

Special Show Edition

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Reverse Logistics magazine

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Success in the 21st Century p.14

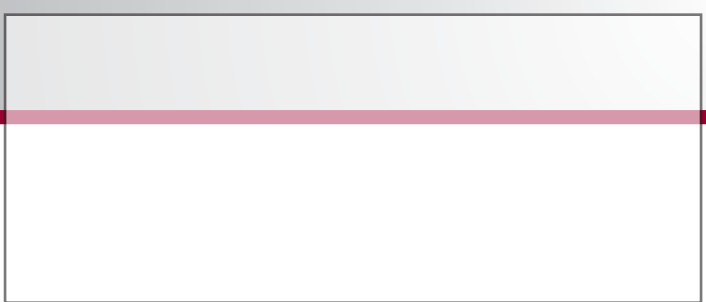
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Reverse Logistics Association Board of Advisors

A Board of Advisors comprised of industry experts has been set up to monitor and assist the Reverse Logistics Association management team in making informed decisions. Advisors include:



Jose Garcia— Microsoft Corporation. Jose joined Microsoft 4 years ago to establish World Wide repair of X-box console from the ground up. Building a world class team he integrated systems, processes and partnerships with expert service partners.



Michael R. Blumberg— D.F. Blumberg Associates. Michael is a leading consultant and recognized authority on business strategy in the United States high-technology services market. Currently, he is chief operating office (COO) of Blumberg Associates.

Bob Duron— WAL-MART Stores, Inc. As the RVP of Specialty Distribution for Wal-Mart Stores, Inc., Bob is responsible for all reverse logistics



operations including Return Centers, Reclamation Centers, Salvage/ Donation disposition. Additional responsibilities include e-commerce distribution for Walmart.com, and the Printing and Mailing Distribution Center.



Dan DeBello— Jabil Circuit, Inc. Dan is currently Senior Director of Business Development for Jabil Global Services, Inc. (JGS), a wholly-owned subsidiary of Jabil Circuit. Jabil Circuit, Inc. is a top-tier global Contract Electronics Manufacturer (CEM).



Joe Beck— UPS Supply Chain Solutions. Joe is Director of Business Development in the High Tech and Telecom sector

for UPS Supply Chain Solutions. UPS is the world's largest package delivery company and a global leader in supply chain services, offering an extensive range of options for synchronizing the movement of goods, information and funds. Its business unit, UPS Supply Chain Solutions, offers transportation and freight, logistics and distribution, technical repair and international trade services.



John Benardino— Hewlett Packard, Inc. John Benardino is currently a Director of Reverse Logistics for

HP's Imaging and Printing Group. In his position, John is responsible for credit issuance, engineering, remanufacturing, and all return related costs. His product responsibilities cover printing, digital imaging, supplies, scanners, and shared printing.

Howard Rosenberg— eBay, Inc. Howard has been with eBay for over 4 years and runs the Company's Trading Platforms business



serving companies interested in maximizing their recovery rates on excess and refurbished inventory through the Reseller Marketplace or through their own, private-label auction marketplaces. He has 14 years of experience in various capacities, including operating, advising and investing in, companies in the consumer product, consumer services and business services sectors.



Dan Gilbert— Cisco Systems. Dan Gilbert is Vice President of Worldwide Reverse

Logistics at Cisco Systems, Inc. His charter when joining Cisco in 2005 was to define and create a world-class reverse logistics organization. Dan's global team is responsible for driving excellence in product recovery, receiving, inventory, and recycling operations, and for transforming returned product into value for Cisco shareholders.

Complete biographies of Advisory Board Members are available from the RLA site at http://www.reverselogisticstrends.com/company_advisory.php.



Reverse Logistics magazine

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To our Readers



Welcome to the inaugural edition of the Reverse Logistics Magazine and the long-awaited release of a hardcopy news publication for Reverse Logistics professionals. Reverse Logistics Magazine is now the third news publication available from RLA. This magazine will be released four times in 2006 -- look for issues in May, September and November.

The mission of our magazine is to “educate, inform readers around the world of forth coming RL events.” With the January 2006 launch of Reverse Logistics Magazine, we now have a hardcopy quarterly publication, as well as monthly online magazine and weekly news clipping service to keep our readers up-to-date on the latest industry news, trends and events. I want to summarize each medium;

Reverse Logistics Magazine provides the latest information regarding the various areas of reverse logistics including customer service, service logistics, field service, repair, fulfillment, recycling, refurbishment, regulatory and warranty management. It features case studies and highlights research documents available from our association.

Online Reverse Logistics Magazine is a monthly publication which provides industry insight as well as highlights of recent news www.RLmagazine.com

Reverse Logistics News Clippings is published weekly and sent to RL executives to prepare them with the latest news collected from around the world related to OEM, ODM, Retail and Branded companies and third party service providers (3PSPs). It briefs these executives for their staff meetings.

Research Documents, White Papers, Case Studies

In addition to news publications, Reverse Logistics Association provides online an extensive collection of information from high level overview to in-depth studies of a wide variety of subjects. White papers and case studies cover topics such as warranty management, repair services, online auctions, asset disposition, customer service and WEEE and RoHS. Research documents provide results of significant research, conducted by academics and leading consulting firms. Visit the RLA Publications page and peruse the many titles available from our site. www.RLTinc.com

Again, welcome and we hope you find the information provided by Reverse Logistics Magazine beneficial. Make sure that you fill out the qualification form on page 45 in order to receive our next issues. We welcome comments and suggestions from our readers and encourage all to consider RLA publications as an avenue to share your knowledge and experience with the rest of the RL World. Noteworthy reverse logistics related articles and press releases may be submitted to Editor@RLmagazine.com. We look forward to working with you in the future.

Best regards,

Christine Morrow

Editor, Reverse Logistics Magazine

Message from President and Founder of RLA



For the last 21 months, we at RLA have provided news and articles about the reverse logistics process. With the interest we have gener-

ated it has become apparent from your email notes that it is time to publish a magazine. So, here it is -- our first edition! We hope that our new publication will be a stabilizing platform for rallying RL professionals from around the world to share best practices, events and educate management at all levels on the RL processes.

As you peruse and read the articles in our first edition, please take the time to share your thoughts and forward any suggestions to us on how we might improve our content. We are always interested in different points of view and new thoughts and directions in the RL process.

Today there are several problems facing RL professionals. All of us see

our finance departments struggling when it comes to measuring RL cost. One of the most complex issues for the RL manager is the Enterprise Resource Planning software. It was never designed to monitor the level of RL processes needed at most companies. We ask why the RL modules haven't been re-designed to manage the complex processes that exist today. We hope that some company is working on a solution; if not maybe someone will take this to heart and start developing an ERP solution for RL that will bring the economics in check to reduce the RL waste that takes away from the corporate bottom line.

We will publish four editions of the Reverse Logistics Magazine this year. Please share it with everyone that makes their living in our hectic but challenging task.

Best Regards,

Gailen Vick
President

www.ReverseLogisticsAssociation.org
www.RLTShows.com



“Gailen’s grandchildren, the next generation”

SPEAKER BIOS



Gailen Vick
President - Reverse Logistics Trends, Inc.
 Gailen Vick has over 25 years of experience in engineering development and marketing of high technology products. His experience as a speaker at several trade conferences and his years of working arm and arm with many of today's Executive Management has made Gailen a resource to those colleagues. Prior to founding Reverse Logistics Trends Gailen had served on the executive staff of several third party service providers. With a strong background in computer and telecommunications related technologies.



Les Bury
Corporate Logistics Director, United Recycling
 For over 25 years Les has held management positions with a wide range of accomplishments in this diverse and innovative industry. Currently, Les is Director of Corporate Logistics at United Recycling Industries®, Inc. He is responsible for all aspects of logistics management in this fast paced and growing business. Prior to joining United Recycling Industries®, Inc., Les was Managing Director of Equipment Recycling Services, an operating division of North American Logistics. Using logistics strategies to enable clients to manage costs he provided asset management, resale and recycling services to companies.



Mark Tipton
CFO, New Age Electronics
 Having a proven track record of financial success, Mark Tipton helped New Age Electronics Inc. (NAE) boost their profit margin by creating and building the NAE Remanufacturing Division, which results in over \$25 million in sales annually. In Tipton's six years at New Age, he has brought financial, technical and legal expertise, helping to create an extremely precise business model. As CFO, he has been responsible for twice securing a \$100 million credit facility enabling New Age to maintain its 40% annualized growth, implement cost cutting plans resulting in a 15% reduction in operating costs and providing influence and guidance over the company's ever-increasing revenue pool.



Dan Gilbert
Vice President of Reverse Logistics
 Dan Gilbert is Vice President of Worldwide Reverse Logis-

tics at Cisco Systems, Inc. His charter when joining Cisco in 2005 was to define and create a world-class reverse logistics organization. Dan's global team is responsible for driving excellence in product recovery, receiving, inventory, and recycling operations, and for transforming returned product into value for Cisco shareholders.



Paul Welch
Reverse Logistics Manager
 Paul has been a supply chain manager at Hewlett Packard for the past 15 years. He is a graduate of San Jose State University.



John Aanenson
Senior Production Manager, Philips
 For over 24 years John has held management positions within Philips Medical Products North America with a wide range of accomplishments in this innovative industry. Currently, John is Sr. Production Manager of O.S.U. (OEM / Systems / Upgrades) and responsible for shipment of new systems, remanufactured systems and upgrades that support the entire range of Ultrasound products. John is leading the effort in developing processes and procedures allowing the return of up-trade systems from sales to go direct to vendors for processing vs. returning to the factory.



Bill Reams
President, Ozark Electronics
 Bill has been at Ozark for 10 years and has been the President for the last 8 years. Bill's background in finance, manufacturing, and quality has proved invaluable in transforming Ozark Electronics Repair Inc. into a premier reverse logistics company.



Larry Maye
Director RL Global Strategy & Operations
 Larry Maye is currently serving as Director of Reverse Logistics Strategy and Operations Planning for Motorola Personal Communications Sector developing Motorola's wireless reverse logistics strategy and technological improvements in reverse logistics operations. He has over 18 years of successful reverse logistics and operational experience both within the military and the private sector.

Michael Blumberg



President - D.F. Blumberg Associates
 Michael R. Blumberg is a leading consultant and recognized authority on business strategy in the United States high-technology services market. Mr. Blumberg's work focuses on assisting clients to re-engineer business processes and develop effective business strategies vis-a-vis the implementation of best practices and advanced technology. He has had considerable experience in market research, benchmarking, and strategy formulation within the high-tech service industry. Blumberg's clients are among the largest and most prestigious companies in the world.



Col. Joseph Walden
Director, Supply Chain Research Institute
 COL Joseph Walden, CFPIM, has over 25 years of supply chain experience. He deployed to Kuwait in support of Operation Iraqi Freedom to establish the Theater Distribution System and design and operate a 4 million square foot distribution center to support all forces and operations in Kuwait and Iraq. He has worked on the Logistics Support Plans for humanitarian missions to Croatia, Bosnia, and Somalia.



Stuart Miller
Executive VP, TransportGistics
 Stuart Miller has over 15 years of expertise in transportation management, logistics, technology, system implementation and systems integration covering a multitude of industries. He designed, developed and deployed electronic payment, communication and transportation management systems to support the transportation needs of hundreds of clients covering automotive, banking, building materials, electronics, food, garment, government, health and beauty aids, insurance, lighting, manufacturing, packaging, pharmaceuticals, plastics, printing, retail, semiconductor, steel, transportation and utilities industries.



Amanda Hale
Marketing Director, United Recycling
 Amanda joined her family's business in 2001 after graduating from the University of Wisconsin-Milwaukee with a B.S. in Biology and Chemistry. After implementing ISO 9001 and 14001 Quality and Environmental Management Systems at both of URI's facilities she focused

her attention on the rapidly evolving regulatory compliance issues surrounding electronics recycling. Her role in regulatory compliance extends to URI's customers, ensuring that recycling programs meet the technical and legal requirements of URI's diverse customer base.



Robert Gallagher
VP Global Marketing & Sales, Image Microsystems
 For the past 25 years Bob has held executive and management positions at Fortune 500 as well as growth companies (Dell, AIC Systems). He brings a diverse range of experience in product design and development, services marketing, and global sales.



Dean Schiavone
Director WW Reverse Logistics
 As Director of Worldwide Reverse Logistics for Cisco Systems, Dean has responsibility for the management of several product return streams including trade in product up until and including disposition to refurbishment, re-sale or recycling.



Tony Sciarrotta
Director of Returns Management
 Tony leads returns reduction and entitlement initiatives for mainstream consumer electronics, and is also currently concerned with further driving the implementation of electronic registration for Philips products at leading retailers. Working with Philips Sales, Service, Marketing, and the Philips Business Excellence Group, Tony is helping drive several teams to improve the consumer experience and subsequently reduce the high rates of products returned with no defect found.



Curtis Greve
EVP Reverse Logistics, GENCO
 A graduate of Arkansas Tech University and a CPA, Curtis came to GENCO in 1994 from Wal-Mart Stores, Inc. Until the end of December 2004, Curtis was responsible for GENCO operations within the United States, Canada and Europe overseeing all operations of the retail services business unit. Curtis has extensive experience in all aspects of warehousing operations and is responsible for the development and implementation of the teammate incentive programs further insuring quality service to our retail customers while rewarding teammates for their efforts.

RLTS Las Vegas Conference & Expo



Jim Magnanini
VP of Sales, Channel Advisor
 As the VP of Sales for ChannelAdvisor's Manufacturing Business Unit, Jim provides manufacturers and associated companies with the services and technology they need to successfully utilize online marketplaces as effective sales channels. Jim joined ChannelAdvisor in 2003 and has broad experience with manufacturers such as Motorola, Nokia, Pioneer, Lexar, and IBM and a strong background in dynamic commerce. Prior to ChannelAdvisor Jim managed a regional sales group for Siebel Systems, and before that, headed up the inside sales team at OpenSite Technologies – a leading provider of online auction software. Jim holds a BA degree from University of Delaware and an MBA from Rutgers University."



Tom Coughlin
President - Coughlin Associates
 T. M. Coughlin has degrees in Physics and Electrical Engineering with a minor in Materials Science from the University of Minnesota. His 20+ years of magnetic recording experience included flexible tape and floppy as well as rigid disk recording at such companies as Polaroid, Seagate Technology, Maxtor, Micropolis, Nashua Computer Products, Ampex and SyQuest. He has been active with IDEMA where he is chairman or a member of several committees. He is a senior member of the IEEE, was publicity chairman of the 1992, 1996, and 2002 TMRC conferences and is a past chairman of the Santa Clara Valley Magnetics Society and the current program chairman.



Emily Rodriguez
Senior Consultant, The Results Group
 Emily is a Senior Consultant with The Results Group. She has over 25 years of experience in managing and consulting for growing companies. During her career, Emily has been noted for producing results through creative solutions and a hands-on participative team approach. Her industry experience includes computer hardware, peripherals and software, apparel, agribusiness and beer, wine and spirits. Emily's recent work has focused on developing and integrating global Logistics and Supply Chain processes in high-tech. This included the implementation of a new solution for handling warranty and service returns, development of VMI (vendor-managed inventory) programs,

and the outsourcing of all distribution and warehousing operations.



Ed Inal
Sr Director Customer Service & Support, Western Digital
 Ed Inal is Western Digital's Sr. Director of Customer Service and Support where he is responsible for America's Service Operations, Customer Service and Technical Support, including all Web-based service initiatives, global process and technology implementations for services worldwide. During his twenty-year tenure with Western Digital, he has served in various roles in the Engineering, Sales and Marketing organizations.



Paul Gettings
VP Business Development, UPS Supply Chain Solutions
 As vice president of business development for UPS Supply Chain Solutions, Paul Gettings is responsible for business development in North and South America. He joined UPS in 1988 and brings solid sales and marketing experience. Most recently he held responsibility for business solutions for the high tech section. Prior to that, Paul oversaw the growth of the service parts logistics business. He also played an instrumental role in the development of new offerings, including SmartCourier, facilities management and strategic stocking transit analysis.



William P. Angrick
Chairman & CEO, Liquidity Services, Inc.
 William P. Angrick is Chairman and CEO of Liquidity Services, Inc. Headquartered in Washington D.C., the company uses its online marketplace, www.Liquidation.com, to provide major manufacturers, distributors, retailers, and public sector agencies with a complete solution to convert surplus assets into cash quickly and conveniently. This \$100M company sells over one million items per month in over 600 product categories to a base of over 225,000 professional buyers using competitive online sales methods.



Lennie Myers
Chief Marketing Officer, Image MicroSystems, Inc.
 Lennie Myers has 30 years of experience in the technology industry. His early career found him as a senior computer engineer working as liaison between his US based company, and

several foreign governments, in the area of computer center management.



Rogelio Macias,
Reverse Logistics Manager
Rogelio is the Reverse Logistics Manager at Hewlett-Packard Mexico responsible for managing the returns of consumer products sold in Latin America. He also manages the refurbishment and repair operations. He developed the HP's Reverse Logistics Network in Latin America and implemented the Return Avoidance Program and Central Repair. Rogelio has been with HP for 18 years and has held management positions in the Supply Chain, Planning & Purchasing and Engineering organizations



Wafa Dahel
Senior Manager Customer Service
Wafa Dahel is a Senior Manager at Seagate Technology with the Customer Service Organization. Wafa's responsibilities include defining global support and services strategy for Seagate, launching new programs and Vendor management. She joined Seagate in 2001 as a Program Manager in Global Logistics and has also served a two-year term as a Blackbelt in Seagate's Six Sigma quality improvement initiative.



Joey Hlavenka
Services Tools Development Manager
Joey Hlavenka is the Tools Development Manager in the Americas Service Logistics Materials group for Dell Inc. Joey is responsible for the "off-the-shelf" applications and "in-house" developed tools to support the buying and planning and the reverse logistics functions for over 8 million service parts dispatches annually. He and his team focus on optimizing the supply chain cost while enhancing the customer experience for service parts.



Steve Maglior
Director Worldwide Repair Operations
Steve Maglior is Director of Worldwide Repair Operations for Quantum Corporation.

In this role Steve is responsible for the entire Reverse Logistics operation for Quantum's Storage Device division, overseeing several repair sites worldwide, both internal and 3rd Party Contract Manufacture. Steve and his team manage all facets of Service and Repair for Quantum's tape drive products, including Service P&L management, Quality, Reliability and Supplier and Materials Management; supporting an install base of over 3 million units

and weekly returns that exceed 3000 units.



Don Collier
Global Account Manager
Don Collier is Global Account Manager for all hard disk drive OEM accounts at Solectron Global Services, including management of the Solectron hard drive remarketing business. Collier joined Solectron in 2002 with extensive engineering and operations management experience in the HDD component manufacturing and repair arenas. His industry experience stretches back to 1978 working with companies such as Trans Data Corp, Magretech, Applied Magnetics, Applied Peripherals Technologies, and Magnetic Data Technologies. Collier has extensive global experience with assignments in North America, Asia, and Europe.



Gary Gear
Director Supply Chain Management
As director of supply chain management for Toshiba America Information Systems (TAIS), Gary Gear is responsible for Toshiba's planning, purchasing, inventory, logistics, and warranty management strategies in the United States relating to optical and hard disk drives. Using supply chain management strategies and tactics, his departments plan for and execute business directives in support of disk drive finished goods deliveries to the world's leading PC companies.



Andrew Katcher
CEO - Rapid Result
Mr. Katcher blends financial, supply chain and systems skills with international experience in high-technology on virtually every continent. He is currently CEO of Rapid Results, a supply chain management consulting company, specializing in Asia-based forward and reverse logistics solutions and supply chain-focused Sarbanes-Oxley compliance programs. Prior to Rapid Results, Mr. Katcher was with 3Com Corporation for twelve years, most recently as Director of World Wide Returns. He has held division-level controller positions in Israel and Europe and Supply Chain management positions in Japan, Korea, Australia, Singapore and the US

Andrew Lange
GENCO - Vice President Business Development



Gustavo Rojas
VP Sales, New Business Development
Gustavo Rojas serves as Vice

President and Head of the Sales, New Business Development and Operational Strategy for Supply Chain at RadioShack Corporation Gustavo's responsibilities include the development of RadioShack's End to End Supply Chain Strategy leveraging existing capabilities, New Business Development, Sales and Marketing in the Forward / Reverse Logistics & Repair Services to external customers in the consumer electronics industry.



Tim Neale
Regional Operations Manager
Tim Neale is an 19 year Wal-Mart associate, located in Bentonville, Arkansas at the corporate office. Tim's 19 years experience has been dedicated solely to the reverse logistics process. He started as an hourly associate in 1987 and has worked in every hourly position in WalMart's facilities.



Pam Rapp
Distribution/Return Center Support Manager
Pam Rapp is a 10 year reverse logistics manager, with the last 5 years of that as a Wal-Mart associate, located in Bentonville, Arkansas at the corporate office. Pam's 10 years have been dedicated solely to the reverse logistics process. She started as a Quality Assurance Manager 1995 at the Indianapolis returns facility.



Joseph Martha
Officer, Booz-Allen-Hamilton
Mr. Martha, an Officer of Booz Allen Hamilton, has a strong background in commercial logistics and supply chain management. He has more than 30 years of industry and consulting experience, and has worked with many leading manufacturing, distribution, and retail companies in the areas of supply chain management, logistics strategy, distribution operations, and information systems. In addition, he is co-author of Mercer's recent book, Value Nets: Breaking the Supply Chain to Unlock Hidden Profits.



Rob Swanson
Vice President Wireless Sales
Rob Swanson is Vice President of Sales for Solectron Global Services, responsible for overall business development of the Americas' wireless services accounts. Swanson joined Solectron in 2004 and has more than 25 years of extensive experience working in customer service organizations. Swanson has been vice president of global services for Advanced Digital Information Corporation and Pinnacle Systems. Prior to these positions, Swanson held senior management positions at AT&T and Memorex Telex.



Peter Junger
President-SiRAS.com Inc
Peter Junger is the President of SiRAS.com Inc., a wholly owned subsidiary of Nintendo of America. SiRAS provides high-tech product returns cost reduction solutions, and POS (point-of-sale) electronic registration services to retailers, manufacturers and suppliers. With over 20 years of experience in customer service and over 15 years of experience in reverse logistics management, Peter Junger has a proven record of developing innovative cost reduction practices and new operational strategies while improving levels in customer satisfaction.



Stamp Corbin
Chief Strategic Officer
In 1997, Stamp Corbin founded RetroBox, the nation's leading information technology asset disposition company specializing in the redeployment and recycling of personal computers, monitors, workstations, servers, networking equipment, and associated peripherals. On December 30, 2005 RetroBox merged with Intechra to create the largest full-service information technology asset disposition company in the United States with annual revenues of approximately \$40 million.



Paul Sorenson
Senior/Staff Human Factors Engineer
Paul is a Senior/Staff Human Factors Engineer at Intel Corporation. He has 19 years' experience as a human factors engineer (HFE) in the industry. Prior to coming to Intel, he worked at IBM, Lockheed, and Hewlett Packard. His educational training is in Biology and Human Experimental Psychology, including an interdisciplinary masters degree from University of Oregon and PhD. work at University of Texas at Austin.



Paul Rupnow
Partner Andlor Logistics Systems
Paul Rupnow is dedicated to providing Reverse Logistics solutions. As a partner of Andlor Logistics Systems, Paul works daily with manufacturers, distributors and 3rd party service providers to solve Product Returns issues and Reverse Logistics operations problems. Paul works with companies to analyze, design or implement Returns processes and systems. He is also the lead business architect of Bac-Tracs, Andlor's Reverse Logistics Management System.



Derek Dionne
Enterprise Sales Manager, ChannelAdvisor
As an Enterprise Sales Manager for ChannelAdvisor, Derek Dionne consults

with companies of all sizes to help research, recommend and implement online auction sales strategies. Dionne combines his six years of manufacturing and retail industry experience, and nearly three years of online auction specific expertise, to develop and execute successful online auction sales strategies for retailers and manufacturers.



Richard Rieman
Global Accounts Manager
Richard Rieman is Sales Director for Liquidation.com, a Division of Liquidity Services, Inc., the largest online auction marketplace for bulk buyers, currently involved in a 7-year deal with the U.S. Military and DOD for the disposition of roughly \$24 billion dollars worth of assets. Prior to joining Liquidation.com, Richard was Director of Wholesale Sales for ReturnBuy, one of the five largest 3PSPs selling surplus assets on eBay.



Bill Frischling
Chief Operating Officer
Bill Frischling is currently the Chief Operating Officer and co-founder of Dyscern, a reverse logistics and asset recovery provider based in Sterling, Virginia that specializes in the rehabilitation and refurbishment of consumer electronics and computing equipment. Bill has more than a decade of experience on the Internet. His previous role was as Executive Director of Product Development at America Online, where he led and managed bi-coastal teams responsible for launching such products as My AOL, AOL Search and AOL Alerts and Reminders.



Howard Rosenberg
Director - Private Marketplaces
Howard has been with eBay for over 4 years and runs the Company's Trading Platforms business serving companies interested in maximizing their recovery rates on excess and refurbished inventory through the Reseller Marketplace or through their own, private-label auction marketplaces. He has 14 years of experience in various capacities, including operating, advising and investing in, companies in the consumer product, consumer services and business services sectors.

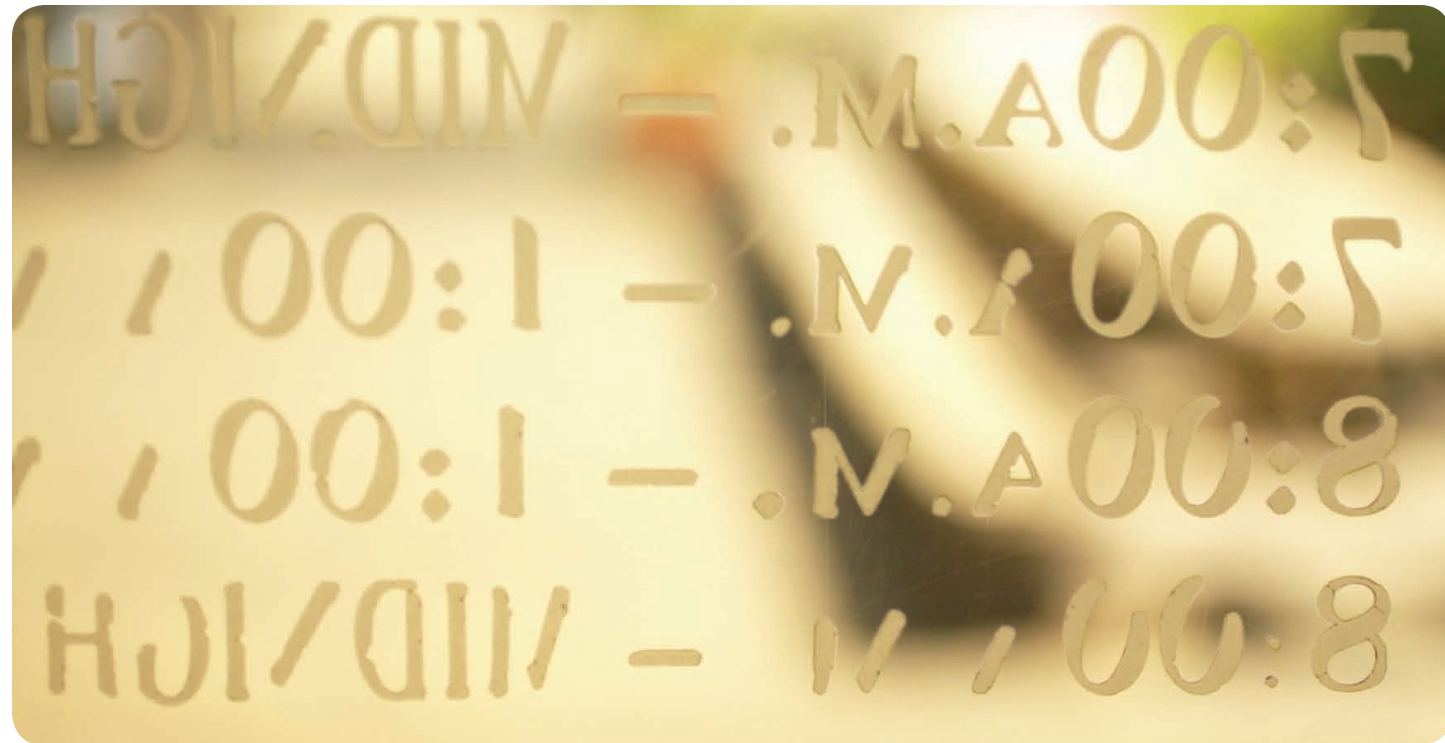


Pam Arrigo
Global Business Development
Pam Arrigo is currently responsible for Motorola's global marketplace channel as well as the disposition of all U.S.

returned handsets and accessories. Pam also facilitates the efforts of a global cross-functional asset recovery team of reverse logistics, refurbishment supplier managers, regional service centers, and the electronic marketplace team to identify the most efficient way to disposition Motorola's used global handset and accessory inventory. In addition, her marketplace team works closely with Motorola's global sales and supply chain teams to facilitate the disposition of new excess and obsolete handsets, accessories and parts around the globe.

Richard A McDonough
President & CEO

Richard A. McDonough is the President and Chief Executive Officer of America Responds With Love, Inc. McDonough has led the non-profit organization since its founding in 1989. America Responds With Love has utilized excess inventory from a number of industries, including the furniture, computer, seed, publishing, hospitality, toy, excavation, and transportation sectors. Since 1982, hotels and motels have donated excess inventory through a program created and coordinated by McDonough. More than 102,000 people truly in need have been housed through this program.



What is Reverse Logistics?

By: Karen Hawks, V.P. Supply Chain

Logistics is defined by The Council of Logistics Management as: The process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements. Reverse logistics includes all of the activities that are mentioned in the definition above. The difference is that reverse logistics encompasses all of these activities as they operate in reverse.

Therefore, **reverse logistics** is: The process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of consumption to the point of origin for the purpose of recapturing value

or proper disposal. More precisely, reverse logistics is the process of moving goods from their typical final destination for the purpose of capturing value, or proper disposal. Remanufacturing and refurbishing activities also may be included in the definition of reverse logistics.

Reverse logistics is more than reusing containers and recycling packaging materials. Redesigning packaging to use less material, or reducing the energy and pollution from transportation are important activities, but they might be secondary to the real importance of overall reverse logistics.

Importance of Reverse Logistics

If no goods or materials are being sent “backward,” the activity probably is not a reverse logistics activity. Reverse logistics also includes processing returned merchandise due to damage, seasonal inventory, restock, salvage, recalls, and excess inventory. It

also includes recycling programs, hazardous material programs, obsolete equipment disposition, and asset recovery.

Software Industry

In the software industry, distributors are attempting to cut down retailer returns by implementing just-in-time delivery. However, retailers generally overestimate demand because there is not much incentive for them to forecast carefully. Software manufacturers want the product on the retailer shelves, and often agree to stuff the channel. The cost of a box of software is low compared to the price. In one extreme example, a software manufacturer contracted with a third party to destroy 50 million copies of one software product. While this particular manufacturer would have preferred to not produce an excess of 50 million, the company believes that it is better to guess higher than lower. Because of these kinds of practices,

contd. on p. 15

RLTS Las Vegas 2006 Conference & Expo Schedule

TUESDAY
FEBRUARY 7, 2006

10:30AM	RLTS Las Vegas 2006 Welcome Gailen Vick - President - Reverse Logistics Trends, Inc., “Industry Overview Size and Forecast”			
11:00AM	Industry Keynote Speaker - “The Major Challenges Facing Reverse Logistics”			
1PM	Rogelio Macias, Reverse Logistics Manager HP Reverse Logistics Program in Latin America	Les Bury Director John Aanenson Sr Manager Outsourcing Field Returns - Philips Medical Systems	Mark Tipton CFO Bill Reams President Reverse Logistics Strategy and Operations Planning	Wireless Comm. Larry Maye, Director RL Global Strategy & Operations RL Operational Strategies for New Product Launches
2PM	Michael Blumberg President - D.F. Blumberg/Associates e-Waste Collection and Recycling Act, WEEE RoHS Impact on OEMs & 3PSPs	Reverse Logistics - Pros & Cons of Outsourcing	Paul Gettings UPS	Wireless Communications RL Shared Costs Between Carriers and Manufacturers
3PM	Col. Joseph Walden Director, Supply Chain Research News Ways to Streamline Operations, Drive Profits, and Delight Customers	Entitlements - Managing Costs on Returns and Warranties	Reverse Logistics 2010	Wireless Communications Channel Returns & Asset Management
4PM	Tom Coughlin President - Coughlin Associates Reverse Logistics Issues in the Storage Industry	Emily Rodriguez Sr Consultant - The Results Group Global Warranty Support	Revenue Opportunities within the Reverse Logistics Process	Wireless Communications Wireless Support in the Enterprise Space
5:15-6PM	Round Table Discussions (Hosted by Speakers) Hors D'oeuvres/Refreshments Laughlin I Room			

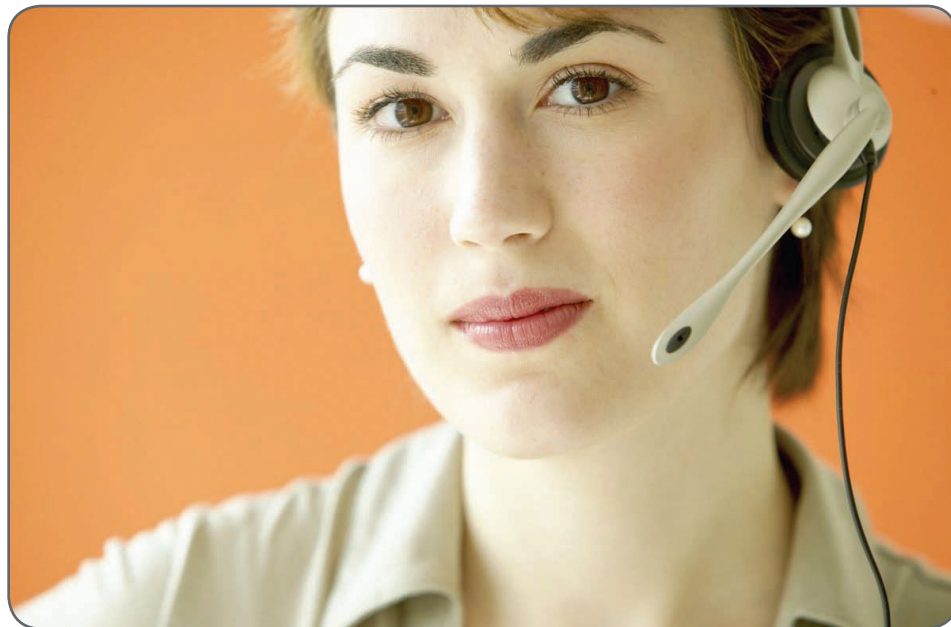
WEDNESDAY
FEBRUARY 8, 2006

9AM	Bill Angrick, Chairman & CEO Channel Returns and Asset Management	Lennie Myers, CMO Global challenges in IT Asset Recovery and Electronic End-of-Life	Steve Cole, SVP Real-Time Decisions, Taking Time Out of Reverse Logistics	Wireless Communications Impact of Service Quality on RL
11AM	Moderator: Andrew Katcher CEO, Rapid Results Retail Reverse Logistics Issues	Richard McDonough President & CEO Donating Excess Inventory is Good for the Bottomline	John Plunkett, Director	Wireless Communications Michael Blumberg, President Industry Analysis on the Wireless RL Market Size
1:30PM	Peter Junger, President Customer Returns - A Delicate Business - Will RFID Help?	Stamp Corbin, CSO IT Asset Disposition: A Unique Reverse Logistics Challenge	Reverse Logistics 2010 Paul Sorenson, Sr Engineer Overview - Ease of Use Roundtable	Wireless Communications Channel Returns & Asset Management
2:30PM	Online Auctions - Changing the Way We Do Business	Paul Rupnow Director, Andlor Logistics Developing an ERP with a RL Component not a Bolt-on	Tony Sciarrotta, Director Scott Lofgren, Manager Ease of Use Roundtable - Industry Returns, Support Cost Issues, Call Center	Wireless Communications Predictive Analytics in Support of Improved Quality
3:30PM	Gailen Vick, President, Reverse Logistics Trends, Inc. , “Closing Remarks”			

Reverse Logistics: Customer Satisfaction, Environment Key to Success in the 21st Century

By: Ryan Harrington

According to a new survey commissioned by eBay, nearly 60 percent of Americans receive unwanted gifts during the holidays. Last holiday season, an estimated \$13.2 billion in holiday gifts were returned to retailers – more than a third of the \$36 billion reverse logistics market in the U.S. These figures pose several questions and challenges. What becomes of these products? How do retailers cope with the management of these items? Are customers unsatisfied? Unfortunately, for some companies the answers are anyone's guess. For others, these answers are quite clear.



As we head into the 21st century, more and more companies acknowledge that reverse logistics – the taking in, storing and redistributing of returned items – is a critical part of the supply chain. Without a comprehensive return system, retailers can lose millions in revenue. Two recent studies show returned merchandise costs the consumer electronics industry \$10 billion annually, while personal computer returns amount to \$1.5 billion per year.

What is Reverse Logistics?

According to the Reverse Logistics Executive Council, reverse logistics is the process of moving goods from their typical final destination to another point, for the purpose of capturing value otherwise unavailable, or for the proper disposal of the products. Reverse logistics can include:

- Damaged merchandise

- Seasonal inventory
- Restock
- Salvage
- Recalls
- Recycling
- Hazardous material
- Obsolete equipment disposition
- Asset recovery

Strategies for Success

As customers become increasingly sophisticated in their purchasing decisions and environmental laws take root, many retailers will seek new ways to develop or enhance their return systems. Some companies have turned their networks into a competitive advantage by taking an active position that increases value for customers and builds loyalty.

Companies such as Eastman Kodak and Hewlett-Packard have implemented successful reuse and recycling programs. These initiatives reduce the amount of waste fed into the supply chain and the landfills,

while lowering operating costs. The companies have been able to recover their costs from areas such as raw material and packaging procurement, manufacturing, waste disposal and regulatory compliance. Another reason consumers return items is because of faulty or difficult-to-read instruction manuals. Many companies realize the value in revising instructions to make them user friendly.

The system works best when retailers, vendors and logistics companies work together to reduce the percentage of returned merchandise and improve the return system flow. Logistics companies assist retailers with vendors that have unusually high-return rates, especially on high-dollar items. To improve the return flow, logistics companies perform an audit for retailers before the freight is released from the warehouse. As part of the audit, a retail representative meets

contd. on p. 20

Disposition Options between Retailers and Manufacturers

Disposition	Retailers	Manufacturers
Sent to central processing facility	29.2%	17.7%
Resold as is	21.4%	23.5%
Repackaged and sold as new	20.5%	20.0%
Remanufactured/Refurbished	19.9%	26.7%
Sold to broker	16.8%	10.1%
Sold at outlet Store	14.5%	12.8%
Recycled	14.1%	22.3%
Land Fill	13.6%	23.8%
Donated	10.6%	11.8%

Source: Going Backwards: Reverse Logistics Trends and Practices University of Nevada, Reno Center for Logistics Management. Rogers and Tibben-Lembke

What is Reverse Logistics from p. 12

Technology

It is clear both from the interviews and the survey instrument that retailers have made larger investments in technology to improve their reverse logistics systems. In fact, manufacturers lag behind retailers in almost every technology category. This difference between manufacturers and retailers does not appear to exist in all facets of an operation.

Nearly twice as many retailers as manufacturers included in the research implemented automated material handling equipment. Retailers are also more likely to use bar codes, computerized return tracking, computerized returns entry, electronic data interchange (EDI), and radio frequency (RF) technology to enhance their reverse logistics management. A comparison of reverse logistics technology adoption is presented below:

Comparison of Technologies Utilized to Assist Reverse Logistics Processing by Retail and Manufacturing Segments

Conclusions

Reverse logistics practices vary based on industry and channel position. Industries where returns are a larger portion of operational cost tend to have better reverse logistics systems and processes in place. In the book industry, where great change in the industry structure has occurred in the last few years, returns are a major determinant of profitability. In the computer industry where life cycles are nearly as short as grocery life cycles, the speedy handling and disposition of returns is now recognized as a

Technologies Utilized	Retail	Manufacturing
Automated material handling Equipment	31.1%	16.1%
Bar codes	63.3%	48.7%
Computerized return tracking	60.0%	40.2%
Computerized returns entry at most downstream point in supply chain	32.2%	19.1%
Electronic data interchange (EDI)	31.1%	29.2%
Radio frequency (RF)	36.7%	24.6%

critical strategic variable.

Successful retailers understand that managing reverse logistics effectively will have a positive impact on their bottom line. Industries that have not had to spend much time and energy addressing return issues are now trying to make major improvements. Now, more than ever, reverse logistics is seen as being important.

Process Improvement

In attempting to improve reverse logistics processes, a firm can move along several fronts. Suggested improvements are listed in the table: Key Reverse Logistics Management Elements

- Gate keeping
- Compacting Disposition Cycle Time
- Reverse Logistics Information Systems
- Central Return Centers
- Zero Returns
- Remanufacture and Refurbishment
- Asset Recovery
- Negotiation
- Financial Management
- Outsourcing

Equip Your Warehouse with a Reverse Gear

It might be the most ignored aspect of warehouse operations today. But the need for efficient reverse logistics can not be brushed aside anymore. The return, processing, repair and replacement of products have a huge impact on customer service. And the nerve center of any such operation is the warehouse.

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Utilizing leverage for cost reduction

Through margin strength service and spare part offerings, enterprises of technology-oriented industries can improve their profitability in the long term if they are able to master the implementation of converting repair and guarantee operations cost optimally.

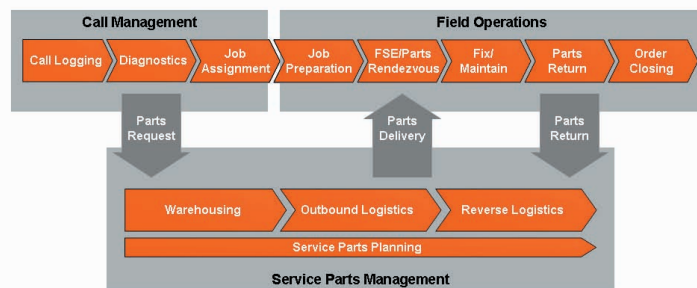
By Alexander Wolfrum and Sven Montanus

The tendency for investment volumes to drop off over the past years has lead to a prolongation of product utilization time. This in turn has created a continuous increase in demand for services and spare parts which are needed to maintain capital goods. For the manufacturers this opens up the possibility of partly compensating for the profit downturns with high-yield after sales offers in the traditional product business. According to recent trends, the following applies: Profit margins in the service and spare part industry exceed classic product business up to tenfold. With the history of western industrial nations placing about eight percent of the gross national product flow into the maintenance of goods and consequently, to the after sales industry,

tremendous opportunities arise for manufacturers. The prerequisite for long-term success and lasting competitiveness in the after sales industry is the development and extension of an efficient service organization. Repatriation and the repair of defect parts, also known as reverse logistics, are increasingly moving into the spotlight as a solution. To some extent, the massive repair volumes are an indicator for the growing relevance of this subdivision in the context of after sales services. **For example, the annual repair volume with leading manufacturers lies between 500,000 and five million units in the computer sector.** Market leaders in the telecommunications sector must partly cope with annual repair volumes in the double-digit millions. At such orders of magnitude rationalization potential is high. Through the introduction of intelligent planning tools the repair factories capacities can be promptly coordinated with the current needs. Thereby avoiding under-utilization and reducing transmission delays. Workflow and tracing systems support and supervise repair circulation, whereby plan deviations are discovered in sufficient time.

Re-design of the worldwide repair network presents

further rationalization potential. Depending on the value of the products to be repaired, logistics costs, defined transmission delays, as well as the technical repair requirements a central approach can lead to a considerably more favorable cost situation in comparison with a decentralized network structure. For a decentralized structure, in effect; numerous local repair factories, short transmission delays and low logistics costs speak for themselves. On the other hand, scale effects can be achieved with a centralized approach, meaning a small number of repair factories with global or at least regional responsibility, whereas this is not possible with a decentralized network structure. Very few repair factories experience an increase in repair volumes per location, whereby investments in the automation of processes or in



The return and repair of faulty parts is a central element of an ideal process chain in after-sales business.

qualification improvement of the staff pays off quickly. Cost savings of 15 to 20 percent of total costs can be obtained by a detailed trade-off management in this area on a product level in many cases. Distributing the complete repair area to external service providers also offers potential for cost reduction and improving quality. In Barkawi's assessment the outsourcing share lies in the

contd. on p. 19

Reverse Logistics Association Publications

News - The Reverse Logistics Association mission is to "educate, inform and produce trade-shows and workshops around the world." One education medium is RLA news publications. With the January 2006 launch of Reverse Logistics Magazine, we now have a hardcopy quarterly publication, as well as monthly online magazine and weekly news clipping service to keep our users up-to-date on the latest industry news, trends and events. We welcome noteworthy reverse logistics related submissions.



Reverse Logistics Magazine provides the latest information regarding the various areas of reverse logistics including customer service, repair, fulfillment, recycling, refurbishment, regulatory and warranty management. It features case studies and highlights research documents available from our association.

Online Reverse Logistics Magazine is a monthly publication which provides industry insight as well as highlights of recent news.

Reverse Logistics Weekly News Clippings is a weekly push of the latest news collected from around the world related to OEM, ODM, Retail and Branded companies, third party service providers and other organizations.

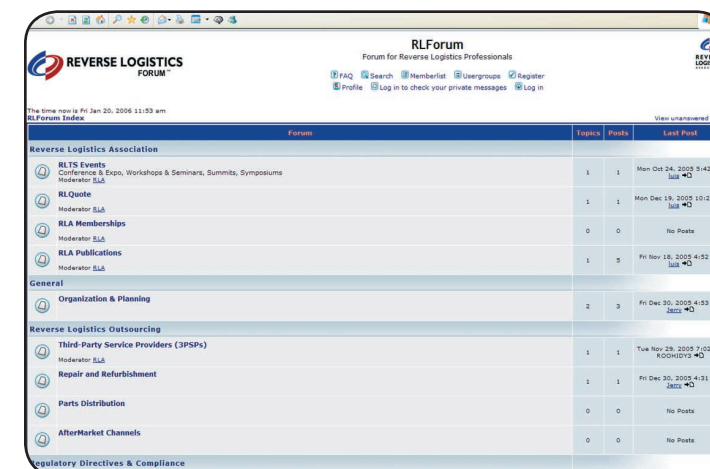
Research Documents, White Papers, Case Studies – Reverse Logistics Association offers an extensive collection of information from high level overview to in-depth studies of a wide variety of subjects. White papers and case studies cover topics such as warranty management, repair services, online auctions, asset disposition, customer service and WEEE and RoHS. Research documents provide results of significant research, conducted by academics and leading consulting firms. Visit the RLA Publications page and peruse the many titles available from our site.

RLForum

RLA has a service that you can use to ask any and all RL related questions – it's called RLForum.

Introduced in October at RLTS Singapore 2005, RLForum is a new service where RL professionals can discuss best practices or ask questions in a bulletin board environment.

We've provided starter topics, but we are looking to participants to create additional categories and topics. Start a discussion today – ask your question and let the whole RL world respond at RLForum. <http://www.reverselogisticstrends.com/forum/>



RLA Job Center

If you are a job seeker or a hiring manager looking to staff positions with a Reverse Logistics focus, the Reverse Logistics Association Job Center is the place for you. Posting positions on the site is a member* benefit. Let us help you find the staff you seek – posting is quick and easy. Position posting is generally approved and posted within 24 business hours. Check out the positions currently posted at the RLA Job Center. For more information, contact RLA at info@RLTinc.com.

***Job posting is a benefit of Professional Members and above.**



Managing in Reverse:

The Strategic Importance of Reverse Logistics

By David C. Wyld
Southeastern Louisiana University

There are some unmistakable truths about top corporate execs. CEOs and EVPs love to walk the aisles of their stores, which are shiny and freshly waxed in anticipation of their “surprise” visit. Yet, on such field trips, they rarely see the stock rooms, and they are often hustled past the return counter. Likewise, corporate big wigs like to don a specially personalized hard hat, climb in the golf cart or Gator, and ride around the distribution center, seeing “neatness” on parade - rack after rack, pallet after pallet, shipment after shipment of new merchandise. Yet, they are most often not afforded the same “royal treatment” when they tour their firm’s return processing area. Big-time business execs also love to arrive in the limo (or at least the very full size rental car) to be at the plant for the first moment of operation of their newest, fastest, most automated piece of machinery, but they are never there when the machine that was great a decade ago is relegated to the back of the warehouse and “the ash heap of

history.”

What happens with electronics, products, machinery, etc.:

- when they don’t work,
- when they are recalled,
- when they are no longer wanted,
- when they need to be recycled, or
- when their use should be discontinued?

Smart executives today are recognizing that there are significant costs – and likewise, significant potential revenue – to be derived at what was formerly thought of as the end of the supply chain. Likewise, third and even fourth party providers are building significant businesses by fulfilling the need for providing these specialized services to businesses and their customers.

Thus, there is significant interest in managing the so-called “flip side” of the supply chain. Writing in the *Harvard Business Review* in 2002, Guide and Van Wassenhove labeled the reverse supply chain as “the series of activities required to retrieve a used product from a customer and

either dispose of it or reuse it.” This area is now commonly referred to as reverse logistics, defined by the IQ Business Group to be: “The process of managing the movement of specific goods away from their typical final destination in order to maximize its value or for proper disposal.” The domain of reverse logistics is also referred to by other terms, including:

- The reverse supply chain,
- The aftermarket supply chain,
- Aftermarket logistics, or
- Retrologistics.

Forward vs. Reverse

This flip – or reverse - side of the supply chain is far less glamorous, far less neat and orderly, and far less predictable than the forward-facing supply chain. The operational characteristics of reverse logistics are indeed fundamentally different and inherently more complex than the forward logistics involved in manufacturing and distribution. As Clay Valstad, Director of Reverse

contd. on p. 23

Utilizing Leverage from p. 16

high tech and telecommunications industry at considerably over 90 per cent. Meanwhile, all well-known manufacturers are making use of the after sales offers of specialized service providers. Besides the select repair of faulty products, some of these enterprises also offer comprehensive logistics services which range from the return of defective equipment to the provision of spare parts to the end consumer.

Clear optimization potentials are visible in the often unsatisfactory warranty processing.

It is frequently unclear whether a defective product can be taken back and repaired on the basis of the warranty or whether the time frame of the warranty is no longer valid. In the latter case the customer must pay for the repair and other services. In practice, the resulting effort for services and material is frequently credited internally to satisfy the customer with regard to future business. Comprehensive warranty management sets a clean definition and compliance with the warranty period in regard to the customer, as well as the reverse transaction of warranty cases in regard to suppliers. The numbers which were raised in the context of a study carried out by specialist publication “Warranty Week” shows that the correct warranty transaction does not always take place in practice. **In the year 2004 the U.S. manufacturing industry incurred warranty costs in the amount of about 25 billion U.S. dollars because of this.** For example, a leading printer manufacturer’s share of warranty costs in the total turnover lies at over 8 percent which has a strong negative effect on company results and reduces the yield potential of after sales business to

a minimum.

To drastically reduce the share of warranty costs in enterprise sales volume, the warranty period must be precisely defined in regard to the customer; these should be based on IT systems and firmly established in the business processes of the after sales area. At the same time it is necessary to assert existing warranty obligations respective of individual suppliers and, as the case may be, to harmonize warranty responsibilities and rights. Frequently, process responsibility is not clearly defined and the illustration of the relevant data based on IT systems does not take place in sufficient measure. The responsible organization units, among others sales, must be more strongly tied into responsibility. Success can be measured with the practical implementation of guarantee management through key performance indicators (KPI). Barkawi assumes that the net warranty costs can be reduced by up to 50 percent by a comprehensive guarantee management. To speak in absolute numbers: **The U.S. manufacturing industry could save costs in the amount of up to ten billion U.S. dollar every year. RLM**

Alexander Wolfrum is Vice President After-Sales

Services; Sven Montanus is Senior Consultant and Head of Marketing at Barkawi, an international management consulting company based in Munich.

Reverse Logistics Association Focus Committees

Focus Sub-Committees were set up to provide a standing Forum for Reverse Logistics Professionals to meet on a regional and global basis and discuss common Reverse Logistics issues at the RLTS Conferences. Focus groups include.

- Wireless/Telecommunications
- Consumer Electronics
- Data Storage
- Displays
- Imaging
- Notebook/PC
- Printers
- Set-top

More information regarding the RLA Focus Committees is available at: www.reverselogisticsassociation.org

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Cust. Satisfaction from p. 14

the shipment at delivery to make sure the inventory is accurate before it is unloaded. Conducting spot audits on both ends of the shipment can reduce discrepancies and greatly reduce claims.

The Challenges of Reverse Logistics

The pricing of electronics fluctuates quickly, so it's imperative that when merchandise is put into return mode it's handled in an expeditious manner. The challenge for retailers and vendors is to process returns at a proficiency level that allows quick, efficient and cost-effective collection and return of merchandise. Customer requirements facilitate demand for a high standard of service that includes accuracy and timeliness.

It's the logistic company's responsibility to shorten the link from return origination to the time of resell. One major challenge for logistics

providers is performing all tasks for the retailer, including:

- Collection
- Scanning
- Credit store and invoice vendor
- Product disposition

Protecting the Environment

Reverse logistics is based upon a heightened environmental consciousness, public policy and the law. The main concept is that reusable packaging, as well as outdated, damaged or defective products, can best be recycled or reused by the original manufacturer. It also involves product system designs that make recovery and reuse possible, efficient and profitable. In reverse logistics, a measure of what gets thrown away is

a measure of the failure of the product design and recovery process. While landfill sites around the globe continue to be at their busiest, more companies are discovering it makes good business sense to be proactive on environmental issues concerning returned inventory.

RLM

Harrington is vice president & general manager for Reverse Logistics/Projects at NYK Logistics (Americas) Inc. Headquartered in Long Beach, Calif., NYK Logistics (www.nyklogistics.com) offers a complete range of transportation services and a superior global network to provide more efficient supply chain that gives our clients seamless precision and unprecedented control. One of the world's largest shipping and logistics companies, NYK Logistics is backed by all the strength of NYK Group, a multi-billion dollar company with a heritage of excellence since 1885.

What is Reverse Logistics from p. 15

Streamline turn-in procedures	Explore the potential of commercial software applications or techniques for improving reverse flow management
Route items with an eye to what happens to them next	
Integrate the forward and reverse pipelines	Align financial incentives with improvements

"One hundred percent of WMS packages were designed to get stuff out," says Bill Tyng, systems consultant with Forte Industries of Mason, Ohio. "They had to be adapted to get stuff back in." The situation has been more critical in Europe, where retailer policies tend to be more lax and returns can account for 30 percent of one's business. But reverse logistics is taking on increased importance in the U.S. as well. The trend has given rise to a number of niche vendors, offering software or services specifically to handle returns, while the larger integrated vendors are also scrambling to adjust.

"Reverse logistics can be the black hole of your warehouse," says Mary Haigis, chief marketing officer of Optum Inc. in White Plains, N.Y.) The returns process involves huge inefficiencies, but they're manageable with the help of the right technology and processes. She cites a large retailer and customer of Optum that piloted a reverse-logistics application at a pair of its DCs through the Christmas season. "The company typically has a high rate of return," she says, "but realized 'incredible savings and efficiencies' with the help of a formal system." **RLM**

Reference Material

Warehouse Management Solutions
ASupplyChainBrain.com Online
Magazine Updated: April 2004

Seeking Excellence Within the Four Walls of the Warehouse

Going Backwards: Reverse Logistics Trends and Practices University of Nevada, Reno Center for Logistics

Management. Dr. Dale S. Rogers, Dr. Ronald S. Tibben-Lembke © 1998, Reverse Logistics Executive Council *University of Nevada Logistics Council (UNLC)* This UNR student organization assists logistics students with career planning, resume development, and industry relations.

UNR Center for Logistics Management

The mission of the Center for Logistics Management at the University of Nevada is to create and disseminate new knowledge in business logistics and related areas, educate students and practitioners in logistics excellence, and to contribute to the effective practice of logistics management.

International Journal of Logistics

Management (IJLM) Provides a global forum for the exchange of new ideas and practices in the dynamic field of logistics management and the emerging area of supply chain management.

The Council of Logistics Management

(CLM) The mission of the Council of Logistics Management is to serve the evolving logistics profession by developing, advancing, and disseminating logistics knowledge.

The Educational Society for Resource

Management- APICS is a not-for-profit international educational organization respected throughout the world for its education and professional certification programs.

Karen Hawks is Vice President of Navesink Logistics' Supply Chain Practice and brings particular expertise in operations process improvement, warehousing systems and logistics. For more information on Navesink Logistics, Inc., visit logjobs.com. To contact Karen, send an email to kh@logjobs.com.

"On the move in reverse logistics"

John Coffield formerly of Valutech has joined Genco as a VP Sales in the Reverses Logistics Group. John is responsible for sales in the consumer electronics sector. John has extensive experience in wireless communications, audio/video and electronic ODM parts, high level repair and refurbishment. John has developed several sophisticated reverse logistics programs for many of the top fortune 500 companies.

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Leveraging Reverse Logistics to Increase Customer Loyalty and Operational Efficiency

By Jonathan Dampier,
Vice President of Marketing, Strategy and Strategic Alliances

Implementing an efficient reverse logistics strategy can be a winning approach for retailers as they look for ways to improve the shopping experience and boost customer loyalty. According to a December 2005 survey conducted by Harris Interactive, 92% of consumers said that they are likely to shop with a retailer again if the returns process is convenient. Conversely, the same poll found that 82% of consumers would not shop again with a retailer that has an inconvenient return process.

Returning an item to a retailer automatically carries with it a negative connotation in the mind of a consumer. Anytime a customer orders merchandise direct from a retailer, and receives a product that differs from their initial expectations—it doesn't fit, it's the wrong color, or it just isn't what they want—the merchant's relationship with that customer may already be in jeopardy. When you add to the customer's initial product disappointment the hassles associated with returning the item, such as waiting in line to pay for shipping, wondering if the returned package has made its way safely back to a retailer, or a delay in the issue of a refund, the merchant is in danger of losing the customer's business in the future.

Most retailers handle returns as individual, disjointed transactions and fail to take into consideration the entire returns process and its impact on the customer and operations. In most cases, merchandise has to arrive back at a warehouse before a return can be acknowledged, creating uncertainty on the part of the customer and inefficient

operations for retailers. And, because a return can take several weeks to complete this process, the retailer often loses a significant amount of sellable time during a product's life cycle, possibly sacrificing profit margin.

The first step toward a successful reverse logistics program includes integrating the customer's order information onto a return label barcode. Retailers should generate pre-paid intelligent return labels onto outbound order summaries. Within days after the customer drops the package into the mail stream, the barcode can be scanned and customer return information reported back to the retailer, allowing customer service departments to proactively address customers' exchange or credit needs earlier. Through the utilization of an event-based marketing service that delivers a personalized email according to customer type (first-time buyers, loyalty club members or high value buyers), customer loyalty is improved through the reassurance that their returns have been received and processed. Such communications can be delivered within three days of the customer dropping the return in the postal system.

In order to maximize visibility into the reverse logistics process, retailers should also look for a returns management solution that offers online Return Merchandise Authorization (RMA). RMA enables customers to choose which items are being returned and the return reason prior to return shipment. This step allows retailers to aggregate valuable information about each item being returned and determine how each parcel is shipped and to which destination based on asset value, reason for return, order

date or serial number. This advance visibility results in greater inventory management and eliminates the costly step of sorting packages one-by-one to determine the package's destination.

Warehouses can also capitalize on returns visibility at the earliest stage. By receiving information about a return ahead of package arrival, an operations team can better schedule work force, reduce spikes in the workload and prepare for deliveries. In addition, an unexpected increase in the number of a specific product being returned could help indicate a potential problem, allowing retailers to prepare a recall, negotiate a return-to-vendor with suppliers, or quickly replace problem merchandise in order to save the sales transaction.

Increased warehouse efficiency and customer loyalty and retention aren't the only benefits retailers who implement reverse logistics programs can experience. Although supply chain processes still focus mainly on the outbound link to the customer, those retailers that focus on returns stand to gain an advantage in the marketplace. Improved returns management can significantly reduce costs and provide valuable information to a retailer's planning cycles. More importantly, improved and easy-to-use returns management processes can increase customer retention which ultimately results in higher sales for the retailer.

A well-managed reverse logistics program can distinguish a retailer from competitors and enhance customer loyalty. By delivering the greatest customer convenience and at the same time realizing maximum operations control, retailers are turning returns into an integral part of business success. **RLM**

Managing in Reverse from p. 18

Flow and Specialty Distribution for Sears, categorized the principal difference between forward and reverse logistics as being that: "on the forward side, you deal with order. On the reverse side, you deal with chaos, trying to create order." Think of it, on the procurement side, an organization is dealing with an organized flow of

projects that most firms spend between 3 to 6% of their bottom-line on reverse logistics activities. Today, much of these expenditures and efforts are happening "under the radar" and out of the range of true executive focus. In effect, they are often looked upon as a tax or a drag on a firm's performance. Companies

"drag effects" of unnecessary surplus, the firm's financial and operational health improves.

Today, organizations are not just simply seeking to minimize their reverse logistics costs, as many firms are seeking to improve their recoveries on goods and assets at

Reality has set-in, and companies around the globe are recognizing that supply chain management doesn't reach a nice, tidy "end" with the delivery of a product to the customer.

items, coming into its possession in an organized manner (in truckloads, pallets, and cases), being clearly labeled and packaged, and arriving in anticipated quantities. On the opposite end, in reverse logistics, companies are dealing with an irregular flow of goods and materials, a random assortment of all types of goods and materials in various conditions.

Chuck Martin, CEO of the Net Future Institute keenly observed that in today's current economic climate, organizations "cannot afford to be excess in anything." Yet, corporate executives often have no clue how much used or surplus equipment their company is sitting on - or where it is. Likewise, companies often have no idea how much their returned merchandise and surplus assets - their "reverse supply chain" - is costing them, or how much they have to gain through extracting value from what are largely thought of as "castaway goods."

The Costs of Being Inefficient in Reverse

In 2006, according to estimates from Donald F. Blumberg, the total North American market for reverse logistics services is forecast to exceed \$45 billion. Gailen Vick, President of Reverse Logistics Trends, Inc.,

are increasingly realizing that there are significant costs associated with handling this reverse flow of goods (Table 1 outlines some of the hidden costs involved in handling surplus). All of these hidden costs of surplus detract from an organization's financial results. Specifically, they work to lower a firm's ROA (return on assets) and its liquidity. Once an organization takes steps to reduce the

the end of the flip side of the supply chain. By actively marketing their surplus - getting an unneeded asset out of their hands and deriving positive revenue from it the process - companies are finding that they can produce significant gains. If a firm can sell its surplus assets, then these incremental revenues can enhance the company's financial standing. In fact,

contd. on p. 27

Table 1 - The Hidden Costs of Surplus

Cost Area	Implications
<i>Opportunity Costs</i>	Surplus assets have little value, but they tie-up cash and consume management's time and attention, taking away from the organization's primary mission.
<i>Poor Space Utilization</i>	Surplus assets take-up space on shelves and in warehouses, crowding-out more productive, revenue-generating items and activities.
<i>Monitoring Expenses</i>	Surplus assets must be tracked and monitored, at a cost, and with activity that could be better directed at revenue-generating activities.
<i>Maintenance Costs</i>	Many surplus assets must be maintained in order to be kept in usable condition - at a cost.
<i>Insurance Costs</i>	Surplus assets must be insured against loss or destruction, as well as for liability purposes.
<i>Higher Taxes</i>	Surplus assets may well increase a company's property and/or state tax liabilities.
<i>Depreciation Expenses</i>	Surplus assets depreciate more rapidly than other assets.

WEEE is no Small Issue for US Exporters



Despite the fact that the UK Government has postponed its long-awaited introduction of the WEEE Directive, there are still plenty of issues for exporters in the US electronics industry to address, says Paul James, of DHL's environmental compliance solutions.

One important issue on most business' boardroom agendas is the raft of environmental regulations that are becoming law across Europe which include the RoHS (Restriction of certain Hazardous Substances) and WEEE (Waste Electrical and Electronic Equipment) Directives. While the two directives go hand in hand, RoHS comes into effect in July 2006, but WEEE is not likely to be enforced until early 2007 in the UK, following the UK government's recent announcement to review the draft legislation this year.

While the casual observer might think this gives companies breathing space to focus on other matters, nothing could be further from the truth. Our experience indicates that while understanding of WEEE among many corporations is generally good, many have not actually begun to prepare for the realities of WEEE. And while many non-movers on the WEEE issue claim that, without clear guidance from the authorities, developing RL solutions and compliance strategies is impossible; such an ostrich-like mentality will

clearly put their organizations at a distinct competitive disadvantage when the Directive is enshrined in UK law.

Let's look at some of the issues that executives involved in the export of electrical and electronic goods to the UK can be addressing without reference to the finer, as yet unpublished details of the regulations.

Who's obligated?

Establishing whether you have an obligation as a 'producer' of equipment under the WEEE Directive is not simple, particularly as there may be subtle difference in the transposition of the Directive between EU member states.

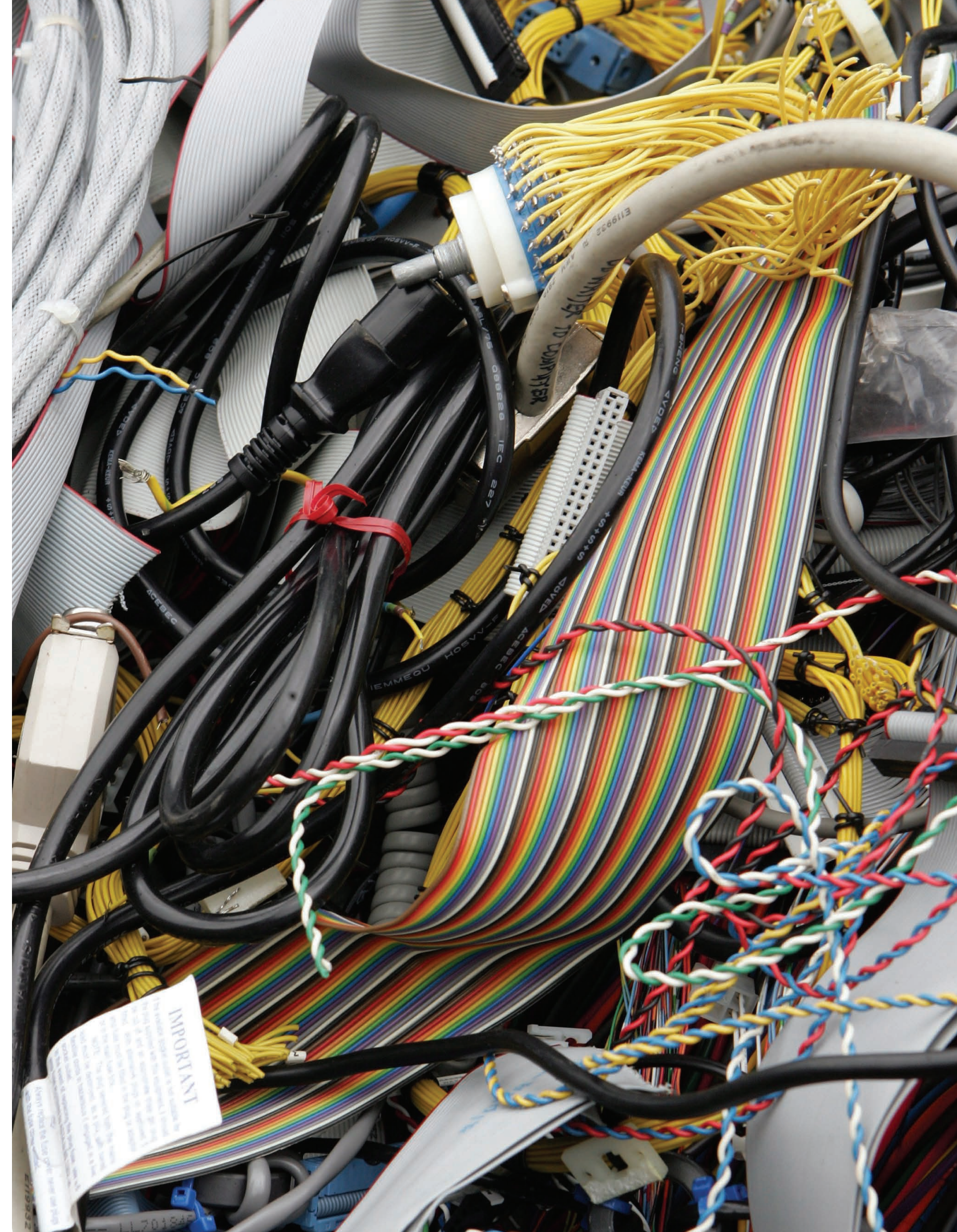
As a starting point, it is generally the brand owner who will be responsible for the WEEE obligation. However, there are exceptions. If the branded product is purchased outside of the UK and imported into the country by, for example, a wholesaler or retailer, they inherit the obligation on that product, even if the brand owner has operations in the UK. This means

that two identically branded products can be the responsibility of different organisations.

So, if a US manufacturer of computer equipment has a plant in Holland, supplying products to subsidiaries in the UK, France and Spain, it has to pick up the relevant WEEE obligations in these three countries, as well as an obligation on any products sold in Holland. Alternatively, if the same products are imported by a wholesaler into the UK direct from Holland, then there would be no obligation to pick up on the part of the US manufacturer. Where things are less clear is when products are dual branded. If a product is imported into the UK by the brand owner for example but is then re-branded or dual-branded by a retailer, who holds the obligation?

Once a business has clarified it is a producer under WEEE in the EU, it needs to consider its exposure across all 25 member states and understand how each countries' different interpretation of the Directive could impact on their business. This is no mean feat and requires a significant amount of management time to fully understand the implications of the Directive on your corporation's export market; whether you currently have trading

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Online Marketplaces Provide Fast Liquidation with a High Return

By Jim Magnanini

In years past, as reverse logistics was relegated to the shadows of “more important” corporate processes, asset recovery was paid little attention. Returns were treated as a necessary evil, and “out of sight – out of mind” was the mantra. Liquidation for convenience was the order of the day, and clearing warehouses and getting returns off the books was considered more important than maximizing recovery. One or two phone calls to the same old jobbers took care of the problem – to a degree.

Thankfully, the rise of the Internet and the advent of online marketplaces has presented a unique opportunity to not only liquidate quickly but also to maximize the value of returns. As a result, asset recovery has become the easiest phase of the reverse logistics

process to leverage, and can easily become the most rewarding.

The Internet has made it easy for buyers and sellers from around the world to connect. Geographic barriers have been reduced, and the ability to buy and sell has been tempered, in most cases, only by shipping costs. And as the Internet provides companies with the ability to present their product to a much wider audience than ever before, it quickly became clear that supply and demand would be the governing factor on the Internet. Enter dynamic commerce.

Online Marketplaces Grow Up

Dynamic commerce – the selling of goods and service through an online model in which prices are determined by market demand – has become an accepted business practice. B2C sites like eBay and a multitude of B2B marketplaces provide the seller with public

or private forums that return true market value for their products. It offers buyers access to more product than ever before. Today, a good proportion of B2B and B2C purchasing is done with help from the Internet – either researching products or purchasing. Over the last five years, many corporations have correspondingly evolved their asset recovery process. These companies have learned that online marketplaces can serve as a means to recover cost from returned product but, in some cases, act as a revenue stream. With dramatically increased exposure to potential buyers, products often sell at prices well over cost, turning the channel from one of cost mitigation to revenue generation.

As corporate acceptance has grown, online marketplaces

have evolved to serve the specific needs of organizations. Currently, there are three types of marketplaces: B2C public, B2B private, and B2B large lot marketplace.

The B2C Public Marketplace made popular by eBay is a vehicle for moving product to consumers at a very high return. Fortune 500 retailers and manufacturers have discovered that public marketplaces provide an almost endless draw of buyers. The competitive nature and sheer number of buyers combine to produce a higher recovery per product than traditional cost recovery strategies.

Retailers find that not only is eBay an efficient and cost-effective recovery channel, but also serves as a customer acquisition tool that diverts business back to their own e-commerce site.

An asset recovery strategy on B2C public marketplaces does pose certain challenges. Sellers are judged on each and every transaction. A good seller reputation is essential to success because purchase decisions frequently hinge on your feedback ratings. Fast and accurate customer service is a requirement – mandating an organization have internal processes streamlined to fulfill individual orders. The decision to use the corporate brand on a B2C can influence the recovery percentage per product. It’s been shown that a branded presence has produced a 20% price premium over identical product sold through a non-branded format.

B2B Private Marketplace. Channel conflict can be a concern for companies considering an online marketplace strategy. For these companies, the B2B private marketplace provides a highly controlled environment.

A Fortune 50 Manufacturer has developed its own marketplace where returns and refurbished product are remarketed to their distribution channel. The scarcity of product coupled with the quality of the goods has resulted in dramatic returns.

B2B Large Lot Marketplace is the perfect place for retailers and manufactures that want to sell large lots and are not concerned about channel conflict. They provide a direct channel for manufacturers and

Online Marketing from p.26

retailers to transact business with interested buyers. These sites aggregate wholesalers and distributors in a single marketplace which drives competitive bidding and allows the seller to recognize the highest recovery.

Lexar, is one company that built a branded, private marketplace to offer buyers the opportunity to bid on returned and refurbished inventory. Just four months into the launch, the online market brought in over half a million dollars a month in sales. Benefits and Words of Caution

In addition to returning a higher recovery than traditional strategies, online marketplaces provide an entrée to millions of new customers, a natural extension to other online channels, a unique branding opportunity, and a place to test prices. When prices are free to move in response to supply and demand, true market value is revealed. Using dynamic pricing as the ultimate market research tool, retailers can determine if they are under- or over-valuing products.

Online marketplaces do not limit product to returns. In fact, excess inventory, b/c stock, and scrap work equally well.

While online marketplaces can provide great benefits, they must be understood to be effective. The seller must feel confident with its internal processes – particularly fulfillment, before selling anything. Initial miss-steps can produce long-term negative effects. Pricing flexibility can determine the success or failure of an auction. Pricing too high may limit buyer engagement and pricing too low without knowledge of the buyer market may result in unacceptable returns. Once understood and leveraged correctly, online marketplaces become an essential part of the reverse logistics process. If you haven’t already, look at your returns and ask yourself, “Am I maximizing value?” If you’re not sure, consider online marketplaces - your buyers await.

Jim Magnanini is the vice president of sales for ChannelAdvisor’s Manufacturing Business Unit. For the past eight years, Jim has advised companies who use online marketplaces to resolve excess inventory issues. He holds a BA from the University of Delaware and an MBA from Rutgers University.

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in a recent white paper, ATKearney found that 70-90% of every dollar generated through asset recovery goes straight to the bottom-line. This accounts for the rapid growth of a host of used machinery sales outlets or “B’ channel,” for goods that have been through a reverse flow. While the “B” channel is intended to operate separately from a company’s primary sales channel, the “B” channel can also handle first quality and never used items as well. By operating as a “B” channel, companies can derive positive revenue, without harming their “A” channel.

Reverse Logistics and Competitive Advantage

With today’s hypercompetitive business environment, every company must undoubtedly concentrate on

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Maximizing Performance at Your Reverse Logistics Operations



By Paul Rupnow
Director, Reverse Logistics
Systems and Andlor Logistics
Systems Inc.

How do you monitor the pulse of your Reverse Logistics operations? How do you monitor your Returns processing activity? What measurements do you use to benchmark and improve your performance?

Successful Reverse Logistics performance requires more than a few month end reports. In this article we look at ways to maximize your Reverse Logistics performance by:

- 1. Developing an Operational Framework** to analyze your Reverse Logistics
- 2. Designing Reverse Logistics** monitoring and measurement techniques specific to your operations
- 3. Looking at the best practices, goals and benchmarks** that several leading companies, like Nintendo, use to maximize their Reverse Logistics performance.

Monitoring Performance at Nintendo

Joe Conklin, Field Service and Product Support Manager at Nintendo of America Inc. has invested

considerable time and energy into developing good systems to provide the detailed information he requires to monitor product returns. Conklin uses three key measures to monitor his returns:

- 1. Returns Percentage of Gross Units Shipped** – In total and broken down by retailer and by product line
- 2. Returns Cost per Gross Units Shipped**– in total and broken down by product line
- 3. Cost per Unit Returned** - with Returns costs including Returns prevention, Returns handling and

contd. on p. 30

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processing, Returns repairs, related overheads, and the original cost of the returned units. This total cost per unit is net of any sales of Refurbished goods.

Nintendo derives their measurements from a segregated monthly Returns Profit & Loss statement. "It took us a long time to develop accurate monthly Returns P&L statements, since many returns costs were embedded in other processes" says Conklin, who now uses these detailed financials to monitor the performance of his Reverse Logistics operations.

Maximizing Performance – Operational Framework

In order to maximize performance you need to be able to easily put your finger on the pulse of your operations. The high level measurements, such as those used at Nintendo, often need to be driven by more detailed measurements and monitoring. Like Conklin did at Nintendo, you will need to develop your own framework to analyze and monitor the performance of your operations to enable you to rise above the day to day transactions, activity and issues. Start by segregating your operations into a framework of its key components. Conklin breaks his operations down into three key cost areas:

1. Returns Prevention
2. Returns Processing

3. Refurbishment and Repair

Use this operational framework to start defining your goals for each area. Use the goals for each area to start defining the metrics you need to measure your progress.

Reverse Logistics Monitoring and Measurement Techniques

There are many more transactions and touch points in Reverse Logistics than there are in forward logistics. The more times a returned unit gets touched or passed to a different processing party, the more opportunities there are for processing delays or errors. As a result, the benefits of good systems, good data collection, visibility and constant monitoring are very significant. To maximize operational performance in each area of your returns operations, you need use the good systems and data to monitor:

1. Activity – such as the number of receipts per day, the number of repairs per day or the top five products returned in the last seven days.
2. Balances – such as the number of units in the repair process, the number of units in the processing backlog, or the number of units in finished goods awaiting resale
3. Trends – watch closely for swings in activity or balances
4. Tasks – since returned units are touched many times by many

different people in many different places, ensure your system helps the processing staff to be aware of

their processing tasks, so items do not get held up or forgotten.

5. Alerts – a good system with defined processes should have the data available to create alerts, such as time based alerts when something gets off track or goes missing.
6. Real Time – in the old days your staff would spend hours to help you prepare month end reports. Today, good systems should be able to provide you with real time activity and reports so you do not have to wait till the end of the month to identify and deal with an issue.
7. Performance Dashboard – each member of your Returns team, from the C-level executives to your shop floor personnel, should have their own operational dashboard to help them monitor the measurements, tasks and alerts they need to be successful.

Look at Best Practices and Goals to help Maximize your Performance

You may wish to monitor your operations differently from the Nintendo examples provided above. Leading Reverse Logistics professionals derive their measurements based upon their goals. Depending on your key priorities, the key statistics you may wish to measure may also change or evolve over time. Here are some key goals and metrics that are helping other leading companies succeed:

- **Reduce overall returns** – there are no processing costs required if there are no returns. Tony Sciarrotta, Director of Returns Management

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agreements with just one or all of the EU countries.

The WEEE Directive required the 25 EU member states to transpose its provisions into national law by 13 August 2004. Only Cyprus met this original deadline. By August 2005, all member states except for Malta and the UK had transposed at least framework regulations. Provided the fundamental aim of the Directive, to reduce the environmental impact of electrical and electronic equipment at the end of its life is achieved, member states are allowed to adopt it to suit their existing economic and environmental circumstance. This means that the interpretation of the WEEE Directive varies between the member states and a patchwork of requirements and compliance solutions is now emerging across Europe. This presents a significant challenge for businesses exporting to the EU, as corporations may need to understand and implement up to 25 different sets of regulations, which could require major investment in terms of people and systems. It is for this reason that some organisations, such as DHL, have set up pan-European WEEE services to help and guide customers through this legislation maze.

Advice to the obligated

Once a business has clearly defined the scope of its producer obligations under WEEE, a number of actions need to be undertaken to ensure compliance.

Firstly, the corporation needs to be registered with the relevant authority in each individual country in which it has an obligation. There is no central EU registration, although companies like DHL provide a one-stop pan-European registration service. In the case of the UK, registration will be with one or more of the UK's environmental agencies. Alternatively producers will be able to join one of the compliance schemes, established by environmental solutions providers, to discharge their

obligations.

In terms of deliverables, businesses will need to provide information, broken down by the ten WEEE categories, showing the tonnage of electrical and electronic items placed on the market. Again, this type of information will need to be prepared for each EU country to which you export, in the format, style and regularity that the relevant authority has specified. And as the definition of "placed on the market" varies slightly from country to country this will not be as simple as it could have been.

This also highlights the issue of which products are included in WEEE and which are not. As the implementation of various flavours of WEEE rolls out across Europe, grey areas regarding which products are or are not covered by the Directive, or individual countries' regulations, are emerging. For example, a toy car that uses a battery to power a flashing light is likely to be excluded in the UK as the battery is not needed for the car to perform its primary purpose, whereas a battery powered remote control car is likely to fall under the regulations. How the product is sold can also affect its classification. A standard computer mouse sold separately is unlikely to be included under WEEE, however the same mouse if sold as part of a complete computer package would be included. On the other hand, a battery powered wireless mouse sold separately is likely to fall under the scope of the regulations as it cannot perform its primary function without power.

Clearly, the area of product identification and the correct assessment of its status under WEEE is potentially complex and has the ability to create significant distraction within a business. However, the risk for potential mis-calculation of WEEE can be minimised by investing time now in the correct classification and grouping of products and ensuring

that systems are up and running to cope with the Directive.

The RL challenge

While WEEE associated with business-to-consumer (B2C) transactions provides few opportunities, in the UK at least, for reverse logistics to play a positive role (as much of this waste will be collected by local municipalities) the business-to-business arena is much more attractive to RL practitioners.

B2B WEEE – covering everything from IT equipment to medical devices – provides much more scope for RL to play a part and significantly reduce compliance costs. Certainly in the UK, regulations will require redundant equipment to be recycled whether the obligation resides with the seller of new replacement equipment or the end-user of the old equipment. Either way, old electrical and electronic equipment will need to be removed and recycled in accordance with regulations. And given that businesses will no longer be able to throw old electrical equipment out with their general trash, new or additional infrastructure will be required to ensure that the practical, cost effective solutions are available to those who hold responsibility for redundant equipment.

While the final details of the WEEE Regulations in the UK are yet to be finalised, it is already clear that reverse logistics practitioners will have a central role to play in the smooth operation of the new law. **RLM**

Paul James is general manager of DHL's environmental compliance solution and is based in Coventry, UK. E mail: paul.james@exel.com. Tel: 00 44 2476 214100.

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Key Success Factors for Service Parts Inventory Management Optimization in Aftermarket Service Operations



By Michael R. Blumberg, CMC
President & CEO, D.F. Blumberg Associates, Inc.

Normally, the largest investment – and the second largest operating cost (after establishing the service workforce) associated with Aftermarket Service involves a) the purchase and acquisition of parts and subunits, and b) the labor costs associated with the management of the inventory, logistics pipeline, and depot repair operations, to ensure availability of parts when and where required. Clearly, any action that can improve logistics support productivity will help to contain or reduce such sizeable expenses. The key actions involved with improvement of Logistics Support productivity begin with gaining control over the Logistics Support

Pipeline. In essence, parts and materials used in an Aftermarket Service Operation should follow a unique, distinct, and closed path or “pipeline” as outlined in Figure 1. In such a model, materials and parts are received from outside vendors, the manufacturing line (either external or internal), or depot refurbishing and repair operations. The materials are then stored in a central warehouse until they are shipped out to regional or local storage locations, and eventually placed into the hands of the service engineers at customer sites.



essential to introduce mechanisms for direct control of the inventory at the field service engineer level.

In examining this service logistics pipeline, it is important to recognize a number of critical parameters or factors affecting productivity. These include:

- **Nearly 50% of the value of the inventory is normally found below the manned national and/or regional/local depots, usually either flowing to the service engineers (in the service engineer’s trunk stocks) or flowing back to local/regional storage locations or repair depots.** Service engineers may also maintain parts and subassemblies at local sites, in their lockers, or at their homes. Thus, it is absolutely

- **Approximately 80% of the value of the service pipeline is returned annually through the reverse logistics and depot repair operations.** Pragmatic experience in the service industry indicates that a very significant portion of the total logistics pipeline flows through the return or reverse logistics loop to the depot refurbishment operations. This clearly indicates that it is much more efficient to make use of the return cycle (including optimized scheduling and sequencing of the depot itself) as the primary mechanism for refilling the pipeline, rather than to make use of external purchases.

- **A portion of the returns to central or regional repair depots are actually good parts and units.** Typically products are repaired through the process of pull and replace of modular components. If, after replacement, the whole unit is still down, a second component may then be “swapped” the replaced unit. In general, such an action would imply that the first board

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at Philips Consumer Electronics closely monitors the Consumer Electronics “Industry Returns Rate” benchmark to ensure Philips return rates are lower.

- **Reduce cost to process returns** – Steve Morris is the Global Quality and Reverse Logistics Manager at US Robotics, a connectivity solutions company. Morris manages multiple reverse logistics suppliers around the world. He receives daily activity and inventory levels from his partners in multiple locations around the world (including backlog and comparison to target stock levels). By closely monitoring his Reverse Logistics activity on a daily basis, Morris is able to maintain successful partner relationships and significantly reduce his processing costs.
- **Increase recovery** – achieve higher cash recovery on the resale of your returned goods. Lexmark printers utilize a “yield” measure to monitor and maximize the recovery rate

achieved from processing their returned goods.

- **Reduce inventory** – Brian Abe is Vice President at Reverse Logistics and Electronics Repair provider, Mitsubishi Warehouse Corporation of California. Abe provides all his customers with a login to real time visibility of all work in process returns and refurbished finished goods inventory. This enables their customers to reduce inventory and plan their refurbished inventory disposition.
- **Increase velocity or turn around time** - Lori Sibert was hired to improve the returns processing at Avaya, Inc., a communication networks company. One of her initial goals was to reduce processing time. A measure she utilized was “Time to Receive” in order to address a significant backlog. In doing so she also discovered that measuring and monitoring the “% of Receiving Exceptions” significantly assisting in

reducing her “Time to Receive” goal from 28+ days to under 24 hours.

- **Increase customer satisfaction** – Microsoft Xbox team sends out a survey form with every return to create direct feedback statistics from their customers.

Review your key goals as they relate to each area of your operations processing. Then create the measurements you need to monitor your progress towards that goal. Use your system to share real time progress toward your goals with the staff people who can impact that process and who have the power and ability to help you achieve your goals and maximize your Reverse Logistics performance.

Good luck!

Paul Rupnow

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Key Success from p. 34

via: a) the use of the RMA or service call closeout information to determine parts use (to better control the service engineer trunk stocks and returns), and b) the same-day delivery of parts to reduce "broken calls."

Ultimately, greater control of the Service Parts Inventory can be achieved through improved forecasting accuracy of parts flowing through the logistics pipeline. This can be achieved vis-à-vis:

- **Stock control of key SKU's** - Typically, a service organization controls between 20,000-40,000 Stock Keeping Units (SKU's), of which approximately 10% (i.e., 2,000-4,000) are active. In addition, the most critical SKU's used in day-to-day maintenance and repair actions are typically only 10% of the active items (in the range of 200-400). Thus, the primary focus of inventory control should be on the active and most critical items, and the transactions concerning the storage, movement, and receipt of the active SKU's (in terms of both the effective and defective stocks) should be maintained. This involves on-line updating of the inventory status at each location, including field engineer use.

- **Use of advanced forecasting** - Anticipating future inventory demands should also be performed, employing advanced forecasting methodology. This involves initially segmenting stock keeping units into various classes or groups. In general, our experience indicates that the cumulative stock demands will vary as a function of stage in the product life cycle. For example, the demand will be considerably higher and nonlinear (in terms of SKU's used) in support of a product in the phase-in state. Similarly, the demand would also be nonlinear and decreasing in the event of a product phase-out. Thus, the first step in improving the accuracy of forecasting is to segment the SKU's by the status of the products that they support (i.e., roll-in, roll-out, or normal operation),

and then use a cumulative model, fit to a standard linear or logistics curve, expressing the general status of the product-to SKU-level demand.

- **Same day delivery** - As shown in Figure 2, reducing the time for parts delivery can substantially increase the return on investment for a given inventory: As delivery time is improved, the number of days of inventory required to achieve a given fill rate decreases rapidly.

Bar coding and use of other methods for accurately identifying and improving accuracy of inventory counts - Typically, in many organizations, the transposition of SKU numbers, or misreading of these numbers, can lead to significant variation between the inventory levels, status as reported, and actual physical counts made. These types of errors can be significantly reduced by introducing a bar code on each SKU, and utilizing scanning devices at the manned stock levels, depots, and in the field.

In this way, actual SKU information and data on received and shipped parts and assemblies (as well as "good versus failed" units on hand) can be reported. The newer PDA's that are issued to many service engineers can be very useful in support of this task.

- **Improved "just-in-time" scheduling and control of depot repair operations** - one of the most efficient mechanisms for refilling the logistics pipeline is to significantly speed up the schedule and assignment of work within the repair and refurbish side of reverse logistics. Typically,

as identified in figure 3A returned stocks are selected by individual depot "bench" technicians who move the stock to their own local benches, and carry out the appropriate diagnostics and tests to complete the repairs. This material is then either immediately sent out to the field, or it goes through a limited quality assurance process (sometimes by the same bench tech). The problem with this approach is that advanced technologies for diagnostics and initial quality assurance testing are not employed. Much more important is the fact that in this approach the depot works on an inefficient "job shop" basis, with no prioritization or scheduling of workflow.

A more efficient approach, as identified in figure 3B, is to operate the depot on a just-in-time basis. This would first involve doing a quality assurance check upon the receipt of parts, to identify and return to the field those

contd. on p. 38

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Key Success from p. 36

units that are in good condition or that have no trouble found (NTF). Defective units (after passing through the quality assurance test) would then be put into the “work-in-process” inventory. Then, as parts are demanded by the logistics pipeline, the depot would pull the appropriate SKU from the work-in-process inventory and pass it through a preliminary diagnostic screen, utilizing artificial intelligence mechanisms. This diagnostic screen would then establish the specific workstations through which the SKU must proceed in order to achieve a total fix. Conveyor systems can then be used to move the parts to the individual workstations or bench technicians. Under this mechanism for sequencing assignment and scheduling of parts retrofit and repair (on a just-in-time basis), the individual workbenches are staffed by the service technicians skilled in a particular type of repair. Upon completion of the repair process, the unit is sent through quality assurance and placed back in the operation pipeline. Thus, the efficiency of the entire logistics pipeline can be improved by a) shifting the depot rework and repair operations from a job shop approach to just-in-time, optimally scheduled, controlled operation that utilizes basic production principles, and b) centralizing the operation.

In summary, experience suggests that the productivity of a service organization could be improved by 10%-25%, or more, by utilizing a combination of the new technology improvements and practices we’ve described. In addition to the basic improvements in productivity and efficiency of existing operations, there is also a general mechanism for achieving productivity and efficiency improvement on a strategic basis. This involves the utilization of advanced strategic logistics service planning models, in order to examine the optimum tradeoff between service response to a customer (i.e., service quality) and service cost (Figure 4. Such tradeoff analysis

can be completed through the use of a simulation or “closed form” model designed to explore the tradeoffs between the manpower and logistics support levels, the customer’s willingness to pay for given levels of service, service efficiency, and cost. A computational strategic planning model can be extremely useful in establishing the optimum, strategic allocation of service staff and logistics support to meet a given hardware-based customer service requirement. ersus focusing on the service on one’s own product or technology only.

examine the optimum tradeoff between service response to a customer (i.e., service quality) and service cost (Figure 28). Such tradeoff analysis can be completed through the use of a simulation or “closed form” model designed to explore the tradeoffs between the manpower and logistics support levels, the customer’s willingness to pay for given levels of service, service efficiency, and cost. A computational strategic planning model can be extremely useful in establishing the optimum, strategic allocation of service staff and logistics support to meet a given hardware-based customer service requirement. The keys to service productivity and quality improvement lie in the establishment of a formal, optimized business plan and model, that define: a) the role and importance of service, and b) the desire to enter into general service to increase density (i.e., third-party maintenance), versus focusing on the service on one’s own

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A summary of the key mechanisms, tools, and technologies to optimize service productivity, efficiency, and profitability is shown in Figure 29. It is important to recognize that, given the array of standard and best-in-class software, and the communications options and alternatives, systems integration becomes a vitally important issue in successfully implementing and utilizing a service management system. It is important to recognize that about 40% of both investment and operating costs can be associated with central and field communications. Thus, full systems integration must consider hardware, software, and communication together. **RLM**

Michael R. Blumberg is a Certified Management Consultant (CMC) and President & CEO of D.F. Blumberg Associates, Inc. His firm focuses on providing strategic and tactical assistance to client organization for improving the overall profitability and quality of aftermarket service operations. Mr. Blumberg has established himself as an expert and industry authority on Reverse Logistics and Closed Loop Supply Chain Management. Mr. Blumberg also serves as a member of the Board of Advisors to the Reverse Logistics Association.

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Reverse Logistics Company Mission

Our mission is to educate, inform Reverse Logistics professionals around the world. We do this by producing tradeshows, seminars and workshops around the world where support services can be presented to 3PSPs, OEMs, ODMs, Branded and Retail companies. RLA has been dubbed as a “high tech” association, but our focus is to serve all industries in the reverse logistics process. No matter what industry, High Tech, Automotive, Medical/Pharmaceutical, Publishing, Garment, or Consumer, our goal is to provide RL process knowledge to all industries. We want to educate everyone about the Reverse Logistics Processes that are common to all industries. We have been and will continue to provide our services at a moderate price to our members.

Managing the latest information in repair, customer service, parts management, end-of-life manufacturing, service logistics, field service, returns processing and order fulfillment (just to name a few) can be a little intimidating, to say the least. Yet, that is exactly what the Reverse Logistics Association provides with our membership services. We serve manufacturers and retailers in a variety of settings while offering ongoing updates on market trends, mergers and acquisitions and potential outsourcing opportunities to 3PSPs. We have gained the attention of 3PL’s like FedEx, DHL, NYK & UPS. 3PSPs like Teleplan, Ozark, Solec-tron, Jabil along with small service providers have found that the RLA resources help advertise their services. OEMs like Microsoft, HP, Palm along with Retailers like Wal-Mart and Best Buy all participate at our events. Our online RLMagazine and weekly NewsClipping help OEM, Branded & Retail companies find service partners that were unknown to them.




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The format delivers a C level (CEO, CFO, COO) interest in the afternoon on subjects such as WEEE & RoHS regulations and Sarbanes-Oxley compliance programs with a featured presentation by an OEM/ODM/Retailer/Branded Company keynote speaker. The morning delivers hands-on participation in a workshop on best practices

and utilizing the RFQ, Contract and SOW.

Take a look at the schedule to find a RL Seminar near you!

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Reverse Logistics Trade Shows

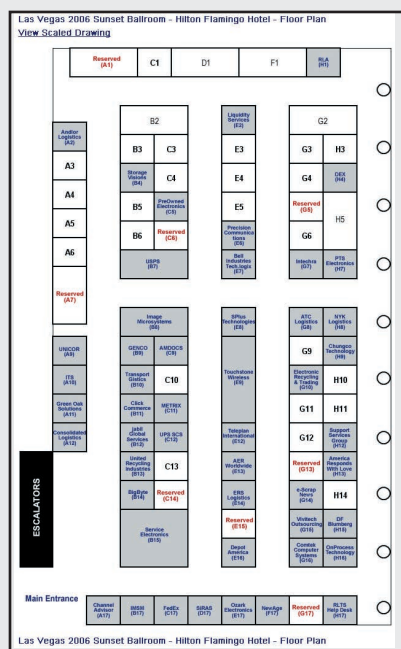
Three times a year, the Reverse Logistics Association hosts the RLTS Conference & Expo to showcase the Third-Party Service Providers (3PSPs) of IT, Retail, Telecom, Medical, Consumer, Automotive and Pharmaceutical industries who service logistics, repair, help desk, recycling, warranty & returns processing and fulfillment services - and bring them together with the OEMs, ODMs, Branded Companies and Retailers who use their services.

The Reverse Logistics Trade Shows are currently held in the United States in February, Europe in June and Asia in October.

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Location: Flamingo Hotel
Las Vegas - USA
Date: 02/06/06 - 02/08/06
Workshops & Seminars - February 6
Conference & Expo - February 7-8

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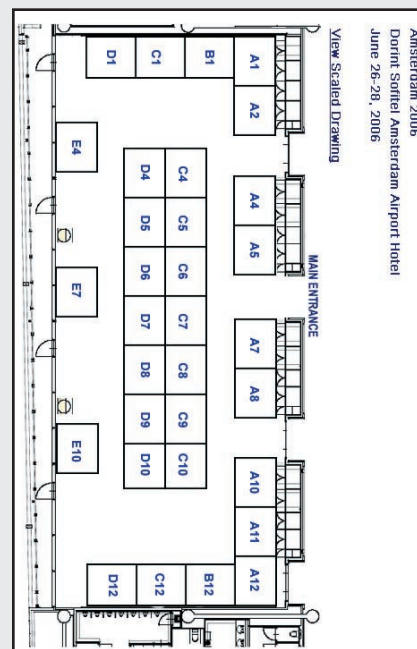
TRAVEL CHECKLIST

Location: Amsterdam - The Netherlands
Date: 06/26/06 - 06/28/06
Pre-Conf Workshops - June 26

Conference & Expo - June 27-28
Venue: Dorint Sofitel Amsterdam Airport Hotel
Airline: American Airlines

TRAVEL CHECKLIST

Location: Shanghai, China
Date: 10/17/06 - 10/19/06
Pre-Conf Workshops - October 17
Conference & Expo - October 18-19
Airline: American Airlines



Managing in Reverse from p. 27

maximizing the efficiencies and effectiveness of its forward supply chain. However, we have reached the point where electronic methods for both acquisition and sales support have become de facto standards for all large firms. Dr. Michael Hammer, the founder of the reengineering movement, has observed that because e-procurement, ERP, and CRM techniques have become competitive necessities today, "competitive advantage must be sought in parts of the value chain that thus far have been either overlooked or under-addressed."

The flip side of the supply chain is an area that executives of companies should look towards to gain competitive advantage today. A multiplicity of market and legal forces are helping to propel the centrality of reverse logistics in today's business environment.

Managing in Reverse

"Managing in reverse" means a paradigm shift for many firms. It means proactively:

- managing a complete product life cycle rather than a product delivery
- managing the reuse, refurbishment, and reutilization of products
- managing the recycling and disposal process

It also means looking upon surplus and excess as revenue opportunities, rather than time, space, and manpower wasters. Finally, it means that companies will have to make serious choices about how much reverse logistics activities to take-on, dependent upon both its role in the value chain and its mission. Such activities are often not the core function of the organization. Corporate leaders should carefully weigh the trade-off that must be made between the insourcing and outsourcing of reverse logistics operations.

In the end, companies that embrace

the reverse logistics imperative are likely to be the real winners across industries, and those who ignore it risk themselves becoming surplus in today's era of global competition.

BIOGRAPHICAL NOTE

David C. Wyld (dwyld@selu.edu) currently serves as the Maurin Professor of Management at Southeastern Louisiana University in Hammond, Louisiana. He is also the Director of the College of Business & Technology's Strategic e-Commerce/e-Government Initiative.

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| <input type="checkbox"/> Cell Phones | <input type="checkbox"/> Plasma | <input type="checkbox"/> Power Supplies |
| <input type="checkbox"/> Other | <input type="checkbox"/> Video Projector | <input type="checkbox"/> High Pitch |
| <input type="checkbox"/> Calculators | <input type="checkbox"/> Scanners | <input type="checkbox"/> Video/Digital Cameras |
| <input type="checkbox"/> Set Top Box/Pvr | <input type="checkbox"/> Floppy | <input type="checkbox"/> Video Game Machines |
| <input type="checkbox"/> PCB | <input type="checkbox"/> Printers | <input type="checkbox"/> Security Equipment Repair |
| <input type="checkbox"/> HDD | <input type="checkbox"/> Security Cameras | <input type="checkbox"/> Phones/Cordless |
| <input type="checkbox"/> VCR Players | <input type="checkbox"/> TVs | <input type="checkbox"/> Cable Modems/Head-Ends |
| <input type="checkbox"/> Tape | <input type="checkbox"/> Servers | <input type="checkbox"/> Receivers/Amplifiers |
| <input type="checkbox"/> ODD | <input type="checkbox"/> Desktops | <input type="checkbox"/> Remote Controls |
| <input type="checkbox"/> BGA | <input type="checkbox"/> Notebooks | <input type="checkbox"/> Auto Electronic Modules |

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