



Reverse logistics & the return on returns

According to market updates, 30 per cent of products sold on e-commerce platforms are returned, and this is what has been driving the cargo segment in the country. **CARGOTALK** explores the pros and cons of reverse logistics.



Kalpna Lohumi

With the Indian e-commerce market growing four-fold to US\$150 billion by 2022 fuelled by rising incomes and a surge in internet users, reverse logistics has a bright future. Reverse logistics refers to the process of return of a product to the manufacturer or company. To make the customer's experience count, e-commerce sites are going the extra mile by ensuring they have a good return-and-replace

policy. The rising consumer demand for free and fast product delivery correlates to a surge in product returns.

Fulfilment and returns go hand in hand and represent the two halves of the supply chain. While fulfilment means bringing products to the market, returns take the product back into the supply chain. In this feature, industry experts talk about the growing relevance of reverse logistics in India.

Kushal Nahata, CEO & Co-founder, FarEye, says, "Most supply chains will stop measuring the success of their goods once the product is shipped and delivered on time. While this can be an accurate measurement of customer satisfaction and profit, it doesn't account for all cases. It is interesting to note that as much as 30 per cent of all orders placed online are returned compared to only 8.89 per cent when purchased from brick-and-mortar shops. This



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have turned out to be higher for e-tailers. Consequently, they're welcoming players who can offer efficient solutions and are willing to pay the cost," he continues.

Sharing a consumer perspective, Nahata adds, "Reverse logistics is extremely crucial as well. Just like after ordering customers expect a seamless delivery experience, the same goes with returns. In fact, it can be more challenging as a customer is unhappy with what he received in the first place. Hence, a seamless execution of reverse logistics can go a long way when it comes to retaining customers."

Ajay Khosla, General Manager [NORO], Scorpion Express, says, "Reverse logistics is the latest game changer. These days, when we talk about supply chain management of e-commerce, it is not limited to the logistics of getting the goods delivered to the customer but a complicated process that continues even after last-mile deliveries."

He adds, "Few years ago, the reverse logistics market was mostly unorganised, but today it is a demanding and high-yield segment as every e-commerce operator or other industrial sector is focusing on consumer satisfaction. Today's SCM does not end at delivery of the good but various aspects come into the big picture, including return, repairing, refund, and reselling. Today, e-commerce companies use reverse logistics as their biggest USP. It is considered a key component to get repeat orders and so, the growth of an e-commerce company is associated with the robustness of its reverse logistics network."

Echoing a similar view, **Sandeep Sharma**, Founder & CEO, Cogent Transware Solutions, adds, "India

is a growing economy and reverse logistics can play an important role in fuelling its growth. Whenever a consignment is rejected, a loss is borne by the manufacturer as well as the end customer, but reverse logistics can surely help evade the crisis. Where recycling of the products and packaging material is the first thing that comes to mind, value recovery of product, component, and material is the new focus of companies. This concept of returning, recycling, and reusing in logistics is popularised by market players because it helps them in asset recovery.

Instead of completely discarding the product, it can be restocked and re-used in similar or new markets, thereby recovering some of the losses. Besides these, increased competitiveness, economic benefits, and environment concerns increase the relevance of reverse logistics in India. Globally, as companies continue focusing on carbon credits, reverse logistics can help in creating green supply chains for almost every company."

Prateek Sharma, CEO & Co-founder, Courierhome, says, "Reverse logistics is positively correlated to the growth of the e-commerce industry, the reason being that 30 per cent of products sold online are returned, which are carried under reverse logistics."

According to **Abhik Mitra**, Managing Director & CEO, Spoton Logistics, "Reverse logistics is growing rapidly as the consumption of electronic goods, high-end apparel, high-end lifestyle goods, etc., has increased."

Providing his opinion, **Sushil Rathi**, COO, Mahindra Logistics, says, "The e-commerce industry, which witnesses an average of 19 lakh shipments a day, has given



Kushal Nahata
CEO & Co-founder
FarEye

“Most supply chains stop measuring the success of their goods once the product is shipped and delivered on time”

Trends

- Increasing customer demands and the need to reduce the carbon footprint are important factors that are making reverse logistics relevant today.
- As reverse logistics matures, more specialised techniques and tools are being developed to help those in this industry do their jobs better and faster.

is what is driving the segment in India. Until a few years back, the reverse logistics market was mostly unorganised, with small truckers facilitating the movement of goods. Hence, e-commerce majors were finding it difficult and preferred organised players. Cashing in on the opportunity are an increased number of reverse logistics firms. However, players who look at reverse supply chain holistically to provide an end-to-end solution are few and far between."

He feels that reverse logistics that directly impact supply chains the most are the return of products from the end consumer to the manufacturer. "In the past few years, reverse logistics volumes



Trends

- The introduction of automated vehicles is also expected to increase efficiency in the sector by leaps and bounds.
- Unlike forward logistics, reverse logistics require a detailed plan of action considering all economical and technical aspects such as warehouse and transportation management, restocking, and recycling.
- It has led to the development of software and technology to collect and process data to effectively manage the reverse logistics process.

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the long haul, robust reverse logistics is a necessary evil. Such companies now understand the complexities of reverse logistics in India. While conventional logistics deal with the processes and events used in bringing a product or resource to the customer, reverse logistics takes at least one backward step in the supply chain. The cost of reverse pick-ups poses a big challenge for e-commerce players."

"While one aspect is the logistics cost which gets added up for each returned product, the other issue is what eventually happens to the returned product. Manufacturers and distributors have set up certain policies to not take back beyond a specific percentage of the returned goods. This implies that e-commerce companies will have to take back inventory for these returned items and will later have to auction the products at a discounted rate.

The unprecedented rise in the number of internet users from beyond the big cities is fuelling the growth of digital industries in India, including e-commerce. However, with 70 per cent of the Indian population living in rural areas, infrastructure issues pose massive challenges for logistics management (forward and reverse) in the country.

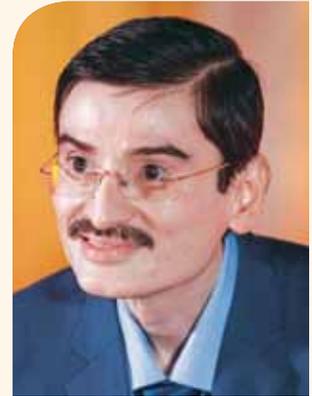
Despite all the shortcomings, one thing seems certain: by paying proper attention to asset recovery and reverse logistics, companies can cope better with issues such as growing customer expectations, shrinking product lifecycles, intensifying cost pressures, regulatory compliance, and heightened environmental awareness," he continues.

Sandeep says, "Lack of clarity on taxation and documentation poses a great challenge in reverse logistics. Cost management is a big issue because its implementation requires allocation of additional funds and resources than required in the forward flow of goods. For tracking and tracing the returned products, remanufacturing, recycling, and reusing, the IT and technological systems are required through all stages of the product lifecycle, that are quite expensive and may incur extra costs.

The cost-efficient reverse supply chains are, often, not fast and quick because of the lengthy procedure of remanufacturing and reusing. As the returned product keeps on taking time, the economic value of it keeps on dipping low."

Prateek says, "It's very hard to execute and implement the operation from a single point for a pick-up. The process also involves huge costs for e-commerce players as well as courier partners. Also, the high level of dependency on the customer at the time of pick-up is a big challenge."

Seconding the opinion, Mitra adds, "The primary challenge is managing pick-up, particularly because returns are small in volume and fragmented in nature. Usage of technology



Sushil Rathi
Chief Operating Officer
Mahindra Logistics

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and processes in the system is critical to achieve excellence in this area.”

Rathi concludes, "Considering it is at a nascent stage, the main challenge remains educating the clients on the benefits. The realisation of true value of these goods, inconsistent supply, and finding the right customers for these returned goods without cannibalising the fresh stock are some of the pain points the industry faces today.

In addition to these, some of the other challenges faced are also those faced in forward logistics and include geographical constraints, infrastructure issues, and documentation among others." 📌