



WHITE PAPER

**WHY EVERY 3PL
WAREHOUSE SHOULD
BE OFFERING RETURNS
MANAGEMENT**

Why smart 3PLs are using web-based returns management and reverse logistics platforms to profitably manage their customers' end-to-end returns processes.

Returns Processing. Reimagined.



“FOR EVERY \$1 BILLION IN SALES, THE AVERAGE RETAILER INCURS \$106 MILLION IN MERCHANDISE RETURNS.”

In 2020, U.S. consumers returned about \$428 billion in merchandise to retailers, or nearly 11% of annual retail sales, the National Retail Federation (NRF) reports. Online returns nearly doubled during the 12-month period, with consumers returning roughly \$102 billion of the total \$565 billion in merchandise that they purchased online (i.e., about 14% of total U.S. retail sales).¹

For every \$1 billion in sales, the average retailer incurs \$106 million in merchandise returns. This is a big number that's not expected to shrink anytime soon. With eMarketer predicting a 13.7% jump in U.S. retail ecommerce sales for 2021, the race is on to find the most efficient and effective way to process the mountain of product returns that retailers, distributors, and manufacturers are grappling with right now.

In most cases, third-party logistics organizations (3PLs) are best positioned to step in and help. This not only takes the arduous task off the customer's plate, but it also gives 3PLs a new way to differentiate themselves in a competitive market. Even better, it gives logistics providers an entirely new revenue stream that—when supported by a modern, automated reverse logistics processing platform—can be extremely lucrative.

This white paper explores the top returns challenges that companies are dealing with right now; explains how the returns explosion is impacting their operations and bottom lines; and shows how 3PLs can use a web-based returns management and reverse logistics platform to profitably manage their customers' end-to-end returns processes.

Managing the Returns Explosion

As a sales channel, ecommerce has been chipping away at brick-and-mortar business-to-consumer (B2C) and business-to-business (B2B) sales for years now. When the COVID-19 pandemic emerged, ecommerce became the go-to source for pretty much everything. Online sales grew by 44% in 2020², and are expected to maintain growth in the double-digits for the foreseeable future.

The rapid rise of ecommerce has come with a disproportionate increase in product returns. By industry estimates, 30% of all items ordered online are returned, versus just 8.9% of

brick-and-mortar purchases. Easy and free returns have become a siren's song for customers, many of whom take these points into consideration before hitting the "buy" button. According to conversation rate software developer Invesp:

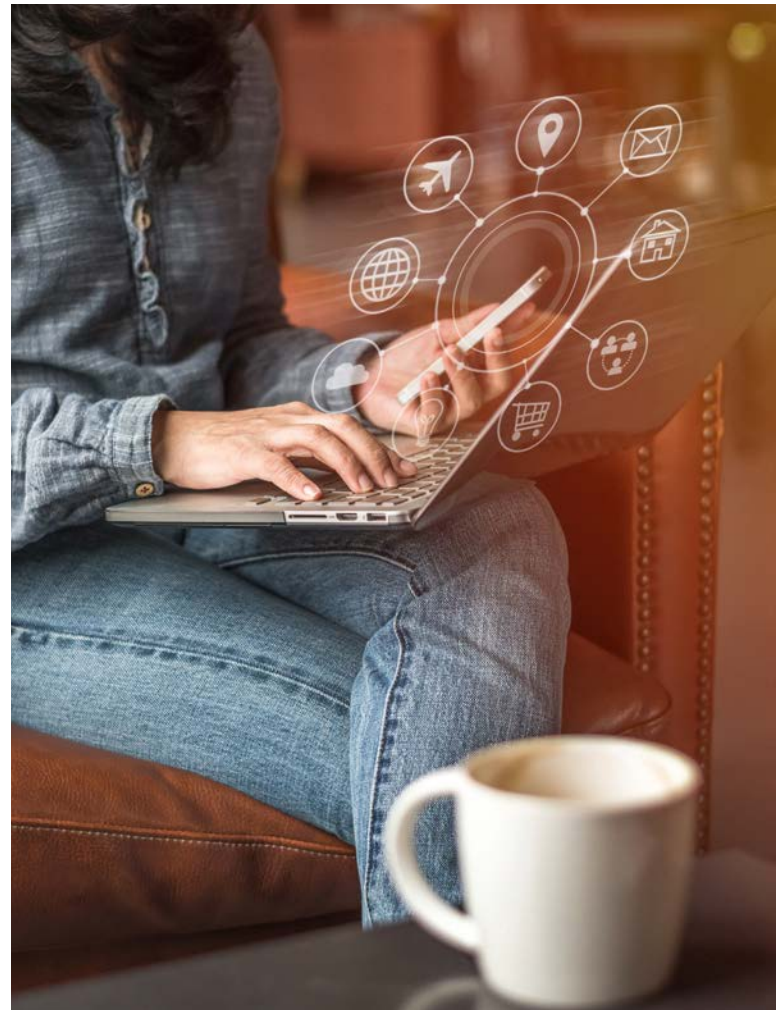
- **92% of consumers** will buy from a merchant again if the product return process is easy
- **79% of customers** want free return shipping
- **67% of online buyers** check the returns page before placing an order
- **Nearly half of retailers** currently offer free return shipping

In order to meet their customers' ever-changing expectations, ecommerce sellers need a robust, tech-enabled reverse logistics process focused specifically on product returns. Because this is a newer requirement accelerated by pandemic-driven online buying, most companies are lacking in this area. Focused on their forward logistics—and for good reason, in today's fast-paced selling environment—sellers often fall short when it comes to managing the roughly 30% of items that are guaranteed to find their way back to them.

Adding Extreme Value for Customers

Well versed at managing forward logistics for their customers, 3PLs are perfectly positioned to take over a process that few companies have mastered in this ecommerce-centric selling environment. For 3PLs, the benefits of managing reverse logistics and returns goes beyond just being able to provide additional services to customers; it also adds an entirely new

revenue stream and differentiates the 3PL from competitors that have yet to make this move.



Offering returns processing also helps customers improve their own profit margins, conversion rates, and customer satisfaction. All table stakes in the modern ecommerce selling environment, these value-adds can help position a 3PL as a go-to provider in any business condition. By thinking beyond "picking, packing, and shipping" products, 3PLs can effectively add value for their customers by providing a high-value service that those companies can't manage effectively themselves.

“REVERSELOGIX HELPS BRANDS ACHIEVE A SIGNIFICANT REDUCTION IN OPERATING COSTS AND INCREASED CUSTOMER SATISFACTION.”

“The value proposition is simple for the 3PL that already has an existing customer base for which it handles all aspects of forward fulfillment,” said Gaurav Saran, founder and CEO at ReverseLogix Corp., a leading cloud-based returns management platform that automates reverse logistics for 3PLs, ecommerce brands, and manufacturers. “By offering returns management to that existing customer base, a 3PL can increase its revenues by 10%-30%, which is basically the return rate.”

The same 3PL can also develop close-knit integrations with its customers and subsequently expand its foothold with those clients, who know that not all logistics providers offer returns processing and management. “It’ll be difficult for your end customer to ‘shop you out,’” Saran adds, “because not all 3PLs have this capability. It’s a great opportunity to gain a competitive edge and further secure your current business pipeline.”


Putting Technology to Work

To enable returns-based revenue expansion and solidify customer relationships, 3PLs need an automated, cloud-based platform that’s focused specifically on managing the reverse logistics process. Existing warehouse management systems (WMS) won’t cut it, as they were designed to manage order fulfillment not the extremely high volume of returns being generated on the ecommerce front. They also don’t cater to the whims of customers who want to

be able to log into a website, get a returns merchandise authorization (RMA), print out a shipping label, and send the box back to the merchant. This creates major headaches for ecommerce brands and manufacturers, many of which would gladly offload these and other functions to a reputable third party.

Before 3PLs can step up to the returns management plate on their customers’ behalf, they need a cloud-based Returns Management System (RMS) to manage every aspect of returns, repairs, and after-sales care. By automating and optimizing reverse logistics processes with AI and machine learning, for example, ReverseLogix helps brands achieve a significant reduction in operating costs and increased customer satisfaction. It also provides advanced visibility and helps 3PLs adhere to complex service level requirements (SLAs)—and all from one centralized platform.

To be most effective, the RMS also has to be able to scale up quickly to meet the demands of dozen of different customers, each of which may have different SLAs and operating requirements. “The system has to be configurable enough to manage the returns requirements of many different types of sellers,” said Saran, “and be able to automate and streamline the receiving, inspection, repair, re-tagging, and resale process for every item.”



With a modern RMS in place, 3PLs can easily make those customer-specific configurations and then instantly charge back for those changes. Fast response times at that stage of the reverse supply chain can mean the difference between a satisfied customer and one that starts looking for a logistics partner that can manage its returns. “If you don’t shift in the market and offer these capabilities, customers will stop considering you in the future,” Saran said, “and you may experience a major decline in your existing customer base.”

From Concept to Completion

Not all RMS platforms are created equal, with a select few offering a full suite of capabilities that 3PLs need to be able to meet their customers’ end-to-end reverse logistics needs—from the time an end customer pulls up the merchant’s returns page online to the moment that product is either resold, donated, or otherwise disposed of. Through it all, both the end customer and the brand want a seamless experience, and the right RMS helps 3PLs meet that requirement.

ReverseLogix’s returns initiation module, for example, creates a direct connection with the brand and the consumer, who will ultimately kick off the returns process from his or her end. To be most effective, the platform should be able to handle both B2B and B2C transactions, which require a slightly different approach (depending on how the customer initiates the return).

The RMS’ returns initiation component has to be configurable, brandable, and able to manage the many nuances (e.g., multilingual, VAT tax calculations, QR codes,

carrier pickups, etc.) of the reverse logistics process.

Once the product arrives at the 3PL’s facility, the RMS—which up until this point has managed all of the above steps automatically—will scan those items (using device-agnostic, integrated scanners) as they are received at the dock or other arrival point. The boxes are opened, contents verified, inspected, and then sent to the next step in the workflow, all while being tracked via the RMS.

ReverseLogix’s platform provides AI-enabled, real-time dashboards for tracking all steps in the process—including crediting the end customer for the return and getting the goods back into stock quickly. The system is built for multi-client operations and is also role-based, which means 3PLs can configure for different roles, geographies, and languages on the fly. Finally, ReverseLogix won’t interfere with any existing technology or infrastructure, easily integrating with other in-house systems (WMS, ERP, etc.) which means 3PLs can add returns processing without worrying over how that will impact their forward logistics operations.

Navigating the Perfect Storm

As the only RMS provider that offers a true end-to-end reverse logistics management system, ReverseLogix takes a holistic approach to a 3PL’s current operations and enhances those activities with advanced, AI-enabled technology. In a business environment where qualified workers are difficult to attract and where customer demands are changing daily, 3PLs need user-friendly systems that are intuitive and supportive, and not disruptive.

“WITH A ROBUST, CLOUD-BASED RMS IN PLACE, 3PLS CAN HELP THEIR CUSTOMERS INCREASE THEIR OWN NET PROFITS BY UP TO 5%.”

With a robust, cloud-based RMS in place, 3PLs can help their customers increase their own net profits by up to 5% at a time when the “perfect storm” of ecommerce and pandemic forces are directly impacting their bottom lines. Knowing that end customer satisfaction is a key point of the strategic differentiation in the market, brands are seeking new ways to increase their net profitability. And, 3PLs are in a prime position to manage the reverse logistics process and let their customers do what they do best: run their growing businesses.



Information sources:

¹ <https://nrf.com/media-center/press-releases/428-billion-merchandise-retained-2020#:~:text=WASHINGTON%20%E2%80%94%20Consumers%20returned%20an%20estimated,U.S.%20retail%20sales%20in%202020>

<https://www.emarketer.com/content/us-ecommerce-by-category-2021#:~:text=How%20will%20the%20pandemic%20affect,12.8%25%2C%20reaching%20%24761.26%20billion>

² <https://www.digitalcommerce360.com/article/us-ecommerce-sales/>

About ReverseLogix

ReverseLogix is the only end-to-end, centralized and fully integrated returns management system built specifically for retail, ecommerce, manufacturing and 3PL organizations. Whether B2B, B2C or hybrid, the ReverseLogix platform facilitates, manages and reports on the entire returns lifecycle. Organizations that rely on ReverseLogix deliver a vastly superior customer returns experience, save employee time with faster workflows, and increase profits with 360° insight into returns data. **For more information, visit www.reverselogix.com**