

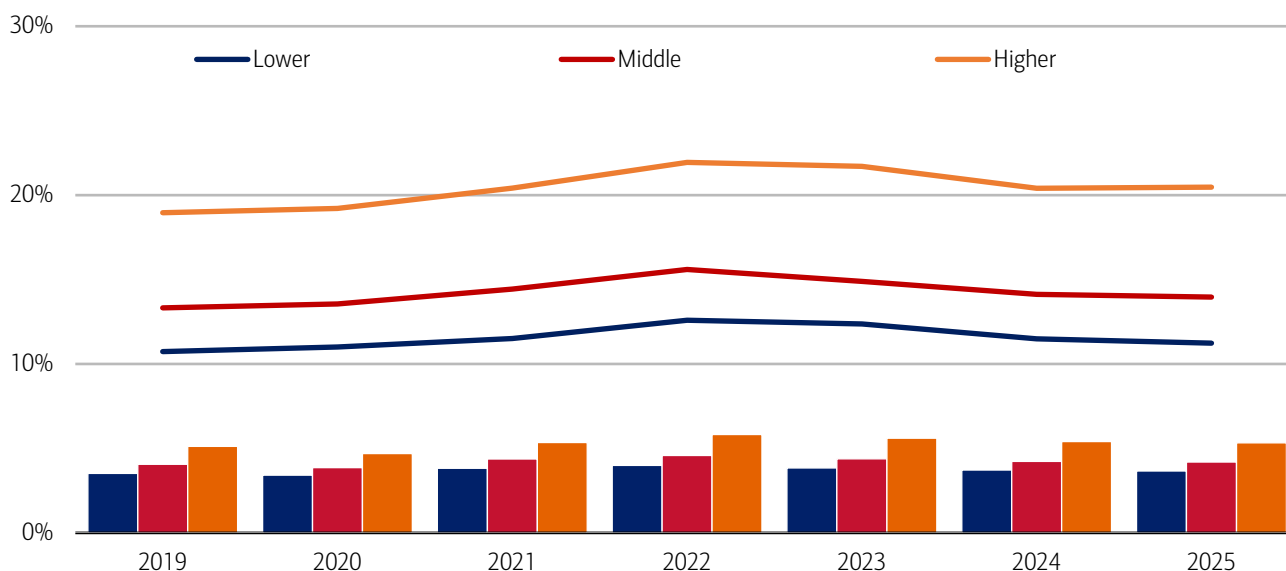
## Institute Daily Insights

# Buy now, return later is a drag for retail

22 August 2025

### Higher-income households have a higher rate of retail refunds than lower-income households

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



Lines: Department Stores    Bars: Retail excluding gas & food

Source: Bank of America internal data

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Consumers are consistently returning goods to stores, both in-store and online, with the return rate in 2024 at around 4.5% of the value of total sales. This creates a cost burden for retailers, who are also navigating higher tariffs and economic policy uncertainty.

Interestingly, Bank of America data finds that higher-income households return goods more frequently, particularly to department stores, where they return over 20% of retail spending vs. 11% for lower-income households. Why? It could reflect their greater online spending or a higher willingness to buy speculatively, knowing returns are easy.

For more, read [Buy now, return later: Retailers pay for customer loyalty](#).

## 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: Gen Z, born after 1996; Younger Millennials: born between 1989-1995; Older Millennials: born between 1978-1988; Gen Xers: born between 1965-1977; Baby Boomers: 1946-1964; Traditionalists: pre-1946.

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

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# Disclosures

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