

Going Back

Tackling e-commerce returns in the first post-Brexit parcel peak



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We are now deep into what is the most challenging time of the year for retailers.

Yet although brands are familiar with a surge in business in the weeks leading up to Christmas, this year is already promising to be the most complex ever. The strain of managing rising sales, supply chain issues and the costs of post-Brexit red tape will all be compounded by huge volumes of unwanted purchases.



This exclusive white paper from Coll-8 Logistics explores the particular issues affecting online retailers based in the UK anxious to both cope with the logistical implications of large numbers of goods returned by consumers in the Republic of Ireland.

Coll-8 Logistics

Coll-8 Logistics is Ireland's newest and brightest logistics firm. It was launched in 2019 by Dave Field - who had previously co-founded a company which became the Republic's biggest independent supply chain business - and some of the most experienced individuals in the UK and Irish parcel industry.

Early last year, Coll-8 announced a partnership with one of Ireland's leading retail and wholesale businesses, BWG Foods, to roll out its drop2shop parcel delivery and returns system to Ireland's largest network of convenience stores.

Currently, consumers use drop2shop at just under 400 premises across the Republic and expands to further stores on a weekly basis.

In addition to winning a prestigious Irish logistics award, drop2shop's capability is available to more than 500 online retailers, including leading British and international brands.

drop2shop used at nearly 400 convenience stores across Ireland

Parcel traffic on a seasonal scale

The current peak season follows the most dramatic period in the relatively short history of online retail.

In a little under two years, the value of e-commerce orders has been transformed. By the end of 2021, European sales are expected to top £350 billion (€412 billion) - **up one-third on the figure before the start of the Covid-19 pandemic.**

Although no longer a member of the European Union, the UK remains the continent's dominant online market. Its consumers will buy some £92.2 billion (€108.8 billion) worth of goods this year.

With a population of just over five million people, the Republic of Ireland represents a smaller audience but has a much faster growth rate in e-commerce purchases, many of which are from UK retailers.

In the last 12 months, Irish consumers have racked up £6.04 billion (€7.142 billion) in online sales, **a rise of seven per cent in a year - three times that of the UK.**

Ireland also outstrips its near neighbour in terms of where it buys. Although only four per cent of UK consumers place cross-border orders, just over half (51 per cent) of all sales to Irish shoppers come from other EU states, while **one-third (35 per cent) from outside Europe's trading bloc.**

Among the similarities shared by consumers in the Republic of Ireland and the UK is the appetite for doing their festive shopping online.

On Black Friday alone this year, clothing websites saw Irish customers complete 135,000 transactions - more than three times as many as on a normal day.

Meanwhile, forecasts suggest that the amount spent online by UK shoppers in the run-up to Christmas is expected to be six per cent higher than last year. According to the Centre for Retail Research, that increase is expected to include **£2.1 billion on clothing and footwear.**

Boomerang buys

As the proportion of online sales increases, so too does the volume of items that eventually make their way back to the retailers which sold them.

There are, of course, variations in the pattern of returns. Consumers who buy online are more likely to return goods than those who buy from a 'bricks and mortar' store, while shoppers aged between 16 and 34 are more likely to return items than those who are older.

Nevertheless, the frequency of returns is astonishing. As much **as 40 per cent of all clothes and shoes which are sold are ultimately returned.**

The value too is staggering. Around the world, retailers find themselves processing returned goods worth £483.38 billion (€570.08 billion) each year. Two-thirds (68 per cent) of those items are thought not to be faulty but simply either don't fit or don't look as appealing in the hand as they do online.

Recent research has suggested that the rise in e-commerce during lockdown has been accompanied by a greater willingness on the part of consumers to return goods which they have bought but no longer need.

More than the need to refund unwanted purchases, retailers must face the cost and complications of dealing with such items, not least because shoppers have repeatedly made clear that returns policies influence where they shop.

Retailers also know that it is often their most loyal customers who tend to return the most items.

40 per cent of clothes and shoe purchases returned

Major UK retailers offering free returns reckon that it costs them roughly £4 (€4.69) to process each item as a purely domestic return. For anything sent back by customers overseas, the average cost rises to almost £6 (€7.04).

The process has been complicated by Brexit and the EU's introduction of new rules on VAT and duties.

Non-EU-based retailers wanting to sell to consumers across the continent need to provide far more detailed information about themselves and their products as well as paying tax or duties on every single item which they ship.

The paperwork and costs associated with parcel deliveries has been sufficient for many UK brands to stop selling to EU consumers completely.



For a significant number of those which continue, the headaches caused by the administration of outbound consignments are compounded by those created by the important parts of the new returns process - providing a trouble-free system for customers, ensuring the swift repatriation of goods and trying to reclaim duties which may have been paid.

That undesirable reality has become especially acute for UK retailers keen to tap into one of their principal global markets, located on the other side of the Irish Sea.

The Republic of Ireland is the UK's third largest trading partner overall, accounting for £35.3 billion worth of trade. However, **when it comes to fashion - the product category which is responsible for the highest proportion of returns - Ireland is the UK's second biggest export market of all.**

If the returns picture looks daunting enough, we also need to bear in mind two more very topical issues.

The flipside of the pre-Christmas shopping surge takes the form of a deluge of returned items in the first week of the New Year. In fact, the number of purchases sent back on the first working day of the year is double the daily proportion in December.

As with deliveries, service levels are perhaps understandably impacted by increasing volumes. Yet with speed and convenience of returns critical in determining possible repeat business, retailers cannot afford delays or mistakes.

The number of items being returned by post or courier rather than to high street stores may also rise once more as authorities insist on the need to maintain social distancing rules or in the event of further lockdowns.

A convenient solution just around the corner

Convenience is arguably the key consideration in e-commerce. In addition to presenting shoppers with a world of produce via their computers, tablets and mobile 'phones, online retail now offers a multitude of ways to take delivery of purchases.

Consumers have come to expect the entire returns process to be just as straightforward - from the point at which they inform retailers that they don't want to keep a purchase to receipt of their refund.

However, with returns constituting a large part of e-commerce operations overall, retailers too are increasingly placing an emphasis on reducing the expense and investment of labour which it entails.

Given that few retailers offer free express carrier pick-ups from customers' homes, the returns process usually involves either shoppers being asked to download, print and affix a label to the item which they pack themselves.



This Christmas, the drop2shop system established by Coll-8 Logistics will handle three times more deliveries and returns than last year due to an influx of major UK retailers.

Having taken the goods being returned to a nominated store or post office, they are provided with a manual receipt.

If the items aren't sent back via postal channels, the actual return can take a number of weeks. Some carriers wait until they have consolidated a full load of returns before shipping them to retailers. In some cases, retailers don't know the exact items being returned until they receive them.

Refunds are generally only made when goods are back at distribution centres. Brands now also face the task of trying to claim back whatever taxes or duties were incurred in the original delivery.

It is time-consuming for both consumers and retailers. As a result, many e-commerce firms are choosing methods which are more secure, faster and more cost-effective.

Drop2shop offers complete flexibility for shopper and shipper alike. Consumers can select the items which they are returning and choose which convenience store from a nationwide network they want to leave them at.

Having made their online selection (information which is instantly available to the retailer), they're given a QR code which is scanned at their store of choice. Shop staff then print and fix a bar-coded label and the package is dispatched back to the source e-shops via the same, secure BWG vehicles which bring store stock on a daily basis.

With no additional infrastructure needed, drop2shop can keep its rates competitive. Furthermore, the delivery and returns processes are not only secure but generate less of a carbon footprint than rival systems.

Retailers also have the option of deciding the frequency of inward shipments from Coll-8, so helping spread the surge in returns post-Christmas or maintain efficiency throughout the year.

Coll-8 has the further advantage of having developed an in-house automated customs clearance system that helps retailers with the process known as **Returned Goods Relief (RGR)**, by which they can claim back duties paid on deliveries from the UK to the Republic of Ireland.

Summary

It is clear that returns pose a significant challenge to e-commerce firms of all sizes. No matter how effective deliveries are, clothing and accessory retailers in particular can expect to see large amounts of purchases sent back.

Addressing the issue effectively now requires more than just asking shoppers to be responsible for much of the process.

Providing them with convenience is key to retaining their custom but, of course, that can represent a huge outlay, especially during the peak shopping season.

Thanks to an increase in online shopping during the pandemic, however, these problems extend throughout the entire year, not just at Christmas.

To avoid even healthy sales figures being undermined by the returns conundrum, the most effective approach for retailers arguably lies in solutions which are integrated, flexible and easier to manage.

The alternative is to rely on many different fixed functions which require the investment of considerable effort and expense to oversee, yet may still be unable to scale up to respond to circumstances and patterns in consumer behaviour.