



ReturnPro RETURNS REPORT:

Reversing the **Waste** Through Technology

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Executive Summary

In 2018 total merchandise returns accounted for nearly \$369 billion in lost sales for US retailers¹. Statista estimates that by 2020, that number will soar to \$550 billion². As e-commerce continues to dominate the retail sector, this trend will remain a large headache for retailers who are not set up with a technology-driven infrastructure to handle returns. The recent bankruptcy filings of **Sears, Z Gallerie, Barneys New York and others, have made it clear that all types of retailers are grappling with the challenges of the 21st century retail landscape. Late adoption of technology is most often the culprit.**

A recent study from Bain & Company found that retailers that integrate digital technologies into their supply chain rapidly improve service levels while cutting costs by up to 30%³.

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1. "Consumer Returns in the Retail Industry," Apriss, 2018

2. "Love Them Or Loathe Them, Serial Returners Could Just Be Your Best Customers," Forbes, 2019

3. "Building a Digital Supply Chain Ready for the Future," Bain & Company, 2018

Perhaps reframing their approach by integrating cloud-based and AI-driven solutions to streamline processes and create operational efficiencies may give retailers a fighting chance, after all.

In addition to its financial influence, the ecommerce boom has had a significant impact on the environment—a negative one. The US has the highest final consumption expenditure in the world⁴, and as a result, this all-too-convenient shopping culture facilitates the manufacture of lower quality goods⁵. The result is an astounding amount of waste, including raw materials, packaging, and emissions burned for transportation

”

In short, an antiquated returns system leads to significant waste: wasted money and literal waste that ends up in landfills.

This report aims to look at the complexities surrounding the returns industry and gain perspective on how best to respond in both a financially sound and environmentally friendly way.

4. "Financial Consumption Expenditure data report, The World Bank

5. "Online Retail Contributes To Decline In Product Quality, Study Shows" Phys.org

An Obsolete Linear Economy

As the concept of circular economy permeates the multichannel retail sector, consumers are becoming increasingly concerned about sustainability issues and are demanding that retailers keep pace with changing expectations. While retailers risk consumer cynicism if they fail to deliver, there are complexities that create barriers to implementing sustainability initiatives. Most consumers agree that it is the responsibility of retailers to act sustainably, even as they contribute to this problem through increased return rates. According to research by **ResearchAndMarkets.com**:



93%

of global consumers expect more of the brands they use to support social and environmental issues ⁶



79.8%

agree that retailers are not doing enough to address issues around sustainability and climate change ⁶

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⁶. "The Environmental Impact of Ecommerce 2020," Research and Markets, 2020

And while the inability to meet consumer demand on an environmental level risks a retailer's brand image, the impact of failing to deliver a positive, smooth returns experience risks significant financial repercussions, and in some cases, the loss of a customer altogether. Research from Narvar underscores this:



95%

of online shoppers say a positive return experience drives loyalty ⁷



15%

said they would not shop at a retailer again that did not get the returns experience right. ⁷

TAKEAWAY

Consumers want to have their cake (ability to make returns) and eat it, too (without worrying about environmental impact). Innovative cloud and AI and Machine Learning technology has a clear role to play in helping retailers deliver on consumer expectations.

7. "Making Returns a Competitive Advantage," Narvar Consumer Report, 2017



The Environmental Waste

There has been tremendous upside for embracing e-commerce solutions, including the elimination of individual transportation costs and reduction of energy consumption. Unfortunately, the shift toward online shopping has also opened the floodgates for an exponentially growing number of returns, commonly referred to as Wardrobe or Bracket Shopping.⁶

The crux of the matter is, when an item is returned, retailers have a handful of disparate and very inefficient options. They can find a way to get maximum value out of the return by reselling it in a number of forms (full retail price, discounted, for recycling, etc). Or they can simply throw the item away.

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6. "The Environmental Impact of Ecommerce 2020," Research and Markets, 2020

Data compiled by ReturnPro found that in 2018, 24 Billion items were returned, and the result was a shocking environmental impact.



2.5 billion

returned items ended up in landfills ⁹



4.4 million

trucks transported return items ⁹



8.1 million

metric tons of carbon dioxide were emitted during the returns process ⁹

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⁹. ReturnPro Research, 2019

Retailers certainly want to position themselves as doing all that can be done to reduce the environmental impact of all their operations, including returns. Consumers are demanding this from all of the brands they interact with. The specific challenge with returns is that there are so many underlying complexities in the process, retailers often don't have the resources to effectively identify and reduce the amount of returned products that end up in landfills.

There could be legal ramifications in the future as well. In 2019, lawmakers in France approved a measure that would ban retailers and manufacturers from the disposing of any unsold items¹⁰. Beginning in 2023, any unsold product fit for consumption will have to be resold, donated, or recycled. Violators face fines or prison time.

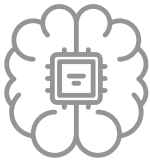
The good news is that AI-powered technology solutions do exist to address these environmental concerns. And they have already made a dramatic impact on environmental waste.

ReturnPro offers the first fully managed, AI-driven reverse logistics solution for enterprise retail clients that seamlessly connects e-commerce and supply chain. That means the smartest choices for every touch, movement, and pricing decision. This keeps more money in retailers' pockets, and more products out of landfills.

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10. "France to End Disposal of \$900 Million in Unsold Goods Each Year," New York Times, 2019

This is why companies like **Microsoft**, **Lenovo**, and **LG** have trusted ReturnPro to be registered and certified refurbishers of their products.



20 million

in 2019 alone, ReturnPro AI-driven solutions helped rescue more than 20 million pounds of returned items from ending up in landfills ¹¹



15,000 MT

by increasing efficiencies in transportation of returned items, ReturnPro prevented 15,000 metric tons of carbon monoxide from being released into the air ¹¹

TAKEAWAY

The explosive growth of ecommerce returns has had a significant impact on the environment. Smart retailers must find a way to prevent returned items from ending up in landfills. And the best way to do that is with an AI-powered returns platform that extracts maximum value from every item that is returned.

¹¹. ReturnPro Research, 2019



The Financial Waste

Are you extracting enough value from your returns?

If your only current options for getting rid of returned or distressed inventory are: liquidate, donate, or destroy, you are probably leaving a ton of money on the table and you should probably consider an alternative approach. Technology can help here by helping to facilitate a wider range of disposition options that will be the most lucrative for the vendor and retailer. These can include:



Restock



Refurbish



Recycle



Liquidate



Donate



Hazmat



Destroy

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What to do about **RTV**?

Perhaps the largest financial burden from an exponentially growing returns problem faced by both retailers and OEMs is the process for Return to Vendor, or RTV. Billions are spent each year to process products with diminished value. This results in retailers and vendors investing too much for too little return.



70%

of returned items are sent by the retailer to the product vendor for credit ¹²



87.5%

On average, returned items lose 87.5% of their value by the time they are processed and resold ¹³



50%

Fewer than HALF of returned items are resold at full price ¹⁴

As mentioned before, 70% of returned items go straight back to the vendor. In an ideal world, that number would be dramatically less.

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12. ReturnPro Research, 2019

13. Aberdeen Group, Returns Study

14. ReturnPro Research, 2019

Some of the significant challenges for improving the **RTV process** include:

- | The scarcity of data available at the backend of the supply chain to support retailers and manufacturers / distributors;

- | The many-to-one nature of a store return occurrence being recorded and communicated to the manufacturer / distributor;

- | The costs of consolidating such merchandise at central points where more rigorous testing and condition-grading can occur;

- | The costs and challenges of major retailers managing returns processes with literally thousands of locations.

TAKEAWAY

The current “norm” for reverse supply chain operations, including the RTV process, for both retailers and manufacturers is broken and costing immense financial burden. Technology has a role to play in cost cutting, and triangulating artificial intelligence with retailers and OEMs to help resolve current inefficiencies, create transparency, and restore trust.

ReturnPro

With partnerships at 10 of the 20 largest retailers on the planet, ReturnPro helps recover up to **60% more than traditional retail channels** for returns and distressed inventory. ReturnPro offers the first fully managed, AI-driven reverse logistics solution for enterprise retail clients that seamlessly connects E-Commerce and Supply Chain.

Our platform delivers the smartest choices for every touch, movement, and pricing decision, while also preventing items from unnecessarily ending up in landfills.

With more than 2 million square feet of warehouse space and 14 locations globally, our robust supply chain operations will receive all of your returns, recondition them, and prepare them for recommerce opportunities.

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Learn more at www.returnpro.com

