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Returns – not just a passing fashion

Contents

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Evolving solutions for retail

UK'S
LEADING RETAIL

LOGISTICS
SPECIALIST

Evolving Solutions for Retail

47 SITES THROUGHOUT EUROPE – 10.0M SQ FT

EXTENSIVE OPERATIONAL CAPABILITIES INCLUDING 'CENTRES OF EXCELLENCE'

HIGHLY MOTIVATED TEAM OVER 10,000 AT PEAK

DEDICATED AND SHARED USE OPERATIONS

E-FULFILMENT SHIPPING TO OVER 170 COUNTRIES AND CONTINUING TO EXPAND
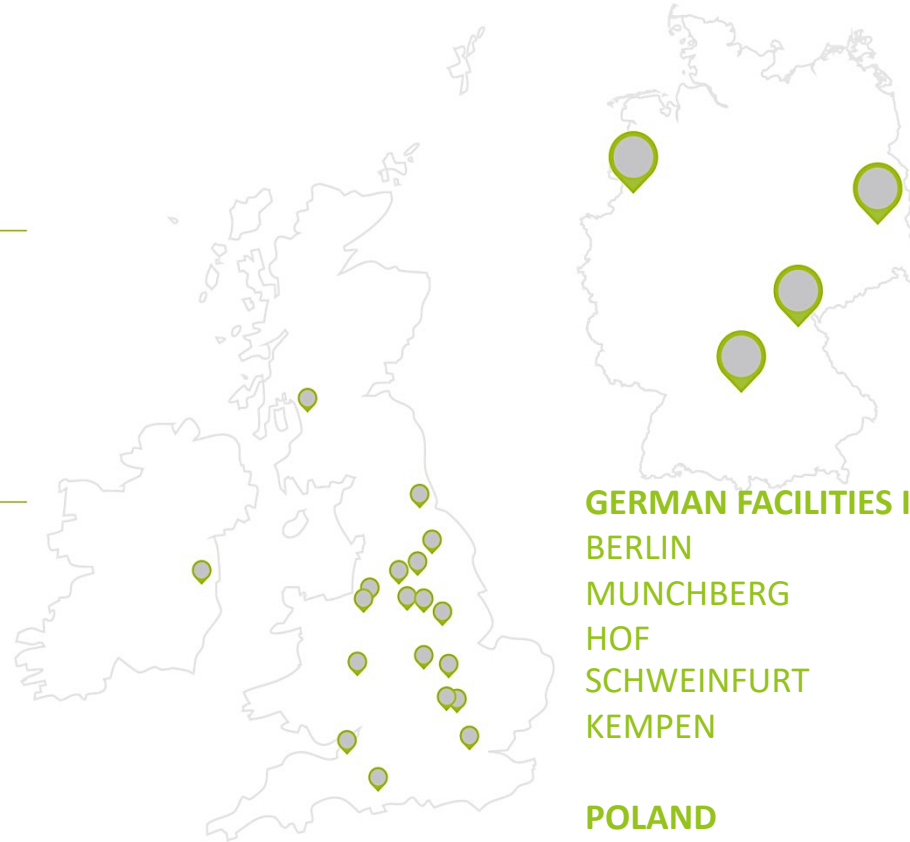
GERMAN FACILITIES IN:
BERLIN
MUNCHBERG
HOF
SCHWEINFURT
KEMPEN

POLAND
Two sites in Poznan
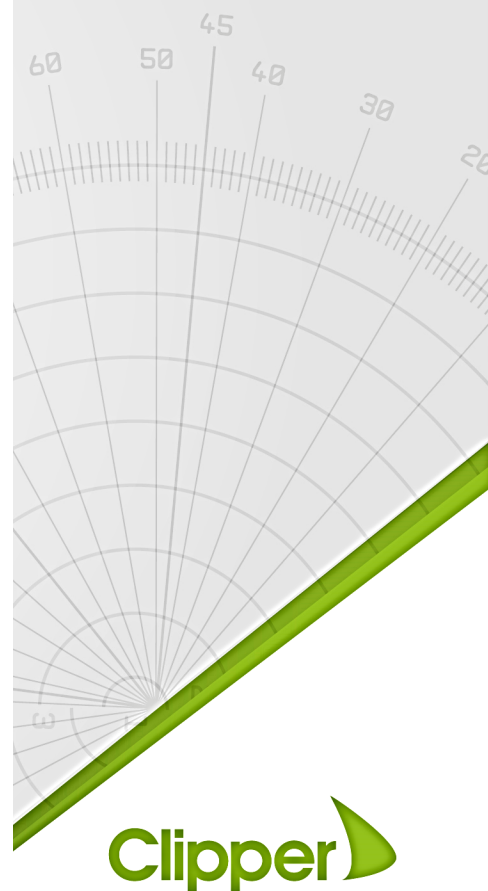
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A Few Examples of Clipper Experience in Practice

E-Comm Market

Ecommerce in Europe was worth €534 billion in 2017

› The total ecommerce turnover in Europe increased by 11% last year, making it worth 534 billion euros. For the current year, a growth rate of 13% is expected, which would mean ecommerce in Europe will be worth 602 billion euros by the end of 2018.

› The European ecommerce industry has thus shown some significant growth, if you consider the industry was worth no more than 307 billion euros five years ago.

› The United Kingdom (€178 billion), France (€93.2 billion) and Germany (€93 billion) are, once again, the three biggest ecommerce markets in Europe. Together, they account for over two-thirds of the total European ecommerce turnover.

› 38 percent of all online shoppers in Europe ordered abroad in 2017, with half of them ordering goods or services over the internet from sellers from other EU countries.

Source: Ecommerce, July 2018

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Online retail sales continue to soar

Mintel research suggests that 45% of online customers returned at least one item last year, representing a significant cost to retailers.

Financial Times, January 2018

Ecommerce in UK grew to €15.6 billion in 2017

The business-to-consumer ecommerce turnover in the United Kingdom has increased to 13.7 billion pounds, 15.6 billion euros, last year. This is a 13.65% increase and for next year, a growth rate of 14.3% is predicted, which means ecommerce in the UK could be worth 17.8 billion euros.

Ecommerce, May 2018

The Customer Is Evolving & Is Less Tolerant

70% of consumers envisage that online will be their main shopping channel in five years' time

JDA & Centiro Customer Pulse Report 2015   9

Further evidence of this lack of tolerance can be found in the 71% of respondents who said that as a result of a poor online shopping experience, they would be likely to switch to an alternative retailer when next shopping for products online. In 2014, 61% of customers overall expressed a likelihood for switching retailers, so the increase is notable.

JDA & Centiro Customer Pulse Report 2015   5

* JDA & Centro Customer Pulse Report 2015

Online retailers face " returns tsunami" as try-before-you-buy trends Intensifies

› Returns are costing UK retailers £60 billion a year

› 76 per cent of consumers would "definitely" or "maybe" purchase more items if offered a try-before-you-buy option – with shoppers ordering on average three extra items each month, only to return them without ever paying a penny.

› Meanwhile, 87 per cent would return up to seven purchases – with Brightpearl's research showing that 85 per cent of consumers expect retailers to provide returns for free.

› 40 per cent of retailers have seen a marked increase in "intentional returns" over the past 12 months when customers deliberately over-order multiple items knowing returns are free or cheap.

› Fifty-one per cent of retailers said their margins were being impacted by the process of handling and packaging returns and 72 per cent believed they would be squeezed even further as the try-before-you-buy trend becomes more popular.

› Furthermore, 17 per cent of global retailers have already adopted the try-before-you-buy model and by 2019, more than a quarter will offer this type of service to customers.

› 69 per cent of retailers were not deploying any technology solutions to process returns, despite shoppers increasingly wanting their returns to be processed faster. For many retailers, the new trend will result in customers returning on average three items a month, potentially tripling the cost of returns if they continue to take no action

Source: Retail Gazette, March 2018

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Boomerang

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Key challenges

›   Fashion cycles and the target of full price sales

›   Speed of inventory back to fully priced availability

›   The dichotomy of faster refunds and slower returning behaviour

›   Retailers seeking ompetitive advantage drives "innovation"

›   Short term hits to profitability in exchange for greater lifetime value

›   Returns is now the biggest inbound supplier

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1.0 Re-thinking Returns

·£600M

IN 2015, £600M WORTH OF PRODUCTS BOUGHT OVER BLACK FRIDAY AND CYBER MONDAY IN THE UK WAS TIED UP IN RETURN LOOPS BY THE MIDDLE OF DECEMBER

1. The Financial Times, UK retailers count the cost of returns, January 2016

"Black Friday has now firmly established itself in the UK and is here to stay. Sales increased yet again in 2016 with the event now expanded over multiple days and moving increasingly online."
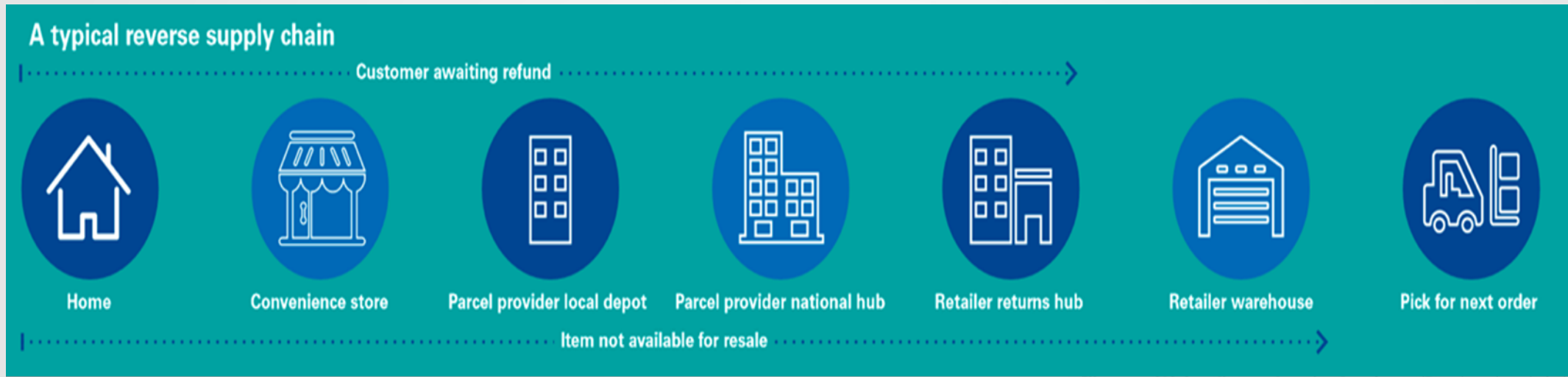
Paul Martin, Head of Retail, KPMG in the UK

Black Friday is now "Black Four Weeks"

Inadequate returns processes lead to mark down or write-off

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KPMG View Of The Typical Retail Returns Process

A typical reverse supply chain

Customer awaiting refund →

| Home | Convenience store | Parcel provider local depot | Parcel provider national hub | Retailer returns hub | Retailer warehouse | Pick for next order |

Item not available for resale →

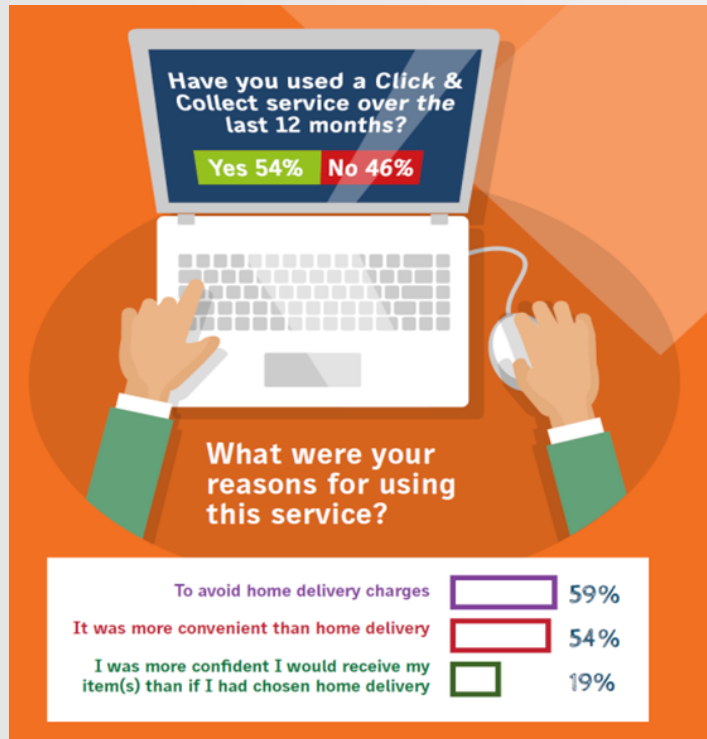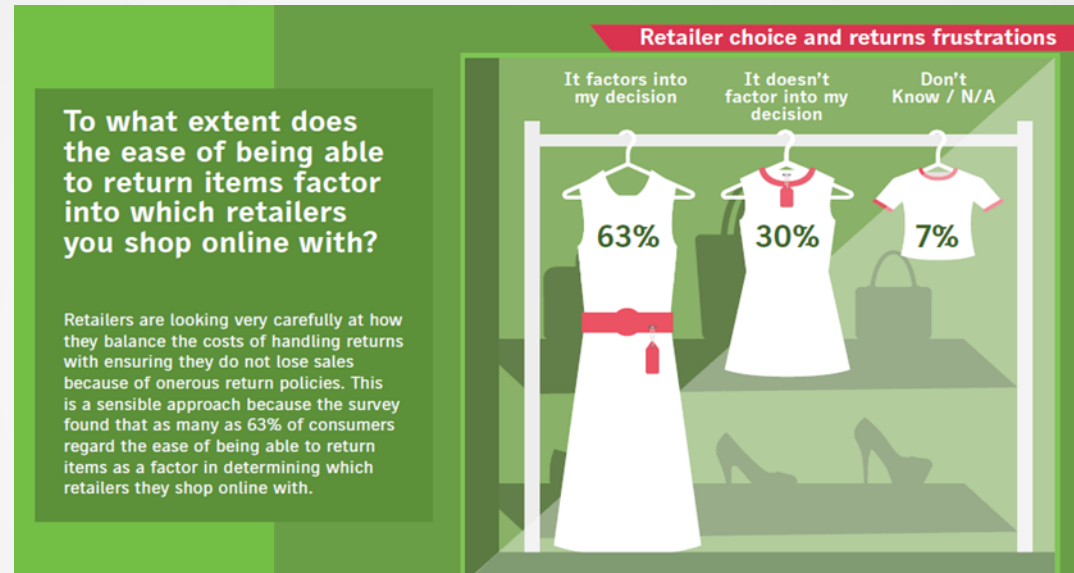The average time it took to receive a refund if returning via delivery provider was **10 days** Vs **2 days** the average time it took to receive a refund if returning in store

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Combining Click & Collect and Returns Management

- The on-line sector is growing
- Click & Collect is growing
- Intolerance of poor service is growing
- Time pressure is growing

- The combination of the Click & Collect network with returns handling capability creates customer care benefits & the rapid release of working capital/the redeployment of returned inventory

- Integrated store and online experience

- Brand protection & loyalty

*JDA and Centrino Christmas Customer Pulse Report 2017

Using Data Insight On Customer Behaviour To Drive New Revenue Streams

Clipper is working in partnership with Leeds University and one of our major customers to use fulfilment and returns to develop predictive analytics. This can help retailers decision making for ranging, merchandising, promotions and pricing strategies.

Fulfilment Data

Returns Data

Analyse

Plan

Predict & Propose
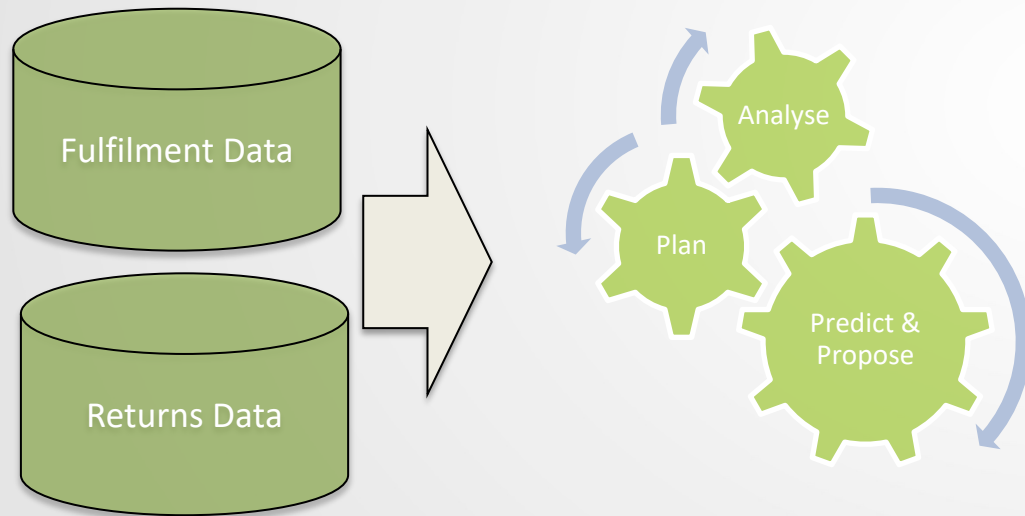
- ❯ Analyse customer behaviour and trends
- ❯ Within season, week, day, hour time parameters
- ❯ Replaces traditional cumbersome forecasting & replenishment tools
- ❯ More responsive, based on actual customer behaviour and feedback

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Further evolution

- "Paperless" returns, apps and portals

- Predictive analytics and in-flight services for returns

- RFID tags becoming more re-usable

- Rewarding customers for collaborative returns

- Automation – folding, bagging, RFID tags

- Pick from returns

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Returns and Robotics

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In Summary

› Returns are now part of the retail logistics landscape

› AI and Robotic Processes will grow in significance

› There are opportunities for automation and mechanisation

› There are significant business cases driven by the need to preserve working capital

› Shared user returns operations will create critical mass to assist ROI

Thank you

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