What Your Returns are Telling You

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The full article originally appeared in the July/August 2003 issue of APICS magazine. Past issues can be obtained by APICS members by visiting http://www.apics.org

Mike outlines the three principal approaches that companies undertake when attempting to reduce the serious impact that product returns have on an organization. This usually involves some combination of:

1. decreasing the processing cost per return,

2. improving asset recovery values and

3. simply reducing the overall number of returns themselves.

Of these three options, companies usually focus on reducing the numbers of returns.

However, as Mike points out, there can be a lot of information contained in the products that are being returned. That information can point to a whole range of problem areas that may not be obvious at first glance:

Product Design Examining returns can highlight issues with a product’s fundamental design. More importantly, the results of an examination can be compared with the reason a customer has given for the return (they are not always the same!). This information can then be communicated to product teams so that improvements can be made in a product’s ease of assembly, ease of disassembly and overall usability.

Manufacturing Returned products may be signaling a problem with the machinery used to manufacture the product, parts of the manufacturing process itself or may be pointing to a missing skill set among employees.

Packaging and Handling Even a product that has been inspected for defects must survive packing, shipping, unpacking and shelving on its way to the customer. A failure in packaging, handling procedures or equipment could be causing damage after the product leaves the factory.

Vendor Evaluation In cases where the manufacturing of entire products or their component parts have been outsourced, vendor performance could be part of the returns problem. Determining the true reasons behind a return can sometimes trace the problem to the outsource partner. Once the problem has been discovered, communications with vendors may need to be improved to avoid a recurrence of the problem in the future.

Customer and Channel Profitability Including returns in an analysis of specific channels can reveal the true profitability of those channels. For example, Internet sales feature a return rate that is much higher than in other, more traditional channels. By considering returns as part of the equation, specific channels begin to show their actual performance.

Documentation and Support Sometimes returns occur because customers simply don’t understand how to use a product and cannot get the help they need. An examination of why the returns are occurring can reveal problems with product support or with documentation that is of the wrong type or level.

Marketing In many organizations, there is often little communication between the Marketing and Customer Service functions and the result is that customers receive mixed messages about a product’s capabilities. Product returns can be the result of disappointed customers whose inflated expectations were simply not met by the actual experience of using the product.

Return Policies A high volume of returns can signal a returns policy that is too liberal and one that customers are taking advantage of.

Because product returns come directly from your customers, the information they contain is crucial. Collecting good data on those returns and undertaking a regular analysis of that data is the first step towards hunting down anomalies in the process and starting a cycle of continuous improvement. As Mike points out in this article, understanding what your returns are telling you is key to reducing the number of returned products.