Case Study

Macy's Returns Made Easier

A major manufacturer partners with retailer to improve system "forward and back"

Challenge

Merchandise returns—and the associated credits, inventory updates and reconciliation—challenge suppliers and retailers alike; many trading partners continue to use manual processes. Manual processes can double the amount of time and cost; impacting each trading partner's ability to manage inventory, labor, accounts payable, inventories, orders, and receivables.

Solution

A major non-apparel manufacturer and Macy's, Inc. (Macy's) have revolutionized the automated returns process using the Return to Vendor Advance Shipping Notice (RTV ASN or reverse ASN), using GS1 Standards and electronic data interchange (EDI) communications. After being granted a Returns Authorization (RA), Macy's sends the RTV ASN to advise its supplier of all products being returned. The manufacturer confirms receipt of the RTV ASN via the EDI 997 functional acknowledgement. As returned merchandise arrives, the manufacturer receives and reconciles returns down to the unit level, making for faster overall returns and credit processing.

Benefits

The returns process is much faster: consider that five full-time employees are able to process up to 200 Macy's returns in one week compared to 50 returns from other retailers. The supplier has increased productivity, reduced labor costs and improved inventory accuracy. Macy's has gained visibility into on-hand, saleable inventory along with a clear view of what products are shipped back. This streamlines the ordering process and helps reduce out-of-stock conditions. Macy's ability to restock inventory combined with the manfacturer's ability to redirect sellable products for subsequent resale creates a positive consumer experience. At scale, this process is wholly unattainable by a manual returns process.

> "The RTV ASN process has strengthened communication with our stores, providing improved visibility to store inventories to help identify issues in a more timely manner."
>
> **Kris Whitney**
> Vice President, Accounts Payable
> Macy's, Inc.

macy's

Creating Streamlined Returns

A major non-apparel supplier headquartered in Europe sells its deluxe merchandise throughout the world, primarily in department stores, self-assist retail locations and in fashionable boutiques.

The individual responsible for overseeing credit for the manufacturer praised her company, "from an operational standpoint, we're driven by innovation and encouraged to be entrepreneurial."

This innovative and entrepreneurial spirit found its footing when the company decided to tackle the challenges of processing returns.

Despite the evolution of technologies and standards in the retail industry—warehouse management systems, trade information and payment systems, EDI and GS1 Standards—merchandise returns have remained largely a manual process. The returns process, manual and inefficient, encumbers manufacturers and retailers alike—large and small—and cuts into productivity as it eats up valuable time, and impacts sales, shipments and budgets.

The impact of returns on manufacturers, can be particularly difficult because the disposition of returned merchandise must be dealt with on an item-by-item basis. And the process becomes all the more arduous when the items are small in size.

If the merchandise is pristine, it must be reintegrated into inventories. If slight defects are detected, it may go to a discount retail outlet. If a product has expired, it must be recycled. In the meantime, accounting departments at the manufacturer and its retail customers must keep pace with invoicing, credits and payments. Back office accounting for credits is where the supplier works continuously to fine tune its processes for greater accuracy and efficiency.

"In our quest for innovation, we are always looking for the next step or the 'next big thing.' We hold regular calls with our customers—on a quarterly basis at minimum. When it came to returns, we collaborated with Macy's to really understand each other's processes and worked together for improvements in our respective companies," says the manufacturer's representative.

The solution for streamlining returns was created using the proven practice of the ASN, but in reverse. The Return to Vendor ASN, populated with GS1 Standards-based product information and transmitted via an EDI transaction now provides both the manufacturer and Macy's with a truly efficient process.

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The manufacturer's representative responsible for credit and collections

With the proper system in place for returns, stock replenishment by retailers can also be a quicker and more automatic process.

Many Happy Returns

Just as a manufacturer uses the ASN to advise its customers that a shipment has been dispatched, when to expect receipt of the goods, and the exact details of the products contained in the shipment, Macy's uses the RTV ASN to advise the supplier that a return has been processed, the shipment has been dispatched, when to expect the goods, and the precise details of the products involved in the return.

The RTV ASN process between them utilizes a returns process similar to those being used around the world that takes the Return Merchandise Authorizations (RMAs) and couples it with the GS1 Serial Shipping Container Code (SSCC) and an ASN, detailing the products being returned by Global Trade Item Numbers (GTINs). The ASN and SSCC enable the manufacturer to receive entire shipments with a single scan, while signaling back to Macy's that its shipment has been received.

By scanning the SSCC on the RTV logistics unit at receiving, electronic information captured during receipt of the ASN sets in motion a returns process that can account for the

entire shipment down to the unit level—a much faster process than manual receiving. When unit scanning of the returned items is complete, the business systems account for overages or shortages, comparing in real time the contents of the shipment to those indicated in the return merchandise authorization (RMA).

In the back office, the same electronic data is accessed—the purchase order (PO) number and the tracking number of the return as well as the invoice number, the products' GTINs and their descriptions. "And I can also see the price that we have for the product, and its return value," the manufacturer's representative says and "it gives me a value of the over- or short-return and it shows the price Macy's is expecting to be credited."

The scan can help locate products at a PO level, a reference number level, or a creation date. It will detail when it was returned, and see if the amount of merchandise returned matches the merchandise listed on the RTV ASN.

At this point in the process a similar manual process begins for returns received at the supplier's returns center. These shipments are being consolidated among the various cartons received. Scanning the individual items takes place next, followed by comparing and matching the items to the RMA. These are all similarly manual processes, adding to the complexity and time it takes between receiving the returns and clearing the deduction.

The differences between the two processes are striking. The person who handles returns operations for the manufacturing team puts it, "When processing Macy's RTV ASN returns, we scan the items, and everything matches up!"

As Good to Send as to Receive

Using the RTV ASN process, Macy's has also made significant improvements in its supply chain: gaining better visibility into its store inventory, detecting shrinkage, presenting a clear view of what is being physically shipped back and accommodating inventory trans-activity in the ordering process. The accounts payable team is also benefiting, since the RTV ASN eliminates intensive manual efforts of matching reported returns with actual physical returns and credits. Discrepancies that could require hours of tedious research are eliminated. Accurate invoicing is the new normal and a commercial partnership continues to develop and thrive.

A member of the supplier's deductions team, dedicated to Macy's, walks through the process when a discrepancy arises: "When disputing a return difference, the account will request that we provide them SKU-level detail. Before the use of the RTV ASN the only way to do that was manually—either through a copy-and-paste exercise or by creating an Excel file of the returned SKUs. Then we would put that information into another report called a two-way match report, which we would then send to the retailer. The RTV ASN eliminated all of these manual steps, saving both of our companies a significant amount of time and labor."

Impact of EDI on the Return Process

It's Worth the Time

The manufacturer advises that the time required to process a pallet can be dramatically reduced with RTV ASN, EDI and GS1 Standards:

4 hours
Non-EDI returns with a basic Return Authorization

2.7 hours
Non-EDI returns with Return Authorization and key details

1 hour
EDI returns with RTV ASN

75% performance improvement

Manufacturers can expect returns on pallets and in boxes of various shapes and sizes. Depending on its size, a manufacturer may receive hundreds of returns in a single day.

The content of the RTV ASN helps both the supplier and retailer with reconciliation processes—as both companies work with the same set of product data and speak the same "Global Language of Business®."
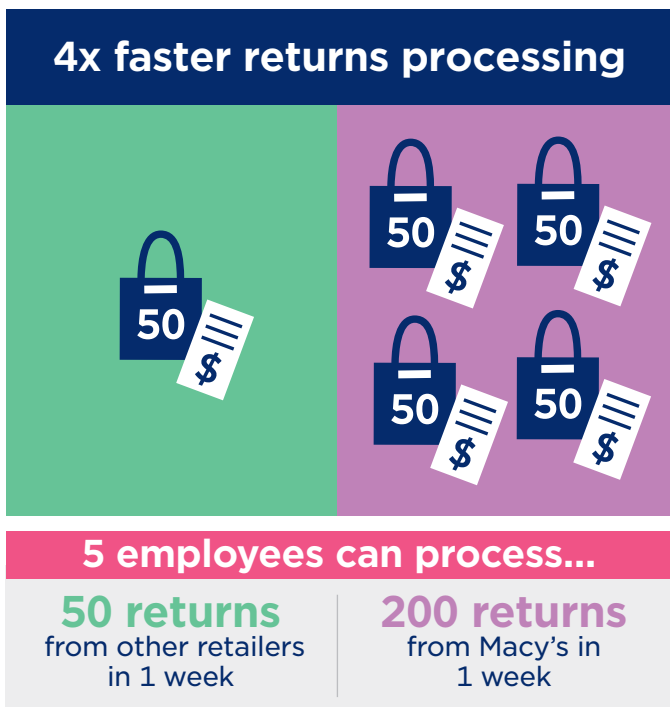
Contributing to the Consumer Experience

Large-scale global operations can receive an average of 500-plus returned cartons on a single day; seasonal peaks may reach levels twice that size. Returns arrive on pallets and in boxes of various shapes and sizes. The challenge of matching and processing these returns can be enormous.

A member of the manufacturer's team explains the simplicity of receiving Macy's returns: "Macy's returns are processed at a much faster rate. One person can easily handle their returns while other retailers' returns, that don't use the automated RTV ASN, require two to three people and take much longer."

Manufacturers that have not adopted the RTV ASN should review these comments with increasing interest; "In one week, five people can process 200 Macy's returns compared to 50 returns from retailers that still leverage manual processes and do not use paperwork."

Speed and productivity also benefit Macy's when using the automated RTV ASN process. Jim Eyer, manager of Shortage Control at Macy's, is responsible for the consumer returns and damages function that arise at the retailer. For instance, if a case of items has exceeded its sell-by date, Eyer and his team

4x faster returns processing

5 employees can process...

50 returns
from other retailers
in 1 week

200 returns
from Macy's in
1 week

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A distribution and returns rep for the manufacturer

Returns are particularly onerous because returned merchandise must be dealt with on an item-by-item basis. The process can be more arduous when items are small in size.

see to its disposition. Alternatively, if the product can be returned, it is part of an RTV ASN.

"We monitor it every week and reconcile it with the [reverse] ASN that is sent to vendors," Eyer says. "Probably, the biggest benefit that helped us is speed. A customer returns a product that cannot be returned to inventory. It's returned at the register and the inventory adjustment takes place right at the point of return. It is reflected automatically in our stock, which gets replenished right away."

Kris Whitney, vice president of Accounts Payable at Macy's concurs. "I think the biggest benefit is that we're updating inventories immediately. As we scan for return, we are also updating the item files, which in turn, updates the inventory that consumers can see when they're shopping online or associates can see when they are assisting customers in stores. The new process has also strengthened communication with our stores, providing improved visibility to store inventories to help identify issues in a more timely manner. Accurate, up-to-the-second inventory management is a major contributor to a positive consumer experience."

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Returns in Productivity and Revenue Benefit Large and Small Trading Partners

The work done by the manufacturer and Macy's can also benefit smaller retail operations since many small trading partners do not have the resources to dedicate to return reconciliation. Smaller operations are typically juggling standard accounts payable tasks along with the manual labor inherent to returns; as such accuracy can quickly be lost and the entire process can spiral out of control.
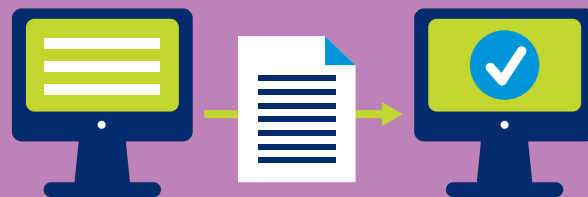
Many companies—large, medium or small—are SKU-intensive. They can readily grasp and benefit why an electronic document containing a full complement of product detail will easily surpass in productivity and accuracy the same process manually sorting through hundreds of SKU numbers in a spreadsheet or packing slip."

For large retail operations, Jana Wainscott, responsible for EDI Operations at Macy's, points out the benefits to automation in general and the RTV ASN in particular. "We've been using EDI for 25-plus years for invoices, purchase orders and ASNs. During that time, we've doubled in overall size but we continued to stay flat in headcount because the standards-based technology enables us to work better and faster. We're at 99.9 percent levels for EDI. That has a lot to do with it. With the reverse ASN we'll see even greater efficiencies."

"For reconciliation, we once hired someone—with a ruler, pen and pad of paper—to go SKU by SKU by SKU. We manually calculated the quantity we credited a retailer, versus the quantity they deducted, and the price. A RTV ASN is leaps and bounds ahead because it's now been automated," the manufacturer's representative says.

"Because we are accounts receivable, we are really interested in the financial reconciliation perspective," the representative continues. "The improvements in accuracy and savings in time are consequential. Because deductions are considered part of our 'overdue' that we're measured on each month, I anticipate the automation of the returns reconciliation process with our retail accounts will have a remarkable impact."
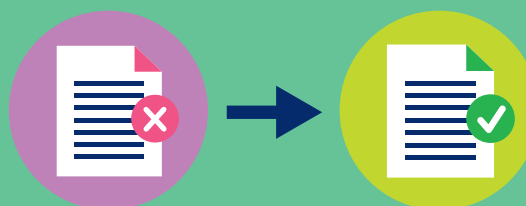
EDI can speed up business cycles by 61%

Exchange transactions take minutes instead of days or weeks of wait time from the postal service.

Source: Vollmer, Ken. Forrester, "The Future of EDI"

EDI delivers a 30-40% reduction in transactions with errors

EDI improves data quality—eliminating errors from illegible handwriting, lost faxes/mail, and keying and re-keying errors.

Source: Vollmer, Ken. Forrester, "The Future of EDI"

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EDI automation
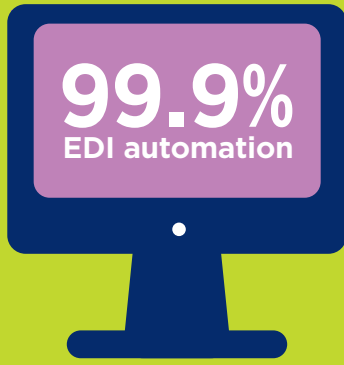
With 99.9% EDI automation, Macy's has been able to double in overall size, but stay flat in headcount.
—Jana Wainscott, EDI Operations, Macy's

Heeding the Voice of Experience

Utilizing existing platforms, standards, and technologies in place today, these two major players have revolutionized the returns process. While it may be widely held that the retail industry will be the impetus for further adoption, interest from manufacturers can also drive use. Clearly the benefits are reciprocal.

The benefit of knowledgeable returns data cannot be overstated when a single return transaction is followed—end-to-end, taking these steps:

- A barcode on a returned item is scanned at the point-of-sale.
- The item is traced back to its origin from the retailer's PO; it is then identified for return within the retailer's system.
- The supplier is alerted to the expected deduction and return while simultaneously updating inventory and invoicing controls.
- This culminates with the shipment of the return and the transmission of the RTV ASN.

All of this information with a single scan—all available through the use of GS1 Standards.

Get Started

If the RTV ASN process between one supplier and one retailer can produce the results experienced by one major manufacturer and Macy's, imagine the results when more retailers and suppliers get on board. Both companies have found the effort is worth it. For more information on how you can get started with the RTV ASN process, email **ApparelGM@gs1us.org**.

About the Companies

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> The manufacturer's representative who oversees returns

About Macy's, Inc.

Macy's, Inc. is one of the nation's premier retailers. With fiscal 2016 sales of nearly $26 billion and approximately 140,000 employees, the company operates more than 700 department stores under the nameplates Macy's and Bloomingdale's, and approximately 125 specialty stores that include Bloomingdale's The Outlet, Bluemercury and Macy's Backstage. Macy's, Inc. operates stores in 45 states, the District of Columbia, Guam and Puerto Rico, as well as online websites for Macy's, Bloomingdale's and Bluemercury, and licenses Bloomingdale's stores in Dubai and Kuwait. Macy's, Inc. has corporate offices in Cincinnati, Ohio, and New York, New York. www.macysinc.com

About the GS1 US Apparel and General Merchandise Initiative

The GS1 US Apparel and General Merchandise Initiative is a retail industry group that is committed to defining business challenges and opportunities, and organizing members to explore solutions and create adoption plans. More than 120 suppliers, distributors, retailers and logistics providers are participating members in Initiative activities, focused on improving inventory accuracy, exchanging standardized product data and achieving traceability with GS1 Standards. More information about the GS1 US Apparel and General Merchandise Initiative is available at www.gs1us.org/ApparelGM.

About GS1 US

GS1 US®, a member of GS1® global, is a not-for-profit information standards organization that facilitates industry collaboration to help improve supply chain visibility and efficiency through the use of GS1 Standards, the most widely-used supply chain standards system in the world. Nearly 300,000 businesses in 25 industries rely on GS1 US for trading partner collaboration that optimizes their supply chains, drives cost performance and revenue growth while also enabling regulatory compliance. They achieve these benefits through solutions based on GS1 global unique numbering and identification systems, barcodes, Electronic Product Code-based RFID, data synchronization, and electronic information exchange. GS1 US also manages the United Nations Standard Products and Services Code® (UNSPSC®). www.GS1US.org

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