

# Returns Abatement as a Customer Service Weapon

*John Wass*  
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# Thanks

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## Thanks to MIT's Center for Transportation and Logistics

- Inviting me to present
- A great education



# Today's Agenda

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- ❖ Returns abatement as a customer service weapon
- ❖ The product returns revenue opportunity – cost impact
- ❖ Essential elements
- ❖ Implementation issues
- ❖ Conclusion



# Returns Abatement as a Customer Service Weapon

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- ❖ Product returns are the most important indication of customer satisfaction – almost always overlooked
- ❖ Product returns are the best indicator of root cause problems in **products, vendors, sales** and **procurement** processes
- ❖ Product returns present the largest untapped source of new revenues for most major companies
- ❖ Product returns represent a major opportunity for supply chain cost reduction
- ❖ Product returns abatement analysis and remedy require sophisticated analytical solutions
- ❖ The best approach is a high yield, low risk, decision support analytical solution to recapture value in product returns management



# Significant Economic Benefits From Product Returns Abatement

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## ❖ The largest untapped source of new revenues

- Drive down returns rates
- Increase exchange rates
- High leverage revenue and gross margin gains
- Major impact on operating costs

## ❖ A majority of returns value can be recovered through merchandising activities

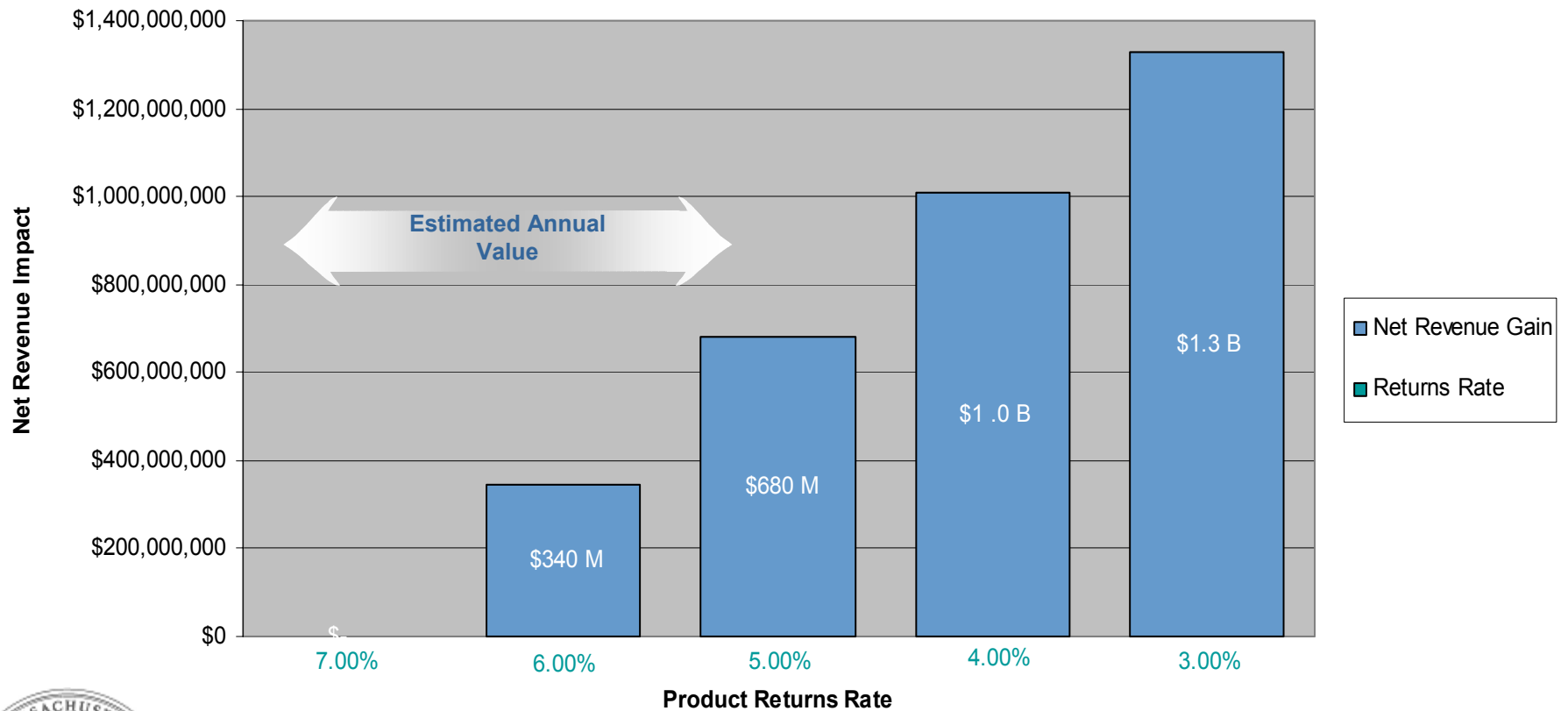
- ~2/3 of gross margin losses from returns are due to revenue and asset recovery issues. ~1/3 from operations
- Near-term improvement in return or exchange rates can drive profits up quickly
- An effective solution will drive continuous improvement and focus the organization on systematic, institutionalized returns reduction

## ❖ Major impact on customer satisfaction – especially important for platinum customers



# Returns Abatement Value Proposition

Net Revenue Impact with Returns Rate Management



# Essential Elements

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 Prioritization

 Analysis

 Actions

 Tracking

 Alerts



# Approach

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- ❖ Identify opportunities to narrow the gap between gross and net sales
- ❖ Utilize a proprietary analytical solution and prioritize actions
  - Statistical, exception-based analysis across SKUs, channels, geography, and other company/customer attributes
  - Root cause analysis
- ❖ Define target improvements and measure progress
- ❖ Focus on highest-payoff opportunities
- ❖ Blend of vendor's analytics and domain knowledge with company management's expertise





# A Powerful, Actionable Management Analytical Tool

## Vendor Solution Elements

- Proprietary analytics
- Easy batch data feeds (sales order file and item master)
- No integration – offsite hosting with Web access to results
- Quick ROI payback
- Low risk – decision report drives value




## Company Benefits

- Value at multiple levels of the organization (e.g., senior executives, merchants, analysts)
- Ability to measure and manage bottom-line impact of returns and exchanges
- Identification of key leverage points and highest payoff actions.
- Drive improvement with continuous monitoring and progress tracking
- Hosted decision support application with results delivered over the Web



# Prioritization



**Swift Rivers Compass™**

OPPORTUNITIES    ALERTS    TRACKING    TARGETS

Top 10    Product Family    Product    Vendor    Region    Channel    Customer

**TOP 10**

	Opportunity	Type	Return Rate	Target	Opportunity (000s)
1.	<a href="#">Panasonic</a>	Vendor	10%	5%	\$37.8
2.	<a href="#">SATASS</a>	Product	20%	15%	\$32.0
3.	<a href="#">VIP</a>	Customer Segment	12%	9%	\$22.6
4.	<a href="#">Northeast Region</a>	Region	8%	3%	\$22.2
5.	<a href="#">Televisions</a>	Product Family	3%	2%	\$17.4
6.	<a href="#">JVC</a>	Vendor	8%	5%	\$15.0
7.	<a href="#">Web site</a>	Channel	35%	25%	\$13.4
8.	<a href="#">Woburn #304</a>	Region/Store	10%	8%	\$13.0
9.	<a href="#">Magazine Subscriber</a>	List Source	10%	4%	\$11.9
10.	<a href="#">Mar '02 Catalog</a>	Channel/Catalog Drop	14%	12%	\$11.9

[Next 10 >>](#)



# Monitor and Alert

**SWIFT RIVERS ALERT: Return allowance exceeded for CD Recorders - Message (HTML)**

File Edit View Insert Format Tools Actions Help

Reply Reply to All Forward Print Forward Stop [Navigation icons]

From: Swift Rivers Alert Sent: Mon 6/4/2001 1:11 PM  
To: John Smith  
Cc:  
Subject: SWIFT RIVERS ALERT: Return allowance exceeded for CD Recorders

STATUS: New  
EVENT TRIGGERED: Return rate unexpectedly high  
MESSAGE: NE region return rate exceptionally high for May  
DATE/TIME TRIGGERED: Thu 06/2/2001 3:32PM

**May 2001**

**Returns Rate**



Month	Returns Rate (%)
Jul	17.0
Aug	18.0
Sep	14.0
Oct	12.0
Nov	13.0
Dec	17.0
Jan	13.0
Feb	12.0
Mar	14.0
Apr	9.0
May	20.0
Jun	-

Legend: Returns Rate (line with dots), Target (shaded area)

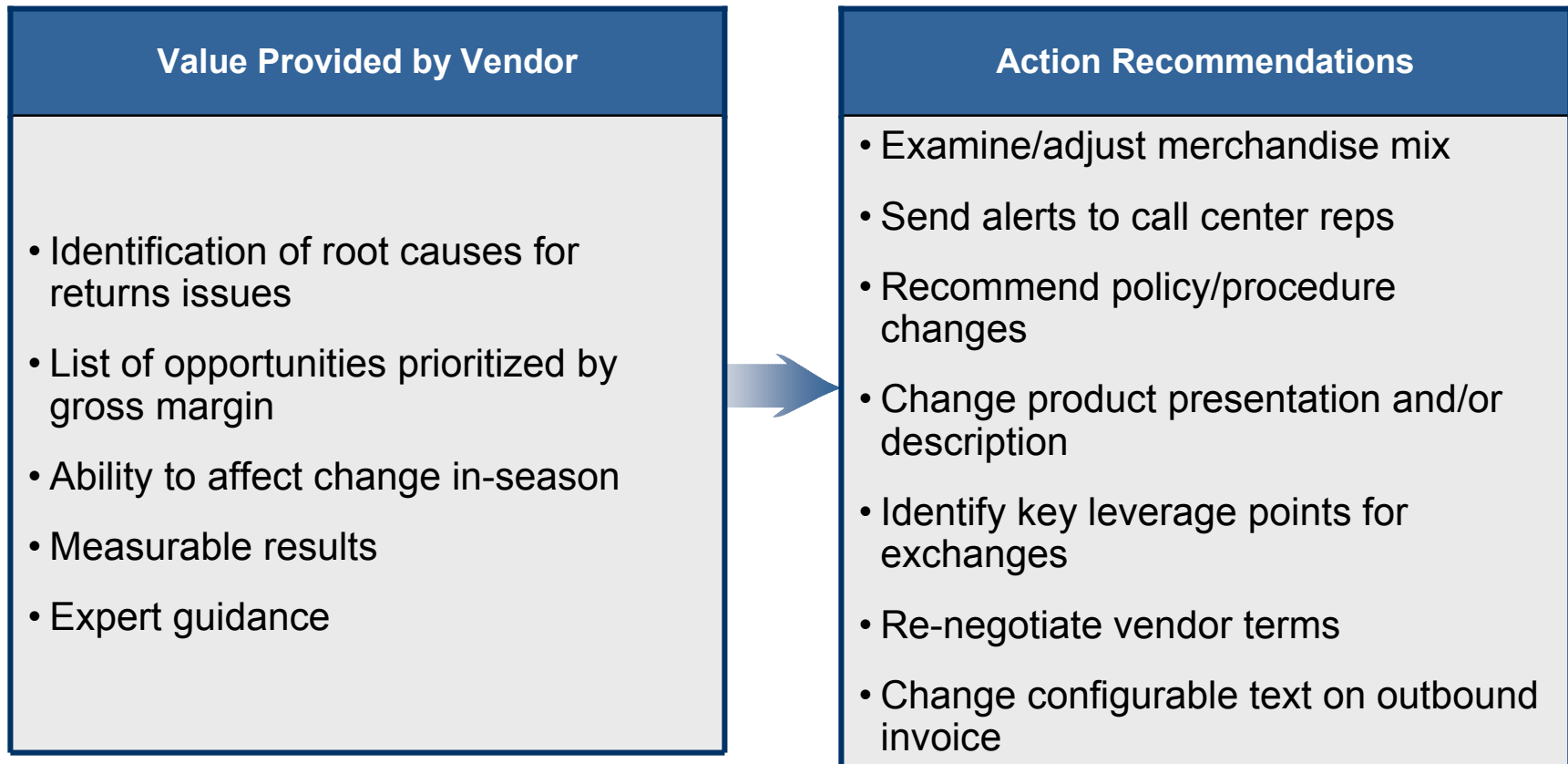
**DETAILS**

REGION:	<b>NE</b>
CUSTOMER(S):	All
PRODUCT FAMILY:	All
PRODUCT(S):	All
EVENT TYPE:	Target

[View Details >>](#)

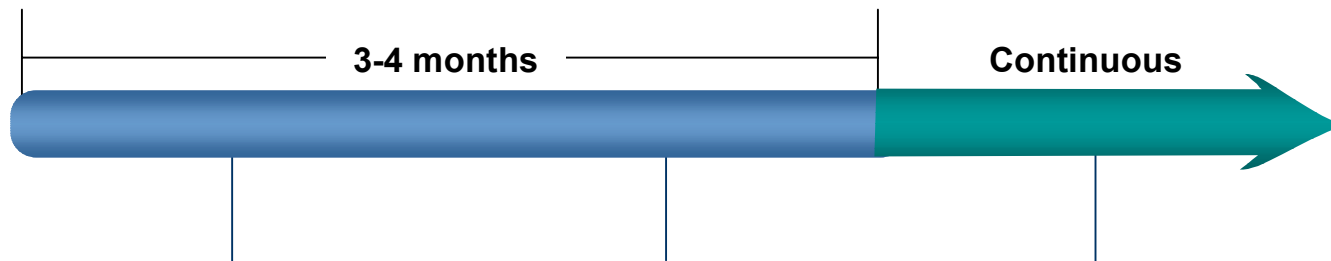


# Actionable Information for Selected Opportunities



# Path to Value

*Value timeframe: 3-4 months*



## Measure

- Collect data
- Develop reporting requirements
- Perform initial analysis
- Create data requirements
- Map data

## Manage

- Validate results of analysis
- Prioritize recovery activities
- Conduct training
- Establish host environment
- Plan/execute acceptance test
- Provide post-implementation support

## Maximize

- Weekly Batch Data Feeds
- Prioritize recovery activities
- Monitor and Track Improvement
- Identify new Recovery opportunities
- Periodic Analysis Engagements
- Continuous improvement



# Implementation Issues

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- ❖ Combine systematic approach with fast payoff
- ❖ Identify organizational ownership of root cause problems
- ❖ Develop a management process for results monitoring and constant improvement
- ❖ Get the vendors on board
- ❖ Incorporate related high payoff areas – vendor allowances and product pricing
- ❖ Drive out the operating costs



# Conclusion

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 Returns abatement – major weapon for:

- Customer service impact
- Revenue increases
- Cost reductions

