

## ***Planning for Post-Holiday Reverse Logistics at Distribution Centers***

All year long, busy distribution centers prepare for the holiday sales season. But no sooner does the glut of outgoing orders begin to decline than we're faced with a second rush, this time in reverse logistics. Not every gift can be just what the receiver most desired, and all of those unwanted gifts will soon be heading right back where they came from — the distribution center.

So how can you best prepare for the coming post-holiday rush of returns? Here are a few ideas, but in order to understand the challenge, we'll need to look at the changes in customer expectations that are coming up just on the other side of the holidays.

### **E-Commerce Continues to Grow Going Into the 2017 Holiday Season**

The move toward greater reliance on e-commerce continues in 2017. At the beginning of the year, the [National Retail Federation](#) released its growth predictions, which paint a clear picture of what logistics industries can expect this December.

Brick-and-mortar retail will increase by a little less than 3 percent, the NRF predicted. Meanwhile, e-commerce will grow by an incredible 8 to 12 percent compared to the previous year. But those were just predictions — how did the real figures play out?

In fact, [according to figures](#) from the U.S. Commerce Department, e-commerce sales in the United States grew by 15.1 percent in the first quarter of 2017, compared with the same quarter in 2016. In the second quarter of 2017, online retail showed year-over-year growth of 16.3 percent. That positions the industry for higher sales volumes than ever before going into the holiday season. And where there are more holiday sales, there are more post-holiday returns.

### **Customer Expectations for Returning Products**

One of the toughest challenges facing logistics industries in this era of e-commerce has been the customer's expectation of free shipping. However, there's no getting that genie back in the bottle. Online shoppers expect quick, free shipping for their goods, and the same is true when it comes time to return an unwanted gift.

According to the [2017 UPS Pulse of the Online Shopper report](#), three out of four consumers have shipped goods, purchased online, back to the seller, rather than returning items to a brick-and-mortar storefront. It's no surprise that the same report found nearly 80 percent of online shoppers rated free return shipping as "important" to their choice of where to buy.

So the challenge of free shipping for products bought online extends to reverse logistics. That will have ramifications on how you'll prepare for the busy post-holiday returns season; it is vital to create an efficient, waste-free returns management plan for your distribution center.

### **The Challenges of Post-Holiday Reverse Logistics**

Unfortunately, getting full value for returned goods isn't as simple as reversing the shipping process entirely. Returns inevitably pose material handling and organizational challenges that we simply don't face when shipping. These obstacles include:

- There are several ways to extract value from a returned product, and they all require different processes. For instance, DC managers can send some items back to the warehouse shelves to fill later orders, but not if those items are flawed or damaged. Some operations sell their returns through third-party auction sites, while others break down returns into new raw materials.
- Return shipments don't typically make up tidy unit loads. You can't build them all onto a pallet, so you end up having to handle them individually. That usually means small-parcel shipping, which cuts down on efficiency and introduces tracking problems for systems that don't break down inventory at the level of the single item.
- The quality of each returned product will differ. Some consumers return items because those items are damaged in the first place, which means the seller can't turn around and resell them without repair and repackaging. Other consumers return their holiday gifts because they're

the wrong size, or simply because they'd rather have cash—and returns in these cases are usually fine to resell, as long as they aren't perishable.

- Returns are on the rise, with 30 percent of e-commerce sales being returned in the U.S. and Canada in 2016, industry publication [DC Velocity](#) reports. The rate of returns is growing in pace with the rise of e-commerce, with an estimated 15 percent increase in returns per year in the U.S. That added up to a return value of \$290 billion in 2015 for the U.S. and Canada.

In order to navigate these obstacles, distribution centers need to be prepared with robust return policies and systems in place before the busy season arrives. Here are a few tips that can help you handle the intense flow of returned products that typically hit at the end of December.

### 1. Set up the receiving room for sorting returned products into various categories.

The key to getting value out of returned goods resides in being able to quickly send them through a variety of pipelines. For instance, some products must be marked “damaged,” while others can be designated “resell” and others go to a repair depot.

All of these tracks begin in the receiving room, and physically arranging workstations to make sorting easier can have a dramatic effect on productivity and even worker safety.

[Shipping/Receiving Desks](#) from BHS include ergonomic features such as optional desk cut-outs, which place workers closer to the work to reduce the strain of reaching and stretching; adjustable screen and keyboard stands; and material storage systems such as paper and label roll bars which keep everything close at hand. These are the ideal desks for the tough job of sorting returns into their various pathways.

### 2. Return re-sellable items to shelving without delay.

Products that are returned in resellable condition should be given first priority to cut down on holding costs and customer verification. However, you don't need a forklift to transfer a single item back to the appropriate shelf.

Instead, provide staff with a dependable [Order Picking Cart](#). This allows staff to replace all resellable items in a single trip, minimizing touches with a reverse wave-picking strategy. Order Picking Carts from BHS can be customized to match applications exactly, and they're all made from durable steel with a protective powder coating (unless you opt for stainless steel construction.)

### 3. Track all data for greater visibility.

It can be difficult to get staffing levels right during peak return times. That's why it's vital to track as much data on your returns as possible, including touches, routing times, and the value of the item. In order to keep track of returns and salvage their value, you must strive for as much visibility as possible, which means collecting data at every step of the transaction.

### 4. Plan for customer satisfaction as if every return were a sale.

People who don't have a good experience with their returns are less likely to become loyal customers. Think of the returns process as a chance to engage with the consumer; it might be a good time to provide a coupon or other incentive to shop again.

Part of satisfying the customer in the age of e-commerce is to allow returns along any channel associated with your brand. The UPS Pulse of the Online Shopper study found that 58 percent of shoppers would prefer to return items to a brick-and-mortar outlet rather than shipping them. If stores are prepared to handle returns in-house, we might see some relief at the distribution center itself following the holidays—but, for this year at least, plan for yet another busy season of reverse logistics in the winter.

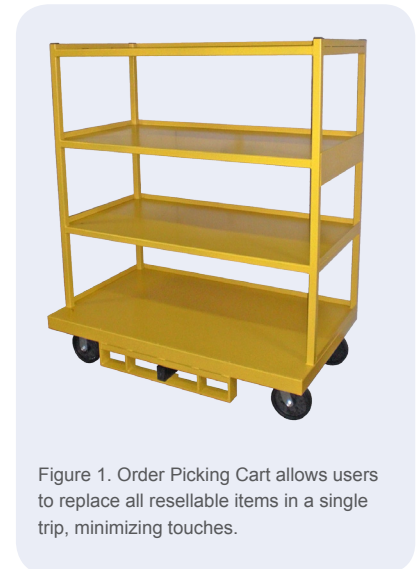


Figure 1. Order Picking Cart allows users to replace all resellable items in a single trip, minimizing touches.

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