



Advance Returns Notifications™: The Value of Returns Visibility

The visibility imperative.

Leading retailers are demonstrating that visibility creates a sustainable competitive advantage when applied to the reverse and not just the forward supply chain. Lack of returns visibility leaves retailers with reactive business processes, impacting costs and service levels across the organization.

Executive Summary

In today's competitive retail environment, nothing is business as usual. As retailers are searching for ways to grow their customer file, create new revenue streams and reduce costs, market leaders cannot afford any missteps due to "blind spots" in the supply chain. There is simply too much at stake.

This white paper focuses on the value of visibility in the reverse supply chain. Unlike the forward supply chain, which has seen vast improvements over the last ten years, the reverse chain (returns) often remains a reactive business process, due to the inability of retailers to "see" into the return supply chain.

With returns visibility, four key business processes are improved:

- **Customer Experience.** The customer's return experience is improved, paving the way for higher repeat purchases and overall customer loyalty.
- **Call Center.** Integrating returns visibility into the call center lowers costs by reducing returns-related call volume up to 25% and reducing call lengths.
- **Asset Recovery.** Early visibility of inbound returns enables operators to maximize the dollars received for returned goods.
- **Operational Efficiencies.** Visibility of in-transit return shipments enables operations managers to streamline the return chain with scheduled deliveries and accurate forecasts.

With Newgistics' Advanced Return Notifications (ARN), retailers can create true end-to-end supply chain visibility by leveraging patent pending bar code technology and proven business intelligence processes.



Merchandise returns and black holes.

From the perspective of both direct retailers and their customers, returns have typically been a “black hole” with little to no visibility for either party. This creates frustration for the customer and inefficiencies for the retailer.

In managing returns, retailers have had very little control of the process due to the open-endedness and uncertainty of returns management: retailers don’t know what is being returned, when it is coming back, and who is sending it. For customers, mailing back a return is often followed by silence, with no acknowledgement or closure of the process. To get closure on their returns, customers call the call center (according to a Benchmark Company study, they often call up to three times per return) or track their credit card statements to make sure their return got handled properly. Even if the retailer does eventually contact the customer about their return, it is typically anywhere from fourteen to seventeen days *after* the return was mailed by the customer.

Unlike the forward supply chain, which has seen incredible improvements in efficiencies in the last ten years, returns management often remains a reactive business process. Visibility is the key difference between these two processes; where control is inherent in forward (one-to-many) operations, it remains elusive in returns (many-to-one) operations.

This lack of returns visibility impacts three key focus areas for direct retailers:

- Customer Loyalty: improving the customer buying process and returns experience;
- Costs: improving efficiencies in returns processing; and
- Asset Recovery, maximizing the dollars received for return goods.

As a result, lack of returns visibility leaves direct retailers with reactive business processes, impacting costs and service levels across customer service, operations and finance.

Creating visibility in the return chain.

Returns visibility is more than just a tactical supply chain issue; it has strategic implications for the entire organization. It sustains, accelerates or enables business processes across customer service, operations and finance. Without returns visibility, a direct retailer has less control and is relegated to reactive business processes resulting in higher costs and inefficiencies.

Providing visibility to in-transit returns converts the organization from a reactive viewpoint to one of control.

Returns visibility enables managers to respond in a manner that facilitates better decision-making. Returns visibility is the glue that binds the customer service and logistics processes from purchase to disposition and asset recovery.

There are two key enablers in providing returns visibility:

- Intelligent barcodes embedded with customer data; and
- Early in-transit scans.

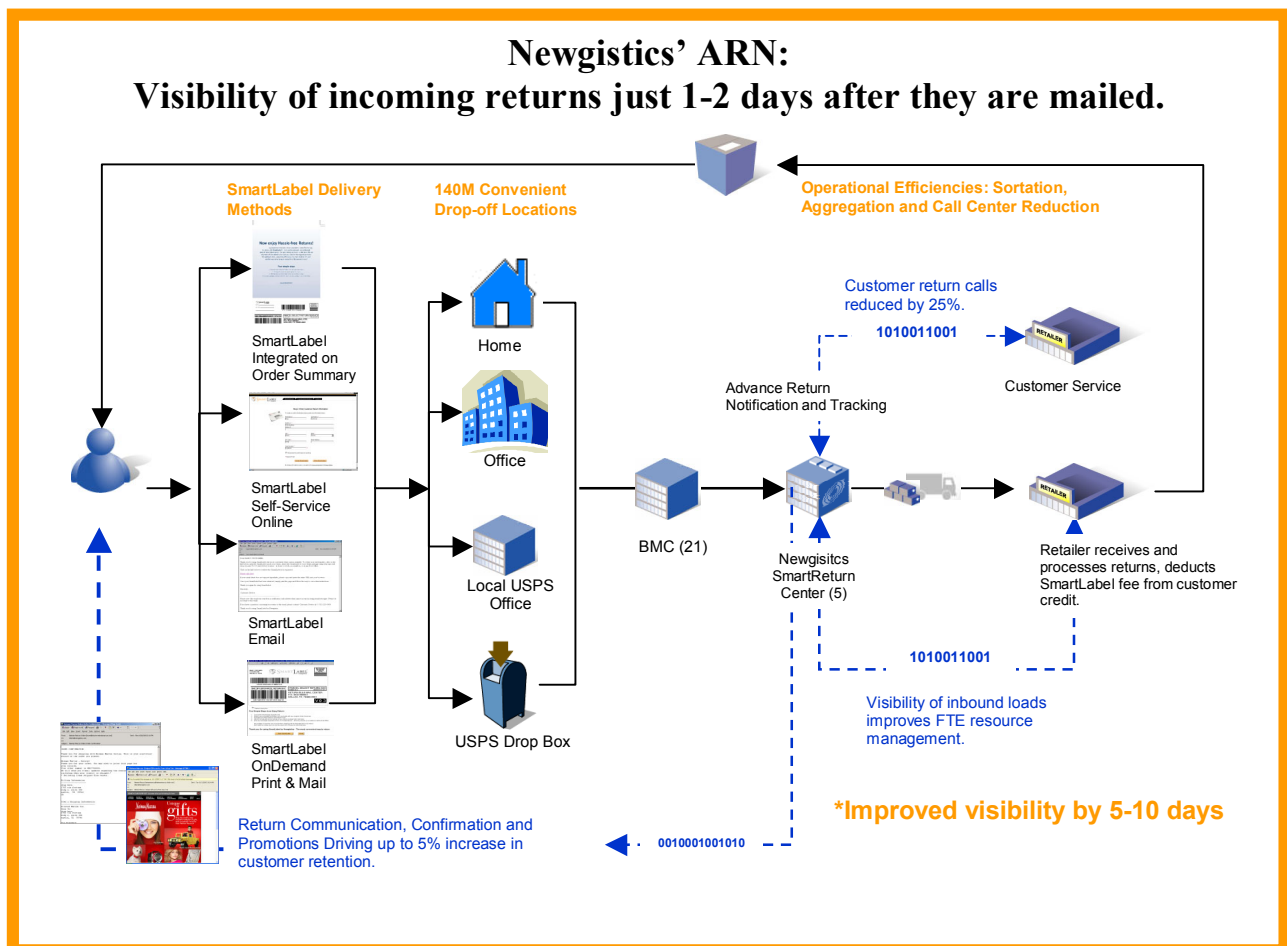


For returns, it is critical to integrate customer information (eg., order numbers) into the return label barcodes and not just generic tracking numbers. By including customer information in the barcode, returns visibility becomes relevant to customers and customer service reps without the need to remember or correlate to third-party tracking numbers. This enables the return to be managed at a customer-level, not simply at a box-level.

Scanning the returns early in the transportation cycle is a second key enabler. The scans must be both early in the cycle, and frequent enough to provide the ability to make business decisions. Regional scans, close to the customer, enable dispositioning decisions (eg., return-to-vendor) that can save transportation costs and increase asset recovery rates.

With returns visibility, three key business processes are improved.

- First, the **customer's return experience is improved**, paving the way for higher repeat purchases and overall customer loyalty. Online track & trace services and email notifications create confidence and closure for this "black hole" process.
- Second, integrating returns **visibility into the call center lowers costs** by reducing call lengths and follow-on calls.
- Third, visibility of in-transit return shipments enables **operations managers to improve staff planning**, evening the flow of returns processing and reducing overtime expense.





Newgistics' Advance Return Notification™ (ARN).

Returns visibility is included as part of the standard Newgistics return service. The ARN provides early notification of returns through event management files, providing customers, customer service agents and retail operations managers visibility of in-transit Newgistics returns at a package and shipment level.

ARN enables three key Newgistics services:

1. Returns Marketing: these personalized email notifications and promotions are triggered from ARNs early visibility.
2. In-Transit Report: this web-based report shows operations managers the status and volume of in-bound return shipments.
3. Receipt Scan: this application improves returns receiving, processing and reconciliation by being able to match receipts against shipments.

The key benefits of ARN are:

Group	Benefit
Customer Service	<ul style="list-style-type: none"> • Reduced returns-related calls, up to 25% reduction at \$4 per call. • Shorter call lengths, since CSRs have the information at their fingertips, even when the customer's order summary included a SmartLabel.
Customers	<ul style="list-style-type: none"> • Improved customer returns experience • Returns Marketing (Email Notifications & Promotions) and Track & Trace
Operations	<ul style="list-style-type: none"> • Reduced overtime through better control of warehouse labor. • Regulation of the flow of goods into the warehouse.

The ARN electronic files are similar to Advance Ship Notifications (ASN) used in forward supply chain operations. ARNs include both package-level and shipment-level data and are triggered by multiple events along the return process:

- **At order creation.** SmartLabel and its intelligent barcode are dynamically created as part of the order fulfillment process and integrated into the customer's order summary.
- **At "on-demand" creation of SmartLabel by customer or retailer's CSR.** SmartLabels are created remotely by customers or Customer Service Reps for appeasement or replacement purposes, and printed from the web, emailed or sent as print & mail.
- **Newgistics' scan of the SmartLabel barcode.** One to two days after the customer mails the return, Newgistics scans the package's intelligent barcode. Subsequently, Newgistics scans the package 4 more times as it makes its path back to the retailer, providing visibility of the package and customer information from package drop-off to retailer delivery.

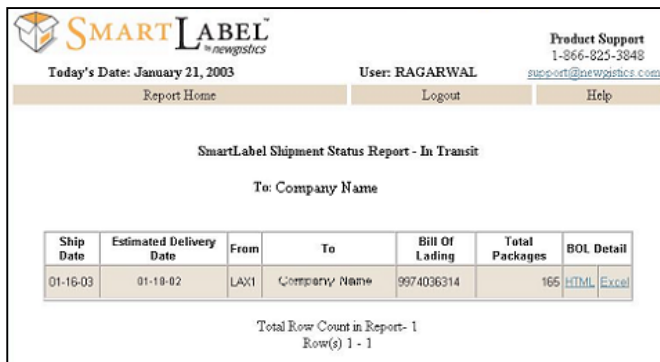
ARNs can be delivered in multiple formats and delivery methods, enabling flexible integration into retailer supply chain systems, customer service systems and web sites. The information provided includes the status of individual return packages and aggregated return shipments.



Case Study: Operations Visibility

Both Newport News and Fredericks of Hollywood have optimized their receiving processes through the visibility of ARN. In addition to shipment status and volumes, ARN provides the shipment's estimated date of delivery (EDD) giving increased control of receiving processes.

For operations managers, ARN can be "pushed" as an email report, or "pulled" as a web report (below).



The screenshot shows the SMART LABEL web interface. At the top left is the logo. To the right, it says 'Product Support 1-866-825-3848' and 'support@newgistics.com'. Below that, it displays 'Today's Date: January 21, 2003' and 'User: RAGARWAL'. There are three buttons: 'Report Home', 'Logout', and 'Help'. The main heading is 'SmartLabel Shipment Status Report - In Transit'. Below that, it says 'To: Company Name'. A table follows with the following data:

Ship Date	Estimated Delivery Date	From	To	Bill Of Lading	Total Packages	BOL Detail
01-16-03	01-19-02	LAX1	Company Name	9974036314	165	HTML Excel

Below the table, it says 'Total Row Count in Report- 1' and 'Row(s) 1 - 1'.

"By receiving early arrival information, we better schedule our associates and reduce spikes in the workload. SmartLabel regulates the flow of goods into the distribution center."

David Knoll,
VP Operations
Newport News, Inc.

"It really does make returns easier for the customer. And having visibility of returns coming into the distribution center improves planning and scheduling."

Mark Reidel
VP of operations
Fredericks of Hollywood

Follow the leaders

Over fifty leading retailer brands have teamed with Newgistics to improve their reverse supply chain. By leveraging Newgistics' patent pending technology and process, these retailers now have visibility into what was previously a critical blind spot in their business operations, transforming their returns process from a reactive cost center to a proactive competitive advantage.



**For further information, visit www.newgistics.com
or call the Marketing and Product group at
1-866-825-3848. Email: contact@newgistics.com**