

The Hidden Answer to Supply Chain Challenges:

Using Returned Inventory to Solve Out-of-Stocks
and Customer Experience Woes

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Nearly every retailer is struggling with shipping backlogs, labor shortages and other inventory issues. Consumers are frustrated, too.

According to a recent study by Oracle, 89% of respondents believe supply chain disruptions will continue to negatively impact their future buying experiences, with most (62%) fearful of needing out-of-stock items. The same survey reports that 58% of consumers would stop buying from a brand after 1-3 delays or disruptions in the fulfillment process.¹

While there isn't much retailers can do to fix shipping backlogs or labor shortages, they **can** tap into a \$428 billion supply of existing inventory: **returns**.² Many retailers process returned inventory manually, taking weeks or even months to get it to the next customer—and likely frustrating the first customer with a lengthy refund period. And as supply chain issues mount, retailers wanting a successful holiday season need to adopt a more circular supply chain that moves the inventory they can control back into the hands of ever-demanding consumers.

To gain insights into how retailers can use returns to both combat supply chain issues and meet the demands of today's consumer, we surveyed more than 2,100 shoppers to get a pulse on the latest consumer shopping—and returning—expectations.

¹ ["How supply chain disruptions are ruining our lives and what you can do about it," Oracle, September 29, 2021.](#)

² ["\\$428B in Merchandise Returned in 2020," NRF, 2021.](#)

How Returns Can Combat Supply Chain Challenges

Consumers are likely aware that some supply chain challenges are unavoidable. But, that doesn't mean they have the patience to deal with them. According to our research, 83% of consumers have noticed more out-of-stock inventory than usual in the last 3 months.³ And while 35% of consumers waited for their favorite retailer to replenish their desired item, **65% reported trying to find it elsewhere.**⁴

Returns are a largely untapped opportunity representing hundreds of billions of dollars of inventory. On average, 10% of purchases are returned, with that number skyrocketing up to 30% for ecommerce. **If a retailer's inventory consists of 10 million units, letting up to 3 million get stuck in returns processing is devastating, especially when inventory is already in short supply.**

Unfortunately, many retailers are still relying on manual returns processes which leave these items in restocking limbo for weeks to months at a time—if they even make it back to stock at all.

So, how can retailers make returned inventory work for them instead of against them?

WHEN AN ITEM IS OUT OF STOCK...



65%
of consumers will try to find their desired item elsewhere



35%
of consumers will wait for their desired item to restock

“

I shopped elsewhere to get [my item] faster. I'm not loyal to any company unless they are the only one selling a certain product."

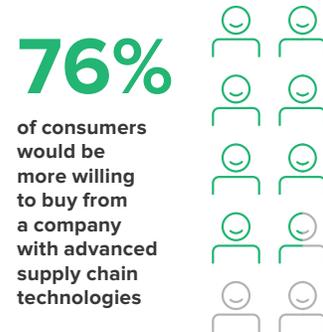
-One consumer respondent when asked what happens if a retailer is out of stock of an item they want.

³ Survey of over 2100 consumers in October 2021, Optoro.

⁴ Survey of over 2100 consumers in October 2021, Optoro.

Automate Returns Processing

To move returned inventory forward, retailers need to leave manual returns processing behind. In advising retailers on how to overcome supply chain challenges, Accenture recommends leveraging technology that supports analytics, artificial intelligence and machine learning to manage systems and provide end-to-end transparency.⁵ What's more, according to Oracle, **76% of consumers would trust and be more willing to buy from a company if they knew it used advanced supply chain technologies.**⁶ But, most inventory management systems don't account for returns—which could be up to 30% of orders!

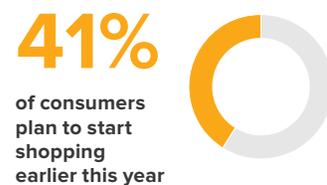


By implementing a returns and reverse logistics platform, retailers can utilize machine learning and customizable business rules to quickly determine where to route returns as soon as they are received. This reduces returns processing time to just days, getting these items back on shelves and into the hands of the next customer while also cutting out extra touches and shipping.

Get Ahead of Peak Returns

Retailers should also plan for when to expect a returns influx and ensure they have a plan to keep that inventory moving.

The largest, most anticipated influx typically occurs around the holidays as consumers return unwanted gifts. In our research, we found that more than half of consumers returned holiday purchases between December 27 and January 25 last holiday season. However, this year, **41% of consumers plan to start shopping earlier**, likely in an attempt to get ahead of supply chain issues.⁷ That means retailers will need to prepare for an even earlier holiday influx and ensure that they have the labor and technology in place to handle it.



⁵ ["Supply Chain Disruption," Accenture](#)

⁶ ["How supply chain disruptions are ruining our lives and what you can do about it," Oracle, September 29, 2021.](#)

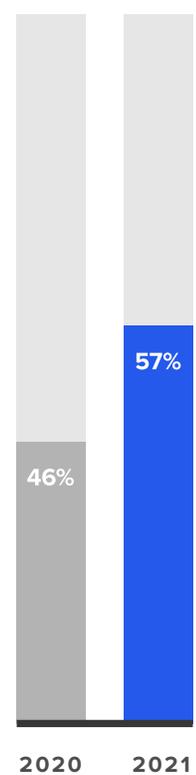
⁷ Survey of over 2100 consumers in October 2021, Optoro.

How to Use the Reverse Supply Chain to Keep Customers Coming Back

While retailers should use returned inventory to reduce out-of-stocks and increase purchases, they also need to consider how the actual experience of returning an item can impact customer satisfaction. Consumers are increasingly shopping online and buying items sight unseen, leading to more returns than ever before—particularly for apparel. As more and more shoppers become returners, the returns experience becomes a critical component of whether or not they choose to purchase again.

A potentially negative returns experience could even deter shoppers from purchasing in the first place. In our research, we found that **57% of consumers have been deterred at least once from purchasing from a retailer based on a strict returns policy** (i.e. short return windows, lagging refunds, etc).⁸ When asked the same question last year, only 46% of consumers reported having been deterred by a returns policy, meaning consumer expectations are on the rise. In a competitive retail environment, even the thought of a negative experience is enough to lead customers to spend their money elsewhere.

So, what exactly are consumers now expecting?



Customers who have been deterred at least once from purchasing based on a strict returns policy

⁸ Survey of over 2100 consumers in October 2021, Optoro.

Quick Refunds, Exchanges, & Repurchases

One of the most important components of a customer-friendly return policy is how quickly returners receive their refund.

Just a few years ago, waiting a week or more for a refund was standard. This year, we asked consumers who had experienced a “delayed refund” to report how long they had to wait. 40% of consumers reported a **delay of less than 1 week**. Moreover, **52% of consumers have been either discouraged to shop again or have otherwise had a negative impression of a brand** after receiving a “delayed” refund.⁹ Consumers now expect refunds instantly, with retailers failing to do so risking customer churn as a result.



52%

of consumers have had a negative impression of a brand after receiving a delayed refund

Instead, retailers can drive additional loyalty and increase repurchases by surfacing funds immediately to help customers purchase again without putting another charge on their credit card. Retailers that do this often see a 2-3x increase in repurchases.¹⁰

A Convenient, Packageless Drop Off Experience

Another important component to a good returns experience is the process by which the consumer initiates the return. When asked what the most inconvenient part of returning an item is, 43% of consumers reported that it was returns packaging (finding a box, printing shipping labels, etc).¹¹

Consumers want the cheapest and quickest way to drop off a return and get their refund or exchange.

An easy way to meet that demand is to offer packageless returns at either a drop off location or at a retailer’s own store. **76% of consumers reported that they would be either likely or very likely to continue shopping with a retailer who provides a packageless drop off option.**¹²

Not only does it best serve the customer, it also consolidates all returned items at one return location, allowing retailers to cut down on shipping and operational costs with bulk parcel returns.

⁹ Survey of over 2100 consumers in October 2021, Optoro.

¹⁰ Returnly client analytics, 2020.

¹¹ Survey of over 2100 consumers in October 2021, Optoro.

¹² Survey of over 2100 consumers in October 2021, Optoro.

Conclusion

Heading into the holidays, finding a way to move inventory, maintain margin, and keep customers happy despite the supply chain disruption will be at the forefront of retailer's minds. As retailers look for solutions to their inventory challenges, those that expedite returns processing through new returns and reverse logistics technology will be best positioned to reduce out-of-stocks and maintain customer loyalty during a competitive peak season.



Optoro is the leading provider of returns technology for retailers and brands, using data and real-time decision making to make returns better for customers, retailers, and the planet. From an easy online customer returns portal, to warehouse processing and resale, we offer powerful solutions to improve outcomes across all points in the returns process. Retailers and brands – including Best Buy, Ikea, Target, and Staples – trust Optoro’s solution to make returns a strategic advantage for their business and enable sustainability initiatives across their supply chain.

Learn more about Optoro’s solutions at www.optoro.com