BANK OF AMERICA INSTITUTE

BANK OF AMERICA

Economy

Buy Now, Return Later: Retailers pay for customer loyalty

14 August 2025

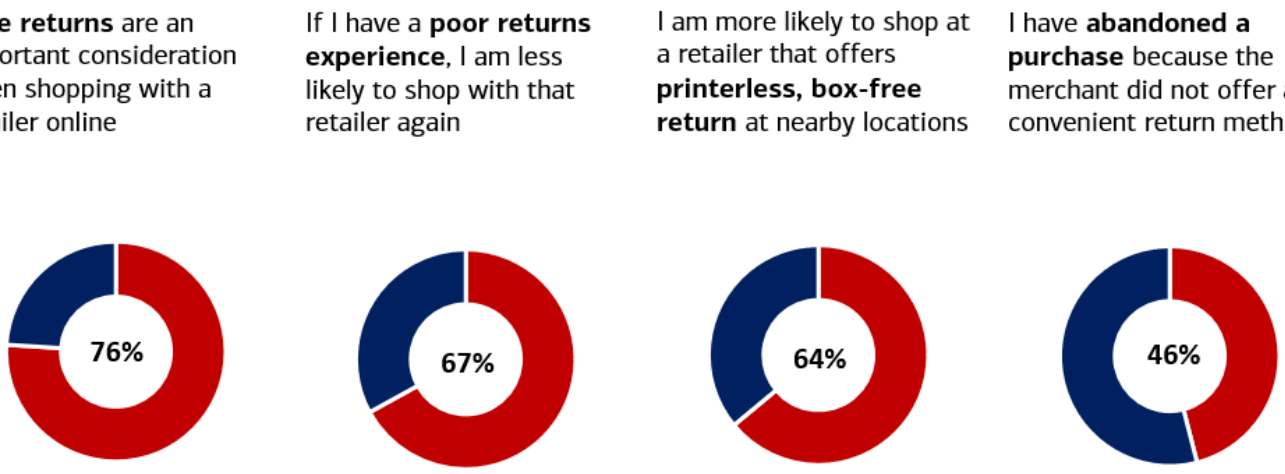
Key takeaways

- Consumers want the flexibility to return products, but this is costly for retailers. A 2024 National Retail Federation (NRF) survey of large US retailers put the total cost at $890 billion, with the return rate in 2024 more than double that in 2019. Bank of America credit and debit card data also suggests still-high rates of return across retailers of all sizes, at 4.5% in 2025 year to date (YTD).
- These return costs are a significant burden for a retail industry already under pressure from tariffs and economic uncertainty. Bank of America card data suggest returns to department stores are particularly high. Other categories have lower refund rates, but there is still no sign of declining returns in most categories.
- Who is returning most? We find higher-income households return more goods than their lower-income counterparts according to Bank of America internal data, particularly in department stores, where they do so at about double the rate. Gen Z also return goods at lower rates than other generations, except in electronics, where they are second only to Traditionalists.

"Buy Now, Return Later" is here to stay

Consumers across the US value the flexibility of returning goods to retailers and appear reluctant to give this up. To understand consumer attitudes toward product returns, the National Retail Federation (NRF) and Happy Returns surveyed over 2,000 consumers in 2024. They found that 76% consider free returns important when deciding where to shop, while 67% stated that negative return experiences would deter them from shopping with a retailer again (Exhibit 1). Furthermore, 46% of respondents said they would not purchase goods from a merchant that didn't have a convenient returns policy.

Exhibit 1: Customers say they want free returns when shopping, and poor return experiences may make them shop elsewhere.
Percentage of customers who agree with the following statements about returning online purchases (agree in red, disagree in blue, %)



Source: NRF and Happy Returns 2024 Consumer Returns in the Retail Industry

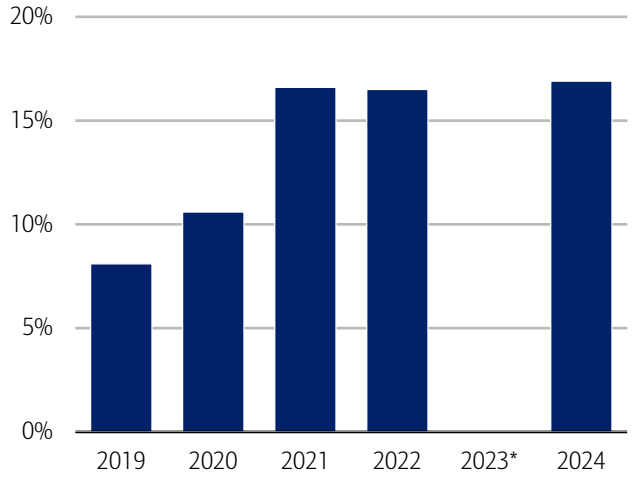
BANK OF AMERICA INSTITUTE

Large retailers pay a hefty price to satisfy consumer demands for flexible returns

But while "buy now, return later" is a boon for consumers, it's costly for retailers, pressuring them further at a time when their costs are already rising due to tariffs and they face uncertainty over the path of economic policy. The NRF survey also polled large retailers, with respondents estimating that nearly 17% of their annual sales would be returned in 2024 (Exhibit 2). That is more than double the return rate in 2019 - leading NRF to estimate an $890 billion cost to retailers in the US (Exhibit 3).

Despite these hefty costs and the challenges of managing the logistics, 68% of NRF survey respondents are prioritizing upgrades to their return capabilities, as consumer preferences dictate that retailers keep offering free returns as a retention tool.

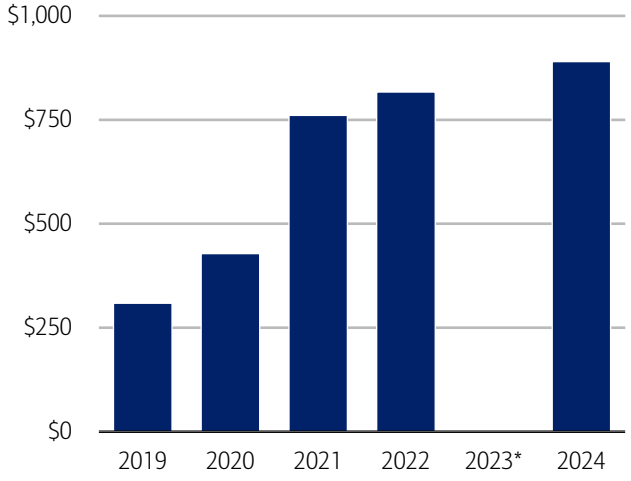
Exhibit 2: Annual product return rates at large retailers were approaching 17% of sales in 2024
Response to the question, "Of your total annual sales this year, what percentage do you estimate will be returned?", (%)



Source: NRF and Happy Returns 2018-2024 Consumer Returns in the Retail Industry.
* 2023 is omitted as the 2023 study used a different methodology and is not comparable to other years.

BANK OF AMERICA INSTITUTE

Exhibit 3: Surveys of large retailers indicate that product returns cost the industry an estimated $890 billion in 2024
Annual return levels ($bil) assuming $5.3 trillion direct and indirect impact of the retail sector on US GDP, per NRF



Source: NRF and Happy Returns 2018-2024 Consumer Returns in the Retail Industry.
* 2023 is omitted as the 2023 study used a different methodology and is not comparable to other years.

BANK OF AMERICA INSTITUTE

What about smaller retailers? And how is 2025 going?

The 2024 NRF survey sampled large US retailers with over $500 million in revenues, accounting for approximately 60% of revenues and employment in the retail sector based on the latest 2022 Census survey of firms by receipts and establishment size.

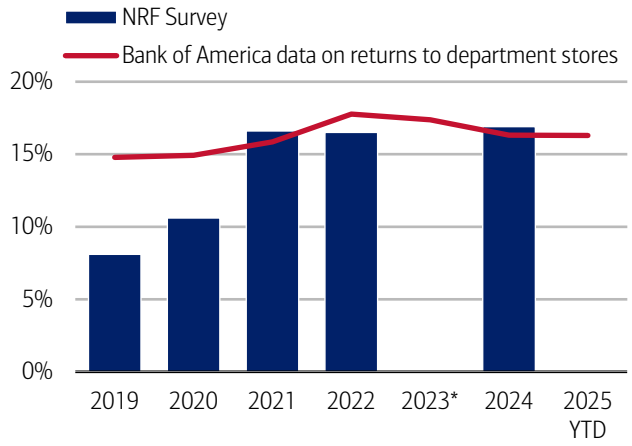
Bank of America credit and debit card data gives us a sense of how returns are impacting retailers of all sizes, as well as understanding recent 2025 trends, by analyzing how stores (both physical stores and online) are reimbursing consumers on their Bank of America cards. We define the 'retail return rate' as inflows from retail spending categories into Bank of America aggregated debit and credit card household accounts as a percentage of the total outflows consumers paid to that category.

Using this approach, Bank of America card data indicates that, since 2021, return rates at department stores (which tend to be larger retailers) closely tracks the survey-based NRF return rate of around 16-17% (Exhibit 4). And in 2025 year-to-date, while we see no signs of a rise in the return rate, it remains above the 2019 rate, taking a bite out of these larger retailers' profits.

Looking at all US retailers (including but not limited to department stores) regardless of size and excluding 'food' – groceries and restaurants – and gas, we find the overall return rate is significantly lower at around 4.5% (Exhibit 5). In our view, this is likely because smaller retailers tend to have less generous returns policies. Many do not accept returns at all, while others give store credit instead. Nonetheless, Bank of America internal data shows that elevated return rates are persisting into 2025, and the pressure on retailers is continuing.

Exhibit 4: The returns rate for department stores in Bank of America card data closely tracks the NRF survey of large retailers from 2021

Department store return rate** from Bank of America aggregated credit and debit card data for January-July of each year (%) and the NRF-surveyed large retailer return rate (%)

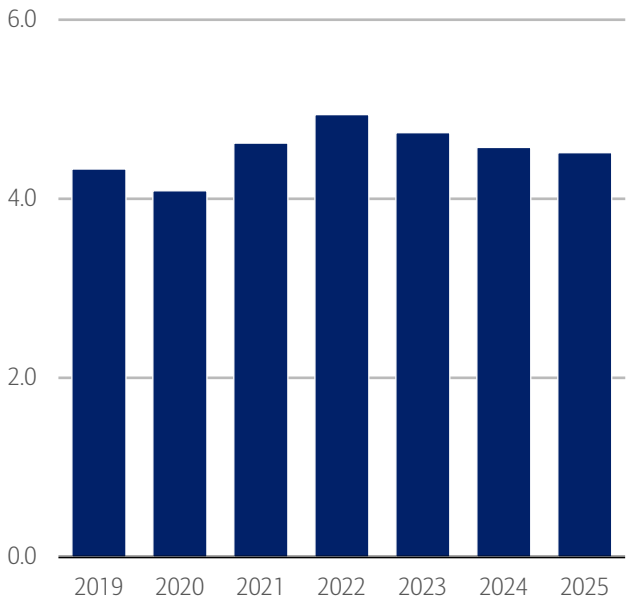


Source: Bank of America internal data and NRF and Happy Returns 2018-2024 Consumer Returns in the Retail Industry.
*2023 is omitted as the 2023 study used a different methodology and is not comparable to other years.
**Return rate is defined as inflows from department stores into Bank of America aggregated debit and credit card accounts as a percentage of total outflows to department stores.

BANK OF AMERICA INSTITUTE

Exhibit 5: The returns rate for all retailers in Bank of America card data remains above 2019 levels

Return rate* for all retailers for January-July of each year (%)



Source: Bank of America internal data
*Return rate is defined as inflows from retail stores (excluding gasoline, restaurants and groceries) into Bank of America aggregated debit and credit card accounts as a percentage of total outflows to retail stores (excluding gasoline, restaurants and groceries).

BANK OF AMERICA INSTITUTE

To spend or not to spend (the refund)…

How worried should we be about high return rates? Most obviously, they are a direct cost for retailers, representing lost sales and logistical challenges. And higher returns may have an environmental impact, as unwanted goods may be wasted and fuel/energy expended on returns logistics.

For consumers themselves, the picture is a little more nuanced. The growth of online retailing inevitability involves more 'trial and error' in purchases, as customers can't touch things or try them on before buying. So as online spending rises (see our recent piece, Add to Cart: Online shopping surges), some rise in returns is likely and may help facilitate overall customer convenience when buying online.

The good news for some retailers is that when consumers do get refunds, they tend to spend them fairly readily. Jami (2025) finds that US consumers are more likely to spend refund money freely, indulging in "hedonic products" ('treating themselves') or splurging on unplanned purchases.[1] In another study, Xu et al (2021) use transaction-level data from a Chinese bank and find that Chinese consumers spend approximately 70% of credit card refunds in the following week, supporting the hypothesis that consumers tend to spend refund money, although not necessarily at the original point of purchase.[2]

Millennials and higher-income groups lead the charge on returns

Looking at returns by income groups, we find lower-income households had the smallest percentage of retail refunds to their card household accounts, while higher-income households had the greatest, at around 3.7% and 5.3% in 2025 YTD respectively (Exhibit 6).

One explanation for these differences could be the composition of retail spending, with higher-income households spending more on discretionary goods that tend to have higher return rates. But this isn't the whole story, as we observe

[1] Jami, A. (2025). Generous Returners, Vanishing Refunds: How Consumers Spend Monetary Refunds of Returns. *Journal of Behavioral Decision Making*, *38*(1).
[2] Xu, Y., Meng, J., Zhang, Y., & Koo, J. (2020) How household consumption responds to credit card refunds. *Economics Letters*, *198*(109683).

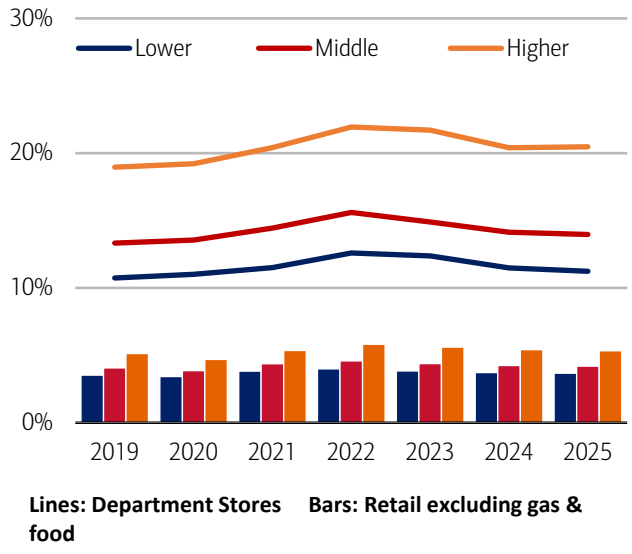
higher-income households tend to have higher return rates even within specific retail spending categories. One particularly stark difference between lower- and higher-income groups' returns behavior is at department stores, where the latter return over 20% of retail spending vs 11% for the former.

Another explanation may be that higher-income households are less cash-constrained and so are more likely to buy items speculatively when they are searching for a particular purchase, in the knowledge they can return it later if they decide it's not right for them.

Investigating different age cohorts in Bank of America card data, we find that retail return rates are around 4.5% across demographic groups and over time (2019-2025), as shown in the bars in Exhibit 7. However, when we zoom in on department store returns, we see that return rates in 2024-25 for Boomers, Gen X, and Millennials are fairly similar at around 16%, whereas they are lower for Traditionalists at around 15% and Gen Z at 10%.

Exhibit 6: Higher-income households have a higher rate of retail refunds than lower-income households

Retail return rate by household income cohort for total retail (ex gas and food) and department stores (January-July each year, %)



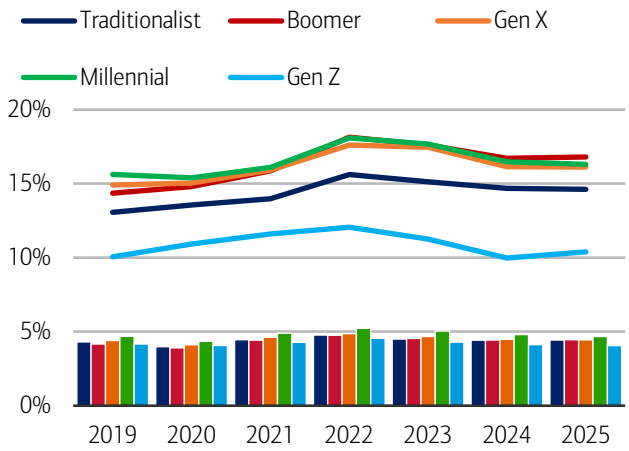
Lines: Department Stores **Bars: Retail excluding gas & food**

Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Exhibit 7: Millennials tend to return goods to retail stores at slightly higher rates than other generations

Retail return rate by generation for total retail (ex gas and food) and department stores (January-July each year, %)



Lines: Department Stores **Bars: Retail excluding gas & food**

Source: Bank of America internal data

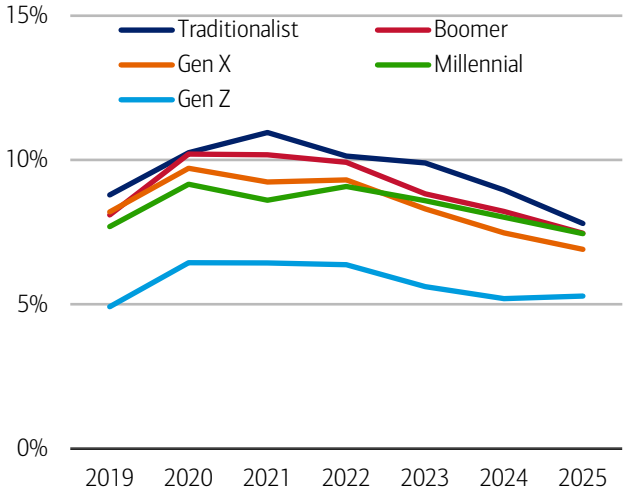
BANK OF AMERICA INSTITUTE

Luxury returns are down compared to pre-pandemic, while Gen Z has a penchant for returning electronics

Looking across other spending categories in Bank of America internal data, we see some interesting differences. Traditionalists returned luxury goods at higher rates than other generations in the years following the pandemic, but this pattern has now normalized (Exhibit 8). In fact, in contrast to the overall story across retailing, return rates at luxury fashion stores of around 7% in 2025 are lower than in 2019 across most age cohorts.

Interestingly, jewelry retail return rates tend to be lower than for luxury fashion. While they were elevated over 2020-22 for Traditionalists and to some extent for Boomers, peaking at 9% and 6% respectively, they have retraced to around 5-6% (Exhibit 9).

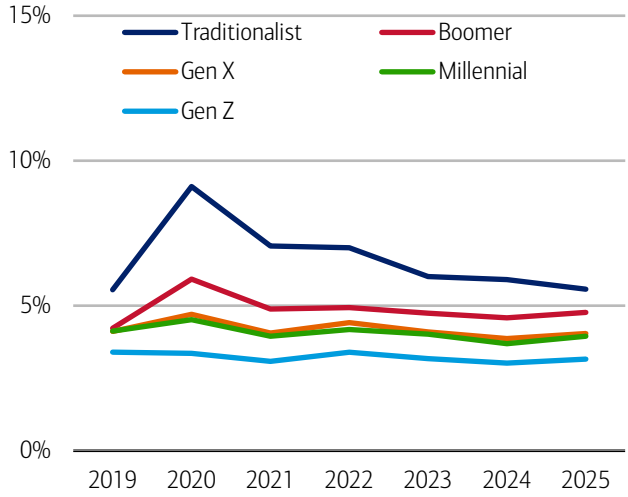
Exhibit 8: Return rates to luxury fashion stores were lower in 2025 than in 2019 across most age generations
Retail return rate for January-July of each year in luxury fashion (%)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Exhibit 9: Traditionalists return jewelry at higher rates relative to other generations
Retail return rate for January-July of each year in jewelry (%)



Source: Bank of America internal data

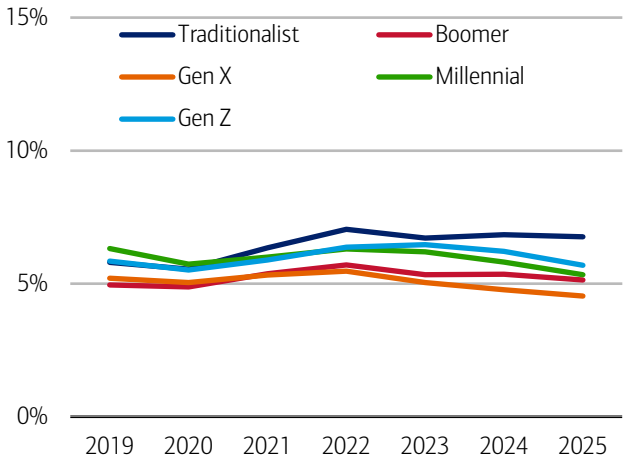
BANK OF AMERICA INSTITUTE

Two categories that tend to have a reputation for higher retail return rates are electronics and clothing.

According to Bank of America internal data on electronics spending, we find that returns in 2025 by Traditionalists – at 7% of electronic store spending – are above those of other generations (Exhibit 10). And while retail return rates for Gen Z are low on a relative basis in many categories, they are returning electronics at a steady clip, more so than Millennials and second only to Traditionalists in 2025.

Lastly, while Gen Z return to clothing stores at lower rates than other generations, they have still been returning around 6% of clothing store purchases, while older generations return clothing at an 8%-9% pace (Exhibit 11).

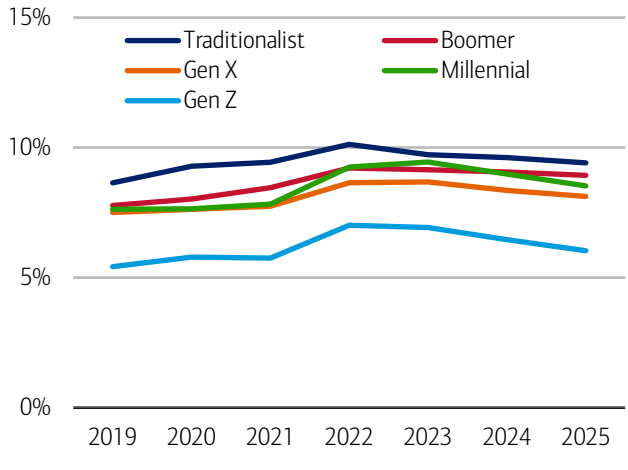
Exhibit 10: Traditionalists and Gen Z return electronics at higher rates than Boomers and Gen X
Retail return rate for January-July of each year in electronics (%)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Exhibit 11: Gen Z return clothing at significantly lower rates relative to older generations
Retail return rate for January-July of each year in clothing (%)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Grocery store tiers were defined by MCC code (the categories on an individual transaction basis) month-by-month. In our view, such categorization is a fair view of price levels at those stores.

Bank of America credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

Generations, if discussed, are defined as follows:

1. Gen Z, born after 1995
2. Younger Millennials: born between 1989-1995
3. Older Millennials: born between 1978-1988
4. Gen Xers: born between 1965-1977
5. Baby Boomer: 1946-1964
6. Traditionalists: pre-1946

Additional information about the methodology used to aggregate the data is available upon request.

Contributors

David Michael Tinsley

Senior Economist, Bank of America Institute

Sources

Aditi Thapar

Director, Senior Economist, Global Risk Analytics

Yan Peng

Vice President, Global Risk Analytics

Disclosures

These materials have been prepared by Bank of America Institute and are provided to you for general information purposes only. To the extent these materials reference Bank of America data, such materials are not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial conditions or performance of Bank of America. Bank of America Institute is a think tank dedicated to uncovering powerful insights that move business and society forward. Drawing on data and resources from across the bank and the world, the Institute delivers important, original perspectives on the economy, sustainability and global transformation. Unless otherwise specifically stated, any views or opinions expressed herein are solely those of Bank of America Institute and any individual authors listed, and are not the product of the BofA Global Research department or any other department of Bank of America Corporation or its affiliates and/or subsidiaries (collectively Bank of America). The views in these materials may differ from the views and opinions expressed by the BofA Global Research department or other departments or divisions of Bank of America. Information has been obtained from sources believed to be reliable, but Bank of America does not warrant its completeness or accuracy. These materials do not make any claim regarding the sustainability of any product or service. Any discussion of sustainability is limited as set out herein. Views and estimates constitute our judgment as of the date of these materials and are subject to change without notice. The views expressed herein should not be construed as individual investment advice for any particular person and are not intended as recommendations of particular securities, financial instruments, strategies or banking services for a particular person. This material does not constitute an offer or an invitation by or on behalf of Bank of America to any person to buy or sell any security or financial instrument or engage in any banking service. Nothing in these materials constitutes investment, legal, accounting or tax advice.