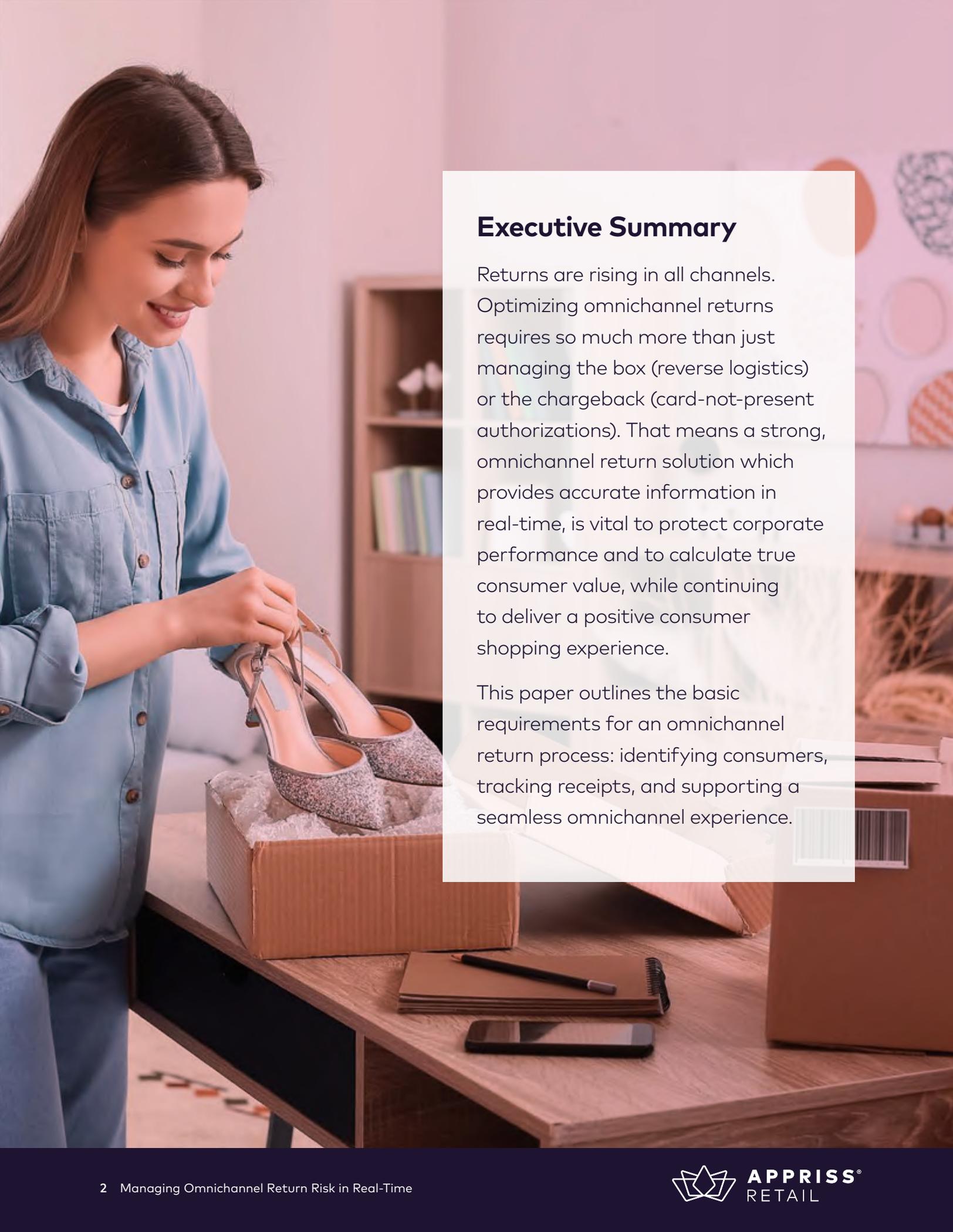




## Managing Omnichannel Return Risk in Real-Time

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## Executive Summary

Returns are rising in all channels. Optimizing omnichannel returns requires so much more than just managing the box (reverse logistics) or the chargeback (card-not-present authorizations). That means a strong, omnichannel return solution which provides accurate information in real-time, is vital to protect corporate performance and to calculate true consumer value, while continuing to deliver a positive consumer shopping experience.

This paper outlines the basic requirements for an omnichannel return process: identifying consumers, tracking receipts, and supporting a seamless omnichannel experience.



## Identifying Consumers Across Channels

To create a seamless return authorization process which works wherever a consumer purchases or returns an item, the retailer must select unique identifiers for each of its shoppers—such as a loyalty or account number—which helps keep track of shoppers across all channels. The authorization system can then consolidate all of a consumer's or a receipt's return activity with that specific retailer into one history.

Each retail channel favors particular unique identifiers for monitoring returns. When linking sales and return activity across channels within its company, the retailer should use a unique identifier that consumers are accustomed to providing in those channels.

- **Physical stores may require a loyalty card, credit card, or other ID such as a driver's license.**
- **Ecommerce, mobile, catalog, and other direct channels should use a hashed account number or some other identifier that is a natural part of the purchase process.**

You may ask, "Why identify the consumer? Isn't a receipt enough?" Unfortunately, because of fraud risk, the answer is "no." Some consumers buy, use, and return merchandise and perpetrate a variety of other scams using receipted returns. Traditional return systems are not designed to identify these "renters." As a result, the retailer loses money on every one of these transactions.

A renter sees the receipt as a permit to abuse the return policy. From a retail business perspective, the renter is stealing the margin associated with new purchases and preventing the sale of the item to someone who would keep it. Consumers engaged in more serious, intentional receipted return loss take similar advantage of a retailer's faith in its receipt verification system. There are many forms of intentional loss involving receipted returns such as employees ringing returns on consumers' receipts, reselling, price switching, or simply returning shoplifted merchandise.

To protect your retail performance, you should choose a real-time return authorization system that can accumulate consumer return histories for receipted returns and for non-receipted returns from all channels at your company.

**Some consumers buy, use, and return merchandise and perpetrate a variety of other scams using receipted returns. These "renters" do not shoplift or rob, so they do not trigger theft systems.**

## You May Think a Receipt Protects You, but You Need More

Requiring a consumer's ID along with a receipt offers far more protection than a receipt alone when combating renting, shoplifting, and other receipted return scams. In addition, consumers often do not have the receipt available, so retailers need to have the right systems in place to manage the risks.

### Retailers need to equip each point-of-return with:

- A method to identify receipts from any channel
- Access to purchase data for receipt lookup at the time of return.
- Statistical models that consider likely data errors and sequences of exchanges so that the retailer's decision to accept or deny a return is supported by facts.

**For retailers that require seamless, omnichannel return authorization, using one-way hashed account numbers is a good option.**

## Make Returns Easy for Consumers in All Channels

### IN-STORE PROCESSES

Using one-way hashed account numbers is one good option for retailers who want BORIS transactions to be seamless for the consumer. It is a good fit for brick-and-mortar stores which require a shopper to present the credit or debit card used to purchase the returned items (so that the retailer can credit the consumer's account). A natural next step in those stores is to require a credit or debit card for all returns. In this scenario, the retailer does not retain any cardholder data. The retailer only needs a unique identifier for each shopper to accumulate a return history at that company. A one-way hashed account number suffices and is not sensitive.

Retailers who do not require a credit or debit card for returns to brick-and-mortar stores can achieve omnichannel return authorization by linking the forms of ID used in the various channels. For example, they can use the ship-to name and address from online, mobile, or catalog purchases and require ID to obtain the same information for brick-and-mortar returns.

Internet, mobile, and catalog retailers may have additional information or processes that facilitate return authorization. In particular, Return Merchandise Authorizations (RMAs) and account registration numbers are helpful which is based on a consumer's prior return history at that retailer.

### **RETURN MERCHANDISE AUTHORIZATIONS**

An RMA process, one in which a direct channel shopper requests permission to return merchandise, offers a convenient point at which to authorize a consumer's return. As part of the process, a consumer's identification number, often an account number, is available for one-way hashing into a return history identifier. This alone, however, does not protect the retailer from abuse. Appriss Retail recommends that RMAs be authorized through the return authorization system as part of the approval process.

A retailer that does not have an RMA process may send its authorization requests to the return authorization solution when merchandise is returned, and then credit the consumer's account if the return is approved. If the system recommends a return be denied based on the retailer's prior transaction history with that consumer, the retailer may ship the returned merchandise back to the consumer or retain the item and not issue a return (as would be the case with the return of stolen merchandise).

### **ONLINE REGISTRATION**

Ecommerce retailers that require consumers to register online have an additional authorization option. These retailers can use a consumer's online account number as a unique identifier. Retailers which require online accounts and also want seamless multi-channel return authorization can require ID, such as a driver's license number, to establish an account, and then require the same ID to return online purchases to their brick-and-mortar stores.

**In some cases, an effective way to discourage the consumers who intentionally cause loss is to limit their ability to purchase online.**

### **AUTHORIZATION AT TIME OF PURCHASE**

In some cases, an effective way to discourage the consumers who intentionally cause loss is to limit their ability to purchase and/or return online. While the feasibility of this action depends on the retailer's consumer service philosophy, this option prevents such risk from taking up a retailer's time with order management, consumer service, and return processing.

### **Tailor the Returns Policy to the Consumer for Bigger Impact**

#### **DYNAMIC POLICIES BOOST YOUR RESULTS**

Along with supporting all the deployment options listed in this document, Appriss Retail's omnichannel optimization capabilities allow the retailer to customize the return policy for the shopper at the time the ecommerce purchase is made based on that consumer's prior return history with that retailer.

In this scenario, the ecommerce site sends the consumer's identity through Engage which uses real-time artificial intelligence modeling and data analytics to provide a recommendation to present to the consumer. These recommendations can, if desired, include conditions such as returns only with a receipt, returns allowed only in-store, final sale/no return, or other options. This process takes only milliseconds and allows the retailer to complete more sales while reducing its risk of loss and can also be implemented in store as well.

## What should you look for in your returns systems provider?

### 1. Bridging of brick-and-mortar and omnichannel

Retailers should take advantage of using all data on a particular consumer both from their brick-and-mortar stores and through omnichannel interactions.

**2. Single interface** Look for a straightforward interface to the return authorization system that can support any existing process in your brick-and-mortar or omnichannel business. If RMAs or online registration are used, the interface should accommodate them.

**3. Deployment speed** The longer you must wait to deploy, the higher your losses due to risk, loss, and fraud.

**4. Experience with diverse data formats** The system must be able to receive and use data from many sources to monitor consumer interactions with the company, look up receipts, and provide management reports.

**5. Customized analytics** The solution must have quick access to data that is relevant to return authorization, and it must be able to distinguish the purchase channel and offer an appropriate policy. For example, online consumers may need more time to make a return than an in-store shopper. A system that detects the purchase channel and applies the correct policy benefits everyone.

**6. Consumer support** Your vendor should be willing to provide you with general information on all aspects of consumer support including signage, receipt text, policies on web sites, declarations in catalogs, notices on mailed invoices, messages to store employees, consumer call support, public access to return histories, and dispute resolution. Then you should rely on your company's legal team to advise you on these topics.

**7. Transaction speed at the time of return** Consumers hate to wait, even when getting a refund. Authorization should take milliseconds.

**8. Concentration on security and compliance** Your vendor should conform to the appropriate security standards, such as ISO 27001, and be aware of legislative requirements where you have locations. (All legal guidance should come from your own legal counsel.)

### Summary

Returns can be consolidated across channels in a seamless, real-time process that, using technology, supports a positive consumer experience while curtailing loss. When choosing a software solution, be sure it supports a diversity of data inputs, a rapid deployment, and appropriate security, privacy and legal compliance measures for a smooth and effective implementation. 

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