



# Empowering Operations with Better Return Policies



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## Introduction

Nobody likes thinking about returns. If creating and shipping products is the meat and potatoes of your eCommerce business, returns are the vegetables that you'll eventually have to eat for the health of your brand. This is especially true now more than ever. According to NRF<sup>1</sup>, customers are 3 times more likely to return a product they bought online. And according to Harris Interactive<sup>2</sup>, 85% of customers are more likely to shop at online stores that offer flexible and customer-friendly return policies.

Successful return policies are supposed to meld seamlessly with the rest of your supply chain, where incoming product can be received, inspected, and then routed automatically to its final destination (back into inventory, put in for repairs, disposed of properly, etc.). If you have strong reverse logistics (the logistics behind returns) driving your returns policy, you save money on each return. When you save enough money on returns, you can afford to offer your customers a game-changing returns policy. If you offer a game-changing returns policy, you will cultivate customer loyalty and increase the lifetime value of each customer. Investment into smart returns is a great way to increase customer value with minimal impact on your regular business.

A lot of companies approach reverse logistics in different ways, which is natural. Each business has different requirements when it comes to recycling or receiving returned products. But there is one commonality that many successful companies share when it comes to their reverse logistics- including return labels into all outgoing packages.

By including return labels into your outgoing packages, you set up a strong foundation to build your reverse logistics. Whether you recycle your packages, integrate your returns processes into your supply chain, or build automation around receiving products is all up to you. Different businesses require different approaches, but it all starts with the return label.





## It's Not Just About "Cost", It's Also About "Value"

By UPS' estimates, returns processing can cost anywhere between 20 and 65 percent of cost of goods sold. Great reverse logistics see beyond cost savings and try to maximize value of incoming returns instead.

For example, let's look at how the inclusion of a return label with every outbound shipment can actually increase the value of your business.

The assumption is: by enabling your customers to initiate returns, the return rate will increase. There's no argument against that, but an increased return rate doesn't necessarily translate to lower revenue. When you consider the value of having a returns process that's seamless from end-to-end, you'll realize that you might be recouping costs in other ways.

Value must be considered on both sides when thinking of returns. A customer that experiences a seamless and hassle-free returns process is much more likely to become a return customer. Returns may constitute a sunk cost, but a good returns process is shown to increase lifetime value of every customer that purchases from your store. A good way to check the quality of your return policy is to track the repeat purchases by all customers who've returned a product at least once.

As for your business, including return labels into every package actually internalizes returns as part of eCommerce operations. If businesses approach returns as aberrations to the norm, they'll always be costly. But if businesses integrate returns into their normal operations, they'll find that the cost of processing returns is actually very small. Returns should never be seen as deviations or errors to be fixed, they're simply a cost of doing business, and smart businesses know how to leverage returns for more sales in the future.

Remember, your returns process shouldn't be focused on slashing costs, it should always be about maximizing value.





## Leverage Technology to Improve Your Returns

Some businesses might have nightmares of teams receiving returns, opening them by hand, inspecting them by hand, entering numbers on a Google Spreadsheet by hand, and then carrying the product back to the stockpile...by hand.

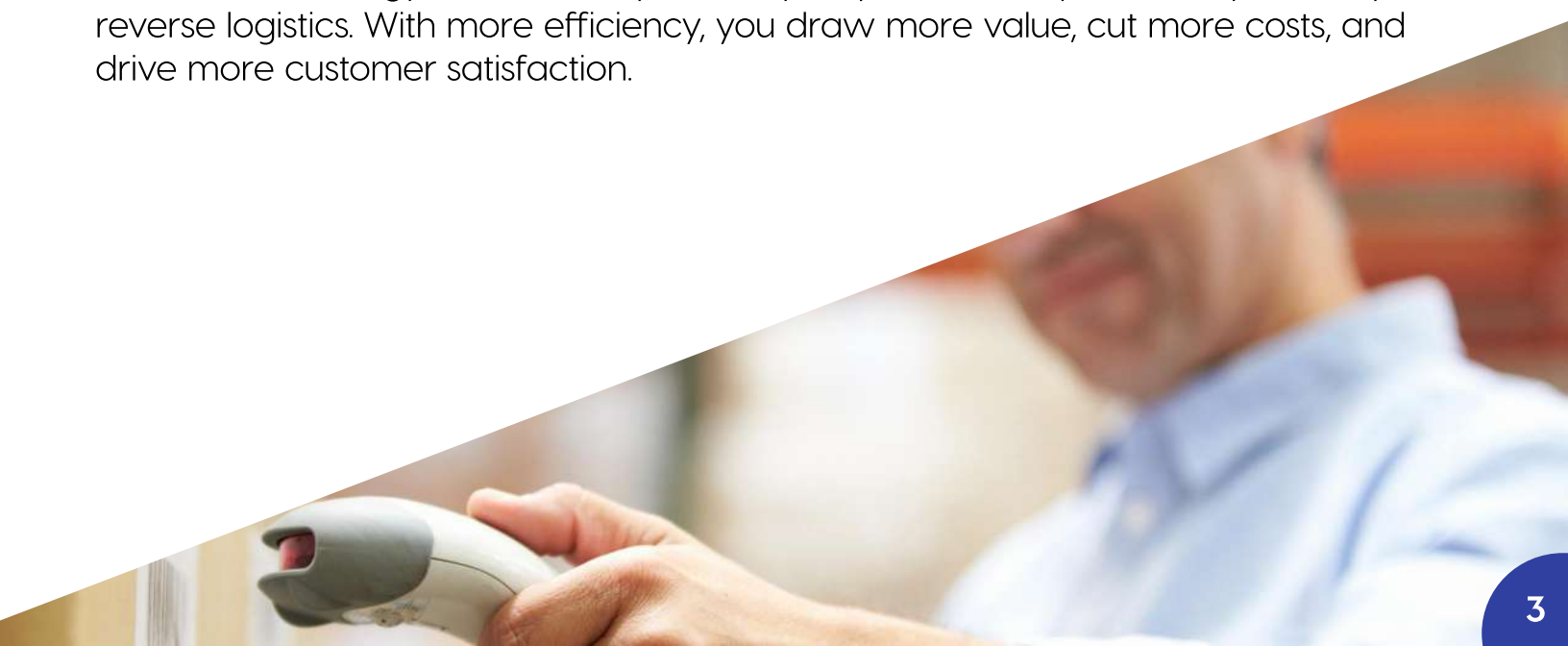
It doesn't have to be this way. There's technology out there that can automate whole swaths of the process, making it much easier to integrate your returns process (and the rest of your reverse logistics) into your supply chain.

Let's assume you've started to include return labels into your packages. Since the customer has a return label on hand, you know exactly what could be returned at any moment from the customer. This frees you up to do a few things:

1. If the customer fills out an online form asking for a replacement, the return tracking label can trigger your operations team to ship out a replacement at the same time. This will impress the customer by getting a replacement product much faster than your main competitors.
2. When a tracking label is scanned, your system can notify your team what products to expect, and maybe even the condition they could be in. With that information on hand, you can prepare your team days in advance. This approach is especially helpful during the post-holiday return surge, as this allows you to forecast staffing appropriately, saving you from unnecessary labor costs.
3. As a bonus, the convenience of including a return label will give you some extra goodwill with the customer. Customers are less likely to gripe about return label fees if you make the process as convenient and fast as possible.

And that's just improving the receiving part of returns. Including a return label opens up all kinds of possibilities when it comes to recycling products as well. For instance, if you want to resell your product to a third-party vendor, you can design your included return labels to forward returns to their facilities, allowing you to collect revenue without ever touching a return yourself.

With the technology available to you today, it's possible to optimize all parts of your reverse logistics. With more efficiency, you draw more value, cut more costs, and drive more customer satisfaction.





## Remember What a Return Actually Means

We've seen a lot of reverse logistics models include the use of "gatekeepers," or customer service agents that act as early troubleshooters to help fix issues with products. If a customer needs to go through a "gatekeeper" to initiate a return, the "gatekeeper" can resolve minor or common issues with products, therefore eliminating the need to initiate the return.

It sounds like a win-win, right? You get less returns, which saves you money. The customer gets valuable insights to get their product working for them again, everyone wins.

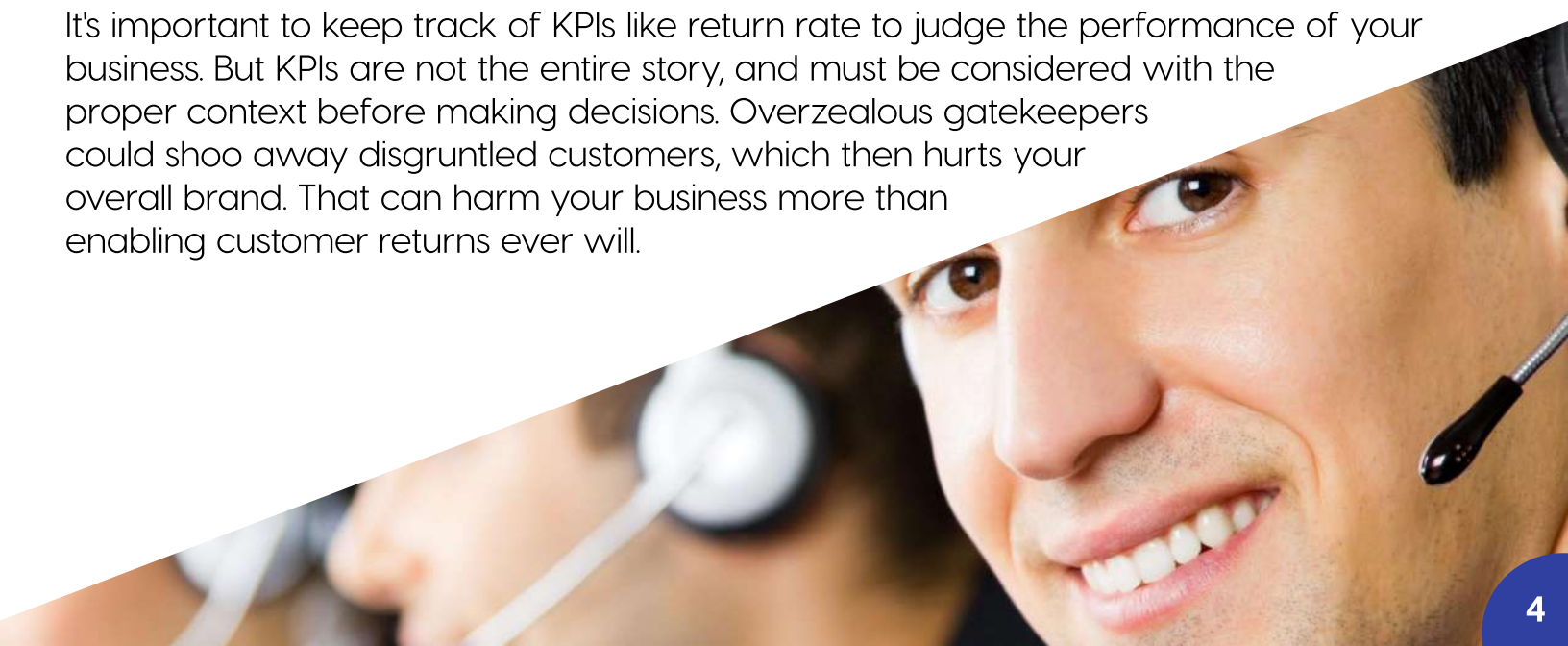
But be careful about gatekeeping. Assigning gatekeepers to dissuade the return process can frustrate the customer and hurt your brand. Gatekeepers can be invaluable for lowering overall return rate, but being overly aggressive in utilizing them can chase away customers. Aggressive gatekeeping will eventually lead to any one of three outcomes:

1. The customer becomes angry and resolves to never shop with you again
2. The customer becomes frustrated and resolves to get a refund from your CS agent.
3. The CS agent can't resolve the problem, initiating an inevitable return and ruining the customer's experience.

Consider the cost of these three outcomes against the cost of a seamless return. A lost customer, a full refund of a product, or a customer with damaged expectations. These things hurt your bottom line more than an easy return process backed by a liberal return label policy.

Remember, a return is initiated because your customer is dissatisfied with your product. It's an opportunity for your brand to elevate itself with good customer service. Yes, it's smart to address return rate to save costs, but it should never be at the expense of customer expectations and brand strength. If you do utilize gatekeepers, make sure to keep a customer-friendly return policy to preserve your standing with your customers.

It's important to keep track of KPIs like return rate to judge the performance of your business. But KPIs are not the entire story, and must be considered with the proper context before making decisions. Overzealous gatekeepers could shoo away disgruntled customers, which then hurts your overall brand. That can harm your business more than enabling customer returns ever will.





## Remember What a Return Actually Means

We get it, nobody wants to think about returns. It's easy to see them as failures or as undesirable parts of the business. It's easier to focus on the sexier parts of your supply chain, like product sourcing and fulfillment. But like it or not, returns are a part of doing business online. Businesses that are better about returns will hold a substantial advantage over those who don't, it's that simple.

It's better to think of returns as something to leverage instead of something to resolve. Returns don't always have to be a rejection of your brand, they can be an opportunity to show how committed you are to customer service. In an age where a customer can shop anywhere, they're more likely to shop in the places that give them the best experience.

So as you build out your returns processes and the rest of your reverse logistics, remember to start by including return labels into your packages. Something as small as that can be a stout foundation for a game-changing returns policy that elevates your brand.





## Support & Resources

### **Account Executive**

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### **Sign Up for a Free EasyPost Account**

<https://www.easypost.com/signup>

### **Getting Started Guide**

<https://www.easypost.com/getting-started>

### **Full Reference API**

<https://www.easypost.com/docs/api>

### **EasyPost Business Library**

<https://www.easypost.com/business-library>

## Cited Sources

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### **(2) Reverse Logistics in E-Commerce: A Framework to Set up A Program for your Online Store, Part 2 of 2**

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