



A Better Future for Surplus

Recovery and Efficiency

Are retailers positioned for reverse logistics success?

Benchmarking research conducted
by Elastic Solutions

Survey Background

In 2023, Liquidity Services partnered with Elastic Solutions to perform a benchmarking survey: **Recovery & Efficiency: Are Retailers Positioned for Reverse Logistics Success?** This executive brief summarizes the findings.

Our goal was to understand how retailers globally handled returns management and reverse logistics. Were processes and technology optimized for increasing recovery and accelerating reverse logistics success? Please read on to view the results and see how you stack up against your peers in the retail industry.

Survey Structure

Key points on how the survey was administered:

- More than 100 supply chain and logistics leaders from Fortune 1000 retail organizations participated in this voluntary survey.
- Survey respondents represented a wide variety of segments within retail, including fashion, footwear and apparel, beauty and cosmetics, electronics, furniture and home furnishings, general merchandise, and more.
- The survey solely targeted the retail industry.

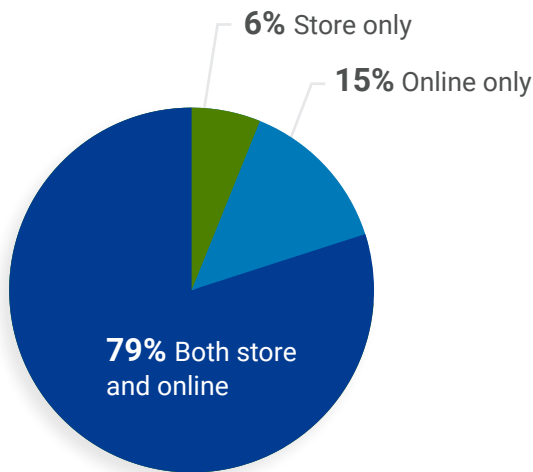
Retailer and Survey Respondent Demographics

Retailer type, positions, and department were key demographics among those surveyed. Almost **80%** of respondents represented retailers that had both a store and online presence. Six percent were store-only retailers and 15% were e-commerce/online retailers only.

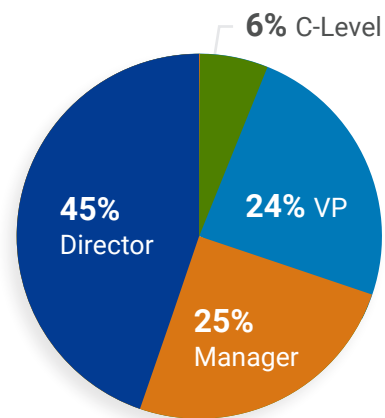
Of the survey respondents, **75%** held titles that were Director-level and above. This is important,

because we wanted insights from individuals who were stakeholders in their organization's returns management and reverse logistics processes.

Over 7 in 10 said that the supply chain department was responsible for their returns management—more than twice as much as any other department. Other departments that were also well represented included Operations (36%) and Planning (35%).

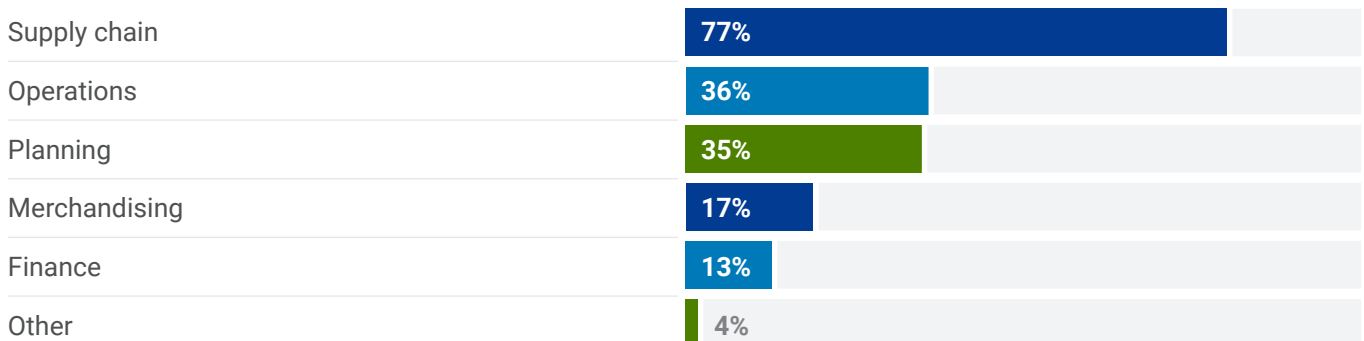


What type of retailer are you?



Survey respondent job functions/titles within their organization

Departments responsible for returns management



Multiple responses were allowed

Insight

Handling returns is a complex issue for lots of companies. About **61%** of those surveyed mentioned that various departments in their organization shared the responsibility for managing returns. On average, two departments were involved in returns management, but some companies had as many as five departments taking care of returns.

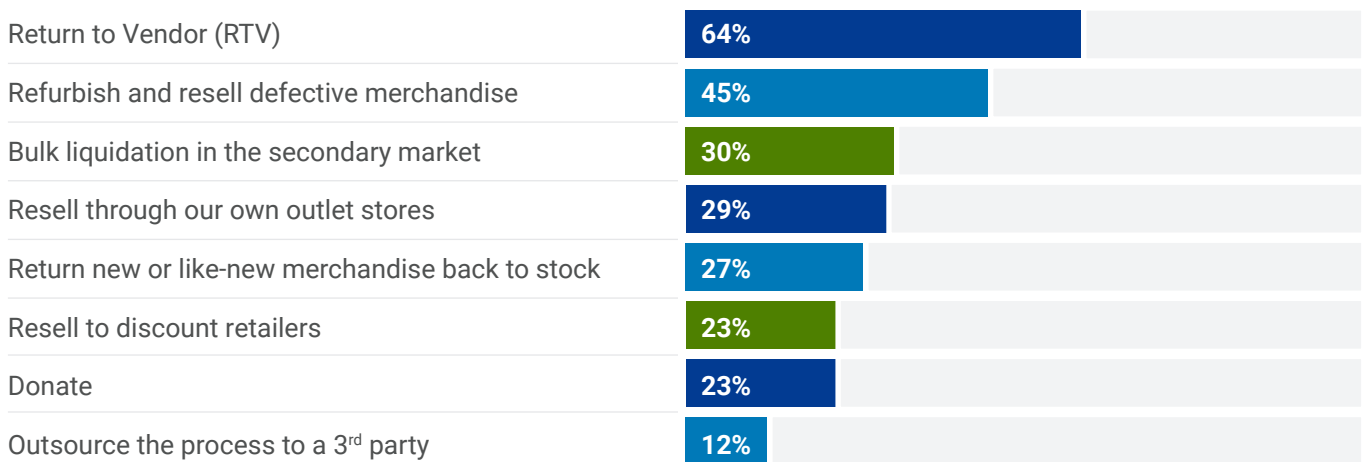


Methods for Liquidation

Survey respondents face several challenges liquidating or reselling returned merchandise. Over 60% of respondents are returning product to vendor to recover costs, 45% are refurbishing at least some portion of their returns, and 30% are liquidating in the secondary

market. More than a quarter returned to stock, which was somewhat lower than anticipated, and varied significantly by type of retailer (online, brick-and-mortar, both). As expected, store retailers were in the best position to return items to stock.

What are your current methods for liquidating or reselling your returned merchandise?



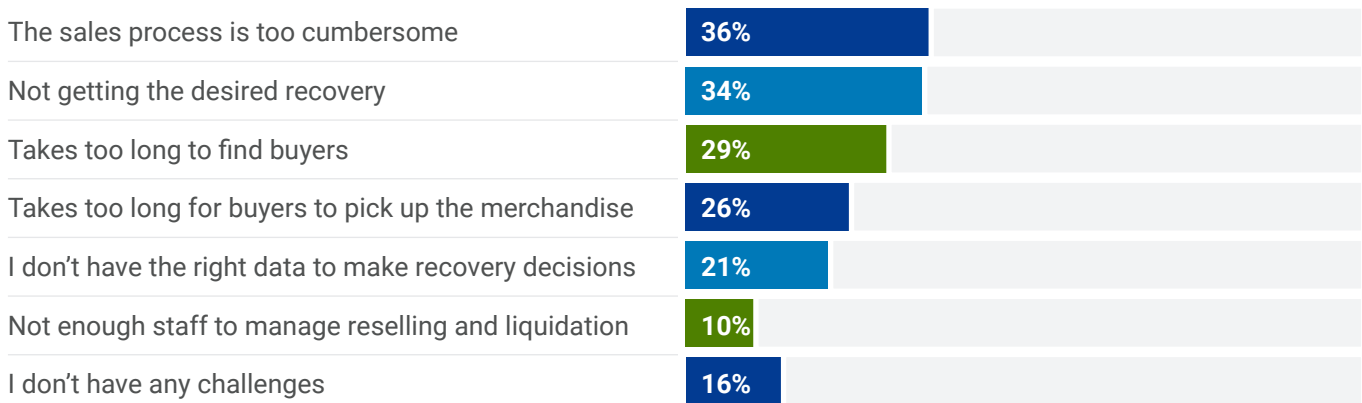
Multiple responses were allowed

Challenges with Liquidating Merchandise

You can tell from the data that survey respondents are facing several challenges with returns processing and returns dispositioning. Over 8 in 10 reported one or more problem with reselling inventory. Chief among

them: The sales process is too cumbersome (36%), they are not getting the desired recovery (34%), and it takes them too long to find buyers (29%). Only 16% of respondents said they don't have any challenges.

Challenges with reselling or liquidating returned merchandise



Multiple responses were allowed

Insight

For most retailers, the main hurdle was establishing a smooth liquidation sales process. A significant number faced issues with their current process. These problems included delays in finding buyers, a cumbersome process, and extended wait times for buyers to pick up merchandise.

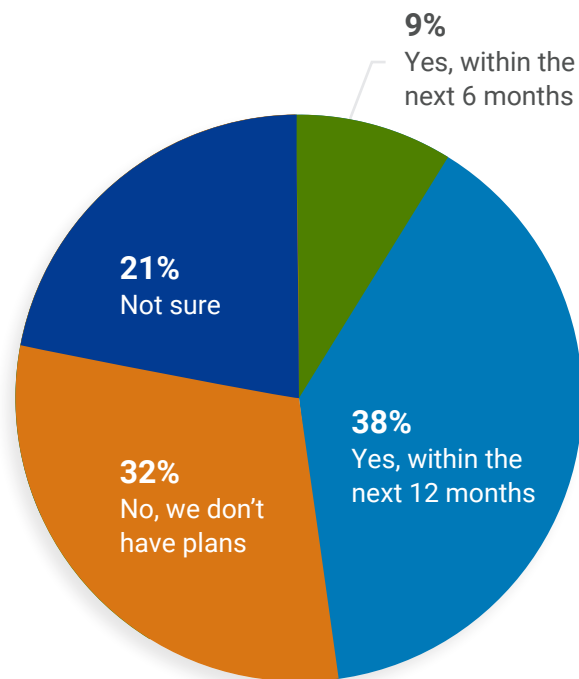
Plans to Improve the Recovery Process

Nearly half (47%) of respondents had plans to improve their recovery process within the next six to 12 months. Only 32% said their organization didn't have plans to improve.

Thirty-four percent of respondents had previously said they were not getting their desired recovery, and that they had multiple plans to change that narrative and improve the recovery process moving forward.

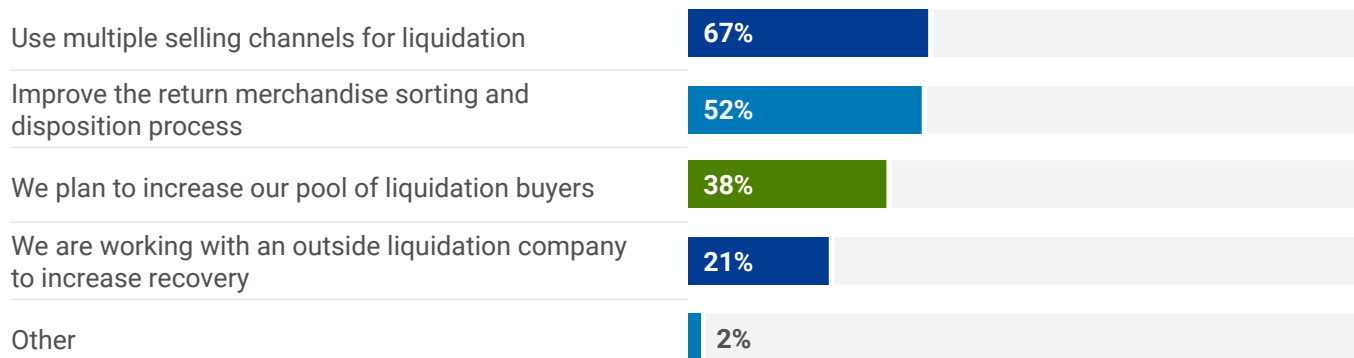
About two-thirds will use multiple selling channels for liquidation, and another 52% believe that improving sorting and disposition process will lead to improved recovery.

Only 21% said that they were working with an outside liquidation organization to increase recovery.



Do you have plans to improve your recovery process moving forward?

What are your plans to improve your recovery process moving forward?



Multiple responses were allowed

Insight

Using multiple selling channels is a smarter strategy than using only one channel. The secondary market consists of different buyers who prefer different channels, including both business-to-business and direct-to-consumer. Employing multiple selling channels is the most effective method for retailers to reach more buyers and maximize recovery.

Insight

Most respondents wanted to improve the sorting and disposition process. This improvement will decrease processing, transportation and storage costs, and improve net recovery, or Total Recovery Value.

However, doing so requires a combination of operational efficiency, expertise in the secondary market, and a deep understanding of buyer needs. If a retailer lacks any of these abilities, it's often more effective to outsource to a third-party liquidation specialist.

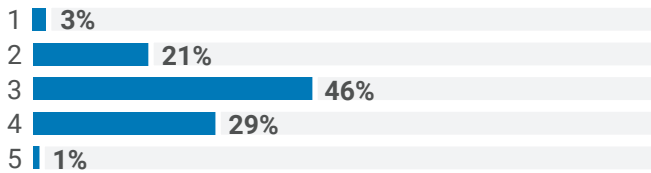


Reverse Logistics Efficiency

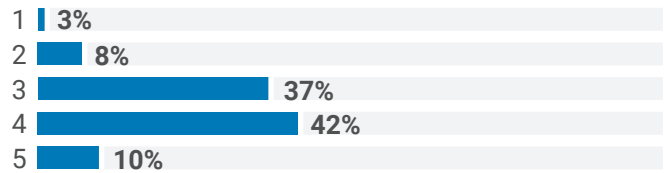
Rating reverse logistics efficiency across areas

(1 being not efficient at all and 5 being very efficient)

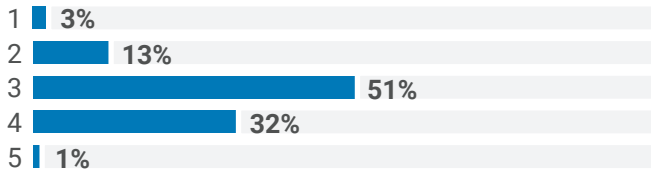
Return processing and dispositioning labor costs



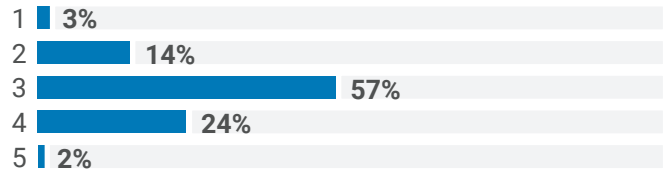
Space utilization in distribution or return centers



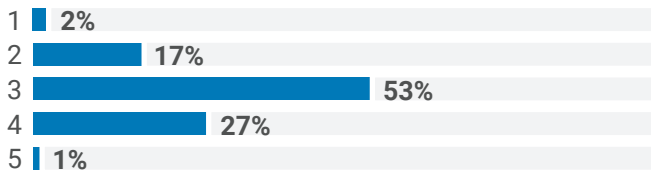
Return processing and disposition accuracy



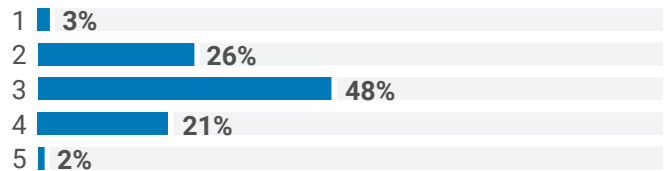
Reverse logistics cycle times



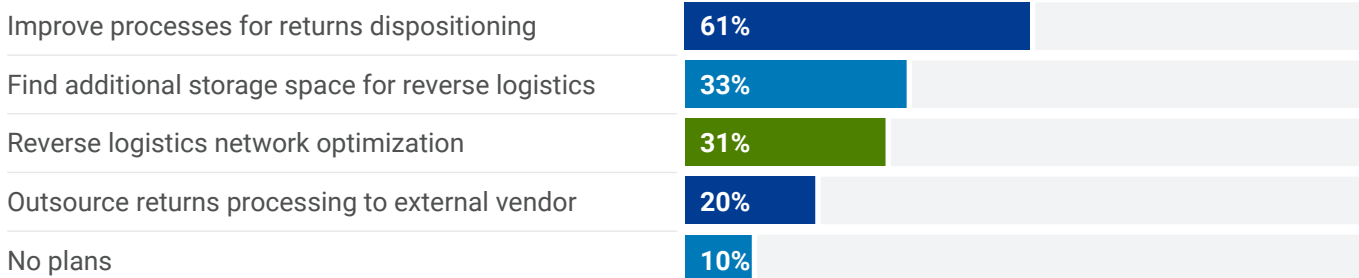
Reverse logistics transportation costs



Reporting and data visibility



What plans do you have to improve reverse logistics efficiency?



Multiple responses were allowed

Reverse Logistics Efficiency

We asked retailers to rate their efficiency across multiple facets of reverse logistics on a scale of not efficient at all (1) to very efficient (5). Most retailers fell somewhere in the middle, or “somewhat satisfied” based on the scale. No single area of reverse logistics was considered “not efficient at all” by more than 3% of respondents.

Additionally, only one area of reverse logistics – space utilization in distribution or return centers – was considered “very efficient” by more than 2% of respondents.

Reporting and data visibility was the area retailers felt was most lacking, with only 22% of respondents rating it as “efficient” (21%) or “very efficient” (1%).

Retailers had several plans to improve their overall reverse logistics efficiency, particularly in the area of process improvement for returns dispositioning (61%). About a third (33%) had plans to find additional storage space for reverse logistics. Only 10% of respondents said they did not have plans in place to improve reverse logistics efficiency.

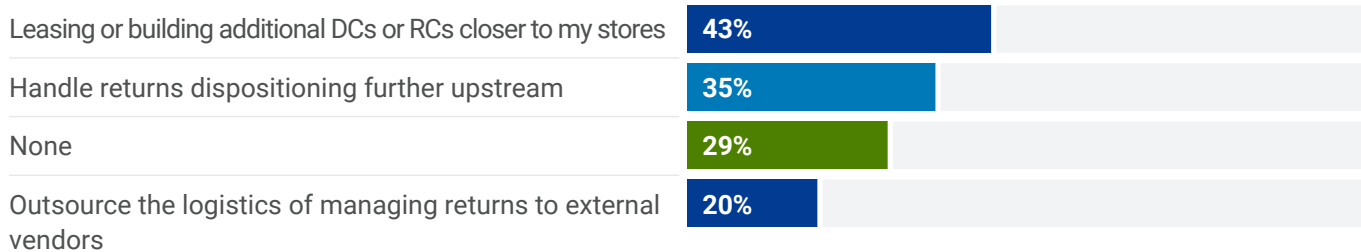
Insight

Retailers have historically struggled with inadequate reporting and data visibility in reverse logistics. Challenges include inconsistent data collection methods, outdated IT systems that can't track data through various return stages, and a lack of information-sharing among different stakeholders. The key is to define your reverse logistics performance indicators first and then ensure that the necessary data is available to measure them effectively.

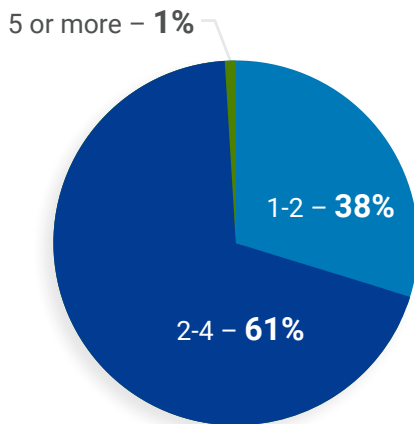
Many respondents prioritized improving the disposition process as a primary strategy to boost efficiency and recovery rates. Changing the disposition process without comprehending secondary market buyer needs can be counterproductive, potentially increasing processing costs and reducing net recovery.

Transportation and Storage

What plans do you have to reduce your legs of transportation moving forward?



Multiple responses were allowed



How many legs of transportation do you have in your reverse logistics operation?

Legs of transportation were defined as the number of times a returned product was transported until it reached its final disposition. Most respondents (61%) had two to four legs of transportation in their reverse logistics operations, and 1% had five or more.

The two primary ways retailers planned to reduce their legs of transportation were by leasing or buying additional DCs or RCs closer to their stores (43%), and by handling returns dispositioning further upstream (35%). Over a quarter (29%) had no plans to reduce legs of transportation.

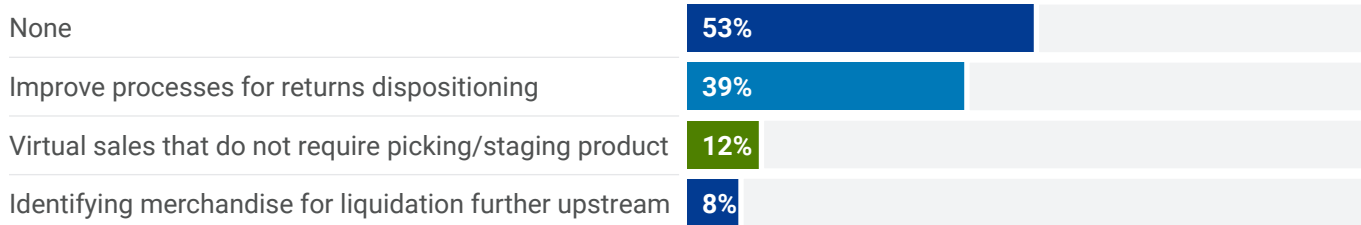
Insight

Increasing the number of transportation legs results in higher costs and longer time frames. Streamlining this process can lead to cost savings. The first step is to use your current distribution and return centers to optimize transportation for reverse logistics. If adding new centers isn't feasible, outsourcing to a reverse logistics service provider may be a better option. Not every return requires the same transportation route. Assess each return's disposition separately and optimize the routing based on Total Recovery Value criteria.

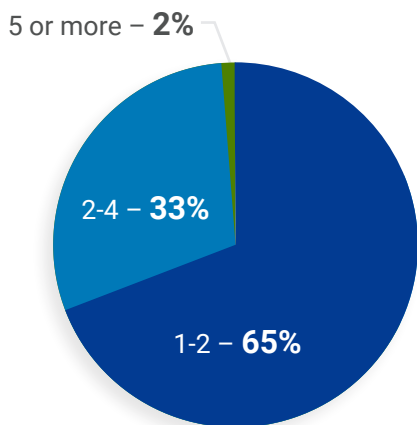
Decreasing transportation legs is also good for reducing your carbon footprint. Improvements such as more accurate manifesting and efficient cubing of liquidated products can result in higher recovery gains downstream.

Transportation and Storage

What plans do you have to reduce your number of touches moving forward?



Multiple responses were allowed



How many touches do you currently have in your reverse logistics operation?

Touches were defined as the number of times a returned product is handled before reaching its final disposition. About two-thirds (65%) of retailers had just one to two touches in their reverse logistics operation, and 2% had five or more.

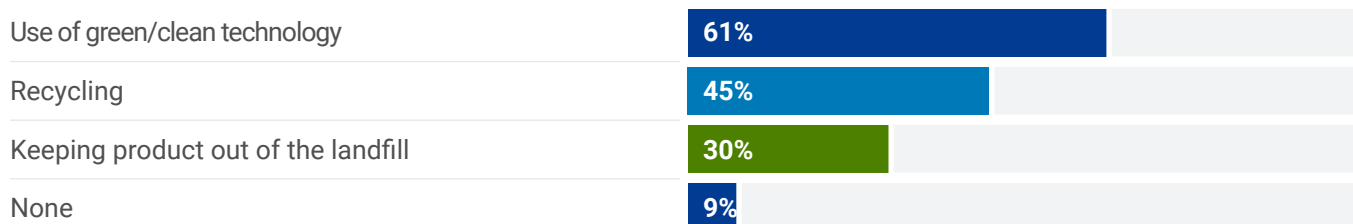
Because 65% only had one to two touches, it's not surprising that 53% of respondents did not have plans to reduce their number of touches moving forward. Of those that did have plans to reduce touches, 39% believed that improving their processes for returns dispositioning would achieve the reduction they are looking for.

Insight

Some returns and inventory flows might justify additional touches. For instance, returns of high-value retail products could benefit from additional touches to refurbish and enhance their resale value. To make the most of this, segment your returns and apply the Total Recovery Value framework to determine the optimal number of touches. This ensures that each touch adds value to the process, leading to better overall recovery.

A Word About Sustainability

Sustainability goals and initiatives for reverse logistics operations



Multiple responses were allowed

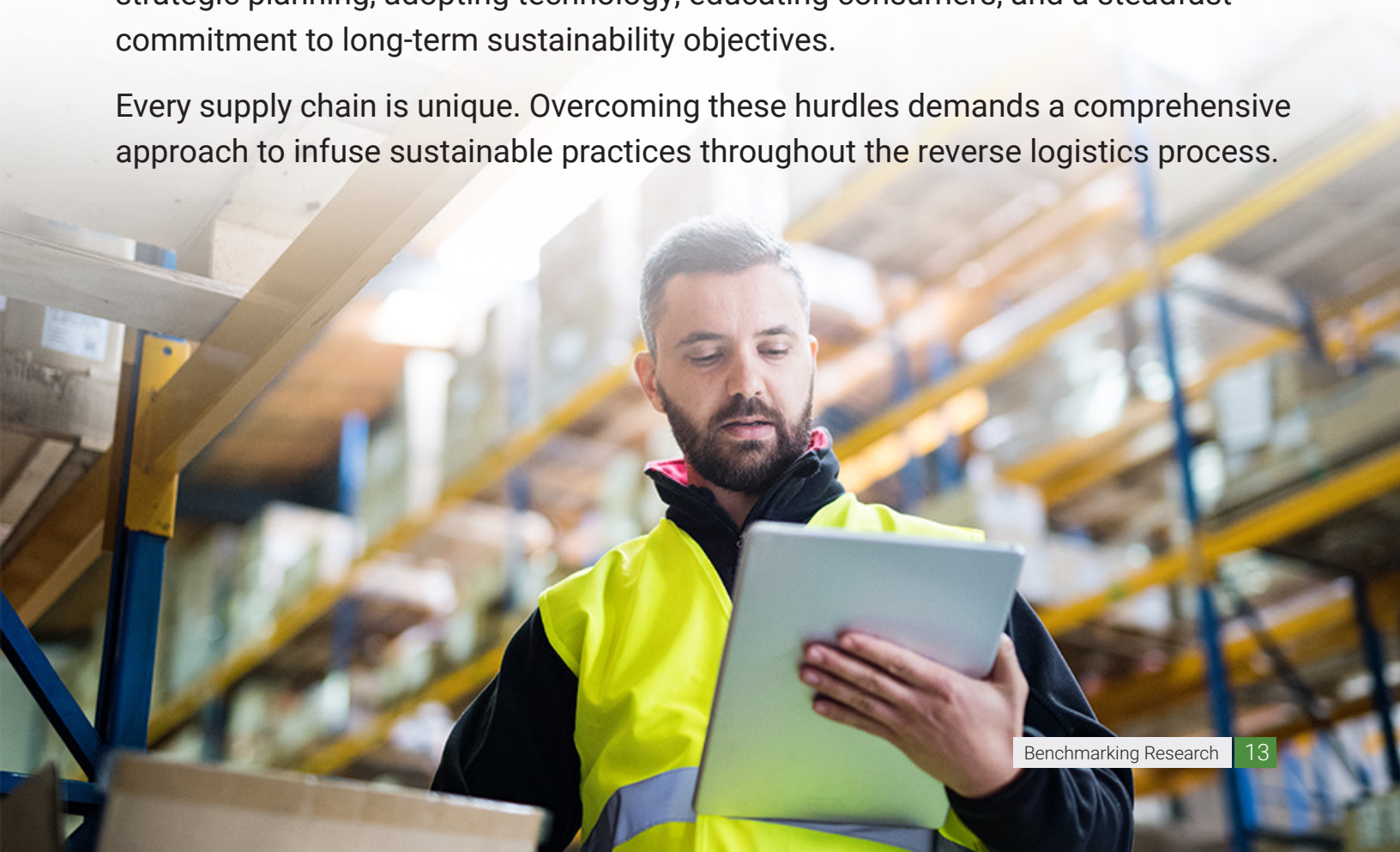
Sustainability is an important goal for most survey respondents. Only 9% of respondents said that they didn't have any sustainability goals or specifically for their reverse logistics operation.

The majority of retailers were looking to use green/clean energy (61%) and recycling (45%) to contribute to their sustainability efforts.

Insight

Incorporating sustainability into reverse logistics can be challenging. It requires strategic planning, adopting technology, educating consumers, and a steadfast commitment to long-term sustainability objectives.

Every supply chain is unique. Overcoming these hurdles demands a comprehensive approach to infuse sustainable practices throughout the reverse logistics process.



Summary

To conclude, there are clear gaps in retailers' reverse logistics and returns management procedures. With escalating customer demands and expectations, improving reverse logistics efficiency is essential for success in today's competitive retail market. The data in this executive brief strongly indicates that retailers recognize this need. Here are some noteworthy highlights:

- 1 Creating an efficient liquidation sales process is the biggest challenge for retailers. Over 60% reported at least one challenge with their current sales process.
- 2 Retailers have immediate plans to improve the recovery process, with 47% looking to do so within the next 6-12 months. Over two-thirds believe using multiple selling channels for liquidation will help them achieve improvement.
- 3 The data underscores retailers' dissatisfaction with their efficiency. Across six aspects of reverse logistics, an average of 49% indicate only moderate efficiency, while another 17% admit to being inefficient. There is work to be done to increase reverse logistics efficiency.
- 4 To enhance reverse logistics efficiency, retailers intend to focus on improving returns dispositioning processes (61%), securing extra storage space for reverse logistics (33%), and optimizing their reverse logistics network (31%).

Whatever your goal—whether it's crafting an efficient sales process, adopting multiple selling channels for liquidation, or enhancing returns dispositioning—successful implementation hinges on operational excellence, secondary market expertise, and a profound grasp of secondary market buyer preferences. Leveraging a reverse logistics expert specializing in the secondary market can accelerate your implementation strategies and help you achieve your ROI targets.



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About Liquidity Services

Liquidity Services (NASDAQ: LQDT) offers a full spectrum of reverse logistics capabilities to retailers and OEM brands that improve efficiency, reduce costs, maximize recovery, and ensure sustainability. With the world's largest B2B and B2C e-commerce marketplaces for surplus assets, plus over \$10 billion of completed transactions, more than 5 million professional buyers worldwide, and 15,000 corporate and government sellers, we support our clients' sustainability efforts by helping them extend the life of assets, prevent unnecessary waste and carbon emissions, and reduce the number of products headed to landfills.

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Elastic Solutions is a leader in developing targeted marketing and demand generation programs for the B2B community, including primary research.

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