

TRAVELING IN REVERSE

Multichannel retailer Soft Surroundings makes returns stress free **by KAREN M. KROLL**

The efficient management of returns can be a challenge for any retailer. Yet as ever greater percentages of sales come from online or direct orders — channels in which return rates typically exceed those seen in bricks-and-mortar stores — adroitly handling returns becomes critical to keeping costs down, maintaining customer satisfaction and ensuring the timely redeployment of inventory.

Retailers' return challenges generally fall into two categories. First, they need a consistent return process throughout their operations. That can be difficult, as various lines may offer different return policies due to technology, historical policies and/or warehouse setups.

Another common challenge hasn't received the attention other aspects of merchandise returns have: Figuring out what to do with merchandise once it's returned. Many retailers have liberal, hassle-free return policies and have improved their ability to efficiently collect and transport returned goods. While these are critical issues, it's also important to identify ways to re-deploy returned goods to maximize

the value the retailer receives from them.

The challenges become even more daunting for multichannel retailers, as it's not unusual to find that the mix of inventory varies from one channel to the next. For some retailers, the selection may vary by store.

CUSTOMER EASE

Consider Soft Surroundings, a St. Louis-based multichannel retailer of apparel, beauty and home décor products. The company began as a catalog operation in 1999 and now also offers its goods online and in 13 stores, says Laura Barrett, vice president of operations.

Soft Surroundings is committed to accommodating its customers' preferences to purchase and return items via the channels with which they're most comfortable. "The most important thing is customer ease," Barrett says.

Typically, a customer who purchases online will also handle a return online. To facilitate that process, Soft Surroundings includes a return label with each order. The company handles both orders and returns via UPS, so the customer can attach the label to her return and either take it to a UPS drop box or drop-off location or leave it for her UPS driver.

UPS can tie each customer's Internet order to the return. While each part of the process gets its own tracking number, the two numbers are linked together in the system, making it easier for a customer to track both parts of the transaction. "It instills confidence in the customer," Barrett says.

Soft Surroundings previously used UPS to deliver orders and another carrier to handle returns. The resulting inconsistency was not only confusing to customers, it also meant that customers had a limited ability to track return packages. And the time returned goods spent in transit took about a day longer than it does with UPS, Barrett says.

What's more, if a customer accidentally misplaces the UPS return label, Soft Surroundings can e-mail her a replacement label that still is tied to the purchase.

Things get more complicated when customers purchase in one channel, but return items in another. For starters, the mix of inventory between direct and retail sales differs. A greater number of home décor products and shoes are sold via direct channels, while Soft Surroundings stores carry a greater selection of accessories, Barrett says.

When purchases are returned to a store, the associate can look up the order and quickly determine if the initial sale was done in a store or via the Internet or catalog. Transactions that were initiated online — even if the merchandise isn't stocked at the store — are accepted, then set to the side and returned to the distribution center through a weekly "sweep" of the stores.

The stores use UPS CampusShip to transport returned items to a distribution center. CampusShip is a web-based shipping system that allows employees in multiple locations to ship packages. The system provides visibility to the shipments, as well as the ability to track shipping costs by department or location.

As a result, the inventory is returned to the proper location. "We try to make sure the stores have just the products they're supposed to have, and not the ones that aren't in their active SKU list," Barrett says. It doesn't make sense for a store to try to re-sell, for instance, a one-off pair of shoes or home accessory that were part of a return.

Soft Surroundings employees also use UPS's Quantum View solution to monitor the volume of inbound returns headed to the distribution center. Having this visibility allows the company to more precisely estimate its staffing needs at the warehouse.

OUTSOURCING THE PROCESS

These solutions are a subset of UPS's portfolio of reverse logistics solutions, says Carrie Parris, director of corporate strategy for UPS.

For instance, UPS can operate returns processing centers on an outsourced basis. Its employees and systems will collect, open, sort and consolidate returned items, then move them to the channel or location designated by the retailer.

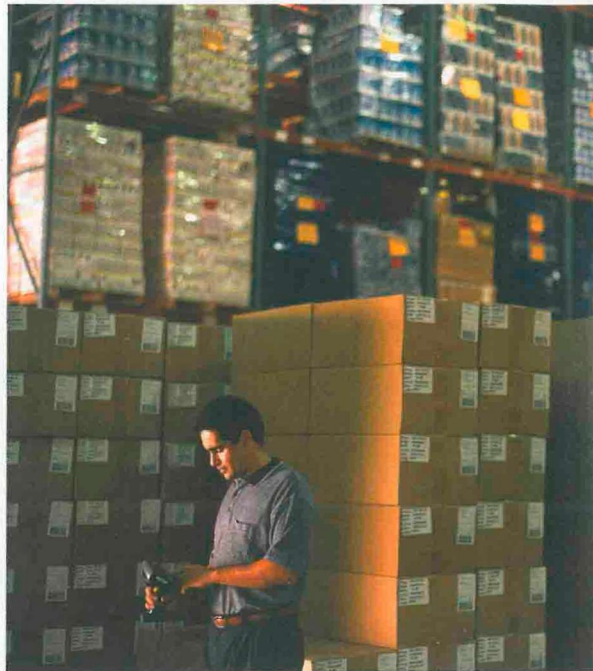
In addition, UPS can assist retailers in making intelligent "end of life" decisions for their goods. For instance, if a retailer decides to liquidate merchandise, UPS can connect the company with an appropriate partner, Parris says.

UPS also can separate and categorize the goods to be liquidated. This is key for retailers that lack the systems needed to identify which products have greater value in the secondary market. Often, they'll simply package all returns together in mixed pallets, and sell the entire mix to liquidators. This generally results in a lower amount recovered than if the items are separated and sold to the appropriate liquidator.

"There's a financial benefit to having value recovery done as part of the strategic assessment," Parris says.

Indeed, this approach can result in recovering 40 percent or more of the goods' value, compared with the 10 to 25 percent recovery typically seen by companies that do not make value recovery a priority. "It's a more sophisticated [approach to] end-of-life," she says.

The team at Soft Surroundings is planning to implement more features of the UPS systems, including a portal that would allow customers to identify the items they're returning. This will provide the warehouse teams with even greater visibility into the inventory coming back. **STORES**



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