

# The Returns Management Process

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## Overview

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Returns management is the supply chain management process by which activities associated with returns, reverse logistics, gatekeeping, and avoidance are managed within the firm and across key members of the supply chain.<sup>1</sup> The correct implementation of this process enables management not only to manage the reverse product flow efficiently, but to identify opportunities to reduce unwanted returns and to control reusable assets such as containers. In this chapter, we describe how the returns management process is implemented. The process is described in terms of its sub-processes and activities, and the interfaces with corporate functions, other supply chain management processes and other firms. Examples of successful implementation are provided.

## Introduction

The management of returns is important for many firms. In the United States, retail customer returns for general merchandise are estimated to be approximately six percent of revenue.<sup>2</sup> At this rate, returns for the top 30 U.S. non-grocery retailers for 2006 were approximately \$67 billion. Return rates can be even higher for specialty retailers. For example, one catalog apparel retailer has experienced return rates of up to 40 percent. Logistics costs associated with managing returns have been estimated at four percent of a firm's total logistics costs.<sup>3</sup> For 2006, this would represent about \$52 billion to the U.S. economy. The magnitude of these numbers demonstrates the need for management attention to the returns process.

<sup>1</sup> This chapter is based on Dale S. Rogers, Douglas M. Lambert, Keely L. Croxton and Sebastián J. García-Dastugue, "The Returns Management Process," *The International Journal of Logistics Management*, Vol. 13, No. 2 (2002), pp. 1-18.

<sup>2</sup> Rogers, Dale S. and Ron S. Tibben-Lembke, *Going Backwards: Reverse Logistics Trends and Practices*, Pittsburgh, PA: Reverse Logistics Executive Council, 1999.

<sup>3</sup> Rogers, Dale S., Ronald S. Tibben-Lembke, Kasia Banasiak, Karl Brokmann, and Timothy Johnson, "Reverse Logistics Challenges," *Proceedings of the 2001 Council of Logistics Management Annual Conference*, Oak Brook, IL: Council of Logistics Management, 2001, p. 1.