

# POINT OF NO RETURN

Returns are the bane of the retail industry. Craig Rollason, managing director of **Knapp UK**, explains how automation can help to mitigate the cost of reverse logistics.

In the competitive e-commerce marketplace, offers such as 'free shipping' and 'free returns' are commonplace. Of course, these services are only free to the consumer – retailers have to bear the cost. As e-tail takes a larger and larger slice of the retail cake, this cost is increasing and retailers find they are having to decide whether to offer these incentives as investment in market share.

The high cost of returns in e-tail comes on top of higher costs to fulfil e-com orders in the first place, due to their greater requirement for single item picking compared with the more efficient batch picking needed to replenish shops.

Although returns are costly, efficient – and free – handling of them is generally thought to increase profits in the long run through enhancing customer loyalty. Research suggests that consumers perceive the offer of free returns as a statement of confidence in product quality by the retailer.

The handling of returns is an activity that has traditionally been outsourced to third-party logistics providers and these 3PLs have consequently built up considerable experience in reverse logistics. This expertise, of course, has commanded a premium price, which perhaps explains why we are seeing an increasing trend among clients to integrate returns within their own e-com or omni-channel distribution centres, forming an end-to-end logistics facility.

Many technological developments in automated logistics are making such integration easier for retailers. For example, the design of Knapp's Pick-it-Easy workstations has been developed to allow operators to switch seamlessly between order fulfilment and returns handling.

## PICKING ACCURACY

There are various ways in which automation can help to mitigate the cost of returns. Firstly, there is the question of picking accuracy – obviously, if the right goods are not picked and dispatched, then the retailer cannot be surprised if they are returned. With automated handling systems, even processes that are performed manually, such as order picking, are

computer-controlled.

Paperless fulfilment technologies – such as wrist-mounted RF devices and pick-to-light stations – prevent a significant amount of human error. What is more, whereas a small proportion of picked orders have traditionally been routinely checked for quality – usually by check-weighing of the total order – now it is economic in many applications to implement comprehensive check stations at the end of each pick line that verify every single order prior to packing.

At Knapp's latest check stations, for example, all items are automatically checked by 360° barcode reading, meaning that the wrong goods or incorrect quantity simply cannot be shipped. Order accuracy is especially important in e-commerce as, with no immediate possibility to select alternative stock if the consumer is not satisfied, customer service expectations are extremely high.

## STOCK AVAILABILITY

The second way in which automation can reduce the cost of returns is by minimising the time during which goods are unavailable as stock for picking. Returns must be made available for sale as soon as possible – even before they physically reach the warehouse. This is not only simple for goods returned to store but – with pre-printed returns labels that can be scanned at drop-off points such as those in the CollectPlus network – also possible for e-com returns.

Sales depend on stock availability, whether on the shelf or online, and for that the items must be visible to the warehouse management system. Automated logistics systems ensure that returns are immediately available and even negate the need for returns to be reintegrated into the main stock, as the WMS knows exactly where they are located.

Software solutions can make this process seamless; Knapp's KiSoft Track & Trace, for example, makes end-to-end tracking possible right through to the end customer or store, ensuring accuracy and transparency throughout loading, delivery and returns receiving. ■

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