



# SUCCESSFULLY MANAGE THE INCREASING RATE OF RETURNS

As companies master reverse logistics, there are opportunities and consequences. One consequence is the increasing rate of ecommerce returns. Some companies even seek to benefit with business models based on frequent returns as part of their customer engagement.

The challenge of this new environment is to not only to give customers a great return experience but protect profits. This is a guide to explore how market leaders are meeting today's new challenges by using innovative solutions to reduce the number returns and make returns handling more efficient.



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# Understanding the Cost of Returns

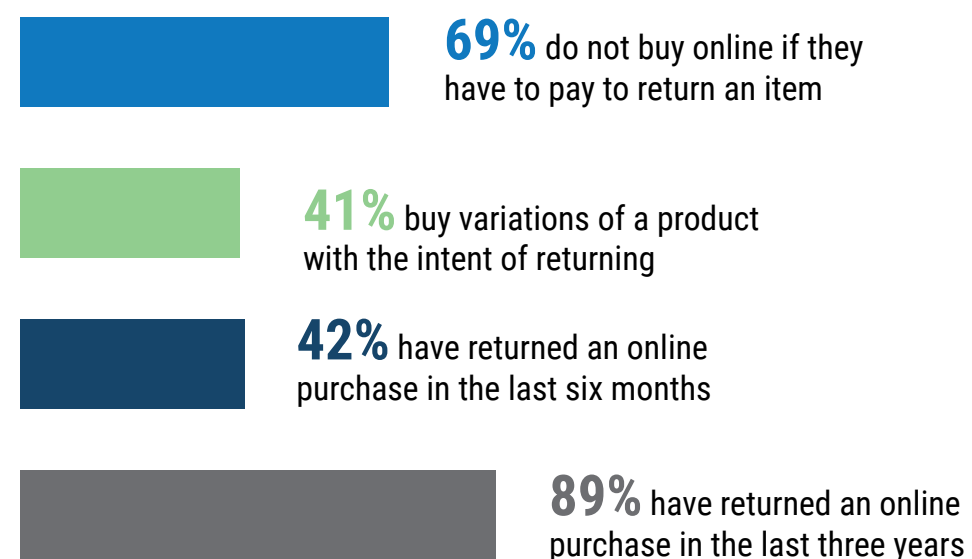
40% of all retailers do not know the true cost of their returns<sup>1</sup>.

According to UPS, returns were up 26% in the 2019-2020 holiday season. This marks the seventh consecutive returns record for the company, illustrating how ecommerce continues transforming shopping patterns. During peak season, returns processing is critical since this is when retailers make the majority of their profit. An ineffective, inefficient returns program can impact the top and bottom line. Poor return processes can impact customer relationships and reduce sales.

## Overview: Returns by the Numbers



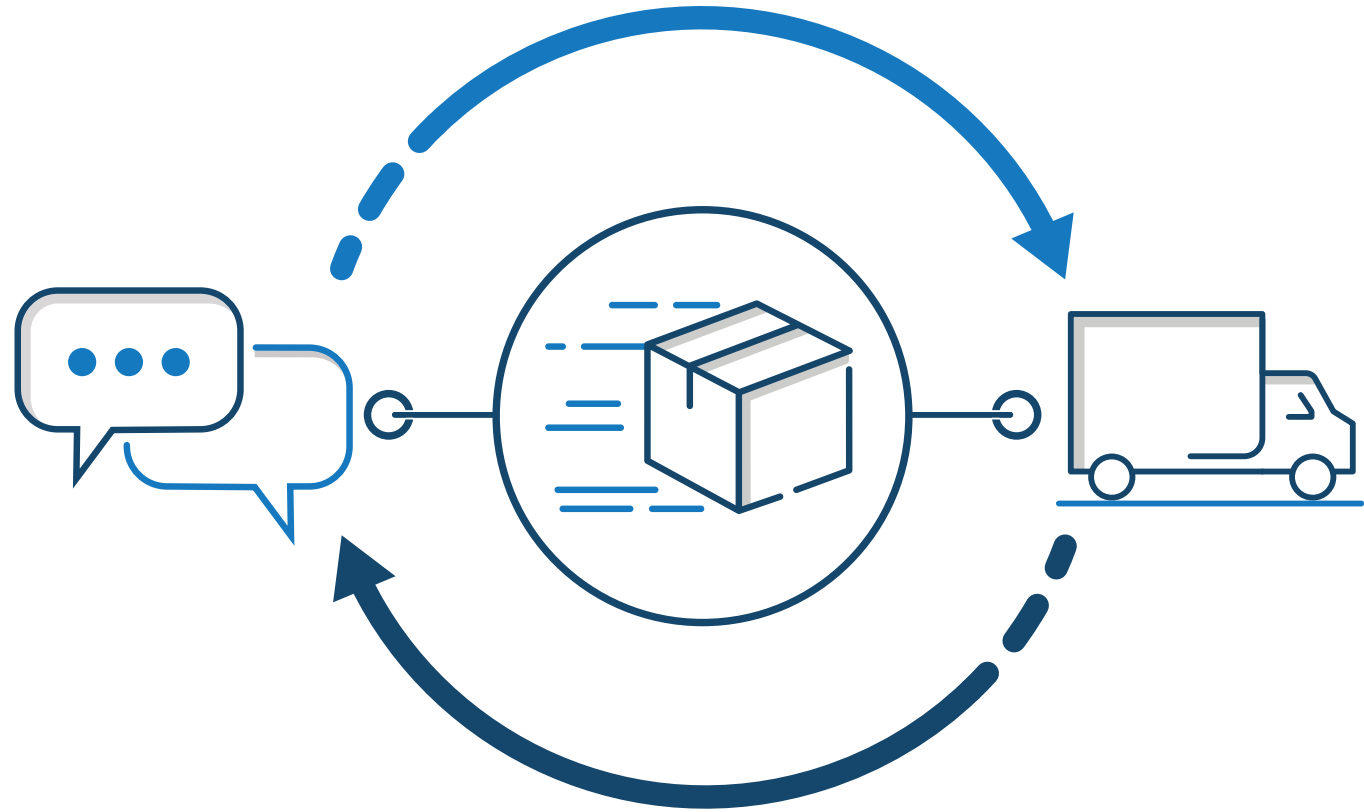
## Changes In Ecommerce Customer Return Behavior<sup>6</sup>



# The Complexity of Multichannel Returns

Today, returns are much more complicated with many merchants selling online from multiple marketplaces to a wide range of geographic areas. Mastering the complexity of multichannel returns is critical. Best-in-class businesses are optimizing the physical movement of returned goods and the transfer of data. Market leaders are deploying a two-pronged returns management strategy that covers:

**Systems Connectivity**  
Integration between ecommerce platforms and business applications to simplify communication



**Carrier Connectivity**  
Effective communication with carriers to ensure streamlined pick-ups and maintain low-cost rates

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# The Complexity of Multichannel Returns

## Multiple marketplaces & vendors

While essential to boost business, a broad range of online sales channels can result in a different returns process for each platform, multiple points of integration, and an inability to determine the cost and cause of returns. Platform agnostic solutions that can better consolidate returns under a single system, regardless of the underlying ecommerce channel, are critical to getting returns right. This means that returns management for eBay, Amazon and Shopify, for example, should be the same at the operational and systems level.

## Multiple carrier platforms

Customers want the same options and speed for returns as they do for inbound shipments. They require the ability to quickly and easily generate labels at their convenience and select the method of the return. Online vendors need to use shipping solutions that can mirror consumer preferences, keep negotiated rates in place for returns and maintain visibility to multiple carriers. Because of return volumes, synchronizing carrier platforms with WMS, sales channels and ERPs in use is critical for many businesses. Solutions such as QuickBooks or NetSuite, for example, may require a connector to effectively communicate with carrier systems.

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# Winning Strategy for Disposition Management

A substantial amount of labor is allocated to physically processing returns in the warehouse. Workers must unload the goods, unbox the product and determine what happens to the item. Inefficient processes can lead to large stacks of unsorted returns piling up on the warehouse floor, and ultimately result in net losses. Ways to improve warehouse processes include:

## Separate goods handling and customer service

Creating a return process that separates reimbursement and inventory management helps retailers speed up both parts of the returns process. The item is received, evaluated and then the shopper is automatically reimbursed as appropriate. Some companies are even willing to give refunds before a product is received to keep customers happy and increase the speed of processing refunds.

## Classify returned merchandise

Do this immediately via simple mobile solutions with bar code scanning. Does the item need repackaging, discounting, to go back to new inventory, recycling or trash? Even identifying what to recycle or trash can save time and money.

## Collect the reason for the return

Collect information from the customer about the status of the product prior to the arrival in the warehouse. Was it damaged in transit, the wrong item, or just low quality? If the product is operational, for example, assign it a disposition code that indicates that it could be repaired.

## Automate processes and workflow

Automate with the goal of the reverse logistics team touching the returned product as few times as possible. Using workflow solutions to automate returns processing quickly means goods can be seen as available in inventory faster and approved for sale sooner to help generate revenue.

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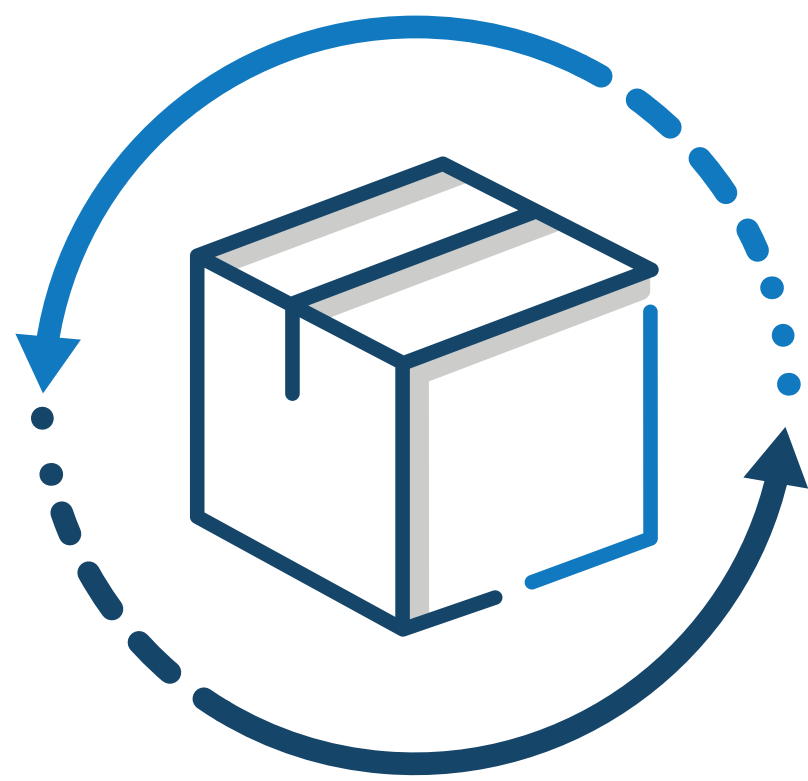
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# Expectations of the “Perfect Return”

96% of consumers who are satisfied with their returns process say they’ll purchase with that retailer again

## Customers Want a Frictionless, Personalized Return Experience

To achieve a “perfect” return, it needs to be frictionless. The warehouse, accounting, transportation systems and ecommerce platforms must work in lockstep. Customers need the ability to track the process and progress of a return (and refund) and control their experience. Providing updates also reduces instances of expensive “Where is My Refund?” calls and empowers consumers through self-service capabilities.





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# Expectations of the “Perfect Return”

## What Makes a “Perfect Return”?

1. Offer flexible and convenient return options, whether the post office, a collection point, in-store, via courier, or drop-off locker.
2. Waive return shipping costs where it makes sense financially. 72% of shoppers say that having to pay for return shipping costs will prevent them from making a purchase<sup>1</sup>.
3. Facilitate easy exchanges for damaged or like items helps avoid returns.
4. Offer customers transparency. By creating an additional digital return record merchants can provide customers with timely updates at every stage, from receipt to refund status.
5. Provide a personalized return slip.
6. Send along the printed return labels. 52% of ecommerce consumers expect a return label right in the box<sup>2</sup>.
7. Offer quick refunds within days of receiving the request. 72% of online customers expect to receive a refund credit within 5 days of the return<sup>3</sup>.

Creating a frictionless return not only makes customers happy but helps get returned products back into the sales cycle faster.

# Actively Preventing Returns

Since the cost of returns is high and making it hard for customers to return items is often counterproductive, it is a great strategy to analyze the reason for returns and actively prevent them wherever possible. Here are some ideas:

## Accurately Represent Product

Detailed product descriptions and photos that accurately represent the products ensures customers know what they are buying. Consider including a customer feedback or review option with each product so consumers have even more information before they buy.

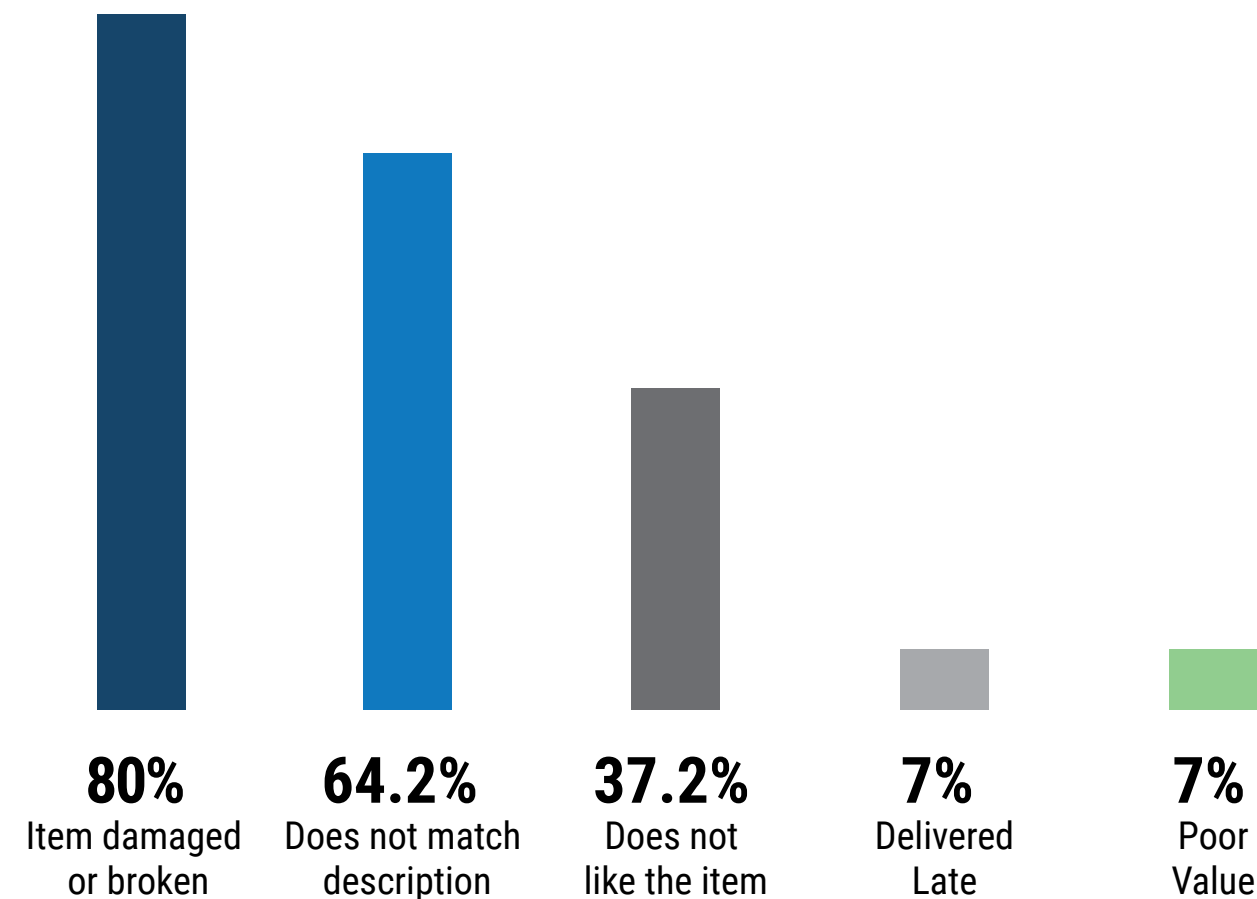
## Offer Great Customer Service

Be available to answer consumer questions or concerns promptly and effectively. Missing or damaged items must be efficiently processed with rapid exchanges to prevent a problem from turning into a return.

## Automate Order Input

Cloud-based shipping solutions that automatically download marketplace orders will limit mistakes by reducing the need to re-enter customer order and shipping information.

## Reasons for Returns



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# Actively Preventing Returns

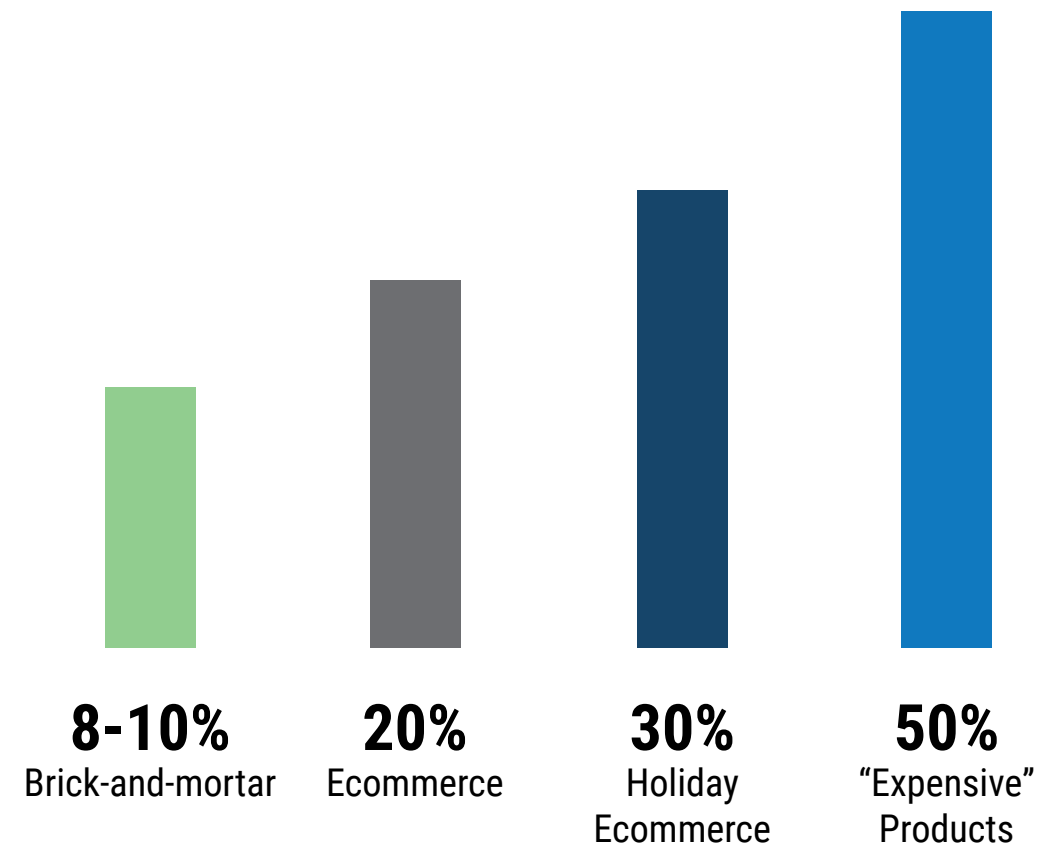
## Automate the Fulfillment Process

Barcode solutions assure accuracy for receipt, put away, restocking, pick-pack-and-ship, returns, and cycle count processes. Barcodes can also trigger critical business processes, such as automatically generating return labels or immediately refunding the customer.

## Analyze the Data

Save time and money by eliminating frequently returned items that are often damaged in transit or do not meet customer quality expectations. Adjust packaging and tweak the refund equation based on your analysis.

## Return Rates in Retail and Ecommerce



Data via [eMarketer](#) (2018), [Star Business Journal](#) (2017), and Forrester via [The WSJ](#) (2015)

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# Case Study: **MASKWORLD**

Every year, costume supplier MASKWORD faces a spike in orders, ahead of Halloween and Carnival, with shipping volumes topping 450 percent. To manage the seasonal order fluctuations of its 12,000 different products, MASKWORLD implemented the Descartes automated warehouse management system (WMS). By automating logistics processes for ecommerce order fulfillment, the WMS drives operational efficiencies across the organization's multichannel warehouse. Descartes warehouse management system (WMS) helps MASKWORLD manage major surges in orders during peak periods by increasing shipping efficiency and productivity, ensuring order accuracy, and reducing operational costs.

## Results:

- 200% increase in productivity with a scanner-based solution
- Tripled receiving & returns productivity
- 100% accuracy achieved

“We’ve doubled our packing and shipping productivity and tripled our receiving productivity, saving nearly \$600K a year.”



– Roman Matthesius  
CEO, MASKWORLD

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# Case Study: *McCombs Supply Company*

As McCombs Supply Co. grew from a small TV repair business in 1953 to a thriving online replacement repair parts business, increasing order volumes were causing a shipping bottleneck and hindering growth. The company replaced its inefficient and time-consuming manual shipping practices with the Descartes solution. By streamlining and automating order processing, McCombs was able to dramatically increase productivity, improve customer service, and successfully expand. The integrated solution streamlines order fulfillment by automatically importing orders, comparing carrier rates, printing shipping and return labels for all major carriers, and tracking through final delivery.

“Descartes makes it easy to accurately download all the information in just a few clicks. The solution can recognize, then scan the job and ship.”



– Ken McCombs, III  
Vice-President  
McCombs Supply  
Company Inc

## Results:

- Increased order processing speed by 30%.
- Increased its volume of shipments from 150 packages a day to 150 packages an hour!
- Customer orders can be easily amended or canceled from any phone or device making it easy to swiftly and efficiently resolve any customer issues.

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# Self-Assessment Worksheet

Identifying when a business is ready to move to more automated methods for returns management is critical to keep costs down and enhance customer service. Key questions to assess readiness to move to higher level of returns automation include:

1. Do you know the cost of a return?
2. Are you able to effectively select the right carrier for your returns?
3. Do you have different returns management processes for each marketplace or sales channel?
4. Do you have unsorted goods without disposition codes piling up in the warehouse?
5. How do you track returned goods and document return reasons?
6. Are you finding a disconnect between returns orders arriving in the warehouse and routing products for repair or resale?
7. Are you receiving returns by scanning bar-codes or relying on operations to correctly identify the item?
8. Does your organization have the infrastructure to handle the increasing number of ecommerce returns?

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# Conclusion

The rising number of ecommerce sales and along with that increasing returns continues to transform shopping patterns. An inefficient returns program can impact profits at the top and bottom line. Online shoppers make buying decisions based on sellers that offer easy returns. Poor return processes can impact customer relationships and reduce sales. Best-in-class businesses know that carrier systems, accounting solutions, ecommerce platforms and the warehouse must work in lockstep to secure a seamless customer experience and safeguard the bottom line.

With the right solution in place, ecommerce businesses can reduce the time spent sorting returns, secure lower carrier rates for returns, tap into multiple online marketplaces, get returned inventory back into circulation more rapidly, better manage vendor requirements and integrate disjointed operations. Technology that can manage the flow of information and returned product is essential to offset costs, secure customer loyalty and achieve the “perfect return.”



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# How Descartes Can Help

Descartes offers a range of flexible options that help our customers streamline their outbound shipments, as well as receiving and returns, by enabling connectivity to leading Enterprise Resource Planning (ERP) solutions, supply chain platforms, carrier systems, and 80+ ecommerce channels. Our intelligent warehouse management solutions, barcode-based outbound and inbound processing, return reason capturing and automated returns label creation can help online businesses simplify operations and adjust to seasonal returns fluctuations. By automating outbound processes to more rapidly move returned items back into stock, and consolidating returns from multiple sales channels, Descartes facilitates better customer service and boosts sales.

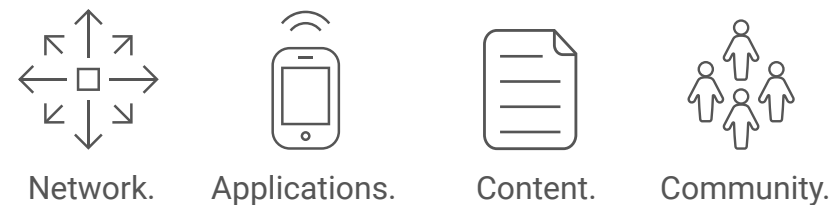
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