

Returns process: systematically managing returns in B2B procurement

The returns process refers to the structured procedure for handling return shipments, return deliveries and complaints between customer and supplier. In industrial supply chains it covers all steps from requesting the return shipment through inspection of the goods to the credit note or replacement delivery. A clearly regulated procedure reduces costs, shortens throughput times and safeguards the quality of supplier evaluation.

Key facts

- The returns process covers the entire return chain: application, inspection, transport, incoming goods inspection and credit note.
- Typical reasons for returns are defective or damaged goods, over-deliveries, incorrectly configured orders and delivery delays with production consequences.
- In practice, throughput times of a few days up to two weeks are typically targeted for handling, depending on complexity and agreement.
- Returns charges are incorporated into supplier evaluation and influence future sourcing decisions.
- Digital returns portals and ERP-integrated processes reduce manual errors and improve traceability.
- Return deliveries to the supplier, internal recalls and customer returns from sales require clearly separated sub-processes.

Definition: returns process

The returns process is the defined procedure for taking back, inspecting and handling goods that a customer returns to the supplier or has returned to the supplier. In day-to-day procurement and logistics it mirrors the normal ordering and goods receipt flow and must be anchored both operationally and contractually.

Distinction from other return flows

In an industrial environment, several types of returns must be distinguished. Return deliveries to the supplier concern purchased materials with quality defects or surpluses. Customer returns from sales usually follow their own rules, for example regarding the right of exchange. In addition, there are internal recalls, in which material is withdrawn from production or the warehouse without any external transport taking place.

Legal and contractual basis

The basis is formed by terms and conditions, framework agreements and individual purchase contracts. These govern return conditions, deadlines, responsibilities and cost allocation. In practice, the debit note to the supplier is the central document for documenting defect claims and justifying debits. Whether warranty, guarantee or goodwill applies must be examined on a case-by-case basis and should be contractually specified in advance.

Procedure and methods of the returns process

A functional returns process follows standardised steps with clear allocation of responsibility. The earlier disruptions are detected and return shipments requested, the lower the consequential costs for production and the supplier network.

Step sequence from defect to credit note

A six-phase procedure is typical: first the defect is documented, then a return authorisation with a returns note is created. After dispatch and goods receipt at the supplier, the complaint is jointly inspected. Finally, a credit note, replacement delivery or repair follows. The order placement for replacement material can run in parallel so as not to jeopardise the supply of production.

Classification of return reasons

Returns should be categorised by cause: quality defects, transport damage, over- or incorrect deliveries, incorrect order data and commercial reasons such as excess stock. A structured classification later enables ABC/XYZ classification cycle analysis of critical items and targeted engagement with problematic suppliers. It frequently becomes apparent that a small number of item groups cause the majority of the returns workload.

Agreements in supplier management

Returns rules belong in supplier contracts and are agreed with varying levels of detail within the supplier segmentation matrix depending on the strategic importance of the supplier. With strategic partners, annual reviews of the returns volume are advisable, supplemented by a supplier visit where conspicuous quality patterns occur.

Key KPIs in the returns process

Without robust metrics, the returns process remains a cost item with no informational value. Measured values serve to manage supplier risk and optimise internal processes.

Process and quality metrics

Key metrics are the throughput time from complaint notification to credit note, the returns rate measured against order volumes, and the first-time resolution rate. The dwell time of open debit notes is often a good indicator of the supplier's process maturity in practice. The proportion of unjustified returns should also be recorded.

Cost analysis

In addition to direct return costs for transport and inspection, indirect costs arise: downtime in production, additional workload in materials planning and capital tied up through replacement procurement. An examination of total cost of ownership over the product life cycle shows how strongly returns reduce the procurement result of an item.

Risks and controls in the returns process

Returns carry operational and financial risks that can be limited through clear controls. If return shipments are not consistently documented, claims are forfeited and the data basis for supplier negotiations loses substance.

Typical weaknesses

Frequently, uniform returns notes are lacking, which leads to misdeliveries and long search times. Undocumented verbal agreements with suppliers make later credit notes more difficult. For quality-critical parts, unclear evidence regarding transport damage or manufacturing defects is a recurring problem; here, agreed inspection protocols and, if necessary, jointly conducted damage analysis help.

Control mechanisms

Effective controls include a four-eyes check on credit notes, regular reconciliation of open returns with the supplier and the linking of returns data to the supplier risk score. For critical items with low safety capacity, a short-term replacement procurement route should be defined in parallel. In the event of sustained contractual breaches, termination for cause may also be considered as a last resort.

Supply interruptions and force majeure

Not every return is attributable to defects. In force majeure cases such as natural disasters or delivery blockages, a different allocation of responsibility applies; goodwill and contractual cancellation arrangements must be examined separately here. Likewise, the unwinding of transactions involving dual-use goods requires increased diligence, as export control regulations may restrict return shipments abroad.

Current developments and digitalisation

Returns processes are increasingly being mapped digitally and interlinked with the other procurement and quality processes. Automation is particularly worthwhile with high volumes and complex supplier structures.

Digital returns systems and data quality

ERP-linked returns modules generate returns notes, track shipments and post credit notes automatically. Clean duplicate detection in complaint records and maintaining a golden record for item master data prevent multiple entries and misallocations. This produces reliable evaluations without manual reconciliation effort.

Integration into planning and quality processes

Returns data is increasingly fed into S&OE cycles, as short-term supply gaps caused by returns are explicitly addressed within the operational planning horizon. In quality assurance, statistical methods such as SPC support the early detection of batch problems that later lead to serial complaints.

Circular economy and sustainability

Returns are gaining importance due to sustainability requirements: returns to the production cycle, reconditioning and recovery are becoming plannable within product life cycle management. Buyers are increasingly checking contractually whether take-back obligations and recovery quotas are agreed.

Typical metrics

Returns rate: < 1 %

Proportion of returns relative to order volumes; typically between 0.5 % and 3 % depending on the industry

Returns throughput time: 5–10 working days

From complaint notification to credit note; complex cases take considerably longer

Credit note rate: > 95 %

Proportion of returns settled promptly and in full

First-time resolution rate: > 90 %

Proportion of returns completed without follow-up queries in the first processing cycle

Practical example

A medium-sized mechanical engineering company with around 250 actively supplied items repeatedly recorded returns of defective turned parts. Production downtime and protracted credit note clarifications burdened procurement. Through a revised returns process with binding defect documentation, a standardised returns note and a quarterly returns review in supplier meetings, the workload was noticeably reduced. A change of two critical suppliers followed on the basis of objective key figures.

- Introduction of a digital returns form with mandatory fields for batch number, defect image and debit note
- Agreement of a 48-hour response deadline for initial assessment with strategic suppliers
- Automatic linking of returns data with supplier evaluation and the supplier risk score
- Six-monthly analysis of the returns rate per item group to identify structural causes

Conclusion

The returns process is more than a tiresome administrative necessity: it provides reliable data on supplier quality, process stability and cost structures within a company. Those who handle returns in a structured manner, make them measurable and feed them into supplier negotiations noticeably reduce throughput times and consequential costs. Digital tools and unambiguous contractual arrangements form the basis for this. The effort involved in designing the process often pays for itself in practice through avoided downtime and faster credit notes.

Frequently asked questions

What is a returns process in procurement?

A returns process is the structured procedure for taking back goods from the customer or returning goods to the supplier. It covers the complaint notification, inspection, transport, incoming goods inspection and final credit note. The aim is a fast, transparent and legally compliant handling.

Which steps belong to a returns process?

Six steps are typical: defect documentation, return authorisation with a returns note, dispatch, incoming goods receipt at the supplier, joint damage assessment and final settlement by credit note, replacement delivery or repair. In parallel, the order for replacement material often runs alongside.

Who bears the costs of a return shipment?

This depends on the reason for return and the contractual agreements. In the case of demonstrable quality defects or incorrect deliveries, the supplier generally bears the costs; in the case of customer errors, often the customer does. The arrangement should be clearly defined in terms and conditions and framework agreements.

What is a debit note in connection with returns?

A debit note (Belastungsanzeige) is a formal document with which the customer invoices the supplier for a defect and the associated effort or loss of value. It establishes the debit and serves as evidence for warranty claims. Clean documentation significantly increases the success rate of credit notes.

How long does a returns process take in industry?

In practice, handling typically takes a few days to two weeks, depending on complexity, inspection effort and contractual arrangements. For quality-critical parts with damage analysis, several weeks may be required. Agreed response times and digital systems significantly reduce throughput time.

How can returns in procurement be reduced?

Effective measures include clear specifications and drawings, uniform returns and inspection systems, regular returns review meetings with suppliers and linking returns data to supplier evaluation. In addition, statistical quality methods such as SPC help identify batch problems at an early stage before they lead to mass complaints.