

Understanding the challenges of applying circular economy principles to product returns

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Abstract:

Connecting to the Circular Economy (CE) more effectively is fast becoming a core goal for all types of retailers. Recently, the economic loss/waste and environmental damages caused by product returns in retail have been attracting attention from researchers and the media, including social media. However, how to apply the CE concept remains under-researched in the product returns field. Research is needed to explore the challenges and opportunities. Therefore, we employed an interactive research method to collaborate with 18 practitioners who work with/for large retailers, including returns managers, CEOs, and returns technology providers, to identify the barriers to CE in product returns from organisations' internal perspective via interviews, workshop discussion, and feedback meetings. First, we found that the insufficient intra-organisational collaboration between departments resulted in a lack of knowledge about the negative impact of product returns. Therefore, the field of product returns is typically not integrated into a company's wider CE plans. Second, most organisations prioritise the economic aspect of circular strategies for returns. If the financial costs associated with implementing circular strategies outweigh the immediately perceivable benefits, retailers may be reluctant to adopt these strategies, especially for fast fashion retailers. Third, we further identified that the challenge of measurement and data collection of the full economic and environmental cost of product returns is the critical underlying inhibitor. Most practitioners highlighted that the cost of product returns is often too complicated to measure precisely, and the existing environmental assessment approaches are not designed to develop circular strategies in returns. Therefore, our study highlights opportunities for researchers to facilitate the implementation of CE in product returns and proposes future research directions in this field.