



Moving returns forward with Overstock.com



A Case Study with Overstock.com

Overstock.com, the nation's 31st-largest retailer, with \$1.3 billion in annual sales and tens of millions of customers, has made its entire returns process a competitive advantage.

"We have developed a world-class process for returns," says Debi Brown, Vice President of Supply Chain for Overstock.com. "UPS as a partner has been integral to this success."

Challenge

- Increased sales were stressing Overstock.com's existing warehouse space in Salt Lake City, Utah
- Returns were becoming increasingly complex and costly to manage for east coast customers

Logistics solutions

- UPS collaborated closely with Overstock.com to develop a returns solution using the UPS facility in Hebron, Kentucky for all east coast inbound/outbound returns volume
- Overstock.com and UPS blended world-class returns expertise and technologies, while UPS provided the warehousing, transportation and staff to process tens of thousands of returns each month

Results

- Enhanced overall customer experience
 - Faster, more accurate returns and exchanges
 - Faster customer refunds and credits
- Improved efficiency and reduced costs
- Freed up warehouse space for outbound volume growth

Insight on outsourcing

Founded in 1999, Overstock.com pioneered the sale of surplus goods online. The company expanded its product portfolio through the years, and today it offers such items as furniture, rugs, bedding, electronics and jewelry from its Salt Lake City base and through thousands of vendor partners who drop ship goods directly to customers on behalf of Overstock.com.

Still, Overstock.com's culture of customer care faced a growing challenge. Billions in sales meant hundreds of thousands of returns and the complicated management of costs and logistics. With anticipated growth, dwindling availability of space in Salt Lake City, and escalating speed-to-market requirements driven by competition, Overstock.com reassessed its entire returns process.

"We built Overstock on a foundation of customer service, and we were looking for a partner to build on that value," said Brown.

A solution waited in plain sight. UPS had handled shipping for Overstock.com since the company's early days, including a UPS Returns® on the Web solution that lets customers print their own shipping labels and return items for exchange or refund.

Seeing a way to bring new value, UPS proposed an east coast returns outsourcing solution. The idea arrived at the right time.

"What started as a proactive optimization of our own network resulted in an outsource arrangement," says Brown.

In June 2012, Overstock.com and UPS met over maps and data. To handle volume in the east, logistics planners settled on Hebron, KY, a time-tested UPS transportation and logistics hub near Cincinnati. Hebron serves 78 percent of the east coast and 66 percent of the nation with two-day delivery, shaving substantial time off shipping to/from Utah.

In the first 18 months, UPS returns solutions benefited Overstock.com through improved customer repeat rates, a higher net promoter score, improved cash flow, and \$2 million in cost savings.

Hebron offers another advantage — seasoned manpower. UPS employees move returns from dock to stock in 48 hours, handling

32,000 SKUs in every conceivable shape and size — a sea of rugs, clothes, and other items — in 110,000 square feet of warehouse space (doubled in area since 2013).

"Every return is one-for-one," says Patrick Connelly, UPS Operations Supervisor at the Hebron campus. "For every item that comes in, one goes out. You're not going to get stockpiles here."

Raising the bar on customer experience

The Hebron warehouse processes with world-class efficiency despite the challenges of fluctuating volume and the everyday issues of getting the right products into the right places. UPS has a "beautiful scorecard," as Brown puts it, achieving a 99.9 percent inventory accuracy — the best-practices industry target is 95 percent.

An Overstock.com manager works in the Hebron warehouse alongside UPS managers, solving problems and importing/exporting logistics ideas from Salt Lake City to Hebron and back. The operation fully supports the shipments of Overstock.com's business as well as those of its robust vendor community, an important part of the e-tailer's booming success story.

Overstock.com and UPS integrated their world-class IT systems to serve customers.

"Contract logistics is extremely collaborative," says Robyn Brunscher, Vice President of Business Development at UPS. "Our people and theirs address issues as partners. The cost avoidance and return far outweigh the time it takes to work together."

Overstock.com's fulfillment technology, a gold standard in online retailing, easily accommodated UPS's shipping and tracking tools. The twinned technologies deliver remarkable results for returns KPI's, achieving greater than 99.9% on on-time processing, order accuracy and throughput time. UPS technology boosted shipping speed, and it quickly got customers products and gave Overstock.com unprecedented visibility on shipments.

Best of all, customers got their refunds or credits sooner...and their loyalty deepened.

What about assessment and disposition of returns? After inspection, UPS staff determines where every item goes: Back to the supplier, back to stock, away to a donation organization like Goodwill, or off to recycling or disposal sites.



Overstock.com even uses the returns system to support communities. Give Back Box, a non-profit organization dedicated to facilitate charitable donations, allows customers to donate used household items. When an Overstock.com purchase arrives, the customer can re-use the shipping box and a free UPS shipping label to donate items to a non-profit.

Community involvement also ranks high as a UPS goal, so it's clear the Overstock.com-UPS partnership brings both partners unexpected returns.

"We were looking for a company with the same values," says Brown of the UPS relationship. "Our cultures have merged around the customer."

