WHITE PAPER

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Mobile Retailing and the Point of (No) Return

Consumer technology companies like Apple no longer have the corner on the market for mobile technology at the point of sale. Increasingly, retailers such as The Home Depot, Nordstrom, and Finish Line have adopted such practices to enhance the customer experience . . . and unlock sales opportunities.

They understand that the longer a consumer waits in the store for customer service or in line to checkout, the more time they have to consider whether they need the items, increasing the likelihood that they will postpone the purchase or walk away altogether. Mobile technology nearly eradicates this hurdle by offering the customer the opportunity to check stock or checkout from anywhere in the store. However, in doing so it can present challenges when trying to merge this sought after mobility with the concepts of best-in-class merchandise return capabilities, while keeping retail loss under control.

4 Key Decision Drivers

As retailers rush to adopt mobile practices to maintain a competitive edge, they need to consider all transactional angles. There are many details for deliberation, but we suggest focusing on these four questions as the main decision drivers.

1. WILL YOU PROCESS MERCHANDISE RETURNS ON A MOBILE POS DEVICE?

Will your in-store mobile POS process returns? And if so, do you want to process returns throughout the store or at a fixed location for a more thorough examination of the returned merchandise and a standardized process? If it is being processed on a mobile device, can the original receipt be located by receipt number or consumer identifier? Will it work with paper-based and e-receipts? And if you already do consumer-based return authorization, can you also perform that on the mobile device? If not, there is a gap in your process.

2. WILL YOU ALLOW CONSUMERS TO PROCESS RETURNS VIA THEIR OWN MOBILE DEVICES?

What will you do differently if you allow consumers to transact on their personal mobile devices in your store? Will consumers be able to process their own returns on their mobile devices, or will you limit them to sale transactions? Do you want to give consumers this much control? You may do it on the web, but should you do it in-store when you could enforce tighter controls? And if enabled, should the consumer self-identify, or will you require a store associate to be involved at some point to validate the existence of the shopper and their merchandise and better balance this potential point-of-fraud?

3. WHAT ARE YOUR ACCEPTABLE FORMATS FOR ORIGINAL RECEIPTS?

In the case of a consumer making a return with a digital receipt: Are you able to look it up the way you would a paper receipt? Are your systems able to support an in-aisle receipt look-up? Is the salesperson confident it is valid and not duplicated or edited? What is the timeframe since purchase, and do you have latency

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issues? In general, are your store associates, managers and/or LP staff armed with more or less mobile receipt access than your customers? And if it's less, how much risk are you now susceptible to?

What about a customer with no receipt? How will you look it up, and furthermore, how will you identify the consumer to ensure you are providing the best customer service while still mitigating risk?

4. HOW WILL YOU IDENTIFY THE CONSUMER MAKING THE RETURN?

If you also perform consumer-based return authorization, mobile functions may now make that easier. Consider whether you will be able to link back to the original transaction. Will the consumer's ID be captured at the point of return through a loyalty card or driver's license? And will the mobile device be able to scan, swipe, or photograph a form of ID? Maybe it is able to capture a new form of identification such as a bar code from Square or a PayPal identifier. Often, a consumer's smart phone might be used as identification. If so, is there a phone number or some other phone-based identifier?

## Examples of Mobile Returns

SIMPLE
A shopper enters the store with her item and paper receipt. An associate with a mobile device offers to help process the return on the spot. The associate quickly inspects the garment and finds no issues, then initiates the return function on the mobile device and uses its scanner to scan the bar code on the paper receipt. The digital version of the receipt is found via a quick look-up process. The item is scanned and is found on the original receipt, and the consumer's purchase and return history is instantly queried based on the credit card used in the original transaction. Return authorization approves the return and the shopper's card is credited. A receipt for the return is sent to a remote printer and the associate collects it and hands it to the consumer.

MORE COMPLEX
A shopper enters the store with his merchandise and no receipt. An associate with a mobile device approaches to help process the return. The associate quickly inspects the item and finds no issues, then initiates the return function on the mobile device. With no receipt presented, the employee offers to look up the consumer's prior purchases via his credit card, but the consumer paid cash. The item is scanned by the mobile POS device and, since this is a non-receipted return, a consumer identifier is required. The associate uses the mobile device to scan the bar code on the shopper's driver's license and the consumer's purchase and return history is instantly queried. Return authorization approves the return and the shopper is offered a merchandise credit, which he asks to be emailed to him, along with his receipt for the return.

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Detailed Flow Chart Outline

As you can see, the path to the right answer for you depends on many variables and may be different for each and every retail company. Let's consider below a more detailed example of what returns might look like in a mobile environment.
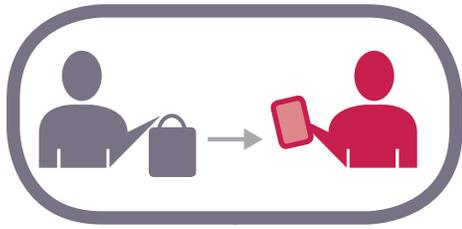
1. **Consumer and merchandise item arrive at store for return and interact with an associate who will perform the return on an in-store mobile device.**

2. **Does the consumer have a receipt?**

YES - Move ahead
NO - Can you look it up on the mobile device?

    YES - How? What information will you need to capture? Can you capture it on this device?
       • If capable, move ahead
       • If not found, do you have a process for non-receipted returns?
    NO - Do you have a process for non-receipted returns?

**3.** **Is the consumer's receipt paper-based?**

YES - Can you enter or scan the receipt into your mobile device?
NO - Can you process a merchandise return on a mobile device with an e-receipt?

    YES - How? What information will you need to enter? Can you enter it on this device?
       • If capable, move ahead
       • If not found, do you have a process for non-receipted returns?
    NO - Do you have a process for non-receipted returns?
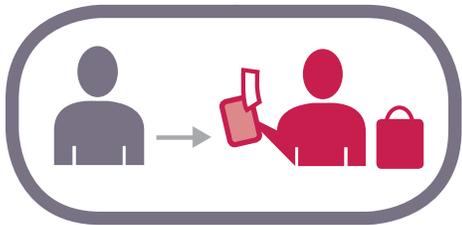
4. **Begin to process the return on the mobile device. Scan or enter receipt number and item bar codes.**

5. **Does your process require collection of a consumer ID during the return process?**

NO - How do you handle non-receipted situations?
YES - Mobile devices allow you more options than ever before to identify a shopper:
1. Loyalty card or loyalty info on a smart phone
2. Driver's license
3. Credit/debit card or credit/debit info on a smart phone
4. Bar codes from other payment services (like Square or PayPal) on a smart phone
5. Other consumer identifier on the smart phone
   - Can you capture or enter this type of consumer ID data?
   - Can you use this consumer ID data to validate the shoppers purchase and return history?

6. **Can you validate the merchandise return items are tied to the original purchase transaction and/or are permitted for return?**

YES - Move ahead
NO - How will you handle this merchandise return situation?

7. **Do your return management systems render decisions based upon shopper history, item validation, and other scoring methods?**

YES - Move ahead
NO - Determine refund taxes and tender, and complete the transaction

8a.

The shopper's return is approved.

Determine refund taxes and tender, and complete the transaction

How will you deliver a receipt to the shopper?
- Printed receipt
- Email
- Text

8b.

The shopper's return is warned; this return will be accepted, but no further returns for XX days.
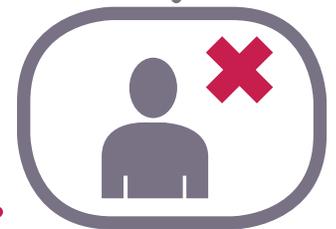
How will you deliver this warning?
- Printed receipt
- Email
- Text
- Verbal

Determine refund taxes and tender, and complete the transaction

How will you deliver a receipt to the shopper?
- Printed receipt
- Email
- Text

8c.

The shopper's return is denied.

How will you deliver this denial
- Printed receipt
- Email
- Text
- Verbal

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Return Considerations for a Mobile-Enabled Store

CHALLENGES

Merchandise returns already have risk in a traditional POS setting. Today, you must balance a flexible return policy to get shoppers interested in buying in the first place combined with a customer-friendly process at the return counter, as well as a process to ensure you are mitigating your risk of return fraud. Now, add in the prospect of a transaction being performed on a mobile device in any location in the store, and both your consumer experience and your risk increase exponentially. This major realignment of transaction processing pattern and location may be just the tipping point to reconsider your overall returns process. Don't just set new policies that might potentially impact your good and bad shoppers alike, but really dig in and determine how you envision your chain processing returns regardless of transaction location.

BENEFITS

There are many benefits to a mobile-enabled store. If your returns process relies in part on identifying the shopper at the point-of-return, you can achieve even more direct access to a known consumer. Because of the mobile environment and its ability to gather consumer information, you can easily reach them with messaging and promotions. And there is a considerable increase in the access to associates. You can more easily send alerts and provide remote access to data.

Ask the Experts Before Making the Transition to the Point of (No) Return

Before adopting a completely mobile environment, check with internal experts. Work with your loss prevention team to ensure any changes at the return counter don't have unexpected ramifications. Your internal LP team will play a key role in reducing fraud. Determine what your "acceptable risk" is and whether the benefit of moving to a mobile environment outweighs this risk.

And after you have checked with your internal team, work with external topic experts also. Seek out a company known for its ability to provide merchandise returns solutions and bring them in to complement the internal team. External experts help companies adopt new processes every day. It's likely they have seen your mobility scenario several times . . . in the last month alone. Work with them to develop the best process for your business model.

Finally, test the system before deploying it companywide. Create pilot stores and troubleshoot every mobile return scenario. Work with your internal and external experts to ensure every potential consumer situation is considered and worked out prior to launch. If you don't, there could be customer service ramifications well beyond the point of no return.