

 Managing Marketplace
Returns: Avoid The
Operational Nightmare





The Rise of 3rd Party Marketplaces

The number of retailer third-party marketplaces, in which retailers list products from other retailers within their platform or website, has risen over the past few years. Many big-name retailers now have their own marketplace platforms, including Tesco, Boots, Superdrug, B&Q, and The Range in the UK, as well as Walmart, Target, Home Depot, and Macy's in the US.

“Without a well-orchestrated reverse logistics strategy that takes marketplace items into account, the costs and customer dissatisfaction can quickly erode the benefits of marketplace expansion”

On the surface, the appeal of marketplaces is obvious. They enable retailers to offer a much wider array of products without the risk and overheads of maintaining all that inventory. As a low-risk way to drive growth, this is an incredibly attractive opportunity that has seen a lot of success.

Yet, this seemingly golden opportunity does have one overlooked issue: returns. Without a well-orchestrated reverse logistics strategy that takes marketplace items into account, the costs and customer dissatisfaction can quickly erode the benefits of marketplace expansion.

This ebook will explore the complexities of managing returns within a third-party marketplace environment. We will explore the challenges retailers face, whether or not marketplace returns should be accepted in-store, and, most importantly, how retailers solve the issue of marketplace returns.

3rd Party Marketplaces Are Great For Growth

Third-party marketplaces are a great way for retailers to expand the range of their product offerings and can help to drive growth and customer acquisition without taking on the burden of all that new inventory directly. B&Q talks

publicly about how the marketplace they launched only a few years ago now accounts for c.40% of their online sales*.

Most marketplace sellers are happy to work with big-name brands to tap into a retailer's audience, putting their product in front of a wider range of people and harnessing the trust and reputation of the retailer who owns the platform to aid acquisition and conversion.

The biggest advantages of third-party marketplaces for retailers:



Expanded Product Range:

Retailers can expand their product range without investing in additional inventory. This can attract a wider customer base and increase sales potential.



Lower Financial Risk:

Since retailers don't own the inventory, they are less exposed to the risk of unsold products and potential losses.



Improved Customer Experience:

A wider range of products can enhance customers' overall shopping experience, increasing customer satisfaction, loyalty and lifetime value.



Reduced Operational Costs:

Retailers can save on costs associated with warehousing, shipping, and customer service by leaving third-party sellers to handle these aspects.



Data Insights:

Gain customer behavior and purchasing insights for new products, helping retailers make strategic decisions.

However, there is a caveat to the benefits of third-party marketplaces. Returns can become tricky to deal with.

*Retail Gazette Interview: How B&Q is building its marketplace into the home of DIY

Returns Are A Hidden Trap

While the benefits of third-party marketplaces are undeniable, the often-overlooked issue of returns can become logistically problematic quite quickly. In some cases, retailers may prefer a hands-off approach to returns, passing over the burden to third-party sellers. However, failing to factor marketplace returns into the retailers' own return strategies will cause a myriad of challenges, particularly if retailers are already having issues with their own returns processes.

“There is little consistency in how retailers handle third-party marketplace returns”

Customers expect seamless returns experiences. If they've purchased with a retailer before, they will expect to use the same returns procedures they are already used to (particularly as consumers aren't always aware if their purchase is from a retailer or a marketplace vendor). If they take an item into store and are told they cannot return it there, retailers risk creating a frustrating experience that affects customer perception of their brand.

There is little consistency in how retailers handle third-party marketplace returns. Many policies require customers to contact individual suppliers directly to arrange returns, and some retailers, who shall remain nameless here, even provide marketplace retailer phone numbers on their returns pages and ask customers to pick up the phone.

This is not a good returns experience for customers. The reason that many will have shopped at the marketplace in the first place is because of the trust and loyalty that they have built with the retailer brand. Providing a bad marketplace returns experience will damage this brand reputation.

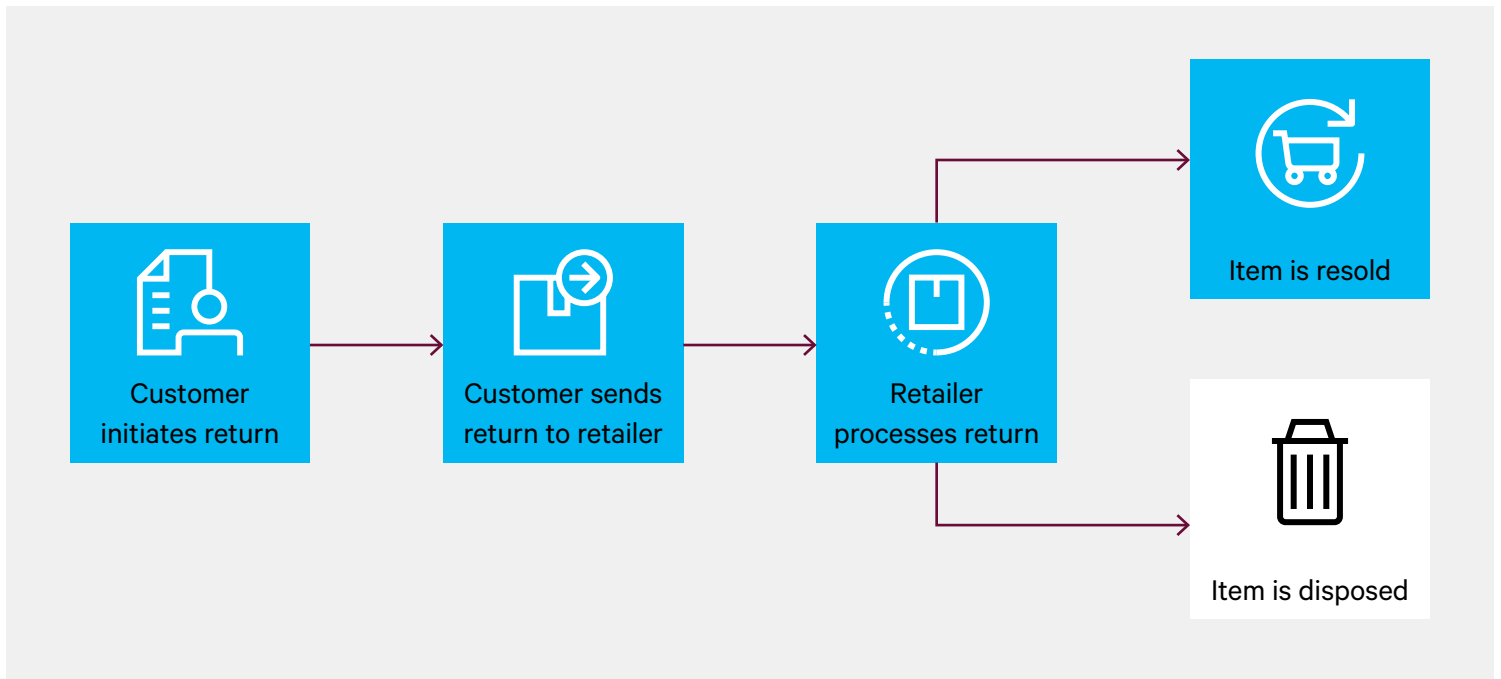
The Operational Nightmare: Managing Marketplace Returns

Even with clear return policies that state that customers should contact the marketplace seller for marketplace returns, there will still be returns that make it back to the retailer. For example, if a customer doesn't know that they have brought a 3rd party item — which is very commonly the case, even if clearly signposted in the purchase & post-purchase journey — they will follow the normal retailer returns policies instead. If retailers have a return address and no integrated portal that checks returns data, there's no way for them to block this return, making the entire journey more complex as third-party items will become mixed in with regular retailer returns.

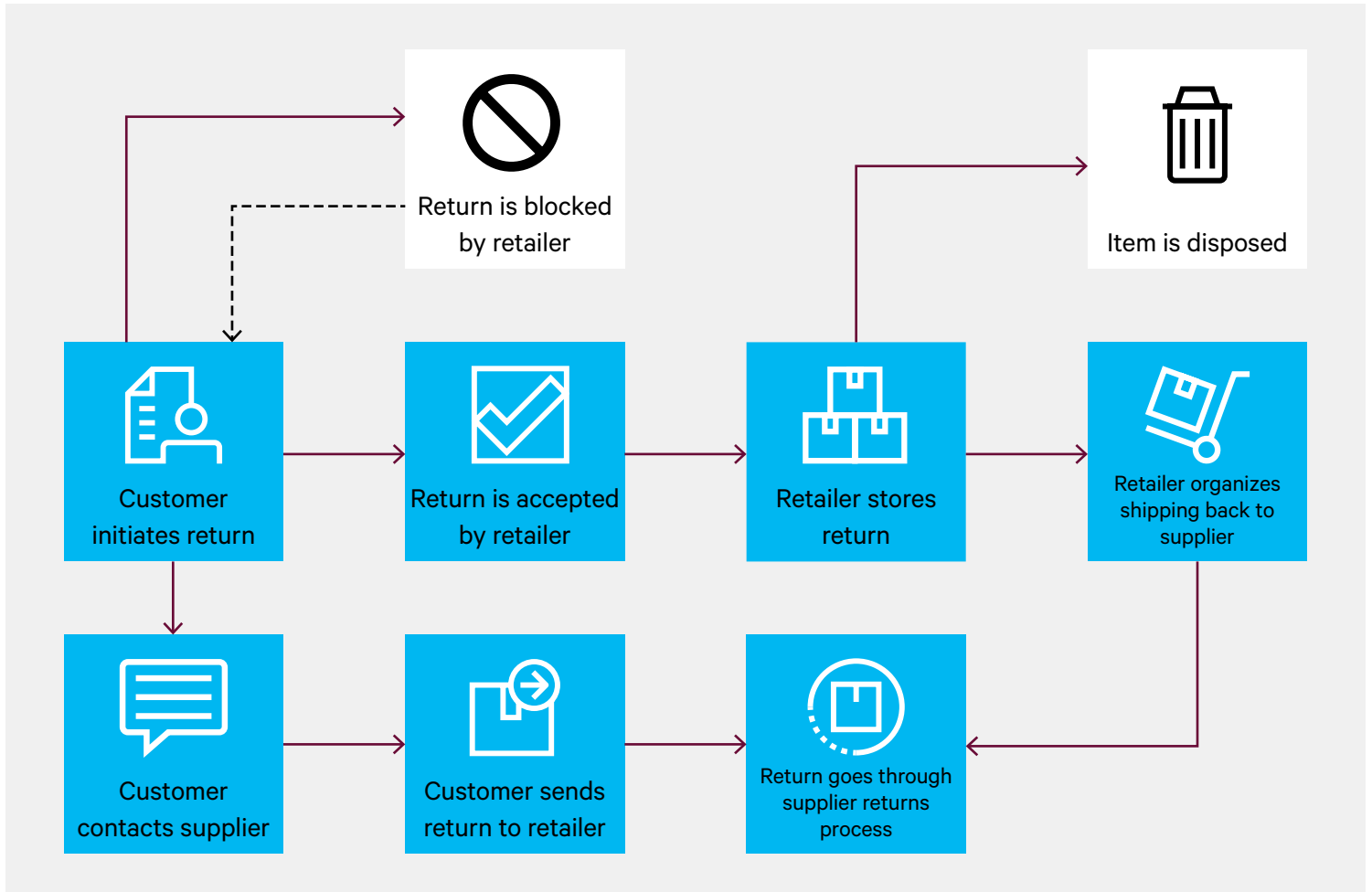
“This results in more costs for retailers and more items in landfills”

If retailers accept marketplace returns in-store or if they reach the warehouse, then retailers have the issue of storing stock that isn't theirs. The appeal of running marketplaces is to avoid operational costs for these items, which then becomes redundant if retailers must store returns and organize shipping back to sellers. This results in more costs for retailers and more items in landfills as these items can't be resold like regular stock, making returns an inefficient and costly process.

Traditional returns journey



Marketplace returns journey



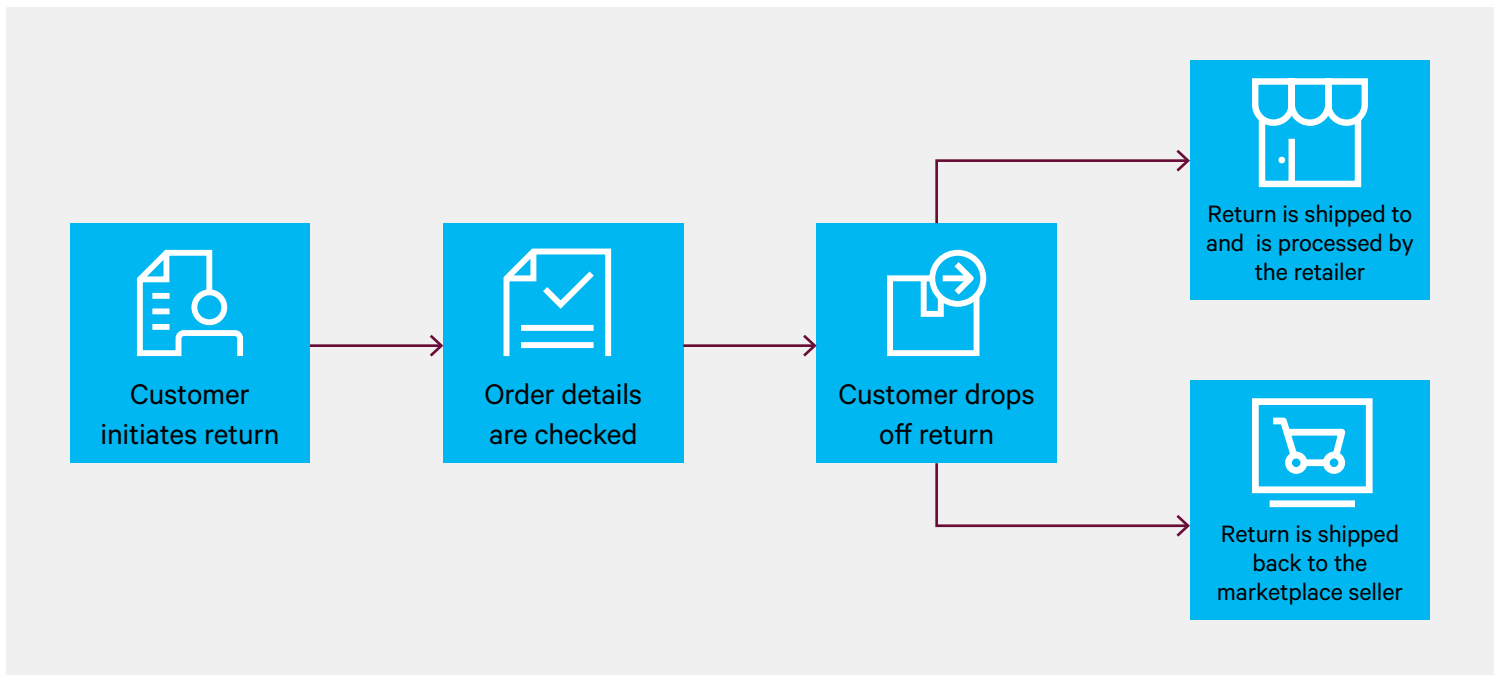
How Do Retailers Solve Marketplace Returns?

Returns are an unavoidable aspect of retail. When operating a marketplace, retailers shouldn't treat returns as an afterthought, nor let them become an inefficient extension to their existing returns system. Instead, retailers need intelligent solutions that can draw on the context of every return, including its origin, to create the most efficient process for each individual item and purchase.

Returns management solutions start with an online returns portal, where customers can register their return online in a quick and customer-friendly experience. Then, each order can be verified within the system, automatically determining whether the item is a marketplace product or a retailer item. Customers receive digital QR codes or printable shipping labels, and an intuitive map to show where they can post or drop off their return, and then the return is routed to the correct location depending on whether it originates with a marketplace seller or the retailer. For example, a store can be presented as a drop-off option for customers who have purchased a retail item but won't be presented for marketplace items if a retailer chooses that strategy.

“Marketplace items are sent directly to the seller rather than retailers handling the parcels themselves, significantly reducing costs and operational complexities”

From the customer's perspective, the returns experience remains the same whether they have a marketplace item or not. The only thing that changes is where the parcels are routed. Marketplace items are sent directly to the seller rather than retailers handling the parcels themselves, significantly reducing costs and operational complexities. This streamlined approach not only enhances efficiency but also delivers a positive returns experience, building loyalty and driving long-term value.



Should Retailers Accept Marketplace Returns In-Store?

In-store returns can be a great strategy for retailers with bricks-and-mortar stores, as they increase footfall within the stores and provide upsell opportunities to recapture revenue. However, accepting marketplace returns in-store presents a unique challenge for retailers in both storage and how to process the returns, as they cannot be restocked on shelves or shipped back to the retailer's own warehouses in the same manner as other items.

“In-store presents a unique challenge for retailers in both storage and how to process the returns”

With an intelligent returns orchestration system, retailers could open up the potential for in-store returns of marketplace items. For this to happen, retailers would need to create a dedicated returns area in which customers can drop off marketplace returns, ideally with the aid of label printers, so items are primed and ready to ship directly back to sellers with minimal staff interaction.

Self-service return drop-off kiosks are a great tool in these situations, as customers can register to return and print shipping labels in under 60 seconds. They can also drop parcels into a dedicated drop box without queueing at a counter. All marketplace items will then be ready with shipping labels, which couriers can collect from the store, while returned items that the retailer stocks are consolidated for warehouse processing – or go straight back onto shelves in-store.

This approach not only provides customers with added convenience but also drives foot traffic to retailers' stores without increasing labor costs.

Drive Marketplace Growth Through Optimized Returns

To fully capitalize on the growth opportunities offered by third-party marketplaces, retailers must prioritize returns as an integral part of their overall strategy. By implementing smart returns management solutions, retailers can provide a consistent and customer-focused returns journey that automatically orchestrates returns based on whether they're a marketplace item or not. In addition, in-store solutions like self-service kiosks can increase footfall without retailers having to store returns that don't belong to them.

By factoring marketplace returns into an intelligent returns management system, retailers don't have to waste operational costs on storing and organizing marketplace seller returns. At the same time, they can provide customers with a positive returns experience that protects their brand reputation, fosters customer loyalty, and ultimately unlocks the full potential of third-party marketplaces.

“Retailers don't have to waste operational costs on storing and organizing marketplace seller returns”



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