

# The Seven Principles of Effective Returns Management

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## EXECUTIVE OVERVIEW

Reducing returns, especially fraudulent returns, is one of the few operational areas where improvements impact the top and bottom lines simultaneously. Reducing return fraud improves net sales, gross margins, and cash flow, and results in more accurate inventory and commission payments. Providing a faster and better returns experience, including seamless cross-channel returns, increases customer loyalty.

An effective returns management solution should support your overall returns management strategy without leading to actions that cause you to lose customers. Oracle Retail has identified the following seven principles that should be integrated into the design of a returns management solution:

1. Align your return policy with your brand promise, including service objectives and merchandise assortment, to ensure customer satisfaction.
2. Clearly communicate to your customers your return policy and their return compliance status to prevent surprises.
3. Empower your employees to better serve customers and prevent conflict.
4. Speed the returns process to keep your good customers.
5. Proactively prevent fraud at the point-of-return.
6. Enable cross-channel returns to retain your most profitable customers.
7. Regularly review your policy to ensure it strikes the right balance between fraud reduction and customer service.

## PRINCIPLE NO. 1: ALIGN YOUR RETURN POLICY WITH YOUR BRAND PROMISE, INCLUDING SERVICE OBJECTIVES AND MERCHANDISE ASSORTMENT, TO ENSURE CUSTOMER SATISFACTION

Your return policy should reflect the implicit or stated promise of your brand. If “Satisfaction Guaranteed” has always been your motto, and like Nordstrom, you have taken back merchandise that by its nature is not returnable—goods damaged by the customer, or items bought from a competitor—then your returns management system and process must allow exceptions. But with today’s razor-thin margins and the availability of more sophisticated technology, retailers can and

**If part of your brand promise is to provide excellent customer service, you have probably taken back merchandise that by its nature is not returnable. Your returns management system must allow these exceptions.**

must reduce fraudulent returns. Your brand promise should not prevent you from improving your profitability. An effective returns management system will alert you when exceptions are becoming the norm—so problem customers, cashiers, or items can be addressed without impacting customer service.

Neither federal nor state law obligates stores to take back merchandise after it's purchased. However, in some states, such as California, sellers must conspicuously post their return policy if it does not meet certain expectations. Policy expectations include multiple stipulations: the types of merchandise covered by the policy, the maximum number of days allowed for an exchange, whether proof of purchase and original packaging is required, and the type of tender that will be refunded if the return is accepted. So when defining your policy, in addition to you brand, consider your merchandise mix, product lifecycle, and any manufacturer policies.

### **PRINCIPLE NO. 2: CLEARLY COMMUNICATE TO YOUR CUSTOMERS YOUR RETURN POLICY AND THEIR RETURN COMPLIANCE STATUS TO PREVENT SURPRISES**

Regardless of whether you are required to post your policy, doing so at the cash register, sales counter, public entrance, and on merchandise tags and sales receipts helps set appropriate expectations and reduces conflict at the point-of-return.

Recently some retailers have implemented technology that can access the frequency and amount of a shopper's returns with a swipe of the customer's driver's license. If the amount exceeds the retailer's threshold, the return could be denied. Because a serial returner is not necessarily a fraudulent returner, and because the decline comes as a surprise, some good customers have stopped buying from those retailers. Contrast that with an effective returns management solution that alerts customers when they are approaching a return threshold, or enables a store manager to grant an exception while reminding the customer of the policy. This prevents the nasty surprises that turn customers off, and opens a dialogue that can help retain these customers.

### **PRINCIPLE NO. 3: EMPOWER YOUR EMPLOYEES TO BETTER SERVE CUSTOMERS AND PREVENT CONFLICT**

Employee empowerment is important throughout the organization. An effective returns management system should provide all the necessary data that cashiers need to help them efficiently and consistently process a return without confrontation—including clear instructions on whether to authorize or decline the return and specific handling/escalation steps. Store managers and customer service representatives should be empowered to override returns management system recommendations when necessary and within store exception policy.

### **PRINCIPLE NO. 4: SPEED THE RETURNS PROCESS TO KEEP YOUR GOOD CUSTOMERS**

A recent survey done by Harris Interactive found that 85 percent of consumers surveyed would shop elsewhere if a retailer made returns inconvenient or difficult.

**A serial returner is not necessarily a fraudulent one. Your returns management system should allow you to distinguish between the two types of shoppers.**

**The returns process must be simple and seamless. It should not require the employee to enter information into different devices, or the customer to provide information at different times in the process.**

For today's time-impooverished consumer, difficult means lengthy. On average, a receipt is present in 80 percent of return situations. But to reduce the amount of data entry, an effective returns management system should be able to retrieve the original transaction and customer information regardless of where the original transaction was made, even if the customer forgot or lost their receipt. The returns process must also be seamless. It should not require the employee to enter different types of information into different devices, or the customer to provide information at different times in the process. A returns management system that meets these requirements will speed customer service for the person returning items, and for everyone behind them in the checkout line.

#### **PRINCIPLE NO. 5: PROACTIVELY PREVENT FRAUD AT THE POINT-OF-RETURN**

**Better to proactively prevent the problem at the point-of-return than to analyze it after the fact.**

Day-late corporate analysis of fraudulent and abusive returns leaves retailers dollars short at the net-profit line. Better to proactively prevent the problem at the point-of-return than to analyze it after the fact. The ability to retrieve the original purchase details, no matter when or where it was made, helps guard against receipted return fraud. It ensures that the right price and right quantities are returned, that the refund is issued to the correct customer, and that the tender refunded is consistent with your returns policy, even when the original transaction contained multiple tenders or gift items.

#### **PRINCIPLE NO. 6: ENABLE CROSS-CHANNEL RETURNS TO RETAIN YOUR MOST PROFITABLE CUSTOMERS**

**Just over half of all retailers offer a consistent returns policy across channels. Do you?**

According to an August 2004 study by KPMG, 82 percent of consumers are multichannel customers. Numerous studies have shown that multichannel customers are significantly more profitable than single-channel customers. In fact, a recent Aberdeen study shows 60 percent of retailers have found that multichannel customers are more profitable, and 40 percent have found that multichannel customers are significantly more profitable. Yet according to a 2005 LakeWest Group survey, just over half of all retailers offer a consistent returns policy across channels. To stay competitive and retain your most profitable customers, an effective returns management solution must provide real-time access to cross-store, cross-channel transactions.

#### **PRINCIPLE NO. 7: REGULARLY REVIEW YOUR POLICY TO ENSURE IT STRIKES THE RIGHT BALANCE BETWEEN FRAUD REDUCTION AND CUSTOMER SERVICE**

**Your returns policy should be constantly reviewed to meet the changing needs of your business.**

Regular review of your return policies is essential to address the dilemma of striking the right balance between improving your customer's shopping experience and minimizing losses through returns fraud. A rules-based returns management system should provide for flexibility to account for variables like merchandise categories, store regions and holiday seasons and help loss prevention and business teams maintain that balance and yield the greatest impact on the bottom line.

## **CONCLUSION**

Following these seven principles of returns management will help you achieve the challenging goal of reducing fraud without losing customers. Ensuring that your returns management system also supports the strategies underlying these principles can lead to a substantial return on your investment.

To learn more about how you can address returns fraud without losing good customers, please download our white paper, "Reducing Returns Fraud While Delivering A Superior Shopping Experience," from [Oracle.com/retail](http://Oracle.com/retail).



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