

Building a Strong Defense Against Rising Customer Returns

The Challenge

Modern consumers and the changing retail marketplace, particularly strategic moves by Amazon, are placing pressure on retailers to yield to customer expectations for **Free Shipping, Frictionless Returns, and Fast Turnaround**. These offerings provide a competitive advantage for retailers who hope the promise of higher revenue will offset the additional costs related to reverse logistics and result in increased sales and customer loyalty to drive long-term growth.

For example, a study published in the *Journal of Marketing* showed that **retailers that offer free returns see customers spend up to 457% more than they did before initiating a free returns policy**.

The converse was true, too. Repeat purchase spending dropped by 75%–100% for customers who were asked to pay for return shipping.

Having a customer-friendly return policy that is both no-cost and free from hassle is not just a competitive advantage, but a competitive necessity.

- Margins are continually squeezed by online retailers.
- The revenue once collected for shipping and return fees is no longer available to cover operating costs.
- Return rates continue to rise alongside online sales.
- With today's labor market, operating costs to fulfill and ship orders are increasing.
- Operating costs for handling and disposition of returned product are ever increasing.
- Costs to ship product, both to and from the customer, are skyrocketing.

What It Means for Your Business

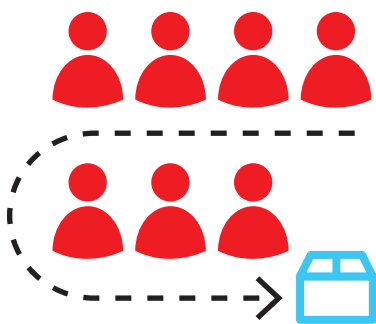
Revenue Leakage

Revenue and Margin Loss that stems from customer returns and cancellations as well as discounts that typically take the form of free shipping and free returns.

Cost Creep

An increase in operating costs relating to the processing, management, and disposition of customer returns.

The higher the return rate, the greater the negative impact of Revenue Leakage and Cost Creep on your bottom line.



Every return is touched by
>7 PEOPLE



Processing returns can cost
20%–65% of COGS



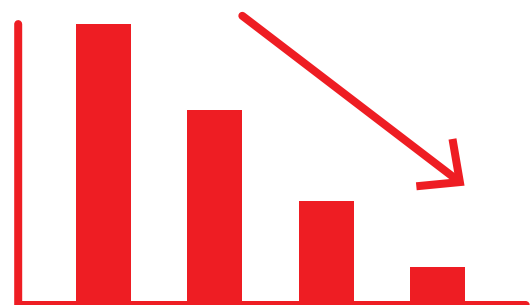
of 1st-time customers that have to return will
NEVER SHOP AGAIN*

**with that retailer*

Defensive Countermeasures to Protect Your Bottom Line

Customer returns will never be eliminated. However, retailers can implement a defensive process that can lower return rates and combat Revenue Leakage and Cost Creep.

If you haven't done an analysis of the impact of customer returns on your bottom line, you may be surprised at just how big the impact is.



Every \$1M in returns reduces
EBITDA by at least \$0.5M

The Returns Intelligence Process

Data Analysis

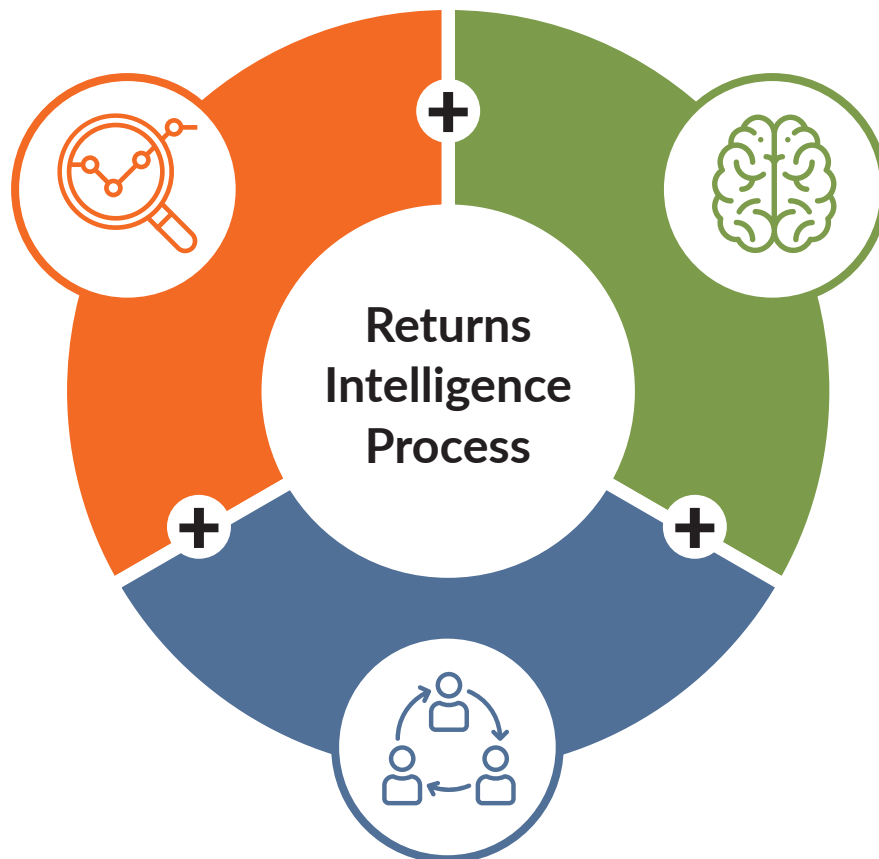
Persistent analysis of all data that impacts returns. Including:

- Product sourcing
- Quality assurance
- Operational transaction data
- Customer-sourced feedback like Customer Reviews, Return Reasons, and Inquiries to customer service

Actionable Intelligence

Organizing and translating vast and continuous streams of relevant data into a prioritized set of meaningful actions is the key to successful and consistent return reduction. Actionable means:

- Eliminating the “noise” and focusing on those actions that will move the needle
- Utilizing Artificial Intelligence (AI) and Machine Learning (ML) as key ingredients in the process



Collaboration

All functional areas that affect returns must operate with the same set of rules and timely intelligence. Since day-to-day activities and issues can overwhelm the best of intentions, you must have an infrastructure in place to:

- Prioritize and assign issues to the responsible business area
- Track assignments and ensure that action is taken in a timely manner

How Do You Eat an Elephant?*

The correct answer is **“one bite at a time.”** And that is exactly how you conquer the elephantine challenges of Revenue Leakage and Cost Creep. Incremental gains accumulate to produce substantial improvements in your bottom line revenue, margin, and cost structure. Here are a few real-world examples:



Analyze

This involves pulling together not only transactional data, but product and consumer sentiment data as well. A key shoe designer for a popular retailer performed a Look Back Assessment with Newmine, which collects data from all these areas and filters out the noise. Newmine’s Chief Returns Officer® identified anomalies that were resulting in major issues in Size & Fit. Seeing the magnitude of the issue by style, they were able to immediately make changes to the website, **effectively reducing the Return Rate by 4% within the first 30 days.**



Collaborate

During peak season, connecting teams from all business areas to address potential repeat returns can be a challenge. One omnichannel retailer implemented a cross-functional alert system to address problems in real time, resulting in a **5% reduction in return rate** and adding millions to the bottom line.



Take Action

Reviewing the returns disposition process at a large-scale distribution center, Newmine’s team identified millions of dollars in product being disposed of due to excess wrinkling after returns. With a small investment in specialized equipment, the retailer was able to recover **an additional \$350K in merchandise during the first quarter alone.**

**No animals were harmed in the making of this white paper.*



Newmine is transforming the way retailers address omnichannel challenges through leveraging three core assets: People, Process, and Technology. Newmine is comprised of industry leaders with hands-on retail experience in operations and technology. We have helped some of the industry's most reputable brands transform their customer experience and enhance profitability by implementing efficient operational processes.

With a mission to change the status quo for retailers, Newmine created Chief Returns Officer®, a true AI-driven Returns Intelligence platform.

We help retailers reduce returns without compromising customer experience — in ways they never thought possible.

Chief Returns Officer identifies return anomalies, prescribes action, and enables cross-functional workflows for enterprise-wide teams. AI-driven technology means Chief Returns Officer is more than software; it is your partner for effectively managing and reducing return rates and return costs. The best return is one that never happens!

— Meet Your Virtual —

CHIEF RETURNS OFFICER[®]



An AI-driven tool to
Manage & Reduce Return Rates

 newmine