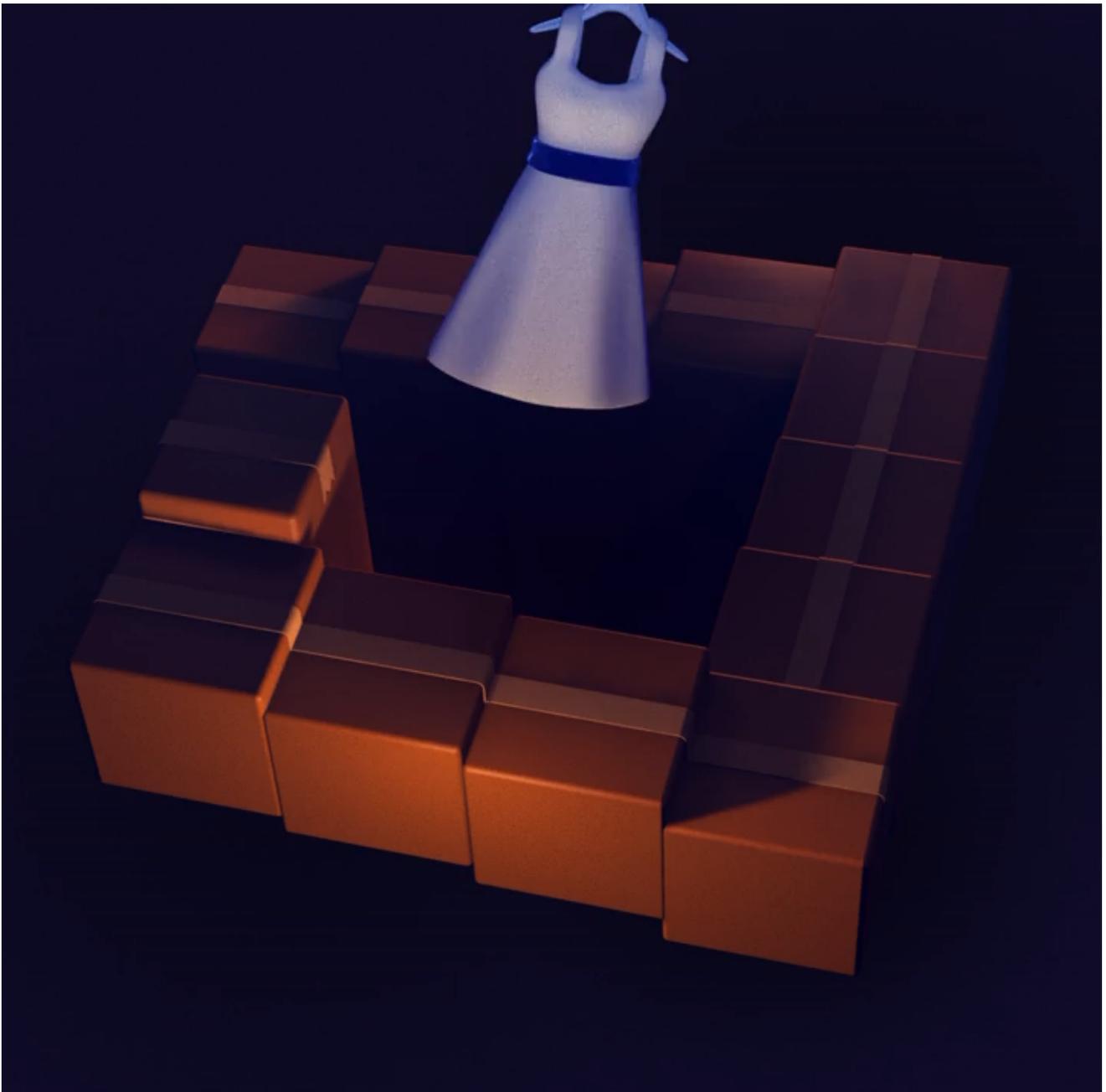


WHAT HAPPENS TO ALL THE STUFF WE RETURN?

Online merchants changed the way we shop—and made “reverse logistics” into a booming new industry.

By David Owen

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It almost goes without saying that Americans are the world's top refund seekers. Illustration by Shira Inbar

The twentysomething daughter of a friend of mine recently ordered half a dozen new dresses. She wasn't planning to keep the lot; she'd been invited to the wedding of a college classmate and knew in advance that she was going to send back all but the one she liked best. "Swimsuits and dresses for weddings—you never buy just one," Joanie Demer, a co-founder of the Krazy Coupon Lady, a shopping-strategy Web site, told me. For some online apparel retailers, returns now average forty per cent of sales.

Steady growth in Internet shopping has been accompanied by steady growth in returns of all kinds. A forest's worth of artificial Christmas trees goes back every January. Bags of green plastic Easter grass go back every spring. Returns of large-screen TVs surge immediately following the Super Bowl. People who buy portable generators during weather emergencies use them until the emergencies have ended, and then those go back, too. A friend of mine returned so many digital books to Audible that the company now makes her call or e-mail if she wants to return another. People who've been invited to fancy parties sometimes buy expensive outfits or accessories, then return them the next day, caviar stains and all—a practice known as "wardrobing." Brick-and-mortar shoppers also return purchases. "Petco takes back dead fish," Demer said. "Home Depot and Lowe's let you return dead plants, for a year. You just have to be shameless enough to stand in line with the thing you killed." It almost goes without saying that Americans are the world's leading refund seekers; consumers in Japan seldom return anything.

Earlier this year, I attended a three-day conference, in Las Vegas, conducted by the Reverse Logistics Association, a trade group whose members deal in various ways with product returns, unsold inventories, and other capitalist jetsam. The field is large and growing. Dale Rogers, a business professor at Arizona State, gave a joint presentation with his son Zachary, a business professor at Colorado State, during which they said that winter-holiday returns in the United States are now worth more than three hundred billion dollars a year. Zachary said, "So one and a half per cent of U.S. G.D.P.—which would be bigger than the G.D.P. of many countries around the world—is just the stuff that people got for Christmas

and said, ‘Nah, do they have blue?’ ” The annual retail value of returned goods in the U.S. is said to be approaching a trillion dollars.

Most online shoppers assume that items they return go back into regular inventory, to be sold again at full price. That rarely happens. On the last day of the R.L.A. conference, I joined a “champagne roundtable” led by Nikos Papaioannou, who manages returns of Amazon’s house-brand electronic devices, including Kindles, Echos, and Blink home-security systems. He said that every item that’s returned to Amazon is subjected to what’s referred to in the reverse-logistics world as triage, beginning with an analysis of its condition. I asked what proportion of triaged products are resold as new.

“It’s minimal,” he said. “I’m not going to give you a specific number, because it’s so dependent on the product category. But our approach with this question is that, if the seal has been broken, if the wrap is not intact, then it’s not going back to the shelf.” Even though Papaioannou understands this fact as well as anyone, he said, he often shops the way the rest of us do. When he buys shoes, for example, he typically orders two pairs, a half size apart. In brick-and-mortar stores, a pair of tried-on shoes will be re-boxed and reshelved. “From an Amazon viewpoint, the moment the box opens, you’ve lost the opportunity,” he said.

For a long time, a shocking percentage of online returns were simply junked. The industry term is D.I.F., for “destroy in field.” (The Web site of Patriot Shredding, based in Maryland, says, “Product destruction allows you to protect your organization’s reputation and focus on the future.”) This still happens with cheap clothes, defective gadgets, and luxury items whose brand owners don’t want a presence at Ocean State Job Lot, but, in most product categories, it’s less common than it used to be. Almost all the attendees at the R.L.A. conference, of whom there were more than eight hundred, are involved, in one way or another, in seeking profitable, efficient, and (to the extent possible) environmentally conscionable ways of managing the detritus of unfettered consumerism. “Returns are inherently entrepreneurial,” Fara Alexander, the director of brand marketing at goTRG, a returns-management company based in Miami, told me. She and many thousands of people like her are active participants in the rapidly evolving but still only semi-visible economic universe known as the reverse supply chain.

People who weren't born yesterday, but almost, often assume that easy refunds and exchanges began with the online shoe store Zappos, which was founded in 1999. Tony Hsieh, the company's legendary late C.E.O., offered free returns for up to a year after purchase and encouraged people to order items in multiple styles and sizes. That policy, which was backed by intensely personal customer service, was so popular that the company's revenues grew more than sixfold in four years. Amazon started a similar shoes-and-accessories site, called Endless, but it eventually gave up trying to compete, having bought Zappos for \$1.2 billion.

America's true refund pioneer was born a century before Hsieh, on a farm in northwestern Missouri. He moved to Kemmerer, Wyoming, in 1902, in order to become a one-third owner of a general store that was part of a small chain, called Golden Rule. Within a few years, he had bought out his partners and opened more stores, and in 1913 he consolidated his holdings under his own name: J. C. Penney. (The initials stand for James Cash.) Among his innovations was allowing customers to return anything, no questions asked. That approach made a permanent impression on Sam Walton, who went to work at a Penney's store, in Des Moines, in 1940, immediately after graduating from the University of Missouri. Twenty-two years later, Walton founded his own chain, Walmart, and adopted a similarly generous return policy, which is still in effect. "Sam Walton was very, very customer-centric," Chuck Johnston, who served as Walmart's senior director of returns between 2005 and 2012 and is now the chief strategy officer at goTRG, told me. "People would bring in stuff that was clearly from Sears, and we would take it back, because we wanted a happy customer." (Homer Simpson: "The customer's always right; that's why everyone likes us.")

A century ago, the average return rate at Penney's was probably something like two per cent; before Internet shopping truly took hold, retail returns had risen to more like eight or ten per cent. Returns to online retailers now average close to twenty per cent, and returns of apparel are often double that. Among the many reasons: products often look nothing like their online images—such as a crocheted bikini top that was barely big enough for the purchaser's cat—and colors and fabrics appear different on different screens.

The pandemic accelerated growth in online shopping, and therefore in returns, by several years. Quarantined lawyers bought fewer neckties but more sweatpants and bedroom slippers. People who were suddenly forced to work from home ordered desks, chairs, and computers. In 2021, UPS delivered a huge unassembled storage unit to my house. It was actually meant for a neighbor, but I opened the box because I, too, had ordered a huge unassembled storage unit. (Like many people, my neighbor and I had decided that COVID had given us an opportunity to organize our swelling hoard of household crap, including household crap we'd bought because of COVID. I texted my neighbor, and he drove over and picked up his box—no return necessary.) Pre-pandemic, a common shopping strategy was to study possible purchases in a regular store, then save a few dollars by ordering from Amazon. When in-person shopping became difficult, the best way to compare products was to order multiples and send back the rejects.

Returns are expensive for sellers, since shipping alone often costs more than the items can be resold for. Many retailers have responded by shrinking their refund windows or by imposing fees for postage or so-called restocking. Some sellers offer store credit only. Amazon now adds a “frequently returned item” label to listings of problematic offerings and encourages potential purchasers to double-check descriptions and customer reviews of those items before ordering. The online business model of the eyeglasses seller Warby Parker is based on easy returns: customers can order as many as five frames, at no risk, to try on at home. The company still offers that option but has reduced return costs by employing an increasingly sophisticated online tool that allows customers to try on glasses virtually. (It also has physical stores, which have mirrors.) Back in the mail-order era, L. L. Bean suggested that shoe customers include a tracing of their foot in the envelope with their order form—an effective way to reduce returns, but more troublesome than ordering multiple pairs.

Despite the cost, retailers worry that discouraging returns discourages buying in the first place, driving revenues down. Easy returns are like free shipping: they can be a dealmaker or a deal-breaker when a consumer is deciding where to shop, even though in both cases the cost is ultimately borne by the consumer. Most

online mattress sellers offer free returns, in some cases for up to a year; used mattresses can't be resold, so the loss, usually some eight or nine per cent of sales, is folded into prices. Johnston said, "You've got to tread carefully, if you try to ratchet back ease of returns, so that you don't drive your customer to your competitor."

As a consequence, even as sellers are subtly and not so subtly discouraging returns, they're also exploring ways to make them easier. Some Target stores now have drive-up refund windows. Many online returns no longer have to be repackaged: just get a QR code on the seller's site and take the unboxed item to a location that consolidates shipments. Amazon offers Prime customers a seven-day "try before you buy" option on selected apparel and accessories. (You pay only for what you keep.) You might think that retailers would be pleased when customers fail to send back items they don't want, but that isn't true if those customers remain unhappy. One of the most popular presenters at R.L.A. was Spencer Kieboom, a former major-league baseball player, whose company, Pollen Returns, uses underemployed rideshare and delivery drivers to pick up unwanted items, for free, at buyers' homes, thereby sparing them the nuisance of schlepping things to UPS on their own.

Some retailers simply refund certain purchases, no need to send anything back. ("When you ship a hundred-pound bag of dog food, you're probably losing money on it already," Johnston told me.) My wife ordered a funny poster for a high-school reunion, then decided it wasn't funny enough. When she tried to return it, Amazon told her to keep it, and refunded her \$32.72. Perhaps surprisingly, companies that sell sofa beds, dining tables, and other bulky, heavy items often do the same, because return freight is so expensive.

"There are people who think that open returns are an idea whose time has come and gone, but it's a hallmark of successful American retail," Dale Rogers told me. "If you make it easy to shop, and you reduce the risk to the consumer, what you get is a lifetime consumer." It's probably not a coincidence that the world's two biggest retailers—Walmart, with revenues of five hundred and seventy-three billion dollars in 2022, and Amazon, with four hundred and sixty-nine billion—also offer some of the easiest returns.

Three years ago, the producers of a Canadian television show called “Marketplace” ordered boots, diapers, a toy train, a coffee maker, a printer, and several other items from Amazon Canada. They concealed a G.P.S. tracking device inside each one, then returned everything and monitored what happened next. Some of the items travelled hundreds of miles in trucks, with intermediate stops at warehouses and liquidation centers, ultimate disposition unknown. A brand-new women’s backpack ended up in a waste-processing center, en route to a landfill. The show included a surreptitiously recorded conversation with an employee of a “product-destruction” facility, who described receiving truckload after truckload of Amazon returns and shredding everything—ostensibly for recycling, although the recoverable content of a chewed-up random selection of consumer goods is not high.

If you leave money lying around, someone will pick it up. One morning at the R.L.A. conference, I spent half an hour with two executives of Liquidity Services, a company that, according to its Web site, offers “circular commerce solutions” to businesses of all kinds, in part by selling “any item in any condition, anywhere in the world.” John Daunt, the chief commercial officer, said, “It sounds like selling used stuff, but there’s a lot more to it than you would think.” Liquidity Services operates eight regional warehouse-size facilities in North America. The one closest to New York is in Pittston, Pennsylvania, at the outer edge of a business park that also includes distribution or return facilities owned by Amazon, Home Depot, Lennox, Neiman Marcus, PepsiCo, and a number of smaller companies. The rise of online shopping has been very good for people who build immense, low, flat-roofed metal structures. The Pittston complex includes two enormous buildings that belong to Lowe’s; between them, they have more than fifty acres under roof, plus loading docks and parking spaces for hundreds of semitrailers. Similar complexes now exist all over the United States, in locations that have easy access to highways and airports. More are always under construction.

For a liquidator, turning a profit depends on having the ability to quickly determine whether an item can be sold again at a reasonable price, and, if so, whether it requires human attention first. Liquidity Services and companies like

it use automated and semiautomated routines to sort returned items, repair what can easily be repaired, wipe information from electronic devices, and funnel salable goods to likely customers. “A lot of what we do involves receiving a truckload and then finding another buyer for that truckload, who then will distribute it to mom-and-pop stores and other resellers downstream,” Daunt said. “Or, if they’re not quite big enough to handle that, we may sell it as pallets. We also have direct-to-consumer channels, and people will come to some of our facilities and pick up single items that they’ve bid for online.”

You can register as a buyer on Liquidity Services’ Web site right now, as I did recently, and place bids in any of hundreds of auctions. I didn’t do that, but I did spend a pleasant morning studying items that other people were bidding on, among them a two-pallet lot containing six hundred and fifty-four pounds of sports-related Amazon returns. The lot included seven pellet guns, six clear-plastic umbrellas, an assortment of punching bags and punching balls, a double-bladed lightsabre toy, a shatter-resistant over-the-door mini basketball hoop, eight yoga mats, a minnow trap, an indoor exercise trampoline, a pair of hiking poles, a kickboxing shield, a car refrigerator, two hoverboards (one with Bluetooth and one without), a jump-rope rack, a quiver’s worth of crossbow bolts, a fourteen-gallon red plastic gas can with a siphon pump, a set of four badminton racquets, and a mountain-bike handlebar. There were a hundred and fourteen items in all, and Liquidity Services had estimated their combined original retail value as six thousand five hundred and seventy-six dollars. The lot ended up attracting fifty bids. The winner paid nine hundred and twenty-five dollars, shipping not included. None of the fifty bidders were willing to offer more than fifteen cents on the dollar, and even at that price they were taking a chance, since there was no guarantee that any particular item would still function. Returned items are often damaged, dented, scratched, or inoperable, and even ones that don’t look too bad can be missing parts or accessories.

I also followed the auction for a truckload of women’s designer shoes: a little more than four tons of returns, all in their boxes, many in brand-new condition, with an original retail value that the company estimated as a hundred and eighty-one thousand seven hundred dollars. That auction expired with no bids, even

though two hundred and fifty potential buyers, plus me, had looked at it. That outcome helps to explain why one R.L.A. attendee described apparel returns to me as “a nightmare.” Clothing is tough: fashions go out of fashion quickly, and the items are likely to be one-offs.

When I got home from Las Vegas, I discovered that I live not far from one of the few companies that deal successfully with high volumes of apparel returns, out-of-stock clothing, and excess inventories. It’s called N.E.J., and it’s been in business for more than thirty years. It’s based in Beacon Falls, Connecticut, an old industrial town that, a century ago, was famous for manufacturing rubber shoes. “Apparel is almost like vegetables,” Ed Mascolo, the owner, told me, as he showed me around. “Things can lose value quickly.”

The key to his business, Mascolo said, is “volume with velocity, supported by predictability.” N.E.J. doesn’t buy unwanted goods and resell them itself; it mainly contracts with large retailers to categorize and repackage truckloads of their returns and overstocks, then ships them to outlets and other secondary channels. On the day that I visited, some two hundred workers in the main building were opening pallet-size shipping containers, called Gaylords, and sorting their contents into wheeled bins. I watched other workers sorting, folding, bagging, hanging, boxing. Some were “delabelling” new arrivals—using an indelible marker to draw a black line across a tag or to add a conspicuous dot—in order to mark those items as goods that, among other things, can’t be returned.

Six years ago, Mascolo decided that he had learned enough about the apparel industry to enter it himself. N.E.J. bought and revived a bankrupt American clothing company called Bills Khakis. It sells pants, shorts, shirts, and other items, all made in the United States. “We custom-hem our pants to the half inch,” he said. “It’s a very old-school pant. Seventeen-inch pocket. Extra belt loops, longer rise. Our customer is fifty to seventy-five, and he tends to be a little more conservative in how he dresses.” When we met, Mascolo was wearing a pair of Bills five-pocket twill khakis (two hundred and twenty-five dollars) and a brown Bills leather belt (ninety-eight dollars). I asked him about his return policy.

“We take everything back,” he said.

Last year, in an official statement, Amazon told CNBC that none of its returns are sent to landfills. All that really means is that Amazon itself doesn't send anything to a landfill, but many returns obviously get there anyway, and some avoid it only by being diverted to what the company described to CNBC as “energy recovery,” a euphemism for burning in a furnace.

Liquidators must quickly sort and resell goods, usually in bulk. Some companies do more. One of those is America's Remanufacturing Company, based in Georgia, which contracts with brand owners to receive their returns and, when possible, to repair or refurbish them, so that they can be sold by others. (A.R.C. is also one of Amazon's so-called external repair vendors.) “We never want to just buy returns,” Paul Adamson, the company's chief revenue officer, told me. “There's a lack of value.”

An important moment in Adamson's career occurred in 1991, when he was a sophomore at the University of New Hampshire and working part time in a RadioShack store. He got a call from someone at a company that provided rapid-turn-around computer-maintenance contracts to major corporations. The caller desperately needed a particular part. Adamson found the part, and then found so many others for the same maintenance company that it hired him. (He sat at a desk with a phone and a computer keyboard, but no computer. When he took a call, he would make typing sounds on the keyboard, then say, “Oh, I think I've got one left. Let me just call the warehouse and verify.”) He followed that job with several similar ones, “all on the reverse side.” He met A.R.C.'s previous owner through an electronics-recycling company in which he was a partner, and they hit it off.

When Adamson pitches A.R.C.'s services to potential clients, he told me, he argues that even with items that can be sold again the real value is in information. “We can tell you how many units are being returned and how many of those are defective, and we can help you understand both of those numbers,” he said. Recently, A.R.C.'s technicians determined that one reason customers were

returning a particular high-end coffee maker was that it contained a cheap float valve, which was prone to malfunctioning when used with hard water. After identifying the flaw, they helped design a fix by working with the factory in China that was doing the manufacturing. A.R.C. handles so many returns that it can often spot defects before brand owners are aware of them—as it did, recently, after receiving just three returns of an appliance that turned out to have issues with condensation and heat. Some clients now send A.R.C. models for testing before they go to market. It also has clients for whom it does design work only.

This spring, I met with Adamson at A.R.C.'s facility in Union Point, Georgia, a small town a little more than an hour east of Atlanta. The company's building there is broad, low, and gray, and it's on a short potholed road with an aspirational name: Industrial Boulevard. There's a lumber warehouse on the left, a Dollar General on the right, and a cabinetmaking company across the street.

We walked through the receiving area, a large, open space that was filled with recent arrivals—tilting piles of household appliances, stacks of yellow bins containing miscellaneous Amazon returns—and stopped in front of a pallet on which half a dozen Husqvarna two-thousand-pounds-per square-inch electric pressure washers, made under a license by Briggs & Stratton, had been stacked and bound with plastic stretch wrap. (A pressure washer is many homeowners' second-favorite power tool, after their chainsaw. It shoots a stream of water at high velocity, and can be used to clean a roof, blast mold off a wooden deck, or scare away a bear, as a friend of mine did after being surprised by one while scrubbing down the inside of his swimming pool.) As Adamson and I watched, workers sorted units by model and year of manufacture. They checked electrical components and replaced damaged parts with parts they'd salvaged from returns they couldn't repair. Much of the refurbishing was done on a manufacturing line that A.R.C. bought from a Briggs & Stratton plant, in Wauwatosa, Wisconsin, and modified, in part by adding a car-wash-like cleaning system to one end.

For every item it processes, A.R.C. knows the potential resale price, what percentage of that price the brand owner is willing to spend on refurbishment, and the cost of each potential intervention. Some problems are too expensive to address; pressure washers with broken pumps are stripped of usable elements and

thrown into a steel hopper, to be sent later to a local recycling company, which shreds them and recovers as much salable metal and plastic as it can. At the end of the line, a worker replaced each Husqvarna label with one from Murray, a brand that Briggs & Stratton owns (and therefore a name it doesn't have to license). Each unit also received a new serial number and a new box, which clearly identified it as a refurb. "These will all end up at the discount chain Ollie's, where they'll sell for maybe half of what a new one costs," Adamson said. "Ollie's picked up twelve truckloads here in the past week and a half, and they have another twenty or so to go—another ten thousand units over the next six weeks." The pandemic was good for the refurb market, because in many product categories supply-chain problems made new items scarce.

A large number of the Amazon returns that A.R.C. receives, Adamson said, are "remorse returns": you order something late at night after drinking too much wine, or maybe you and your spouse accidentally order the same thing. I saw bins of window curtains in another part of the building; all were from Amazon, many in packages that hadn't been opened. Pressure washers, by contrast, are often returned because the people who bought them, usually men, don't read instructions. "You're always supposed to hook a pressure washer up to water before you turn it on, but a lot of people don't do that, and they burn up the motor," Adamson said. I asked whether Briggs & Stratton couldn't prevent that problem by adding a cutoff switch to the water tank. He said that such a fix was unlikely to be cost-effective, and that a more practical solution would be to add an extra warning tag or sticker.

Elsewhere, I saw technicians at long counters working on robotic vacuum cleaners. The units were plugged into outlets under the counter—they have to be charged before they can be evaluated—and hundreds, if not thousands, more were stacked nearby, on tall warehouse shelves. "The No. 1 issue with robot vacs is that people don't know how to use them," Adamson said. This is partly because the buyers tend to be older, but also because successfully making the necessary Wi-Fi connection can be frustrating even to people who do read instructions—an issue with other products as well. "A really good partner of ours does over fifty per cent of all the refurbishing of HP consumer printers in the U.S.," Adamson

said. “On all the newer printers, the only connection option is Wi-Fi, so when they refurb them they include a printer cable. Problem solved.”

Adamson told me that he used to be “an ardent hater” of companies that merely buy and sell returns. “I thought they just demonstrated the inefficiency of the reverse supply chain,” he said. “But my mind has changed over the years.” The fact that A.R.C. can’t profitably refurbish a particular item doesn’t mean that it won’t have value to someone else, even if it’s just a few cents’ worth of ground-up plastic. “There’s a guy in a small town in Alabama who buys trailer loads of returned air-conditioners from us,” he said. “When I Googled his property address, I saw that it’s a double-wide on four acres. He buys A.C.s that we can’t refurbish economically, then tinkers with them and sells them locally. It’s stuff I’m never going to touch, but he makes a living at it.”

The next day, I visited a different A.R.C. facility, this one in Augusta, an hour east of Union Point, and was shown around by David Hogan, the company’s C.E.O. At a workbench, two technicians were repairing upright vacuum cleaners, which were deluxe enough that A.R.C. could cost-effectively give them lots of individual attention. “We receive units that were very clearly just run until they stopped working,” Hogan said. “I mean, you’ve got to empty it, right? But some people don’t realize that.” Many American consumer goods are manufactured in Asia, for companies whose U.S. presence is limited to little more than marketing and sales departments. For companies like that, A.R.C. performs quality-control functions that used to be handled in-house. “You can’t beat the information you get from a product once a customer has touched it,” Hogan said.

The two technicians that Hogan and I watched are members of a rapidly vanishing species: people who know how to repair stuff. It used to be that when something went wrong with our dishwasher, washing machine, or oven, my wife or I would call a guy who owned a local appliance-repair company. Once, he got our dishwasher working again by taking apart the grinder and removing what he guessed were broken pieces of ceramic. (They were actually coyote teeth. Long story.) The last time I called him, seven or eight years ago, he said that he’d had

to get a job as a greeter at Home Depot, because nowadays when appliances malfunction most people simply buy new ones.

That change is partly the result of consumer ignorance and laziness, but manufacturers are at fault, too. Almost all modern appliances contain electronics, which not only have a limited life span but are also usually impossible to repair and expensive to replace. Our former repairman once told my wife and me that we should always buy the “dumbest” appliances we could find. That was excellent advice, but it’s close to useless now, since even blenders and coffee makers contain microchips. He also told us that the deadliest enemy of electronic components is heat, and that, as a consequence, we should never self-clean an oven, never install two ovens side by side, and definitely never simultaneously self-clean two ovens that had been installed side by side—three valuable lessons that we learned the hard way.

Another challenge is that few products today are manufactured with repair in mind. “You see it when you get inside the product, as we do,” Hogan said. “A lot of it is materials selection, or the way the assembly was executed.” Two significant impediments to repair: components that are glued together rather than screwed, and pieces that were snapped together with plastic fasteners that break off when the pieces are pulled apart. A service that A.R.C. offers to some of its clients is what it calls same-unit repairs: something goes wrong, under warranty, with an expensive item like a shop vac, and the manufacturer sends you a UPS label addressed to A.R.C., whose technicians repair it and ship it back within a day or two. The company is currently building that side of the business, but it’s viable only with high-quality items, which don’t fall apart when you open them up.

“At this company, we talk about how frustrated we are with some return practices—which is funny, because they’re what keep us in business,” Hogan said. He recently took part in a panel discussion at the Ray C. Anderson Center for Sustainable Business, at Georgia Tech, his alma mater. The topics included some of the same design issues we’d just been discussing—component quality, difficulty of repair, product life expectancy. He had asked the people in the room to imagine a world in which products were so well made and so easy to repair that a company like A.R.C. wouldn’t need to exist.

“I said, ‘Let me just theoretically offer you a deal,’ ” he told me. “ ‘I’ll sell you a computer for the same price as the one you have now—a nice, expensive computer. But it will be twice as durable, and it will weigh half as much, and its battery will last twice as long, and it will have twice the processing power and twice the memory.’ ” The only condition, he said, would be that returns would not be allowed, for any reason.

“This was Georgia Tech’s sustainability center, so these were super-smart engineering hippies,” he said. “There were probably forty or fifty people, all M.B.A.s.” Hogan assumed that they would all jump at the deal. But no hands went up—not one.

“I was blown away,” he said. “It’s just astounding how embedded returns are in our behavior. When I finished my talk, I said, ‘Thank you all. I definitely picked the right industry.’ ” ♦

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