



E-Book

Reverse Logistics

Creating superior online returns experiences

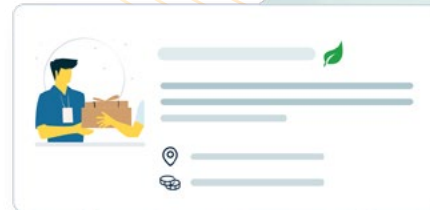


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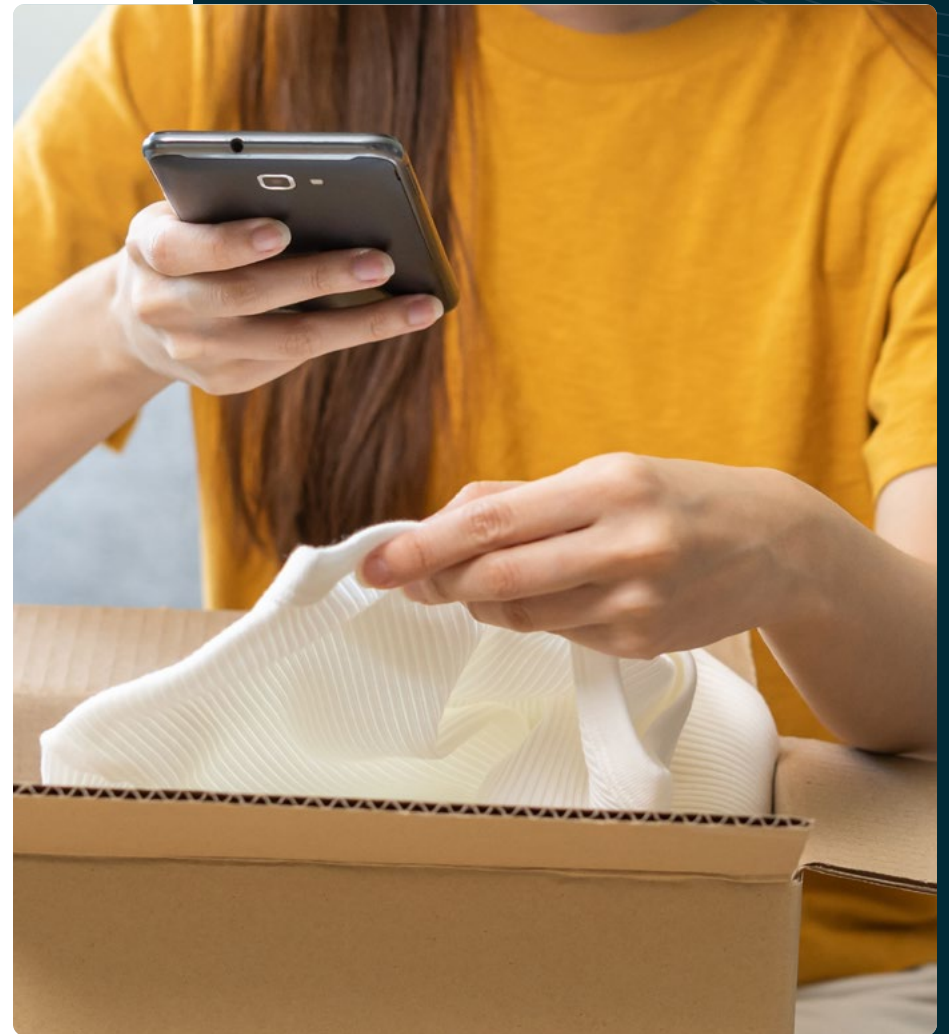
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Moving Backwards: Online Returns

The flow of products across the last mile does not only move in one direction. Unwanted, damaged or broken products often travel in reverse from consumer back to retailer - a costly, inefficient and unsustainable process. As online retail sales continue to grow, so too will online returns. And consumers are increasingly evaluating returns policies when making online purchases. Retailers and carriers must optimize the returns process to reduce cost and risk to deliver a superior consumer returns experience.

Around [30% of online orders are returned](#), compared to 9% for items purchased in-store. Much of this gap is due to the inability for consumers to see, feel and temporarily experience many of the goods they purchase online. Most retailers offer online returns policies, and consumers are using them.

Returns cause major headaches for retailers and their logistics partners as they are costly and difficult to orchestrate. Even some of the biggest retailers in the world now see rampant returns as an existential threat, says [the Atlantic](#). In the U.S. alone, it is estimated that [\\$218 billion](#) of online purchases were returned in 2021, boosting the growth of the global reverse logistics market that is forecast to reach nearly [\\$1 trillion by 2028](#).

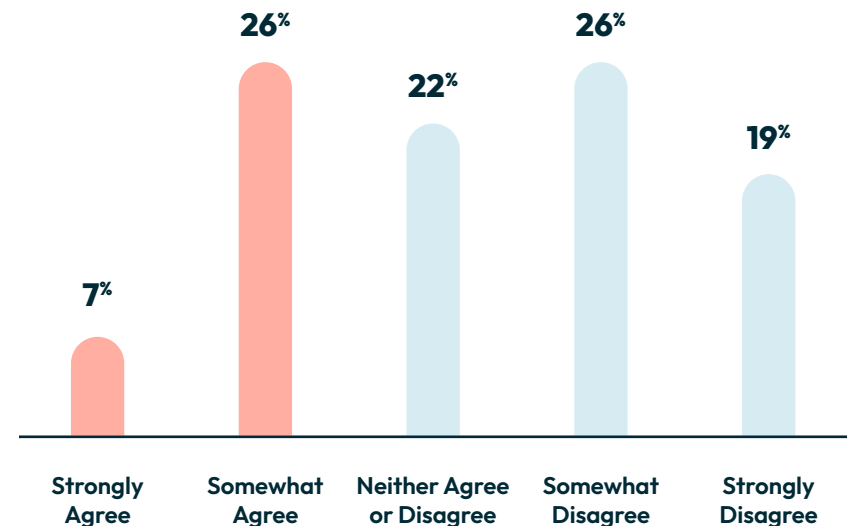


Consumers Demand Superior Returns

Nearly half of all online shoppers returned an online purchase in the past 12 months. Consumers are now more likely to evaluate returns policies when making an online purchase, as 86% of shoppers look for an easy returns process and 92% of shoppers will repurchase something if returns are easy. In contrast, 81% of shoppers will switch to a competitor if they have a bad returns experience. The returns process is crucial for many consumers, and retailers and carriers must look to include returns as part of their business strategy. The problem is: many consumers do not find online returns to be an easy process.

Online returns a challenge for consumers

% of U.S. consumers agree, "Returning online orders through the mail is easy"



Source: FarEye Last Mile Mandate Survey, June 2022.

Superior Returns Experience Defined

Consumers are driven to shop with online retailers that offer free returns shipping, convenient locations to return items, clear communication and visibility of returns policies and processes, and fast refunds. Fees, slow refunds and a lack of returns visibility deter consumers from shopping online retailers.

So what does a perfect returns process look like?



Free

Including packaging
Pre-paid return label



Sustainable

Limited carbon footprint
Reduced waste



Flexible

Long return window
Many convenient drop-off locations,
including consumer's home
No receipts needed



Visible

Clear return policy communication
at purchase
Tracking information
Refund updates

“When customers know that they can get their money back just as quickly as they can spend it, and in a fast and flexible process, they’ll shop with more confidence and spend more.”

Sanaz Hajizadeh, PayPal

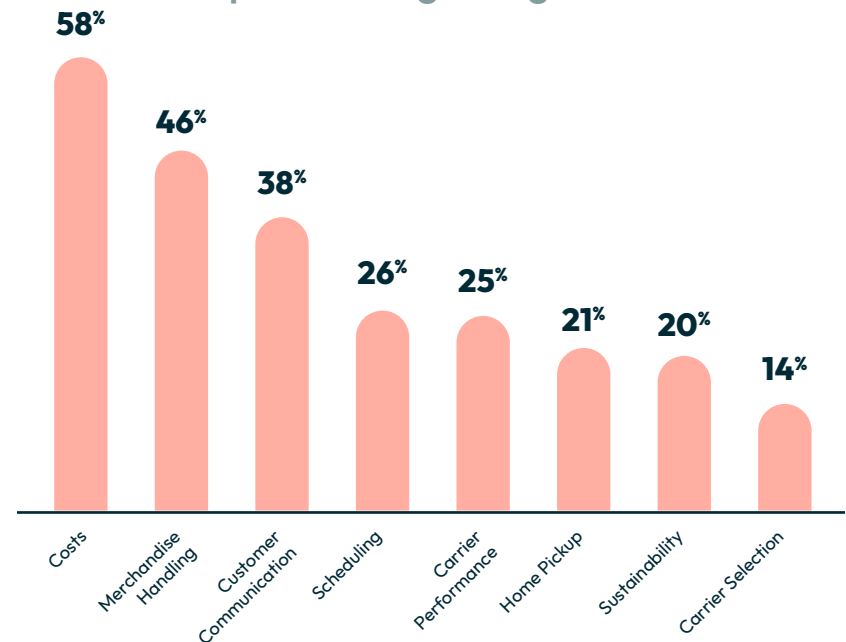
The True Cost of Online Returns

Getting the returns process right and giving consumers a returns process worth coming back for is difficult for retailers. Online returns are costly, estimated to account for 60% of the sale price of a standard \$50 order. Many times, merchandise must be written off and discarded, and there are more cases of fraudulent returns, where consumers are sending the wrong items back or items that have been worn repeatedly. Fifty-seven percent of retailers claim that dealing with returns has a negative impact on their business, while 20% would increase the price of their products to make up for the cost of processing returns. The timeliness, orchestration and customer service are each pain points of the returns process that retailers must solve for.

Not doing so can put an online retailer at risk of losing consumer loyalty and incurring heavy costs from reverse logistics, the top challenge retailers claim they have with online returns.

Online returns a challenge for retailers

Major challenges retailers experience regarding returns



Source: FarEye Retail and Logistics Survey, November 2022

Reverse Logistics Math

The costs of reverse logistics can vary by retail category, and pinpointing an exact cost for every return can be difficult as every return is nuanced by product type, condition, drop-off location - the variables are endless. However, using general industry averages we can calculate that for a \$1B online retailer, returns can cost hundreds of millions of dollars.

30% Online order return rate¹

4% *Forward logistics cost as % of sales

60% **Reverse logistics cost as % of sales²

25% % of returned orders thrown away³

* Assumes \$2 shipping cost to company on standard \$50 order

** Customer Care, Transportation, Processing, Discounting and Liquidation Cost

Sources: [1] Invesp. [2] WSJ. [3] NPR

\$1B Retailer Example



Sales Returned
\$300,000,000



Delivery Cost
-\$12,000,000



Return Cost
-\$180,000,000



Inventory Cost
-\$75,000,000

Total Cost

-\$267,000,000
27% of total sales
89% of sales returned

How can technology solve reverse logistics challenges?

The solution to the online returns conundrum lies in innovative technology and enhanced partnerships between shippers, logistics providers and tech-enabled platforms. A perfect solution can offer free, fast, flexible and sustainable returns to consumers and low-cost, resource-light processes for retailers, ensuring both parties are satisfied. Here are a few reverse logistics features that last-mile delivery platforms include to improve returns experiences and reduce costs:

- ✓ **Returns Management Dashboard**
A portal and dashboard for retail operations teams to create return requests, view existing returns and track their progress.
- ✓ **Self-service Page for Consumers**
A branded, self-service page for consumers to initiate single or multiple-item returns. This is embedded directly into a retailer's website or mobile app.
- ✓ **API Capabilities**
API can initiate returns as well as fetch catalog/order details from retailers. APIs stack to be shared with and communicate between retailer and consumer.
- ✓ **Return Policy Configuration**
Retailers can dynamically configure return policies to govern what returns will be allowed based on conditional variables such as SKU, SKU category, etc.
- ✓ **Consumer Pickup Slot Selection**
Consumers can select the desired pickup location, date and time.
- ✓ **Drop-off Location Selection**
Consumers can elect to drop off the return at a carrier drop-off location or retail store that's most convenient for them.

✔ **Label and QR Code Generation**

Retailers can generate a QR code that immediately identifies consumer returns at the carrier drop-off location or to the service executive at the door

✔ **Automated Route Planning**

For logistics carriers or retailers with their own fleet, reverse logistics software can select the most optimal route, accounting for forward logistics delivery vehicles with available capacity.

✔ **Automated Carrier Selection For Pickup**

Return pickups from consumers' homes have the best carrier assigned based on retailer criteria for speed, cost, emissions etc.

✔ **Doorstep And On-receipt Quality Processing**

Quality checks can be done by the service executive upon receipt, enabling faster processing times.

✔ **Refund Processing Communication**

Quickly inform consumers when their refunds have been processed after they have returned the item.

✔ **Upload Picture of Returned Item**

Both consumers and drivers can upload an image as proof of the reason they are returning the item.

✔ **Embed Into Retail Webpage or Mobile App**

Reverse logistics software is often built with I-frame capability and can be embedded directly into a retailer's website or mobile application.



The Benefits of Superior Online Returns Experiences

Reverse technology solutions can enhance the returns process by increasing speed, lowering costs, and maximizing flexibility while minimizing the impact on the environment. The retailers that can adopt reverse logistics technology quickly stand to gain competitive advantages by reducing operational costs and creating superior returns policies and experiences that consumers value.

Benefits for Retailers:

- ✓ Improved consumer satisfaction
- ✓ Reduced cost-per-return
- ✓ Improved visibility of consumer demand
- ✓ Reduced return rates and volumes
- ✓ Enhanced checkout experience

Benefits for Consumers:

- ✓ Easier returns process
- ✓ Reduced returns cost
- ✓ Decreased wait time for refunds
- ✓ Tailored online shopping experience
- ✓ Improved communications with retailer

Last-mile delivery isn't a one-way street, and the consumer experience does not stop once an order is initially delivered. With an increasing amount of products moving in reverse within supply chains, reverse logistics technology will become critical in the coming years for retailers and consumers, and will enable competitive advantages in a retail e-commerce environment where increased market share is hard to come by.



First Choice for Last Mile

FarEye's Delivery Management platform turns deliveries into a competitive advantage. Retail, e-commerce and logistics companies use FarEye's unique combination of orchestration, real-time visibility and branded customer experiences to simplify complex last-mile delivery logistics. The FarEye platform allows businesses to increase consumer loyalty and satisfaction, reduce costs and improve operational efficiencies. FarEye has 150+ customers across 30 countries and five offices globally.

FarEye's Delivery Management Platform

- ✓ Access real-time visibility, ML-driven insights, and decisioning for shippers, carrier networks, and consumers
- ✓ Optimize dynamic routing, delivery scheduling, order tracking and delivery accuracy
- ✓ Provide flexible and frictionless order tracking and fulfillment controls in a branded consumer experience
- ✓ Create opportunities to upsell and strengthen brand and consumer relationships
- ✓ Map business process management workflows to current operational strategies
- ✓ Manage green fleets, reduce CO2 emissions and achieve sustainability goals

LEARN MORE:

fareye.com



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