REVERSE LOGISTICS IN E-COMMERCE

In recent years, the rapid development of e-commerce has created a vast market of online business; in which modern logistics have a huge space for development and improvement. E-commerce transactions cannot provide buyers with a real experience the object, as the buyer can only get to see commodities in form of pictures that often differ by a certain degree from the real product. So in recent years, the returned volume of e-commerce has increased sharply. In a country like India where the concept of E-commerce is itself very young, sometimes the lack of good return channels becomes the main reason for the customers to give up on-line transactions.

Many well-known foreign companies take reverse logistics strategy as an important tool to reduce costs, increase customer satisfaction and strength the advantage of competitive. As a result, e-commerce development cannot neglect the support of reverse logistics and the efficient operation of the reverse logistics is dependent on the framework of e-commerce.

Before we proceed further let us have a look at some facts and figures.

- 85% of customers say that they will stop buying from a business if the return process is a hassle (Harris Interactive)
- 95% of customers say that they are more likely to shop or business again if the online returns process is convenient (Harris Interactive)
- 40% of shoppers don’t buy online due to the fact that they have problems in return (Jupiter Research)
- Customers who have their complaint resolved quickly have a re-purchase intention rate of 82% (McKinsey)

These percentages are self-explanatory to the fact that why there is need of advanced reverse logistics in case of e-commerce business.

So, let us get understand what actually is “Reverse-Logistics” and what is its need specifically in the field of E-commerce.

Reverse logistics is a service that has been around since a long time. It can be defined as any processes related to the reuse of a product(s) after it has been sold. In last few decades, reverse logistics has played a key role in industries such as automotive, industries with overstocks, end-of-life products and parts requiring refurbishment to make them suitable for resale. But recently in the last few years, reverse logistics has sharpened its focus on its position in the e-commerce market.

Reason - There has been an ever increasing growth of returns resulting from the rise of e-commerce at the consumer level. Customers knowingly order more products and different sizes because they understand that the return will not cost them. But if it’s not them then still out there, someone does incurs this cost, so the key is to make the process more efficient and here it is where Reverse-Logistics comes into picture. It’s no secret that a positive experience delivered to an E-commerce customer determines whether that customer will come back or not. By incorporating new strategies to optimize this process, the online shopping portals can increase their customer retention and add new revenue streams to the direct business beyond the traditional shopping channels.

For an e-Commerce store Reverse logistics is a challenging part of the business. Customer service is essential to getting and then being able to retain your online customers and thus handling of your customer product returns is an important component of your customer service program. But in order to effectively deal with product returns you need to ensure that you are addressing not only the needs of your customers, but also the needs of your company which includes minimizing the cost and impact of the returns on your company since they can have a very significant part in your company’s profits.
Here’s an outline of framework of Reverse Logistics applied in E-commerce industry:

**Problems of reverse logistics development in e-commerce environment**
There are many same points between Reverse Logistics and the Forward Logistics, such as: packaging, handling, transporting, storage, processing and other functions, but still there are few characteristics which are peculiar only to Reverse Logistics and which make reverse logistics an enormous challenge.

Two challenges as in Reverse Logistics process:

**Internal neglect**
Reverse Logistics has become an important part of management strategy in many foreign countries. In recent years, although many companies set up special recycling departments and reverse logistics recycling system, but in India we can clearly see that many E-commerce portals such as Myntra, Jabong, Shopclues, Naaptol etc still excluded the reverse logistics from the activities of business strategy and do not have a proper framework to tackle it.

**The higher complexity system**
In the reverse logistics system, there is a high degree of uncertainty on the time and quantity in recovery process of the consumer or end-market, at the same time the Internal logistics of reverse logistics system reflect each other, this leading to reverse logistics system is lack of effective control, and thereby the complexity of the system is increasing. In addition, enterprises can’t predict the condition of recovery, coupled with the high costs of delaying, so it is difficult for us to use many already existing e-commerce applications, forecast technology and mathematical model in supply management.

As I already had stated that India’s E-commerce market is young and when it comes to reverse logistics, there is still no proper framework to efficiently manage the costs involved, which can simply be attributed to the lack of experience in reverse logistics.

Although for the conventional forward logistics, business usually has a perfect system of statistical analysis. But when it comes to reverse logistics, the pundits at firms found themselves in a jeopardy that where to start. How many reverse Logistics? How to get the reverse logistics data? How to manage? This leads to extremely low efficiency and account for some major losses.
Analysis focused on to develop reverse logistics channels in e-commerce environment
Enterprise senior management should return full attention to reverse logistics and returns management. Business should strengthen the co-operation with retailers and service providers. Enterprise information management need speed up the pace, so that all the logistics business activities will be finished under the guidance of information system, in order to achieve timely and accurate feedback, analysis, forecast. Business should strengthen the staff's awareness of reverse logistics cost management, make costs reducing from the work of the reverse logistics management extended to all business sectors.

Few policies that might cut-short these cost based losses:
**Non-Return policy for some commodities**
Many network marketing companies sell products whose value is relatively low or which are simply one-time consuming goods, in such cases business entity will lose much if the return policy is also taken into consideration, for all such cases a Non-Return is possible. Companies may sell such consumable items with proper discounts but under the condition that the company will no longer accept the return through this economic compensation. In this way zero returns can result in reduced management costs.

**Establish appropriate supporting mechanism of talented people**
Human resources are the source and basis of development of any policy for a business entity and reverse logistics can’t be separated from the scope of human resources planning mechanism. In India the backhand operations team/human resource of forward or reverse is currently relatively weak; the average level of education is low, which in turn makes it difficult for them to adapt the needs of the development of reverse logistics. So measures should be taken timely to meet the urgent need of talents.

Reverse logistics provides a platform for companies to better communicate with customers; the e-commerce environment is a more efficient tool and infrastructure for reverse logistics. With the further development of e-commerce, the reverse logistics will become a huge competitive advantage for e-commerce. Research on reverse logistics, setting of reverse logistics strategy, improving the reverse logistics system are the demands of the hour and are essential for the healthy development of any e-business. India’s e-commerce companies need to seriously study the phenomenon of reverse logistics, pay attention to the fact that reverse logistics can bring in some real value and build a pro-active reverse logistics mechanism.
To conclude Reverse Logistics in E-Commerce is No Longer a HOPE to have but a NEED to Have.

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