

# Mastering the Art of Complex Returns Management

Transforming your returns logistics from a challenge to an opportunity



The concept of product returns needs no introduction to the world of commerce. However, providing a hassle-free returns experience has traditionally not been a priority for businesses, as they focus on improving gross sales numbers and their top line.

The thought process behind 'othering' the returns experience makes sense at a basic level. Businesses do not make money via returns and, in fact, end up losing time and resources taking products back and sorting them back into their inventories.



**78%** said reducing returns is not a strategic priority for their C-suite.



**97%** did not have an identified executive owner responsible for reducing returns.



Only **16%** had a strategic initiative focused on reducing returns.

- Incisiv survey of 6,000+ consumer returns transactions

Regardless, the consumer base thinks otherwise. Over the years, the commerce market has continued to shift priorities within its value chain, with the end consumer now assuming centerstage in the order-to-delivery process. It's the end consumer that determines what needs to be stocked when and in what quantities. The equation has tilted from consumers buying what is available on the retail aisles to consumers dictating market trends and influencing product availability through their preferences and buying behaviors.

The advent of Amazon had a lot to do with this transition. The 'Amazon Effect' as it's called, prioritized end customers, pushing more variety on product carousels and aggressively shortening delivery times to their doorstep. From being a passive bystander in how the retail economy worked, the consumer now actively demands more variety at competitive prices and a great order-to-delivery process. **E-commerce as a segment saw delivery times go from a standard of 4-5 days to next-day and same-day delivery within a matter of a decade.**



Mid 2000s

5 days to delivery



Early 2020s

1 day delivery



The business focus on the order-to-delivery process has paid great dividends to improve the purchasing experience as a customer. Orders can be tracked, retailers offer omnichannel options, and last-mile deliveries can be tailored to fit within short time windows. Businesses can work with various retail and delivery tech platforms that offer sophisticated tools and orchestration solutions to improve overall customer experience with the retail brand.

# But, what if a customer has to **return** a product?

If the consumer base is asked to compare their experiences buying a product versus returning it, a significant portion will have great anecdotes at the point-of-sale while preferring to downplay or narrate frustrating returns experiences. They'd talk of the general complexity of return processes, unclear policies, or the time-consuming nature of getting refunds or exchanges.

This discrepancy highlights a gap in the seamless shopping experience many retailers strive to provide, underscoring the need for businesses to reevaluate and enhance their returns strategies to match the efficiency and customer focus of their purchasing processes.

This is because a returns experience that leaves a bitter aftertaste can impact the retailer's brand more than a great purchasing experience can. A bad returns experience can be a speed bump to retailer operations as it could turn off a regular customer, alienating them from the brand to never return to the outlet or site.

**73%** of returns result from retailer-controlled action or inaction

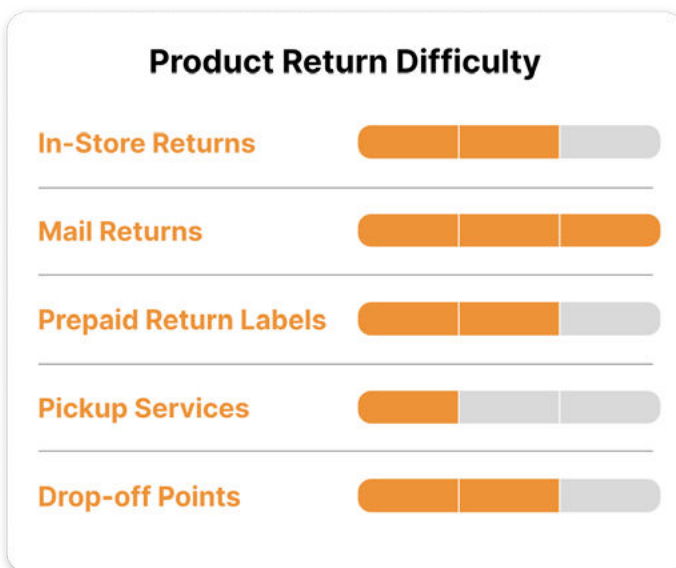
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## A bad returns experience can be **the last shopping experience** with the brand

First impressions mean a lot in retail. First impressions shape the consumer's perception of the brand. A good first impression during the buying process determines if the customer purchases the product and returns for more. The first returns experience will determine if the customer remains loyal or seeks alternatives. This critical moment can either reinforce the positive aspects of the brand or negate them, emphasizing the significance of ensuring a returns process that is as efficient, clear, and customer-friendly as the initial purchasing experience.

Building a good returns experience is more than just providing a flexible returns policy. Retailers should aim to minimize customer effort and provide clear, step-by-step instructions for the return process.

Requiring customers to call in, email, or fill out a form can deteriorate the brand experience that companies strive hard to create.



Returns must be straightforward to initiate. Customers must be presented with multiple return options, such as dropping off the product, printing a label for a store drop-off, or having an agent pick it up at their door. On top of this, the returns experience must align with the overall brand experience, from the look and feel of the website, to the seamless initiation of an RMA (return merchandise authorization).

## What stops retailers from building an excellent returns management system?

A lot of it has to do with technology or, rather, the lack of tech adoption. While retailers and brands invest heavily in employing technology to enhance the purchasing experience, they fall short when it comes to the returns process. This is not entirely the retailer's fault; it also has to do with the investment landscape that focuses on putting capital in the pockets of solution providers to improve the purchasing experience, while overlooking solutions that worked to plug the returns experience gap.

order history. This integration is crucial for a frictionless start to the return process, allowing customers to easily initiate returns on the retailer's website. Key technology touchpoints include providing return options, such as generating a shipping label or a QR code for drop-off locations. This necessitates integrations with carriers and systems to provide location information for nearby drop-off points.

After a return is initiated and the product arrives at the distribution center or a third-party logistics (3PL) partner, the focus shifts to minimizing costs for the retailer. The aim is to quickly reintegrate returned products into inventory to recover costs and prevent excess inventory. This part of the process faces technological challenges in efficiently receiving, inspecting, and grading returned products to determine their condition and readiness for resale.

Typically, the tools and methods used for this aspect of reverse logistics are manual and not designed for handling returns, making the process inefficient. The right technology does both—it creates a comprehensive experience that satisfies customers with an easy returns process while simultaneously minimizing backend costs and maximizing recovery for the retailer. This technology must enable both a smooth front-end experience for customers and an efficient process for handling returns at the backend.



One of the critical tech challenges in creating a seamless returns experience is integrating systems to pull and present a unified view of the customer's

# Omnichannel delivery options mean **multi-channel return expectations**

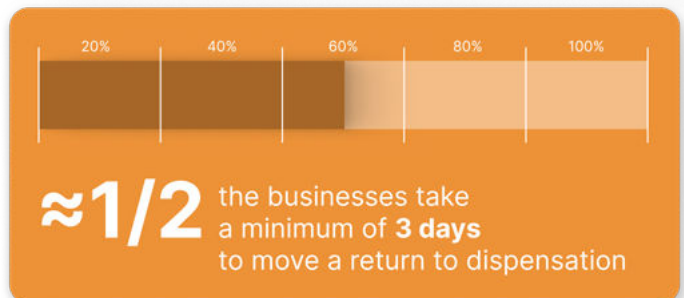
The forward side of retail is increasingly going the omnichannel way, with integrated multi-channel presence becoming an existential need for retailers since the pandemic. Retail strategies like buy online and pick-up at store (BOPIS) have gained mainstream relevance, being leveraged by retailers enjoying a digital and brick-and-mortar footprint.

This has created significant complexities behind the curtain, as retailers need to ensure their inventories are stocked in the right quantities and at the right locations to maximize orders across various platforms, including marketplace sites, their own e-commerce platforms, social media, wholesale channels, and direct storefronts. The objective of an omnichannel strategy is to be accessible to consumers in any medium they choose to buy from.

Since retailers would have to match their customers' purchasing experience with an equally good returns experience, an omnichannel returns operation could be quite challenging and complicated. Meeting customers 'wherever they are' in the forward retail process could complicate the returns experience if it is expected to be equally diverse.

Consider a customer buying a pair of Nike shoes on Amazon. If the customer wants to process a return, the guidelines must be clear about where the return goes — the Amazon returns processing center or directly to Nike. If the customer could head to a nearby Nike store to return the product, it would open up an opportunity for Nike to cross-sell or upsell a product when it has the customer at the

store. Once processed, the return must be examined, and if the product is in mint condition, it must be quickly reintegrated into its inventory, and positioned at a location where there will be a demand for that SKU.



That said, the challenge of managing omnichannel returns continues to grow as consumers increasingly shop across diverse channels, including emerging social media marketplaces. Viral trends across social platforms spike demand for certain products and in short time, only for them to die down as quickly as they sprung up. While stocking for such trends is complicated, managing returns from the fallout of a viral trend is even harder to reconcile. While these varied channels offer excellent opportunities to reach more customers, they create a complex 'spiderweb' of return origins that brands must navigate to stay in business.

# Combining a great front-end returns experience with seamless reverse logistics operations

As a retailer or brand, evaluating the existing tech landscape within operations is the first step to building a great returns experience. Most companies invest in best-of-breed tools or systems designed for specific tasks. For instance, to create an exceptional e-commerce experience, the business could work with a leading commerce platform that offers sophisticated customer experience features.

The same principles work with the return operations — the challenge lies in connecting all those disparate systems to share information seamlessly, making the experience unified and transparent to the end customer.

Once the key systems are identified and the crucial integration touchpoints defined, the management needs to define its end goals. If the objectives include maximizing the recovery of returns, minimizing costs, and reducing the volume of returns, several areas need attention.

Firstly, data plays a critical role. If systems cannot share information or analyze the returns process comprehensively, it becomes challenging to understand why certain items are returned more frequently. An efficient process within the warehouse for receiving, inspecting, grading, and capturing information about returns in a single system is crucial.



This efficiency allows for real-time data analysis to identify issues — like a specific laptop model getting returned frequently citing the same problem. Analysis can also help anticipate returns by understanding past trends during peak seasons, like high volume of returns on brand-new products due to sizing issues or unwanted gifts.

The goal is to quickly reintegrate returned products into inventory before they become outdated or go

out of vogue, especially in industries like electronics and fashion retail. Optimizing and automating this process, rather than relying on manual systems prone to errors and delays, is essential. Many warehouses face challenges with returns piling up, and awaiting processing. Implementing the right technology can enable returns to be processed promptly as part of the regular workflow within a warehouse or distribution center, maximizing recovery and reducing inventory backlogs.

# Evaluating **the KPIs** that define **returns efficiency**

One of the peculiar problems of returns logistics processes is the challenge of defining the goalposts that determine the return on investment (RoI) for technologies adopted. Often, companies focus primarily on gross sales, celebrating increased product sales through stores and e-commerce sites as a sign of success. However, a more accurate measure of performance should focus on net sales, which account for the costs associated with returned products, providing a clearer picture of actual profits.

Returns are typically viewed as a necessary cost of doing business, but there's a substantial opportunity to optimize this area and reduce expenses. By focusing on net sales, companies can shift their perspective to view returns as an opportunity to maximize recovery and reduce losses. The speed at which returned items are reintegrated into inventory for resale is crucial; the longer a product is out of the sales cycle, the more revenue is lost.

Companies should assess returns to identify products in new condition that can be resold at full price, maximizing recovery. In many instances, the management does not have a proper strategy to measure the health of their reverse logistics operation. This stymies their response to returns, impacting their ability to get returned products back on sale, and ultimately affects their bottom line.

**60%** of retailers **do not measure** the % of returns that are resold at the original full price  
- a ReverseLogix survey



The retailers that measure this metric report **≈60%** of returns are resold at the full price

- a ReverseLogix survey

Exploring options beyond disposal is vital for items that are damaged or not in mint condition. Reconditioning and selling these products at a reduced price on re-commerce sites can give them a second life, prevent waste, and help recoup some costs.

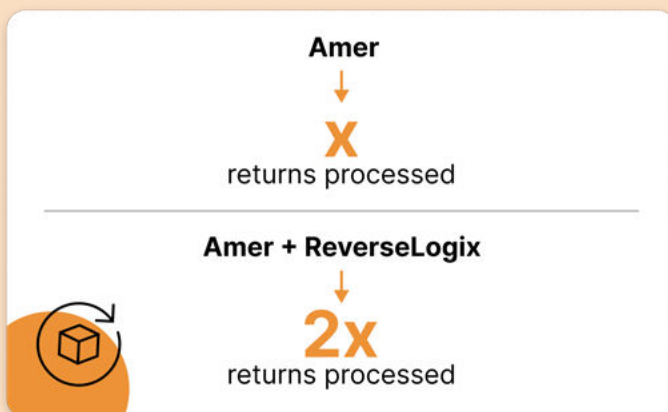
Additionally, analyzing the efficiency of processing returns within distribution centers is essential. Metrics such as units per hour, commonly used to optimize forward fulfillment processes, should also be applied to returns. This approach identifies opportunities to minimize labor costs and speed up the reintegration of returned products into inventory, ultimately reducing the time and cost associated with returns management.



# ReverseLogix: Helping companies build stellar returns management systems

Companies should move beyond seeing returns merely as a cost center and start viewing them as an opportunity to recover revenue. ReverseLogix bridges the gap between great front-end returns experience and a streamlined back-end returns operations, providing businesses the edge to retain and grow their customer base.

Ask Amer Sports, the sporting goods giant. Its collaboration with ReverseLogix was a game-changer, as **Amer leveraged the ReverseLogix returns management system (RMS) to double their amount of returns processed.** Amer approached ReverseLogix after seeing challenges with managing their returns logistics, which became apparent since the company's advent into B2C. Unlike B2B, the B2C segment returned a greater volume of products and in varied conditions — items that were tried on, hastily repackaged, or wrinkled — leading to operational snarls.



**I'd not know where our lives would be without ReverseLogix right now.**

— Scott Allington, inbound and returns goods supervisor at Amer Sports warehouse in Ogden, Utah

Amer's need was an end-to-end solution that could handle increased volume and complexity of returns, while simultaneously improving the front-end customer experience. Once integrated into their operations, the ReverseLogix' RMS streamlined the returns process, provided transparency into the returns process, and offered businesses insights into return reasons, frequency, and condition of returned products, allowing for better control and decision making.

In the end, returns is an integral part of being in the retail business, and companies need to adopt a holistic view of the returns process. The goal should be to create a seamless loop from purchase to return, ensuring every touchpoint reinforces the brand's commitment to customer satisfaction. By partnering with solutions like ReverseLogix, companies can navigate the complexities of modern returns logistics, turning potential customer pain points into moments of positive engagement and loyalty building.

**Contact us to learn more about what ReverseLogix can do for you!**

[reverselogix.com](https://reverselogix.com)