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PROBLEMS OF RETURNS MANAGEMENT IN E-COMMERCE

***Summary.** This article provides an overview of common returns management problems in e-commerce. The causes of e-commerce reverse material flows appearance have been elucidated. The main advantages of effective returns management in e-business are presented. The main difficulties that occur during the product return process are outlined. It is grounded that returns management is not basic in organizing logistics flows, and usually is outsourced, which ultimately leads to increased costs; there is the purpose for significant investments in the organizing of returns management processes; there is the likelihood of significant costs for the restoration of returned goods. But efficient returns management gives a lot of benefits to online sellers such as: attracting additional customers through increasing trust in the seller; increasing the likelihood of repeated purchases by consumers who could return the goods without any problems; re-sale of returned products minimizes the losses associated with refusal to purchase an already delivered product; reducing the risk of unexpected returns; research on the history of returns of certain goods will allow sellers to take measures to improve their quality or refuse appropriate sales in the future. Particularly important is the need to reasonably minimize the costs of returns management, which can be achieved by: discontinuation of sales in "unfriendly markets"; a thorough study of the dynamics of sales and the reasons for the return of goods in past periods; the highest informing on the Internet pages*

about parameters of the product; strengthening of the control over the proper packing of the ordered goods; cooperation with proven logistics companies in order to minimize possible damage to goods during transportation. Implementation of efficient returns management for online sellers will provide an opportunity to effectively update the strategy of supply and sales and will generate additional competitive advantages, increasing the level of consumer confidence.

Key words: *e-commerce, e-business, returns management, reverse logistics.*

Statement of the problem. The primary consideration for modern e-business entities is the formation of direct material flows. This is the movement of goods from seller to buyer. Typically, all supply chains are designed with a focus on the logistics of direct material flows. However, it is inevitable the return of material flows. This is the result of the return of goods to the seller due to failure to meet consumer expectations. In most cases, this phenomenon in e-commerce is caused by the inability to directly familiarize with a sample product in the process of online. Sellers usually do not take into account the growing possibility of occurrence of reverse material flows, and therefore they have unpredictable losses from doing business. Also, lack of attention to the return policy diminishes the attractiveness of the seller to the consumer, reducing the potential sales volume and profitability. Therefore, the problem of effective management of reverse material flows in the online sales becomes especially relevant.

Analysis of recent researches and publications. Nowadays e-commerce is becoming one of the most effective tools for selling products and developing online entrepreneurship.

The research of the problems of e-commerce is devoted to the work of such foreign and domestic scientists: E. Choi [2], N. Chuchko [3], L. Filippova [5], O. Haidukova [8], L. Hlinenko [9], V. Kaptsoch [10], I. Khovrah [11], G. Kozyts'ka [13], T. Tardaskina [17], D. Travis [18].

The problems of logistics flow management have been dealt with by the following scientists: O. Balan [1], R. Dekker [4], O. Freydmann [6], C. Greve [7], L. Kovalska [12], E. Krykavsky [14], M. Oklander [15], D. Rogers [16], S. Uvarov [19], O. Zueva [20].

The focus of these studies is on processes related to the movement of goods from the material flow generator towards the consumer.

Previously unresolved parts of the problem. A special attention is given by modern scholars to the management of direct material flows from online sellers to buyers. In the context of doing e-business, the influence of return material flows increases. This is the emergence of goods return due to a failure to meet consumer expectations. Research in this area is mostly superficial and fragmented, so it is necessary to develop methodological tools for effective returns management in e-commerce in order to minimize losses and improve interaction between online sellers and buyers.

Formulation purposes of article (problem). The purposes of the study of the returns management in e-commerce are as follows:

- to review the advantages and disadvantages of e-commerce;
- to find out the need of returns management;
- to highlight the advantages and disadvantages of the implementation of the concept of reverse logistics for online sellers;
- to search for ways to minimize losses caused by goods return due to failure to meet customer expectations.

The main material. The development of information and communication technologies has led to the formation of a fundamentally new type of business – e-commerce. The essence of e-commerce is the implementation of online agreements on the sale of goods and services.

Considerable benefits of this type of transaction for consumers are the ability to buy from almost anywhere in the world; lower prices due to the lack of retail space maintenance; the ability to make online purchases at any time of the

day; the availability of comparison of characteristics of goods and services etc.

At the same time, the main disadvantages of implementing online sales agreements are the lack of direct ability to inspect the product before making a purchase; the inability to receive goods immediately after purchase (delivery time required); the relative complexity of the procedure for returning a product that did not fit certain parameters, or was of poor quality, damaged etc.

Sellers who sell goods and services online also receive a number of benefits. This is the possibility to find a real consumer, regardless of his geographical location. There is an opportunity to enter into a business with less investment due to the lack of need for construction or lease of premises for the sale of goods etc.

However, the disadvantages of this type of business for sellers are the lack of direct contact with the consumer, which eliminates the presence of a direct meeting with the buyer in order to stimulate the purchase; the availability of information about similar products from a large number of online sellers makes it impossible to maximize profits by expanding the price range in the direction of growth. The specificity of selling goods online without the ability to directly inspect the goods by the buyer leads to a much higher number of return of goods due to a failure to meet consumer expectations.

Excessive returns on the Internet is one of the biggest problems for the e-commerce industry today. In 2018, total online retail sales in the US amounted to about \$ 517 billion, with corresponding returns of \$ 156 billion (about 30% of all sales) [2]. This staggering proportion of returns becomes a real problem for online stores, because for each returned item, online stores need to arrange return delivery, refund, or shipment of a replacement item, repackage, recover, or recycle the returned item.

The above prerequisites testify to the feasibility of using the concept of reverse logistics in the business of online sellers in order to minimize losses and maintain their positive image.

Particular attention is needed to clarify the aspect of the need for reverse logistics in the business activities of sellers in electronic markets. It is a misconception that the costs of reverse logistics reduce the profitability of companies and do not create additional value, but only increase the financial burden on the seller. In fact, the consumer, who is informed by the seller of the possibility of a trouble-free return of the goods is most likely to buy from him even at a price higher than a competitor with a non-transparent return policy.

S. Uvarov notes the following: "The main objects of management in the system of reverse logistics are categories of substandard goods (does not meet the passport quality standards, has minor defects and has damage while maintaining its functionality), as well as illiquid goods (not required by the consumer through non-conditioning or loss of value)" [19, p. 45].

It should be noted that scientist's opinion about the highest frequency of substandard goods return is only valid for the traditional form of doing business. In e-commerce, most of the returns occur when the non-defective product does not meet the consumer's expectations. The inability to directly inspect a product before concluding an online purchase agreement increases the likelihood of return. The most common refusals to purchase are the following discrepancies: sizes and colors of clothing and footwear, dimensions of household appliances and furniture, real visual characteristics of building materials, certain electronics parameters etc.

According to O. Zueva, reverse logistics is the process of returning from the areas of consumption and treatment to the areas of production and utilization of inventory, which can be provided for resale, reuse, repair, and in case of impossibility of carrying out these actions – for their proper utilization [20, p.39].

E-commerce reselling is the most common in minimizing the cost of returns on purchased online goods. Therefore, special attention needs to be given to the effective adjustment of the above processes, including the return of goods to an online vendor and their resale, which may occur at a previously set price, or, in

the case of transport damage or defects found, with an appropriate discount. Preparation for resale of returned goods usually takes longer than when directly received from the manufacturer for sale. This is especially true for damaged or defective products. The return procedure includes an appropriate request from the buyer, return delivery, inspection and, if necessary, the resumption of the goods, making the resale a long process. In some cases, there is a need to reduce the price due to damage or repair of the product. Therefore, online sellers need to clearly calculate the cost of bringing the product to the appropriate pre-sale status, and to decide on the feasibility of these processes or the direct disposal of defective products.

Effective e-commerce returns management is a powerful tool for customer retention. Non-onetime consumers are much more valuable to online sellers. This is why a trouble-free return of goods is the way of making the consumer a loyal buyer and encouraging them to buy again in the future.

There are significant obstacles to the implementation of returns management in the online business:

- returns management is not basic in organizing logistics flows, and it is usually outsourced, which ultimately leads to increased costs;
- there is the purpose for significant investments in the organizing of returns management processes;
- there is the likelihood of significant costs for the restoration of substandard goods.

Despite the many obstacles to the implementation of returns management, online sellers can receive significant benefits:

- attracting additional customers through increasing trust in the seller;
- increasing the likelihood of repeated purchases by consumers who could return the goods without any problems;
- re-sale of returned products minimizes the losses associated with refusal to purchase an already delivered product;

- reducing the risk of unexpected returns;
- research on the history of returns of certain goods will allow sellers to take measures to improve their quality or refuse appropriate sales in the future;
- reducing the risks associated with after-sales liability (for example, causing harm to health by a non-standard product during operation);
- formation of a "green" image of the company, due to an effective policy of processing or disposal of goods.

An efficient reverse logistics of online sellers reduces loss of returns and is an incentive for additional sales due to increased consumer confidence.

Particularly important is the need to reasonably minimize the costs of returns management, which can be achieved by:

- discontinuation of sales in "unfriendly markets";
- the maximum possible informing on the Internet pages about the characteristics and parameters of the product in order to avoid failures related to consumer expectations;
- a thorough study of the dynamics of sales and the reasons for the return of certain groups of goods in past periods;
- selection of the most reliable suppliers;
- strengthening of the control over the proper packing and sending of the ordered goods;
- selection of proven logistics companies in order to minimize possible damage to goods during transportation.

It is advisable to consider returns management as one of the priority areas in establishing effective interaction between online sellers and consumers.

Insights from this study and perspectives for further research in this direction. The steady increase in online sales of goods has led to a corresponding increase in returns. The implementation of the concept of reverse logistics in the business of online sellers will minimize losses from returns and avoid them in the future.

In order to effectively manage the return of goods in the electronic markets, it is not enough to satisfy the requirements of consumers only, since there is a need to minimize the losses from the formation of reverse material flows for online sellers.

The transparent return process can also provide an opportunity to attract new customers online who are accustomed to buying certain groups of goods in regular stores. In these circumstances, efficient returns management in e-commerce becomes a strategic advantage.

Implementation of efficient returns management for online sellers will provide an opportunity to effectively update the strategy of supply and sales, will generate additional competitive advantages, increasing the level of consumer confidence.

Further research in this area is to find additional tools for minimizing the costs of reverse logistics, reducing the proportion of returns in online sales, improving information support for the processes of material flows management.

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