TAG® TELSEY ADVISORY GROUP

INDUSTRY UPDATE

APRIL 19, 2024

- Return costs nearly doubled between 2020 and 2021, creating a headwind for retailers
- In 2023, the NRF estimates that $743B of retail merchandise was returned, of which $240B+ came from online returns (14.5% of total retail sales)
- As online shopping continues to grow, so do online product returns
- E-commerce businesses are at the greatest risk of return costs and return policy abuse
- Apparel, footwear, bags and accessories are the most returned product categories for online purchases
- Retailers who cover all costs associated with returns face high expenses amid record inflation and logistics cost pressures
- Consumers are loyal to brands with favorable return policies and regulations
- Sustainable retail returns are a key concern for shoppers, particularly Gen Z which is gaining purchasing power
- Consumers return products for a variety of reasons including wrong item or size, damaged or defective product, or if an item is no longer needed, among other reasons
- In 2022 and 2023, several retailers added or increased fees to mitigate return related costs, becoming more restrictive in their policies
- Retailers have a number of tools at their disposal to address the challenges of online returns
- Retailers look to implement the right tools, both in store and online to help customers find the right fit

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A Closer Look at the Changing Landscape of Merchandise Returns

Proliferation of E-Commerce Presents New Challenges as Retailers Look to Minimize Impact of Returns

The e-commerce market in the US grew 8% YoY in 2023 compared to total retail sales growth of 3% in the same period. E-commerce sales accounted for 22.4% of total retail sales in 2023 (ex auto, gas and food) vs. 21.5% in 2022, according to the Census Bureau. With the rise of the internet and the ubiquity of smart devices, online shopping has boomed. Narvar, which focuses on making returns more efficient and cost-effective for retailers, estimates that 20% of retail purchases were made online last year, implying a global e-commerce market of over $6T. As online shopping grows, so does online product returns, presenting a problem and an opportunity for retailers.

In this report, we examine the challenges retailers face with returns. With logistics, processing, and record levels of inflation, the cost of returns has increased significantly over the past few years. As online shopping surged during the pandemic, retailers have found themselves processing returns with many customers buying items they have no intention of keeping, particularly for products many softlines retailers sell. Retailers are trying to change consumer behavior and attitudes about returns and online shopping through a variety of policy changes and fees, including improving fit and style guides to reduce the need to buy multiple sizes of a product; charging fees on return shipping for returns, shortening return windows, and encouraging customers to leverage third-party drop points or return in-store, among others. We compare the return policies across our softlines coverage, as many retailers have modified their return policies since the pandemic to address these challenges.

E-commerce businesses have greater exposure to product returns, notably apparel. As online shopping grows, many consumers will buy several items in different colors or sizes, keep those that fit and look good, and return the rest, a practice called "bracketing" that ensures the right fit. From a customer perspective, this is akin to taking multiple items into a fitting room and making one purchase. Industry insiders estimate that up to nearly 25% of clothing bought online is returned, primarily because of poor fit. Another common practice that borders on fraudulent includes buying something, wearing it for an event, and then returning it once the event is over, having purchased the item with no intent to keep it. Furthermore, poor logistics or potential delivery delays can result in customers receiving wrong, late, or damaged merchandise, all increasing the likelihood of a return.

Status quo return policies are no longer practical. Historically, many digitally native and online businesses offered free online returns, eating the costs to ensure a better experience and drive loyalty, which seemed to be working, in our view. Internet retailers were able to compete with brick-and-mortar companies and gain share, and as bigger retailers established their online presence, the precedent had already been set for online returns by the early adapters. Bigger retailers could afford to absorb the costs and inconvenience, and smaller retailers used return policies to differentiate themselves and strengthen customer loyalty. But then, the pandemic hit, and what was initially a challenging situation became a significant operational and financial headwind (supply chain issues and increased costs).

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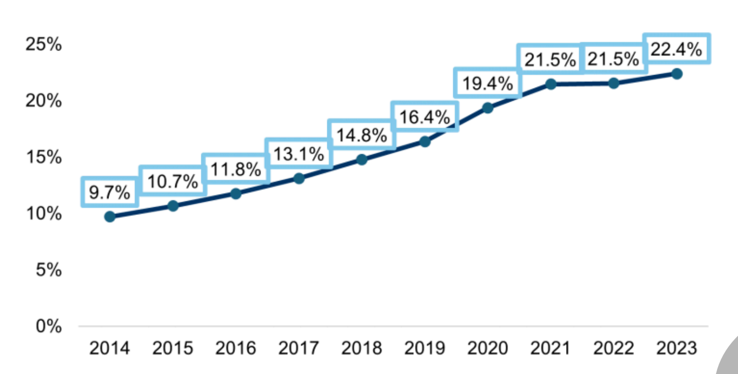
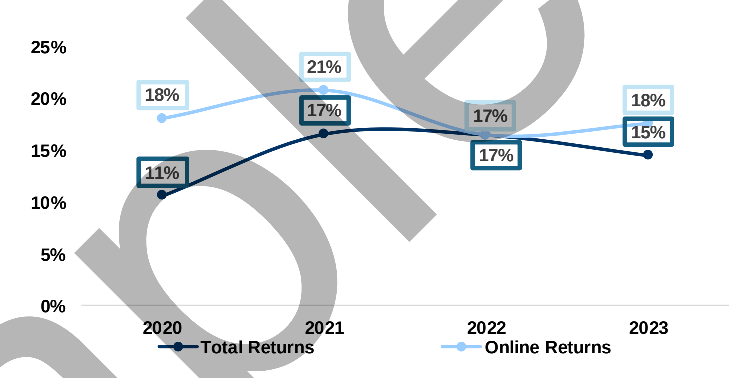
Between 2020 and 2021, return costs nearly doubled, according to the NRF, reportedly costing retailers $751B in 2021 (16.5% of total US retail sales), vs. $428B in 2020 (10.6% of US retail sales). Online returns were even higher, accounting for 20.8% of total sales in 2021, or $218B. In 2023, the NRF estimates $743B of retail merchandise was returned, of which over $240B came from online returns, amounting to 14.5% of total sales. Online returns as a percentage of online sales are even higher, accounting for 17.6% of sales, vs. just 10% for brick-and-mortar. In a consumer survey conducted by Shippo and The Harris Poll last year, 21% of Americans who have made online returns in the last year expect those returns to increase in the next year.

E-COMMERCE AS % OF TOTAL US RETAIL SALES



Source: US Census Bureau.

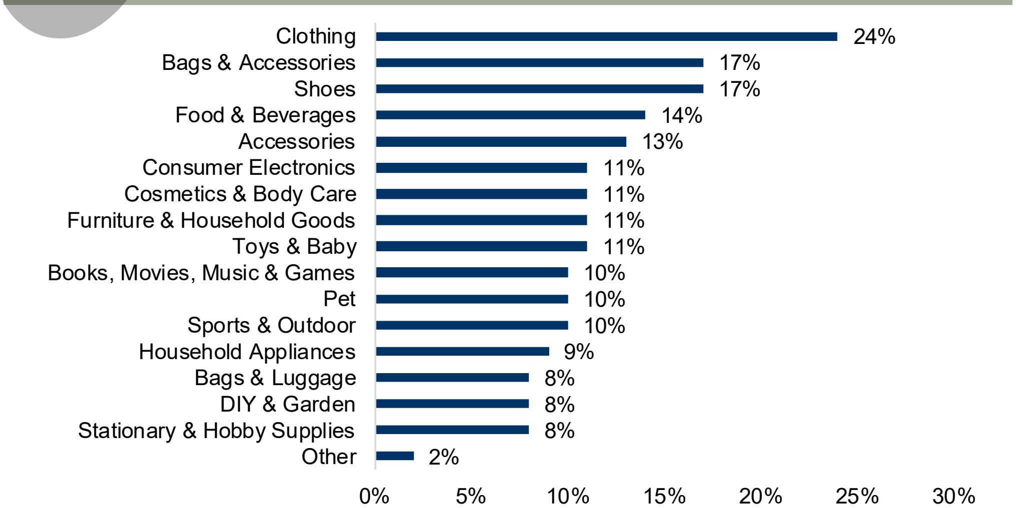
ONLINE AND TOTAL RETURNS REMAIN ELEVATED



Source: National Retail Federation

Online return rate trends by product category. Across the consumer landscape, apparel (24%), footwear (17%) and handbags and accessories (17%) have historically been the most returned product categories, followed by food and beverages (14%) and other accessories (13%), according to Statista (as of December 2023). As noted in the chart below, there were a wide range of subsegments from consumer electronics to cosmetics to pets that saw return rates in the low-double digit range. The three segments with the lowest return rates at around 8% are bags & luggage, DIY & garden, and stationary & hobby supplies.

MOST RETURNED ONLINE US PURCHASES



Source: Statista Research. Data as of December 2023.

The true cost of returns. Retailers who cover the full cost of returns face packaging costs, shipping costs, sorting, processing, and even storage-related expenses. According to Women’s Wear Daily, returns can cost retailers on average $33, across postage, packaging, depreciation, missed sales windows, and labor. In addition, the profit potential is reduced further if retailers then choose to resell the returned item at a discount. According to the Shippo 2023 Benchmarks report, some estimates indicate that returns can cost the seller as much as 66% of the original item’s price. Industry insiders estimate that online fashion returns cost $25.1B in processing fees annually, across the retail sector. During the pandemic, companies grappled with significant supply chain disruptions and record-level fuel prices, driving up inventories as transportation/shipping was unreliable and costly. Some retailers considered letting customers keep products or donate them instead of adding returned products to existing stockpiles. During the holiday season last year, 59% of 500 retail executives surveyed by goTRG adopted the keep-it return policy (where customers get a refund and keep the product) to minimize returns during the busy holiday season, up from 26% in 2022. That said, it remains to be seen if the policy will stick, as many companies temporarily adjust their return policies to find the right balance between cost and efficiency.

Customer loyalty could be another cost of a poor return policy. In the past decade, return policies have been seen as a critical part of customer service and enhancing the overall shopping experience, with many e-commerce retailers even paying for customer returns, ensuring a free and easy return process. In consumer surveys, respondents consistently indicate that return policies were a significant factor in their online shopping habits. A survey of 8,000 consumers conducted by PowerReviews found that free returns were the second most important factor in a purchasing decision, after free shipping. Other surveys have found that an overwhelming majority of consumers (92% of respondents polled, according to Voxware) agreed or strongly agreed that how a company handles returns influences whether a customer will purchase from that retailer in the future. Around 80% of respondents in a Shippo survey said they would shop from other retailers if a retailer changed or made the return policy more difficult. Roughly 72% of respondents who made an online purchase in the last 12 months reported that online returns have been made more difficult over that time frame, with over half saying that they felt “blindsided” by a change to a company’s online return policy.

Sustainability considerations. Consumers are increasingly prioritizing sustainability and are demanding more eco-friendly practices from retailers, particularly among younger generations. A 2022 report from Optoro estimated that 9.5B pounds of e-commerce returns end up in landfills. It can be rather challenging for retailers to try to repair damaged product and resell it, especially if they do not have repair capabilities in-house. Several governments are proposing legislation to control or reduce retail waste. In 2023, the EU banned the destruction of unsold footwear and textiles, and California and New York, among other states, have also proposed regulations to curb textile waste. Other options include downcycling damaged items that cannot be resold, shredding the product or reusing it in materials like carpet padding or upholstery for car manufacturers.

> **Consumers want more sustainable retail returns.** According to an Emarsys research report on retail returns that surveyed over 2,000 US consumers, 51% of respondents stated that they want more sustainable retail returns. The study suggests that shoppers (particularly younger consumers) will continue to gravitate toward eco-friendly brands with more sustainable return policies and processes. Notably, 33% of Gen Z respondents consider sustainability to be the most important factor when making purchases, even more than price. As such, to better appeal to younger audiences, retailers can reduce the environmental impact of returns by recycling returned items or by using less (or more sustainable) packaging.

Returns Trends

The process to return an unwanted product depends on several factors, such as where the item was bought, the method used to send back or exchange the item, and the specific policies and procedures of the company. When returning merchandise through online channels, retailers will often charge customers a shipping or restocking fee that allows them to offset some or all costs related to the return. When customers mail an item back, companies will often incur additional expenses and labor costs, such as the time and energy it takes to inspect a product's condition and the resources used to repackage the merchandise and update the inventory.

Returning an item in-store is a much simpler and faster process that cuts out the middleman (shipping company) and allows for the exchange of the unwanted product and original form of payment to occur in person at the store level. Moreover, you are likely to avoid being charged a return label fee for shipping back merchandise or other fees related to mailing back an order like a restocking fee or processing fee. As such, the tradeoff exists between convenience and speed and price, similar to a customer's initial decision to purchase an item in store vs. online.

Top reasons why consumers return merchandise. Shoppers return unwanted products for a variety of reasons when expectations are unmet or even for fraudulent or unethical purposes. Top reasons include 1) the wrong product or size was received, 2) the product was damaged or defective, 3) the customer no longer needed the product, 4) the product received does not match the description or was not what they expected, 5) the product was a gift, 6) the customer found a better price, 7) the customer was wardrobing (purchasing an item to wear for a specific purpose, keeping the tags on, and returning), and 8) the purchase was fraudulent. Although there are other reasons why shoppers return merchandise, most retailers have rather flexible policies, in which companies allow consumers to return almost any full priced item (for almost any reason) that has not been tampered with in any way. However, for the health and protection of other consumers, it is necessary for companies to set restrictions on what can and cannot be accepted back for reimbursement.

What cannot be returned. Once returned, products can be resold at the same price if in good enough condition, resold at a discount, refurbished if damaged and either sold at a discount or offloaded to liquidators/off-price channels around the world. Several companies, particularly across the retail landscape, do not accept returns of apparel and footwear that has been worn, washed or damaged in any way. Furthermore, merchandise such as underwear or swimwear may not be eligible for return due to hygiene reasons if protective liners are removed. Beyond clothing and shoes, many beauty and skincare brands have certain rules and regulations around what items are eligible for return and what are not. Most beauty brands use language that items must be returned in "new or gently used condition," as by nature of the industry, customers aren't able to test most products without using it to some extent. That said, other brands like Obagi, among others do not allow customers to return items that have been opened or used.

What Retailers Are Doing to Limit Returns

Who charges for returns? We completed a deep dive into the return policies of the companies under our coverage, focusing on two key components, the maximum length of time allowed for a full price return and the fees or charges associated with making a return. As noted, given the elevated e-commerce penetration and subsequent high return rates, retailers have generally become more restrictive in their policies. For return label expenses to mail returned items back to companies, only four brands charge shipping fees of $10 or more, including Marshalls and TJ Maxx ($11.99) as well as Johnny Was ($10.00) and Southern Tide ($13.00). On the other end, Lulu's Fashion Lounge ($2.00) and ThredUp ($3.99) were amongst the companies that carry the lowest restocking fees. Several other retailers do charge customers shipping fees for returns including (The Children's Place and Supreme, among others), but do not charge a flat rate. Instead, they include language in their policies like "All expenses associated with your return are your responsibility." Although several companies listed below offer free US returns, many policies include additional provisions specific to international returns, or what is known as a Factory Second return (returned items that fail inspection) like Allen Edmonds. It's important to note that companies often update or modify their return policies so it's prudent to review before making purchases.

> **Common types of charges and fees associated with returns.**

- **Return label expense.** The most common fee charged for returns by mail is the return label cost that is often deducted from a customer's refund once the returned products make it back to the appropriate facility or warehouse location. Not all companies place this cost on the shopper; it is up to the company's discretion whether to incur the cost themselves or shift it back to the consumer. This information can be found in the brands or company's policies related to shipping and returns.
- **Restocking fees.** Another frequent cost or category of expenses related to returns is restocking fees. Restocking fees are often defined differently by individual companies and can include anything from the additional time and labor to inspect the condition of returned items to shipping, handling, or processing fees. Restocking fees also tend to cover the loss incurred with lost or defective merchandise that may have gotten damaged during the return shipping process. A standard restocking fee generally ranges from 10% to 25% of the total purchase price or is a flat rate set by the company per order.

How retailers are addressing return challenges. Retailers are trying to adapt to the changing environment, while protecting their margins. Efforts include charging for returns, charging for shipping costs, shortening return windows, encouraging customers to process returns in stores, offering store credit instead of cash refunds, encouraging customers to exchange products instead of just asking for a refund, and leveraging third parties to help reduce logistics strain and costs. All of these efforts can support and even improve gross margins, and by discouraging or reducing the number of returns, preserve the topline as well.

> **Charging for returns.** In its 2023 Benchmarks Report, Shippo found that nearly six out of 10 retailers changed their return policy in 2022 to try to manage returns. A survey conducted by Happy Returns found that 26% of merchants began charging for returns in 2022, and 16% were considering charging for returns in 2023. Several retailers, including Zara, Dillard's, J. Crew, and REI, now deduct a fee for mailed returns. H&M began testing a return fee for online orders in some markets before rolling out more broadly across markets in 2023 (though rewards program members are exempt). Initial feedback from customers in markets where the initiative was rolled out was positive. Inditex also began charging for returns and now has the policy in place across 38 of its markets. The company has not seen a negative impact on sales, has seen more consumers return merchandise to stores, and the management of returns has become more efficient. LVLU has maintained free returns within a 10-day window while adding other changes to discourage returns outside of that window and has noted that customers appreciate the free returns while other companies have started charging.

> **Charging shipping costs.** Over the past two years, KSS walked back its return policy by no longer paying for return shipping costs, now requiring that customers cover shipping related costs. Additionally, for larger freight items, KSS now charges a 15% restocking fee (apart from items that customers receive defective or damaged). In addition, as of December 2023, Macy's now charges $9.99 to return online orders for shoppers who are not part of its Star Rewards program. At Zara (from June 1, 2022, onwards), US customers who placed orders were starting to be charged $3.95 to return online purchases to third-party drop-off points and that number today sits at $4.95. At both TJ Maxx and Marshalls, shipping and handling costs for returns by mail were taken up to $11.99 towards the end of 2023, from only $1.00 prior. Several other retailers across our coverage universe, expanded or added shipping expenses for online orders over the past two years, like H&M ($5.99) and Urban Outfitters ($5.00), among others.

> **Shortening return windows.** BBWI tightened its return policy to now only accept returns within 90 days and up to $250 per customer in that period. Macy's changed its return policy to accept returns within a 30-day window, down from 90 days previously, and saw a 1Q23 benefit of $80MM to the topline and a $0.07 benefit to EPS in 1Q23.

> **Shifting towards in-store returns.** Other options include BORIS (buy online, return in store), a trend that could grow even more as BOPIS (buy online, pick up in store) gains traction. The NRF estimates that in-store returns including BORIS accounted for 13.3% of total sales in 2023, and excluding BORIS, the in-store returns were only 10% of sales. Roughly half of online returns were returned in store in 2023, according to the NRF, up from 26% in 2022. That said, customers may become frustrated if stores are not adequately staffed and have long lines. Some retailers have seen benefits from encouraging returns in stores. **Nordstrom (JWN)** allows customers to return products across both its full line store and its discount Rack business, regardless of which banner the product was originally purchased from. Moreover, **Kohl's (KSS)** partnered with **Amazon (AMZN)** a few years ago to accept Amazon returns as a drop point and saw in-store traffic increase as a result.

> **Leveraging third parties.** Companies like Optoro and Happy Returns are offering retailers solutions to help reduce returns and mitigate waste, including charging $7 for customers to return products, not accepting packages with over 10 items, leveraging AI to optimize the resale and reuse of products, saving companies money, and offering drop-off locations for online returns (such as Staples and UPS). **Land's End (LE)** launched a partnership with Happy Returns which gives customers access to over 9,000 return locations across the country, reducing the environmental impact that would arise from shipping individual packages. Other retailers that use Happy Returns include **Allbirds (BIRD), Everlane, Figs (FIGS), Levi's (LEVI), Princess Polly (LVLU), Caleres (CAL),** among others. Retailers that leverage Optoro for their returns include **American Eagle (AEO), Best Buy (BBY), Gap (GPS), Steve Madden (SHOO), Ralph Lauren (RL),** among others. **Affirm (AFRM),** the popular buy-now-pay-later service, partnered with Loop Returns to help encourage customers to take future store credit instead of a refund and reduce hassles. Retailers who have used Loop in the past have reported that they retain up to 50% more revenue on returns and reduce refunds by up to 30%.

> **Giving customers better tools to find the right fit.** Other retailers are using AI and other technology like selfies, body scans, avatars, and VR to mitigate the challenges with fit. Some retailers have reported reduced returns by 5% and bracketing by 40%, according to Vogue Business, because of these initiatives.

- Earlier this year, **Amazon (AMZN)** launched a new AI tool to standardize its sizing and help consumers better assess fit. It takes inputs from customers about fit, style, and fabric, synthesizes these with reviews, returns, and size charts, and identifies discrepancies and defects in size charts to create more standardized fits. Brands can then include these insights into future designs and manufacturing. The technology is available for free to US apparel and footwear brands that are enrolled in the Amazon Brand Registry and have sold 100+ units over the last year. The company has also tested custom-made garments and gives Prime members a try-before-you-buy option.
- **J.Jill (JILL)** included in its new POS rollout new technology to improve the customer experience across the store fleet, which includes updating its fit guide to make it easier for customers to find the right fit, as well as changes online to improve engagement and show customers fit and features.
- **Lulu's Fashion Holdings (LVLU)** has made improvements to its fit displays across its store base and online to help discourage returns by improving fit and customer satisfaction.
- **Google (GOOG)** has introduced a feature that uses AI to show clothing on a range of different models so customers can see fit.

- **VF Corp (VFC)** and Reformation use a mobile tailor technology from 3D Look which derives body measurements from customer-submitted photos.
- Balmain leverages gaming technology to dress digital avatars of customers.

> **Other.** Other solutions include requiring an exchange for another product, giving store credit instead of cash refunds, shrinking the return window, and only accepting in-person returns.

RETURN POLICY DEEP DIVE

		Time Limit For a Full-Price Return	Return Related Charges & Fees
Specialty Retail			
ANF	Abercrombie & Fitch	30 days from purchase	$7.00 shipping fee for mailed returns
AEO	American Eagle	No time limit for a full refund	$5.00 shipping fee for mailed returns
BBWI	Bath & Body Works	14 days from purchase	NA
PLCE	The Children's Place	45 days from purchase	Costs must be covered by the customer
GPS	Gap, Inc.	30 days from delivery	NA
GES	Guess?	Up to 30 days post shipment	$6.95 shipping charge for mailed returns
HMB	H&M	30 days from purchase	$5.99 shipping fee ($2.99 for H&M members)
ITX	Zara	30 days from shipment or purchase	$4.95 cost per return request
	Pull&Bear	30 days from delivery	$5.95 shipping fee after first 15 days
	Massimo Dutti	30 days from purchase	NA
	Bershka	30 days from shipping comfiration email	$5.95 fee per order returned
	Stradivarius	30 days from delivery	$5.95 shipping fee for mailed returns
	Zara Home	30 days from shipping comfiration email	$4.95 cost per return request
JILL	J.Jill	90 days from purchase	$8.95 shipping fee for mailed returns
LULU	lululemon	30 days from purchase	NA
CURV	Torrid	60 days from purchase	$6.00 shipping fee for mailed returns
URBN	Urban Outfitters	30 days from purchase or delivery	$5.00 restocking fee for mailed returns
	Anthropologie	30 days from purchase or delivery	$5.95 shipping fee for mailed returns
	Free People	30 days from purchase or delivery	NA
VSCO	Victoria's Secret	30 days from purchase	NA
Digital/New Economy			
SFIX	StitchFix	30 days from purchase	NA
TDUP	thredUP	within 14 days of delivery	All items subject to $3.99 restocking fee
WRBY	Warby Parker	30 days from purchase	NA
Beauty			
EL	Estée Lauder	60 days from purchase	NA
	Bobbi Brown	60 days from purchase	NA
	Clinique	60 days from purchase	NA
	La Mer	60 days from purchase	NA
	MAC	60 days from purchase	NA
	Tom Ford Beauty	60 days from purchase	NA
EWCZ	European Wax Center	30 day cancellation policy for wax passes	$25 cancellation fee after 30 days
GROV	The Grove Collaborative	30 days from delivery	NA
HNST	The Honest Company	90 days from order date or purchase	NA
OLPX	Olaplex	60 days from purchase	$5.00 shipping fee for mailed returns
ULTA	Ulta	60 days from purchase	Costs must be covered by the customer
WALD	Obagi Skincare	30 days from shipment date	Costs must be covered by the customer
	Milk Makeup	90 days from purchase	NA

Source: Company websites and TAG Research.

RETURN POLICY DEEP DIVE CONTINUED

		Time Limit For a Full-Price Return	Return Related Charges & Fees
Luxury			
BRLT	Brilliant Earth	30 days from purchase & 60 days to resize	NA
BRBY	Burberry	14 days from order or purchase	NA
CPRI	Michael Kors	30 days from purchase	NA
	Jimmy Choo	14 days from order or purchase	NA
	Versace	30 days from purchase	NA
LVMH	Louis Vuitton	30 days from purchase or delivery	NA
	Christian Dior	30 days from purchase or delivery	NA
	Tiffany & Co	30 days from purchase	NA
	Sephora	30 days from purchase	NA
	Bvlgari	30 days from delivery	NA
CFR	Cartier	30 days from purchase	NA
	Van Cleef & Arpels	30 days from delivery	Costs must be covered by the customer
SIG	Kay Jewelers	30 days from shipment	Costs must be covered by the customer
	Zales	30 days from purchase	Costs must be covered by the customer
	Jared	30 days from purchase or shipment	NA
TPR	Coach	30 days from purchase	NA
	Kate Spade	30 days from purchase	NA
	Stuart Weitzman	14 days from purchase	NA
Footwear			
CAL	Famous Footwear	No time limit for a full refund	$7.95 shipping fee for mailed returns
	Allen Edmonds	60 days from purchase or delivery	$25 restocking fee for Factory Second returns
	Vince	30 days from purchase	NA
	Sam Edelman	30 days from purchase	NA
	Naturalizer	45 days from purchase	$7.00 shipping fee for mailed returns
	Vionic	30 days from purchase	$7.00 shipping fee for mailed returns
DECK	UGG	30 days from purchase	NA
	Koolaburra	30 days from purchase	NA
	Hoka	30 days from purchase	NA
	Teva	30 days from purchase	NA
	Sanük	30 days from purchase	NA
DBI	DSW	90 days from purchase	$8.50 shipping fee for mailed returns
SHOO	Steve Madden	30 days from delivery	$6.95 shipping fee for mailed returns
WWW	Wolverine	30 days from shipment	$5.00 shipping fee for mailed returns
	Merrell	30 days from shipment	$5.00 shipping fee for mailed returns
	Saucony	30 days from shipment	NA
	Sweaty Betty	45 days from purchase	NA

Source: Company websites and TAG Research.

RETURN POLICY DEEP DIVE CONTINUED

		Time Limit For a Full-Price Return	Return Related Charges & Fees
Apparel			
AKA	Princess Polly	30 days from delivery	$6.95 shipping fee for mailed returns
	Culture Kings	30 days from purchase	$6.95 shipping fee for mailed returns
	Petal + Pup	30 days from delivery	$9.95 shipping fee for mailed returns
	mnml	30 days from purchase	$25 restocking fee for International returns
FIGS	FIGS	30 days from purchase	NA
GIII	DKNY	30 days from delivery	$6.00 shipping fee for mailed returns
	Karl Lagerfeld	30 days from delivery	$6.00 shipping fee for mailed returns
	Donna Karan NY	30 days from delivery	$6.00 shipping fee for mailed returns
	Karl Lagerfeld Paris	30 days from delivery	$6.00 shipping fee for mailed returns
	Vilbrequin	30 days from purchase	NA
LE	Land's End	90 days from purchase	$6.95 for US returns and $10.95 for Canada
LEVI	Levi's	30 days from ship date or purchase	$7.50 processing fee for mailed returns
LVLU	Lulu's Fashion Lounge	21 days from delivery	$2.00 restocking fee for online returns
OXM	Tommy Bahama	90 days of purchase	NA
	Lilly Pulitzer	15 days (free); 16-90 days (for a fee)	$7.00 shipping fee for mailed returns
	Johnny Was	30 days from delivery	$10.00 shipping fee for mailed returns
	Southern Tide	30 days from purchase	$13.00 shipping fee for mailed returns
	The Beaufort Bonnet Company	28 days from purchase	$8.00 handling fee for mailed returns
	DuckHead	30 days from purchase	NA
PVH	Calvin Klein	30 days from shipping confirmation	$4.95 return processing fee for mailed returns
	Tommy Hilfiger	30 days from shipping confirmation	$4.95 return processing fee for mailed returns
RL	Ralph Lauren	30 days from shipment or purchase	NA
VFC	Vans	30 days from delivery	NA
	The North Face	30 days from purchase	NA
	Timberland	30 days from order shipment	NA
	Dickies	30 days from purchase	NA
	Altra	30 days from purchase	NA
	Eastpak	30 days from delivery	NA
	icebreaker	30 days from shipment	NA
	Jansport	30 days from purchase	NA
	Kipling	45 days from purchase	NA
	Napapijri	30 days from purchase	NA
	Smartwool	30 days from order date	NA
	Supreme	Email support within 2 days of shipment	Costs must be covered by the customer
Department Stores			
DDS	Dillard's	30 days from purchase	$9.95 shipping charge for mailed returns
KSS	Kohl's	Most accepted within 180 days of purchase	Costs must be covered by the customer
M	Macy's	30 from purchase	$9.99 shipping fee for mailed returns
JWN	Nordstrom Full-Line	30 days from purchase	NA
	Nordstrom Rack	40 days (online) and 30 days (in-store)	$9.95 shipping fee for mailed returns
Off-Price			
BURL	Burlington	30 days from purchase	NA
ROST	Ross	30 days from purchase	NA
TJX	TJ Maxx	30 days from purchase & 40 days from order	$11.99 shipping fee for mailed returns
	Marshalls	30 days from purchase & 40 days from order	$11.99 shipping fee for mailed returns
	HomeGoods	30 days from purchase	NA

Source: Company websites and TAG Research.

ADDENDUM
Important Disclosures:

Valuation Method for Target Price: Price-to-Earnings, enterprise-value-to-EBITDA, P/E to growth, price to free cash flow, and discounted cash flow analysis.

Investment Risks: Telsey Advisory Group's (TAG's) equity research department covers consumer-focused sectors including apparel manufacturers, cannabis, children's and teen retailers, consumer electronics retailers, cosmetics, department stores, discounters, footwear, home furnishings retailers, home improvement retailers, internet, luxury goods, office supply retailers, off-price retailers, restaurants, specialty apparel retailers, sporting goods retailers, and supermarkets. Risks across or specific to one or more of these sectors include volatility of commodity costs, consumer spending, currency, rising interest rates, weaker consumer confidence and unemployment rates. Additionally, access to capital, supply chain disruptions, commodity costs, private label distribution, currency, geopolitical uncertainty, unfavorable government regulations, lack of appropriate real estate sites, and the use of the World Wide Web to sell merchandise represent unique industry risks.

Analyst Certification
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Company Specific Disclosures

Ratings Distribution & Investment Banking Disclosure

Rating	Count	Ratings Distribution	Count	*Investment Banking
OUTPERFORM	44	50.57%	3	6.82%
MARKET PERFORM	43	49.43%	0	0.00%
UNDERPERFORM	0	0.00%	0	0.00%

On 09-11-2014 TAG launched a three-tiered rating system of Outperform, Market Perform, and Underperform to evaluate its stocks under coverage. Price targets continue to be used in conjunction with the new rating system.

Ratings Definition and Distribution

Our recommendation system is based on a stock's expected total return relative to the industry universe over the next 12 months.

We divide stocks under coverage into three categories, each defined by a prospective rate of return:

Outperform – the stock is expected to outperform the average total return of the industry universe over the next 12 months.

Market Perform – the stock is expected to perform in line with the average total return of the industry universe over the next 12 months.

Underperform – the stock is expected to underperform the average total return of the industry universe over the next 12 months.

Disclosures required by United States laws and regulations

See company-specific regulatory disclosures above for any of the following disclosures required as to companies referred to in this report: manager or co-manager in a pending transaction; 1% or other ownership; compensation for certain services; types of client relationships; managed/co-managed public offerings in prior periods; directorships; market making and/or specialist role.

The following are additional required disclosures:

Ownership and material conflicts of interest: TAG prohibits its analysts, professionals reporting to analysts and members of their households from owning securities of any company in the analyst's area of coverage.

Analyst compensation: TAG's employees/analysts do not receive any compensation from subject companies for inclusion in our research. Analysts are paid in part based on the overall profitability of TAG which may include investment banking revenues.

Analyst as officer or director: TAG analysts, persons reporting to analysts or members of their households do not serve as officers, directors, advisory board members or employees of any of our subject companies in the analyst's area of coverage.

Investment banking activities: TAG provides investment banking, other non-investment banking securities related services, and non-securities services and may seek such relationships from subject companies.

TAG is a member of FINRA (http://www.finra.org) and SIPC (http://www.sipc.org).

Other Disclaimers

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