

# The Returns Opportunity

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As the retail industry comes out of another stressful returns period, can there really be anything positive to come of it? Tim Hay-Edie of Virtualstock says yes

Returns can be especially costly to retailers of extended range products, but multichannel retailers can turn the returns challenge into an opportunity.

After reporting those poor “Golden” Quarter retail sales, CEOs are now reviewing the January returns figures. It’s grim. And the crippling cost of returns will be cited along with statements like, “returns are a cost of doing business”....

Multichannel retailers offering an extended product range - either through dropship or a marketplace - find returns especially challenging. These retailers want to emulate Amazon’s endless aisle, but they are not ecommerce pure plays; and it is the multichannel ecosystem that is the real jungle. Let me explain.

Customers of multichannel retailers have the same expectations in terms of service and outcome, but with the supplier at an arm’s length, the returns reverse logistics journey is vastly more complex.

The original order is relatively straight forward: assuming there is stock availability, the customer places the order on the retailer’s website; the retailer recognises the product is not stocked-in (i.e. is extended range); so, the order is passed to the related supplier to fulfil direct to the customer. So far so good.

## Process wrinkles

Wrinkles in the process begin to appear when Customer Service is involved. The customer calls Customer Service about their order – perhaps because on the website the returns policy for their extended range product is vague. Customer Service needs access to the order status, delivery status, the supplier’s return SLA, the product return journey, etc. Without this level of detail easily available, mistakes can be made, the customer let down, or quite likely the retailer will pay financially and reputationally - irrespective of who is at fault.

Wrinkles can quickly become tears in the Customer Service cover if the customer tries to return an extended range product through the retailer’s store network. This relies on the order and SKU being recognised by the in-store POS. If not, then at best the store colleague can only credit the customer for the return and put the item in a “cage” for later processing.

Unless the order providence is clear, the likelihood of the item being processed correctly and becoming re-sellable is minimal. More likely the supplier will invoice for the delivered order, while the customer has been refunded for the return. The retailer pays twice – this is before you count up costs related to shipping, Customer Service time, and damage to the retailer’s reputation. How

many sales are required to recoup one returns blunder? The root cause is a broken process and poor systems integration.

It may well be that many retailers fail to fully embrace extended range channels because when they run a trial, or POC, they make such a mess of returns that the full roll-out gets canned or postponed.

## Fundamental truths

So, what to do? Can the multichannel returns challenge ever become an omnichannel utopia where customers can purchase and return items seamlessly? As ecommerce pure plays apparently do? Or, for traditional retailers, is the mix of extended range and core range a case of a square pegs never fitting in round holes?

Before we become truly despondent let's take a step back and consider 3 fundamental truths:

1. Returns are inevitable
2. Returns are a hassle both for customers as well as retailers
3. Returns have a cost to retailers that customers prefer not to pay

Sound reasonable? These truths apply to all retailers. So as a multichannel retailer let's consider a strategy that leverages the benefits of your extended range, combined with the benefits of your store network - that doesn't give your CEO returns reflux:

### Set Customer Expectations:

- Have better product descriptions on your website so customers can make informed choices - this will reduce returns.
- Have a clear online returns policy, with a mission to make the returns experience the same for extended range as for stocked-in.
- Where extended range products have a different return journey always call it out - on the website product page, in the basket, and at order confirmation. Customers don't want surprises, or to feel that they have been misled.
- The packing slip or invoice must also include the "how to" return options. The customer is most likely to think "return" at the point they open the package. A clear set of instructions will likely reduce calls to Customer Service.
- (Note: the packaging and order paperwork is where the extended range supplier can truly let the retailer down. As a mystery shopper you can test the order and returns process. See what the customers experience, and fix it!)

### Make it Easy for the Customer and Easy for You:

- Ensure it's easy for Customer Service and your in-store colleague to find the return journey rules for extended range products. Without information readily at hand poor decisions will be made. Is the product returnable? How is the product to be returned, and to whom? When do warranties run out? Answers should be available at a click.
- Where possible make the original order packaging reusable for returns purposes.

- Where appropriate pre-printed returns labels work well. Ensure that when the QR code is scanned into the nominated carrier's network (i.e. Collect+ or RoyalMail, etc.) that both you and the supplier know a return is in flight. This increases likelihood your Accounts department will stop payment of an invoice, or at least get a credit note from the supplier.
- However, the "return to store" option is a point of convenience not lost on customers. You know this from your own online shopping experience. Do you prefer to re-pack your order and post it back with all the paperwork and labels, or simply drop it off at the store for immediate refund?
- Clearly the up-side of a "return to store" is repeat foot traffic and a potential new sales opportunity.

#### Make Return to Store your "Free" Returns Option:

- Your store network is the asset e-commerce pure plays lack. So why not use it for free Click & Collect, and free drop-off returns?
- However, your in-store systems must ensure store colleagues can process the return. If your POS cannot recognise the order or the related SKU, then implement a work around. This does not have to be complex IT. Ensure the customer can provide an order number or better a QR code from the paperwork sent with the order, or in the order confirmation email. The store colleague can then scan the code or input it using a handheld tablet. Ideally the tablet is connected to a web service, which can reach your systems through an API. APIs do not have to be fully automated, they could be simple CSV files that are imported at the end of the day. There is no reason the process cannot be manual and run daily or even weekly. What's important is that returns are logged into your systems.
- Again, the supplier must be alerted there is an inbound return. First the return may need to go to a returns centre, and then on to the supplier, but at least it is now trackable.
- Finally, remember an extended range product is virtual stock that you do not own. So, ensure that if the SKU is being returned more than the expected return tolerance level, you can immediately take the product off sale. This is one of the benefits of extended range over core range - so your systems must monitor for it, and make data driven decisions.

#### Customer experience

So, in conclusion, we may need to accept that "returns are a cost of doing business", but we should do everything in our power to reduce that cost without negatively impacting the customer experience.

The ability of a multichannel business to fix the returns process is the opportunity. The outcome is to give customers a joined-up sales and return experience, by leveraging your store network, to benefit both your core and extended product ranges. This will keep customers loyal, and all your stakeholders happy - whether it be finance, operations, the supplier, the contact centre, store colleagues, or that anxious CEO.