

Returns Management Inc.

Secrets to Making Profits from Product Returns

**Your guide to improve costs and
revenue.**

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Introduction

This is a series on Returns Management.

The first paper, “Managing Returns, Art to Science” outlined the approach we developed for an effective Returns Management process that can be used by most companies for their products.

The second paper, “Unlock Profits In Your Product Returns, Secrets that improve your product returns” identifies best approaches to handle product returns that can be implemented by nearly anyone.

These papers can be found at www.returnsmanagement.com.

The terms defined below clarify our meaning as we use them in these papers.

Reverse Logistics – encompasses the traditional logistics activities of transportation and inventory management, but its focus shifts to getting product back from customers rather than moving product to customers. Reverse Logistics is part of a broader supply chain management process called Returns Management.

Returns Management – includes all activities related to returns flow, reverse logistics, effective gatekeeping, and returns avoidance. Returns management addresses the systematic value added approach to the entire backward flow of products from returns prevention through resale of product. This incorporates the steps for product rework to achieve a certifiable level of quality. Certifiable quality produces the highest resale values.

Resale of Returned Products – Profiting from Returns

The objective of product resale is to maximize the value of the returned products. This is simple when you have the returns process working and the resale process ready to perform. The goal of maximum value can be highest profitability, lowest costs, or a balance of these based on your situation and needs.

There are some complexities that will need to be addressed to gain the highest value from your returned products.

Reselling your returned product can create a new set of forward supply chain issues that can divert your attention from “A” product market activities to the secondary or “B” product market.

These include:

- Product identification
- Pricing
- Packaging
- Warranty concerns
- Product traceability
- Brand management
- Environmental and regulatory requirements
- Returns policies for “B” product
- Channel management
- Sale management
- And more...

It’s no wonder that decisions about Returns Management are difficult given these challenges. Systems and processes are available to address these.

Priority of Profit Opportunities

The general priority for disposition of product by profit level is:

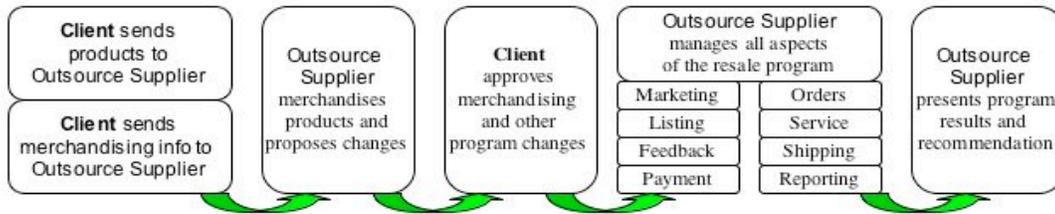
- Resale of certified quality product via web or store
- Resale of open box items via store or web
- Resale of liquidated product via web or store
- Resale via liquidation in bulk
- Disposition via destruction

Managing your Product Resale

The requirements for product returns resale are like the requirements for the initial sale. How this is handled is subject to resources available and the expected value to be received from the resale. You can see a process below that outsources this to maximize your returns value while it minimizes your effort.

There are many approaches to resale of product returns. These range from liquidation to outlet store sales to Internet auction sales to private auction sales. It is critical to understand the value of each approach to your goals and needs. There is no one size fits all solution for your product returns. A periodic review after your sales events will provide you with knowledge to improve your costs and profits. Using a third party firm for this review can remove the emotion that sometimes creeps into our judgment.

Figure 1 Resale Process Overview



- Client's product returns inventory routed to Outsource Supplier
- Client provides merchandising information
 - by sku
 - digital images
- Outsource Supplier merchandises products subject to Client approval
- Outsource Supplier manages entire program
 - pre and post sale service
 - listings
 - marketing and promotion
 - payment processing
 - customer direct shipping
 - feedback monitoring
 - reporting, invoicing, and payment to Client

A reasonable approach for resale would include

- **Strategy development** – for merchandising, selling, and channel management
- **Creation of the offer** – for auctions, branded store fronts, and bulk liquidation
- **Processes to manage sales** – customer support, fulfillment, payment collection
- **Customer monitoring** – real-time reports, monthly summaries, flexible software tools
- **Profits from returns** – checks delivered to the owner of the returns

This complexity can cause some to discard product resale as a solution. Utilizing an outsourced process for Resale Management can make this an easy way to increase your profits.

A Way Forward

Returns management has become much more complicated in recent years – which makes the payoff greater when you do it right, and do it better than anyone else in your sector.

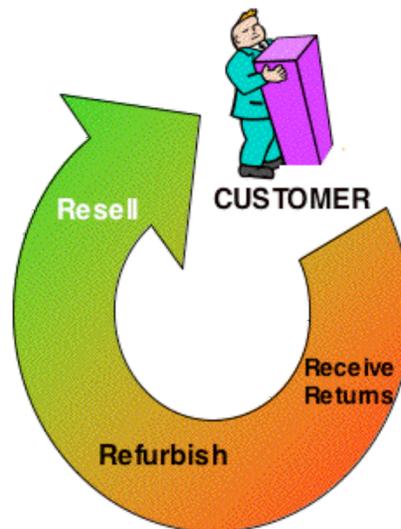
Selling your returns for a profit is the goal, reducing your headaches is the benefit you deserve.

For our help contact us at 630.592.7744 or kirkk@returnsmanagement.com

Additional Resources

1. "Going Backwards: Reverse Logistics Trends and Practices". Rogers and Tibben-Lembke. 1999.
2. "Service Providers tackle e-product returns", Internetweek, June 2000.
3. "Reverse Logistics Is the Icing on the Customer Fulfillment Cake", Gerald McNerney, AMR Research, July 29, 2002
4. "Reverse Logistics – A Framework", Marisa P. de Rommert Dekker and Brito, Erasmus Research Institute of Management (ERIM), 30 May 2003.
5. "New Strategies for Transportation Management". Aberdeen Group, September 2004.
6. CEA, Product Returns Special Interest Group, October 2004.
7. "Returns Management: How to Convert Trash to Treasure", Global Logistics & Supply Chain Strategies Magazine - July 2005
(<http://glscs.texterity.com/glscs/200507/?pg=78&pm=2>)
8. "The Hidden Value in Reverse Logistics", Diane A. Mollenkopf and David J. Closs, Supply Chain Management Review – July/August 2005.
9. "Rethinking Reverse Logistics", Inbound Logistics – July 2005

Closing the loop on **Returns** . . . for a **Profit**.



The benefits to our clients are;
- retention of sales profit
- improved operating costs
- greater customer satisfaction

Our company's focus is to reduce the number of product returns you receive and cost effectively process those products that are returned for our clients.

Returns Management Inc.
"From Loss to.... Profit"

<http://www.returnsmanagement.com/>

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