

How to Optimize Reverse Logistics

Practical advice for making your reverse logistics faster, leaner, and greener



Returns are complicated

On the one hand, you need to keep customers happy and loyal.

On the other, you need to control costs, manage logistical complexities, and keep your carbon footprint as small as possible.

This guide will help you optimize your approach to reverse logistics. It includes emerging best practices you can use to:

- ✓ **Cut costs**
- ✓ **Maximize profits**
- ✓ **Improve sustainability**
- ✓ **Elevate the customer experience**

Top Challenges in Reverse Logistics



Supply chain disruption

COVID lockdowns, surging commodity prices, and inflation are battering global supply chains.

As a result, retailers must extract maximum value from their available inventory. Doing so requires a returns and reshelving process that runs like clockwork.



The omnichannel shopper

As the line between brick-and-mortar and ecommerce continues to blur, brands must expend more effort to meet the evolving expectations of consumers.

That means adopting new technologies and processes (e.g., buy online, return in-store) that streamline returns and expedite exchanges.



Corporate ESG goals

With greater focus on the environment than ever before, brands must rethink their approach to returns—from recycling used products to the mitigation of less-than-truckload shipping.

Meet the experts

With decades of combined experience building post-purchase experiences for businesses across the globe, our experts share practical advice for making your reverse logistics faster, leaner, and greener.



Amit Sharma
Founder & CEO, Narvar

Amit is the mastermind behind Narvar. Previously, he spent decades shaping retail operations as an executive at companies like Apple & Walmart.



Anisa Kumar
Chief Customer Officer, Narvar

Anisa is a recognized leader in global operations, analytics, and strategy with over 20 years in senior roles at leading retailers, including at Levi's, Walmart, Target and Mervyns.



Arjan Kleinveld
VP of Operations, Cycleon

Since 2008, Arjan has been in charge of operations at Cycleon, optimizing returns logistics and operations to deliver sustainable and outstanding customer success for clients around the globe.



Dennis van Appeldorn
Global Business Development Director, Cycleon

Dennis has over 20 years of experience in the logistics industry in different regions around the globe. He focuses on helping brands improve their omnichannel returns flows by creating sustainable, cost-efficient solutions that drive revenue.

Creating a reverse logistics process that's more efficient and more profitable for retail

Today's consumer wants to control when, where, and how they return merchandise. Marrying that depth of convenience with affordability is something retailers everywhere are striving to solve. The six strategies shared within this guide will help retailers meet these growing expectations. Moreover, they will help retailers cut costs, mitigate waste, and increase lifetime value.

The six strategies for optimizing reverse logistics

1.

Embrace consolidation

Avoid waste, save money, and improve sustainability by condensing your returns.

2.

Collect and capitalize on data

Data mined from returns is worth its weight in gold—use it to eliminate inefficiencies across your retail business.

3.

Perfect processing

Some elements of the returns process will always be manual—use standardization and outsourcing to maximize efficiency.

4.

Revisit your policies

Examine every aspect of your return policy under a microscope and look for minor changes that can have a major impact.

5.

Emphasize simplicity

Simple returns processes keep costs down and time-to-resale low, protecting your profitability.

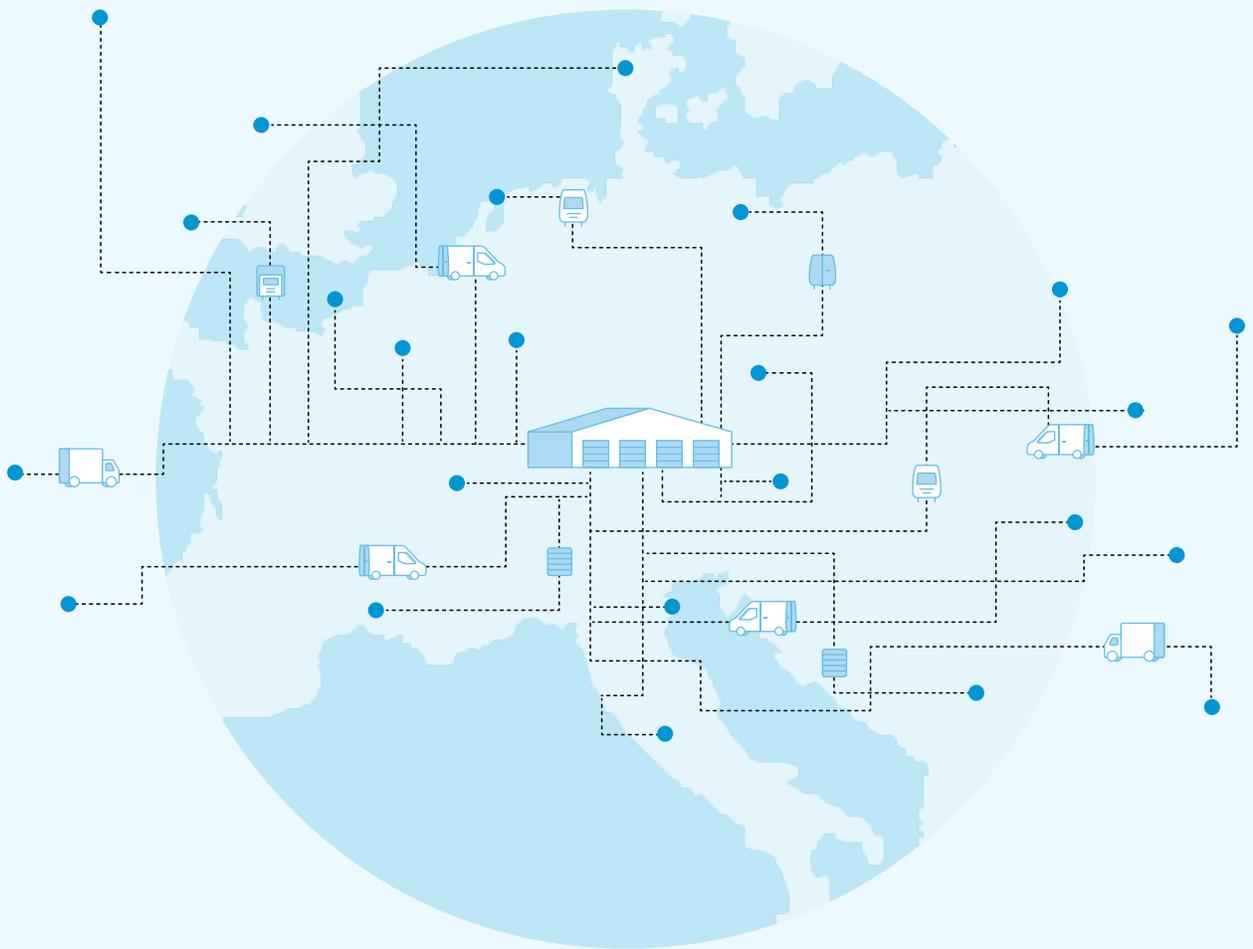
6.

Increase convenience

In a world where 60% of online shoppers tie buying decisions to return policies, convenience directly influences revenue.

1.

Embrace Consolidation



When it comes to cutting costs and protecting the environment, nothing in retail compares with returns consolidation.

By condensing returns into bulk shipments, retailers can avoid much of the waste associated with less-than-truckload deliveries—they can save money and the planet at the same time.

In fact, one retailer saved 545 million miles of travel in 12 months by localizing their returns consolidation process, rather than routing deliveries to a single, central warehouse.



DID YOU KNOW?

Returns account for **25% of all emissions in ecommerce.**

Action Items

☑ Think locally

Localizing improves the environmental impact of your returns process and reduces consolidation costs (fewer miles traveled means fewer emissions, lower shipping costs, and less time to resale).

If goods need to move across borders, localizing returns consolidation also lessens the number of duties to be paid and forms to be filled in.

☑ Act immediately

Intelligent dispositioning allows you to process inventory the moment a customer initiates a return, rather than waiting until the merchandise is received in a warehouse.

This not only improves the speed of processing returns and issuing refunds, but it also amplifies operational efficiency (e.g., an out-of-season return can be routed directly to an outlet store).

☑ Make exceptions

While consolidation should always be the first option when it comes to returns optimization, there will be instances where it should be avoided.

For example, when inventory is low for high-value (e.g., luxury) merchandise that's experiencing intense consumer demand, returns consolidation isn't a smart decision. Instead, the product should be routed to the nearest brick-and-mortar store (or ecommerce fulfillment center).

“Make sure you follow the right products and stay close to consumers. Ensure that you have the right processes in place for the right products in the right countries. For example, it might make sense to refurbish shoes with limited inventory, but not a pair of low-cost socks.”



Dennis van Appeldorn
Global Business Development Director, Cycleon

2.

Collect and Capitalize on Data



Accurate, actionable data gives retailers the opportunity to optimize their processes.

From visibility into network performance to early warning of inbound merchandise, data-driven insights allow for crucial improvements to reverse logistics processes (as well as the overall customer experience).

Action Items

Require return reasons

Knowing why returns are happening is worth its weight in gold. It can help you identify manufacturing problems, inaccuracies on product detail pages, changing consumer tastes, and so much more.

Phrase return reasons in a way that gives you actionable intelligence, allowing you to obtain major cost savings down the road.

Set dispositioning rules

When data defines dispositioning it reduces the time and money required for processing returns.

For example, if a consumer initiates a return for merchandise that's in-demand at a particular brick-and-mortar location, you can route the product directly to that storefront, sparing your warehouse staff from needing to unpack, sort, repack, and redistribute the item.

Get a unified view

A unified view of your data makes it easier to monitor real-time logistics and identify areas for improvement, from ease of return initiation, to carrier performance, to percentage of products resold.

Success Story

Rebecca Minkoff Designs a Seamless Customer Experience with Narvar

After experiencing amazing results with Track, Rebecca Minkoff launched Narvar Returns. Through the Narvar platform, the retailer could enforce their return rules and make product recommendations while strengthening customer relationships.

As a result, Rebecca Minkoff earned an **ROI of 195% in the first year** after implementation.

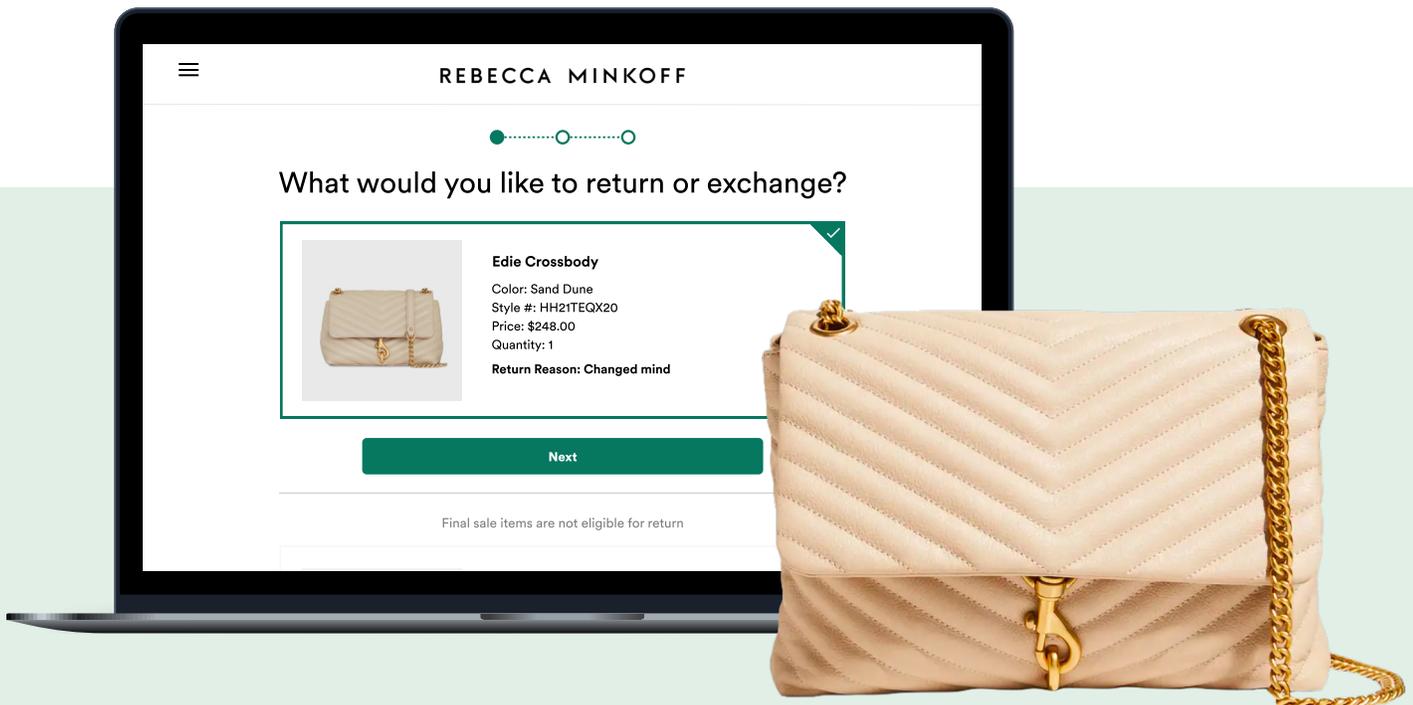
Tracking returns through Narvar also provided critical feedback for the product team, who is now able to report on that data internally.

“We get a lot of really great engagement from the page. Every year, it continues to be an ROI positive partnership.”



Sarah Sheldon

Senior Director of Global eCommerce and Digital, Rebecca Minkoff



3.

Perfect Processing



No matter how intelligent a retailer's dispositioning strategy is, some returns will require manual processing to determine the condition of the product, the state of its packaging, and more.

That determination will decide whether the product ends up back on the shelf for resale, at an outlet store, or at a recycling facility.

Action Items

Start standardizing

Implementing standardization (where appropriate) expedites your return processing.

For example, using identical packaging for all products frees warehouse staff from needing to match specific boxes to specific merchandise when repacking, which saves time and money.

Rapid Refunds

Shoppers adore brands that are quick to issue refunds. Having said that, handing money back to the consumer shouldn't be taken lightly.

Reserve instant-esque refunds (those issued prior to products reaching a warehouse or store for processing) for VIP customers with high lifetime value. For everyone else, try using local warehouses for returns so you can validate the condition of merchandise and still issue refunds in under three days.

Outsource processing

Tap into third-party returns management providers (e.g., Cycleon) that can handle repackaging, relabeling, and other aspects of returns processing.

That way, you can relist and resell items even faster when they return to your warehouse (this also decreases time to refund, which improves the customer experience).

“Outsourcing can provide many benefits when it comes to processing. Retailers can tap into a decentralized network that registers and inspects every return when it is received at the local return site. This not only speeds up the process of the return, but also decreases refund lead time, which will help to deliver a better customer experience.”



Arjan Kleinveld
VP of Operations, Cycleon

Success Story

Orvis Cut WISMR by -42% and Recovered \$185K in Returns Revenue

To increase efficiency and boost revenue, Orvis added a free-shipping promotion to their return confirmation emails (Orvis' alternative to an exchange program). Consequently, Orvis customers felt the online returns experience became more convenient. As a result, Orvis saw a **124% lift in post-return orders** (netting \$185,000 in recaptured revenue), and 42% fewer WISMR inquiries to their call center.

Even better, **44% of shoppers** who took advantage of the free-shipping promotion went on to make three-plus purchases in the next six months.

“Narvar reduced the number of customer contacts asking, ‘Where is my return?’ or ‘What’s the status of my refund.’”

Amy Williamson

Voice of the Customer Supervisor, Orvis



4.

Revisit Your Policies



Avoid many reverse logistics headaches by doubling down on customer communication.

Unambiguous return policies eliminate shopper uncertainty pre-purchase and set crystal-clear expectations for processing returns post-purchase.



DID YOU KNOW?

60% of consumers will check the returns policy before making a buying decision.

Action Items

☑ Cut the return window

Long return windows are great for shoppers but tough for brands.

Strike a balance by segmenting customer audiences—set a shorter return period for non-VIP customers so you can mitigate the financial impact of outstanding returns.

☑ Highlight your return policy

Display your return policy with prominence. Doing so helps customers feel more educated and empowered when purchasing, which reduces return volume.

☑ Go beyond free shipping

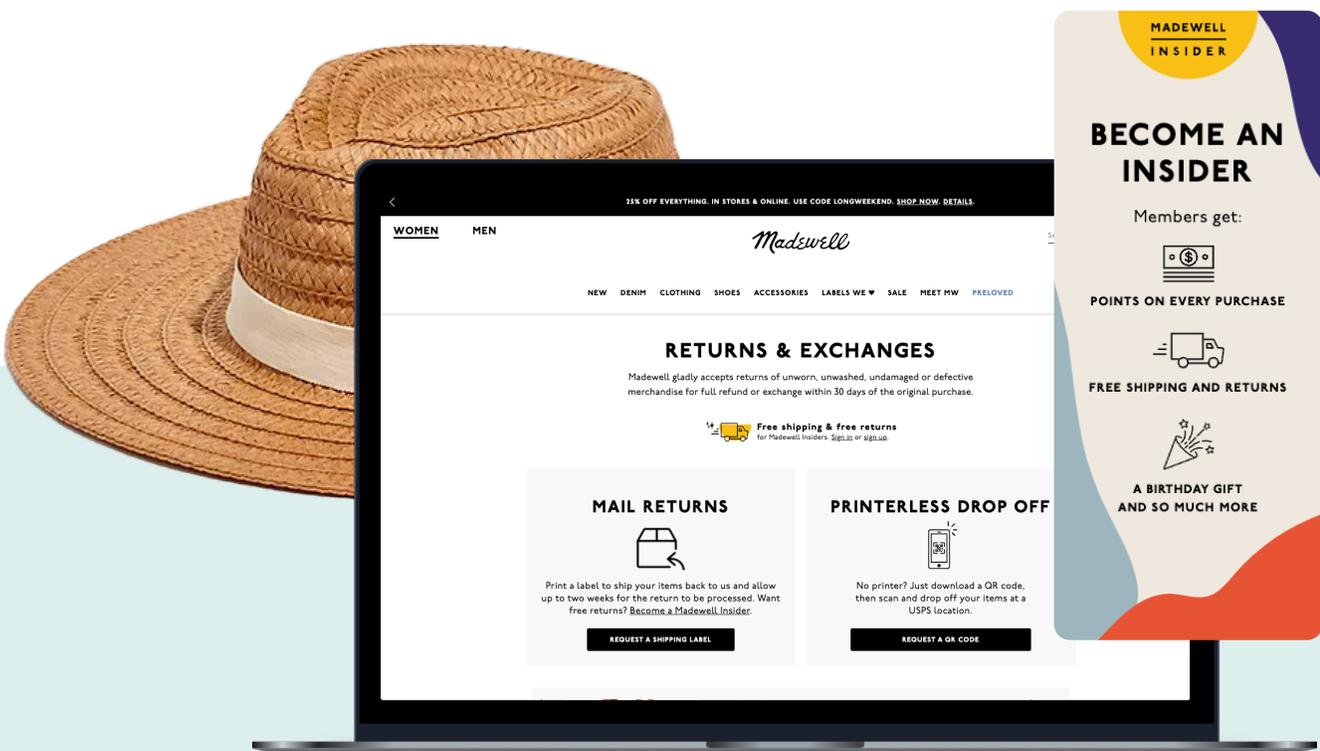
Claw back the cost of processing returns by upselling shoppers on premium return conveniences such as curbside dropoff, third-party networks (e.g., a UPS store), at-home pickup, and more.

Success Story

Driving Loyalty and Repeat Purchases Through its Madewell Insider Program

Madewell offers a membership program to attract loyal, repeat customers. For **Madewell Insiders**, return shipping is free if the return is made within 30 days. For all other U.S. customers that use a prepaid shipping label, the cost of return shipping is a \$7.50 flat fee.

The membership program also includes a **point reward system** for every dollar spent, free outbound shipping, birthday gifts, free personalization, and more.



5.

Emphasize Simplicity



In the world of retail, simplicity keeps reverse logistics costs down and processing speeds high.

But most importantly, a simple, straightforward returns process improves customer satisfaction, which leads to stronger loyalty and better lifetime value.



DID YOU KNOW?

48% of consumers say they will not shop with a retailer again following a poor returns experience.

Action Items

☑ Let customers keep it

In many instances, damaged, faulty, or low-value products aren't worth their weight in return shipping fees.

Rather than shoulder the cost of the return, let the customer keep the item they're returning. That way your only expense is issuing a refund or shipping another item for exchange.

☑ Ditch returns slips

It can cost as much as \$ 0.40 (€0.38) to pre-print a return label.

Aside from wasting money and being bad for the environment, this old-school approach leaves you with zero visibility into what's coming back and why.

☑ Spotlight the returns panel

Call attention to the returns portal on your company website, and include a link to the portal in every order notification and shipping update.

Doing so gives shoppers multiple places to initiate a return quickly and easily. It also guarantees that their order details (confirmation number, product number, etc.) are always at hand.

“There’s a balancing act between customer demands and retailers’ needs. It’s possible to optimize post-purchase experiences to deliver better outcomes for both. Flexible returns options and the use of a returns portal is a great example. Consumers love the convenience - retailers get returns initiated sooner, collect valuable data, and can use it as an opportunity to offer an exchange or store credit.”



Anisa Kumar
Chief Customer Officer, Narvar

Success Story

Simplifying the return process to minimize revenue loss

Levi's worked with Narvar to introduce printerless returns and online exchanges in order to minimize revenue loss during the COVID-19 pandemic. As a result, they saw a **40% reduction in WISMR** with over 30% of potential returns converted into exchanges. With a 20% adoption in printerless returns, Levi's was able to retain **\$1.5 million in revenue** in the first month.



6.

Increase Convenience



When consumers encounter retailers that don't offer complete convenience, their loyalty wanes.

In fact, approximately 1 out of every 2 shoppers who experience difficulty processing a return will not buy from that retailer ever again. It is also worth mentioning that the more convenient it is to make a return, the faster consumers are to submit one—and the quicker retailers can recover value through resale.



DID YOU KNOW?

Research from Cycleon shows consumers in Italy prefer when returns are picked up by a courier, while consumers in the Netherlands prefer bringing parcels to drop-off points.

In other words, brands need to have an extensive returns network library to cater to their consumers in different countries.

Action Items

Remove friction

Promoting boxless and labelless returns saves customers the trouble of re-packing items for shipment. That not only encourages customers to submit their returns in less time, but it helps the planet too.

Personalize processes

Deploy different return rules and workflows for different customer segments (e.g., VIPs, first-time buyers, etc.) or product categories.

Doing so maximizes convenience for the highest-value shoppers and can be used to incentivise faster returns at the same time.

Be online and off

Convenience means different things to different people, so provide customers with multiple return options.

Online shoppers should be able to return at brick-and-mortar stores, in-person shoppers should be able to get their returns picked up from home, etc.

Success Story

Horzn Builds Trust With Efficient, Sustainable Returns

When they started shopping for a return solution to manage their biggest pain points from both a customer and support perspective, Horzn turned to Narvar, whom they knew had a proven track record of simplifying the complexity of global retail at scale.

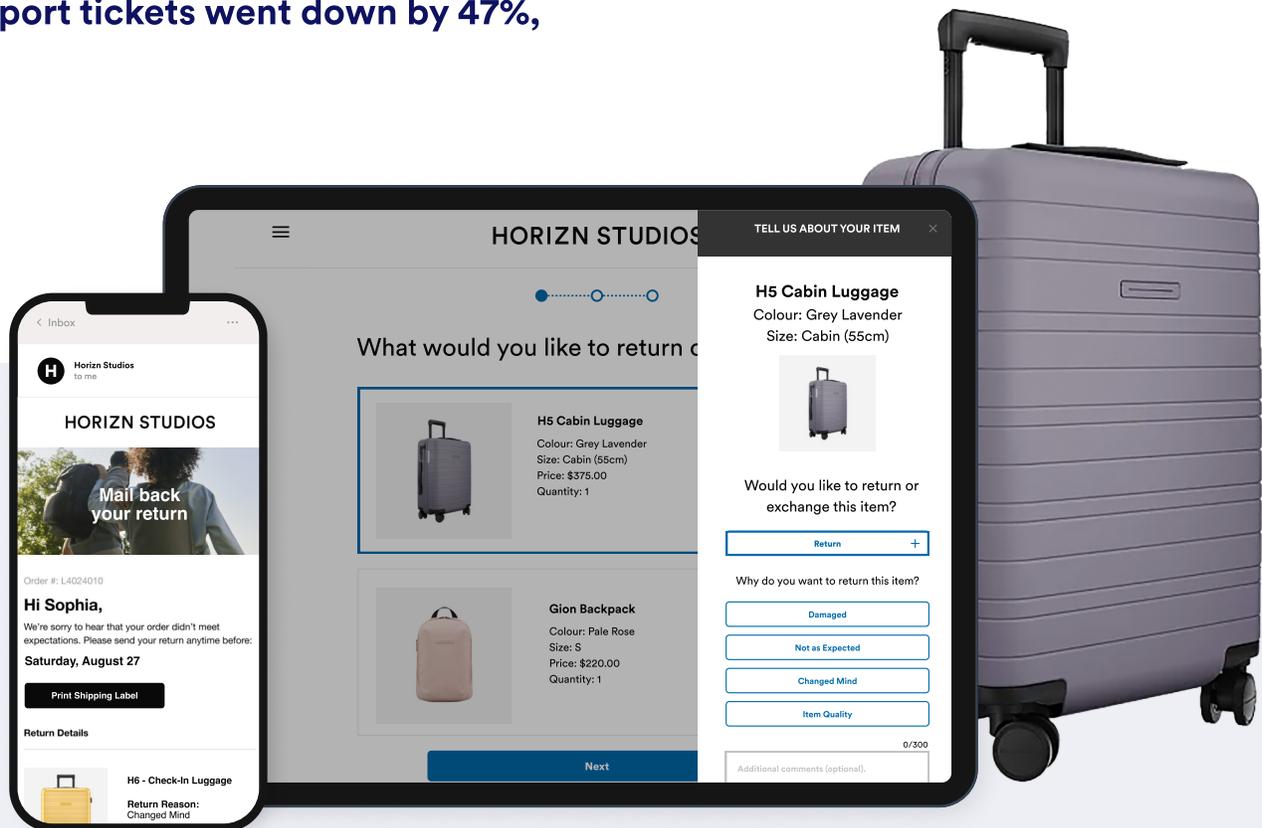
After launching their self-service returns portal to streamline the process, the volume of **return-related support tickets went down by 47%**,

while **time spent on a return ticket decreased by 66%**. In addition to these incredible improvements in efficiency, Horzn gained timely visibility into return reasons, which they plan to use for future product development.

“We were searching for a robust international solution that could handle the complexities of our business, which led us to Narvar.”



Rafael Haymann
COO, Horzn Studios



“When done right, home-pickup gets consumers to return goods 25% faster. That’s really important because every day a pair of shoes or a sweater sits in the closet, the opportunity cost for the retailer increases—especially in the current environment of extreme supply chain disruption.”



Amit Sharma
Founder & CEO, Narvar

Remember—

Every day that a to-be-returned item remains out of inventory—whether with the customer, in the mail, or awaiting processing—the chance of reselling it at full price drops. When it comes to items with a short shelf life (e.g., seasonal apparel), the pressure is on.

There are also opportunity costs for inventory being out of the system. You may have missed sales because a size or style wasn't available, or had to reorder more inventory to backfill the gaps left by items that haven't yet been returned. There's also a risk that you'll end up with excess inventory that you'll struggle to sell.

As well as salvaging margins, faster returns improve sustainability and minimize landfill waste.

When it comes to optimizing reverse logistics for customer experience, cost efficiencies and sustainability - speed is of the essence.

Key Takeaways

What consumers want

- Clear, visible & fair return policies that give them the confidence to purchase
- Convenience and choice with return methods
- To shop with more sustainable retailers
- Increased visibility on return & refund status

What retailers want

- Enforceable rules to protect revenue loss
- Timely data on what's being returned and why
- Returns to be made ASAP
- Increased visibility of incoming returns
- Lower shipping costs
- To get items to the right place faster
- Rapid processing of items for resale to salvage margins

Your checklist for reverse logistics optimization

Get a holistic view of real-time reverse logistics data visibility to drive continual optimization.

	What can be returned	How returns are made	How returns are received	How returns are processed
Optimize the customer experience	<ul style="list-style-type: none"> <input type="checkbox"/> Remove uncertainty <input type="checkbox"/> Make the returns policy clear & easy to find 	<ul style="list-style-type: none"> <input type="checkbox"/> Easy to find & use returns portal <input type="checkbox"/> Offer a range of options for how to return (in-store, drop-off, pick-up) <input type="checkbox"/> Remove friction (printerless & boxless) <input type="checkbox"/> VIP options for loyal customers 	<ul style="list-style-type: none"> <input type="checkbox"/> Process return ASAP <input type="checkbox"/> Send proactive notifications about return & refund status 	<ul style="list-style-type: none"> <input type="checkbox"/> Process return locally <input type="checkbox"/> Send proactive notifications about return & refund status
Optimize operational & cost efficiency	<ul style="list-style-type: none"> <input type="checkbox"/> Make the returns policy enforceable using a returns portal instead of returns slips <input type="checkbox"/> Consider a shorter free returns window <input type="checkbox"/> Collect actionable return reason data via a portal 	<ul style="list-style-type: none"> <input type="checkbox"/> Make it easy to exchange at point of return <input type="checkbox"/> Incentivise store credit over refund <input type="checkbox"/> Offer premium paid-for return services <input type="checkbox"/> Limit free returns window 	<ul style="list-style-type: none"> <input type="checkbox"/> Consolidate locally <input type="checkbox"/> Set rules for intelligent dispositioning to get items back to the best place & consolidate early 	<ul style="list-style-type: none"> <input type="checkbox"/> Standardize elements of the process <input type="checkbox"/> Explore outsourcing <input type="checkbox"/> Use intelligent dispositioning to avoid needing to sort some items manually
Optimize sustainability	<ul style="list-style-type: none"> <input type="checkbox"/> Consider 'keep the item' policies for damaged items or those that will be destroyed 	<ul style="list-style-type: none"> <input type="checkbox"/> Printerless & boxless returns 	<ul style="list-style-type: none"> <input type="checkbox"/> Consolidate locally to radically reduce transport miles <input type="checkbox"/> Reduce package travel with smart dispositioning 	<ul style="list-style-type: none"> <input type="checkbox"/> Use reusable boxes for bulk transportation <input type="checkbox"/> Standardize packaging sizes



Join the most powerful and comprehensive returns network

Optimize your reverse logistics and make returns a center of excellence.



Turn up to 60% of returns into exchanges

Offer customers easy exchanges with alternate product recommendations and retain revenue by incentivizing store credit into gift cards. Turn first-time customers into repeat buyers.



Resell returns 30% faster

Take friction and procrastination out of returns—no labels, no boxes, no hassles. Customers can drop-off returns at over 200,000+ locations or choose to have items picked up from the comfort of their homes.



Activate powerful insights

Prevent returns and improve product quality by taking action with analytics and insights. Intelligently route returns to the best warehouse, store or distribution center. Personalize the journey for different customer segments.



Lower the cost of returns

Avoid costly 'where-is-my-refund' calls with branded customer messaging by leveraging a logistics consolidation network that aggregates returns and reduces cost and carbon footprint of package travel.

SONOS

“We found that users who touched Narvar in their post-purchase experience journey were more likely to repurchase than a typical user.”



Sean Knotts
Director of Global eCommerce

Transform your post-purchase experience today. [Learn more at narvar.com](https://narvar.com)



About Cycleon

Cycleon is the leading global, tech-enabled end-to-end returns management company. With over 15 years of experience in the industry, Cycleon is the expert in helping retail companies design and implement smart, scalable returns management solutions that are simple, logical, and user-friendly. Combining best-in-class technology with our outstanding 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, Cycleon optimizes and manages the entire returns lifecycle so our clients can focus on their core business.



About Narvar

Narvar pioneered how brands engage with customers beyond the “buy” button through branded order tracking, delivery notifications, returns and exchanges. Today, Narvar’s comprehensive Post-Purchase Platform empowers 1200+ of the world’s most-admired brands including Sephora, Patagonia, Levi’s, Sonos, Warby Parker, Home Depot, LVMH, and L’Oreal to delivery transparency, build trust, and grow customer lifetime value. Recognized by Fast Company as one of the most innovative companies of 2021, Narvar simplifies the everyday lives of consumers.

