Stop losing money from customers returning stock
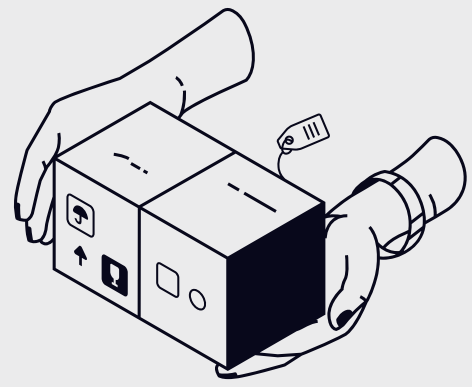
An inventory management guide

The **true cost** of returns

It's not uncommon to deal with product returns. Whether it's damaged goods, customer change-of-mind, or excess stock coming back from stores — returns are a reality.

But beyond the refund itself, returns come with hidden costs. Returned items clog up storage space, delay operations, and quietly eat into profit margins. And because the returns process often lives in the shadows of customer care and sales, it's easy to overlook how inefficient it can become.

This **guide** introduces a **smarter way** to manage returns — one that helps you **recover value, reduce waste, and streamline your inventory** through a process known as **reverse logistics.**

What is reverse logistics — **and why it matters**

Reverse logistics is the process of moving stock backwards through your supply chain — from customers or stores, back to your warehouse, supplier, or manufacturer.

It includes:

- Customer returns
- Unsold stock coming back from branches
- Repairs, refurbishments, or recycling
- Reclaiming reusable packaging or parts

Why does it matter?

When reverse logistics is neglected or handled poorly, returned items stack up, valuable stock gets written off, customer refunds drag out, and your team wastes time sorting what should've been processed days ago.

But if used correctly, reverse logistics can:

- Get sellable stock back on the shelves faster
- Reduce waste and unnecessary write-offs
- Improve warehouse flow and create more space
- Boost customer satisfaction by making returns quick and painless

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In short: reverse logistics doesn't just clear your warehouse — it protects your margins and strengthens your operations.

So how do you make it work?

Below are four practical steps to help you set up an effective reverse logistics process.

Four steps to creating an **effective** reverse logistics setup

Step 1:
Create a dedicated returns workflow

Returns shouldn't be handled the same way as incoming deliveries. They require their own workflow — one focused on quick assessment, sorting, and routing.

By setting up a separate returns process (ideally in a physical area), you prevent returned items from clogging up your regular warehouse flow. This leads to faster processing and fewer delays for both returns and incoming stock.
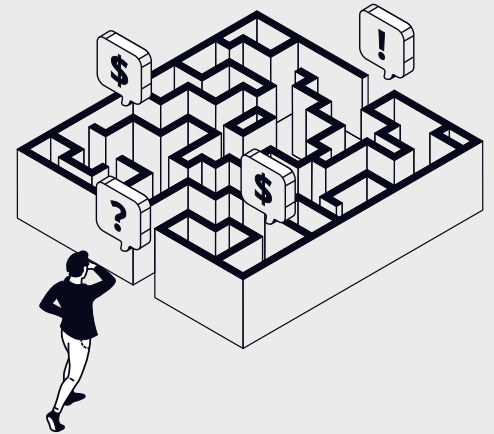
Tip: Even if space is tight, start with a clear intake point and assign responsibility to a person or team. Structure beats size.

Step 2:
Use systems to track and automate the process

Your ERP or inventory system should support returns just as well as it supports orders. That means capturing the reason for each return, logging its condition, and triggering the right next step — whether that's restocking, repair, or disposal.

Integrated systems prevent items from falling through the cracks, while also making return data accessible across departments.

Tip: Make sure your warehouse, sales, and finance systems talk to each other. A returned item should update inventory, trigger financial reconciliation, and flag any repeat issues.

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Step 3:
Set rules for what happens to returned items

Not all returns are equal. Some can go straight back into stock. Others might need repair, repackaging, or discounting. And some should be written off immediately.

To avoid delays and uncertainty, define clear rules about what qualifies for which path — and build them into your systems or checklists.
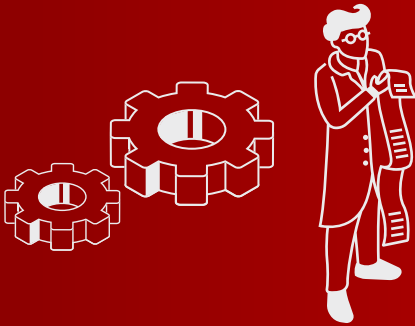
Tip: Use a decision matrix to guide your team. **For example:**

- Unopened & undamaged = **restock**
- Damaged but repairable = **refurbish**
- Unusable = **recycle or write-off**

The faster the decision, the faster the recovery.

Step 4:
Analyse returns to improve your supply chain

Returns can be a source of useful information. When you track why items are coming back, you can spot problems earlier in your process — like packaging that doesn't protect the product, unclear product descriptions, or quality issues from a specific supplier.

Fixing these problems not only reduces future returns but also improves your overall customer experience and supply chain.
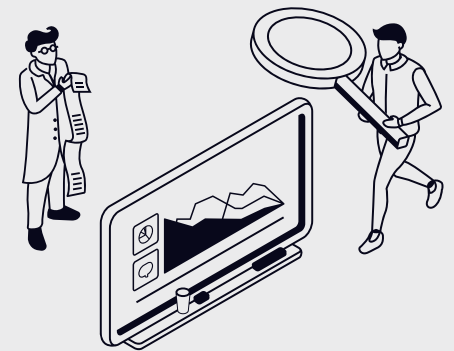
Tip: Create simple tags or categories in your system for every return reason — like "damaged in transit," "incorrect item," or "poor fit." Over time, this lets you see patterns by product, supplier, or location — and take targeted action where it counts.

Don't let returns go to waste

Returns aren't going away — but the cost and chaos that come with them can.

With the right reverse logistics setup, you can process returns faster, recover more value, and clear up operational bottlenecks. And beyond that, you can turn your returns process into a strategic asset — one that helps reduce future returns, improve service, and better inventory management.
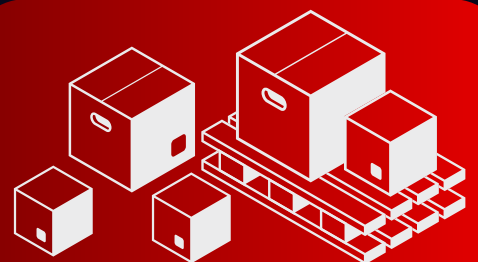
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How Vodacom Business can help

If you're managing inventory at scale, there's a good chance your reverse logistics process could be doing more — or costing less.

Vodacom Business offers a **free technology roadmap** to help South African businesses improve their operations. We'll assess the tools you're using, spot the gaps, and show you what solutions can make a real difference.

Request your free tech roadmap

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