

Returns Management – the Issues!

In June this year Stocklink initiated a workshop where several leading companies shared ideas on returns management and found areas of common understanding.

Just as product sales have common processes, such as order receipt, pick pack and despatch and transport, there are common processes for returns management.

We brainstormed the common processes and then agreed it is a question of to what degree each company employs these processes to best fill their returns objectives.

When we discussed these objectives it became obvious that returns management is still a poor cousin when it comes to enforceable policy, consistent management and accurate cost control. Too often it is seen as a “warehouse” or “logistics” cost and sales and marketing departments in particular have great difficulty recognising how or why it affects them.

We came up with an idea of how you should approach your returns management to ensure you get a process and system which will be robust enough to survive.

1) Commitment: You must have senior management commitment across all departments to do something and make it work. Without this you will design a process that could ultimately lose you business through customer dissatisfaction and inconsistent service.

2) Policy: Senior management must decide what the policy

will be and this will include measurable policies such as:

- ◆ The dollar value front line customer services staff are authorised to credit.
- ◆ Unit value at which items will be replaced, repaired or dumped.
- ◆ The level of returns as an acceptable percentage of sales, particularly when there is an element of “push” in your sales effort.
- ◆ Will you communicate a simple, comprehensible returns policy to your customers?
- ◆ Who, in the organisation, is accountable for the cost of returns? (see chart on page 7 for detail).

3) Enforcement: Once policy is drafted then each department will need to assess whether or not it can meet the proposed policy.

For example:-

- ◆ Can accounts process a credit within “x” hours?
- ◆ What will happen to inwards goods at the distribution centre with “x” level of returns each day?
- ◆ Will sales pick up the cost (out of their commissionable revenue) of not only the returned sales but also the transport, repackaging and repair or disposal of the goods?
- ◆ Can operations measure returns turnaround?

- ◆ Can customer services initiate courier pick-ups and issue return authority codes as well as process new orders on time?
- ◆ Will sales reps continue to pick up returned goods from customers themselves?
- ◆ What level of credit will you give to timed-out goods?

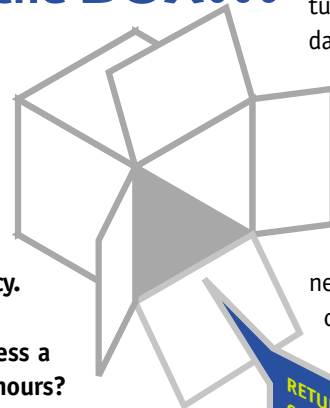
From about this point on, It will become obvious to a committed team, what needs to be done to implement the policy.

Those of you who recognise that successful returns management is, in fact, another sales tool will be well down this decision-making path already.

Those of you who still see returns as a cost, if you recognise them at all, will need to beware

your competition. Just as guaranteed order turnaround and next day delivery shook up sales order fulfilment a decade ago, returns management is now one of the new frontiers for competitive positioning.

ONE out of the BOX...



RETURNS AS A PERCENTAGE OF GROSS SALES	
Book Publication	20-30%
Book Distribution	10-20%
Greeting cards	20-30%
Catalogue retailing	18-35%
Computer Distribution	10-12%
CD Rom	10-20%
Printers	18-25%
Mail Order Computer	4-8%
Mass Merchandisers	2-5%
Auto Ind (Parts)	4-15%
Consumer Electronics	4-6%
Household Chemicals	4-5%
	2-3%