

Handling the return of goods is as important as the sale

The convenient and efficient method of returning of goods is almost as important as delivering them, when it comes to online customer satisfaction. Handling customer product returns is an important part of any business but when it comes to ecommerce, the logistics behind it can be tricky.



Nice, but if they don't fit they need to go back. (Image: Public Domain)

Ecommerce [reverse logistics](#) can be one of the most costly and work intensive parts of running an online business and any company wanting to run an ecommerce store successfully or sell products online needs to give serious thought to product returns. Responsiveness is everything in ecommerce, if your returns process is time or admin intensive, your customers will quickly move on to your competitors.

To deal effectively with product returns, you need to ensure you are addressing not only the needs of your customers. You also need to ensure that you are minimising the cost and impact of the product returns on your business since they can have a substantial effect on your profits.

Some 89% of online buyers say return policies influence their decision to shop with an e-retailer. The research further revealed clothing (27%), computer software (20%) and books (15%) as the top three products returned by online buyers. Interestingly, 68% of potential customers are driven away by return policies that allow a shorter time limit to return products and 58% of buyers consider the ability to exchange a product for another item as an important deciding factor. Source: [Bizrate.com](#) Survey).

Key components in returns systems

In order to assess and analyse your ecommerce reverse logistics you need to understand the key components for effective ecommerce reverse logistics. These include returns policy, returns preparation, receiving, transport, exchange or issuing of a credit, inspection and sorting and finally, asset recovery, which can be made up of restocking, repackaging for sale, return to vendor, disposition and scrap.

It is important to remember that throughout this entire process you need to satisfy two groups, your customers and business. There are often considerable opportunities to improve profitability by focusing more attention on your corporate needs. Let us briefly discuss two of the key components for effective ecommerce reverse logistics:

1. Return policy

Setup of your returns policy is a trade-off between reducing the impact of returns and encouraging customers to buy.

"Merchants will need to pay close attention to building return policies that are customer friendly. Online buyers tell us every day that the key to winning their loyalty is the level and quality of customer support," said Paul Bates, VP of Information Products Group for Bizrate.

"We've seen improvements in our first-time delivery success rates for our clients by confirming delivery addresses rather than simply relying on what the customer has provided. On average, our clients' first time delivery success rates hovered around 65% and have since increased to around 92%. We've achieved this by calling customers to verify their addresses and by providing an online address confirmation platform," said Zane Zietsman, COO at [Digital Planet](#).

"Our belief is that by spending a little more on call costs and the human touch, we ultimately reduce delivery costs for second and third delivery attempts. This doesn't just improve accuracy and efficiency but greatly enhances the customer experience."

Returns policies need to address the following key areas for customers:

- If they must contact someone to arrange or authorise the return
- Any costs for return goods
- Who pays transport for the returning goods and the replacement goods
- Where the goods can be returned
- When they will receive a credit or replacement item
- How long they have to perform a return

2. Returns preparation

Preparing and equipping your customers to handle their returns is one of the areas with the biggest payoff for your ecommerce returns processing. There is a trade-off here. The easier you make it for your customers to return goods, the more goods you will have returned. It is unlikely your CEO wants to see an increase in your returns volume; however, poor returns policies often scares away buyers.

When you return goods to a manufacturer for credit or guarantee service, you typically need to obtain approval from the company before sending an item back. Someone reviews your request to ensure it is valid and then issues you an RMA or RA (Return Materials Authorisation or Return Authorisation).

Most bricks and mortar retailers now have a no quibble policy, allowing customers to return anything they wish. No questions are asked and no reason is required. Since the bricks and mortar retailers have this policy, the customer expects the ecommerce retailers to have the same policy. Since the customer does not really need a reason to return an item, ecommerce retailers have removed the requirement for the customer to call to request a RMA.

DIY returns systems

Now that a customer service person is no longer communicating directly with the customer to explain the return process, very clear instructions need to be sent with the original goods, so the customer knows exactly the process required to return an item.

This do-it-yourself process has a downside. There is no opportunity to train a customer to return their goods properly, so the cost of poor or incomplete instructions is high because it leads to significant difficulties for the receiving staff that need to process the items when they arrive back at your warehouse.

Here are some tactics that major ecommerce retailers are including with their packages:

- Easy-to-follow instructions
- Return Form - for the customer to complete to help you with their return reasons and comments. The return reasons may help you identify how to handle the returned product, such as DOA (dead on arrival) that may require testing rather than re-stocking. The customers may also indicate if they seek a credit or an exchange
- Return Labels - that include courier address and an identifier number or bar code for the receiving team to quickly match the returned items to the original purchase so a credit can be issued
- Pre-paid courier identifier on the courier label - if the return qualifies, the retailer pays the courier, otherwise the courier cost will be deducted from the customer credit. Offering to arrange the courier and to deduct it from the customer's credit can be an advantage to the customer who does not wish to arrange the package couriership.

Internal or outsource returns function?

The last important decision you need to make is whether to do all the above in-house or outsource to a full-service ecommerce fulfilment and logistics company that offers an end-to-end solution. For example, Digital Planet is a holistic ecommerce provider offering specialised fulfilment services, which include order management platform (call centre); order management services (fraud detection); finance management services; warehousing & delivery as well as reverse logistics.

So should you outsource? According to entrepreneur.com, one ecommerce distribution and logistics expert advises that outsourcing to a fulfilment company only make good financial sense if your online business has more money than time. If you have no cash to spare, then you should do it yourself. However, if you can make more money by spending your time on other things, you should look to outsourcing.

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