

REVERSE LOGISTICS FOR GOOD
Powered By **WIN**
warehouse

THE **Black Friday** OF RETURNS

**How the global pandemic
has transformed
REVERSE LOGISTICS**



It's difficult to overstate just how drastically the COVID-19 pandemic has affected the world of reverse logistics. The staggering increase in online shopping due to stay-at-home orders, combined with the inability to try out items in-store, caused the amount of returns to skyrocket almost immediately.

According to the National Retail Federation, online returns more than doubled in 2020 compared to 2019.

Nearly 18 months after the initial "shut down," the world is still reeling. Though we've sorted out some of the initial challenges and resumed a sense of "normal" in some areas, it's safe to assume the old way of doing things is long gone.

A survey of 715 supply chain professionals conducted by Jabil, a Florida-based manufacturing service company, found that 78% of supply chains had experienced interruptions due to the pandemic.

That means COVID has caused a higher percentage of supply chain interruptions than any other event in the last decade, according to [the Journal of Accountancy](#).

Even with the hope that came with widespread vaccine availability in the U.S., new variants and a slow vaccination rate led to an unforeseen surge of COVID cases. The battle against this virus may be a much longer one than we'd hoped. Knowing the safety precautions and processes introduced at the beginning of the pandemic are likely here to stay for a while, reverse logistics professionals will have to keep adapting.

"Consumers returned an estimated \$428 billion in merchandise to retailers last year, approximately 10.6% percent of total U.S. retail sales in 2020," NRF wrote in a news release.



HOW HAS RETAIL BEEN AFFECTED ACROSS THE BOARD?

Not all retailers have been affected by pandemic shopping the same. Some saw huge increases while others saw sales dramatically drop. At the beginning of the lockdown, the majority of online [orders were for necessities](#). Things like toilet paper, medication and non-perishable goods were at the top of people's shopping list. Thinking about these products logistically, there is very little chance these kinds of commodities and products are ever returned.



However, as time passed and basic necessities were met, [people moved their attention](#) to “wants” rather than just “needs.” There were big boosts in books, games, entertainment, clothing, gym equipment and home office supplies.

Additionally, because people were unable to shop in person for items they might typically buy in-store, the actual sizes of items being purchased online and returned got bigger. Being stuck at home caused people to invest in items that made their homes more functional, like at-home gym setups and home offices. Those bulky items that are typically cumbersome to return -- like flat pack furniture, stationary bikes or outdoor playsets -- surged in popularity.

In November 2020, goTRG Chief Executive Sender Shamiss noted “the size of the units returned is up by 200%” since the pandemic began. GoTRG handles returns for customers like Wal-Mart and Lowe's.

“For one home-improvement retailer, he said, the average return size went from 0.6 of a cubic foot to 1.4 cubic feet. Mr. Shamiss said one retail customer went from about 300 trucks of returned items per week to between 600 and 700 trucks,” the Wall Street Journal reported.

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Reverse logistics became more challenging day after day.

WITH COVID, EXTRA INVENTORY COSTS MORE

Carrying excess inventory has always been a challenge for businesses. In fact, between taxes, storage, freight in, theft, insurance and obsolescence, it can cost a business quite a significant percentage of the inventory's value.

“Studies have shown that the annual additional cost of holding inventory can be 25 percent to 32 percent,” [the Retail Owners Institute states](#).

In a typical year, this is an expense logistics professionals are working constantly to minimize or even eliminate. Add in a pandemic throwing off demand, and you've got some shelves suddenly sitting empty, while others overflow.



On top of the regular cost of holding on to inventory, necessary COVID safety precautions added more expense. Simply purchasing and using more cleaning supplies will chip into a bottom line, but staff have also had to be trained in these new procedures, which takes time. Then, they needed the additional time to implement them. Now, businesses are having to pay their staff to double as a cleaning crew or outsource the job to another company. And the more excess inventory a company carries, the more time and money it will take to keep it all up to par.

In some cases, the production level of warehouses has gone down as well, as social distancing measures mean fewer workers can be on a shift at a given time to allow proper spacing and avoid spreading the virus. All of these elements increase cost for managing inventory.

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CONSUMER TRENDS ON THE HORIZON

Now that it is possible to shop in person more frequently, many retailers are discerning how consumers will adjust to the “new normal.”

The most common conclusion among experts is that consumers will expect an omni-channel experience, which goes beyond simply having an online presence and a brick-and-mortar store. For example, consumers want their experiences to “sync” between all channels -- whether online, in-store or in an app. They want to be able to find an item online, then go experience it in the store before purchasing. If an item is available in the store, it should also be available online. If an item is put in their cart in the browser on their computer, it should also appear in their cart via the app on their phone.

The curbside pickup or buy online, pickup-in-store (BOPIS) has also become expected for many major retailers, amounting to several different combinations of channels consumers could mix-and-match.

Customer experience platform Delighted found these trends across customer surveys:

Customers now expect to hop back and forth across channels:

- **See the product in-store and shop online (the showroom experience)**
- **Research online and then buy in-store (to touch and feel the product)**
- **Read reviews and compare products while in the store**
- **See the product in-store and reserve an alternative (different color/size) in a different store**
- **Order on the phone and complete the payment on the website**
- **Buy online and pick up in person or curbside**
- **Buy online and deliver from the store**



CONSUMER TRENDS ON THE HORIZON

These are high expectations for convenience, but many retailers have stepped up their game in response to the pandemic, and they will be expected to maintain it.

Consumers have also shown an increased interest in subscription services for items like pet food, meal kits and beauty products.

“During the pandemic, consumers have used more subscription services to get what they need in a way that is safe and low friction. For example, 46% joined a beauty or apparel subscription service in Summer 2020,” [writes Facebook’s Head of Industry for Emerging Disruptors, Jake Bailey](#).

Even for generations previously slower to adopt technology, the pandemic fueled a significant increase in online shopping.

“Nearly half (45%) are shopping online more as a result of the pandemic. And 41% of Boomers in the U.S. say they’re now buying products online that they would have normally purchased in a store,” Bailey says.

Because online shopping has become such a part of our day-to-day lives, even for older adults, speedy shipping and high quality customer service will be key to keeping consumers happy. All of these consumer expectations will affect how reverse logistics professionals work moving forward. A customer is much more likely to purchase a bulky item online and return it to a brick-and-mortar store half-built, making the return even more complicated. Or they may want to return a

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41%

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box (or even one item from a box!) from a subscription service. Some subscription companies may opt to simply send another box rather than process a return for an incorrect or damaged item. But the curated nature of these boxes and the fact that one return experience could make or break the entire subscription mean it’s critical for these companies to have a seamless reverse logistics solution.



EXCESS INVENTORY DONATIONS ARE A REAL SOLUTION

Excess inventory is inevitably going to begin to pile up from unsold goods and an increased flow of returns. As each return costs more money to actually process, smart companies are going to look for innovative answers to their reverse logistics problems. One such answer is donating that excess inventory.

Donating excess inventory addresses the issue in three key ways:



1 IT SAVES MONEY OVER LIQUIDATION

Many businesses choose to liquidate their excess inventory at a steep discount rather than eat the expense of holding it. It makes sense in that it's best to get rid of items that are costing you money to make room for new products you can sell. However, liquidators will often only pay [5-8% of retail value](#). Not only that, but that revenue still counts toward your taxable income for the year.

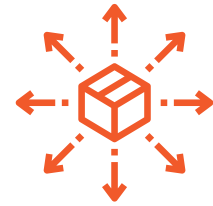
On the other hand, if you donate those same goods to an appropriate charity, you can receive a [federal tax deduction equal to up to 200% of the cost value](#) of the donated products. If all you do is crunch the numbers, donating excess inventory makes more financial sense.



2 PEOPLE LIKE BRANDS THAT GIVE BACK

Consumers are more savvy and educated than ever before. With the advent of social media and blogs, shoppers know what is going on behind the scenes with all of their favorite brands. In fact, they will actively [choose to shop with companies that give back](#). That makes philanthropy a valuable differentiator between competitors.

Partnering with organizations that give back is a great way to build your standing with your consumer base and show that you are more than just a faceless corporation that only cares about the bottom line.



3 IT GENUINELY HELPS OTHERS

When you donate to nonprofits, you are empowering them to do more good than they previously could. Every little bit helps. When thinking about the big picture, it's so much better for a product to end up in the hands of someone in need rather than sitting on a discount shelf, competing for sales, or piled up on a pallet somewhere. Everyone appreciates it, especially [employees who are more likely to stay at a company](#) that makes giving back part of its culture.

USE WIN AS A 3PL FOR REVERSE LOGISTICS AND RETURNS

At WIN Warehouse, we work directly with nonprofits to get your excess inventory donations into the hands of nonprofits that need it. We've seen the items from our donors be used for some amazing things like getting toys into the hands of children in need, helping veterans get jobs with new business attire, rehabbing houses for at-risk individuals, and so much more.

We want to provide as much value as possible to both our nonprofit members and our corporate donors. As we all try to bounce back from COVID-19 together, that means leveraging our resources in whatever capacity you may need us.

Perhaps the biggest benefit of using WIN Warehouse as a 3PL or returns center is that there is absolutely no cost to using this service. It is offered completely free as a way to both help our donors and better provide for our members. By using WIN Warehouse as a third-party logistics partner, you can:

1

HAVE RETURNS SENT DIRECTLY TO WIN WAREHOUSE, CENTRALLY LOCATED IN ST. LOUIS, MISSOURI



2

FREE UP VALUABLE MANPOWER, PERSONNEL TIME AND RESOURCES FOR MORE PROFITABLE ACTIVITIES



3

SAVE RESOURCES YOU WOULD SPEND DEVELOPING AND IMPLEMENTING ENHANCED SANITATION STANDARDS FOR RETURNS



Most importantly, by partnering with WIN, you get the opportunity to build a relationship with logistics experts and community leaders. You can follow your donation from a hands-off return to WIN's warehouse and, ultimately, to a nonprofit where it will hold a completely new value.

Nonprofits are under a lot of pressure to put all of their resources to good use, so even something as simple as an inventory donation can have a huge impact on the work they do. Inventory sitting on the shelf for you can become the difference that allows a non-profit to spend more on their mission. Both sides are able to add to their bottom line when you choose to donate your excess inventory.

If you'd like to know more about how you can save money by donating to WIN, just click the link below.

HOW TO DONATE

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