

The Locus Guide To Returns Management



Overview



Key Insights

As data suggests, with e-commerce sales alone projected to soar from **\$875 billion** in 2022 to a staggering **\$1.3 trillion** by 2025, it's evident that the future of retail—be it online or physical—requires a solid footing in the digital domain.

In recent years, both e-commerce and brick-and-mortar retail landscapes have undergone significant transformations. These changes, driven in part by a sharp rise in online shopping, emphasize the need for a smooth post-purchase experience across all retail platforms. As data suggests, with e-commerce sales alone projected to soar from \$875 billion in 2022 to a staggering \$1.3 trillion by 2025, it's evident that the future of retail—be it online or physical—requires a solid footing in the digital domain.

Nevertheless, as businesses strive to navigate this integrated retail environment, one crucial challenge stands out: the often underestimated domain of returns management. This complex process, known as reverse logistics, is crucial for bolstering customer satisfaction, irrespective of the sales platform. When orchestrated effectively, returns go unnoticed, but if mismanaged, they tarnish the brand's reputation, leaving a lasting negative impression.

Traditionally, returns have posed challenges in the supply chain. Yet, with the surge in shopping—both online and in-store—it has become crucial for all retailers to strategize and fine-tune their returns processes in the dynamic world of modern retail.



This whitepaper offers a deep dive into the intricacies of reverse logistics, addressing the hurdles and opportunities inherent in this pivotal sector of the supply chain. We'll shed light on the shifting consumer expectations in today's interconnected retail world, the repercussions of escalating return

rates, and the game-changing nature of tech-driven solutions. With the insights and tactics detailed in this guide, businesses, whether e-commerce giants or traditional retailers, can adopt a robust, customer-focused stance in the dynamic world of modern retail.

Introduction: Why returns are the new frontline of e-commerce

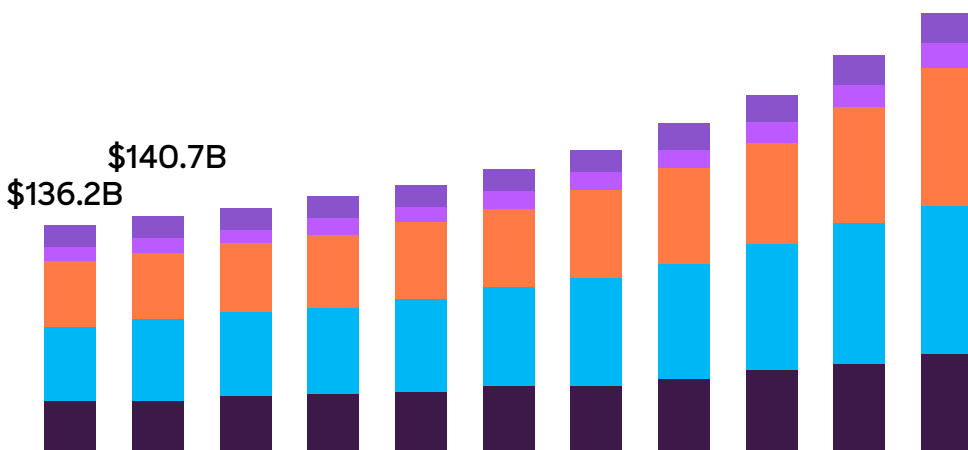


The evolution of online shopping has fundamentally reshaped consumer demands, compelling businesses to enhance every facet of the buyer's journey. From flashy marketing campaigns to expedited deliveries, every element is under scrutiny. However, amidst this transformation, one aspect often remains overlooked: returns management. Given the growing e-commerce landscape, the art of managing returns isn't a mere logistical requirement, but also important to maintaining customer faith and allegiance.

U.S. REVERSE LOGISTICS MARKET

Size, by return type 2020 - 2030 (USD Billion)






01



8.1%

U.S. Market CAGR, 2023 - 2030

Source: www.grandviewresearch.com

-  Recall returns
-  B2B returns & commercial Returns
-  Repairable returns
-  End of use returns
-  End of life returns

In 2022, the global reverse logistics market was valued at \$731.30 billion and is projected to grow at a 9.4% CAGR from 2023 to 2030. This growth is not solely attributed to the expansion of e-commerce operations but is also reflective of a broader retail industry trend. With an increasing number of product returns, replacements, and recalls - due to stricter regulatory mandates and product quality standards - the demand for a comprehensive reverse logistics strategy has never been higher. Both online and physical retailers face the challenge of meeting customer expectations for straightforward and transparent return processes. Many consumers prefer to evaluate products firsthand, deciding on their suitability after a tactile assessment.



This trend is particularly noticeable in sectors like apparel, where purchases—whether made online or in-store—can lead to returns due to factors like fit or style mismatches.

To provide some context, the National Retail Federation reported that total returns resulted in \$816 billion in lost sales for US retailers—a sum exceeding what the US federal government allocated to education, training, and employment programs in 2022. Products that fall short of customer expectations not only pose logistical hurdles but also carry significant financial ramifications.

The solution? Businesses must hone in on elements within their purview. Maintaining high product quality, ensuring timely delivery, and offering accurate product descriptions (including detailed sizing information for apparel) can mitigate core return triggers. Notably, many consumers indicate a willingness to personally facilitate returns, suggesting that a balance of convenience, flexibility, and operational cost-efficiency can be achieved.

Another pivotal strategy is leveraging technology in fulfillment operations to simplify the return process. Picture an automated system that efficiently processes return requests, devises optimal packaging solutions, and reduces in-store return wait times. This automation can also foster greater transparency and maintain open communication with customers throughout the return or exchange journey, curtailing both aggravations and potential fraud. In this retail landscape, the ability to efficiently handle shipping, warehousing, and, critically, returns, dictates a brand's success in moving products from shelves to consumers and, when necessary, back again.

Navigating the Digital Tide and the Knot of Returns

The recent disruptions in global supply chains have highlighted the need for adaptability and resilience. While events like lockdowns in major economies like the U.S., India, and the UK temporarily impeded the flow of goods, they simultaneously ushered in a new era for e-commerce. The transition to online shopping accelerated, with Digital Commerce 360 noting a rise to an impressive \$219 billion in US sales alone between 2020 and 2021. With this e-commerce boom came an inevitable surge in product returns, further complicated by logistic challenges.

58%

want a hassle-free
"no questions asked"
return policy

47%

want an easy-to-print
return label



62%

of shoppers are more
likely to shop online if
they can return an
item in-store

27% of shoppers would purchase an item that costs more than **\$1000** if offered free returns as compared to **10%** who would purchase otherwise

Emerging from these challenges, businesses recognized the need to differentiate, leading to innovative return policies and strategies. The rise in retail costs introduced consumer-friendly trends such as "Buy Now, Pay Later" and "Try Before You Buy," which have begun to define the new digital shopping experience.

That said, it is important to acknowledge that every return is a lost sale, and if mishandled, it further drains revenue from the bottom line. As speed, convenience and flexibility drive consumer choices, businesses must perfect this balance between customer satisfaction and operational efficiency.

With escalating e-commerce sales, even a nominal percentage of returns can represent significant numbers. For forward-looking businesses, this isn't just about recouping potential losses; it's about capitalizing on the opportunity to deliver excellence every step of the way.

The Roadblocks on the Return Highway

Returns management is a lot like solving a puzzle. Every corner presents a distinct challenge, urging businesses to be strategic and mindful. Let's unpack the challenges that punctuate the return management process.



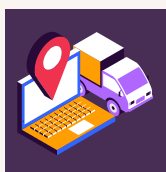
Cost Complexities

Every return carries with it a cost—and it's not just the refund amount. Last-mile delivery, already a significant cost factor, becomes even heavier when you consider reverse logistics. Beyond just transporting products back to the warehouse, there are costs associated with storage, reconditioning, repairs (for damaged returns), repackaging, and even recycling or disposal. These layers of expenses underline the critical importance of an efficient return process.



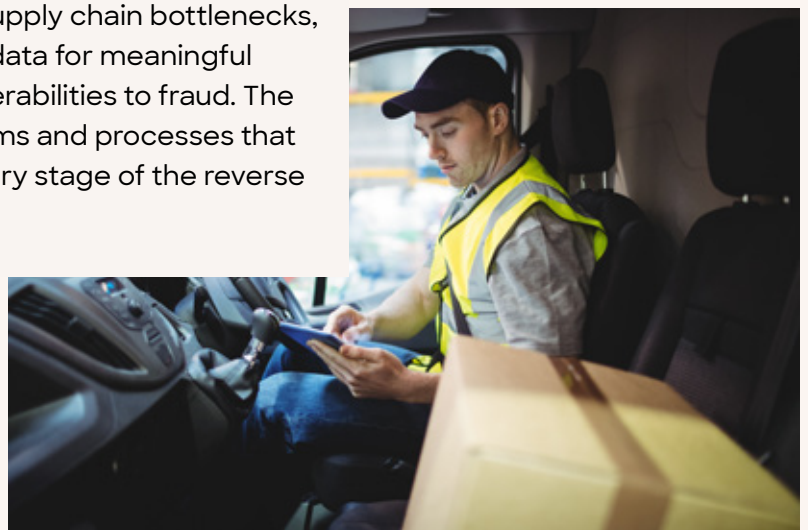
Resource Crunch

The supply chain, by its very nature, demands significant resources. When you consider the packed schedules of delivery personnel, the effort involved in processing returns, and the subsequent storage, repair, or recycling needs, the challenge intensifies. It's not just about human resources; it also concerns the funds and technology invested in streamlining these processes. All of these, if not managed properly, can culminate in increased costs, breaches in service agreements, and a dip in customer satisfaction.



The Visibility Puzzle

A clear, bird's-eye view of reverse logistics is essential, but often, businesses find themselves navigating through fog. The lack of on-ground visibility can disorient the decision-making process. Common pitfalls include inaccurate inventory assessments, challenges in pinpointing supply chain bottlenecks, hurdles in processing vast data for meaningful insights, and potential vulnerabilities to fraud. The remedy lies in robust systems and processes that ensure transparency at every stage of the reverse logistics pipeline.





Customer Satisfaction vs. Operational Efficiency

Today's consumers see flexible, convenient, and free returns as a standard option in online shopping. Balancing their expectations with operational realities is vital. While ensuring an optimal customer experience is paramount, businesses must also keep an eye on the spiraling costs to maintain a seamless reverse logistics operation.



Eco-conscious Returns

With rising global eco-awareness, businesses must also evaluate the environmental implications of their returns process. Addressing questions about waste management, sustainable packaging choices, and integrating eco-friendly practices are no longer optional but essential for a responsible business strategy.

Efficient Returns Management: Paving The Way with Locus

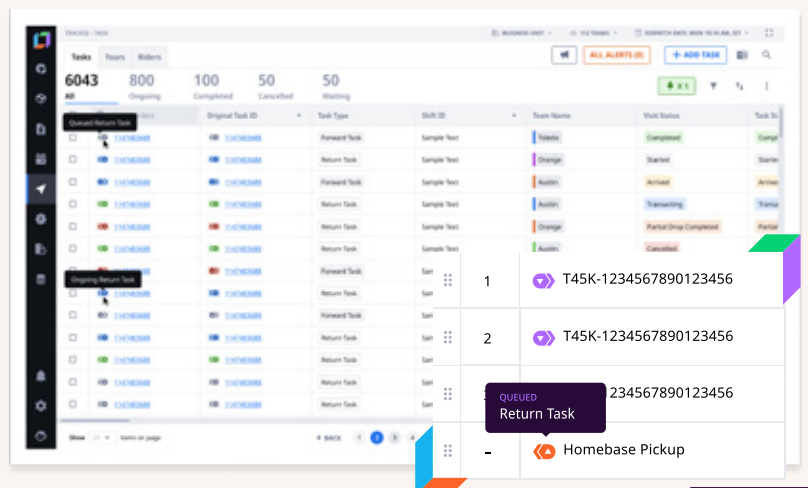
As the e-commerce world evolves, Locus turns return challenges into strategic opportunities. With an emphasis on automation and customer-centric solutions, Locus doesn't just simplify the return process. It optimizes and elevates the entire e-commerce experience, ensuring businesses are primed for success in this digital age. This is how Locus simplifies returns:

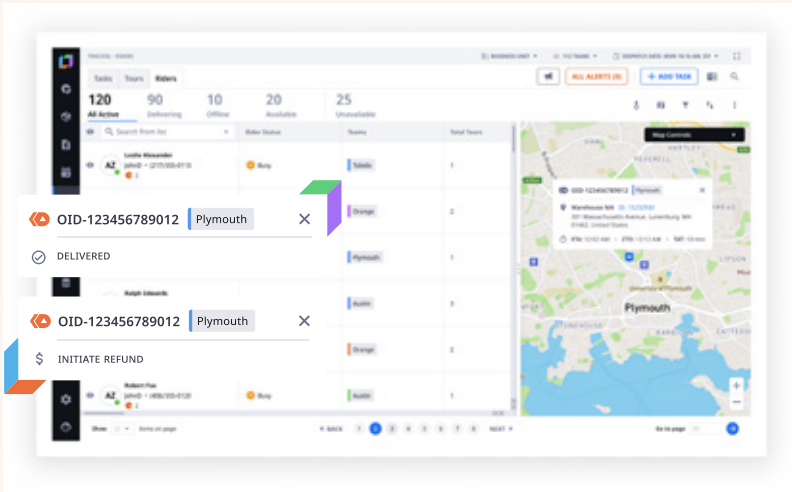
Deliver A Market-Leading Return Experience

Automate and configure shipment return workflows with Locus, ensuring a smooth and economically efficient reverse logistics process.

Accelerated Returns Processing & Planning

By strategically grouping forward and return shipments on the same route, Locus enhances drop density, offering a smarter way to manage unit economics. Moreover, intelligent dispatch planning is employed, seamlessly factoring in available resources, business constraints, SLA commitments, and order priorities.



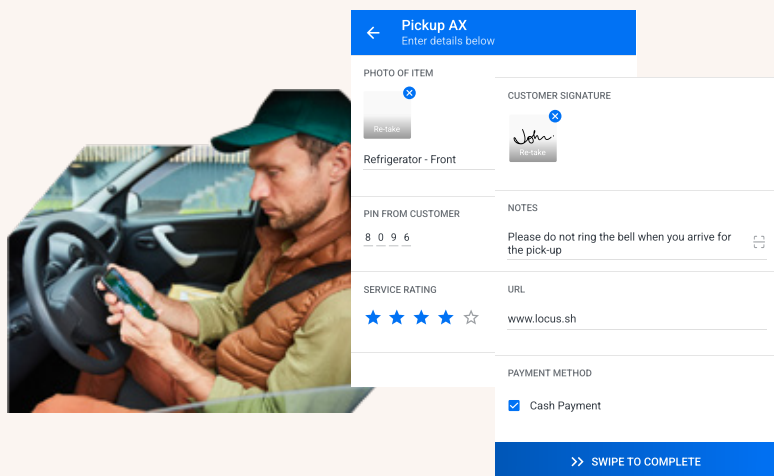
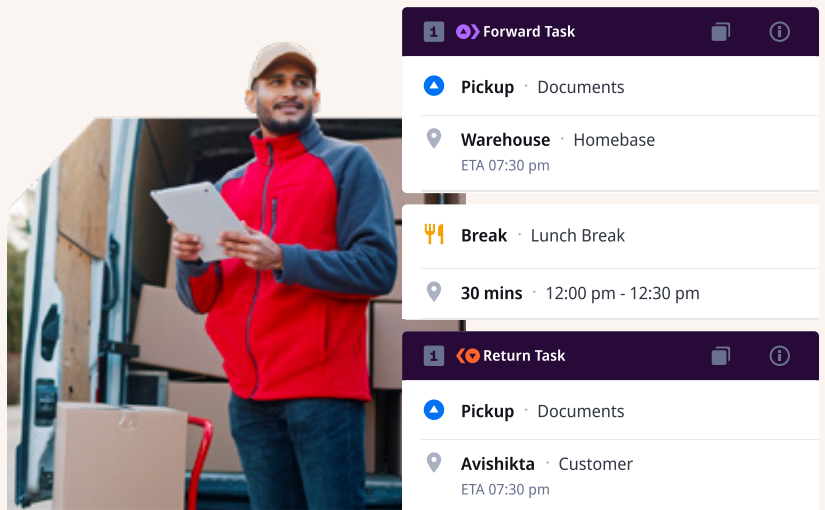


Quick Turnaround for Customer Delight

Real-time validations, such as proof of pickup checklists, empower businesses to process and initiate order refunds almost immediately post-pickup.

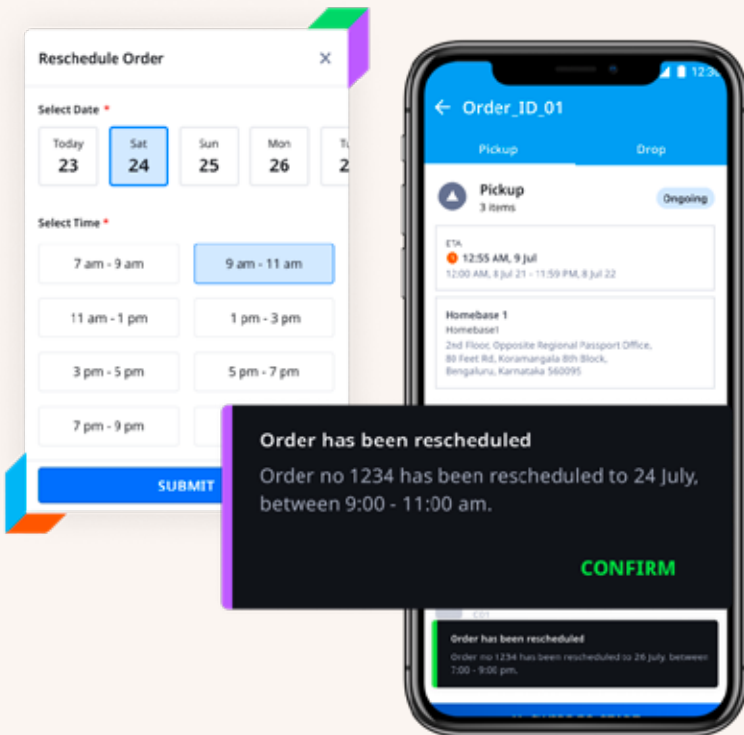
Efficient Reverse Pick-up Times

Locus's system selects the best-suited drivers for return pickups based on real-time factors like availability, proximity, and capacity, ensuring speed and efficiency.



Maintain Detailed Return Order Histories

Detailed return order checklists, inclusive of proof of pickup, SKU images, and customer signatures, allow businesses to maintain comprehensive order records.



Flexible Options for Enhanced Customer Satisfaction

Recognizing the importance of adaptability, Locus offers customers the autonomy to reschedule their return pickups as per their convenience.

In the unfolding era of digital commerce, mastering returns management is crucial to defining the future of consumer trust and allegiance. Locus is here to redefine that horizon, turning every challenge into a unique opportunity for distinction. With Locus at the helm, businesses aren't just processing returns; they're pioneering the next gold standard in customer-focused innovation.



Locus is a leading-edge technology company dedicated to solving the most challenging all mile problems in global logistics.

1020m+

Total deliveries optimized

12m+ kgs

Reduction in GHG emissions

\$288m+

Savings in logistics costs

**GROWTH,
DELIVERED.**

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