



International Distribution Institute



# **Addressing consumer returns – contracts between online retailers and fulfilment houses**

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# **Addressing consumer returns – contracts between online retailers and fulfilment houses**

## **Introduction**

- Preserving the integrity of the brand
- Preserving the integrity of the finances



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## Addressing consumer returns – contracts between online retailers and fulfilment houses



- ASOS – the online business
  - 2016-17 H1 turnover up 38% in UK
  - 2016-17 H1 turnover up 54% from non-UK customers
- average active consumer spends how long per month on asos.com?
- how many new lines introduced each week?



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## Addressing consumer returns – contracts between online retailers and fulfilment houses







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## The Service

- “Brand” = the company selling the branded goods sold online
- “Fulfilment House” = the fulfilment company handling the physical supply and return of the branded goods
- “Customer” = the consumer buying online
- “Returns” = the goods being returned by a customer



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## Fulfilment House obligations

1. Taking receipt of Returns at the Fulfilment House's warehouses.
2. Liaising with delivery, postal and courier companies in connection with Returns.
3. Liaising with Customers in connection with the physical delivery of Returns to the Fulfilment House's warehouses.
4. Forwarding any Customer queries not relating to the physical delivery of Returns to the Brand.
5. Keeping accurate and up to date books and records of all Returns received, the location of each Return when stored in the Fulfilment House's warehouses and the destination of each Return when it leaves the Fulfilment House's warehouses.



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6. Provision to the Brand of a report on a daily basis of all Returns received by the Fulfilment House during the previous day, itemising:
  - a) the reason for return, if known;
  - b) whether or not the Product is defective and the defect category, being either: fabric or material, stitching, zip, size or fit; and
  - c) the landed cost price of the Product including duty.
  
7. Provision to the Brand of a report within 5 Business Days of the end of each Accounting Period of all Returns received by the Fulfilment House during the previous Accounting Period, itemising:
  - a) the reason for return, if known;
  - b) whether or not the Product is defective and the defect category, being either: fabric or material, stitching, zip, size or fit; and
  - c) the landed cost price of the Product including duty.





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8. Provision to the Brand of a report within 15 Business Days of the end of each Year of all Returns received by the Fulfilment House during the previous Year, itemising:
  - a) the reason for return, if known;
  - b) whether or not the Product is defective and the defect category, being either: fabric or material, stitching, zip, size or fit;
  - c) the landed cost price of the Product including duty,

and in addition to such reports the provision to the Brand of such other information relating to the Services as may be requested from the Fulfilment House by the Brand from time to time.

9. The reports referred to at paragraphs 6, 7 and 8 are to be machine-readable and in a form and format which is compatible with the information technology systems of the Brand or any of its Associated Companies, as may reasonably be specified by the Brand from time to time.





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10. Identifying and storing Defective Returns separately from other Returns held by the Fulfilment House.
11. On a quarterly basis, arranging and permitting access to the Fulfilment House's warehouses for the purpose of auditing Defective Returns received since the commencement of trading (for the first audit) and thereafter since the date of the previous audit.
12. Disposing of the Defective Returns as directed by the Brand and, if instructed to destroy or shred Defective Returns, the provision to the Brand of an independent certificate of destruction in respect of such Defective Returns.
13. On request, arranging and permitting access to the Brand (or its authorised representatives) to the Fulfilment House's warehouses for the purpose of auditing its books and records relating to the Returns and, in particular, those books, records and reports referred to in paragraphs 5 and 6 of this schedule.



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## Standard for services

- The need for service levels
- The prohibition of sub-contracting
  - brand integrity and financial integrity



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## Data protection

- The value of data
  - understanding what is being bought online and why
  - understanding what is being returned and why
  - adjustments can affect the business's bottom line



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## Data protection

- The need to get it right
  - Ashley Madison
  - Mossack Fonseca
  - Hilary Clinton
  - Donald Trump
  - brand integrity and financial integrity





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## **Addressing consumer returns – contracts between online retailers and fulfilment houses**

### **Post-termination issues**

- handle with care – the issue of set off
- intellectual property rights – know how and its use



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Q&A

**Thank you.**