Spinnaker Point of View: Returns Management Business Strategy

4 Questions You Must Ask to Ensure Success

In today’s competitive manufacturing, distribution, and retail environments, companies must innovate and improve their supply chain capabilities to fend off the competition and achieve profitability and growth objectives. A scalable Returns Management Solution is a key to success. This executive brief summarizes Spinnaker’s perspectives on the key questions any business must address for a Returns Management Solution to be a competitive advantage.

Do you want your product returned?

Start with the basics. Do you want to have product returned? Returns happen in three ways:

1) Exchanges caused by wrong item received or item damaged in transit
2) Remorse returns due to customer taste or expectations
3) Warranty returns for functional or quality issues.

In each return scenario a company must answer the same question – do we want this back? Customer satisfaction, speed of service, fulfillment costs, logistics costs, and original terms and conditions with the manufacturer impact the decision. Some companies use a financial threshold; for example, you might not want a $25 appliance returned, however you will likely want a $3,000 server returned. Additionally, a company must address the environmental concerns or perceptions of “leaving it behind.”

To further illustrate the challenges, a company must ask itself:

1) Can I monetize the return?
2) Am I legally required to recover the product?
3) Do I face significant consumer pressures to make returns easy?

Answering ‘yes’ to these questions means that a scalable Returns Management Solution is an advantage.
Do you want to manage returns yourself (Insource) or utilize a 3rd party service provider (Outsource)?

The company must decide if it will manage returns internally or outsource the operation. There is not one decision that is better or worse than the other, but tradeoffs do exist. Insourcing requires a business to identify the right facility – location, size, staffing, and infrastructure. If the product is technical, your workforce must include a sizable investment in training and technical resources. The company must develop the procurement practices to coordinate logistics, support products post “last time buy”, and identify any tax requirements related to the reverse supply chain.

Outsourcing of any or all of the reverse processes requires different guiding principles. A focus on supplier management, auditing, and the ability to gauge the selected 3rd Party Service Provider’s (3PSP) technical and operational capabilities is critical. Verifiable references are important, but remember, past performance is never an indication of future success.

With either chosen path, you must address transportation management, customer crediting, and reporting, Personally Identifiable Information (PII), inventory visibility, and fulfillment. The final decision is related to resale – will you or your selected 3PSP manage the D2C, B2B, or liquidation sale of your product?

![Decision Point Diagram]

**Considerations**
- Facility Location
- Size of facility
- Capital equipment list
- Headcount requirements
- Determine Reverse Supply Chain
- Distribution network
- Cost

**Considerations**
- Verifiable references
- Facility Location
- Ability to wipe customer data
- Technology interface to communicate
- Training standards (Processing/Quality)
- Distribution network
- Cost
**Do you need a well-defined distribution network to maximize recovery dollars?**

![Distribution Network Diagram]

While serving a different customer base, new sales and secondary (refurbished) sales do not want to compete against one another. To be sure this does not happen, regular communication between the two business units is critical. The new product sales team must provide notice to the secondary sales team in advance of promotions (free shipping, deep discounts, vendor tie-ins, etc.). Without notice, the secondary team’s sales could be impacted, causing inventory to swell and forcing additional, unplanned discounts.

Market knowledge will support your profitability goals. Creating a hierarchical secondary sales strategy will ensure that products are monetized through the best sales channels, including online, bulk, parts support, donation, and liquidation. Segmentation is your friend.

**How important is brand protection in the secondary market?**

![Brand Logos]

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The process of brand management and the question of monetization is unique to each company. Brand image and brand value are core to leading global firms. The power of “Just Do It” or “Think Different” cannot be understated. Control of the secondary market is a challenge. While a strong returns management strategy can support the creation of a robust and profitable secondary market, many brand sensitive companies choose to destroy products to prevent leaks to the market or devaluation of the brand.

It is critical to recognize what is important to your company.

**Conclusion**

Your Returns Management Solution starts with a well communicated business strategy for returns. The four questions outlined in this brief must be considered to create a scalable Returns Management Solution. Assess your capabilities, decide on insourcing vs. outsourcing, define your markets to maximize the net recovery, and develop your brand protection and environmental standards.

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**About the Author**

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**About Spinnaker:**

Spinnaker is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. Our services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve Demand/Supply Planning, Procurement and Sourcing, Logistics and Warehousing, and Reverse Logistics business performance. Spinnaker offers a unique service delivery model that combines the strength of deeply experienced management and technology consultants with a seasoned team of business process outsourcing (BPO) and 3rd-party logistics (3PL) professionals. Founded in 2002, Spinnaker has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

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