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### Returns Management at Zalando

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With close to zero items destroyed, Zalando complies with the Circular Economy Law

n accordance with the <u>Circular Economy Law</u> (KrWG), Zalando fully complies with the duty of care for the responsible handling of returns and unsold new goods. The change in law aims to reduce the destruction of new goods. "The destruction of goods and returns not only lacks any commercial logic, but in particular contradicts our understanding of sustainable management," says Jan Bartels, Senior Vice President Customer Fulfillment at Zalando.

As Europe's leading online platform for fashion and lifestyle, it has always been Zalando's position to offer customers online an individual and diverse selection of products that they can try on at home at their own convenience. Free returns shipping is therefore an integral part of our service promise and business model.

#### **Responsible handling of returns**

As in physical stores, some articles are returned from the "changing room at home." Across all Zalando stores, the return rate is, on average, 50 percent. 97 percent of these returned fashion items are sold again via the Zalando Shop after appropriate checks and careful restoration.

Zalando only destroys items in exceptional cases, for example if this is necessary for health reasons (infestation, pollution or similar). This affects less than 0.05% of all returned fashion items.

Fashion items that we can no longer offer in our shop, for example, because only a few sizes are still available, we continue to offer via our shopping club, Zalando Lounge. Other articles with minor defects are also sold in Zalando Outlets. As an additional step, we use the opportunity to donate remaining stock to organizations such as Humedical.

#### Continually pushing to reduce avoidable returns

The use of innovative technology, such as Artificial Intelligence, is one of our biggest levers to further reduce avoidable returns. Our <u>sizing</u> approach, i.e. personalized size recommendations, has already enabled us to reduce size-related returns by four percent. Improved descriptions of the items, as well as more detailed product pictures and videos, partial body and 360° views, should enable the customer to choose the right item before they make their order.

Read more about Zalando's other initiatives in the drive to become a sustainable fashion

platform with a net positive impact on people and the planet.

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