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A Retailer's Guide to Reverse Logistics



Introduction

Reverse logistics is the process of returning merchandise from the end consumer back up through the supply chain — anywhere from one step back to all the way to the manufacturer. Customers refer to this process as “returns” and, for eCommerce retailers, it is a crucial aspect of the customer experience journey. Why? Because more than half of customers read a brand’s return policy before deciding to buy. And, unsurprisingly, the majority want a hassle-free return process. That’s all well and good for customers—not so much for brands.

In 2021, eCommerce sales accounted for \$1.05 trillion of total U.S. retail sales. Around \$218 billion of those purchases were returned, with \$23.2 billion determined to be fraudulent. For every \$1 billion in sales, the average retailer incurs \$166 million in returns.¹



On par with last year, the 2022 eCommerce holiday shopping season is expected to see an 18% return rate, or \$158 billion.² To put this into perspective, brick and mortar retailers typically experience an 8-10% return rate.³

Why the discrepancy? Given that apparel returns account for 88% of all returns and 70% of the reason for returns is “it doesn’t fit,” the inability to experience items in person may explain higher online returns.⁴

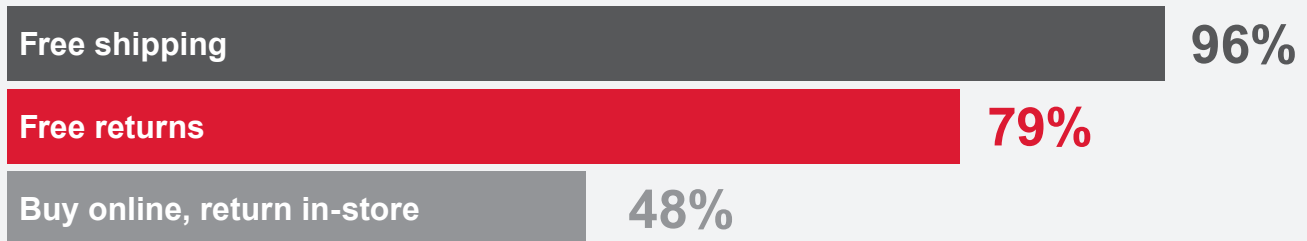
While returns have traditionally been seen as part of the cost of doing business, retailers in today’s economy are facing tighter margins and evaluating not only how to reduce the cost of reverse logistics, but to deter customers from needing to make returns at all. In fact, more than 60% of retailers changed their return policies for peak season 2022.⁵ It’s unclear whether these changes, which included shorter return timeframes and charging for return shipping, will evolve into the status quo.

Given the high cost of reverse logistics, how can eCommerce retailers optimize their processes and ensure that returns support a positive customer experience?

Design the Customer Experience to Reduce Returns and Prevent Return Fraud

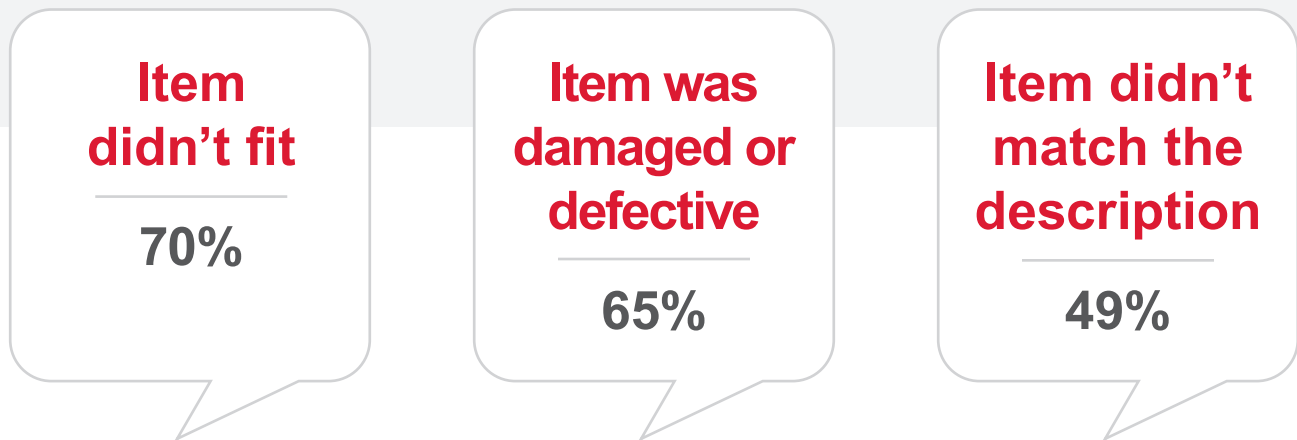
Customers feel strongly about the return process.

In fact, it's the second most important factor cited when asked what matters to them in their purchase decision⁶:



However, the same survey reveals that only 49% of online retailers offer free shipping.⁷

Why do customers return online items?



Online customers seek a smooth, seamless, and informed buying process — which means the more information a brand can provide, the more informed the buyer can be. Designing the customer experience to include as much user-generated content (UGC) as possible, such as reviews, photos, videos, and Q&As, helps buyers gather the data they need to make more confident and accurate buying decisions. When customers can order accurately (e.g., using a sizing chart to compare measurements to ensure they order the right size), it reduces the likelihood of returns. Nearly two-thirds of customers say that UGC would make them less likely to return products.⁸

Designing the customer experience to reduce returns and hinder fraud means looking at the way a brand's return policy and its presentation on the eCommerce site supports a positive buying experience, while reducing the need for customers to return products and making it harder for fraudsters to commit return fraud.

Formulate a Balanced Return Policy

Nearly 58% of shoppers want a hassle-free, “no questions asked” return policy.⁹ And we’ve already seen how vital free returns are to customers and their shopping experience. But reverse logistics is expensive. eCommerce retailers must balance the desires and expectations of their customers with the needs and welfare of the business.

Since customers will always want easy, free returns, it’s important to make the return process as simple and effortless as possible to make customers feel confident in their purchases. But brands must strike a balance between offering easy returns and designing a return process that makes it naturally less likely for customers to return products.



How can brands do this?

1

Put timeframes on the acceptable return period (or not).

Retailers are shortening the return timeframe to 30 days during peak, encouraging customers to make return decisions within that timeframe and take advantage of people’s tendency to procrastinate and miss the return deadline. It’s worth noting that a study found that giving “no deadline” return policies has actually proven to reduce returns.¹⁰ This is likely because people are not pressured to make a decision within a certain amount of time, so they simply don’t get around to doing it.

2

Limit the categories and condition of items that can be returned.

Electronics, beauty products, and some furniture are categories that can’t be returned unless unopened and within very limited timeframes at most retailers. Limiting items that are more expensive to process in returns or more difficult to resell can help reduce reverse logistics costs and deter returns.

3

Offer free shipping but require customers to print the labels.

Again, the effort required to print and complete a return will deter many customers from making a return.

With a return policy that is crafted to naturally hinder returns — even if the returns are free — brands can reduce costs. However, customers need to be informed to keep the experience positive.

Make it Obvious and Easy

More than 60% of consumers read through a retailer's return policy before purchasing — and for good reason.¹¹ The return policy is essential to their buying decision. It's crucial to make the return policy obvious and easy to understand, which means putting it in front of customers at multiple stages of the buying process and making sure the language is clear, upfront, and easy to understand. As long as customers understand the return policy, they can make a confident decision. They also can't claim that they were not informed. Including a checkbox requiring customers to "agree to" the return policy during checkout can help prevent fraudulent returns and customers from saying they were never informed of the policy.

Negotiate Return Policies with Suppliers

With the customer experience designed to reduce returns, retailers must also evaluate their backend supply chain processes to help minimize the cost of reverse logistics. Key to this is negotiating return policies with suppliers and manufacturers. In fact, suppliers should be chosen, in part, based on their return policies and what it will cost retailers to send products back to them, get replacements, or be compensated for damaged products.



Leverage Transportation Space and Cost

Retailers should regularly evaluate their transportation methods, policies, and costs. For reverse logistics, in particular, they can determine if trucks delivering products can also pick up returns. Anywhere the order fulfillment and reverse logistics processes can be integrated or shared in transportation will help reduce costs and speed up the time it takes for a product to be restocked, replaced, refurbished, or recycled.

Collect Data on Returns

The more brands can understand about the reasons customers return products, the more they can do to adjust their processes to address those causes. Routinely asking customers for the reasons they return products and then paying attention to trends can help identify areas to improve. It can also highlight potential fraud. While customers prefer a "no ask" policy, requiring them to provide a reason can be highly beneficial to the retailer. Equally important is to regularly seek feedback from employees processing returns to help identify areas to automate, streamline, and improve.

Prepare for Peak Season All Year

The post-holiday season is the peak season for reverse logistics. However, retailers must prepare year-round and have a solid return policy and process in place to support peak. Optimizing reverse logistics is a continual process, but retailers that do so are better positioned to reduce returns and keep customers happy during the return process. Customers are not mindful of the cost of reverse logistics to brands, and from their perspective, they shouldn't have to be.

Brands that can support customers through an improved buying experience with ample content, information, and UGC, as well as clear and obvious return policies, will be well positioned to reduce costs and help customers make confident buying decisions. Optimizing supply chain management and logistics will help reduce the cost of wrong items or damaged/defective items being sent to the customer.

Reverse logistics is a complex process that involves many parts working together to achieve a positive outcome for the customer. Retailers may choose to handle all aspects of reverse logistics themselves or outsource part or all of it to a partner.

Radial Takes the Pain Out of Customer Returns

Radial has been helping retailers streamline their reverse logistics for more than 30 years. We have the technology, partners, and operational expertise to set up a program that is customized for your business needs and makes the experience as easy as possible for your customers. Returns are inevitable, but we can reduce the costs and hassles associated with the eCommerce return process — ensuring a successful post-peak and all-year-round experience.

Learn about Radial's reverse logistics solutions to see how you can reduce the challenges and costs of the return process for your business while improving the customer experience.

Scale and Streamline Operations with a Reverse Logistics Partner

Many retailers outsource their eCommerce fulfillment to third party logistics companies that serve as fulfillment experts — handling all aspects of order fulfillment on behalf of their customers. These providers often also offer reverse logistics management and work closely with brands to ensure a smooth, streamlined, and cost-efficient reverse logistics process.



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About Radial

Radial is the pre-eminent B2C eCommerce fulfillment solution provider powering some of the world's best customer experiences. Global brands have trusted us for 30+ years to help them deliver a distinctive consumer experience through tailored, personalized, and scalable solutions. We partner with clients across Europe and North America with technologies such as advanced order management and omnichannel, payment and fraud management, and customer care services. Learn about our solutions at radial.com.



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