

Navigating the rise in returns: Workforce implications of reverse logistics

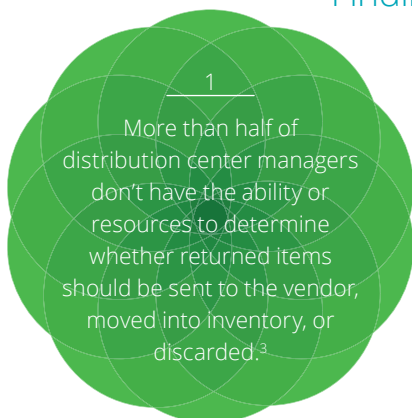
Introduction

While e-commerce has continued to rise over the past decade, 2020 brings unparalleled growth to the online sector. While overall US retail sales are expected to drop 10.5% this year, e-commerce will grow 18%, solidifying a shift in consumer behavior that is here to stay;¹ this trend will likely endure as a result of the lasting impact of COVID-19. The rise in online shopping means retailers must be prepared to handle high returns volume. Additionally, 67% of shoppers report checking the company's return policy before purchasing a product,² indicating that customers' ability to easily return product is an important differentiator when choosing where to shop. While most companies claim to have a reverse logistics strategy, COVID-19 put retailers to the test; a July 2020 Deloitte survey of 165 retail

companies found that more than 20% still expect delays in processing customer returns of up to 30 days.

In an e-commerce-focused future in which customers are returning products at an increasing rate, retailers are at a critical juncture, as any continued lack of focus on reverse logistics will be unsustainable. It is essential that organizations implement new or refresh existing holistic reverse logistics strategies to reflect the increased importance of the capability. Every component of those strategies—from workforce management to store operations to operating model considerations—has important human capital implications, which we discuss in greater detail here.

Findings relevant to the reverse logistics strategy



Three ways to win in an e-commerce world

1

Improving workforce planning

The adage “time equals money” is particularly true in retail; any additional time a product is in transit or not on the shelf comes at a cost. The same holds true for returns, as the transit time back to the shelf represents a significant cost and lost opportunity to sell. Many retailers are incorporating online (print-at-home) labels to help speed up the returns process and improve visibility of the item location. This technology enables retailers to track returns throughout transit in real time and more effectively adjust warehouse staffing to meet expected volume, including shifting cross-trained employees between colocated buildings. Additionally, digitized labeling eliminates the need to repackage and forward misrouted returns to another location, reducing the number of touches and improving labor efficiency. As such, by utilizing online return labels and leveraging the additional tracking data, retailers can receive **better visibility into when and where returned products will arrive, thus allowing for staffing and scheduling of the right employees, at the right location, at the right time, performing higher-value work.**

Additional workforce considerations related to improved return shipment visibility: Is your workforce prepared to adopt the technology required to implement dynamic labeling? What areas or facilities will be most affected by optimized workforce planning? What roles will be affected? As better planning frees up the workforce, what gaps can my workforce now fill?

2

Creating dynamic store experiences

In-store returns are the leading preference among consumers for several reasons, including immediate application of credit and reduced hassle related to repackaging and shipping online returns;⁶ it's for this reason that many online retailers are partnering with brick-and-mortar stores to intake returns. Additionally, in-store returns offer the retailer the potential opportunity to create a new sale. With the “win-win” of offering an in-store return for both the retailer and the customer, retailers with physical stores can enable a more fluid experience for both employees and customers by cross-training staff to flex into different roles (for instance, providing them with the hard skills required to process returns, as well as the softer skills necessary to engage customers returning product in a way that translates to a new sale). **Enabling store employees to rapidly flex between roles can decrease the time required to get the product ready for sale, create a more positive customer experience, and translate returns into increased sales.**

Additional considerations for store employees include: Do you have the technology in place to track customer preferences during the returns process? Are you training and incentivizing your store employees to treat returns as another opportunity to influence the customer experience?

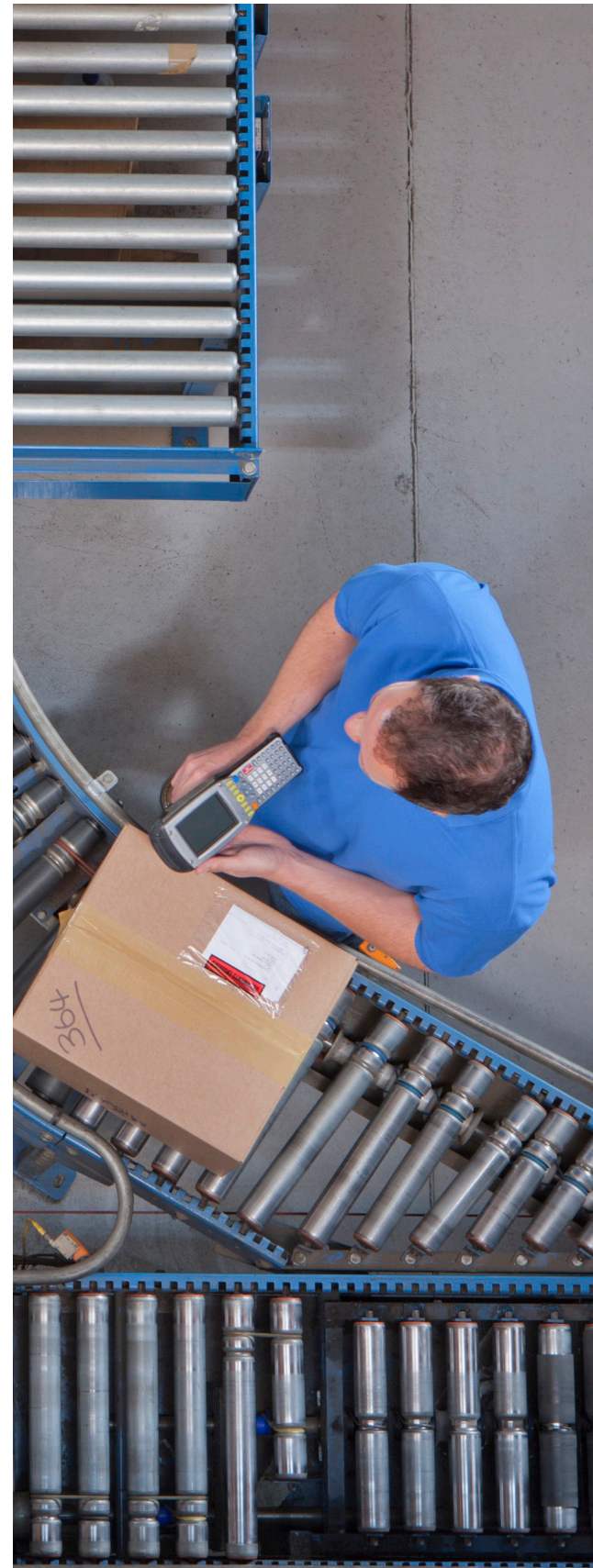


Adapting the organization to elevate reverse logistics

Many organizations seek to increase visibility and collaboration through the end-to-end returns process, all while decreasing the cost; even though returns represent more than 10% of all supply chain costs,³ reverse logistics is typically considered an afterthought. Return functions often operate within disjointed organizations, falling under multiple organizational hierarchies and following orders from multiple leaders. Accordingly, a successful reverse logistics strategy requires elevating the reverse logistics group within the broader supply chain function to ensure it has a seat at the table. To begin, we suggest organizations consider organizing previously siloed returns processes into a cohesive returns group and ensure that key functions, such as supplier collaboration, transportation, and warehousing, are fully aligned with the reverse logistics strategy. Evaluating duplicative efforts and opportunities to streamline logistic functions will provide clear strategic guidance that aligns with the overall business and supply chain strategies, empowering the reverse logistics organization to allow for streamlined governance and increasing collaboration with upstream and downstream partners to increase visibility and get more product on shelves, faster. **Once established, the reverse logistics organization can begin to evaluate scalability of current business processes, analyze returns data, and identify opportunity areas for further investment.**

Additional considerations for the reverse logistics organization:

What are the new strategic roles required to accelerate your reverse logistics strategy? How will increased supplier collaboration, returns analytics, and supply chain coordination shape the roles and responsibilities?



Conclusion

As both online sales and return volumes rise, consumers' behavior is becoming increasingly influenced by return policies and their experience with the return process. A seamless returns experience can be a strategic differentiator and one last chance to convert a customer into a loyalist; accordingly, a comprehensive reverse logistics strategy is likely more important than ever. Success in implementing this strategy requires that an integrated operating model, effective governance, and the right talent solutions are in place.

Additional COVID-19 implications:

- While retailers were mandated to close brick-and-mortar stores during COVID-19, customers were left holding onto returns until they could safely return them to a store location. More than one-third of respondents to a recent survey conducted by Optoro answered they were holding on to at least one return while stores are closed.⁷
- Additionally, retailers are challenged to ensure safety standards for warehouse workers. This will become important not only to make the workforce feel safe, but also to attract talent, as the growing returns volume will require additional labor.
- Companies anticipate a new push on hiring and training because many employees affected by furlough may not be available to return to work. Training will likely use more digital learning devices than ever before for both speed and safety purposes.

Endnotes

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