

THE  
**ULTIMATE**  
GUIDE TO  
**PREVENTING**  
**RETURNS**

The Easy Three-Step Process To:

**1**  
reduce  
returns

**2**  
reduce  
churn

**3**  
improve  
bottom  
line



What's in  
this Book?

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# NOBODY LIKES RETURNS.

Not the customer, who is disappointed about the process.

Not the online retailer, who loses revenue and potentially a customer relationship.

And not the store, who has been forced to sacrifice space to process omnichannel returns.

But the fact is that returns can actually support the bottom line. Retailers who invest in their returns processes can not only reduce the pain, but also use insights they glean from the data to:

- ➔ **Prevent future returns**
- ➔ **Reduce customer churn**
- ➔ **Enhance customer lifetime value**
- ➔ **Improve the bottom line**

Retailers who adopt this approach can improve their overall returns rate by as much as 5% per month.



**Mind Blown:  
returns can HELP  
my bottom line?!**

# PREVENTING RETURNS: HOW TO GET STARTED

Because it's long been considered a cost center, retailers' recent investments in returns have mostly been about recovering as much value as possible from returned goods (read "[Working the Wrong End of Returns](#)" White Paper). But that still represents a loss.

Retailers who want to transform their returns processes into engines of insights of their customers and products start first by improving the basic return and exchange processes. These include the customer request, the help desk, and the warehouse.

With these in place, they can then begin using the data they collect to identify root causes and prevent future returns. The result is a complete, end-to-end returns management and prevention process that is completely integrated. And a seamless experience to the customer.

## Returns Fact!

Retailers typically recoup just 12 to 25 percent of an item's original cost, according to Reverse Logistics & Sustainability Council.

12 to 25%



# THE RETURNS PREVENTION HIERARCHY OF NEEDS

There are three main components of returns prevention, with sophistication (and benefit to the organization) increasing as you scale the hierarchy.

## 3 RETURNS PREVENTION

- + Leverage analytics to uncover root cause
- + Identify toxic products, customers & vendors
- + Calculate return rates and financial impact
- + Take action to prevent returns

## 2 RETURNS COLLECTION

- + Receive product & physical inspection
- + Provide additional insights
- + Initiate refund process
- + Determine product disposition

## 1 RETURNS ORIGINATION

- + Generate a Return Merchandise Authorization (RMA)
- + Provide return labels
- + Collect return reason codes
- + Track the returns (and exchanges)

Start  
Here

# 1. RETURNS ORIGINATION

A returns transaction has several moving parts:

- ➔ Generate a Returns Merchandise Authorization (RMA)
- ➔ Provide return labels
- ➔ Collect return reason codes
- ➔ Track the returns (and exchanges)

## Returns Origination Pain Points:

Surprisingly, most eCommerce platforms do not offer tools to manage all of these processes. Instead, retailers have developed their own methods. And none of these are effective long-term solutions:

- Recording RMAs in a spreadsheet or shared document, then marking when the item is received and manually initiating a refund.
- Adding multiple plug-ins to address each of the steps, which vary widely in quality and do not always integrate well with other systems.
- Using third-party shipping software for returns origination, which addresses the immediate need but is too silo-ed. And most don't collect valuable returns data.
- Creating manual workflows, since eCommerce plug-ins or software modules do not include the workflow management required to make returns efficient and returns data visible to everyone who needs to see it.
- Paying a third party to develop a costly custom integration.

## More Pain: The Poor Use of Reason Codes

A second issue common to all of these approaches is the poor use of reason codes. Most retailers offer a single set of broad codes across their entire product line: Did not fit, damaged, did not like, and so on. Often they request this information on returns paperwork inserted into every order shipment that is not seen until the item reaches the returns facility. This data is both too general and too late to help the retailer take action.

Some reason codes describe product issues — *did not fit* — but offer no insights: Were the sleeves too short? Waistband too tight?

Others point to merchandising, production or distribution issues: *Product did not match description. Wrong color. Broken.* Still, these don't offer enough insight to know what to fix.

## Returns Fact!

According to Chain Store Age and TrueShip, most (67%) online returns are the retailer's fault, not the customer's.

- ➔ 23% of online returns are because the customer received the wrong product.
- ➔ 22% of online returns are due to the product being substantially different in appearance than was advertised online.
- ➔ 20% of online returns are due to the customer receiving a damaged or defective item.



## RETURNS ORIGINATION BEST PRACTICES

Here are two best practices to make returns origination frictionless:

- 1. Origination Management:** Leveraging a single application that automates all returns origination processes and workflows.
  - 2. Reason Codes:** Collecting product-specific reason codes, photos and other valuable data when the customer initiates the return.
- 

### 1. Origination Management:

The next best thing to no return is a returns process that is fast and frictionless for the customer and the retailer. By automating all of the steps in a single comprehensive Returns Origination application, retailers can customize how the return/exchange/gift card workflow is handled to create a positive customer experience and a fast, efficient backend process.

This makes a return less painful for the customer, and also helps speed along their refund. Delivering a fast and pleasant experience is essential to get that customer to trust a retailer with a future transaction.

Returns  
Fact!

Researchers from the University of North Carolina at Chapel Hill and Georgia State University discovered that “a satisfactory product return experience can lead to increases in customers’ future purchases and referrals and in the profit they yield for the company.”

## 2. Detailed Reason Codes:

A best practice is to write reason codes that are specific, and tailored to each product type in question: *sleeves too long; tight across chest for a sweater; clasp broken; missing piece or discoloration of jewelry*, for example.

Detailed reason codes help determine if the product is damaged or resaleable long before receipt, to speed dispositions when the item hits the warehouse. They can help save the sale by offering exchanges or related products or a gift card. Best of all, reason codes help retailers get actionable details on why products are coming back, so they can quickly take action — changing a product description, correcting a slotting error, choosing a new vendor, and so on — to prevent future returns.



### Bonus Tip:

Using customer history to shape the returns process. Give high value customers a heightened experience. Use returns data to avoid recommending a replacement SKU with the same issue.



## 2. RETURNS COLLECTION

Once a retailer issues a return authorization, it's a waiting game to see when — or if — the customer actually makes the return. Once the package arrives at the returns facility, either an in-house facility or a third-party logistics provider, the tasks include:

- ➔ Receive product & physical inspection
- ➔ Provide additional insights
- ➔ Initiate refund process
- ➔ Determine product disposition

### Returns Collection Pain Points:

Many retailers find connecting returns packages to transaction data challenging. Here's why:

- Most retailers collect very little data as part of the returns authorization process, so they have no insight to guide disposition decisions. This slows processing, and those delays mean lost inventory value.
- Because RMAs are tracked on a spreadsheet or shared document, incoming shipments must be manually cross-matched.
- Integration with the eCommerce or ERP platform is often archaic or non-existent, so customer refunds must be initiated manually. In many cases, this process has to be done in multiple systems. This just causes delays that frustrate customers.
- Another outcome of poor integration and automation is lack of visibility: warehouses have limited insight into what's coming back, and no one is able to look for patterns in returns activity.
- Even those retailers using advanced warehouse management systems find those are focused on forward logistics, so their returns processing functionality is inadequate.



## RETURNS COLLECTION BEST PRACTICES

### Use an automated and integrated returns collection solution.

The best returns practice is to use a comprehensive returns collection application that integrates via API right into the eCommerce platform, automating collection processes. When customer service and the returns facility share access to returns management data, they gain multiple benefits:

- Faster, automated receipt and logging of returned merchandise following custom workflows. Slow, error-prone manual entry is eliminated.
- Returns intake staff can make their own notations via text, voice, or image on product condition and root causes.
- Returned inventory moves faster into disposition channels, preserving value.
- Returns facility gains insight into what's coming back, aiding staffing and disposition planning.
- eCommerce systems are automatically notified of received goods, speeding refunds and satisfying the customer.

Aberdeen Group found  
**64% of businesses**  
are targeting returns management  
as an avenue to improve  
overall customer satisfaction.

Returns  
Fact!

## 3. RETURNS PREVENTION

### Leverage analytics to understand and prevent returns.

Achieving maturity in returns management means analyzing returns data to gain insights that make returns prevention possible. This is the most effective long-term strategy for reducing customer churn and extending lifetime customer value.

- ➔ Leverage analytics to uncover root cause of returns
- ➔ Identify toxic products, customers and vendors
- ➔ Calculate return rates and financial impact of returns
- ➔ Take action to prevent returns

#### Returns Prevention Pain Points:

Retailers have made some important inroads toward satisfying the customer the first time, such as offering virtual dressing rooms, user reviews and recommendation engines. But that's where prevention stops:

- They use reason codes that are too generic.
- Any data they do collect is stored in spreadsheets or shared documents. These cannot be analyzed fast enough to take action.
- Reason code data never gets back to the marketers, merchandisers or forward logistics departments who could use those insights.
- They don't properly analyze returns data.

As a result most retailers are ignoring a gold mine of feedback about their customers and products.



## RETURNS PREVENTION BEST PRACTICES

Building on the strong foundation they have laid by automating and improving Returns Origination and Returns Collection, retailers now have everything they need to start to gain insights into why products are coming back, and take fast action to prevent more returns of those items. The most mature stage of Returns Prevention is applying Returns Analytics to rich returns data.

Returns Analytics rapidly analyzes returns data starting from the moment the customer initiates the return or the service desk enters data about an incoming return. Using algorithms and natural language processing, it becomes an early warning system alerting the retailer to patterns in product returns. They can use that to jump into action:

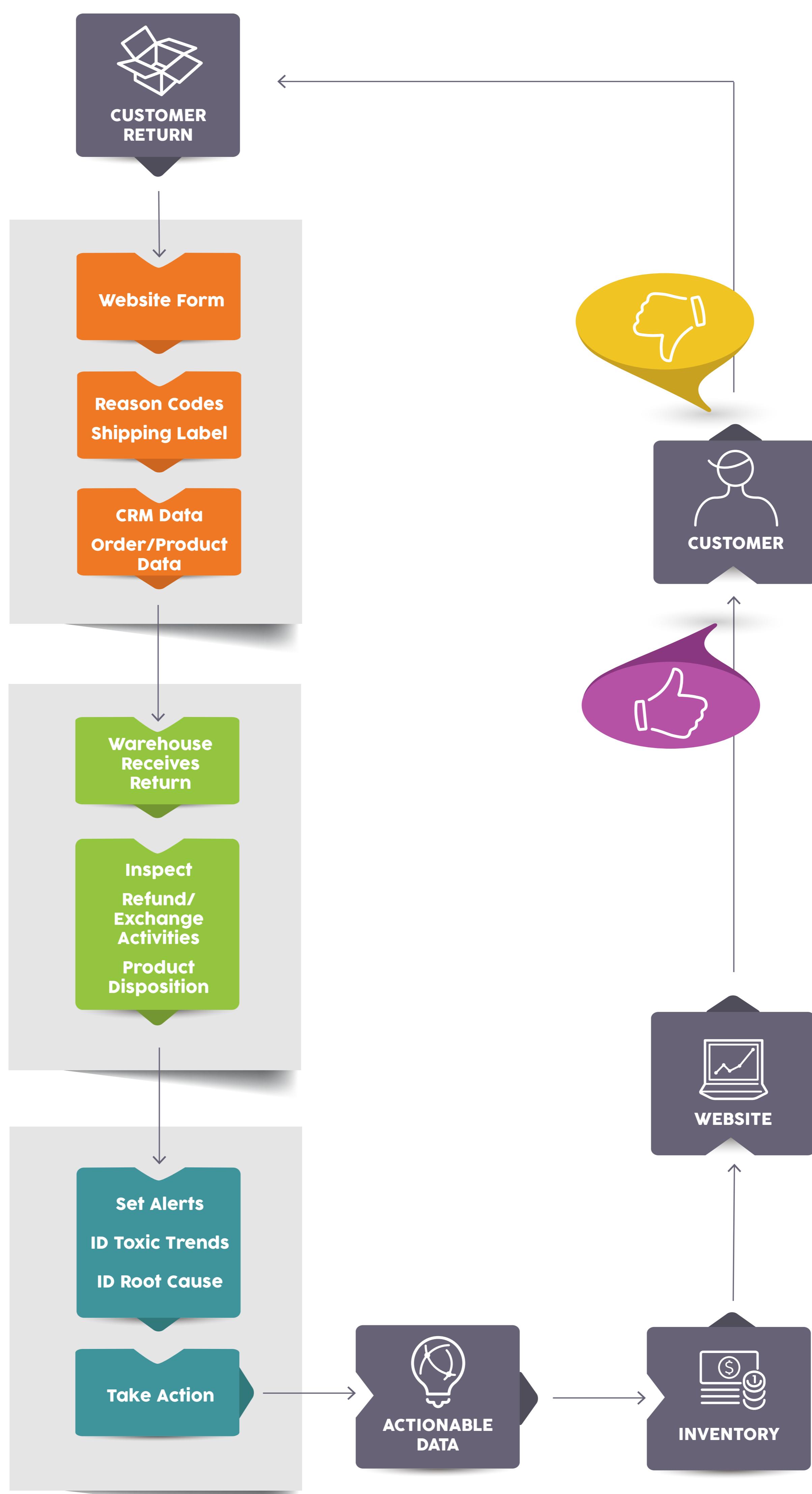
PROBLEM	ACTION
Lots of damaged TVs are coming back	Alert the returns facility to prepare for this bulky item
Ladies jacket SKU being returned for fit issue	Change the item description on website
Several SKUs from the same jewelry manufacturer have broken clasps	Pull items, alert the manufacturer and cancel orders
Shoppers received pink shorts but ordered blue	Correct warehouse slotting error
New pants fabric is scratchy	Alter materials on future orders
Earring being returned because it's too heavy	Don't purchase earrings over 3.9 oz.
Product damaged upon customer receipt	Check remaining stock to determine if vendor or shipping problem



# A GREAT RETURNS ANALYTICS APPLICATION CAN:

- Enable custom alerts so the right people can take fast action to correct an issue.
- Flag anomalies to drive targeted investigations of root causes of returns.
- Enables analysis of products, customers and vendors – as much as 10x faster than manual analysis.
- Provide visibility, communication and accountability.
- Integrate easily with your existing data stores and software, such as your eCommerce Platform, ERP, WMS and CRM as well as help desk.
- Predict potential return issues before they happen, helping retailers avoid selling products that will disappoint customers and damage the bottom line.
- Bring together many disparate sources of data, including unstructured data, to deliver profound insights.
- Calculate the true cost of returns and impact on the bottom line.
- Provide key insights to make data-driven decisions.

## Here's how it all works together.





## FEWER RETURNS = HAPPIER CUSTOMERS = HEALTHIER BOTTOM LINE

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No matter how frictionless the returns process is, returns damage the customer experience. If it happens too often, those customers will shop elsewhere. Instead, returns data can be used to understand what went wrong and stop it from happening again. You learn more, so products come back less.

With ReturnLogic's end-to-end returns management and prevention software including returns origination, returns collection and returns analytics, you can replace tedious, manually managed returns processes with automated, integrated, frictionless returns. Then you can use that data to prevent future returns, which will reduce customer churn, enhance customer lifetime value, and improve the bottom line.

[Learn more about ReturnLogic](#) and how you can optimize your product returns strategy for today's "Returns Economy".

