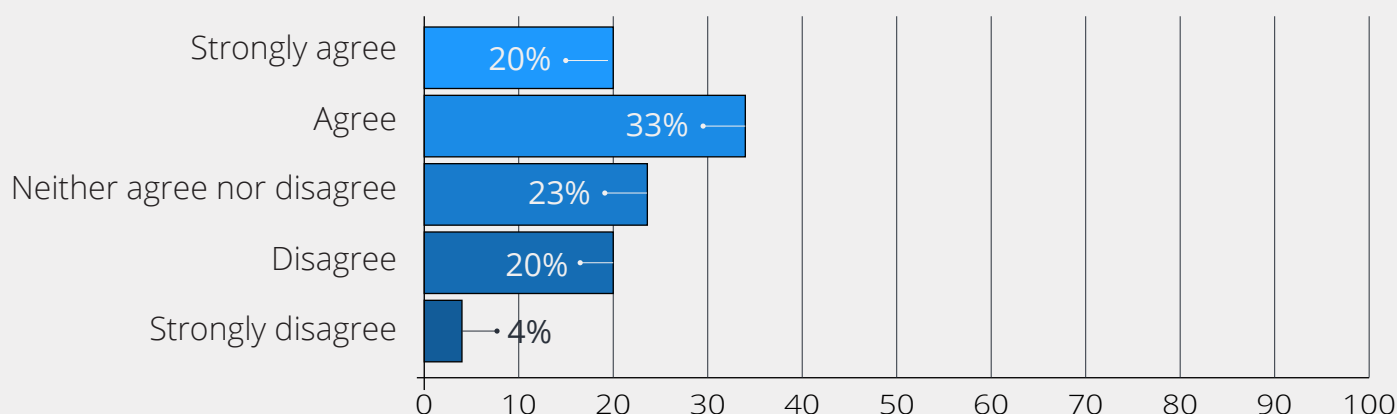
The bottom line is that businesses that take proactive steps to provide their customers with proper assistance with installation – or better yet, enable them to self-install successfully – can expect to see their NFF return rate reduced.
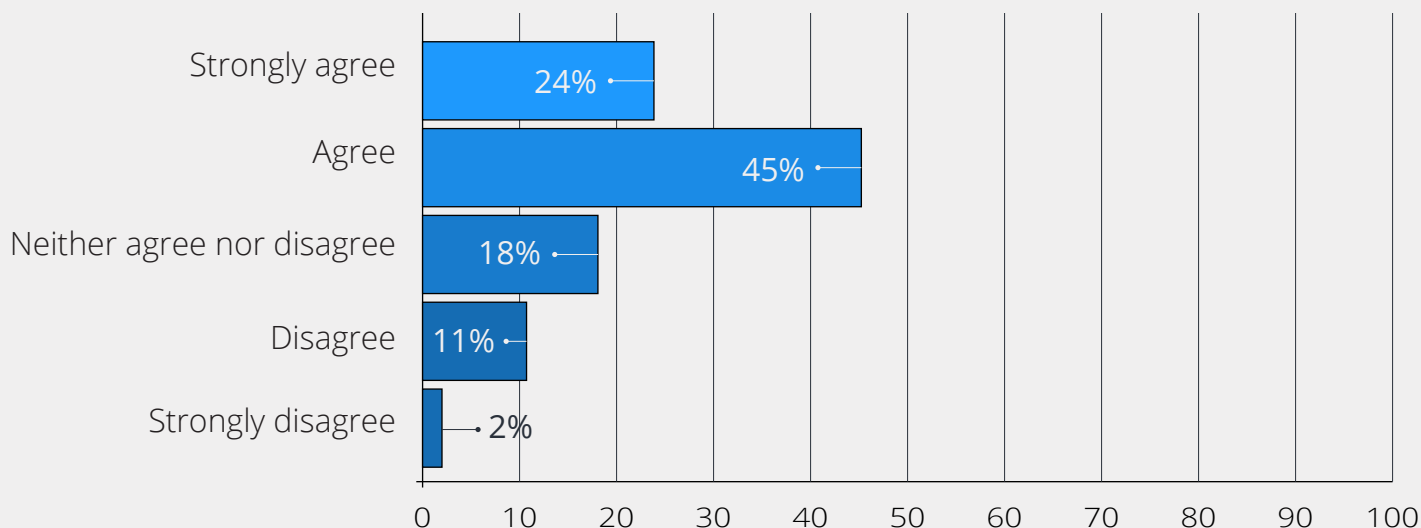
Consumer Quotes

"Have better customer service experiences with those who have concerns before receiving and after acquiring the product."

"Have higher quality customer service as well as guaranteed assistance in installation and use when purchasing their products."
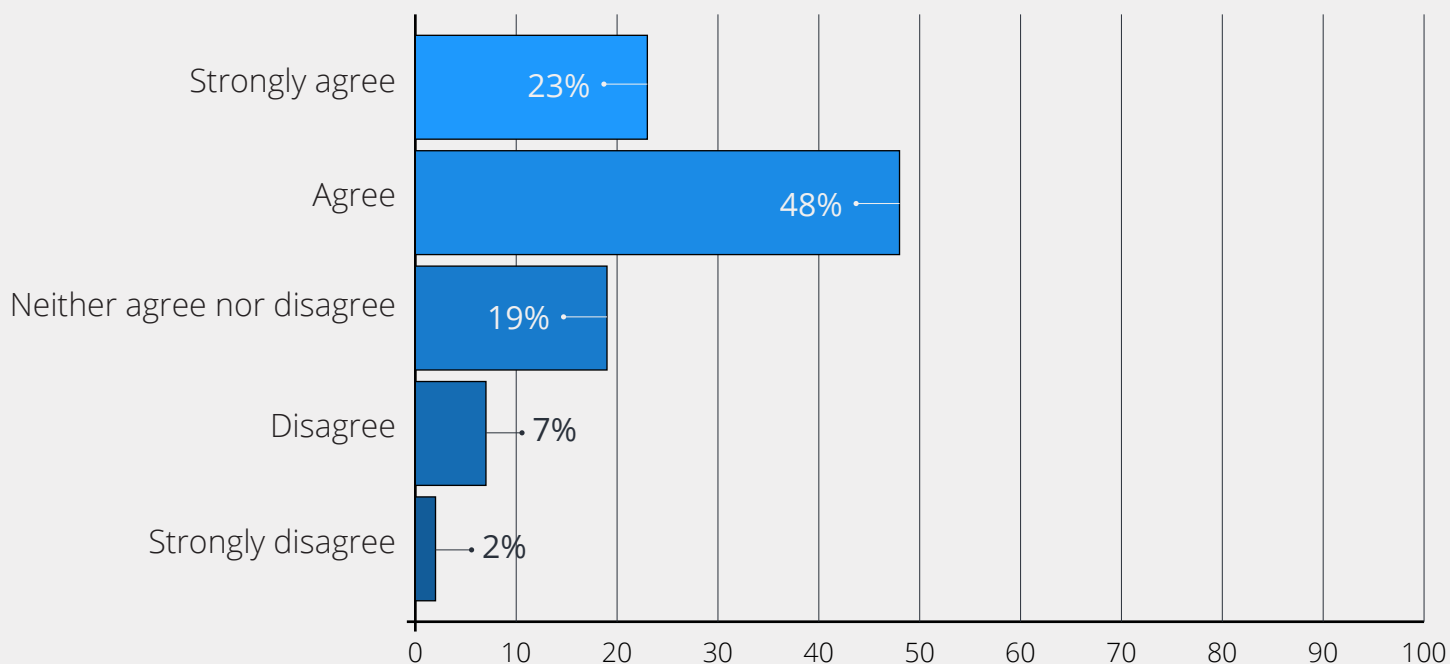
Rate this statement: I'll return a non-defective electronic product if I find it hard to install.

Response	Percentage
Strongly agree	20%
Agree	33%
Neither agree nor disagree	23%
Disagree	20%
Strongly disagree	4%

Rate this statement: I'll return a non-defective electronic product if I find it hard to operate.

Response	Percentage
Strongly agree	24%
Agree	45%
Neither agree nor disagree	18%
Disagree	11%
Strongly disagree	2%

Rate this statement: A product expert could change my mind about returning a non-defective product by showing me how to properly install and use it.

Response	Percentage
Strongly agree	23%
Agree	48%
Neither agree nor disagree	19%
Disagree	7%
Strongly disagree	2%

VISUAL EXPERIENCES REDUCE LIKELIHOOD OF RETURNS

According to the data, 83% of consumers said that having the opportunity to try out a product before buying it would make them less likely to return it, and having the ability to simply see the product live would make 72% less likely to return the item.

When seeing or interacting with a product live is not possible or convenient, video is an effective technology to help prevent returns. 45% of consumers state that watching a product video will dissuade them from returning the product and 44% say the same for video streaming with an expert. Viewing the product image alone is not enough to prevent the return, with only 23% of consumers reporting that seeing a product image would deter them from returning the product.

Clearly, the days of printed user manuals and product catalogs are over. Customers are now seeking visual experiences and more personalized interactions. It seems that video has a found a practical use as an instructional tool as it is the most suitable technology to meet customer demand for CX excellence, especially in light of the increasing number of IoT devices flooding the market.
With the right features and capabilities, video can offer users a more engaging and interactive experience, during initial setup, configuration, and troubleshooting or for regular maintenance.

Consumer Quotes

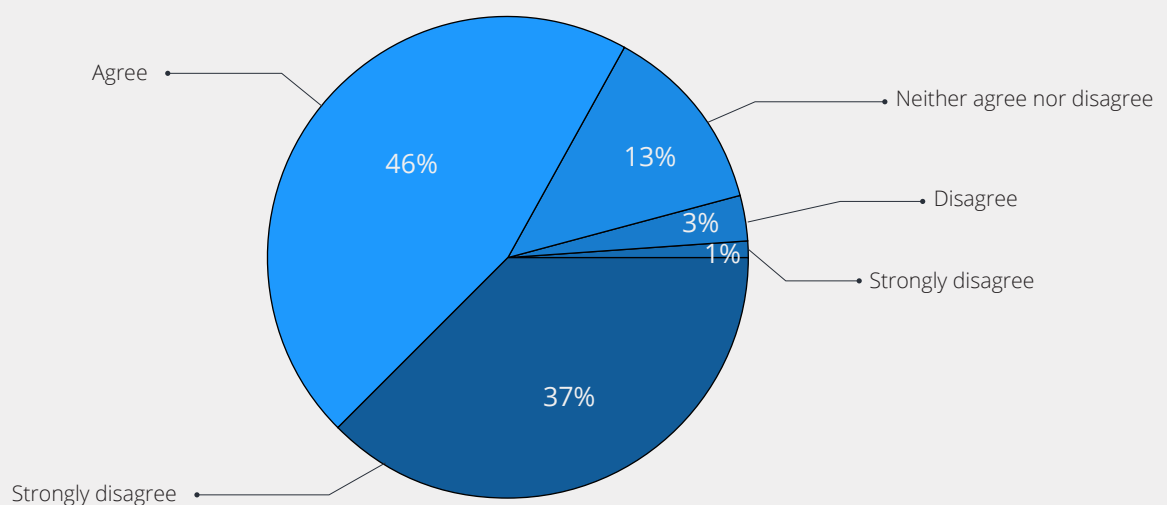"Better customer service and/or video explanations or directions"

"I think having more how-to videos online would solve and answer many questions and this would prevent people from returning items."

"Hands-on videos on-line"

"I like the expert on video idea"

"Have live chat or video chat with a technician"

Rate this statement: Trying out a product for real before buying it would make me less likely to return it.

Agree — 46%
Neither agree nor disagree — 13%
Disagree — 3%
Strongly disagree — 1%
Strongly disagree — 37%

Rate this statement: Seeing a product for real before buying it would make me less likely to return it.
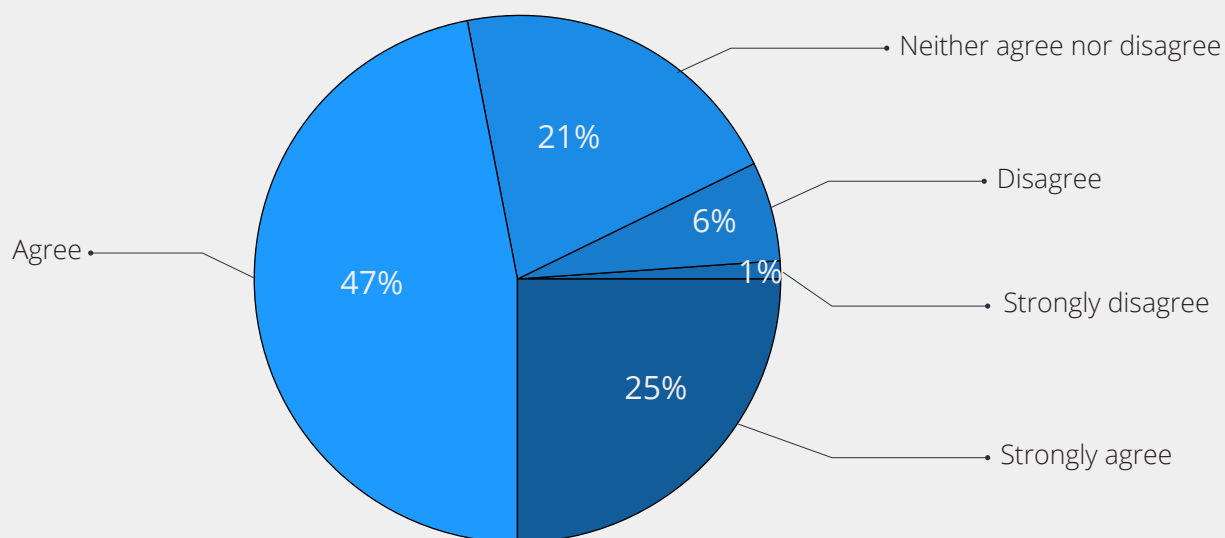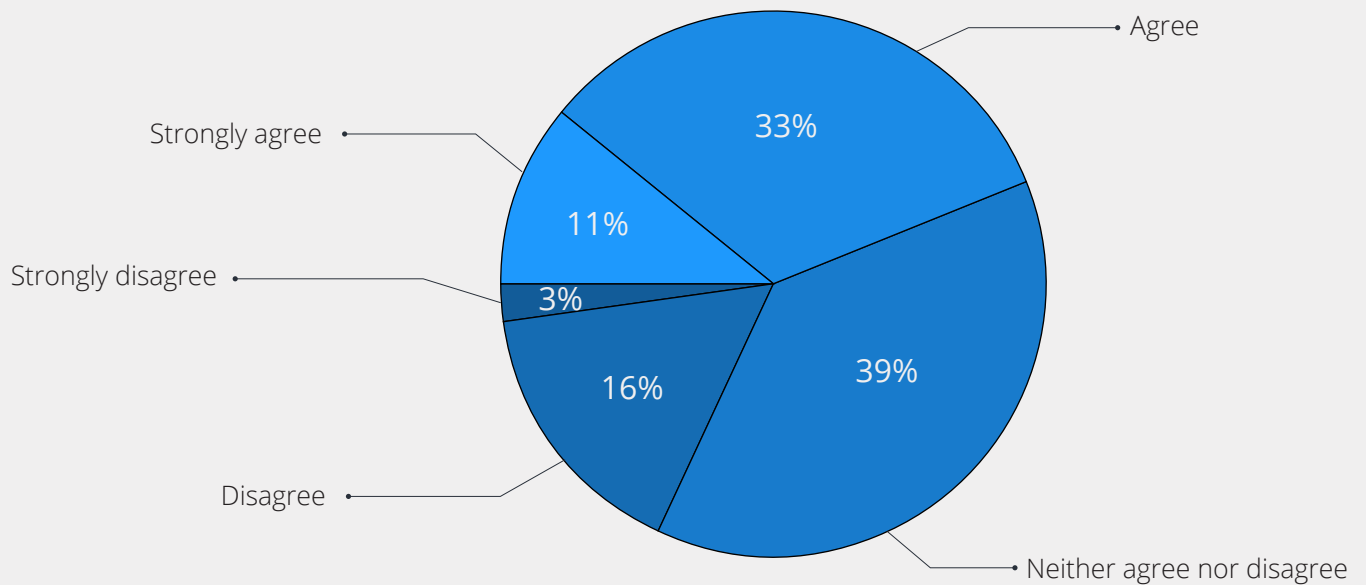

Watching product unboxing videos gives customers the opportunity to "feel" what is like to first experience the product, allowing them to live vicariously through other customers' excitement as they initially touch the product and savor the newness of their device. Unboxing videos show the condition of the package, describe all items that come with the purchased product, and explain in detail how to install or activate the product.
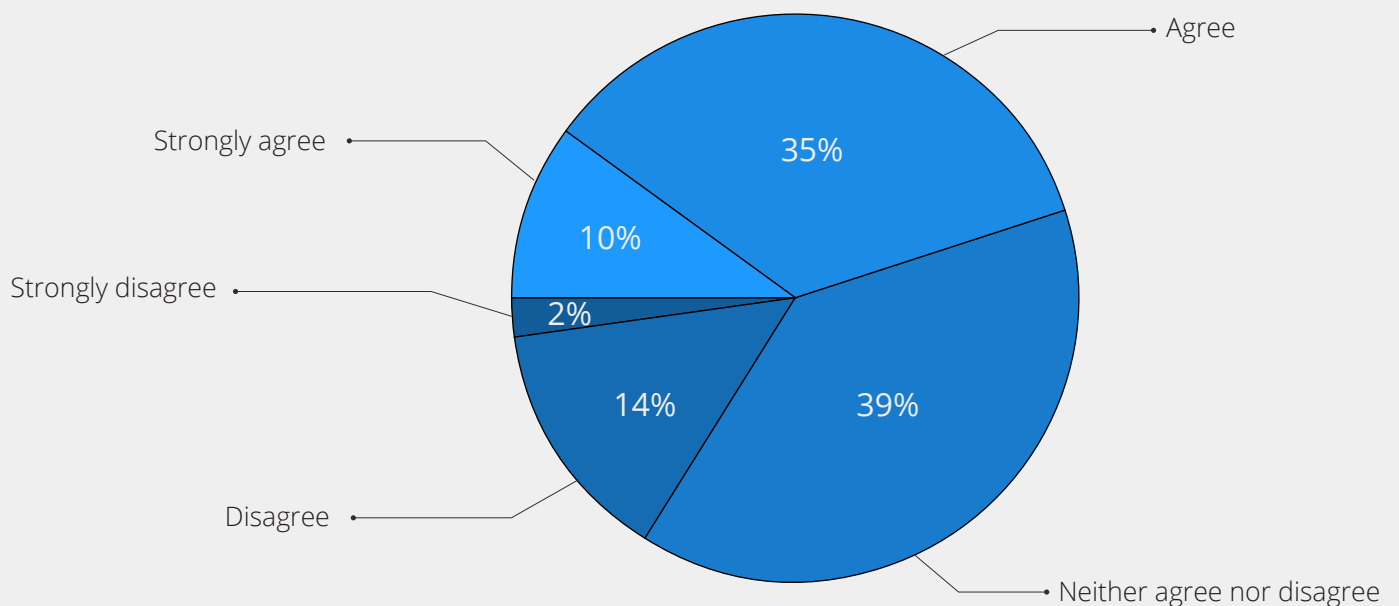
These videos are becoming increasingly popular. In fact, YouTube reports a 57% increase in product unboxing video views in one year, and an increase in uploads of more than 50%. It would take a viewer more than seven years to watch the huge number of videos that have been uploaded to YouTube in one year alone, and these videos have more than a billion views annually. Google Consumer Survey underscores these statistics, with 20% of consumers reporting that they've watched an unboxing video.

Visual Assistance powered by augmented reality (AR) can make the unboxing, installation and activation process even more intuitive by delivering a new level of self-service visual customer assistance. Brands and product experts can use the emerging technology to visually guide and collaborate with customers as they experience the product during the pre-sale phase and as they use their new products during the post-sale phase – resulting in fewer NFF returns due to lack of customer knowledge about the product. This technology is considered more effective than product videos, as it is more personalized, applies to the customer's actual environment, and incorporates interactive feedback and the ability to correct the customer when needed.
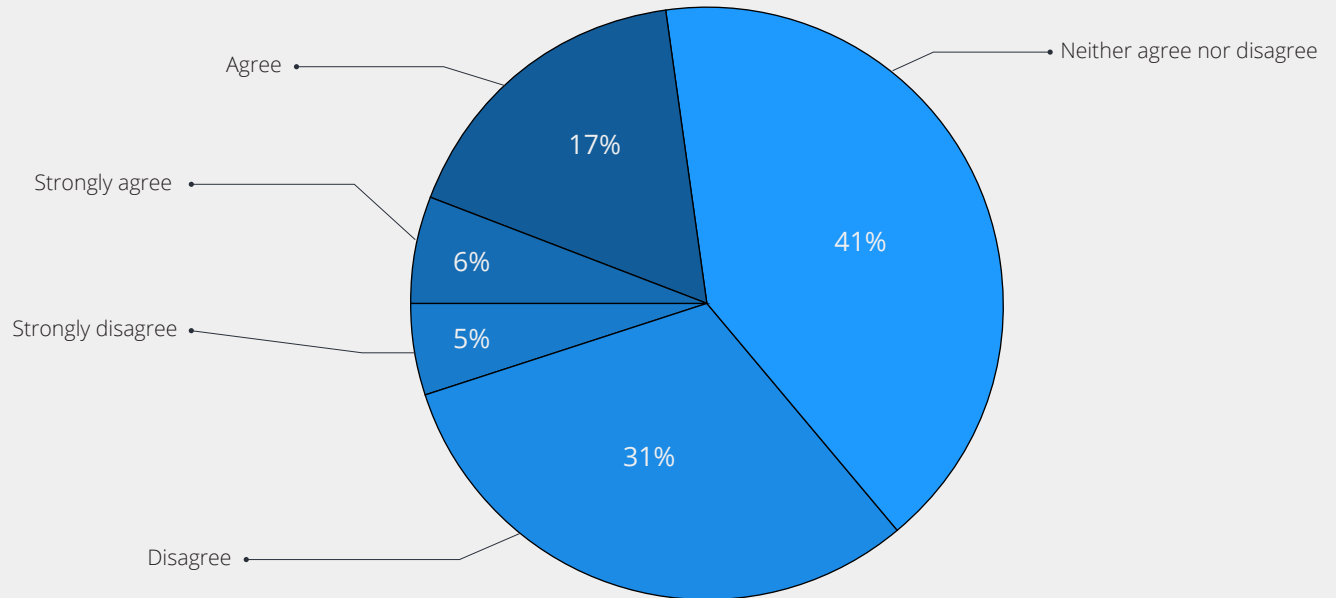
Rate this statement: Seeing a product on a live video chat with an expert would make me less likely to return it.

- Agree — 33%
- Strongly agree — 11%
- Strongly disagree — 3%
- Disagree — 16%
- Neither agree nor disagree — 39%

Rate this statement: Seeing the product in a video before buying it would make me less likely to return it.

- Agree — 35%
- Strongly agree — 10%
- Strongly disagree — 2%
- Disagree — 14%
- Neither agree nor disagree — 39%

Rate this statement: Seeing the product image in a catalog / online store before buying it would make me less likely to return it.

- Agree — 17%
- Strongly agree — 6%
- Strongly disagree — 5%
- Disagree — 31%
- Neither agree nor disagree — 41%

CONSUMERS SPEAK

When asked what they think brands could do better to avoid people returning non-defective electronics products, respondents suggested a wide range of tactics, from providing more effective demonstrations to using augmented reality and implementing a wider variety of customer service channels. Some samples:

DEMAND FOR VISUAL EXPERIENCES
Consumer Quotes

" I think allowing a customer to handle and be shown how to use an electronic would greatly reduce returns as they could make a better purchasing decision

" I think having more how-to video online would solve and answer many questions and this would prevent people from returning items.

" Free setup or live video assistance

" Referencing a YouTube video on how to install and use it right on the package would be a great idea. This way, while at the store you can see the product in action, via the video, and decide to purchase based on what you saw in the demonstration.

" Have live chat or video chat with a technician

" Have product usage videos on YouTube whenever a product is released

" Publish an in-depth how-to video on YouTube

" More YouTube videos with demonstrations

" Have YouTube videos on how to set up the product so it's easier for consumers to access

" Hands-on videos online

" I like the expert on video idea

" Online video showing any "tricks" to install and use

" Provide helpful videos on installation and how it works

NEED FOR IMPROVED CUSTOMER SERVICE EXPERIENCES
Consumer Quotes

> " Easy-to use instructions for setup and use. As well as a more practical explanation of how we are better off with those electronics in our lives.

> " Make customer service more feasible if there is confusion with the device so they're more likely to utilize it than return it

> " "Offer better tech support, either at point of purchase, or live support at my home"

> " "SIMPLE visual, detailed instructions, live support or in-store support to use product"

> " "User friendly interface and continued support"

> " Better customer service and/or video explanations or directions

> " Better instructions and customer support line

> " Have tech support available to help install or figure out how to use more complex products

> " Make sure the people purchasing products have the support to use them

> " Have good support so you can call or video chat when you're having problems.

> " Better customer service and/or video explanations or directions

CONSUMER QUOTES: WORD CLOUD

CONCLUSION

Brands, manufacturers and retailers are facing a significant challenge of reducing consumer returns of non-defective products. These no-fault-found (NFF) returns represent a massive pain point to the consumer electronics industry, both to e-commerce and brick-and-mortar stores.

While it is impossible to eliminate all consumer returns, this survey shows that it is possible for NFF returns to be dramatically decreased by implementing improvements in both the pre-sales and post-sales phases. Pre-sale, allowing consumers to see and experience the product before purchase effectively aligns their expectations and helps them better envision the product, its features and dimensions. Post-sale, having an excellent initial customer service experience is the key to avoiding returns by simplifying product usage and installation and eliminating any customer frustration with the product.

Businesses can harness the power of video-based technology to improve their product return rate and help consumers more easily integrate electronic devices into their everyday lives. Combining video and augmented reality with customer service excellence by empowering customers to visualize their products before purchase and during the post-purchase period, will go a long way towards reducing NFF returns. Before purchase, customers can more easily visualize whether the product fits their environment and needs. Post-purchase, customers can easily complete any required installation or activation activities with an excellent customer service experience via visual-based support and guidance.

Visual assistance refers to screen-based technology that allows customer service agents or product experts to see the customer's physical environment via their smartphone. With the ability to visualize the customer's home or workplace either offline or in real time, agents can use augmented reality to point, annotate and visually guide the customer, resulting in faster and more effective support resolutions, a more satisfying customer experience and a markedly lower rate of NFF product returns.

ABOUT TECHSEE

TechSee revolutionizes the customer experience domain by providing the first cognitive visual assistance solution powered by augmented reality and artificial intelligence. TechSee empowers teams across the globe to deliver a visual customer experience that significantly reduces service costs, enhances service quality, and delivers intelligent fully automated services over time.

TechSee is led by customer service industry veterans with decades of experience in customer-facing technologies, computer vision and big data. TechSee is headquartered in Tel Aviv with offices in New York and Madrid.

TechSee — Intelligent Visual Assistance

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