Reverse Logistics in Today’s Digital Landscape

*Market Research*

August 2019
Detailed Findings
Self Assessment
How Companies are Doing in Regards to Returns
A third of companies consider themselves leaders when it comes to reverse logistics. They see their company as much better than the competition.

- Larger companies and the manufacturing industry are more likely to say they are leaders in reverse logistics.
- Retail, technology, and smaller businesses are below the norm.

Benchmark: Leaders in Reverse Logistics

<table>
<thead>
<tr>
<th>Industry</th>
<th>Benchmark Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail industry</td>
<td>29</td>
</tr>
<tr>
<td>Manufacturing industry</td>
<td>39</td>
</tr>
<tr>
<td>Technology industry</td>
<td>29</td>
</tr>
<tr>
<td>1,001+ employees</td>
<td>36</td>
</tr>
<tr>
<td>≤1,000 employees</td>
<td>32</td>
</tr>
</tbody>
</table>

Q. How would you rate your company’s reverse logistics management compared to the competition?

Top companies
Self assessed reverse logistics process much better/better than the competition

Not a top company
Self assessed reverse logistics process the same/slightly worse/much worse than the competition
Reserve Logistics: Reasons for Superiority (1000+ Employees)

Prioritizing the customer, constantly innovating, and implanting efficiencies are key ways companies stay on top. Larger companies believe their experience in the field also helps.

**Tenure**

“Decades of experience.”

“Policies have been in place for years and all customers are extremely pleased, satisfied.”

**Customer First Policy**

“We don’t have any rules with timelines, when the customer is not satisfied, we refund.”

“We make sure that the customer leaves satisfied with their interaction with us and strive to make sure they have the best possible experience.”

“Customer first will take back items even if worn or more than 6 months after purchase.”

**Consistently Innovating**

“We are always making constant improvements to our process.”

“My company tries to take risks and keep updating so we are much better than the competition.”

**Efficiency**

“Very streamlined way of reverse logistics, easy to use and makes you want to keep shopping with them online.”

“We are fast and efficient.”

Q. In regards to reverse logistics, why do you rate your company much better compared to the competition?
Reserve Logistics: Reasons for Superiority
(Less than 1000 Employees)

Smaller successful companies are also customer-centric and early adopters of technology. What makes them different from larger companies is their ability to leverage their size to implement more flexible solutions, and process returns quickly.

More Flexibility

“We are way more flexible than larger companies.”
“Because we’re more flexible than many competitors. It’s all about keeping the customers happy.”

Customer First

“Because we have an unlimited warranty on all of our products.”
“We offer the best refund policy around.”
“Because we ask no questions. We give a full refund to our customers.”

Early Technology Adopters

“We have the latest technology.”
“Early adopters of most updated and new tech.”
“I believe that the company is way better because we are ahead in technology.”
“We are always a step ahead.”

Process Returns Quickly

“We process returns very quickly. We issue a refund within a few days of receiving the return.”
“Because we use the most expedite form of transportation at our expense, aiming to achieve full customer satisfaction.”

Base: Companies with less than 1,000 employees and reverse logistics is much better (n=69)
Reserve Logistics: Reasons for Inferiority (1000+ Employees)

The policies are typically standard and not unique when companies rate their policy as inferior.

Policies Not Unique

“We are really no better or worse than other competitors in our field.”

“They use the same technologies and methods we do.”

“We are all very competitive and trying to get the customers dollar and do whatever is necessary to keep customers.”

Standard Return Policy

“Similar return, exchange policy.”

“Our process is the same as most others. Sales credits are issued when complaints are received.”

Q. In regards to reverse logistics, why do you rate your company the same, slightly worse, or worse compared to the competition?
Reserve Logistics: Reasons for Inferiority
(Less than 1000 Employees)

Competition is the most significant barrier for smaller companies to succeed in reverse logistics. Often the policy is based on what others have in place, and it is difficult for them to compete against larger companies.

Trouble Dealing with Competition / Bigger Companies

“Compared to big companies what we offer is substandard. It's nearly impossible to compete with larger companies return policies.”

“I am holding my own for now, but I think that over the next year or two, I will close my store. Sales are slowly declining.”

“Because we ask no questions we give a full refund to our customers.”

Practices Based Off of Competitors

“It’s a competitive world. We all have to offer exceptional customer service to stay in biz.”

“Most retailers offer the same to keep in competition with each other.”

“We keep up with the current trends.”

“We are a somewhat new company in a very niche field. This allows for companies to be able to work together without much fear of “aiding the competition” This has resulted in most of the companies in our field operating in very similar ways.”

“I am required by my third-party site to give a full refund no matter if the item is returned or not so I have no choice and suppose other vendors have the same restrictions and requirements.”

Base: Companies with less than 1,000 employees and reverse logistics is the same, slightly worse, or much worse (n=63)
67% of Companies Use Technology to Improve the Reverse Logistics Process

Two-third of companies use technology to improve the reverse logistics process.
- Larger companies and top companies are more likely to incorporate technology.

Q. Does your company use technology to improve the reverse logistics process?

Usage of Technology

- Use technology: 67%
- Do not use technology: 33%

1,001+: 83%
Top: 76%

≤1,000: 40%
Bottom: 59%

Base: All qualified respondents: N=300
Companies are Seeing a 10% Average Return Rate

Regardless of retail channel and industry, companies are seeing an average return rate of 10%.

- Larger companies have a higher return rate in-store and on third party e-commerce sites.

<table>
<thead>
<tr>
<th>Distribution Method</th>
<th>Return Rate</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company’s in-store</td>
<td>10.77%</td>
<td></td>
</tr>
<tr>
<td>Company’s e-commerce site</td>
<td>9.76%</td>
<td></td>
</tr>
<tr>
<td>Third party e-commerce</td>
<td>9.51%</td>
<td></td>
</tr>
<tr>
<td>Third party distributor</td>
<td>9.32%</td>
<td></td>
</tr>
</tbody>
</table>

Q. What is your company’s average return rate for each of the following distribution methods? (Please insert a number in the box below)
The Most Common Reasons For Returns

Customers changing their minds after purchasing an item followed by products not meeting the customer’s expectations are the most common reasons for returns.

- There are areas that companies can improve to reduce the return rate – ship the correct product, make sure the product matches the description, and ensure delivery is on time.
Here are the 6 Return Policies Companies Use

100% satisfaction guaranteed is the most common return policies used among top companies.

<table>
<thead>
<tr>
<th>Policy</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% Satisfaction guaranteed</td>
<td>34%</td>
</tr>
<tr>
<td>Time-limit based return</td>
<td>31%</td>
</tr>
<tr>
<td>Complete refund</td>
<td>19%</td>
</tr>
<tr>
<td>No standardized</td>
<td>8%</td>
</tr>
<tr>
<td>Store credit</td>
<td>4%</td>
</tr>
<tr>
<td>Exchange only</td>
<td>3%</td>
</tr>
</tbody>
</table>

Q. Which of the following return policies does your company have in place for online sales?

Base: All qualified respondents: N=300
75% of Companies Include Return Labels in Packaging or Provide the Ability to Print Them Online

Half of companies provide print return labels online.
• Over 40% of companies include return labels in the packaging. Over half of large companies (1,001+ employees) and 47% of top companies include them.

75% have easily accessible return labels

49% Return labels are printed online

42% Return labels are included in the packaging

33% Returns are handled via phone and then emailed to the customer

14% Do not have a return procedure in place

1,001+: 52%
Top: 47%

Q. For online returns, which of the following processes do you have in place? (Select all that apply)

Base: All qualified respondents: N=300
# Here’s How Companies Manage Online vs. In-Store Returns

## What Differs

### Logistics More Complicated Online

“When you return it in store it's a lot easier to get it done. You have to wait longer if it's online.”

Returning a product online takes longer to receive a refund or replacement because we have to wait until the product is returned and inspected.”

“In store it's easy because it goes through the POS register. Online is a bit more complicated.”

### Policies More Accommodating Online

“Online is given 15 more days to compensate for mail and delivery times.”

“Return labels are only available for online purchases in comparison store purchases must be physically returned by consumer no labels sent to retrieve timepiece.”

“Longer return period when you purchase online vs in store purchases.”

“Customers can return items purchased online in the store.”

## What Remains the Same

### Many Companies Have the Same Policy Online & In-Store

“Both are full refund with a receipt. If no receipt customer can exchange for another item if equal value.”

“Both are customer first and have very little restrictions on all returns.”

“They work the same must have a receipt for refund.”

“Online you mail it in, in store you bring it in.”

“Nothing much different other than shipping.”

“It maintains the same basic infrastructure. There are no notable differences.”

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Q. How does your return policy differ for online vs. in-store?

Base: Companies with both online and retail location (n=172)
Returns Challenges & Solutions
Biggest Return Policy Challenges Facing Shippers

Re-working, re-packing, and re-labeling returns are the biggest challenge for companies when it comes to returns.

Q. What are the biggest challenges your company faces when it comes to return policies? (Select up to two challenges)

Base: All qualified respondents: N=300
Many Companies Are Lacking Reverse Logistics Processes

Twelve percent of companies do not have a reverse logistics process in place.

- Two-thirds do not have a dedicated infrastructure for returns.
- Only a third have written reverse logistics procedure.

Q. In regard to reverse logistics, which of the following processes does your company have in place? (Select all that apply)

- Standardized return policy: 67%
  - 1,001+: 46%
  - Top: 41%

- Written reverse logistics process: 37%
  - 1,001+: 51%
  - Manufacturing: 49%
  - Top: 42%

- Infrastructure dedicated to returns: 37%

- None: 12%
Return Policy Initiatives to Improve Efficiency

Companies combine e-commerce fulfillment and retail returns into the same facility to improve efficiency.

- E-commerce fulfillment & retail returns operations into the same facilities: 41%
- Exact product dimensions in primary image: 35%
- Automatic data capture for returned goods: 32%
- Digital processing of categorizing reasons for returns: 31%
- Workflow plan for moving goods from the staging area to rack storage: 30%
- Staging area for triaging arriving returns: 30%
- New identifying bar codes / RFID for damaged goods: 22%
- A layout for longer term storage in racks: 21%
- Aisle configurations / racking options: 14%

Q. Which of the following initiatives regarding return policies does your company use to improve efficiencies? (Select all that apply)
Companies use thorough product listings to decrease return rates.

- Thorough product listing is an especially important tactic for the retail industry.

### These are the Tactics Used to Lower Return Rates

<table>
<thead>
<tr>
<th>Tactics</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thorough product listing/descriptions</td>
<td>52%</td>
</tr>
<tr>
<td>Customer reviews</td>
<td>46%</td>
</tr>
<tr>
<td>Packaging to prevent breakage during shipment</td>
<td>46%</td>
</tr>
<tr>
<td>Accurate delivery times</td>
<td>40%</td>
</tr>
<tr>
<td>Zoomable photos of product</td>
<td>38%</td>
</tr>
<tr>
<td>Customer service phone number</td>
<td>36%</td>
</tr>
<tr>
<td>Sizing guide</td>
<td>32%</td>
</tr>
<tr>
<td>Exact product dimensions in primary image</td>
<td>31%</td>
</tr>
<tr>
<td>Survey customers on sales process</td>
<td>28%</td>
</tr>
<tr>
<td>Clarity of small print</td>
<td>23%</td>
</tr>
<tr>
<td>Live chat</td>
<td>23%</td>
</tr>
<tr>
<td>Utilize data on product return rates</td>
<td>22%</td>
</tr>
<tr>
<td>Buying guide</td>
<td>21%</td>
</tr>
<tr>
<td>Product video</td>
<td>20%</td>
</tr>
<tr>
<td>360-degree imagery</td>
<td>17%</td>
</tr>
<tr>
<td>Do not use tactics to lower return rates</td>
<td>3%</td>
</tr>
</tbody>
</table>
Technologies to Improve Processes

Automatic data capture is currently the most popular technology used in the reverse logistics process.
- A quarter of companies are already using big data/predictive analytics in their process.
- 80% of technology companies are using cloud computing, and 36% are using Blockchain.

Q. Which of the following technologies does your company utilize to help with the reverse logistic process?
Base: Re-based to represent entire sample (N=300)
Most Important Technologies for the Future

Cloud computing and automatic data capture will be the most important technology for reverse logistics in the future.

Q. In the next 2 years, what new technologies do you think will be the most important for companies to implement when it comes to reverse logistics?
Top 10 Ways to Optimize Your Return Policy

1. **Clarify the Return Policy**
   “Elaborate conditions of return and acceptable reasons and time constraints”

   “Set a clear definition of the return policy and let the customer know up front. Be likeable and transparent in your dealing with them.”

2. **Simplify the Consumer’s Process**
   “Make it as easy to use as it is to get your product shipped to you.”

3. **Provide Detailed Descriptions of Merchandise**
   “Always do a great product description and have size charts.”

   “Verify to customers the product they chose through showing visual size, color, weight etc.”

4. **Maintain Efficiencies**
   “Work hard to keep an efficient time and supply chain going.”

5. **Charge a Slight Fee For Damages or Late Returns**
   “Charge a slight fee if they return it damaged or after a certain date.”

6. **Don’t Simply Repackage**
   Stop repackaging returns, and selling them as new

7. **Have Quality Assurance in Place**
   “To double check orders.”

   “Do a good job of quality control to insure that product you are shipping is 100% right.”

8. **Keep Policies Consistent**
   “Maintain a consistent policy over all channels.”

9. **Compare Shipping Solutions**
   “Look for the best deal with cargo/shipping companies in order to avoid excessive logistic costs.”

10. **Put the Customer First**
    Customers always right. Strive to deliver the best possible product

Q. What suggestion(s) do you have for other companies to optimize their return policy(s)?
Respondent Profile
Q. Where is your office located?

<table>
<thead>
<tr>
<th>State</th>
<th>Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas</td>
<td>10%</td>
</tr>
<tr>
<td>New York</td>
<td>10%</td>
</tr>
<tr>
<td>Florida</td>
<td>8%</td>
</tr>
<tr>
<td>California</td>
<td>7%</td>
</tr>
<tr>
<td>Illinois</td>
<td>6%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>4%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>4%</td>
</tr>
<tr>
<td>Michigan</td>
<td>3%</td>
</tr>
<tr>
<td>Ohio</td>
<td>3%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>3%</td>
</tr>
<tr>
<td>Georgia</td>
<td>3%</td>
</tr>
<tr>
<td>Maryland</td>
<td>3%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>3%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>3%</td>
</tr>
<tr>
<td>Tennessee</td>
<td>3%</td>
</tr>
<tr>
<td>Alabama</td>
<td>2%</td>
</tr>
<tr>
<td>Virginia</td>
<td>2%</td>
</tr>
<tr>
<td>Arizona</td>
<td>2%</td>
</tr>
<tr>
<td>Indiana</td>
<td>2%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>2%</td>
</tr>
<tr>
<td>Missouri</td>
<td>2%</td>
</tr>
</tbody>
</table>

*States with 1% or less representation are not shown on this table.*
Q. Which of the following ranges include your age?

1. 21-30: 14%
2. 31-40: 35%
3. 41-50: 21%
4. 51-60: 18%
5. 61-70: 12%
6. 71-80: 1%

Base: All qualified respondents: N=300

- Manufacturing: 30%
- Bottom: 27%
- 1,000 or fewer: 15%
Q. What best describes your employment status?

Base: All qualified respondents: N=300
Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Base: (n=300)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>33%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>25%</td>
</tr>
<tr>
<td>Construction</td>
<td>6%</td>
</tr>
<tr>
<td>Technology</td>
<td>4%</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>4%</td>
</tr>
<tr>
<td>Internet / web</td>
<td>2%</td>
</tr>
<tr>
<td>Media / entertainment</td>
<td>2%</td>
</tr>
<tr>
<td>Fashion / apparel / shoes</td>
<td>2%</td>
</tr>
<tr>
<td>Hospitality / tourism</td>
<td>2%</td>
</tr>
<tr>
<td>Automotive</td>
<td>2%</td>
</tr>
<tr>
<td>Computer software</td>
<td>2%</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>1%</td>
</tr>
<tr>
<td>Marketing / sales</td>
<td>1%</td>
</tr>
<tr>
<td>Real estate / property management</td>
<td>1%</td>
</tr>
<tr>
<td>Agriculture / fishing</td>
<td>1%</td>
</tr>
<tr>
<td>Banking / financial</td>
<td>1%</td>
</tr>
<tr>
<td>Carpentry / electrical installation / plumbing</td>
<td>1%</td>
</tr>
<tr>
<td>Consumer package goods</td>
<td>1%</td>
</tr>
<tr>
<td>Printing / publishing</td>
<td>1%</td>
</tr>
</tbody>
</table>

*Industries with less than 1% representation are not shown on this table.*
**Company Size**

- **Under 100 employees**: 34%
- **100-500 employees**: 21%
- **501 to 1,000 employees**: 16%
- **1,001 to 5,000 employees**: 12%
- **5,001 to 10,000 employees**: 8%
- **More than 10,000 employees**: 9%

**Industry Distribution**

- **Retail**: 44%
- **Technology**: 31%
- **Bottom**: 48%

**Q. What is the size of your company?**

Base: All qualified respondents: N=300
Q. How do you sell your products to customers?

Base: All qualified respondents: N=300