

# HOW TO **OPTIMIZE** YOUR RETURNS

The Ultimate Guide to Smart  
Returns Management



a Reconomy Group company

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# Introduction

There's an undeniable upward trend in retail sales. Within the US alone, the retail ecommerce sector is expected to grow by 16.1% to become a trillion dollar industry in 2022 according to Insider Intelligence. Additionally, brick and mortar retail sales grew 17.9% from 2020 to 2021, representing a massive acceleration of the industry (source). Whether online or in store, retail businesses are growing and with the increasing sales comes a proportionate increase in returns.

Brands face new challenges in dealing with the increase in returned products and struggle to keep up with the demands of both consumers and the need for cost reduction internally. Those who have heavily invested in creating a proprietary returns process by increasing the number of owned warehouses and expanding their carrier library will have a difficult time transitioning their legacy returns organization and scaling up fast enough to keep up with this new reality. The brands that are best able to cope have adopted new ways to handle increasingly fast changes in demand and returns.

By focusing on developing smart and scalable returns processes that decrease internal ownership, increase partner and carrier networks, and give the customer a better experience, these organizations are **staying ahead of the curve**. This transition from reactive reverse logistics managed in-house to proactive, outsourced returns management whereby brands let an expert company manage the **entire end-to-end flow** is helping brands to maintain their position and profitability while focusing on their core business. They've become faster, more agile, and smarter and can promptly adjust to local returns preferences, continuous expansion, and increased demand for sustainable returns.





# RETAIL SALES SKYROCKET- RETURNS (ISSUES) TOO!

With retail sales continuing to increase at an unprecedented rate, the number of returned products can become overwhelming for companies that are not prepared. Developing an efficient and cost-effective returns process is more complex than it might seem. This is because a returned product carries with it much more cost than simply price per parcel.

Although these hidden costs and challenges might not affect a brand today, they will become the problems of tomorrow and hinder the profitability of a brand who is unprepared for the new reality of retail. Thus, it's important to understand these issues to organize your returns processes in the best way possible and future proof your company.

## KEY ISSUES

### Capacity

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Having the flexibility to scale your returns operation up or down depending on demand is essential. Without this scalability, warehouses can quickly overflow, and operations managers may need to scramble to find more warehouse space and the staff to properly manage the workload. If it's not possible to find the space in time, this can create a massive backlog as back-to-stock time increases and products that are out of stock in stores and web shops are sitting idly in a warehouse waiting to be taken care of.

## Costs

Costs can quickly get out of hand if there isn't a visibility of the entire end-to-end returns process. Operational costs, including all the work that goes into getting items back into shape to be sold in the warehouse, logistics costs, and customer service costs are all problematic if the returns process isn't organized so that bottlenecks can be quickly identified and solved.



**Back-to-stock time and refund lead time are two cost-related metrics that are often not tracked meticulously enough.**

Back-to-stock time and refund lead time are two cost-related metrics that are often not tracked meticulously enough. If back to stock time is too slow, items devalue as products go out of season and need to be sold at a discounted rate. If the refund lead time is slower than a few days, customers wonder where their refund is and call customer service, wasting immense amounts of time of a department that already tends to be stretched thin.

## Speed

## Efficiency

Most brands offer track & trace to consumers when they ship an item out, but often lack this data when a customer returns a product. This creates a black box for consumers who want to know where their goods are, and, as mentioned above, when they will receive a refund. Additionally, after experiencing problems with returns, around 80% of consumers say they would prefer to do business with a competitor. So, if your customer service can't provide this information to your consumers, it could also affect the bottom line of your company in the future if a valuable customer is lost.

**80%**  
**of consumers will not buy again after a bad returns experience**

Returns used to be simpler to organize because retailers weren't concerned about what happened after the initial sale. Nowadays, returns have become an important part of the consumer journey. Customers expect returns to be refunded faster, to have end-to-end track and trace of their returns just as they do with their orders, convenient return portals and paperless options, as well as a large number of local drop off points and pick-up options.

At the same time, operations teams are expected to decrease costs to keep up profitability with an ever-growing lack of visibility about where costs skyrocket, and how to optimize the returns process to maintain control. It's now an essential part of the customer journey to examine and optimize in order for businesses to survive and thrive in the new world of commerce

# HOW RETURNS ARE ORGANIZED TODAY

Most fashion and apparel brands keep finding themselves in the same hamster wheel if they're dealing with returns on their own. When returns increase, they create quick fixes to issues that come up without looking at the entire process and creating a totally new strategy. Although the intention is to improve returns, companies who get caught in this cycle end up treading water and struggling to reduce costs and improve customer experience. Consumers don't become return customers and the pressure on carriers, logistics staff, and IT increases.

## Handling Reverse Logistics In-House

Retailers often try to maintain control themselves even though they might lack the resources necessary to fix the problems. To compensate, brands press forward and open new warehouses, negotiate new carrier contracts, give consumer discounts, hire more people and outsource parts of the process. Entire internal teams deal with B2B and B2C returns separately, while customer service struggles to manage unhappy customers. Fires continuously need to be extinguished and in a genuine effort to improve returns themselves, they get stuck with a constant stream of problems and need to take a reactive approach to returns. But it doesn't decrease total return costs, and doesn't improve the consumer returns experience.



## Outsourcing Parts of the Returns Process

**When working with multiple parties brands need to properly integrate them to prevent confusion and a lack of oversight.**

When brands attempt to deal with returns themselves, inevitably, parts of the process need to be outsourced to carriers, logistics partners, and IT partners. Unfortunately, there is no perfect solution. If local 3PL and carriers are chosen, individual contracts need to be set up per country and a variety of suppliers must be managed. Plus, carriers may not all offer the same benefits, such as paperless labels or pick-up, meaning that some customers will get a significantly worse return experience.

The data that comes from all these partners is unintegrated, leading to confusion and a lack of oversight. Even if brands choose a global carrier to support with expansion, there is often a limited number of local return options. In addition to logistics, IT partners are needed to provide portals and integrations to the company's own systems. Clearly, these solutions are actually part of the problem.

## WHY IS IT NO LONGER SUSTAINABLE?

**When looking into the way that returns are often managed today, three main limitations come to light.**

### 1 Quick Fixes

Quick fixes are problematic because they don't provide total solutions in the end. Also, not all returns solution providers are created equal. The returns logistics industry is booming, and this creates a market opportunity that attracts a lot of players who want to entice you to buy services that address separate problem areas and may provide comfort in the short-term but don't fix the underlying problems.

**Quick fixes are problematic because they don't provide scalable solutions in the end.**



## 2 Lack of Visibility

When you work with a number of different return solutions providers that are unintegrated, you lose oversight into your returns process. This lack of visibility can become terribly costly, because you may not see where something is going wrong in the process, making it nearly impossible to solve incoming issues.

## 3 Complexity

Put simply, you can't have it all and you won't always be able to scale up to the changing needs of the business because once you decide to invest in a partner, it shuts doors to other solutions and leaves you lacking the budget to find a new solution quickly. You're probably wondering where to focus first and how to keep track of all the evolving developments, innovations, and opportunities. There's no perfect answer, and it's therefore important to avoid getting locked into the (limited) services your selected suppliers might provide.



The current reverse logistics model is no longer viable, with the rise of globalized retail. Today, every brand aiming to expand to multiple countries will face the aforementioned issues and need to pivot their strategy if they want to maintain profit and brand loyalty amongst their customers.



# THE FUTURE-PROOF WAY TO OPTIMIZE RETURNS - SMART RETURNS MANAGEMENT

It's essential to look at the big picture when developing a new strategy to cope with returns. Returns processes need to be simple, scalable, and smart to accommodate the needs of the business and its customers. They also must be able to accommodate shifts in returns and help companies to flex with the market trends that we see today and will continue to see in the future. This new model is called '[Smart Returns Management](#)' and is the future-proof way to strategically organize and optimize returns.

## REVERSE LOGISTICS VERSUS SMART RETURNS MANAGEMENT

Reverse logistics and returns management might seem like two words for the same thing, but they are two very different ways of handling returns. Put simply, returns logistics is about moving products from A to B, whereas returns management is the complete orchestration of the process - from the initiation of a return by a consumer to the end of a returned item's entire life cycle.

## What is Reverse Logistics?

Reverse logistics refers to what happens after a product is delivered and the buyer decides they don't want it. It's a multi-step procedure that requires time, money, and organization. Registering the return, transporting the item, analyzing its condition, preparing for resale, recycling, and processing the refund are all steps in which errors and misalignment can occur. Things can go wrong at any point, causing customers to be dissatisfied and merchants to lose money. A returns process that does not tightly integrate every logistic stage is considerably more likely to fail than a well-planned returns management system.

**Reverse logistics refers to what happens after a product is delivered and the buyer decides they don't want it.**

**Returns management is the complete orchestration of the process, while reverse logistics is just about moving products from A to B.**

### What is Returns Management?

Returns management entails a much more extensive post-sale procedure and a complete end-to-end returns solution. In this model, a company takes full ownership of the entire process and has a complete overview of the whole ecosystem and all the parties involved. The logistics that support the most efficient and effective approach to returns are driven by sophisticated technology. Returns management includes everything from return initiation through transport, warehouse activities, up to the moment when a product has reached its end destination.

## THE PILLARS OF SMART RETURNS MANAGEMENT

**Smart returns management has three core pillars that must exist for the operation to be categorized as such. These pillars are the foundation upon which the strategy is built and drive the orchestration of the operation.**

### I Full Return Journey Orchestration

Smart returns management has a focus on the entire returns process, from return initiation to final redeployment. When returns management is implemented, the end-to-end process is optimized at every step. The consumer experience is automated at scale and customizable for individual preferences, allowing consumers to pick their preferred method to send items back whether it be through a variety of drop-off locations close to their house or convenient pick-up options.

Operational excellence is achieved through control towers that manage and monitor all parties involved in the process including carriers, postal networks, warehouses, etc. The process follows the product all the way until its end location is determined, whether it goes back to stock, to recycling, or to a charity organization.

## II

## Data-Driven by Integrated Technology



Smart returns management is always data-driven. Integrated technology allows businesses to collect data on a systematic, real-time basis including information about consumer behavior, transactions, information about returned items, refund lead time, back-to-stock time, and more. By setting up complex backend integrations, all of the data is available in one place and through one single source of truth. This provides full visibility into the returns lifecycle, enabling fact-based decision making, predictable returns, and can even be used to reroute the manufacturing volumes to match demand.

## III

## Ecosystem-Oriented

With smart returns management, there is a shift from managing linear, fragmented processes to managing ecosystems of returns. Instead of owning all aspects of the process such as warehouses, logistics fulfillment centers and more, organizations utilizing returns management will leverage an external network of warehouses, carriers, and service providers. This results in a much larger, global ecosystem and also a denser network of local drop-off points. As this shift continues, more and more consumers will be able to return products from anywhere and in any way they want faster than ever before. This is because of network effects: the larger the network, the more value added for consumers. And the more consumers demand this way of working, the more attractive the network becomes for brand owners and carriers to join. The value of the network increases exponentially with the number of participating parties, including brand owners, consumers, carriers, and value-adding service providers.

Instead of focusing on customer value, ecosystem value becomes the focus. Internal optimization of labor and resources, the entire supply chain and every party affected by it become the focus. Interactions between external producers, logistics companies, IT providers, and consumers are optimized and the network becomes the chief asset.

**The larger the ecosystem, the more value is added for consumers.**

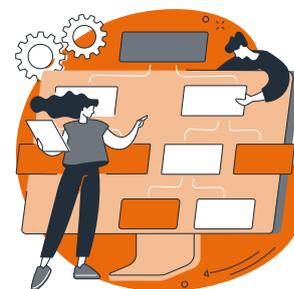
**The more consumers demand this way of working, the more attractive the network becomes for brand owners and providers to join.**

# HOW RETURNS MANAGEMENT SOLVES CURRENT PROBLEMS

Earlier, capacity, costs, speed, efficiency, and consumer experience were identified as being the key returns issues that retail brands face due to increasing sales. If implemented correctly, returns management addresses and solves all of these issues:

## Capacity

Capacity issues are tackled by ensuring that items come back ready to be resold. In peak season, warehouses can focus on handling outbound sales instead of inbound returns.



**Brands can tap into the ecosystem which decreases the costs of ownership and lowers the operational responsibilities.**

Costs stay low because investments stay low when businesses choose to be part of an ecosystem. Instead of owning the resources necessary to handle the returns process, they can tap into the ecosystem which decreases the costs of ownership and lowers the operational responsibilities. Back-office workload decreases as businesses no longer need to own and manage their own warehouses and work benches and can rely on third-party companies to deliver items back in mint condition, ready to be resold.

## Costs

## Speed and efficiency

These two key issues that plague retailers today, disappear as refund lead times are reduced to a matter of 72 hours thanks to a network of decentralized warehouses. A wide network of carriers ensures that items are being quickly delivered from consumers back to retailers.

**Refund lead times can be reduced to less than 72 hours thanks to a network of decentralized warehouses.**



## Consumer experience

Lastly, the consumer experience skyrockets due to a more seamless customer experience. If properly implemented, returns management provides consumers with user-friendly returns portals, convenient return options, and shorter refund lead time which in turn increases brand loyalty.

A person is shown from the waist down, wearing a light-colored shirt and dark pants, standing over a desk. They are packing a cardboard box. On the desk, there is a laptop, a keyboard, and several other cardboard boxes. The background is a light blue wall. The entire image is overlaid with a semi-transparent blue filter.

# HOW TO IMPLEMENT SMART RETURNS MANAGEMENT TO OPTIMIZE YOUR RETURNS PROCESS

There are two approaches to implementing returns management: Brands can either build it from scratch or choose to outsource to an external company that owns the entire process from start to finish and already has an established ecosystem available.

## BUILDING IT YOURSELF

In order to begin implementing smart returns management within your own organization, a lot of work behind the scenes needs to be done.

**You will need to build the network yourself, integrate systems, find partners, and contract local carriers globally. The main steps you will need to take are as follows:**

## Map Journey & Contract Solutions

This step requires a brand to do a full analysis of the current journey and build a full returns experience that ties each step together seamlessly, adding multiple drop off-points, pick-up options, and sustainable solutions that provide proximity to your customers.



## Integrate & Automate Systems

**Building dashboards, aggregating data, and implementing smart routing algorithms are all important steps.**

All systems used including owned systems and those from third parties, such as CRM, must be integrated in such a way that they complement each other and facilitate data availability. Building dashboards, aggregating data, and implementing smart routing algorithms are all important steps to take while automating as much of the process as possible. This all requires an extended IT department.

## Build and Manage a Network

In order to be agile and flexible to expansion and contraction within the market, brands must start by building a global network of warehouses that are owned by third parties. Then, find and contract local carriers in all of the areas that they intend to run return operations in, ensuring that they are not bound to them in case returns operations need to be scaled down. Finding value-adding service providing partners who can help to increase the customer experience, such as portal providers, is also necessary.



Although doing it yourself might seem more cost effective on the surface, it can actually be much more expensive in the long run. All of the time, effort, and money that it takes to build up your own smart returns management solution is only the start. To continue running an operation this complex, it is important to allocate sufficient energy, time, and FTEs.

# OUTSOURCING TO AN EXPERT

There are companies that exist whose primary goal and focus is smart returns management. Companies like this are experts in what they do and have years of proven experience to rely on. They've spent years building an ecosystem with strategic partnerships and fine-tuning software to provide the most seamless returns experience possible, no matter which channel the returns come in from: B2B, B2C, Marketplaces, or Partner returns.



**Leverage the years of experience from a returns management company to tap into an ecosystem that is already built and well-managed.**

You can leverage the years of experience from a returns management company to tap into an ecosystem that is already built and managed and get access to a system that is already in place and can be customized to fit your needs. Instead of buying supplies to build a house like with the first option, you are buying a house that is already built and all you have to do is choose what color to paint the walls.

There's a reason why more brands are choosing the latter solution; instead of outsourcing only parts of the return logistics, they are also outsourcing the management of returns. Brand owners can focus more on their own core business knowing that returns are being managed and optimized by an expert company. If problems arise, they simply call their returns management company who takes care of everything from carrier delays to technological issues. Returns is big business, but it does not have to be a pain point for retailers. There are specialist companies who you can outsource to, so your company can focus on what you do best.

## Cycleon. The Specialist in Smart Returns Management

With over 15 years of experience in the industry, Cycleon is the leading specialist in organizing & optimizing returns.

We offer global, end-to-end, tech-enabled returns management. Combining best-in-class technology with our broad logistics network, we align all stakeholders, offering portals, backend integrations, and data sharing from all related systems. With client teams that truly own the process, we optimize and manage the entire returns lifecycle so clients can focus on their core business.

### **We make our client's returns solutions:**

SCALABLE | flexible across the returns journey, geographies and through time

SMART | data-driven at every touchpoint

SIMPLE | outsourced & hassle free

To learn how we can help you optimize your returns, contact us today [www.cycleon.com](http://www.cycleon.com).

## *More Info?*

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