

The Retail Hangover: Returns & Reverse Logistics

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Overview

Make it easy for people to shop online and they will...
& they will return 25-40% of it vs. 8-9% in actual stores.

In this session we will discuss:

- 1) Growing omni channel return and service issues
- 2) Impact of the consumer purchase & delivery experience

Agenda

- The Dilemma
 - Why Retail Delivery has increased returns
- Management recommendations and solutions
- Key Takeaways
- Questions & Discussion

The Dilemma

di•lem•ma

A difficult or persistent problem

Source: Merriam-Webster Dictionary



RL Dilemma

Every Company has a Reverse Logistics Dilemma

- Obvious -
 - Consumer Electronics, Computers
 - Appliances large and small
 - Furniture
- Not-so-obvious -
 - Books, Apparel, Retail, Grocery, Software
- Practically invisible -
 - Pharmaceuticals, Medical, Transportation





REVERSE LOGISTICS
ASSOCIATION®



The TICKING TIME BOMB *of Multichannel Retailing*

MetaPack

30%

Of shoppers find it difficult
to return goods purchased
online



51%

Think the returns
process is too complicated



46%

Find dropping off
a parcel inconvenient



58%

Don't want to
pay for a return



Over **25%** of consumers
return online goods more
than **10%** of the time



24% would like to
return to a post office



38% would like the
delivery company to
collect from my home



12% would like to
return to retailer's store



17% would like to
return to a convenience
store

83% of consumers
would **shop more**
at a retailer that
made the returns
process easier



Consumer behavior continues to shift

- Ecommerce growing 15% annually
- Ecommerce sales ~\$500B by 2018
- 20-30% customer return rate for delivered packages
- Brick and mortar stores shifting to omni-channel
- Buyers expect no-hassle, no charge, cross-channel return policies

Customer Returns ~\$450B in 2017:

- US GDP = \$18T // US Retail = \$5T
- 3% of the US economy // 9% of US Retail
- 95% sold on the secondary market
- 400M additional units returned in 2017 from ecommerce alone

RIPPLE EFFECT

What impact is this having on warehouse space? Human resources? 3rd parties? Technology developments? Tracking & data analysis? Policies? Etc.

Landscape for Retailers

- Retailers in the U.S. have enabled the Returns mentality, with our customers, and see it as a competitive advantage
- Omni-Channel has created greater complexity for both forward and reverse Logistics.
- Returns can represent, on the average, 8% of sales.
- Expenses can range from 7-11% COGS
- Less product going back to the OEM.
- Need to develop more robust alternative channels.(recycle, salvage ,donate)

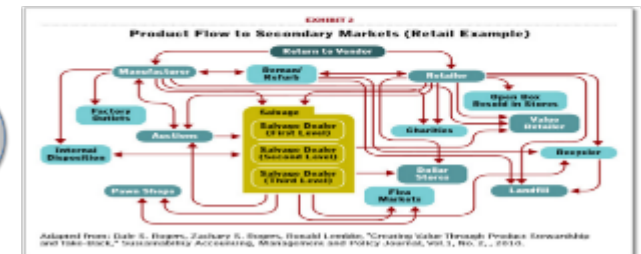
Return Policy	87	81	92
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Other Factors Governing Retailer Choice
Top Two Box Score

Criteria	Total %	Men %	Women %
Product Pricing	92	89	95
Return Policy	87	81	92
Ease of Making a Purchase	87	81	90
Convenience	84	83	85
Past Experience w/ Retailer	82	77	86
Product In-Stock	79	77	81
Latest Products Available	72	70	74
Product Variety	49	48	49



Secondary market
over \$450B or
2.88% of GNP



The Next 5 Years

- Returns will continue to grow in volume and rate
- E-Commerce will grow as a % and drive overall return rates.
- Retailers will continue to enable returns with the customer
- OEM's will look to limit their liability
- Regulations will become more onerous.
- Expenses will continue to grow
- Consumers desire for good secondary market product



The Next 5 Years continued

- Expansion of various outlet stores for Returned/excess goods. (No new enclosed Malls since 2006.)
- Growth in trade in and trade up programs.
- Retailer/OEM expansion of refurbished/reconditioned product
- Consolidation of services into larger offering
- Growth in offshore opportunities
- Investment of capital into the Reverse space
- Expansion of “Green” initiatives

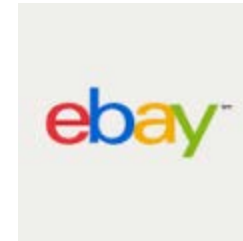


Christmas Tree Shops® and That!



C2C Market Expanding

- Return Rates range from 8% to upward of 20% in E-commerce
- Product stays with the consumer versus return
- Enters the re-commerce channel through C2C, pawn shops, garage sales etc.
- Opportunity for on-line retailers to drive traffic and revenue.
- Social sharing is growing



The Next 5 years continued.....

- The Reverse Logistics Association
- Interactive Experience Predictor
 - (IEP)
- Out-of-Box Experience
 - (OOBE)
- Human Factor Engineers
 - (HFE'S)
- Net Promoter Score (NPS)
 - Customer Satisfaction



Questions

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The Reverse Logistics Association

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A Members Driven Global Trade Group for
Returns Solutions and
Service Solutions Providers