

July 26, 2005

Incorporating a reverse logistics system within eCommerce

Why delivering a positive returns experience is vital to online success

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Executive Summary

It's no secret that a positive experience delivered to a customer is the core determinant of if that customer will come back for a subsequent purchase. In conjunction with enhancing the user experience prior to pressing the "buy" button, retailers must also focus on the post-purchase site experience to keep customer retention metrics at satisfactory levels.

This is where many online retailers drop the ball, specifically with the processing and communication management within consumer returns. By incorporating new strategies to optimize this process, retailers can increase customer retention and add new revenue streams to the direct business.

Here are some key metrics to support the **return optimization** business case:

- **85%** of customers say they will stop buying from a retailer if the returns process is a hassle (Harris Interactive)
- **95%** of customers say that they are likely going to shop with a catalog or internet retailer again if the returns process is convenient (Harris Interactive)
- **40%** of shoppers don't buy online due to returns difficulty (Jupiter Research)
- Customers who have their complaint resolved quickly have a re-purchase intention rate of **82%** (McKinsey)

The increased importance of online returns

Returns are an inevitable factor in online retail. As the depth of online product categories become apparent, the importance of establishing clear and consumer-friendly online return policies became painfully clear. Providing a bad returns experience undoubtedly reduces the chance of a customer coming back for a repeat purchase.

In sectors like high-end apparel, where consumer returns reach levels as high as 20%, an efficient returns process is even more critical to overall success. Quicker inventory cycles and fluctuating retail prices make it important to not only process the return effectively for the consumer, but also get it in the warehouse quickly for re-sale.

Reverse Logistics solve fundamental business problems

Retailers are now being proactive to turn these operational challenges into both competitive advantages and incremental revenue streams. By investing in solutions that integrate key platform components & data, online retailers are able to offer self-service return capabilities to consumers.

A typical reverse logistics solution allows the consumer to more easily initiate the return by incorporating a **pre-paid postage label** within the box. This label can be integrated within the packing slip or can be a separate stand-alone piece. Because the label generation is initiated by the warehouse management system, the label is able to **capture key customer information for tracking purposes**, both for CSR's and the end consumer.

The label provides one primary source of value to the customer: Convenience. By making the process more convenient because no post office trip is needed, retailers improve overall customer satisfaction and facilitate the goods in getting back to the distribution center.

When consumers initiate returns through this type of process, retailers typically charge them a "handling fee". This fee is typically between \$5.00-7.00, usually 20% higher than the postage charge that was provided by the reverse logistics service provider. This dollar spread between what is charged to the customer and what has been billed to the retailer for postage, is how retailers generate direct and measurable profits from returns.

Improving communication levels with online consumers

A reverse logistics solution can drastically improve customer communications during the return process. Newgistics is a great example of a reverse logistics provider that has customer-centric communication processes embedded in their overall solution.

After a return package is picked up from a consumer location, it is intentionally sent to a Newgistics hub for sorting and re-locating. During this process, there are strategic scanning mechanisms used to facilitate triggered and branded communication emails.

A consumer receives "retailer branded" email notifications when certain milestones are achieved in the return process. Such as:

- **Return receipt**
 - (Ex. We have received your return and you should get a credit in the following days).

- **Return Completion**
 - (Ex. Your return has been processed)

Quick receipt of these emails enhances the confidence level of customers, reduces inbound customer service calls, and provides another value added feature to boost the eCommerce relationship.

To not provide a great experience after the buy button is a chance that your online business cannot afford to take. Your company is playing Russian Roulette with your customer base and missing out on a potential revenue stream. Feel free to contact Trinity to learn more about this type of initiative and how we can help in discovery, scope, and implementation efforts.