goTRG®

How Retailers Can Prepare for the Holidays through Returns Software, Reverse Supply Chain, and Enhanced Policies

Introduction

Total holiday retail sales are expected to grow by [nearly 10% this year](1). Survey data shows many people are ready to go back to stores–but that doesn't mean the explosive digital trend is reversing any time soon. By Deloitte's conservative measure, [e-commerce sales will grow by up to 11–15%](2). Retail executives expect even higher online growth — up to 35%.

As total sales accelerate, so will overall returns. One primary reason is that during the holidays, return can spike up to 30–40%, and with eCommerce return rates being higher than in-store return rates, this digital acceleration will only feed into the (growing) problem.
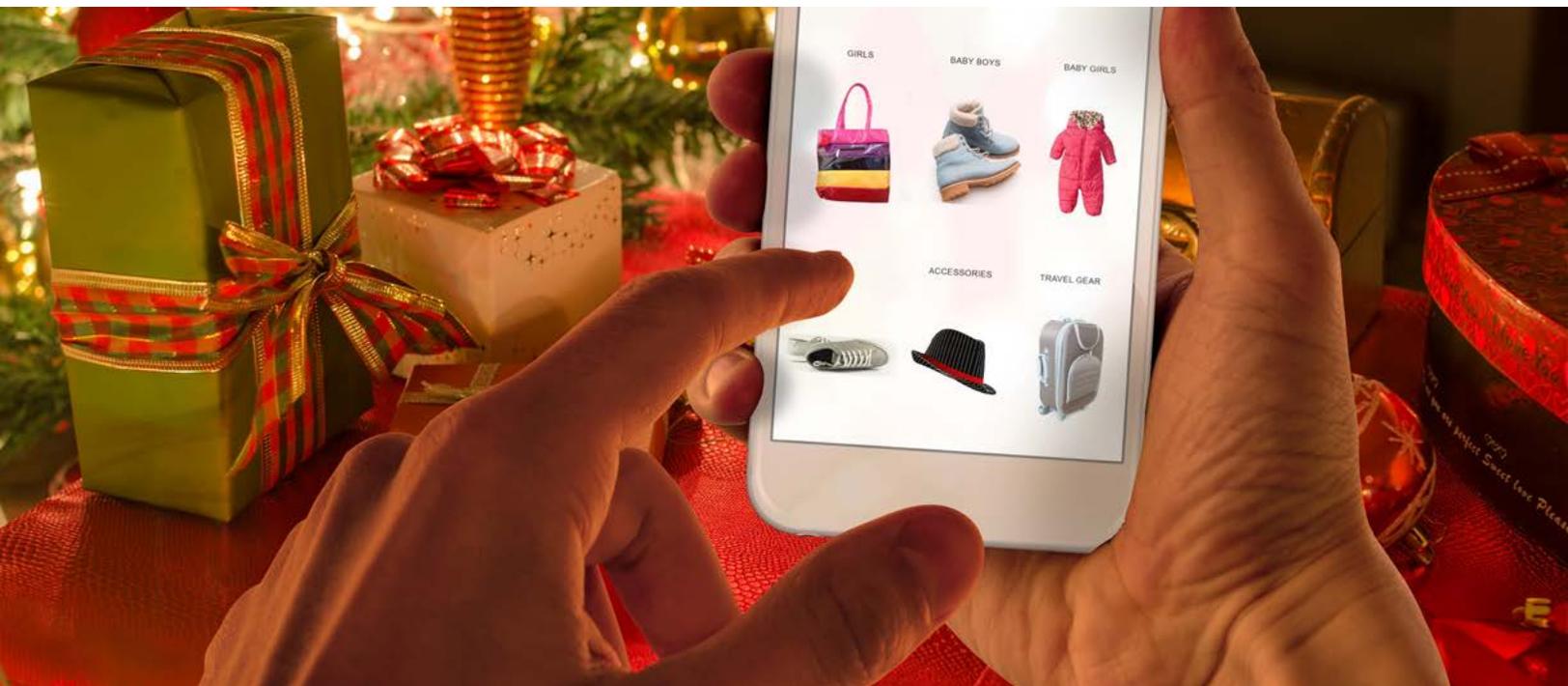
Consumer shopping habits have permanently shifted, forcing retailers to manage an exponentially growing number of unwanted items. Additionally, they're faced with mounting forward- and reverse-supply-chain challenges coupled with unprecedented staffing shortages this year.

With the holidays and peak returns season approaching, retailers must prepare to manage returns more efficiently. To do this, omnichannel organizations must:

- Enhance reverse supply chain strategies
- Implement returns management software
- Utilize the secondary market
- Rethink returns policies

1   Source: https://www2.deloitte.com/us/en/pages/about-deloitte/articles/press-releases/deloitte-holiday-retail-sales-expected-increase-seven-to-nine-percent.html
2   Source: https://risnews.com/2021-holiday-retail-forecasts-and-predictions

What goTRG learned from last year's holiday return season

Last year was a learning experience for retailers and returns management providers like goTRG. Much changed about how people shopped, and by consequence, how they returned. Many of those changes were unprecedented at the time, but are likely to continue this holiday season. Let's take a brief look back, to help us move forward:

- goTRG's data showed a 26% rise in e-commerce holiday returns last year (2020/2021) compared to the year before (2019/2020).

- Physical product sizes also grew as much as 300% compared to the 2019/2020 holiday returns season. Why? People purchased oversized items like furniture and exercise equipment because they were (and still are) spending more time at home.

- Last year's return season lasted longer for two reasons: Bulkier items can take 3–4× longer to process than standard-sized returns. Additionally, consumers initiated returns later in the season last year.

- The peak holiday returns date seems to be getting later and later. In 2019, January 9th was the peak returns date. In 2020, it was January 15th, and last season, goTRG received the highest number of returns requests on January 25th.

To handle last season's exponential growth in returns and product sizes, goTRG had to double its processing capabilities. Fortunately, its team had the reverse supply chain infrastructure and returns management software in place to be able to rapidly scale. While last year's returns cycle was manageable for goTRG, countless omnichannel retailers dealt with pieces of the holiday backlog for far longer than usual.

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What to expect from 2022 post-holiday returns

By incorporating goTRG holiday returns data, recent consumer and industry surveys, and expert forecasts, we can glean several important insights about 2022 post-holiday returns:

1. Amongst smaller item gift purchases, data shows that consumers will focus mainly on electronics (36%), followed by personalized trinkets (28%) and apparel (26%) this year. Retailers will likely see these items in their top returns categories as well.

2. This holiday returns season may start later and last even longer than ever before. If the trend illustrated by goTRG's data continues, the peak returns date may not occur until early February, leading to an extended reverse logistics life cycle that retailers must manage.

3. Consumers love shopping online, but they really don't like shipping items back[3]. So, whenever possible, consumers will purchase gifts from eCommerce retailers that offer curbside drop-offs and in-store returns over organizations that don't.

4. Despite a preference for in-store experiences, the sheer volume of online purchases means eCommerce returns will continue to rise this holiday season. Following last year's 26% increase, goTRG conservatively predicts a 5–10% increase year over year.

More returns, bigger sizes, different assortments, and a more extended returns season combined with widely reported supply chain issues[4] and labor shortages[5] means retailers

3   Source: https://www.gotrg.com/resources/the-state-of-returns-in-2021
4   Source: https://www.forbes.com/sites/dereksaul/2021/10/15/holiday-shoppers-already-feeling-effects-of-supply-chain-issues-poll-finds/?sh=419732cf1617
5   Source: https://www.washingtonpost.com/technology/2021/10/28/amazon-apple-holiday-season/

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must be prepared. Those who fail to adjust will lose opportunities to recover profits from returns and face significant losses as a result.

How retailers can maximize returns profits through optimized reverse logistics strategies

Right now, retailers should focus on the following core areas in their returns process to drive revenue while keeping customers happy:

- Create simpler returns policies that benefit the consumer and the retailer.
- Do more with less labor by adopting returns management software.
- Establish a reverse supply chain infrastructure that works.
- Optimize the reCommerce (secondary market) strategy.

Returns policies

It's essential to have pro-customer returns policies. Still, recent changes in shopping behavior suggests that it may not make sense to allow customers to return anything, anywhere, at any time (for free) anymore. The financial consequences in today's digital economy are too steep.

A recent analysis of 197 retailers[6] showed the returns policies tides are turning away from blanket customer-centric rules. According to the report, some department stores, like Saks Fifth Avenue, are adjusting their "free returns parameters"[7] to encourage customers to act faster. Instead of offering free shipping for the duration of the returns window, Saks is offering complimentary shipping for the first 14 days and charging a small fee after that.

6 Source: https://see.narvar.com/rs/249-TEC-877/images/Return%20Policy%20Benchmarks%20Report%20-%20Aug%202021.pdf
7 Source: https://www.saksfifthavenue.com/saks-first

Other retailers are differentiating their policies based on the customer, with VIPs getting the best terms and fraudsters getting the strictest terms. Others, like thredUP, are only offering free returns[8] to customers who will accept store credit instead of a refund.

By inspiring customers to return items faster, retailers can recover more value by placing the items back on shelves or in the secondary market while they still have a high market value. Plus, by incentivizing customers to seek store credit instead of shipping items back, retailers are guaranteeing some immediate return on the investment.

Adopting returns management software

For various reasons, including staff shortages, retailers must strive to automate the process as much as possible. Fortunately, returns management software exists to reduce employee touchpoints, increase the speed back to market, and make smarter re-pricing decisions.

In an automated returns scenario[9], retail staff can benefit from integrating eReverse software into their online or in-store POS. Such software is capable of curating market data, pricing trends, transportation costs, and processing costs to quickly and objectively determine the best resale strategy for returned items, and disposition items accordingly. Using this approach, employees can scan returns from the moment they arrive at the store or return center and immediately determine the most profitable and efficient disposition path. For online returns, the item will be routed directly to the correct destination, eliminating costly and unnecessary transportation segments, and without any inconvenience to the customer.

With the right eReverse software, goTRG's internal testing shows that retailers can reduce labor needs by 33%, decrease errors by 10%, and make every employee's job simpler.

8   Source: https://www.thredup.com/bg/p/community-update-the-why-behind-restocking-
      fees?tswc_redir=true
9   Source: https://www.gotrg.com/post/take-the-thinking-out-of-returns

Reverse supply chain infrastructure

Historically, retailers excel at organizing forward sales and logistics over reverse. In fact, many organizations are still working with 3PLs and shippers that are operating on spreadsheets and static warehouse management systems. As a result, they waste far too much time and money shipping returns around the country and processing them before reselling or throwing them away. In the end, this can make returns more expensive than the item's value.

Fortunately, retailers have options to reorganize their reverse supply chain infrastructure:

1. Transform select storefronts into "dark spaces[10]" for online order fulfillment and returns processing rather than forward sales.

2. Work with returns management companies who already have a network in place, including various national facilities to transport, receive, return to vendor (RTV), refurbish, repair, and fulfill items on behalf of retailers.

3. Employ dynamic warehouse management software to optimize processes, customize those processes based on location and product types, make smarter shipping and routing decisions, and reduce labor needs.

Recommerce secondary market strategy

Even before the pandemic, experts predicted the resale market was on track to double between 2019 and 2021. Now, it's expected to grow by nearly 70%[11] in the same time frame because consumers are looking for deals and alternative purchasing options when the products they want

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10   Source: https://www.bizjournals.com/southflorida/news/2021/06/24/shining-light-on-dark-stores.html

11   Source: https://www.thredup.com/resale/#resale-growth

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are out of stock. Plus, goTRG's data shows that consumers, especially millennials, [trust refurbished products more today](#)[12] due to increased quality standards.

That's great news for retailers because reCommerce, or the secondary market, is a highly lucrative option for recovering profits from returned items — especially for higher-value items like electronics. Electronics, which surveys predict will dominate holiday sales this year, can garner up to a 60% recovery per item when effectively refurbished and resold on the secondary market.

The bottom line

The holiday returns season is coming. However, unlike last year's unprecedented scenario, we now have meaningful data to pull from and proven strategies for success.

Today is a new day for returns policies and reverse supply chain structures — one that prioritizes profits while toeing the line of customer-centricity. With the help of software solutions, policy updates, and third-party returns management providers, retailers can make this holiday returns season the shortest, most lucrative yet.

12   Source: https://www.gotrg.com/resources/thought-leadership-report-how-we-leverage-recommerce-to-increase-profits-for-retailers-in-the-secondary-market