Returns Management Processes

Introduction to Returns Management

Returns management, also known as reverse logistics, is a critical component of the supply chain that involves the process of moving goods from their final destination back to the manufacturer or retailer. The returns management process is intersectional, involving facets of customer service, logistics, and inventory management.

A well-designed returns management process can transform the returns journey from a headache to a strategic advantage. By optimizing this process, businesses can ensure that both customers and the business itself benefit from it, leading to improved customer satisfaction and streamlined operations.

Definition and Scope of Returns Management

In distribution, returns management refers to the processes associated with returns and reverse logistics. Primarily relevant in retail, e-commerce, and other customer-facing industries, the returns management process encompasses activities associated with fulfilling customer requests to return or exchange a product. This includes collecting, organizing, and restocking returned or exchanged inventory.

The returns management process is intersectional, involving facets of customer service, logistics, and inventory management. Reverse Logistics refers to the process of receiving, inspecting, sorting, and delivering returned products to the proper distribution center, third-party management firm, or back to the manufacturer. It is an integral part of the returns management process.

The Returns Management Process Flow

The returns management process has several stages, depending on whether the product was purchased at a retail location or via e-commerce. The process often follows these steps:

1. **The customer receives the product and chooses to request a refund or return**
    - When a customer decides they are unhappy with a delivered product, they request a return, exchange, or refund. This can be due to damaged product or delivery of improper size or color.
2. **A business decides whether to approve the request depending on inspection**
    - The business evaluates the return request based on their return policy and the condition of the product.
3. **The company receives the returned product**

- The returned product is received at a designated facility, often a warehouse dedicated to returns processing.

4. **The product is restocked or deemed a loss**

    - After inspection, the product is either returned to inventory for resale, refurbished, recycled, or disposed of.

Main Pillars of Returns Management

Referred to as the main pillars of returns handling, speed, visibility, and control are the focus areas of a smart and efficient returns process.

Speed

To save maximum time and keep customers satisfied, consider automating decisions related to approving returns and processing returned material. This can be accomplished by utilizing automated workflows and labels. This allows technology to oversee repeatable processes, increasing accuracy, and employee bandwidth. Shipments that are automatically addressed and labeled with accurate documentation experience fewer setbacks.

Visibility

Capture information about each return before it even arrives at the receiving facility. Ensure that each return is linked to a reliable tracking

number and equipped with accurate inbound shipping information including quantity, condition, and other relevant data. When the return arrives, it can remain visible for the remainder of the process by utilizing reliable warehouse management software.

Control

Maintaining control over inventory flow is challenging for busy operations, particularly when handling returns. Implement a system to track receipts, compliance documents, and solutions reached. Not only can this reduce company liability, but also notify stakeholders of quality issues in product and process. Additionally, labeling and enterprise data integration are effective ways to maintain control during returns handling. These touchpoints combine information about the return with physical shipment and financial information, producing more timely solutions.

Factors to Consider When Building A Successful Returns Management Process

Building a successful product returns management process depends on certain pillars. These pillars are necessary for every returns management system, but the extent to which the supply chain considers and develops them will determine its success.

1. Customer-Centric Approach

Customers are the heart of every business and supply chain operation. Therefore, optimizing the entire process to align with their needs and expectations is crucial. For instance, customers want a returns process they can easily navigate. They value a system that is consistent and reliable. You can't promise your customers a two-day return process and then take a week to process their returns.

2. Data-Driven Insights

Optimizing the product management process is a given. The more important point here is how you are going about it. Are you doing what you think the customers want? Or are you leveraging data-driven insights? The latter ensures the process is actually being optimized based on current trends and demands rather than guessing which is what the former affords you.

3. Sustainability Integration

Sustainability is all the rage in today's economy, and because of that, more government regulators and customers are clamouring for it. More importantly, though, it is safer and cheaper for the supply chain in the long run. When building a successful product returns management process, consider eco-friendly practices for repairs, refurbishment, and recycling to minimize waste.

4. Reverse Logistics Efficiency

The product returns management process is predicated on the reverse logistics process. The more efficient the entire operation is, the more throughput you will have from the product returns management process. Consider leveraging the same networks for your normal logistic operations when optimizing for efficiency. It will also pay to streamline the return options from the customer's side.

Strategies For Building A Successful Returns Management Process

Every supply chain is built differently. The same applies to reverse logistics and product returns management. However, for the success of the product returns operation, there are certain strategies that these supply chains must leverage. Some of them are more important than others, depending on the industry and mode of operation.

1. Consumer-Friendly Returns Policy

Your product returns management process will typically function on rules. These rules guide stakeholders, including the customers, on how to interact and navigate the returns process. The returns policy communicates these rules to the consumers, but a return policy must be consumer-friendly for

better results. That means clarity, multiple return options, consistency, and refund details, including store credit, cash back, or reward points.

The returns policy is very significant to consumers—so much so that 86% of customers will explore the returns policy before purchasing from your store. Making it consumer-friendly will help you better manage customer expectations, increase their chances of making a purchase and enhance the product returns process.

2. Leverage Technology

Supply chain technology has come a long way. So much so that you would be hard-pressed to find a single area of the supply chain that has not been elevated by multiple technology solutions. You can leverage the same in the product returns management process.

Technology solutions like the Returns Management System (RMS) allow for seamless management of product returns, from the reverse logistics process to the sorting, placement and disposal of inventory. The RMS also helps automate the entire returns process, ensuring efficiency and more throughput across the board.

3. Enhance Transparency and Visibility

Transparency and visibility are non-negotiables in reverse logistics and product returns management systems, whether it is when interfacing with

customers or managing other stakeholders. Solutions like real-time tracking make it easier for your supply chain to seamlessly keep customers informed every step of the returns process.

Stakeholders can also plan, strategize, and communicate with each other much more seamlessly. From the third-party logistics provider to the warehouse or facility where the product will be returned or delivered to, and then to the sorting team. Transparency and visibility will ensure all can work together to enhance the throughput of the entire process.

4. Improve Warehouse and Inventory Management Operations

Warehouse and inventory management play significant roles in the product returns management system or process. For starters, when the products are collected from the customers, they must be sent to a location, which is very often a warehouse designated to that particular operation.

On the other hand, the product will also be returned to existing inventory and accounted for. Mistakes or errors can jeopardize the entire product returns operation and, worse, impact the supply chain's ability to estimate its inventory and plan for demands accurately. Even in cases where products are damaged and will necessitate disposal, proper record keeping will also be critical, especially during the sustainability reports that are now quite common.

5. Monitor and Continuously Improve The Customer Return Experience

The world is constantly changing. Tech solutions are always improving, trends are shifting, and demands are also changing. Your product returns management process may be the best today, but what about tomorrow? It is critical to continue monitoring and improving the entire customer returns experience. One of the key ways to achieve this is by monitoring current industry trends, evaluating customer feedback and exploring data-driven insights.

6. Automate the Returns Management Process

Automating the reverse logistics workflow reduces costs and inaccuracies. It also increases the efficiency of routing and processing return requests. To this end, a returns management system can help you manage everything that goes into the returns process from start to finish. This includes configuration/optimization of return workflows (to drive a faster returns process), returns merchandise authorization (RMA) initiation, returns processing, customer portals, and customer notifications.

This facilitates a convenient self-service return experience for your customers and an efficient, hassle-free process for you. With this in place, your customers can quickly exchange items they aren't satisfied with rather than issuing chargebacks or blacklisting your store.

Savvy businesses also leverage automated order-picking solutions that can work in reverse to restock returns. Autonomous mobile robots (AMRs) with Return Putaway capabilities are flexible and scalable solutions that retrieve information from the returns management system. These AMRs guide associates through tasks to streamline putaway processes so returned items can be quickly and accurately placed for restocking, repairs or disposal. Businesses leveraging such solutions can improve productivity by 40% over manual carts, improve accuracy, reduce in-aisle travel and eliminate long walks through the facility.

7. Integrate Outbound Shipment with Returns Pickup

Incorporating reverse logistics into the outbound logistics process will significantly improve your returns management process. The right logistics application or 3PL provider can provide you with the ability to quickly redirect delivery drivers within the vicinity to make return pickups from nearby shoppers.

When planning the routes and schedules for deliveries, make provisions for product returns as well. This speeds up the return process for shoppers, creates a great customer experience and helps you save resources. You can also make plans to expand capacity for your returns handling operations during peak seasons.

8. Consider Outsourcing Your Returns Management Process

Businesses typically partner with third-party logistics providers for outbound shipments and handle other ecommerce fulfillment processes and activities in-house, including returns management. However, you can choose to maximize your partnership with your 3PL by letting them handle returns. Doing this allows you to take advantage of your logistics partners' systems, processes and expertise.

While outbound shipments form the core business for most 3PLs, others offer returns management as a special or add-on service. Such services include:

- Vendor management for returns, related fees, etc.
- Inventory management tracking, cash flow, freight & labor
- Valuation, appraisal and sales of products not going back into circulation
- Test, repair and refurbishment of products
- Recycling options where necessary

Returns Management Best Practices

Companies with hundreds of outgoing deliveries and incoming returns can find it difficult to optimize the returns management process to maintain profit margins. By following best practices, organizations can strategize or optimize a tailored returns process, increasing customer satisfaction and reducing losses.

Understand the Driving Factors Behind Returns

When creating or improving the returns process, organizations should be aware of the "why" behind their customers' returns. Even the best automation equipment and software cannot solve confusing online product descriptions or inaccurate sizing. Are certain items returned at a higher rate? What are the customers themselves saying regarding the reasons for their returns? Do certain storefront locations experience more returns?

Analyzing this type of data helps businesses decrease return rates - even before making changes to inventory and distribution management processes. Additionally, gaining information regarding location-specific return rates can help companies allocate resources to handle return volume.

Invest in Automation and Warehouse Management Technology

Modern warehouse automation equipment and software produce profitable results when utilized to streamline returns handling. By incorporating a warehouse management system that can handle returns efficiently, the process of inspecting and getting an item back into inventory for resale is key. A good WMS should be able to know when an item is being returned and be able to have that item ready for quick processing upon receiving.

Warehouse Management Software allows organizations to effectively control the order pool, prioritizing high priority shipments including returns, ensuring your customers' needs are met and they keep returning to your business.

Economic Impact of Returns Management

Returns management is an integral and unavoidable aspect of the retail and e-commerce fulfillment process. And although it is an expense, the proper identification, sorting, reshelving or disposal of returned products can significantly impact the way returns affect your bottom lines.

By implementing an effective returns management process, organizations can track and fulfill return requests, decrease unwanted returns, and put highly sought-after items back into inventory for resale once inspected. By accurately scrutinizing and sorting returned products, businesses can

dramatically reduce losses by reusing undamaged returned items to replenish inventory.

Although returns handling is commonly regarded as an inconvenience for both customers and businesses, the process can be improved and streamlined with the help of warehouse automation equipment and software. E-commerce sales continue to grow rapidly, resulting in both higher return rates and customer expectations. To stay competitive, businesses must implement and optimize effective returns management processes<response clipped><NOTE>To save on context only part of this file has been shown to you. You should retry this tool after you have searched inside the file with `grep -n` in order to find the line numbers of what you are looking for.</NOTE>