Return Delivery: Structurally managing the return of goods to suppliers

A return delivery refers to the return of goods, materials or components from the customer or buyer to the supplier, for example due to defects, shortfalls, incorrect deliveries or surplus stock. It is more than a logistical special case: return deliveries equally affect quality assurance, contract law, financial accounting and supplier evaluation. Anyone who organises return deliveries systematically reduces process costs, improves their data quality and strengthens their negotiating position. This glossary article explains the definition, process, key figures, risks and current developments relating to return deliveries.

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Key facts at a glance

01 A return delivery is the physical return of goods to the supplier, usually justified by defects, incorrect deliveries or excess supply.

02 It requires coordinated processes across procurement, quality, warehousing, accounting and the supplier itself.

03 Key performance indicators are the return delivery rate, processing time and credit note rate.

04 Without clear contractual provisions on deadlines, costs and replacement deliveries, unnecessary costs and potential for disputes arise.

05 Return deliveries provide valuable data for supplier evaluation, risk analysis and forecast management.

06 Sustainability requirements are making the circular use and second-life utilisation of returned goods increasingly relevant.

Definition: return delivery

A return delivery is the documented return shipment of delivered goods from the recipient to the original supplier. It differs from a complaint, which initially only constitutes an objection without necessarily involving physical return, and from a consumer return in a retail context, where the end customer is the focus.

Distinction from complaint, customer return and recall

A complaint is the informal or formal notification of an objection; a return delivery may follow from it, but not necessarily. 'Retoure' is common in B2C and usually means the return by the end customer, whereas a return delivery in B2B takes place between business partners on the basis of contracts of sale or work and services. A recall concerns serial defects with safety or legal consequences and follows its own, usually authority-influenced, processes. In practice, all processes run through similar goods-in and quality processes but should have clearly separated documentation chains.

Typical triggers in industrial operations

The most common reasons are quality defects such as material faults or dimensional deviations, incorrect and excess deliveries, incorrectly configured items and deliveries that arrive too late, when the demand no longer exists. Residual quantities from projects or excess stock resulting from incorrect demand reporting also lead to return deliveries. The better requirements management and materials planning work, the less often unnecessary returns due to quantity problems occur.

- Quality defects and faulty batches
- Incorrect delivery, excess delivery, incorrect packaging specification
- Demand that has lapsed or changed
- Surpluses from project completion or stock reduction

Legal and contractual basis

Whether and how a return delivery is possible is governed by sales law, the law on contracts for work and services and individual agreements. Important provisions concern return conditions, deadlines, cost allocation, packaging, return containers and the settlement of credit notes or replacement deliveries. Detailed questions such as the validity of prohibitions on assignment or safeguards via a performance bond should always be examined contractually and for tax purposes on a case-by-case basis. General statements are no substitute for legal advice.

Methods and approach: professionally handling return deliveries

An efficient return delivery follows a standardised procedure from notification through to accounting and physical settlement. It is crucial that all parties involved – procurement, quality, warehousing, accounting and the supplier – work with the same documents and data.

Process sequence from notification to credit note

The process begins with the notification of complaint including batch number, lot details and documentation of findings. Following review by quality and procurement, the return is approved with a return consignment note and, where applicable, a return merchandise authorisation number (RMA). Shipment takes place with agreed packaging and transport insurance; the supplier confirms receipt, inspects the goods and issues a credit note, replacement delivery or substitute performance. Finally, accounting settles open items and corrects stock and price data.

Documentation and batch traceability

Every return delivery should offer complete traceability: material number, batch number, delivery date, order reference and findings. This is important not only for warranty claims but also for serial defect analyses and audits. Those who maintain batch data properly can quickly identify, when a defect occurs, which orders and stock levels are affected – and whether a stock blocking order or a broader return delivery is necessary.

Organisation and responsibilities

In practice, it has proven worthwhile to anchor the return delivery as a defined sub-process in requirements management and complaints management, with clear roles: quality assesses the findings, procurement negotiates the modalities, the warehouse organises the physical return transport, and accounting reconciles credit notes. A central ticket or DMS system prevents processes from getting lost between departments.

Key KPIs for managing return deliveries

Return deliveries can only be systematically reduced if they are measurable. The following key figures provide insight into frequency, causes and process quality and are frequently incorporated into supplier evaluation.

Return delivery rate and defect rate

The return delivery rate relates the number or value of returned items to the total number of order items. Typically, healthy procurement relationships lie in the low single-digit percentage range; specific target values depend heavily on the material group and depth of value creation. Within a material group hierarchy, this makes it possible to identify whether problems are locally limited or structural.

Lead time and credit note rate

The lead time measures the span from complaint to completion of the return delivery. In practice, simple cases should often be completed within a few days to two weeks. The credit note rate shows how many return deliveries were settled fully and correctly in accordance with accounting rules – a sensitive indicator of reconciliation problems between supplier and accounting.

Cost of non-conformance and the on-time delivery context

Beyond the pure return costs, indirect effects should be included: production downtime, replacement procurement, inspection effort and consequential costs arising within the supply chain. In combination with the fill rate and on-time delivery, this gives a realistic picture of supplier performance. Ideally, this data comes from a consistent supplier master data set – in the sense of a golden record without duplicates.

Risks and controls in return deliveries

Unresolved return deliveries create significant risks: unclear ownership of the goods, open receivables, stock with unclear status and negotiating losses vis-à-vis suppliers. With clear controls, these risks can be limited.

Economic and contractual risks

Common mistakes are missing contractual return provisions, unclear cost allocation for transport and handling, and credit notes that are never issued or never recorded. With dependent suppliers or critical materials under single-source management, a deterioration in the relationship can be more costly than the return delivery itself. Restrictions such as a prohibition on assignment can also complicate the settlement of receivables and should be considered when drafting contracts.

Quality risks and blocked stock

Without a clear blocked stock status, defective goods can be accidentally installed again. Cycle counting and systematic blocked stock reconciliation help identify such cases. Return deliveries should be visible in procurement risk analysis: if returns accumulate with one supplier, this is an early warning indicator of structural quality problems and justifies source inspections or second sources.

Root cause analysis instead of fighting symptoms

A return delivery is always also a data point for improvement. Rather than closing it as an isolated case, root causes should be systematically investigated: is it due to the supplier, incorrect specifications, demand reporting or materials planning? Those who take root causes seriously permanently reduce return delivery volumes while simultaneously improving forecast management and inventory management.

Current developments: sustainability, data quality and digitalisation

Return deliveries are losing their purely 'error function' and are increasingly becoming part of circular economy and sustainability strategies. At the same time, digital tools are changing the way return deliveries are documented and evaluated.

Circular economy and second-life utilisation

In view of increasing requirements for recycled material content and the circular use of materials, return deliveries are being seen in a new light: instead of immediate disposal, companies are increasingly examining second-life utilisation, reconditioning or return to the production cycle. This is particularly relevant for components with a high material value and can be usefully integrated into product lifecycle management.

Supply chain due diligence and reporting obligations

Frameworks such as the GRI Standards and regulatory initiatives such as the Corporate Sustainability Due Diligence Directive (CSDDD) increase the documentation burden along the supply chain. Return deliveries and their recovery may become relevant here as part of due diligence and waste prevention reporting. Companies should review the relevant data situation and have tax or legal advisers confirm which requirements specifically apply to them on a case-by-case basis.

Digital platforms and marketplaces

Digital B2B marketplaces and e-procurement systems simplify the initiation of replacement deliveries and replacement procurement following a return delivery. This makes it possible to organise replenishment of materials more quickly without the process degenerating into chains of emails and phone calls. However, a clean master data and document infrastructure remains a prerequisite; otherwise the problems merely shift from the process level to the data level.

Typical metrics

Metric	Typical value
Return delivery rate	typically < 1–3% of order items *Benchmark depending on material group and industry*
Return delivery lead time	typically 1–4 weeks *From date of complaint to completion of the credit note*
Credit note rate	> 95% *Proportion of return deliveries fully settled in accordance with accounting rules*
Repeat defect rate	< 5% *Proportion of return deliveries with the same cause as the previous incident*

Practical example

A medium-sized mechanical engineering company sources precision-manufactured components from several suppliers. An accumulation of return deliveries due to dimensional deviations leads to

production interruptions and disputes over credit notes.

- Introduction of a standardised RMA number including mandatory details of batch number and findings
- Anchoring return provisions, deadlines and cost allocation in all framework agreements
- Integration of the return delivery rate into quarterly supplier evaluation and risk analysis
- Establishment of a blocked stock workflow with cycle counting to prevent accidental installation of defective parts

Conclusion

A return delivery is far more than a logistical special case: it equally touches on quality, contracts, accounting, sustainability and the supplier relationship. Those who organise return deliveries cleanly in terms of process reduce direct costs and gain valuable data for supplier evaluation and risk analysis. What is decisive are clear contractual foundations, complete documentation down to the batch number and consistent key figures. Companies that systematically evaluate return deliveries turn a disruption into a lever for improvement. This contributes directly to delivery quality, fill rate and long-term value creation.

Frequently asked questions

? What is a return delivery?

A return delivery is the documented return shipment of goods from the buyer to the supplier, typically due to defects, incorrect deliveries or excess supply. It follows defined rules on documentation, responsibilities and cost allocation and ends with a credit note, replacement delivery or substitute performance. As a rule, it requires a contractual or commercial-law basis permitting the return.

? Who bears the costs of a return delivery?

That depends on the reason for the return and the contractual agreement. In the case of demonstrable defects or incorrect deliveries by the supplier, the supplier typically bears transport and handling costs; for returns due to excess supply or changed demand, the burden usually lies with the buyer. Clear contractual provisions on cost allocation and deadlines prevent disputes.

? What is the difference between a return delivery and a complaint?

A complaint is the objection raised against a delivery, which can initially be handled without physical return, for example if rectification on site is possible. A return delivery refers to the actual return shipment of the goods to the supplier. Both processes are related but should have separate documentation chains and processes.

? How long does a return delivery take in B2B?

In practice, a standardised return delivery from the date of complaint to the completion of the credit

note often takes between one and four weeks, depending on the complexity of the inspection and the supplier's responsiveness. Critical materials or international suppliers extend the time frame. A fixed cycle-time target in your own process helps ensure the process is not forgotten.

? How can return deliveries be reduced?

The most effective approaches are clear specifications and approval processes, robust demand reporting and requirements management, and structured supplier evaluation with measurable KPIs. In addition, regular root cause analyses help distinguish structural problems from isolated cases. Where dependencies exist, building second sources or single-source management should be critically examined.

? Is a return delivery relevant for tax purposes?

Yes, return deliveries affect VAT and accounting, as the original delivery is reversed partially or in full. Credit notes or corrections to the original invoice are customary. The specific tax and accounting treatment depends on the individual case and should be clarified with tax advisers or auditors.

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