

## Return to profit

Published: **01 October 2010**  
Channel: **Distribution**  
Byline: **Nick Allen**

---

High street retailers expect an average returns rate of ten per cent. However, research conducted by Stockshifters.com in May 2010 finds that online shoppers return an average of 22 per cent of items purchased - a figure which increases significantly following the peak Christmas trading period. The report goes on to warn that online traders could face losses upwards of £9.4 billion this year due to the growing number of returns. So, what can retail organisations do to minimise exposure to this significant risk to the bottom line?

According to Peter Fuller, retail business unit director at Norbert Dentressangle, by far the simplest way to reduce the cost of returns is to reduce the rate and volume of returned product. "The incidence of returns and the associated costs can be dramatically reduced by working with vendors and carriers to minimise product damage and improve delivery accuracy," he says. Through the introduction of improvements in packaging, materials handling and carrier management, a major DIY retail customer of Norbert Dentressangle was, he says, "able to reduce return rates by 42 per cent".

However, it is nigh on impossible to eradicate returns entirely. Fuller explains that it is imperative to deal with direct-from-consumer returns efficiently as the way a company performs in this respect greatly influences brand loyalty, basket value and repeat purchasing. According to recent research from Collect+, poor returns experiences lead to 58 per cent of online shoppers permanently shunning outlets.

Fuller goes on to explain that take-back schemes are on the increase, encouraging customers to buy a new product without worrying about how to dispose of the old one. This he says is being driven by the increasingly strict legislation around the disposal of end of life electrical equipment under the WEEE directive.

In addition to helping both consumers and retailers meet their obligations under this legislation, Fuller says, "more effective returns and recovery management also significantly reduces waste to landfill - with landfill tax at £48 per tonne and on an escalator which will see this increase to £80 by 2014, this is a priority for retailers."

Steve Smith, senior vice president EMEA at Manhattan Associates, points out that organisations are now seeing returns as a large inventory stream in itself, forming possibly 30 per cent of a retailer's business. "By deploying technology to drive a successful reverse logistics operation, they can not only realise up to 90 per cent of the returned asset's value going straight to the bottom line but they can learn more about their customers and also gain vitally important customer service benefits," he says.

A major issue around returns has been the speed at which products are received back, particularly from the stores, as this affects what can be done with them subsequently. For example, "if there is a long delay getting returned apparel back through a fashion retailer's supply chain, the season may be over by the time the stock can be redeployed," says Smith. Technology can automate the process to speed up returns.

Tony Burley, operations director at Unipart Consumer Logistics, believes that reverse logistics activity in the UK is not as mature as it is in the United States. "Many businesses in the UK struggle to apply the same level of solutions for their reverse logistics as they do for their forward logistics - forward logistics tends to be far more advanced for most retailers," he says.

"UK retailers tend to see their returns as a matter of embarrassment, whereas in the US a return is seen as



an opportunity for a further sale."

However, many retailers are now turning to logistics service providers for more sophisticated solutions to the complexities of processing returns.

Unipart is responsible for the reverse logistics operations for Waterstone's, an activity that forms a significant part of the overall logistics contract for the book retailer. A large proportion of books sold through Waterstone's retail network of over 300 stores are taken from publishers on a sale or return basis. This results in a large volume of returns being handled - somewhere in the region of 150,000 items a week.

"We've developed the back of store processing, as well as the actual returns operation to the warehouse and onwards to the suppliers," says Burley. "A typical returns authorisation notice [RAN] involves 20 suppliers, so when a RAN is generated, staff at a store will go around collecting all the titles for return and scan them into a tote box. Then when the store gets its next delivery, the driver will know to return the tote to the warehouse for processing. In the warehouse we scan the tote to identify the store that it's from, we then open the tote and scan each book - the majority automatically via the sorter - and the system will tell us which supplier to return it to. However, a title could also be returned to stock, sent on to another store, or may be sent off for pulping."

Managing an efficient returns operation minimises the cost implications for the business and can present further opportunities for achieving sales.

Mark Hewitt, CEO of iForce, suggests that with multi-channel retailers experiencing growing volumes of returns coming through their stores, a retailer can gain an advantage by linking the store's tills to a decision-making system that offers comprehensive management of the return. Hewitt says this has been the case at Tesco, which for the last six years has received a completely visible and auditable returns processing service from iForce that swiftly removes returned products from its stores and processes them for onward disposition.

"When a return is brought to the customer service desk in a Tesco store, the till system feeds the data directly into ReSCU, our in-house developed returns management software," he says.

"The product is then scanned, documented and given a code according to the reason for its return."

Hewitt points out that human intervention is required to validate this but from then on it's an automatic process. Items might be returned to stock, repackaged, refurbished or scrapped. The route back to market could see an item being restored to the original supplier, auctioned using iForce's own BuyForce site, sold to jobbers or fed back into the retail stream.

Technology plays a major part in controlling the returns process, as Rob Smith, VP of global marketing communications at Kewill, explains. "To manage complex reverse supply chains effectively, a reverse lifecycle management system is needed.

"A complete reverse lifecycle management system is one that is flexible, integrated with other supply chain execution tools and that can manage returned products from customers on a global scale in an efficient and responsive manner," he says.

The company has just launched Kewill Reverse Logistics 2.0 as a SaaS solution, designed for high technology manufacturers. The solution is said to be used by some of the world's top supply chains to manage their reverse logistics operations.

"Until recently, the reverse logistics supply chain has been managed as a patchwork of legacy solutions," says Evan Puzey, chief marketing officer for Kewill. "With release 2.0, we extend the offering to include capabilities from call centre capabilities through warehouse and shop floor, all on a single SaaS platform running globally."

Tim Ansell of Bisham Consulting believes that vehicle fill rates have an important impact on the cost of the returns process. "Returnable packaging may help companies fully use the space on the vehicle and packaging can be returned relatively easily using empty return legs," he says.

Ansell outlines how one client, a food retailer, recently reviewed its position regarding the use of plastic crates. The company was using returnable packaging and some one-trip packaging, but wasn't sure if it made sense for them. An in-depth study surprised the company. "Because of the way they were accounting for the overall process they couldn't see the benefits of returnable packaging - it turned out the cost of returning packaging was considerably less than they expected as they were able to use empty runs," he says.

According to Ansell, there were very significant savings made. "Using returnable crates enabled a much faster loading of vehicles, product damage too was greatly reduced by a factor of ten times, and there was a lot less work required in store handling and disposing of disposable packaging," he says. "What's more, space savings were achieved at back of store and the cost of a trip for a rented crate was less than half the cost of a cardboard equivalent - including the cost of washing the crate."

An important point Ansell makes is that returnable crates offer greater protection for goods on the outbound journey and so minimise returns due to damage. He adds, "they are just as robust for protecting goods on the return journey too."

## Executive Jobs

---

<b>3PL Contract Manager ...</b>	Cambridgeshire	Permanent
<b>Associate Director ...</b>	London	Permanent
<b>Business Intelligence Analyst ...</b>	London	Permanent
<b>Business Process Analyst - Supply...</b>	Wiltshire	Permanent
<b>Business Services Category Manager ...</b>	London	Permanent
<b>Buying Manager, Telecoms ...</b>	Hertfordshire	Permanent

[More Jobs](#)

---

Incorporating the official journal of the  
European Logistics Association



Copyright [Centaur Media PLC](#) Registered No 4948078 England.  
Registered Office St. Giles House, 50 Poland Street, London W1F 7AX.  
All rights reserved.

Powered by: [Origin Content Manager](#)