Death, Taxes, and Customer Returns: Turning the Unavoidable into a Supply Chain Opportunity

Product Returns Can Be a Source of New Revenue and a Chance to Showcase Good Customer Service

According to data from the National Retail Federation, almost nine percent of 2012 retail sales were returned to their place of purchase. This represents about $200 billion annually to U.S. businesses and a 12 percent increase since 2008. Despite this significant impact on the bottom line, most businesses still do not have policies, processes, or infrastructure in place to manage returns.

Businesses ignore the steady flow of returns at their own peril. Customers increasingly view returns as an important part of the overall retail experience, with one study reporting 87 percent of respondents citing an effective returns process as either “extremely” or “very important” to their future shopping plans.

Beyond customer service, good returns management can also be a boost to the bottom line. Secondary markets – outlet stores, refurbished sales, overstock venues, auctions, and thrift stores – are a thriving source of revenue with sales estimated at between $60-80 billion.

Top Six Reasons for Consumer Returns:

1. Customer ordered incorrect product or size
2. Customer decided product not needed or wanted
3. Customer returned with no reason given
4. Product did not fit description on website or catalog
5. Product did not fit customer’s expectation
6. Company shipped incorrect product or size

But before your business launches an ambitious new returns policy, much thought must be given to the type of policy that best meets your business model, what you hope to achieve from your returns policy, and choosing the right logistics provider.

Returns Management – Critical to Customer Service

Whether you choose to replicate L.L. Bean’s “return anything to us anytime” approach to returns, Zappos.com’s “free returns, no questions asked” policy, or find a middle ground, customer satisfaction must be of the utmost priority. Good customer service does not have to incur huge financial resources but can be attained in other ways:

- **Including a return label with the original shipment**
- **24/7 tracking capability**
- **Efficient problem resolution**
- **Friendly customer service**

How a company chooses to handle returns can have a significant impact on the bottom line and on relationships with customers. Handled efficiently, returns can be a source of revenue, adding as much as five percent to total sales.

Solutions – Determine Your Best Returns Process

Technology has helped businesses gain control of their returns process but often the devil is in the details, and a business must work closely with its logistics provider to develop a specialized returns strategy. A comprehensive returns strategy should include the following components:

- **Flexibility in Scheduling**
- **Centralized Returns Centers**
- **Border Consolidation**
- **Integrated Returns Material Authorization (RMA)**
- **Multi-Channel Visibility**
- **Sustainability**

Solutions – Processing Your Returns

Considering that only about 20 percent of returns goods are actually defective, it is essential for returned merchandise to be processed as quickly as possible. As discussed above, a dedicated returns processing center can initiate the proper response:

- **Refund/Credit**
- **Replacement**
- **Repair**
- **Secondary Market Sales**

Solutions – Returns from Canada

Returns management becomes even trickier when the items originate outside of the U.S. Products reentering the U.S. from Canada are international transactions and must comply with all applicable customs requirements. In preparing your returns management strategy, it is essential to be aware of, and to plan for, several considerations:

- **Returns from Canada are "international transactions."** And like all international transactions, goods must be in compliance with all necessary paperwork filings, security procedures, and duty and tax requirements.
- **Intra-Canada consolidation.** An intra-Canada consolidation plan is a good way to gain control over your Canadian returns. Returns can be brought to a designated facility near the border, and then held until a predetermined date. Advantages to intra-Canada consolidation include cost efficiencies, reduced border clearance wait times, and greater flexibility.
- **Canadian distribution network is essential.** While 90 percent of Canada's population lives within 100 miles of the U.S. border, extra care must be taken to reach those living in more rural regions of the country. For this purpose, there is no substitute for a logistics provider with verifiable experience and expertise in the Canadian market.
- **Canadian demographics must be considered.** Because of the close proximity of the two countries, both geographically and culturally, many businesses assume that doing business in Canada is similar to U.S. business transactions. This thinking fails to take into account Canada's unique culture, and procedures and standards. For example:
    - **Bilingual**: Canada is officially a bilingual country, with both English and French considered the official languages.
    - **Metric System:** Canada is also somewhat bilingual when it comes to measurement systems.
    - **Labeling:** Canada's Consumer Packaging and Labeling Act mandates specific information that must be included on various consumer product labels – including a mandate that information must be in both English and French, with quantities expressed in metric units.

To learn more about these and other supply chain innovations, visit www.purolatorinternational.com/whitepapers to download Purolator International's white paper: *Death, Taxes, and Customer Returns: Turning the Unavoidable into a Supply Chain Opportunity.*