GUEST ARTICLE
The Loadstar

Tackling the Logistics of 'Mail-Back Monday'

By Howard Rosenberg, CEO of B-Stock Solutions

The 4th January 2016 was coined by the Royal Mail as 'Mail-back Monday'(1), officially the busiest day for online Christmas gift postal returns. Howard Rosenberg, CEO of B-Stock Solutions, explores how retailers can best manage the influx of returns following the festive period, particularly regarding stock which can't be returned to the shelf.

In an increasingly consumer-driven marketplace, many retailers have continued to expand and relax their return policies in order to help remain competitive. The 'try before you buy' concept is now commonplace and consumers can now benefit from an array of products that can be bought on 'credit' with the presumption that if they aren't right for any reason, they can simply be returned, no questions asked.

However, despite being a highly attractive proposition for consumers, behind the scenes this approach can quickly become quite expensive. Hundreds of billions of pounds in merchandise is returned to retailers each year, most of which can't go back on the shelf; this could be due to diminished item condition, damaged packaging or product obsolescence. No matter the reason, that's a significant amount of idle inventory depreciating in value each day or simply taking up backroom or warehouse space and subsequently costing money.

To give this some further context, figures suggest that UK retailers incurred costs of £180m from consumers returning goods bought during the 24-hour sales period of Black Friday 2015(2). When this is compared to the entire festive shopping period, it is clear that the costs associated with Christmas 2015 returns will be significantly higher.

The reality is that today's retailing environment is intensely competitive and a few points of margin really can mean the difference between winning and losing. The recent revelation of disappointing Christmas trading figures is further indication that minimising the losses on returned stock is likely to be a major priority for retailers during the first quarter of 2016; and if it isn't, it should be.

Maximising efficiency and return across the reverse supply chain will be key to remaining competitive. Both reducing internal costs in reverse-logistics handling of returned merchandise and maximising the realised recovery on this returned stock are both critical pieces of that puzzle. By getting smart about the secondary market and looking beyond traditional liquidation methods, retailers can create a more sophisticated, scalable solution that optimises cash into the business from customer returns and other excess inventory.

So the question becomes: how can an organisation update its reverse logistics programme and what does a successful and more sophisticated solution for customer returns and other excess inventory look like?

To achieve maximum efficiency and return there are some key elements to consider. They are:

Automation
A web-based auction solution makes it easier to have thousands of buyers compete for inventory than it is to negotiate prices with three or four buyers, offline. What's more, operating your own liquidation marketplace means building your own strategic asset that will benefit you (and only you) for years to come. A marketplace is a strategic asset not only for the liquidity it provides, but also for the pricing and market intelligence you get from knowing exactly what buyers are willing to pay.

Target the Right Buyers
More buyers result in increased competition and higher prices, but having the "right buyers" can increase prices threefold. Consider segmenting buyers by product category, condition code and ability to participate (financial ability, geographic location, etc.).

Control
Retaining control over who is able to buy your returned and excess inventory and how your brand enters the secondary market is a must. By selling to a liquidator you lose control of downstream sales since there is little immediate action you can take against your one or two buyers without jeopardising your business.

Establish a Direct Channel to Many Buyers
While returned and excess inventory might have little value inside your company, it has substantial value to secondary market buyers. Selling directly to business buyers who compete for your inventory will help drive liquidation prices up versus having a single buyer negotiate them down.

As retailers rush to process the surge in returns following Mail-Back Monday, it is clear why assessing their reverse logistics plan for customer returns and excess inventory is a must in today's retail environment. Those few critical points of margin can mean the difference between competing effectively and losing money. By taking the first step to look beyond traditional methods and approaching this obsolete merchandise as an opportunity (versus a headache), retailers can meaningfully impact their overall business margin.

ENDS (749 words)

Sources:

1 http://www.theretailbulletin.com/news/mailback_monday_will_be_the_busiest_day_for_returning_christmas_gifts_04-01-16/
2- http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11984461/Black-Friday-costs-UK-retailers-180m-in-returned-goods.html

Author bio

Howard Rosenberg is CEO of B-Stock Solutions, the largest network of private-label B2B liquidation marketplaces. Hundreds of retailers, including some of the top global retailers, have leveraged B-Stock Solutions' technology and service offerings to sell billions in *consumer returned and excess inventory. For more information please visit http://bstocksolutions.com.*