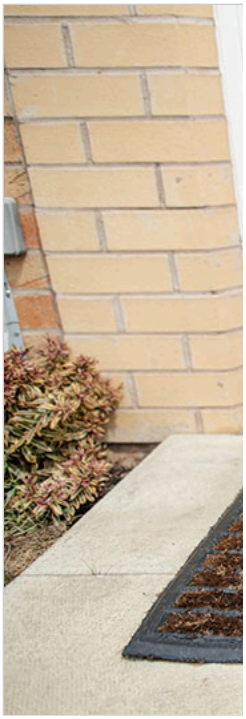
SUPPLYCHAIN MANAGEMENT REVIEW

# How to help your 3PLs manage returns better

So many companies want to tighten control over their 3PL returns processes. However, research suggests that the best approach may be to let go.

By By Dan Pellathy, Ivan Russo and Ayman Omar · March 4, 2022



During the past decade, 3PL (/topic/tag/3PL)s have honed their reverse logistics capabilities across multiple industries. But most companies fail to leverage this experience to spot opportunities for improvement. Rather, companies tend to micromanage their 3PLs through strict metrics and tight tolerances. As a result, 3PLs end up performing to rigid scorecards rather than looking for ways to improve the system.

Conversely, companies that give their 3PLs greater control over reverse processes actually reap system-wide benefits in the form of reduced complexity, greater responsiveness to emergent issues and ultimately improved customer performance.

Our research (https://onlinelibrary.wiley.com/doi/10.1111/jscm.12244) shows that a similar pattern occurs when companies focus on managing returns transactions rather than managing the 3PL relationship. Typically, 3PLs look to deepen client relationships by providing value-added services that fall outside the formal scope of the outsourcing engagement. For instance, one 3PL we spoke with was highly responsive to specific, often-complex client requests that arose as the pair started working together. This responsiveness paid off, as the client looked to them to take the lead on several strategic initiatives related to returns management.

More often, though, companies are so focused on tracking transactions they fail to recognize and reward the special efforts of their 3PLs. In another case, a 3PL proactively suggested changes to accommodate a decision to insource several highly complex products. Because the proposal was outside the structured process established by the client, it did not receive a proper hearing. The insourcing decision moved forward, adding complexity to the supply chain, and ultimately undermining the very efficiency goals the client hoped to achieve.

The example above illustrates a final point. Companies need to be open to changing their perspectives on returns. Companies that get the most from their 3PLs are able to expand their initial understanding of returns management to consider a broad range of reverse solutions. Indeed, we found that companies that expanded their understanding of the value that could be created from reverse operations – and were willing to give control to their 3PL partners to execute on innovative solutions – were able to develop new approaches to managing both forward and reverse flows as an integrated whole.

Imagine looking at returns, not as a cost of doing business, but as an opportunity to grow customer relationships and improve forward logistics. It's possible, but only if companies are willing to be open to new ideas and let their 3PL partners drive.

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