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RESEARCH INSIGHTS REPORT

Sending It Back: Reverse Logistics and the U.S. Postal Service

Report Number RISC-RI-24-005 | May 23, 2024

Contents

Sending It Back: Reverse Logistics and the U.S. Postal Service

The COVID-19 pandemic and other significant developments in recent years have shifted consumer behavior and changed how the reverse logistics industry operates. What opportunities and challenges does this present the Postal Service as it attempts to grow its share of the returns market?

When the COVID-19 pandemic struck, more consumers turned to online shopping as a safe and convenient means of meeting their shopping needs. And as ecommerce grew, so, too did product returns. Because the reverse logistics process is far more complicated and expensive than forward logistics, this presented a number of significant challenges for retailers. An entire industry of logistics providers stands poised to help them take on these challenges.

The U.S. Postal Service plays a significant role in the reverse logistics marketplace. The agency offers several products designed to help both retailers and consumers more efficiently and cost effectively navigate the returns process. Considering the significant growth of the reverse logistics business, there may be additional opportunities for USPS to grow its share of the reverse logistics marketplace and increase its revenues from this line of business.

The U.S. Postal Service Office of Inspector General (OIG) examined significant trends and developments in the reverse logistics industry, including relevant Postal Service pilots, products, and initiatives since 2018. This report outlines these trends and identifies industry lessons learned and potential opportunities and challenges that could inform the Postal Service's reverse logistics strategies going forward. See Appendix A for more information on this project's objective, scope, and methodology.

Overview of Reverse Logistics

Reverse logistics is not just "forward logistics backward" — the reality is far more complex.

Defining Reverse Logistics

Reverse logistics refers to the movement of goods from their place of use to their place of manufacture, sale, or disposal and is often referred to simply as "returns." When an item is returned, it may be resold as new, refurbished to be sold on the secondary market, recycled, or disposed of in a landfill. The path an item takes is decided through "triage" and "disposition" processes in which the contents of the return are verified, the condition of the item is evaluated, and a determination is made about the item's ultimate destination.

Reverse Logistics Presents Unique Challenges

The multistep process of handling and evaluating a return poses unique challenges compared with traditional, forward logistics. The following are some ways that reverse logistics differs from forward logistics:

- Forecasting returns volume is difficult: since it is the customer initiating the process, retailers have limited knowledge of when or if a product will be returned.
- Returned products vary in quality: retailers do not know the condition of each returned product until it arrives.
- More varied and complex routing: a returned product often goes from a shipper to a returns processing center, and then on to its ultimate destination, which could be back to the merchant, to a reseller, to a refurbisher, a recycler, or to a landfill.
- Multiple delivery options: retailers can choose from a wide variety of logistics providers, covering some or all of the returns process.

The result of these factors is a more complex and costly process than forward logistics. Companies devote significant resources toward the logistics of handling their returns. The uncertainty of returns makes it difficult for companies to project future costs from past sales and the accounting and reporting of returns costs may not squarely fit into any single segment of the company's operations.

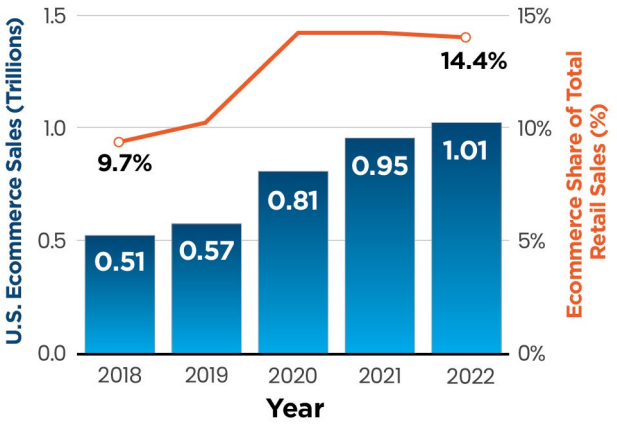
Booming Ecommerce Drives Growth in the Reverse Logistics Marketplace

The ecommerce marketplace has grown considerably in recent years. From only 9.7 percent of total retail sales in the U.S. in 2018, it increased to about 14.5 percent during the COVID-19 pandemic (2020-2022).[i] While overall retail sales steadily grew between 2018 and 2022, ecommerce grew even faster. U.S. consumers purchased half a trillion dollars of goods online in 2018 and bought twice as much — one trillion dollars — four years later, in 2022 (see Figure 1).[ii]

Figure 1. Annual U.S. Ecommerce Sales and Total Retail Sales Share, 2018 - 2022

U.S. CONSUMERS BOUGHT TWICE AS MUCH ONLINE IN 2022 COMPARED TO 2018

In 2018, U.S. consumers made $507 million in purchases online, and that amount doubled to $1.01 trillion in 2022. Ecommerce also grew from 9.7 percent of total U.S. retail sales to 14.4 percent during that period.



Source: OIG analysis of Census Bureau data.

As consumers ordered more products online, they also requested to return more products.[iii] According to the National Retail Federation, 17.6 percent of online purchases in the U.S. by revenue were returned to retailers in 2023.[iv] These returns amounted to an estimated $248 billion in ecommerce sales, and half of these returns (49.7 percent) were returned in store rather than shipped back to the retailer. The sales value of online returns may be even higher in 2024. U.S. shoppers were expected to return $173 billion worth of purchases made in the 2023 holiday season alone, an increase of 28 percent from the year before.[v] Surveys indicate that clothing bought online, shoes, and electronics are among the most widely returned items (see Figure 2).

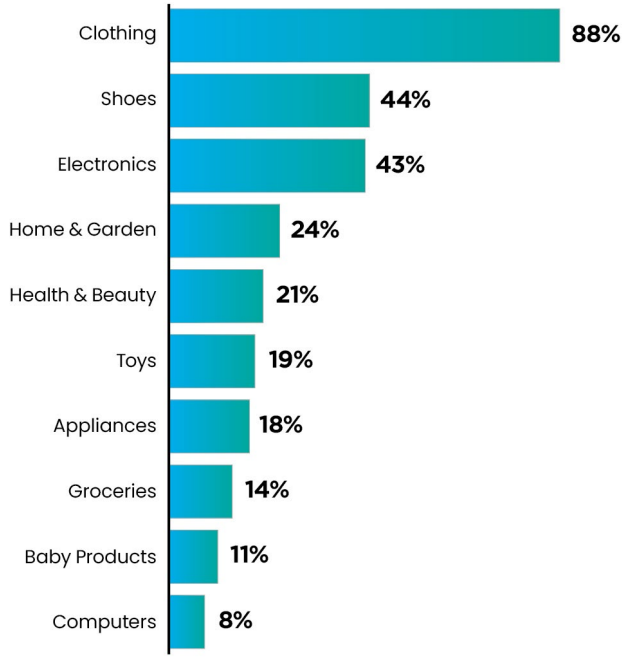
While the Postal Service transports the highest volume of packages overall among U.S. carriers, UPS holds the dominant position in the returns market. UPS is estimated to have handled about half of the U.S. returns volume among carriers in the second half of fiscal year (FY) 2023, followed by USPS and FedEx. In addition to carriers competing for returns market share, third-party logistics (3PL) providers compete for business from those retailers who wish to contract out some portion of their returns logistics operations.

The growth of ecommerce merchants based in China may contribute to further increases in U.S. returns. As relatively new Chinese ecommerce players, such as Temu, expand their operations in the U.S. through nearshoring, they may increasingly ship products to U.S. consumers using domestic shippers and handle items returned by U.S. consumers similarly.[vi] The Postal Service is a preferred domestic carrier for many of these Chinese shippers' items; however, the Postal Service indicated it "is not currently playing a major role in international returns."[vii]

Figure 2. Types of Products Consumers Returned in the Past (2021)

TWICE AS MANY CONSUMERS HAVE RETURNED APPAREL THAN ANY OTHER PRODUCT TYPE

As of 2021, nearly nine-in-ten consumers (88 percent) reported ever returning clothing they bought online, followed by shoes (44 percent), and electronics (43 percent).



Note: Respondents to this 2021 consumer survey answered the question, "Which types of products have you returned in the past?" Respondents could pick more than one option. As a result, percentages sum to more than 100.

Source: PowerReviews.

Returns may move between customers, processing centers, and retailers as part of the circular economy.

Changing Customer Behaviors and New Service Options

The COVID-19 pandemic had a major impact on the reverse logistics market, including on volume growth and changes in consumer behavior. Companies have increased the channels through which customers can return items, while at the same time, some have tested imposing new or higher fees for returns. The Postal Service has also created new returns initiatives and product offerings to meet customer needs for increasing returns volume.

Impacts of the COVID-19 Pandemic

During the height of the COVID-19 pandemic, most retail establishments were either shut down or had limits on the number of shoppers allowed inside. Many consumers were also fearful about in-person shopping. Some suddenly in demand items — such as disinfecting wipes and masks and other personal protective equipment — were difficult to locate in local retail establishments but could be found online. As a result, ecommerce grew substantially during that time.

Along with the COVID-fueled growth in ecommerce came commensurate growth in return volumes. For example, more customers embraced the practice of "bracketing" — purchasing the same item in different sizes or different colors online with the intention of returning those that do

not fit or they do not like, contributing to the increase in returns during the pandemic.

The pandemic-driven growth in ecommerce may have accelerated changes in consumer purchasing behavior. Some consumers who were not familiar or comfortable with ecommerce prior to the pandemic came to embrace it, finding it convenient and cost-effective. Consequently, once the pandemic receded and consumers were able to return to in-person shopping, ecommerce levels dipped slightly but remained substantially above pre-pandemic levels (see Figure 1). In the years since, ecommerce has retained its pandemic bump, as well as higher return volumes.

Multi-Channel Options for Customer Support

Consumers today have more options than ever for returning unwanted items, including third-party drop offs, package-less returns, and pick up at the customer's premises.

- **Third-party drop off** allows customers the option to bring returns to establishments that are convenient and that they may already frequent. Retail establishments — such as clothing stores, for example — benefit from having customers come to their premises. Some offer coupons or promotions to customers dropping off returns at their site. Returns are held at the third-party location until they are picked up in bulk, either by the retailer or a 3PL the retailer has enlisted to handle their returns.
- **Package-less returns** allow customers to bring their returns to a return center or third-party drop off location without having to pack the items in a box. The retailer electronically provides the customer with a QR code which they present when dropping off their return. The consolidation of multiple returns for a particular online merchant into comingled packages results in cost savings and environmental benefits. Because the returns are unboxed, they can be readily viewed, thus lessening the opportunities for returns fraud and providing valuable insights to be used in the triage process.
- **Customer premises pick up** offers the customer maximum convenience, as the carrier comes to their location, at a date of their choosing, to pick up their return. Pick-ups may be made from outside the customer's door, eliminating the need for personal interaction. This option imposes higher costs on retailers. The retailer may decide the extent to which those costs are passed on to the customer, such as through a deduction in the customer refund, for example.

Testing New Customer Fees

With the proliferation of returns in recent years, some retailers have begun experimenting with charging fees for returns to offset costs. Added fees can also discourage pre-determined returns, such as bracketing. However, there is a risk to imposing return fees, particularly when moving from a free returns environment. Retailers who impose return fees may run the risk of losing sales to competitors with more generous return policies. As a result, some retailers are instituting pilot programs which test their customers' reaction to the imposition of return fees.

Some retailers are encouraging consumers to make in-store returns by keeping them free while imposing a fee for shipped returns. The benefits to the retailer are two-fold: in addition to reducing the overall cost of the return, bringing the consumer into the physical store increases chances that the return may turn into an exchange, or that the consumer may make another purchase while onsite. These trends in reverse logistics may negatively impact carriers. As a result, carriers — including USPS — are working to develop returns products that are affordable and easy to use, in an effort to keep the "ship back" option competitive.

Postal Service Initiatives and New Products Since 2018

The Postal Service has expanded its returns services in recent years, introducing several new options that vary based on speed, volume, and the logistics capabilities of the shipper.

USPS Returns consists of "end-to-end" services that allow packages to be dropped off at a Post Office, deposited in a collection box, or collected via Package Pickup.[viii] The three USPS Returns services are Priority Mail Return, Priority Mail Express Return (introduced in 2023), and Ground Advantage Return (also introduced in 2023). All three offerings accept packages weighing up to 70 lbs., include $100 of insurance, and offer the sender the opportunity to purchase additional extra services. Figure 3 details delivery times for each of the services. In FY 2023, USPS Returns accounted for 68.6 million (52 percent) of the Postal Service's returns volume of 132 million pieces and $452.2 million (68 percent) of the $665 million in returns revenues.

Figure 3. Delivery Times for USPS Returns Products

Product	Delivery Time
Priority Mail Return	Expected delivery standards are day specific within 1 to 3 business days based on distance.
Priority Mail Express Return	Expected delivery standards are day specific within 1 to 2 business days based on distance.
Ground Advantage Return	Expected delivery standards are day specific within 2 to 5 business days based on distance. (Continental US only.)

Source: USPS

Parcel Return Service (PRS), first offered in 2003, is designed for shippers with a high volume of returns. PRS allows customers to drop off their return items at a postal facility, in a collection box, or have them picked up. Unlike USPS Returns, the PRS partner picks up the returned items in bulk from a designated USPS facility. According to USPS, approximately 63 percent of volume is picked up at a designated return delivery unit (RDU).[ix] The PRS partner may also pick up returns volume at return processing facilities (RPFs). In FY2023, PRS accounted for 63.4 million (48 percent) of the Postal Service's return volume and $212.8 million (32 percent) of revenues. However, a recent OIG audit noted that PRS volume declined by 21 percent between FYs 2018 and 2022 despite significant gains in the returns market.[x]

The Postal Service offers its customers several other return services, including:

- **USPS Label delivery** — customers may order an outbound or return label on USPS.com or via a merchant's API and have it printed and delivered to residential and business addresses for a fee;[xi];
- **Label printing at select USPS Retail, Rapid Drop-off Stations or Self-Service Kiosks (SSKs)** — retailers can securely store a label with Label Broker which USPS customers can retrieve using a QR code or barcode;
- **Rapid drop-off stations** — customers can print shipping labels for return packages and scan labeled packages to record an acceptance event;
- **Package-less returns** — customers bring an unpackaged return item, obtain the appropriate USPS Priority Mail packaging from the facility, and provide either a QR code or Label Broker ID code to the Sales and Service Associate (SSA);
- **QR code scanning for package pickup** — scanning the QR code on the Return Label allows customers to either find the Post Office closest to them or schedule a pick-up with their daily mail carrier; and
- **Free package pickup** — customers may request free carrier pickup of their return parcels from any delivery point nationwide as part of the carrier's regular delivery route. Customers may also drop off returns parcels at approximately 32,000 retail and contract postal unit locations nationwide. The shipper authorizing the return embeds a service type code in the intelligent

The Postal Service's self-service kiosks provide label printing.
Source: USPS.

barcode which identifies the parcel as a return. Between the first quarter of 2023 and the first quarter of 2024, the Postal Service reported a 4.2 percent increase in package pickups, although they do not differentiate between returns and regular outgoing parcels.

Challenges and Opportunities in Reverse Logistics

As discussed above, managing returns presents unique logistical and cost challenges for companies. The industry also faces challenges with returns theft and fraud and the environmental impact of increasing returns. Innovative new service models and the use of data to understand customers could help address these challenges.

Crowd Sourcing and Hyper-Local Models

Innovators are seeking to develop creative solutions to retailers' challenges of managing the cost of returns while maximizing customer satisfaction.

End-to-end third-party logistics providers: While some companies employ a patchwork of solutions that address one or two parts of the reverse logistics process, others seek out logistics providers that offer a more comprehensive solution. One example is the end-to-end 3PLs. These companies handle every part of the returns logistics process for retailers, from the customer interface for initiating the returns process, to triaging returns to determine their best next use, to physically transporting the goods for resale, refurbishing, recycling, or disposal.

ARTIFICIAL INTELLIGENCE (AI) OFFERS PROMISING APPLICATIONS TO MANAGE SOME OF THE COMPLEXITY AND COSTS OF RETURNS.

Crowdsourced returns: Some last mile delivery companies are innovating in their efforts to offer first mile returns service. One such company we spoke with utilizes a crowdsourcing model to provide both last mile delivery and pick-up returns from the customer premises. Drivers — individuals who are not company employees, effectively acting as independent contractors — arrive at a warehouse and load their personal vehicles with deliveries. They are also given a list of returns to pick up along their route, and they return to the warehouse at the end of their assigned route to drop those items off. A team at the warehouse then scans the items, consolidates them, and ships them back to the retailers.

Hyper-local returns: For handling larger items, some companies partner with retailers to keep returns "hyper-local." For example, a retailer may ship a mattress to a customer on the other side of the country. If the customer decides to return the mattress, instead of incurring the expense of bringing the mattress back across the country, the retailer may work with a local company that will collect the item.

Predicting and Understanding Consumer Behavior Using AI and Data

Artificial Intelligence (AI) offers promising applications to manage some of the complexity and costs of returns. One strategy is to use AI to predict which customers are more likely to return items and implementing different return policies for different types of customers. Retailers may also create customer profiles to help them better understand consumer preferences and behaviors. For example, a retailer may offer benefits to customers who join their preferred customer program. The data they collect can be put to multiple uses, such as using advanced analytical tools to determine customers' return fee elasticities — how much they would be willing to pay to return an item before deciding to take their business elsewhere. Of course, such applications must be balanced against considerations of individual data privacy.

AI can also play a role in assisting with the evaluation and the potential value of returned items. A quick barcode scan can provide product sorters with information about which returned items hold the most potential salvage value versus which should be sent to a landfill or otherwise disposed of. However, there are currently limits to this application of data, as employees are still required to effectively evaluate a specific item's condition and handle the item.

One industry expert we spoke with believes there could be an increasing application of AI to understand why a customer returned a particular item and applying that information to future purchases. Harnessing such a tool may, for example, enable an ecommerce website to utilize chatbots to walk a customer through the returns process, or proactively suggest alternative items that the customer may be less likely to return. A challenge is that the value of such suggestions would ultimately depend upon the accuracy of the information provided by the consumer about their reasons for initiating previous returns.

Combating Theft and Fraud

Returns fraud is an increasing challenge impacting retailers, and estimates indicate that in 2023 nearly 14 percent, or $101 billion dollars, was lost due to fraud. Customers may send back a box containing something other than what they are claiming to return. Other times, customers may return used merchandise as new, seeking a full refund. Fraudsters may seek to return items obtained via nefarious means (such as through shoplifting or porch piracy) and claim to have lost their receipt.[xii] The challenge retailers face is balancing taking steps to combat returns fraud with the risk of alienating those customers making legitimate returns and possibly losing their future business.

Beyond consumer fraud, there are also challenges with returns theft once an item is in the return network. The challenge can be two-fold: the carrier or consolidator's partners may miss scheduled pickups, allowing packages to accumulate at the consolidator's facility. Unattended parcels are more susceptible to theft. Also, the absence of information sharing between the two parties can make it difficult to determine if the parcel made it to its ultimate destination. Dealing with this issue may require a combination of enforcing

tighter controls on parcels and increasing data sharing with partner companies.

Environmental Sustainability Challenges

Reverse logistics can reduce waste by extending the life of products – a positive environmental impact. However, the intricacy of the reverse logistics supply chain also creates environmental harm, and in some respects, it may be more harmful than forward logistics. Harmful impacts include vehicle emissions, packing materials, and the number of items that end up in landfills from reverse logistics.[xiii] One expert told us that the carbon footprint for reverse logistics is two to three times that of forward logistics.

Companies in some countries and jurisdictions also face challenges in complying with Extended Producer Responsibility (EPR) laws. EPR laws are commonplace in Europe, and now four states have passed EPR for packaging laws in the U.S. and an additional nine states have introduced EPR for packaging legislation in 2024.[xiv] EPR laws assign producers financial and/or operational responsibility for the end-of-life of their products. Companies in states with EPR laws may find themselves compelled to take certain steps to ensure compliance, such as joining a collective producer responsibility organization (PRO), a nonprofit entity which collects and disburses funds for the collection, sortation, and processing of covered products. PROs may provide physical infrastructure for recycling, work with companies to minimize expenses and redundant services, and may even have some form of enforcement capability.

In the face of these environmental impacts, sustainability has become more of a concern in the returns market, and practices vary in terms of their environmental impact. For example, several retailers have begun to offer so-called "returnless returns" — customers are given credit for an item they do not want and are told they do not need to return it. This policy is often convenient for the customer, but it may shift the burden for environmentally friendly disposition of the unwanted item down the supply chain. On the other hand, one 3PL that we spoke with boasted of a client that has kept 99% of returned items out of landfills. They are able to do so through a combination of promptly returning like-new merchandise to the retailer to add back to inventory and establishing relationships with online auction sites and other secondary market sellers. Additionally, they work closely with partners who specialize in refurbishing, recycling, and donating merchandise returns.

Promoting sustainability in reverse logistics can also be a way for companies to appeal to customers. This is particularly relevant to those environmentally conscious consumers who value corporate responsibility or are willing to purchase certified used goods to align with their environmental sustainability goals. These consumers may even be willing to pay more for products if they know their money is going to cover the cost of sustainability efforts.

Implications and Opportunities for the Postal Service

Through its existing and newly established service offerings, the Postal Service already plays a significant role in reverse logistics. However, USPS faces challenges, as well. The costs and complexity of reverse logistics

The Postal Service had deployed more than 300 Smart Parcel Lockers as of March 2024 and plans to install an additional 200 by May 2024.

Source: USPS.

are generally greater than those for forward logistics. The industry is competitive, including a number of smaller, nimble start-ups who may be focusing on only a few specific parts of the reverse logistics chain. There is also continued competition from established carriers who have made acquisitions to expand their capability to handle returns and recently launched new services.

The Postal Service's network may present strategic opportunities in future attempts to grow its returns market share. By its sheer size, its retail and transportation network may be well-suited to support the reverse logistics marketplace. In addition to visiting nearly every delivery location six days a week, the USPS has a nationwide network of physical locations in communities large and small.

Potential Future Strategies and Opportunities for the Postal Service

Logistics industry experts told us that Postal Service facilities could be well positioned to serve as "commerce hubs." Indeed, the Postal Service's Delivering for America plan outlines transforming post offices into retail hubs for business growth, including for returns services.[xv] Beyond current pick-up/drop-off and delivery offerings, post offices could potentially play a role in front-end triage; personnel could quickly evaluate returned products, ensuring that they are what the sender claims they are, and even doing a quick evaluation of item condition. This third-party verification would serve to help minimize returns fraud.

There are, however, a number of issues that need to be considered further before the Postal Service can enter this space. One is evaluating the potential liability USPS would incur by accepting returns. Another is the resources that would need to be dedicated to developing the skillset necessary for returns evaluation. Finally, the impact on USPS' customers would need to be taken into consideration — at a time when quick return drop offs with no examination is the status quo, how would customers react to longer wait times?

Another possible role for the Postal Service would be to keep secondary-market items on site for pickup and delivery. By utilizing facilities for returns warehousing, the Postal Service could provide retailers and resellers with a convenient means of product storage and distribution. However, as with evaluation of products, the physical and personnel resources required to manage such a service would have to be evaluated against their potential revenue. Currently, the Postal Service is committed to using its physical space to facilitate package delivery. Finally, the risks of theft and loss would need to be managed.

One industry expert envisioned a potential USPS role in facilitating returns of hazardous materials such as old cell phones and used nickel cadmium batteries. Currently, telecom service providers accept these items, but their locations and hours may not be convenient for consumers. Postal facilities, on the other hand, are located in virtually every community in the nation and some lobbies are open 24 hours. Bins could be set up at some select facilities to accept these items, and the telecom service providers could collect them on a regular basis. Assuming these items could be safely stored within the postal facility, such a program would provide a valuable service to postal customers, as well as helping to safeguard the environment by keeping them from ending

up in a landfill.[xvi] Prior to implementation of any such undertaking, however, evaluation of the risks inherent to staging and delivering hazardous materials would be necessary.

The Postal Service could take steps to pursue the use of new technologies to better serve the needs of their customers. As noted previously, AI, though still in its infancy, holds significant promise for use in reverse logistics. Improved tracking — and sharing of tracking data with their returns partners — will make the returns process more efficient and more secure.

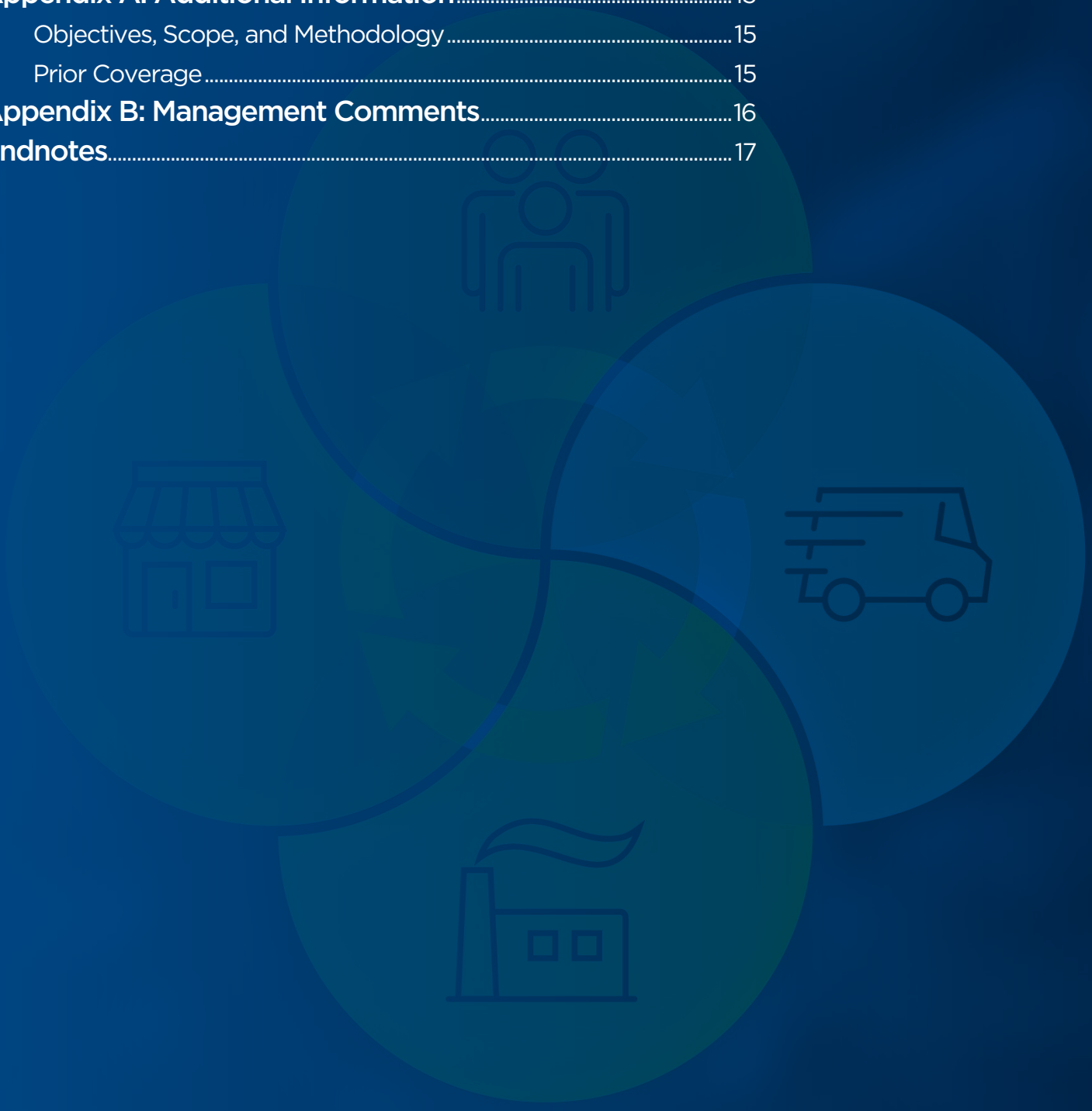
Finally, the Postal Service could explore creating new service offerings to better serve the needs of their customers. The process of expanding their returns capabilities has already begun. For example, USPS plans to increase the number of Parcel Lockers at its facilities where customer can drop-off returned items as well as print returns labels at the locker.[xvii] The Postal Service recently introduced and is growing its Ground Advantage shipping product. Increasing a share of the reverse logistics marketplace will require ongoing innovation geared toward meeting consumer's needs. These needs will emerge as the market continues to grow and evolve.

Conclusion

Consumer behavior has changed dramatically since 2018. The COVID-19 pandemic fueled a significant boost in ecommerce, and that trend has continued in the post-pandemic world. Accompanying that growth in online sales is an increase in product returns. This offers more convenience for customers but some challenges for retailers, as reverse logistics is both more complex and more expensive than forward logistics. Retailers will continue to turn to logistics service providers to create and provide low-cost solutions that meet consumers' needs.

The Postal Service has already introduced a number of returns products that are designed with both businesses and consumers in mind. Given the size and scope of the postal network, there may be opportunities for the Postal Service to grow its market share. These opportunities can be best realized through continued careful planning and creative thinking.

Appendices



Appendix A: Additional Information

Objectives, Scope, and Methodology

The objectives of this paper were to:

1. Examine significant trends and developments in the reverse logistics industry, including relevant Postal Service pilots, products, and initiatives, since 2018, and
2. Identify industry lessons learned and potential opportunities and challenges that could inform the Postal Service's reverse logistics strategies going forward.

The scope is the reverse logistics marketplace from 2018 to the present day, and the U.S. Postal Service's role within that marketplace.

To accomplish our objectives, OIG conducted desk research to obtain publicly available information and data on the reverse logistics industry. We conducted interviews with officials at reverse logistics service providers, industry trade associations, and subject matter experts (including academics and innovators) to gain insights into industry trends, challenges, and future directions. We submitted questions to the Postal Service management responsible for returns and reverse logistics and received written responses.

The inspection was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. We discussed our observations and conclusions with management on April 29, 2024, and included their comments where appropriate.

Prior Coverage

Title	Objective	Report Number	Final Report Date	Monetary Impact
Riding the Returns Wave: Reverse Logistics and the U.S. Postal Service	To explore emerging trends in reverse logistics and returns management and examine the current role of the Postal Service in returns and its future opportunities for growth.	RARC-WP-18-008	April 30, 2018	$0
The Evolving Logistics Landscape and the U.S. Postal Service	To examine six categories of trends that could shape not only the future of the logistics industry, but also the future of the Postal Service and its customers.	RARC-WP-16-015	August 15, 2016	$0
Domestic Merchandise Returns and Forwarding	To identify opportunities for the Postal Service to grow its merchandise returns and forwarding revenue.	RARC-WP-15-001	March 9, 2015	$0
The Global Logistics Revolution: A Pivotal Moment for the Postal Service	To examine how the Postal Service might offer value-added logistics services and partner with existing logistics firms.	RARC-WP-13-010	June 3, 2013	$0

Appendix B: Management Comments

UNITED STATES POSTAL SERVICE

May 6, 2024

MARK TASKY
DEPUTY ASSISTANT DIRECTOR GENERAL
RESEARCH AND INSIGHTS SOLUTION CENTER

SUBJECT: Management Response: Sending It Back: Reverse Logistics and the U.S. Postal Service – Research Insights Paper (2024RISC002)

Thank you for the opportunity to review and comment on the Office of Inspector **General's (OIG's)** research insights paper: *Sending It Back: Reverse Logistics and the U.S. Postal Service.*

All inaccuracies were presented during the exit interview and the necessary updates have been made to the document." We have no additional comments on the findings and conclusions stated in this report.

Jacqueline Krage Strako Digitally signed by Jacqueline Krage Strako
Date: 2024.05.06 20:02:51 -04'00'

Jacqueline Krage Strako
Chief Commerce & Business Solutions Officer & Exec. VP

cc: *Corporate Audit Response Management*

Endnotes

i Ecommerce made up 10.6 percent of total retail sales in 2019, 14.6 percent in 2020, 14.6 percent in 2021, and 14.4 percent in 2022. See U.S. Census Bureau's 2022 Annual Retail Trade Survey: https://www2.census.gov/programs-surveys/arts/tables/2022/ecommerce.xlsx.

ii U.S. ecommerce sales increased from $507 million in 2018 to $1.01 trillion in 2022. The sales include many kinds of retail businesses, including motor vehicles, furniture, electronics, healthcare, clothing, and bookstores.

iii According to conversations with industry experts, estimating the size of the reverse logistics market is challenging because not all companies report their number of returns. It is also not always clear what qualifies as a return, particularly when one business returns an item to another business. For example, a business may return laptops to a vendor on a refresh cycle, and the vendor may resell those returned computers on the secondary market, contributing to the circular economy. When collecting data on the returns market, it is challenging to capture circular economy transactions, fraudulent returns, and returned items that are resold as new. Data collection challenges may contribute to lower-than-actual market size estimates.

iv National Retail Federation, *Consumer Returns in the Retail Industry 2023*, December 2023, https://cdn.nrf.com/sites/default/files/2024-01/2023%20Consumer%20Returns%20in%20the%20Retail%20Industry.pdf, p.2.

v See USPS Link, "USPS is working to deliver more return packages," 9 January 2024, https://news.usps.com/2024/01/09/usps-is-working-to-deliver-more-return-packages/.

vi U.S. Postal Service Office of the Inspector General, *The International Package Market – Trends and Opportunities for the Postal Service*, Report No. RISC-WP-23-006, May 15, 2023, https://www.uspsoig.gov/sites/default/files/reports/2023-05/risc-wp-23-006_0.pdf, p.7.

vii Postal Service management explained, "there is a great deal of complexity and additional requirements associated to international returns v. domestic returns. However, the USPS is exploring and researching best practices and the applicable requirements associated with international returns."

viii According to USPS, approximately 75 percent of USPS Returns are dropped off at retail facilities (self-service kiosks, full-service counters, or alternative access) and 25 percent are carrier pickup.

ix When picking up from an RDU, the PRS partner must pick up from a designated post off at a minimum every 48 hours (excluding weekends and holidays). When picking up from a designated returns processing facility, the PRS partner picks up a minimum every 24 hours (excluding weekends and holidays).

x U.S. Postal Service Office of the Inspector General, *PRS Consolidator Payment and Refund Errors*, Report No. 23-038-R24, January 9, 2024, https://www.uspsoig.gov/reports/audit-reports/parcel-return-service-consolidator-payment-and-refund-errors, p.4.

xi There is a $1.25 per label fee for this service.

xii The term "porch piracy" refers to deliveries that are left at a customer's premises and then stolen before the intended recipient has the opportunity to retrieve them.

xiii In 2020, an estimated 2.6 million tons of returned clothes ended up in U.S. landfills.

xiv EPR package laws are on the books in California, Colorado, Maine, and Oregon; they have been proposed in Illinois, Massachusetts, Minnesota, New Hampshire, New Jersey, New York, Rhode Island, Tennessee, and Washington.

xv U.S. Postal Service, "Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence", March 2021, https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf, p.35.

xvi USPS currently offers a similar service to other Federal agencies via its USPS BlueEarth Federal Recycling Program, through which it properly disposes of items like small electronics and phones. https://about.usps.com/what/corporate-social-responsibility/sustainability/circular-economy/.

xviiUSPS has just over 300 Smart Parcel Lockers installed and active, with an additional 200 to be added by the end of May 2024. They expect to begin offering returns capabilities via Smart Parcel Lockers by October 2024.

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