

REVERSE LOGISTICS magazine™



Edition 16

Driving Returns in the Reverse Logistics Service Chain

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At MGH Consulting we understand how important it is to get the right fit. As experts in delivering innovative end-to-end reverse supply chain strategies, we take pride in developing bespoke solutions for our clients.

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6th Annual RLA Conference & Expo AMSTERDAM

Over 500 RL Professionals

Location:

Amsterdam, The Netherlands

Venue:

Dorint Amsterdam Airport Hotel

Date:

Workshops - June 16

Conference & Expo - June 16-18

If you are a Reverse Logistics professional – don't miss this event!



Reverse Logistics Association is offering three full days of RL immersion starting with RL Workshops and Focus Committee Discussions followed by two days of sessions and exhibition.

Workshops are offered on Tuesday, June 16 on a variety of topics including Best Practices: Lean Repair and Reverse Logistics Trends and Eco-Efficiency.

The Reverse Logistics Association Conference & Expo kicks off on Wednesday with a Keynote address followed by sessions presented by RL professionals, leading academics and also includes panel discussions. Session topics include "Customers Give the Best Insights into After-Sales Effectiveness, Using Technology to Enable Collaborative Independence and Designing an Integrated Reverse Logistics and Service Support Network". A wide range of Reverse Logistics companies will be in attendance from repair/refurbishing to recycling/e-waste and transportation logistics.

Be sure to visit the Exhibition Hall where ODMs and OEMs will be looking for Third Party Service Providers (3PSPs) that can manage Reverse Logistics in Europe, along with identifying solutions for Asia and the Americas. There will be many exhibitors showcasing their Reverse Logistics services and solutions. This is a rich opportunity for OEMs and Branded companies to identify future service partners.

For more information, visit: www.RLShows.com

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On the Cover



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Driving Returns in the Reverse Logistics Service Chain

by Bill Pollock and Sumair Dutta

In a study of nearly 200 manufacturers and service providers conducted in December 2008, 74% of firms indicated that the effective management of the reverse service supply chain was either “extremely” or “very” important to their organization’s operational and financial performance. This percent was up significantly from 61% in a study conducted only one year earlier, reflecting the increasing importance of reverse logistics to the marketplace, our customers — and our own organizations. Even more so, nearly 60% of respondents indicated that due to the current volatile economic climate, this level of importance is actually increasing.

Aberdeen utilizes its proprietary PACE framework in the design and analysis of all of its hundreds of Benchmark surveys conducted each year. PACE is designed to highlight the key strategies and capabilities employed by firms that attain Best-in-Class status through their excellence in meeting and overcoming internal or market pressures. The framework also serves as a roadmap for non-Best-in-Class firms to duplicate the strategies enforced and capabilities developed by Best-in-Class firms so as to improve their service performance.

Articles



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The Intelligent Supply Chain

by John Borrelli, Converge

The reverse supply chain function has filled an important role for manufacturers to control the flow of product returns back through the distribution channel. This function has become even more important in the technology space where the stakes are high, as grueling competition and razor-thin margins have already driven companies to squeeze every last dollar out of the manufacturing process. As these companies search for new ways to reduce their operating expense, many technology manufacturers still find themselves grappling with stubborn inefficiencies embedded within their reverse supply chain.



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Economic Crisis is Blessing in Disguise

by Dr.ir. Harold Krikke, Professor of (Reverse) Logistics, Open University

Many economists and financial specialists are fairly confident that the current recession will be over by 2010. That may or may not be true, but in fact it is of less concern than what will happen thereafter. One must look beyond the recession. What will happen next? No one knows exactly, but it is clear that we should be prepared for some more changes.



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Reverse Logistics Role in Securing the Pharmaceutical Supply Chain Bringing Value to the Manufacturer and Their Trading Partners

by Gerard Sartori

In the wake of all the news concerning pedigree programs, beginning with California, states are moving forward with legislation to mandate e-pedigree and/or the serialization of pharmaceuticals entering the supply chain within their borders. The mandate is that all prescription drug packaging, starting at the unit of sale level, must be marked with unique serial numbers, as well as an electronic pedigree which is created by the manufacturer, and then maintained and communicated throughout the supply chain to the retail level.



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Help! What Do I Do with My Old Computer Equipment?

by Glen A. Kashgegian

Chicago’s Public School CTO Robert Runcie is responsible for managing computer hardware in more than 600 public schools. Unfortunately, Chicago’s fiscal challenges have handcuffed Runcie making his job very difficult. According to an article that appeared in the Chicago Tribune, “Each Chicago area school gets its own budget for purchasing and supporting its own computers. This has led to some massive problems, as schools struggle to find their way in unfamiliar territory”. The article talks about how schools struggle with problems relating to the acquisition, maintenance and recently the disposal of old computers.



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Corporate Social Responsibility

by Brian F. Eddy

Corporate Social Responsibility (CSR) is a very hot topic that affects many stakeholders and all companies. CSR touches many aspects of a company’s strategic external environment, and if effectively deployed, CSR can be a very tactical differentiated advantage to a firm’s value creation and value-proposition model.

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Feature Article



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RLA Conference Las Vegas – A Great Success!

The fact that Reverse Logistics is on the rise during this economic downturn was readily apparent at the 6th Annual RLA Conference & Expo. The event held in Las Vegas on February 3-5, 2009 was very well attended with over 1,200 registered attendees but even more important was that nearly 600 companies were represented. Companies such as Dell, Procter & Gamble, Canadian Tire, GENCO, Toshiba, Microsoft, Teleplan, Sears, TomTom and Amazon.com all showed up to learn about how effective reverse logistics processes can and do contribute to a company’s bottom line. OEMs and retailers were looking for available solutions, to meet with potential business partners and exchange best practices. Service Providers were there to win business and also identify possible partners to help increase capacity and expand service offering.

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To Our Readers

A Letter from the Editor



Returning home from a recent business trip, I was engaged in conversation with the gentleman seated next to me. Talk was standard onboard fare – start of trip or returning home, business or pleasure – when eventually we came round to what we do for a living.

I mentioned the association and our magazine and told him how we define RL as anything involving a product after the point of sale, be it returns management, refurbishment, repair or so on. I also told him how RL crosses all industries including food and beverage, apparel, consumer electronics, medical/pharmaceutical, etc.

He mentioned how he'd recently returned a coffeemaker to the retailer where he'd purchased it. He'd gotten his money back and hadn't really considered how the retailer would get compensated. He assumed they'd return it to the manufacturer for credit – which is probably the case. So, he was an unknowing participant in the RL process.

I asked about his business and he told me his company provides the food and beverages served by airlines on flights. "Really" I said, "then you are involved in the RL process." "How so?" he asked. "by refurbishing items returned after flights," I replied. One more example of RL.

This was a short 3 hour flight so no meal was served. However, we were provided with beverages and snacks. My neatly packaged cheese and crackers were accompanied by a box of raisins and bag of mixed nuts. He mentioned that his company doesn't "kit" the boxed snack, they just deliver it. In contrast, he said that first class passengers get served "real food" on plates with metal utensils. I asked who cleans the dirty dishes. It turns out his company does, along with refilling the plates with the next meal. I learned that his company also launders the linens used in first class as well as blankets and pillow cases. Even the headsets provided for in flight entertainment are cleaned, ear pads replaced, cords neatly rewound and repackaged in plastic for the next user. All of these are RL operations.

So, now he knows a little bit more about RL and the role his company plays. He left with a copy of the RL Magazine and a better understanding of what happens when he returns a product to the retailer.

Next time you are traveling and the flight attendant comes by to collect your empty bottle or aluminum can, be sure to thank them for their part in the RL process.

Best regards,
Christine Morrow



Reverse Logistics Association Mission

Our mission is to educate and inform Reverse Logistics professionals around the world. RLA focuses on all industries in the reverse logistics process. No matter what industry, High Tech, Automotive, Medical/Pharmaceutical, Publishing, Apparel 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 at-

ention of 3PLs like FedEx, DHL, USPS and UPS. 3PSPs like Teleplan, Foxconn, Flextronics, Canon, Sony and Jabil, along with small service providers have found that the RLA resources help advertise their services. OEMs like Microsoft, HP, Palm, and Sony, along with Retailers like Wal-Mart, Canadian Tire, Tesco and Best Buy all participate at our events. Our online RL Magazine and Weekly News Clippings help OEM, Branded and Retail companies find service partners that were unknown to them.

RL QUOTE – WE HELP OEMs CONNECT TO...

- Full Service 3PSPs
- Liquidation
- Electronic Recycling
- RL Software
- 3rd Party Logistics
- Help with Recalls
- Mobile Wireless RL
- Best Practices
- Much more...

Confidential and free to the OEM

We are the Association that specializes in Reverse Logistics and we have found that many OEMs and retailers spend a lot of time, energy and money trying to find the right Third Party Service Provider. So, we have developed a way to facilitate your search at NO COST to you, while you remain anonymous. And, we call it RL Quote.

RL QUOTE – IT'S CONFIDENTIAL AND FREE.

For more information visit RL Quote at www.rltquote.com.

RESEARCH



Message from President



Reverse Logistics Association is starting its eighth year of serving RL professionals and companies around the world. We now serve industries from apparel, automotive, aviation, consumer electronics, data storage, wireless communications, food & beverage to medical & pharmaceutical. We have supporting focus committees in areas of corporate social responsibility, information technology solutions, spare parts management, standards, and sustainability & environmental management. We have enabled RLA Charters in regions like India, China, Brazil and EMEA where there are very active RL professionals. Our membership has continued to grow and last year alone we saw a 40 percent increase in participation in our conferences, workshops, seminars and membership.

From our meager beginnings in 2002, we have grown to over 10,000 active members that access our database of information on a regular basis. I am constantly amazed by the requests that we see from our members for new services or support that we would never thought about – thanks to everyone for these suggestions. These suggestions, when implemented continue to strengthen RLA!

This coming year we will showcase new events from Boston to Brazil, due to the down-turn in the economy. RL is growing at a remarkable pace and as a result RLA will have major expansion in our support services for the Reverse Logistics community around the world.

We hope that you will continue to support your association as you have done over the last seven years. If you are not sure what you can do to support the association, then here are just a few thoughts that might be helpful:

- Serve on one of the many industry and focus committees
- Upgrade your RLA Membership
- Volunteer to present a case study at one of our events
- Write an article for RL Magazine or the RLA Newsletter

I hope all of you will review the research, charts and figures in this edition of RL Magazine; it can make the difference in planning the launch of your reverse logistics processes to the right audience.

There isn't any choice during this economy but to outsource more RL processes, as companies no longer have the headcount to support their internal operations. The cost savings that a 3PSP can offer to the OEM or Retailer are tremendous. One 3PSP, Sykes Global Services, has hired over 3,100 people in the last six months because of the increased demand!

As a reminder, RLA is encouraging companies to hold their QBRs at our conference as in the past, pull in your upcoming QBRs for the next 2-3 quarters. RLA sets up private meeting rooms for scheduling QBRs between OEMs/Retailers and 3PSPs. We're expecting over 200 companies, with more OEMs and Retailers than ever before. Reduce your travel expenditures – come and meet together at the RLA Conference & Expo in Amsterdam.

Gailen Vick
ReverseLogisticsAssociation.org



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:



John Benardino – Hewlett-Packard Company

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.



Gurn H. Freeman – FedEx Corporation

Gurn Freeman is a Director of Worldwide Services for FedEx Corporation, a \$35 billion company that provides customers and businesses worldwide with a broad portfolio of transportation, e-commerce and business services. In his role, Gurn provides leadership for two Government Sales teams in the revenue-generating division of FedEx Services. These two sales organizations have worldwide revenue responsibility and provide logistics solutions for some of the most influential government and state agencies. Gurn also manages a team of highly skilled sales professionals responsible for logistics services and emerging products.



Dan Gilbert – Cisco Systems

Dan Gilbert is VP of Worldwide RL 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.



Edwin Heslinga – Microsoft

Edwin is currently a Global Manager for Returns of Microsoft Devices – Zune and Xbox. In his position, Edwin is respon-

sible for development and enforcement of policies surrounding returns, all related costs to the returns and is also involved in the Customer Satisfaction Continuous Improvement Council. Working with Microsoft Call Center and the Microsoft Manufacturing Operations, Edwin is driving the improvement of consumer satisfaction through agent assisted support and on-line support while managing the costs.



Charles Johnston – WAL-MART Stores, Inc.

Charles Johnston is General Manager at the Bentonville Return Center, WAL-MART Stores, Inc. Chuck has been with WAL-MART for the past 14 years and his responsibilities include Returns, Imports, Exports, Tires and Printing and Mailing Distribution.



Hartmut Liebel – Jabil Global Services

Hartmut Liebel was named President, Jabil Global Services (JGS), in October 2004. He joined Jabil as Executive Vice President in July 2002 and was named Chief Operating Officer in October 2003.



Dr. Dale Rogers – Univ. of Nevada, Reno

Dale Rogers is the Director of the Center for Logistics Management and a Professor of Supply Chain Management at the University of Nevada. Dr. Rogers is a frequent speaker, a consultant to several leading firms, has been published in several logistics journals and has published several books on logistics and reverse logistics. His current research interests are focused on the following: reverse logistics and returns, supply chain technologies, e-business supply chain management, and supply chain management.



Bernie Schaeffer – Motorola

Bernie Schaeffer is corporate VP of Global Repair

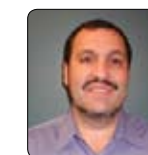
for Motorola's Integrated Supply Chain, which encompasses the global operations associated with procurement, new product introduction, manufacturing, customer fulfillment and repair. He is responsible for repair and reverse logistics operations across all Motorola businesses worldwide. His team provides both in- and out-of-warranty repairs, is the fulfillment engine for maintenance agreements and other value-added services, manages asset recovery on equipment returns and is the source of information on product field reliability.



Doug Schmitt – Dell

Doug Schmitt serves as VP of Dell's Global Field Delivery organization with international responsibility for global break/fix field engineers, same day service delivery, spare parts depots, parts planning, service logistics, repair, reverse logistics and Dell's global command centers. In addition to Doug's role as VP Global Field Delivery he has responsibility for Americas Support Services. Previously, Doug held executive and senior management positions in service and finance at Dell, Inc.

Doug came to Dell in 1997 from Sequent Computer Systems where he held various senior level finance positions. Before Sequent, Doug worked in the banking sector.



Tony Sciarrotta – Philips Consumer Electronics

Tony is Director of Returns Management at Philips Consumer Electronics North America. In this position, 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.

Complete biographies of Advisory Board Members are available from the RLA site at www.ReverseLogisticsAssociation.org/company_advisory.php



Reverse Logistics Association Focus & Industry 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 RLA Conferences & Expos. Focus Sub-Committees educate the industry on reverse logistics:

- “Best Practices”
- Consumer Satisfaction Issues
- Regulations on a Worldwide & Regional Basis
- Processes that can Reduce Costs

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The Intelligent Supply Chain

by John Borrelli



The reverse supply chain function has filled an important role for manufacturers to control the flow of product returns back through the distribution channel. This function has become even more important in the technology space where the stakes are high, as grueling competition and razor-thin margins have already driven companies to squeeze every last dollar out of the manufacturing process. As these companies search for new ways to reduce their operating expense, many technology manufacturers still find themselves grappling with stubborn inefficiencies embedded within their reverse supply chain.

It is estimated that 70% to 85% of products returned through this channel have what is known as no trouble found (NTF), where materials are returned for reasons other than a product defect. However, amongst the advanced processes prevalent in today's supply chain, which are primarily designed to minimize costs, there is not a well-defined focus on the timely repair, warranty evaluation, remarketing and intelligently reintroducing product back into the service supply chain.

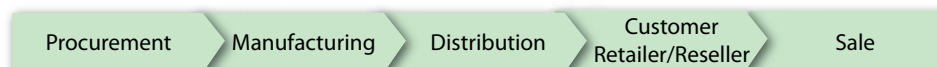
With the Aberdeen Group estimating that high-tech organizations spend approximately 8% of revenues on reverse logistics activities, there are new opportunities and techniques to intelligently

manage product returns and reintroduce materials that pass a stringent testing and screening evaluation, back into the service supply chain. This process can not only introduce new cost saving opportunities throughout all levels of the supply chain, but also generate new revenue opportunities that can streamline the overall management of the reverse supply chain function.

Supply Chain Deep Dive

So what exactly is a reverse supply chain? In order to recognize potential inefficiencies as well as new revenue opportunities, we must first understand the flow of products and the steps associated with an average supply chain model. In a typical forward supply chain, raw materials are procured from many different sources (original design manufacturers (ODMs), inventory, spot market, etc), assembled at a manufacturing facility and distributed to customers, retailers, resellers and wholesalers for final sale. The forward supply chain is straightforward and has been the focus of many innovations and cost saving measures in the high technology industry.

Forward Supply Chain ►



In a reverse supply chain model, materials that are sold through the forward supply chain are received back at the point of purchase as "returns" for a number of reasons including wrong item, color, style, price, user issues, buyer remorse, defective product, etc. Materials received are then forced back through the forward supply chain channel to the manufacturer through their existing distribution network. In many instances, materials are accumulated at a processing center until a quantity large enough for cost effective processing is achieved. This accumulation could take place over several weeks to several months and is not the primary focus of the product support teams.

With the average technology-based product life cycle measured in months, this method of accumulating product is very inefficient. With existing processes designed to save costs, the returned materials quickly lose potential value the longer they sit in storage waiting to be processed. In many instances, these materials are never screened to save costs. Because returns are the necessary evil of the supply chain, materials are usually sent directly for recycling to recover a small

percentage of their original cost through the recovery of intrinsic value or base materials, typically by weight. This inefficient method not only fails to reuse materials with NTF — an essential part of recycling, but loses the ability to process manufacturer warranty claims for full value recovery for defective materials.

It is estimated that more than half of technology firms use a warranty claim processing system. However, these systems are primarily used for materials identified as substandard in the forward supply chain. In most instances, materials that are received through the reverse supply chain remain under ODM warranty but lose precious processing time sitting idle in warehouse depots. The end result is the expiration of warranty periods and the value of components dramatically decline.

Another area of the reverse supply chain where inefficiency is the most prevalent is found in the service supply function, where field support and product returns are one of the most difficult reverse supply chain operations to streamline. Not only is an adequate inventory of replacement components needed to support these service repair calls, but the improper processing of materials returned back to the service depot from field technicians can cost

organizations millions each year. In this area, delays, shipping charges, warranty claims and administrative overhead cost drive the inefficiencies upward as material scrap and inventory management drain valuable resources.

Intelligent Redeployment

So where are the greatest opportunities to improve operational efficiencies?

Consider a typical scenario: A customer contacts the manufacturer, distributor or retailer for a warranty claim on their computer. The company dispatches a field service technician to diagnose a potential memory problem with the users system. Components are pulled from service spare inventory and the field support representative arrives at the customer's business or residence with a service kit containing replacement components to troubleshoot the reported problem.

For service calls, time is money and there's not much time for troubleshooting. In most instances, it's less expensive to simply replace suspect parts than to take the time to diagnose the problem. In this example, the customer's problem may have been caused by one bad memory module out



CLRB

1st International Forum for Reverse Logistics in Brazil

Bourbon Convention
Ibirapuera
Sao Paulo, Brazil
May 13, 2009

The CLRB – Reverse Logistics Council of Brazil and the Logistics Magazine Revista Tecnológica have organized the 1st International Forum for Reverse Logistics with the participation of the Reverse Logistics Association.

The forum will feature six reverse logistics case studies of major companies in various business sectors as well as presentations from national and international professionals focusing on relevant market data, company image, customer loyalty and socio-environmental responsibility.

CLRB - Logística Reversa
Conselho de Logística Reversa do Brasil

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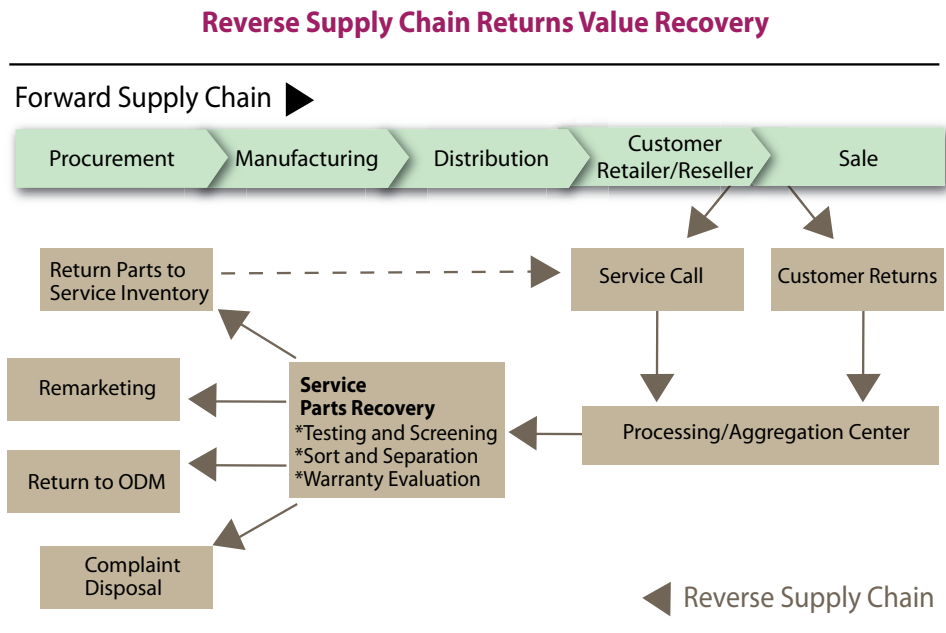
of a possible four found on the computer's motherboard. For a typical service call, all four modules would be replaced and the customer's problem would be solved. Off goes the technician to the next service call.

This scenario doesn't just happen with on-site service calls. Many repair depots employ the same philosophy that time is money and it is easier to replace parts than troubleshoot specific issues.

This is where the inefficiencies of service supply become apparent. Of the four memory modules replaced in our example, three were still in good working order with one possible defective module. Perhaps this module is still under ODM warranty? However, these components are collected and combined with other materials replaced during service calls attended during the week. This is where this situation gets worse. Materials are then shipped back to the service depot where materials are aggregated; a combination of possible NTF, defective components and scrap materials are mixed. For many organizations, these materials are typically sent directly to recycling after sitting for months in storage.

What is astounding is the percentage of returned components that have NTF whatsoever. These no-fault-found rates can be as high as 77% for some components. In fact, about 40% of products that come back from the field as defective are, in fact, in perfectly good working order*.

Implementing a uniform testing and screening inspection process to review materials received through the reverse service supply chain for no-trouble found (NTF), no-fault found (NFF) and potential warranty returns can recover lost bottom-line revenue while removing fully



functioning materials from the waste stream. A typical win-win scenario. And, to maximize the return velocity, materials should be sorted, inspected and tested on an ongoing basis to manufacturer specifications to determine if value can be recovered through warranty credits, intelligent redeployment into the service supply chain or remarketing in the secondary market.

If a defective module is found during testing, it should be checked against the warranty status and, if covered, returned to the ODM. By pre-screening materials sent for warranty, any out-of-warranty components or in-warranty CID (customer-induced damage) components that may inadvertently be shipped to the manufacturer only to be denied coverage are removed. This process eliminates the liability for all parties that incur shipping, handling and administrative costs as well as delays for a product that may have no effective value.

Inventory Cost Reduction

Testing and screening of returned components enables NTF materials, which meet strict manufacturer specifications, to be returned

back into the service parts supply channel for reuse. In turn, this process enables material currently owned by the company and received through their reverse supply chain to be removed from the waste stream and utilized to fulfill service part demand. This process also eliminates the need to purchase new components exclusively from the procurement channel - to maintain a specific days-on-hand supply, thus dramatically reducing inventory acquisition costs as well as scrap disposition expenses.

And this process can benefit multiple service support groups within an OEM. Through vendor managed inventory programs (VMI) for the service supply chain, third party experts can manage the testing and screening process and fulfill inventory request across multiple departments for service spares. This eliminates the need and cost to procure new components by utilizing materials returned through multiple reverse supply channels.

Generate Bottom Line Revenue

Components that pass the stringent testing and screening process and

are not required for service parts inventory can be sold on the secondary market. This channel allows excess service supply inventory not required to generate a new revenue stream through remarketing. Depending upon the type of components and market demand, this channel can not only balance the cost for the testing and screening process, but can return millions of dollars in revenue back to the company's bottom line.

Finding the right partners

Very few manufacturers are inclined to invest in a dedicated department or a specific group of individuals to manage this process. To take advantage of the efficiencies discussed, it is recommended to adopt an outsourced model that leverages the expertise of a reverse supply chain partner. A reverse supply chain specialist will have the processes and procedures in place to implement a full scale recovery option suited to meet your organizations individual needs. It is strongly recommend not to "home-grow" or partner with a "first-timer" as the processes and best practice models that come with experience will enhance your total recovery value and experience.

Summary

For technology-driven companies, years of process refinement and cost controls have made the assignment of squeezing additional efficiencies and further cost savings from the forward supply chain a daunting task. However, the reverse supply chain remains an unexplored process that offers many opportunities for companies to reduce their operational costs and realize efficiencies that can dramatically affect their bottom line.

Implementing a dynamic reverse supply chain model that can efficiently process customer or field service returns in a timely manner, utilizing a stringent testing and screening process, can realize immediate cost savings through the recovery of NTF components and warranty claims. Also, by intelligently redeploying NTF materials back into their service supply chain, manufacturers can harness additional efficiencies through cost reductions from procuring inventory from outside sources and revenue produced from remarketing materials no longer needed.

The reverse supply chain offers a "green field" of opportunities that are only just beginning to be explored by even the largest OEMs both domestically and on a global scale. With current business conditions driving the need to cut costs and increase operational efficiencies, you may want to look no further than your current reverse supply chain process. You may be glad you did.

*Converge has found that of materials tested, we've tracked a 40% NTF on hard drives, 64% NTF rate on memory and a 70% NTF rate for CPUs. **RLM**



John Borelli is Director, Reverse Supply Chain Solutions at Converge. John is responsible for the division's overall growth and strategic direction — helping companies optimize their

reverse supply chain to intelligently redeploy materials and streamline inventory management. John's background is diverse — focusing on all facets of the supply chain.

Converge is the premier global supply chain partner for technology-driven companies providing solutions to increase client's bottom line and reduce risk in electronic component distribution, reverse logistics management and the secure disposition of e-waste.



Foro Internacional de Logística Inversa do Brasil

Convención Ibirapuera Bourbon
Sao Paulo, Brasil
13 de mayo, 2009

O CLR B - Conselho de Logística Reversa do Brasil e a Revista Tecnológica organizam o 1º Fórum Internacional de Logística Reversa, com a participação do RLA – Reverse Logistics Association.

O fórum apresentará seis estudos de caso de Logística reversa em grandes empresas em diversos sectores empresariais, bem como apresentações de profissionais nacionais e internacionais relevantes abordando dados de mercado, questões de imagem de marca, lealdade do cliente e responsabilidade sócio-ambiental.





Economic Crisis is Blessing in Disguise

by Dr.ir. Harold Krikke, Professor of (Reverse) Logistics, Open University

Many economists and financial specialists are fairly confident that the current recession will be over by 2010. That may or may not be true, but in fact it is of less concern than what will happen thereafter. One must look beyond the recession. What will happen next? No one knows exactly, but it is clear that we should be prepared for some more changes.

Unfortunately the credit crunch is only the first of major disruptions of our economic system. We are nearing the end of an era of almost unlimited available resources. Major oilfields are at the peak of their production, and vital materials, such as copper, are becoming scarce. Once the global economy regains momentum, oil prices will soar again. And so will commodity prices.

But also the distribution of wealth and resource allocation will be re-shuffled. Did you know that today the US consumes 25% of all resources (worldwide) whilst representing 6% of the world population? Moreover, climate change is progressing regardless of any economic development. Environmental pressures will lead to new treaties and government directives.

I know what you must thinking: is this a prediction of doom? No, not at all. There is hope.

Reverse logistics not only saves money, it actually creates value

by supplying vital materials, components and products to the 'forward' chain. A well-known European copier firm now sources almost 50% of its parts and materials via its own Asset Recovery department, often in collaboration with first tier suppliers and specialized repair firms. Non-repairable returns are recycled into materials. As a result, their demand for virgin materials has dropped dramatically. Energy use equals 1/3 of new production, in turn leading to reduced CO₂ emission. And last but not least, profit margins of remanufactured products are significantly higher than of new machines. These guys are no treehuggers!

The key to success lies in seeing the reverse channel as part of a bigger whole. It is not just a disposal channel, something that takes away a problem from the customer. It is an internal supplier. The company at hand also adapted its business model and gives incentives to customers and sales agents to properly and timely return products, parts and packaging. It also has installed quality management procedures specifically geared to remanufacturing. And the number of warranty claims is less or equal compared to new parts.

Crises happen suddenly after a long period of slow decline. To recover quickly from crisis, one has to be prepared. Those who are will benefit in the long run. Others will perish.

Supply chains for sure will have to be more eco-efficient. It is time for the 3rd party suppliers, but also for OEMs and retail, to acknowledge the full potential of reverse logistics. For a long time 'reuse' has not been an issue but under pressure everything becomes fluid. Crises force us to rethink our strategy. It paves the way for new innovation.

So after all it may be a blessing in disguise, at least for reverse logistics. RLM



Dr.ir. Harold Krikke, Professor of (Reverse) Logistics, Open University. Harold Krikke has been a member of the Department of Organization

and Strategy at the Tilburg University since 2004. He first studied Industrial Engineering and Management at Twente University of Technology in Enschede. At the same university he completed his Ph.D. in 1998 in the field of reverse logistics. Since then, he has worked an assistant professor at Erasmus University Rotterdam and as a business consultant at Tebodin consultants. As of 2002 he is a project manager of CentER Applied Research and recently became Associate Professor at the faculty Economics and B.A. of Tilburg University.

INDUSTRY EVENTS



International Forum for Reverse Logistics – São Paulo, Brazil
May 13, 2009
www.clrb.com.br

RLA Seminar – Seattle, WA
May 27, 2009
www.RLASHows.com/sea09_event.php

Electronics Recycling Conference & Trade Show – Atlanta, GA
June 7- 9, 2009
www.RecyclingToday.com

RLA Conference & Expo – Amsterdam
June 16-18, 2009
www.RLASHows.com

Electronics & Battery Recycling '09 Int'l Conference – Toronto, Canada
June 24-26, 2009
www.icm.ch/index_ebr_09.htm

11th Annual European Supply Chain & Logistics Summit – Düsseldorf, Germany
June 8-10, 2009
www.supplychain.eu.com/programme.asp

Sustainability Summit 09 – Santa Clara, CA
July 14-15, 2009
www.SustainabilitySummit2009.com

CSCMP's Annual Global Conference – Chicago, IL
September 20-23, 2009
www.cscmp.org/events/annual-global/index.asp

RLA Conference & Expo – Singapore
September 28-30, 2009
www.RLASHows.com/singapore.php

CSR, Corporate Giving & Brand Protection Summit – Boston, MA
November 3-5, 2009
www.rltshows.com/boston.php

World Recycling Forum – Shanghai '09 - Shanghai
November 10-13, 2009
www.icm.ch

NEW RLA STAFF

Reverse Logistics Association welcomes two new staff members:

- Sean Abley joined RLA as Director, Seminars and Speaker Relations.
- David Blakely joined RLA as Event Sales Account Executive (Western US / Canada / Asia).



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Reverse Logistics Role in Securing the Pharmaceutical Supply Chain

Bringing Value to the Manufacturer and Their Trading Partners

by Gerard Sartori

for the pedigree to follow the product as it is returned from the manufacturer's trading partners for credit.

Most of the attention to date has been placed on the forward logistics side of the process, starting with manufacturing, then distribution processes, moving the product toward the consumer. However, another important component of the supply chain, namely the reverse logistics piece, dealing with product recalls and trade returns, is a significant part of the equation.

Looking at the numbers

- Healthcare Distribution Management Association (HDMA) estimates 3-4% of product going out from pharmaceutical warehouses ultimately comes back. Some redistributed, and some returned for disposition and destruction by a 3rd party processor or manufacturer.
- Of the estimated 3-4% of product returned, it is also estimated that approximately 1 ½ -2% of pharmaceuticals manufactured will be returned for destruction

with a resulting credit back to the manufacturers' trading partners.

- Recent publications indicate that manufacturers currently spend up to 4% of cost of goods sold (COGS) on non-value-add distribution functions like returns and reverse logistics.

With such a large amount of product going through the reverse supply chain, returns should be an ideal touch point for mechanisms and technology to support a safer pharmaceutical supply chain. The following are some of the reasons supporting serialization/ePedigree, and how reverse logistics can play a role:

Brand Protection – Protecting the brand, and more importantly protecting the consumer, goes beyond serialization and electronic pedigrees. Over the last decade we have seen a rise in the incidence of counterfeiting and product diversion taking place in the US and global marketplaces. The World Health Organization (WHO) estimates that 10% of global pharmaceutical commerce involves counterfeit drugs. The

annual earnings from the sale of counterfeit pharmaceutical products are estimated to be \$32 billion.

Recent reports of counterfeit drugs and the subsequent warnings issued by pharma companies in the US signal a problem, with sporadic incidents being discovered at increasing frequency.

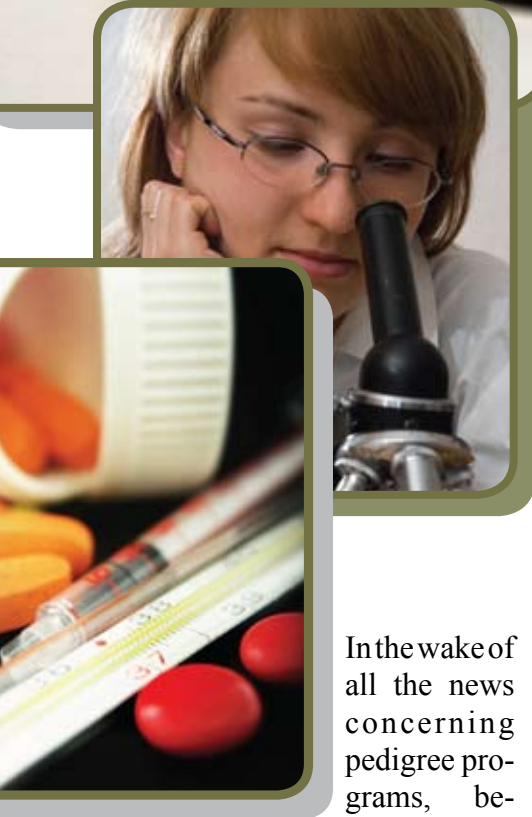
With the right technology and systems in place to monitor for counterfeit and/or diverted product, reverse logistics companies can perform a vital role in combating these threats to the supply chain. It is now commonplace to find that pharma manufacturers are discussing situations where they have experienced suspected counterfeiting and product diversion, and are exploring their options for mitigating the risk involved with these kinds of activities. Options that include authentication of product in the field and during the reverse distribution cycle of the supply chain.

A number of manufacturers have adopted multi-tiered technologies which will support a sound authentication program, such as the use of covert and/or overt tags, which can be applied to, or be a part of the packaging. Some examples are: 2D barcodes, Holograms, Color shifting Ink, Chemically reactive markers, Phosphors, Laser authentication and Molecular markers, among others that are provided by various companies in the track & trace industry. This would then provide an

identifier for random or definitive sampling of returned product coming through the supply chain, both forward and reverse. Other proactive measures that have been taken are internet surveillance initiatives and field audit and authentication procedures. Field audits can be performed at various touch points such as distribution centers, pharmacies and other end-user sites in the supply chain.

The Internet has become one of the fastest growing channels for marketing and selling products to consumers. Unfortunately, because it affords anonymity, 3rd party delivery agents and speed

of transaction, it is a ripe environment for criminals to sell counterfeit and diverted products into the market. Many healthcare products have been sold to US consumers via the Internet months before their approval and planned introduction. Consumers who buy healthcare products from the Internet are at a much higher risk of being duped or injured by this method of distribution because there are generally no intermediaries, such as doctors, pharmacists or approved distributors who actually see the product prior to the consumer using it. Regardless of the outcome, if it is negative, it is the brand that will remain top of mind after the incident.



In the wake of all the news concerning pedigree programs, beginning with

California, states are moving forward with legislation to mandate e-pedigree and/or the serialization of pharmaceuticals entering the supply chain within their borders. The mandate is that all prescription drug packaging, starting at the unit of sale level, must be marked with unique serial numbers, as well as an electronic pedigree which is created by the manufacturer, and then maintained and communicated throughout the supply chain to the retail level. With the California pedigree compliance program, which has been extended to January 1, 2011, it is apparent that there will be a requirement

Are You Prepared for a Product Recall?



Not sure?

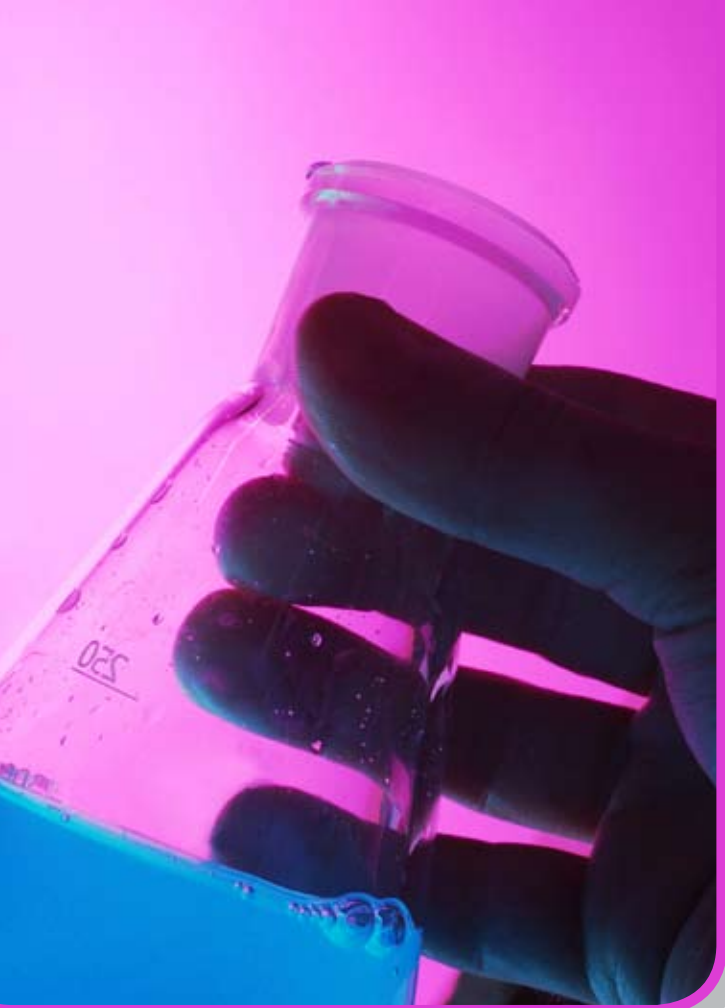
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is most important. Timely processing will also help dramatically with the debit/credit reconciliation process which can pose major challenges to pharma manufacturers and their trading partners.

Keys to compliance, and bringing true value to the stakeholders can be accomplished by utilizing and adopting business practices and systems that help to facilitate quality outcomes. Some of which are:

- Returns processors need to revamp or build out their IT capabilities to respond to ever-changing industry needs and trends, including the installation of RFID and 2D barcode readers on their processing lines. Operating returns systems can also facilitate an on-line Return Authorization (RA) feature, which gives the customer the option to request an RA on-line. This will then allow the system to automatically determine which products are eligible for credit, as well as the estimated credit value.

- Streamlining of data to the manufacturer and their trading partners with the utilization of real-time data visibility through web-based management systems. From the RA request to receipt and processing of the returned items, all the way to disposition, the manufacturer will have access to data as it is generated during the returns process.

- Providing access to the data and a suite of “Dashboard” management reports containing key trend and timeline comparisons can provide the manufacturer and their trading partners with valuable historical and current snapshots of product that is being returned.

Integration of QA Processes is also a critical success factor. Part of this should involve the joint development and maintaining of performance metrics between the service provider and their business partners. Building performance metrics into the service agreement should also be given consideration, with ongoing measurement of results taking place on a quarterly or yearly basis. Specific to processing turnaround time, there is at least one returns company which has established a standard of a maximum of (5) days for turnaround time with their clients. A formal and comprehensive training curriculum is also a key element to quality outcomes.

Anyone involved with the receipt and processing of returned



product should be fully trained on the aspects of customer procedures, equipment operation and materials handling. A system which supports multi-validated processing, or “double checking” the data which is captured should also be utilized.

Summary

In summary, reverse logistics, once thought to be a very minor piece of the supply chain, has evolved to the point where these services, whether they are managed internally or outsourced to a professional returns company, are considered to be a significant part of managing product flow in the supply chain. For a good number of years, returns have been managed in a very mechanical and labor-intensive way, but with the adoption of the latest in technology, and more flexible operating systems, reverse logistics is taking on a whole new look — one that is adapting to the needs

and changes that are taking place in the marketplace. RLM



Gerard Sartori is the President of Qualanex, LLC. Based in the Chicago area, Qualanex specializes in the design, development, execution and management of technology driven reverse logistic management solutions for the pharmaceutical industry. Prior to launching Qualanex, Gerard was responsible for sales, client management services and business development for a number of other third party reverse logistic management companies. Throughout his twenty plus year career in the healthcare industry, Gerard has had a proven track record of driving significant customer value through the Supply Chain by working closely with several of the industry's leading pharmaceutical manufacturers to develop customized solutions to meet their specific reverse logistic needs and requirements.

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RLA Conference & Expo Amsterdam 2009
Dorint Airport Hotel

June 16 - June 18, 2009



Join us for the Sixth Annual RLA Conference & Expo in EMEA. Companies from throughout Europe as well as many other international delegates will be in attendance. ODMs and OEMs will be looking for 3PSPs that can manage Reverse Logistics in Europe, along with identifying solutions for Asia and the Americas.

Third Party Service Providers (3PSPs) will be exhibiting their Reverse Logistics services and solutions at the Dorint Airport Hotel in Amsterdam. The focus of 3PSPs will be to help European OEMs and Branded companies become aware of RL support on a global basis. This is a rich opportunity for companies to identify future service partners. Here is an opportunity for 3PSPs to sit down face-to-face with the key outsourcing decision makers from the major OEMs and Branded Companies.

Pre-conference workshops will be held on Tuesday, June 16 with topics such as "Using Reverse Logistics to Enhance Customer Service and Competitive Performance" and "Returns and Recycling of Consumer Electronic Products."

Wednesday morning sessions start with the Welcome Address by Gailen Vick, President of RLA. The Industry Overview, Size and Forecast will be presented by David Meldrum-Taylor, RLA Director of Research, immediately followed by the Keynote Address. Speaker sessions will commence after lunch and continue throughout the day and also on Thursday.

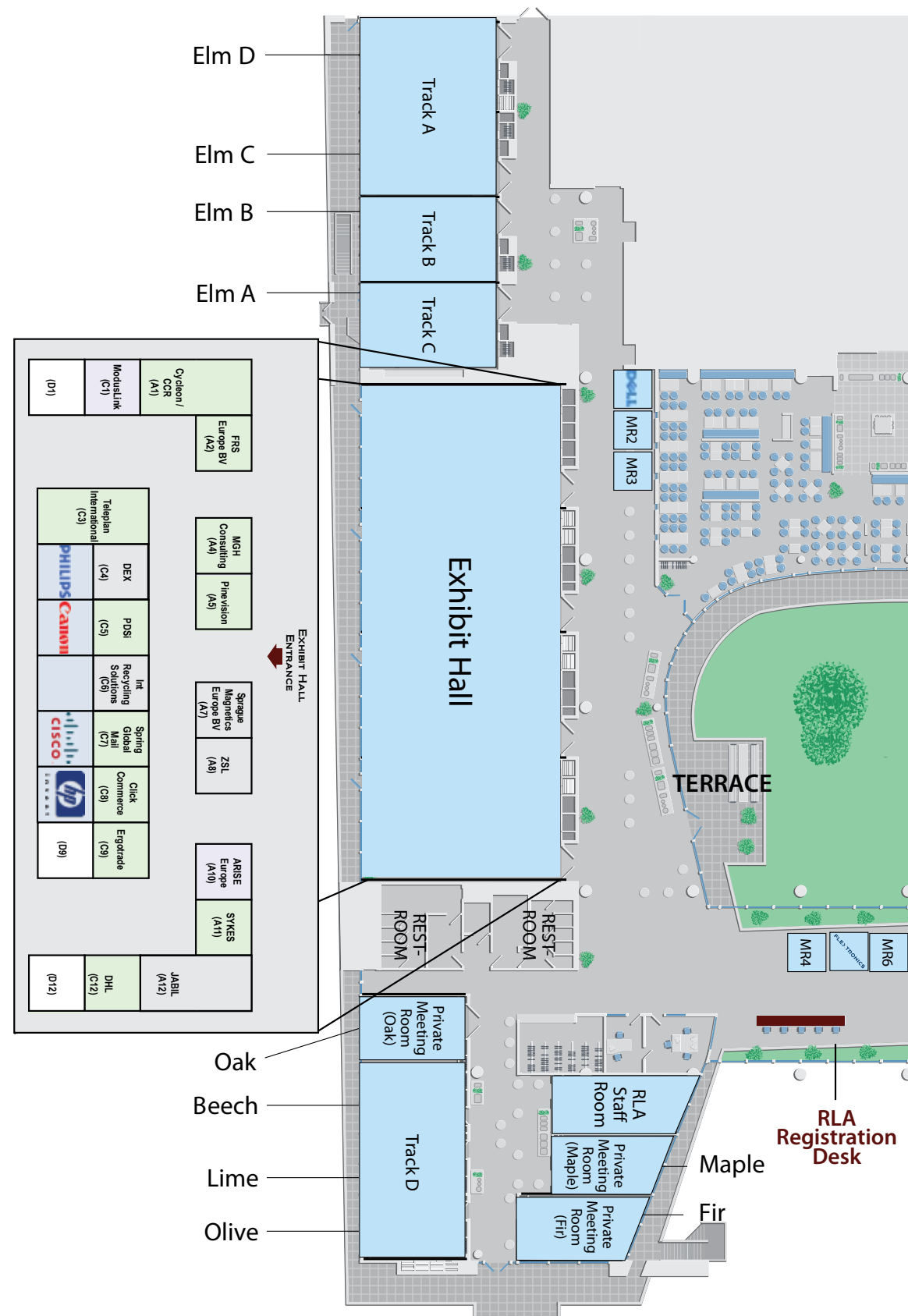
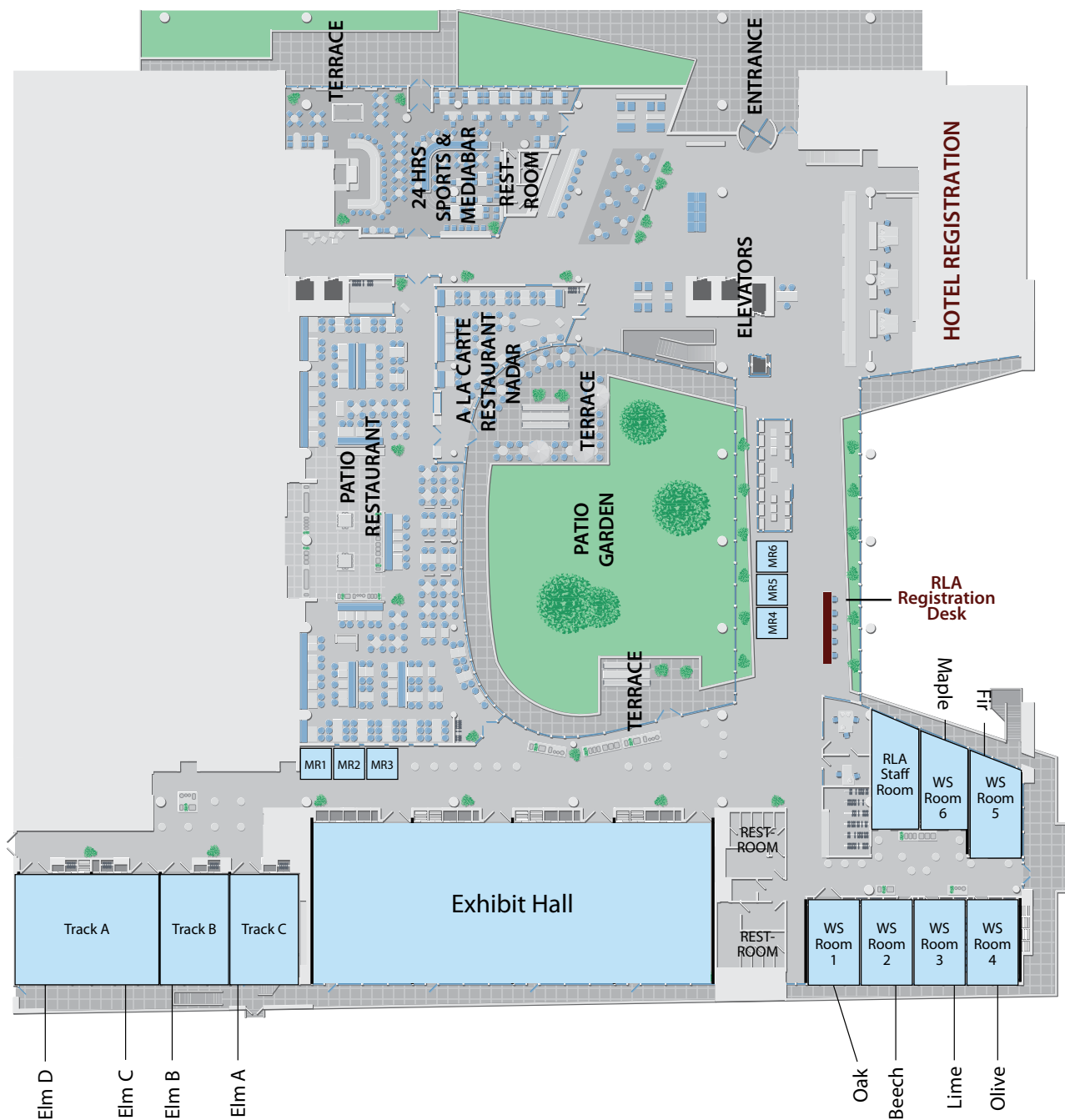
Listen to industry leaders and top academics as they share their ideas on such hot topics as returns and loss prevention, revenue opportunities within the reverse logistics process, outsourcing and regulatory requirements. See the conference schedule for a full listing of session topics.

A wide range of reverse logistics companies will be in attendance from recycling/e-waste to repair and transportation logistics. RLA Conference & Expo Amsterdam provides a great opportunity to network and share best practices.

Don't miss it.

Tuesday, June 16th				
9am-3.00pm	Pre-conference Workshops			
	Track A	Track B	Track C	Track D
	Outsourcing - RFQs Contracts & SOWs	WEEE & RoHS. Opportunities for Recycling Revenue	Eco-Efficiency	Retail Returns
3.30pm	Exhibit Hall opens			
5pm-6pm	Industry Committee Reports			
	IT Solutions	Standards	Consumer Electronics	
6pm-7.30pm	RLA Reception for Exhibitors, Sponsors and Speakers - Exhibit Hall			
Wednesday, June 17th				
8.30am	Exhibit Hall opens			
10.30am	Amsterdam 2009 Welcome - Gailen Vick President & CEO Reverse Logistics Association Industry Overview, Size and Forecast - David Meldrum-Taylor, Director of Research RLA			
11.00am	Industry Keynote Address: Meeting Reverse Diverse Retail Operations			
12.00-1.30pm	Buffet Lunch - Exhibit Hall			
	Track A	Track B	Track C	Track D
1.30pm	TomTom: Some Reflections on 3PSPs	HP: Network Optimization and Cost Reduction	The Financial Impact of Successful Reverse Logistics In A Strained Economy	Predictive Analytics in Support of Improved Quality
2.30pm	Panel Discussion: Efficient Returns Management	Lenovo: Learning from the past - Insights for the future. "The Reverse Logistics Perspective that makes a difference."	Case Study: Leveraging Superior Performance to Earn The Loyalty of Your Customer Base	Lifecycle Tracking and Accountability.
3.30pm-4.00pm	Refreshment Break - Exhibit Hall			
4.00pm-5.00pm	Panel Discussion: Optimal Spare Parts Management	Aligning Customer/Supplier Resources & Core Competencies to Remove Redundant Operations	University of Sheffield: Best Practices" of RL Collection & Service Locations	Wireless Carriers, OEMs & 3PSPs - Using RL Practices to Bring Excellence to the Customer
5.00pm-6.00pm	Round Table Discussions			
6.15-9.30pm	Amsterdam Canal Dinner Cruise			
Thursday, June 18th				
8.30am	Exhibit Hall opens			
	Track A	Track B	Track C	Track D
9.00am	Panel Discussion: New ways to Streamline Operations, Drive Profits and Delight Customers	Customers Give the Best Insights into After Sales Effectiveness	Supporting Direct-to-retail Distribution; Building a Mutually Beneficial Retailer / Manufacturer Service Model	Environmental Regulations on Asset Disposition
10.00am-11.00am	INTERMISSION - REFRESHMENTS - Exhibit Hall			
11.00am	Panel Discussion: Challenges and Compliance with Cross Border Commerce	Designing an Integrated Reverse Logistics and Service Support Network	Case Study: Experiences on Making Reverse Logistics Operations Profitable	Packaging Design to Reduce Buyer Remorse
12.00-1.30pm	BUFFET LUNCH - Exhibit Hall			
1.30pm	Panel Discussion: Environmental Management Considering Sustainability and Corporate Social Responsibility	The Impact of "Conditional Awareness" on your Service Network	Using Technology to Enable Collaborative Independence	RL Operational Strategies for New Product Launches
2.30pm	International Take Back Systems. Disposal and Warranty Parts Management	Canon: Standardization of Parts and Practices	RL Shared Costs Between Wireless Carriers & Manufacturers	Designing an Integrated Reverse Logistics and Service Support Network
3.30pm	Closing remarks Jeremy Vick, VP Global Marketing Solutions and Sales, Reverse Logistics Association			
4:00pm	LUCKY DRAW.....			

Schedule subject to change. For latest information, please visit: www.RLashows.com/a09_event.php





Driving Returns in the Reverse Logistics Service Chain

by Bill Pollock and Sumair Dutta

pressures. The framework also serves as a roadmap for non-Best-in-Class firms to duplicate the strategies enforced and capabilities developed by Best-in-Class firms so as to improve their service performance.

The four key components of the model may be defined as “the Pressures, Actions, Capabilities and Enablers (PACE) that indicate corporate behavior in specific business processes.” These terms are defined as follows:

- Pressures - external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)
- Actions - the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product/service strategy, target markets, financial strategy, go-to-market, and sales strategy)
- Capabilities - the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products/services, ecosystem partners, financing)
- Enablers - the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development

platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing and management)

Pressures (P)

Aberdeen research clearly shows that as competitive and economic pressures take their toll on business operations, an increasing number of companies have considered the reverse service supply chain as an avenue to manage costs, minimize risk and drive additional revenue by actively managing and tracking the return, repair, refurbishment and remarketing of assets. Effective management of the disposal of assets ensures regulatory compliance and can also drive “green” benefits — another fairly “new” business/socio-economic goal.

While the current economic environment has certainly pushed some service organizations to establishing that fine balance between managing service-related costs and driving customer satisfaction, almost a third (31%) of the surveyed firms indicate that it is also driving them to re-evaluate their reverse service supply chain so as to be sure they are minimizing the costs normally associated with logistics and inventory. In addition, firms are also keeping an eye on the customer and want to ensure that their return, repair and exchange processes are well aligned with the customer’s needs in mind, along with the added goal of minimizing

the time that a customer is forced to spend with an asset or part that is not performing.

While only 17% of firms indicated that the need to drive new revenue streams through reverse logistics was a top pressure, this percent was up somewhat from only 11% the year before. However, nearly twice as many of the Best-in-Class companies (31%) indicated that this was a key driver for them in optimizing their use of the reverse service supply chain — a strong indication of their interest to drive incremental revenue streams while maximizing the utilization of every possible service part and asset.

Actions (A)

The strategic actions taken by Best-in-Class firms to alleviate the aforementioned cost, economic and customer management pressures align well with the major pillars of Aberdeen’s Competitive Framework model (i.e., Best-in-Class, Industry Average and Laggards) focusing on key areas such as process, knowledge management, organizational support

and performance measurement. Essentially, our research confirms that most leading firms are looking to develop improved visibility into the return lifecycle of the assets and/or parts for which they are responsible.

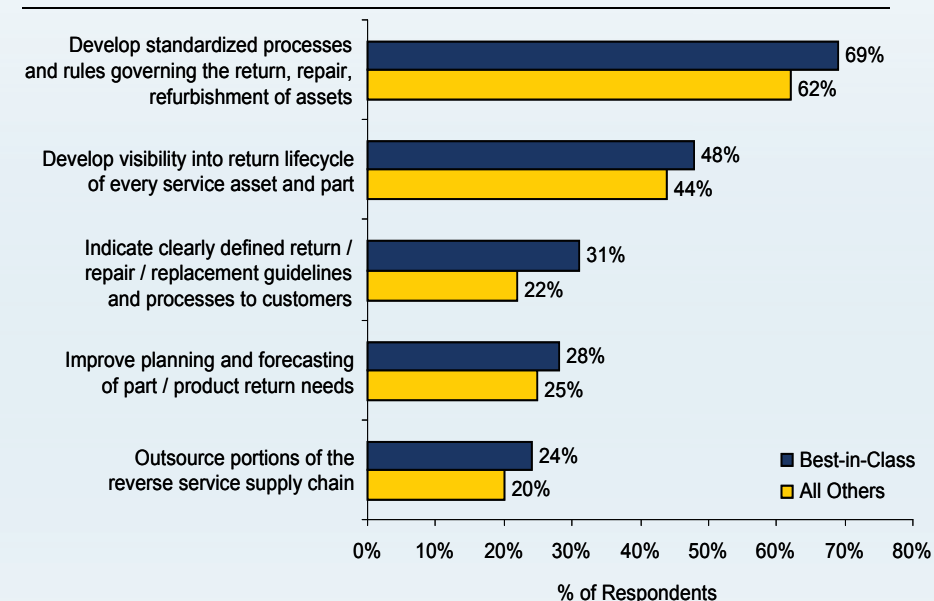
With this visibility also comes the ability to denote standardized returns, repair, resale or disposal processes across the entire reverse service supply chain — an effort that is generally a prerequisite for their ability to effectively reign in the various costs associated with return and repair activities. Standardized processes, made available and known to the eventual asset operator can also help a great deal in both managing and setting customer expectations regarding returns and replacements — thereby assisting in the management of the overall customer experience. Improved visibility into these activities also affords the organization the ability to forecast and plan for future return needs and volumes.

As competition and economic environments have taken control, an



For returns made easy, you turn to FedEx.

Figure 1: Strategic Actions Taken to Address Market Pressures in Reverse Logistics



Source: Aberdeen Group, December 2008



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Figure 2: Driving Faster Returns with Incentives in Place

Performance Metric	Incentives in Place	Incentives Not in Place
Average days until return - product	14.9	15.5
Average days until return - part	14.8	16.4

Source: Aberdeen Group, December 2008

increasing number of companies have considered the reverse service supply chain as a strategic avenue to manage costs, minimize risk and drive additional revenue by actively managing and tracking the return, repair, refurbishment and remarketing of assets. Effective management of the disposal of assets also ensures regulatory compliance and can drive “green” benefits. Figure 1 illustrates the specific strategic actions that most companies are most likely to take to address the market pressures they face on a day-to-day and long-term basis.

Capabilities (C)

Real-time visibility supported by leading service organizations also enables real-time capture of reverse service supply chain performance. To this effect, some of the key performance indicators tracked by leading service firms (in addition to customer satisfaction) are: total repair/refurbishment costs, repair turnaround times, spare part inventory turns, cost of spare part inventory, part defect

rate and velocity of returns. The capture of these data enables the development of forecasts of future return needs that could assist in improved planning and resource allocation to expedite part and product returns. In fact, forty-one percent (41%) of leading service firms are actively involved in using performance data for future forecasting, when compared to 25% of non-Best-in-Class firms.

To further boost the velocity of returns for products and parts, leading firms are incentivizing their regional service depots and field technicians based on their timely return or transfer of parts or products to repair depots. While not widely adopted, 21% of leading firms currently have such incentives in place compared to only 11% of all other firms. On average, firms that do have such incentive structures in place tend to perform better in key performance metrics with regard to the velocity of returns of products and parts, and even more so with respect to parts (Figure 2).

Figure 3: Outsourced Portions of the Reverse Logistics Supply Chain

Currently Outsource	% of All Respondents
Disposal	39%
Repair / refurbishment	35%
Logistics management	28%
Asset recovery	20%
Resale of refurbished product	16%
Inventory management	15%
All – entire chain	4%

Source: Aberdeen Group, December 2008

Enablers (E)

The investment in partners to manage portions of the reverse service supply chain is one of the top five strategies for leading service firms. Currently, disposal, repair and logistics functions are those that respondent firms are most likely to outsource, and this is consistent with leading service firms as well (Figure 3). However, it is interesting to note that while inventory management is noted as one of the most challenging areas to manage, most companies have still been hesitant to outsource their inventory holdings as of yet. Still, Aberdeen research reveals that 38% of all firms indicate they are currently looking for their partners to provide greater assistance with inventory holdings so as to minimize costs and even some of the risk associated with excess inventory.

While there is significant interest among respondent companies in the use of partners to assist in their reverse logistics activities, there are considerable challenges acknowledged with leveraging a third-party network — challenges that can become formidable to manage given the global nature of most service supply chains. As such, responding firms indicate that visibility into the performance and quality of a third party network is the most daunting obstacle they have yet to overcome.

Summary and Recommendations

Whether a company is trying to move its performance in reverse logistics and customer service from Laggard to Industry Average, or Industry Average to Best-in-Class, based on the most recent Aberdeen research, the following recommended actions should help spur the necessary performance improvements.

- Increase real-time visibility of the service organization into the status and location of parts and products in the reverse service supply chain.
- Track the velocity of returns.
- Standardize returns processes and returns commitments in service contracts.
- Improve on-site or pre-visit diagnostic capabilities to stem No-Faults-Found (NFFs).
- Promote collaboration between the repair engineers and the service/design teams.
- Increase and improve return/replacement forecasting.
- Evaluate incremental revenue opportunities from refurbished products.

The data and information included in this article represents only a small portion of the analysis and recommendations included in the upcoming Aberdeen Benchmark

Report entitled “Driving Returns in the Reverse Logistics Service Chain.” To learn what leading organizations are doing, or planning, to counteract the effect of the current economic and other pressures, make sure to download a copy of this report as soon as it becomes available (scheduled for April 2009). RLM





Bill Pollock is Vice President-Principal Analyst heading up the Strategic Service Management practice at Aberdeen Group. He is a frequent speaker, presenter and keynoter on services-related topics for a variety of venues including Aberdeen's Chief Service Officer (CSO) Summit and RLA's

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Help! What Do I Do with My Old Computer Equipment?

by Glen A. Kashgegian

Chicago's Public School CTO Robert Runcie is responsible for managing computer hardware in more than 600 public schools. Unfortunately, Chicago's fiscal challenges have handcuffed Runcie making his job very difficult. According to an article that appeared in the Chicago Tribune, "Each Chicago area school gets its own budget for purchasing and supporting its own computers. This has led to some massive problems, as schools struggle to find their way in unfamiliar territory." The article talks about how schools struggle with problems relating to the acquisition, maintenance and recently the disposal of old computers. Typically, the funding that is provided to schools is usually targeted for the acquisition and maintenance of computers. There usually is no consideration given to the disposal of the old computers. The challenges Mr. Runcie faces are not unique to the Chicago Public School System. School systems across the country face a similar dilemma in what to do with old, outdated computer hardware.

As technology continues to advance, the useful life of computers will continue to shrink. The useful life of a computer today is roughly three years and this is shrinking! A typical computer has many negative influences on the environment, anywhere from the manufacturing the computer to the disposal of the computer. Studies estimate that 300 to 600 million desktop and laptop computers in the US will soon be obsolete. These computers contain more than 1.2 billion pounds of lead. About

40% of the heavy metals found in landfills across America include lead, mercury and cadmium. These come from discarded electronic equipment¹. When we watch TV, use our computer or listen to the radio we give little or no thought to the materials used in building these products. Unfortunately, several environment unfriendly materials are used in the manufacture of these products. The chart below shows the kinds of materials that are found in a ton of random electronic boards.

MATERIAL	LBS/TON	MATERIAL	LBS/TON
Plastics	600	Gold	1
Copper	286	Cadmium	0.79
Iron	90	Tantalum	0.38
Bromine	56	Molybdenum	0.31
Lead	54	Beryllium	0.18
Tin	44	Cobalt	0.17
Nickle	40	Cerium	0.1
Antimony	22	Platinum	0.07
Zinc	9	Lanthanum	0.06
Silver	1	Mercury	0.02

Source: Technical University of Denmark

In addition to the environmental impact of old computers, new computer manufacturing has an impact on our environment as well. With 25 million new computer systems manufactured in the US each year, new computer manufacturing requires the consumption of approximately one million barrels of crude oil and 7.5 billion cubic feet of natural gas every year².

THERE ARE NO EASY ANSWERS

Several computer makers have taken a proactive approach in

addressing the environmental issues of computer disposal. Both Dell and HP have instituted recycling programs for consumers through buy back programs. On the other hand Apple computer has been environmentalist's biggest disappointment by fighting environmental initiatives. In an April Business Week article, Jon Hinck, staff attorney for Maine's Natural Resources Council, says that "during Maine's legislative fight on buy back programs, Apple was doing more than any manufacturer to fight the bill." The article goes on to point out that Apple's CEO Steven P. Jobs publicly dismissed the gripe with profanity³. Apple has also come under fire recently regarding the eco-unfriendliness of the iPod⁴. This

certainly doesn't help end users with their computer/electronics disposal dilemma.

Consider this: Groundwater near a landfill has become contaminated and people living in close proximity have come down with a mysterious illness. In investigating the cause, representatives from the EPA have discovered that the landfill had become contaminated by old computer systems that had been improperly disposed. Upon further investigation authorities have discovered old computers with your school's asset tags on them. Unfortunately your problems have just begun! Even though you thought you disposed of the old

computer equipment properly, you may still be liable.

In addition, regulations regarding the disposal of computer equipment vary considerably from state to state. States such as Massachusetts, California and Minnesota have made it illegal to landfill monitors. Several states have proposed legislation that will make it illegal to landfill all computer equipment. So what does the school or end user do to properly dispose of their old computer equipment?

HELP IS ON THE WAY!

The first step in dealing with your old computer hardware is to develop a disposal plan. Most organizations/individuals end up storing their old computers. Unfortunately this is not a viable option because it takes up valuable space. Another alternative is to simply throw the old computer in the trash. As previously mentioned this is not a good idea either. In addition to the potential legal liabilities involved, you also expose yourself to identity theft by having someone recover sensitive information off the hard drive. The most viable options are to reuse, recycle or trade-in your old computer hardware.

Studies have shown that reusing one in ten computers reduces total energy use by 8.6 percent and 5.2 percent respectively. In contrast, recycling the materials from one in ten computers only saves 0.43 percent by replacing demand for virgin materials⁵.

If you chose to recycle your computer hardware it is important that you consider the following. Make sure to deal with reputable recyclers. Then take steps to protect your data! Deleting files is not sufficient to protect your data. You should remove the hard drive and if possible drill a hole through it. You should also remove any identification from the computer

such as company name or asset tags. This will prevent computer hackers from identifying where the computer came from. If you chose to give it to a recycling company make sure the recycling company provides you with copies of their EPA and local DEP permits. Also insist on written documentation as to how the computer will be disposed of. You should keep this information in a safe place because there is not statute of limitations for polluters.

If you chose to reuse or extend the useful life of your computer product, there are several reputable companies that provide service parts and repair on older or previously enjoyed assets. Most of these companies can also help you if and when you decide to dispose of these computers. However the same rules apply! You should insist on copies of their recycling permits as well as written documentation on how your asset will be disposed. RLM

- 1 Silicon Valley Toxics Coalition, Fifth Annual Computer Report Card
- 2 US EPA Electronic Reuse and Recycling
- 3 Business Week 4/10/07 - HP Wants Your Old PCs Back
- 4 iPod not eco-friendly - Reuters 6/19/2007
- 5 Kuer & Williams, Computers & The Environment



Glen A. Kashgegian, BSET, MBA is President of Blue Raven Technology, Inc. Blue Raven is one of the nation's largest providers of out

of warranty computer parts. With over 10,000 sku's and 125,000 parts in inventory, the chances are good that Blue Raven has what you need to upgrade/extend the useful life of your computer. Should you decide to recycle or trade-in your computer, you can rest easy. Blue Raven is a federally licensed recycler. Not only will Blue Raven properly dispose of your computer, chances are your computer will be used to extend the life of another computer, which in turn, helps our environment.



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RLA VEGAS 2009 RECAP



The fact that Reverse Logistics is on the rise during this economic downturn

was readily apparent at the 6th Annual RLA Conference & Expo. The event held in Las Vegas on February 3-5, 2009 was very well attended with over 1,200 registered attendees but even more important was that nearly 600 companies were represented. Companies such as Dell, Procter & Gamble, Canadian Tire, GENCO, Toshiba, Microsoft, Teleplan, Sears, TomTom and Amazon.com all showed up to learn about how effective reverse logistics processes can and do contribute to a company's bottom line. OEMs and retailers were looking for available solutions, to meet with potential business partners and exchange best practices. Service Providers were there to win business and also identify possible partners to help increase capacity and expand service offering.

"The show was a success for DEX. Our software systems were a big hit."

*Andy Maloy
V.P. Supply Chain Service, Americas
DEX*

RLA Conference Las Vegas - A Great Success!

Activities began on Sunday with the RLA Football Party held at Studio 54. Great food, a great game, great networking opportunity, plus a special appearance, thanks to Round2 Technologies, by former Pro-Bowl quarterback Jeff Blake, made for a very memorable occasion. Monday offered the RLA Charity Golf Tournament benefitting "Kids on the Move." Scott Dineen won the prize for "Longest Drive," Stewart Dunsmore for "Closest to the Pin" and the team of Ken Plue and Mike Moore took first place. A fun time was had by all and RLA was able to present Kids on the Move a check for \$4,000. Tuesday attendees were kept busy all day attending the eight tracks of workshops and RLA Industry/Focus Committee Reports.

On Wednesday, the Keynote address was presented by Kevin Winneroski, VP of Secondary Markets at Best Buy Company. Six tracks of speaker sessions and panel discussions filled the afternoon. Some topics presented included: "Reverse Flow from A Retailer's Perspective", "Reverse Logistics as an Asset" and "Sustainability and Corporate Social Responsibility in Environmental Management."



"As first time attendees to the conference, we were very impressed. The content of the presentations and the networking possibilities exceeded our expectations"

*Dennis Desrochers
VP Business Development
Precision Camera & Video Repair, Inc.*



"Enjoyed the show -- content was fantastic and audience was perfect for my needs."

*Edwin Heslinga
X-Box Program Manager
Microsoft*

The Exhibit Hall was also open where manufacturers and retailers found many solutions for their RL needs among the participating exhibitors and sponsors.

The day ended with a spectacular reception hosted by AT&T ConneCTech with entertainment provided by Faux Collins.

Thursday morning began with the Keynote address by William Pollock, VP-Principal Analyst at Aberdeen. Additional sessions and panel discussions filled the remainder of the day right up to the closing remarks by Jeremy Vick and the Lucky Draw. Prizes were presented for "Best Use of the VIP Program" – 3rd place went to DEX, 2nd to NYK Logistics and 1st place went to ClearOrbit. Best Booth awards were presented to 2nd place winner SiRAS and 1st place to FedEx. RLA thanks all participants and attendees for making RLA C&E Las Vegas 2009 a great success.

Conference presentations are available to members for free download from the RLA home page (www.ReverseLogisticsAssociation.org).



KEYNOTE ADDRESS SUMMARY



The Wednesday keynote speech was presented by Kevin Winneroski of Best Buy. Kevin examined the process of turning Reverse Logistics in the retail business from a cost center to a profit

generating opportunity. He addressed five major topics; first, the opportunities available and the overall goals to satisfy shareholders, customers, vendors and employees. He then looked in more detail at the customers, who they are and their motives for buying secondary products. Kevin moved on to supporting the vendors through a true partnership and Best Buy's acquisition of Dealtree. Finally, he speculated on the future of Reverse Logistics: How product will be touched less often; the increase in the number of consumers interested in secondary products; short term increases in product availability coupled with much leaner inventory management in the longer term; and how consolidation and aggregation of core capabilities will occur.



In his Thursday keynote speech, William Pollock of Aberdeen Group took an in-depth look at the Key Performance Indicators (KPIs) that distinguish best-in-class companies, strategies and systems used to

manage the reverse logistics supply chain. He began by looking at the Strategic Service Management Framework and then moved onto his major theme — the results of the Aberdeen Group Q1 2009 Reverse Logistics Benchmark Report. Bill examined some key factors associated with best-in-class performance including the pressures driving reverse logistics, strategic actions, capabilities, enablers and performance differentiators of the best-in-class. He went on to discuss opportunities for improvement, the tools used by best-in-class, and maximizing revenue in the reverse logistics supply chain. He concluded with a set of recommendation for actions to be taken by industry laggards, average performers and best-in-class.

RLA VEGAS CONFERENCE & EXPO SPEAKERS

Gailen Vick
President & CEO,
Reverse Logistics Association

Kevin Winneroski
Vice President of Secondary
Markets, Best Buy Co., Inc.

Jack Debutts
Retail Returns / Strategic Planning
Manager, Dell, Inc.

Andrew Katcher
CEO,
Rapid Results

Gary Gear
Vice President Operations, Toshiba
America Information Systems

TJ Harper
Vice President of Global Operations
and Logistics, PDSi

Eric Miller
Principal Consultant, Agnito
Management Consultants

Tim Reilly
Multi-Channel Market Development,
Circuit City Stores, Inc.

Tom Johnson
Manager RL Systems,
Cisco

Seshagiri Singaraju
Materials Manager,
Sun Microsystems

William Fletcher
VP of Marketing & Products, MGH
Consulting

Tony Sciarrotta
Director of Returns Management,
Phillips

Derek Wishart
Reverse Flow Manager,
Canadian Tire Corporation

Larry Maye
President CEO,
Global Reverse Logistics

Chris Griffin
Sr. Mgr., Repair Services Reverse
Logistics, Sprint

Jeff Gosline
Senior Director Business
Development, ATC

Jim Hunt
Vice President, After-Market Services,
Celestica

Dana Keeling
Director, Reverse Logistics,
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Al Mahesh
Business Development;
ServiceCentral Technology

Eric Aparicio
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Yamaha

Joe King
VP, Aftermarket Solutions ,
ModusLink

Eric Hemming
Head of Program Management,
Sony Ericsson

Michael Luckman
CEO,
AchievexCorp

Lori Kleinschmidt
Director / Customer Finance,
ConAgra Foods

Don Rombach
VP Damage Research,
GENCO

Tom Marcellino
SVP Sales & Client Services,
CLS an Inmar Company

Carl Dubose
Sr Manager Logistics Operations,
Pepsico

M. Scott Dineen
General Manager,
Desert Meats & Provisions

Mark Servidio
VP Logistics,
Sharp

Jay Richards
Sales Manager,
NVC Logistics Group

Bernie Schaeffer
CVP Global Repair & Reverse
Logistics, Motorola

Hannah Kain
President & CEO,
ALOM

Warren Sumner
VP of Marketing & Products,
Clear Orbit

Jeremy Vick
VP Global Marketing Solutions and
Sales, RLA

Dave Whitley
Media Marketing Manager,
Reverse Logistics Association

Michael Blumberg
President,
Blumberg Advisory Group

Leonard Schneeman
SVP CTO,
DEX

Lisa Perry
Solution Architect,
ClearOrbit

Dick Kluis
VP, Product Management,
Click Commerce

Paul Rupnow
Director of RL Software Systems,
Andlor Logistics Systems, Inc.

Steve Teel
President,
Service Central Technologies

RLA VEGAS CONFERENCE & EXPO SPEAKERS

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Global Logistics Manager,
Iomega

John Mehrmann
VP Business Development,
ZSL Inc

Steve Brown
Global Product Life-cycle Manager,
Hewlett-Packard

John Weatherup
New Business Development,
Tech-Ed

Bradley Gross
Attorney at Law,
Becker & Poliakoff, P.A.

William K. Pollock
Vice President - Principal Analyst,
AberdeenGroup

Lori Gallegos
Sr. Manager US Logistics,
Avaya

Kelly Dudek
SVP of Operations,
ExpressPoint

Paul Tran
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Comtek

John Bair
CTO,
Pinnacle Data Systems Inc.

Barbara Kish
Sr. Mgr, Bus Ops, Global Service
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Jeff Harrison
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Michael Conley
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Steven Fraser
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Emily Rodriguez
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Dan Barrett
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Rodney Bias
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Matt Snyder
Sr. Manager Rverse Logisitcs,
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Mark Balinsky
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Gordon Mills
Business Development Manager,
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John Slothower
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Marc Melkerson
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Assistant Professor,
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Richard Starr
Manager Liquidation,
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Reverse Logistics Manager,
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Michael Solosky
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Ken Plue
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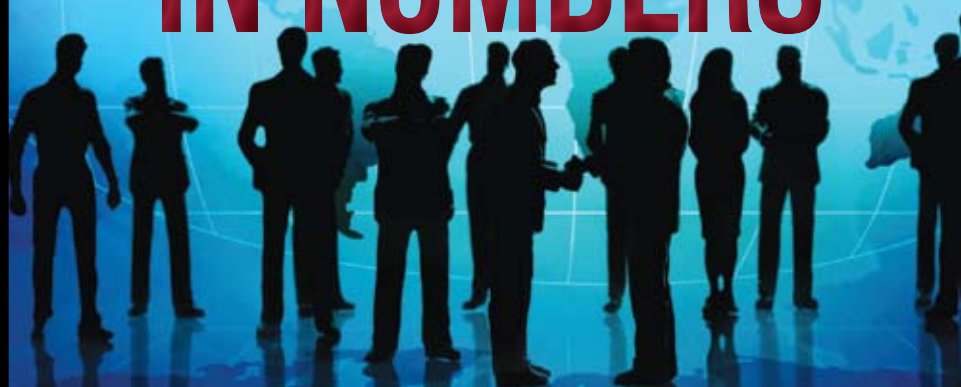
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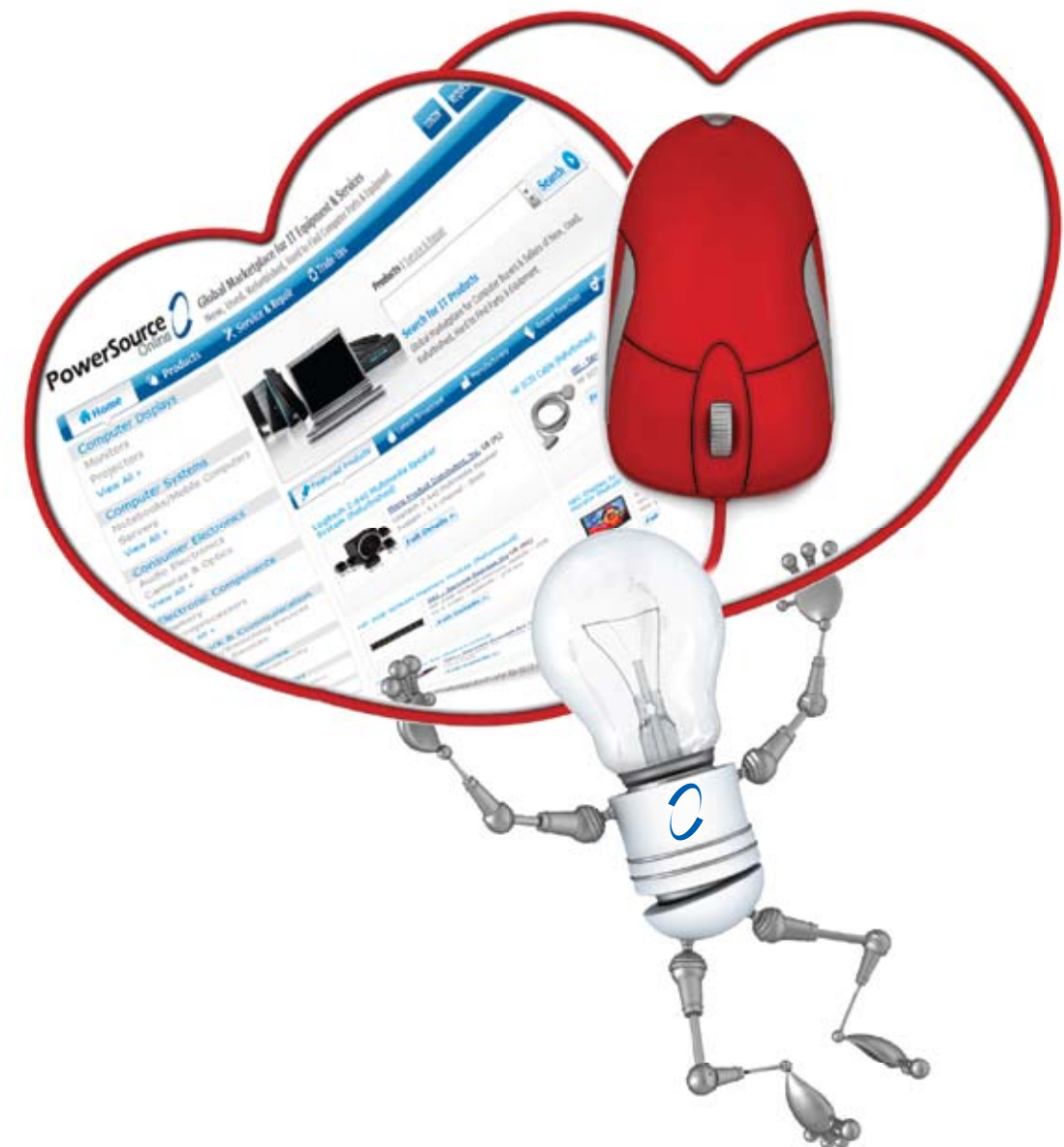
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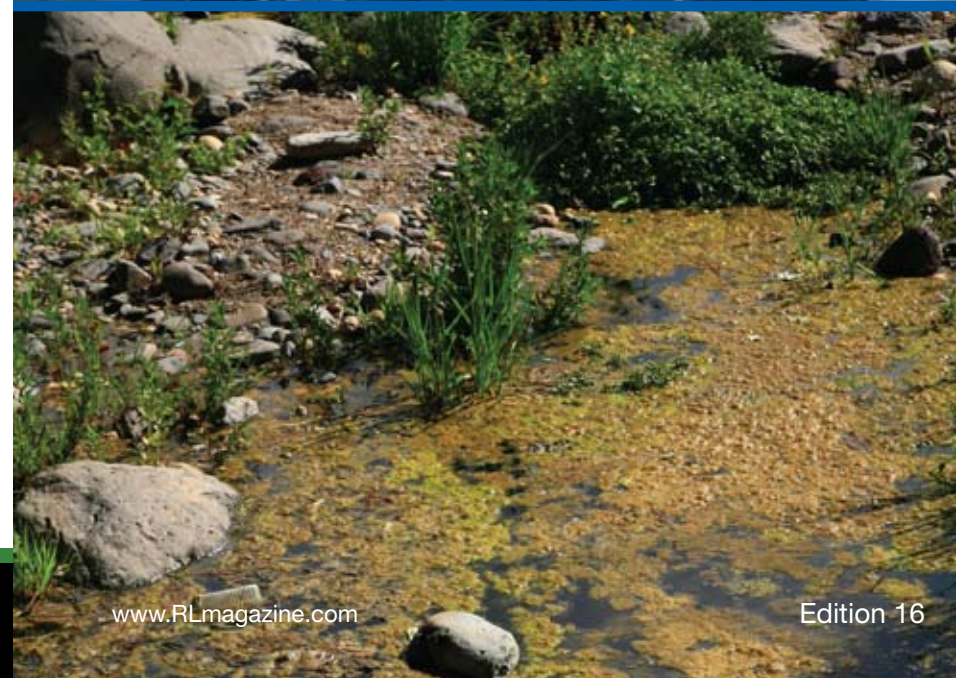
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Corporate Social Responsibility Committee

by Brian F. Eddy

Corporate Social Responsibility (CSR) is a very hot topic that affects many stakeholders and all companies. CSR touches many aspects of a company's strategic external environment, and if effectively deployed, CSR can be a very tactical differentiated advantage to a firm's value creation and value-proposition model.

Reverse Logistics covers many process areas that directly correlate with CSR. One of the main challenges companies have with CSR is to effectively incorporate programs that create a transparent business link to their CSR efforts and create a valid business model that improves their bottom-line results.

Defined

There are many sources that have defined CSR, and it basically comes down to how a company can make a positive impact on society. CSR covers a very broad area that affects the following: Society (public accountability, health and safety, human rights

and community), Environment (pollution, reduction of resources, impact of output and optimization of waste/reuse), Economy (fiduciary duty and contribution to economic prosperity).

Types of CSR

There are six distinct types of CSR that fall into targeted categories:

- Cause Related Marketing
- Corporate Social Marketing
- Cause Promotions
- Corporate Philanthropy
- Community Volunteering
- Social Responsible Business Practices

There are many books on CSR that attempt to define the process steps involved to create a winning road map and plan. One book: “Corporate Social Opportunity: 7 Steps to Make Corporate Social Responsibility Work for Your Business,” by David Grayson and Adrian Hodges, is a good example.

The third step outlined in this book, Making a Business Case, is what most will find the most valuable, but can be the hardest to quantify. This issue can become more complex when you consider whether a company is privately held or publicly held. One can agree that compliance issues with public versus privately held companies vary, as each have different stakeholders. Despite this, there are several universal



CSR Business Drivers and some of these are listed below.

Business Value—Key Drivers and Benefits of CSR:

1. Company reputation and brand image
2. Corporate Values: “Right thing to do”
3. Improved relations with all stakeholders and helps mitigate disputes/issues improving customer satisfaction.
4. Improved access to other vertical markets and customers
5. Compliance with regulations with environment

6. Social license to operate and grow
7. Cost savings or improved bottom line results

When looking to create a CSR model with Reverse Logistics, there are many challenges. If you are an OEM, 3PSP, Supplier or within the supply-chain channel, these will occur:

Key challenges in Reverse Logistics

1. Meeting customers’ needs — Customers want best price and selection and demand

quality. They will/do return goods and want seamless process with no hassles.

2. Volume — The sheer volume of all product returns is large in dollars and unit volume. The goal is to quickly extract the remaining residual value of these items and to maximize ROI.
3. Management (In-house versus Outsource) — The RL process is costly to manage (7-8% COGS), and involves many labor intensive process steps. One key hidden cost that is overlooked is employee turnover. The RL jobs can have high turnover due to the very repetitive nature of job. The cost to hire, train and retain per entry level labor is \$4,000/ per employee.
4. Data Management: Key to managing the process and measuring on-going results.
5. Disposition of Product: Having a complete RL supply chain in place to process, destroy, salvage, remarket or donate item.
6. Regulatory Compliance: Need an expert in all waste management laws, regulations and process requirements.
7. Partnership: is required throughout the EOL, entire product life cycle. Having the “right” partner is key and supplier collaboration agreements are required for optimum results.

CSR - Innovative Best Practices:

Several 3PSPs, 3PLs, Retailers and OEMs are effectively

training and utilizing non-traditional labor sources, like people with disabilities to perform the very labor-intensive process work/steps in RL. Thus, they are achieving a win-win on both their CSR goals and improved bottom line results. While some companies keep the entire RL process in-house, many are starting to realize that reverse logistics is not their core competency and either outsource some or all the required operations to a 3PSP.

The Reverse Logistics Association’s Corporate Social Responsibility Committee is seeking interested people to join this committee. The focus of the committee will be to further explore many topics. The committee will create a mission statement, choose specific topics, and produce an industry white paper on these topic(s).

For more information about the RLA Corporate Social Responsibility Committee, please contact Brian Eddy, beddy@rehabcenter.org. **RLM**



Brian F. Eddy is the Director, Sales and Marketing of SubCon Industries located in Olean, NY. SubCon is the vocational training operation of

The Rehabilitation Center, a private non-profit organization that provides employment opportunities to over 200 people with disabilities. Over the past 50 years, SubCon Industries has been a 3PSP providing a wide range of labor-intensive, value-added services for top companies. For more information, please visit www.subconindustries.com.

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Introducing the Warranty Benchmark Tracker

A cost effective method to benchmark company warranty costs across industry sectors



All manufacturers strive to reduce operational costs and increase profits without hindering customer satisfaction. Understanding how your warranty costs compare with your

peers (and hence identify potential cost saving opportunity) can involve costly benchmark studies. The Reverse Logistics Association has partnered with MGH Consulting Ltd to produce the Warranty Benchmark Tracker; a cost effective way to provide an up-to-date and comprehensive review of warranty costs and warranty reserves across multiple high technology sectors.

The Warranty Benchmark Tracker provides the user with a clear, jargon free and user friendly illustration of warranty reserve trends for US based manufacturers. The historical data extends back to 2002 and the user can easily click between market verticals to view both warranty costs as a % of product sales and warranty reserves as a % of product sales. The

Warranty Benchmark Tracker also provides a company specific comparison tool, where the user can select an individual company and view its performance against industry best, worst and average results; effectively giving instant benchmarking of warranty costs per company across each market vertical.

The Warranty Benchmark Tracker is available now at the RLA website, just go to the publications menu and select "Market Tracker." What's more, the tracker is free to RLA platinum and gold members, and other membership tiers can enjoy discounts on our retail price of \$995. per annual subscription (the tracker is updated quarterly, so you will receive 4 issues per purchase).

The Reverse Logistics Association and MGH Consulting Ltd have partnered to develop a series of industry specific research papers and analytical tools, such as the Warranty Benchmark Tracker. For more information about similar industry publications, please visit the RLA website.

NSN Wins Orange UK Deal

Nokia Siemens Networks has won a five-year outsourcing deal from Orange UK to manage, plan, expand, optimize and provide maintenance services for its 2G/3G mobile network. Datamonitor estimates the value of the contract to be \$150m.

The company is also finalizing arrangements for a UK subcontractor to provide first line maintenance services. About 470 staff will be transferred from Orange UK, approximately 230 of whom will join NSN with the remainder joining the subcontractor.

NSN will take over responsibility for network planning and optimization, spare parts management, and turnkey network roll-out services.

Geodis Buys Two Giraud International Divisions

Following the acquisitions of TNT Freight Management, Rohde & Liesenfeld, Oughtred & Harrison Shipping and, more recently, IBM's Global Logistics platform, Geodis is seizing another external growth opportunity with the purchase of Giraud International's 'Iron and Steel' and 'Central and Eastern Europe Zone' Divisions.

Sykes Enterprises, Incorporated Reports Fourth-Quarter & Full-Year 2008 Financial Results

Fourth Quarter 2008 Revenues Exceed High-End of the Outlook Range; Currency Masks Favorable Demand Trends; 2009 Outlook Reflects Demand Growth

Fourth quarter 2008 revenues of \$200.8 million were up \$3.1 million, or 1.5%, over the comparable quarter last year; fourth quarter 2008 revenues were negatively impacted by \$22.9 million from a strengthening U.S. dollar; on a constant currency basis, revenues were up 13.1% comparably

Encompass Group Announces the Repurchase of 3 Billion Shares of Its Common Stock

Encompass Group Affiliates, Inc., the nation's largest distributor of consumer electronics parts and a leader in the consumer electronics reverse logistics industry announced that its Board of Directors has approved the repurchase of 3 billion shares of its common stock from an institutional holder at a purchase price of \$.0001 per share or \$300,000 in the aggregate.

TECHNOLOGY SPOTLIGHT

Willtek Cross-platform Software Eases Mobile Phone Testing

Willtek Communications announced that its 7310 Lector and Scriptor test automation software now supports all six of its mobile phone testers for all current cellular standards. Service centers can now operate different instruments using common test automation software, reducing costs and simplifying upgrade planning.

Lector and Scriptor produce the same test protocol format for all instruments. The built-in test scripts and procedures support Willtek's ProLock; the 3100 Mobile Fault Finder; the 4100, 4200, and 4300 series of Mobile Service Testers;

and the high-end 4400 Mobile Phone Tester series.

Trove of stolen data offers look inside a botnet

Getting hacked is like having your computer turn traitor on you, spying on everything you do and shipping your secrets to identity thieves.

Victims don't see where their stolen data end up. But sometimes security researchers do, stumbling across stolen-data troves that offer a glimpse of what identity theft looks like from criminals' perspective.

Researchers from British-based security firm Prevx found one such trove, a web-

site used as a stash house for data from 160,000 infected computers before it was shut down this month.

The find offers a case study on just how much data criminals are stealing every day, from the utterly inconsequential to the alarmingly private.

It also shows the difficulty in shuttering criminals' ID-theft beachheads: The website Prevx found, which was operating on a server in Ukraine, was still online for nearly a month after security researchers alerted the Internet service provider and law-enforcement authorities. The site was sucking up data from 5,000 newly infected computers each day.

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ON THE MOVE

Art Teshima recently joined **DEX** as Regional Sales Director, Supply Chain Solutions. Art has held a variety of executive leadership positions in the technology, consulting and reverse logistics industries, including more than five years each with IBM and Deloitte. Art comes to DEX from Bell Industries, where he was Vice President, Business Development. He has been an active member of the Reverse Logistics Association for more than four years and currently serves on the RLA Wireless Advisory Committee.

Aberdeen Group, a Harte-Hanks Company, recently announced the appointment of **William K. Pollock** as Vice President — Principal Analyst and Group Leader for its Strategic Service Management research practice. Bill has more than 30 years of experience as a market research and strategic planning consultant to clients in all major segments of the global service industry, will focus on providing value to Aberdeen's customers through the development and management of relevant, topical, fact-based research and analysis. His Group's research offerings will focus on all key aspects impacting the service sector, including Integrated Service Strategy, Mobile Field Service, Field Scheduling/Route Optimization, Service Parts

Management, Contract/Warranty Management, Intelligent Asset Diagnostics, Reverse Logistics, Contact/Call Centers, and more.

Dell has appointed **Ganesh S. Lakshminarayanan** as the new Vice President of Global Consumer Services and Support (GCSS). In his new global role, Lakshminarayanan will handle customer contact centers in India, UK, Ireland, Xiamen (China) and Philippines. Ganesh will be responsible for streamlining Dell's consumer contact centres in these regions and consolidate Technical Support and Customer Care for Dell's customers worldwide. This will be a major step towards enhancing customer experience. This group, under He will own the delivery of warranty support across all channels and continue the journey of transforming our contact centers to profit centers by delivering value added services and total solutions across all point-of-need channels.

Ganesh has held several leadership positions in Dell. Till recently, he was the VP & Managing Director, Dell International Services, India, and prior to that was Director, Technical Support, Dell Worldwide. Ganesh was a key member of the executive team that helped create DIS, Dell's global services & support division.

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6th Annual

RLA Conference & Expo Singapore

Concorde Hotel, Singapore
September 28-30, 2009



REVERSE LOGISTICS ASSOCIATION CONFERENCE & EXPO

Asia's premiere Reverse Logistics Event will bring three full days of Reverse Logistics. Starting on Monday, September 28, with RLA Workshops and continuing on Tuesday and Wednesday with sessions and exhibition.

Workshop topics include "Progressive Dispositioning Process," "Lean Repair and Reverse Logistics Trends" and "Best Practices & Benchmarks in Reverse Logistics." For more information on workshops, visit: www.rlahows.com/singapore.php

The conference kicks off on Wednesday with the Keynote Address followed by sessions presented by RL professionals, leading academics and panel discussions on topics such as:

- Global Challenges in IT Asset Recovery and Electronic End-of-Life
- Managing Costs on Returns and Warranties
- Service Logistics including Field Service, Spare Parts Management and RMA

A wide range of leading regional and global Reverse Logistics companies are in attendance from repair/refurbishing to recycling/e-waste and transportation logistics.

Be sure to visit the Exhibition Hall where ODMs and OEMs will be looking for Third Party Service Providers (3PSPs) that can manage Reverse Logistics in the Far East, along with identifying solutions for Europe and the Americas. There will be many exhibitors showcasing their Reverse Logistics services and solutions. This is a rich opportunity for OEMs and Branded companies to identify future service partners.

If you are a Reverse Logistics professional – don't miss this event!

For more information and complete details, visit www.RLASHows.com. Attendees may register online for Workshops and the Conference and even book flights and hotel. Exhibitor space is available for purchase as well.



Have an interesting story to share? Want to be part of this event? RLA speakers receive many benefits – for more information, visit: www.RLASHows.com

TECHNICAL TRENDS

L. Bryant Underwood



How Agile Is Your Solution?

My life is built around a very long commute to work. On the way in I use this time to visit with various leaders in the RL business to better understand the consensus on the up and coming market trends. To a person, all anyone has wanted to discuss in the last few months is the financial confusion that is now dominating the world economy. After talking with quite a few of these leaders it is clear that the confusion involves not just our politicians and talking heads on the news but also managers and directors that are just trying to understand basic things, like the inventory risk of a business opportunity. I'm a simple guy, let me share with you in simple terms the elements that I understand and thoughts on how to react and plan for success.

Background:

There are several of areas of finance that have a lot of institutional secrecy. Two good examples are oil supplies and hedge funds. We are all familiar with the oil cycle in the late summer of '08 when

oil got to ~\$5.00 USD per gallon, and then out of nowhere the market crashed and gas was selling at 1/3 the price in just a few months. How did this happen? Secrecy. The public data for oil supplies and reserves is notorious for being wrong. So wrong in fact that there are several companies that do very good business manually tracking the inventory. How manual? They have 'spies' track the inventory with pencils and binoculars. Their employees will watch tankers at various ports worldwide, write down the dates, times, registry numbers of the vessels and how low the ship sat in the water when it arrived and left port. This data is fed into a data base and the inventory of oil movement begins to become much clearer. This is how a number of analysts were able to predict the gas price bust before it happened in '08. They knew how many tankers were just being paid to park oil out at sea because there were no buyers. More supply + less demand always = lower price.

For hedge funds, secrecy is also a normal attribute. People look at the recent hedge fund scandals and shake their heads in amazement. It seems impossible that anyone would invest when the return was reported to 18%-25%+ and believe it was real. The fact is that the median for hedge funds from 1990 on has been in the 15% range and some funds generated returns that were much higher.

Although secrecy abounds the general strategies are well known. One such strategy is the famed Credit Default Swap. These are very exotic financial instruments to be sure but in simple terms they are really just insurance policies. At first they were sold as a form of insurance to spread risk in connection with securitized real estate instruments. But since the policies were a stand-alone offering you could buy as many policies as you could pay the premium. Later someone figured out the economic cycle was switching (as it regularly does) and if they bet on the default with multiple policies, the profits would be huge. Guess what happened in late 2008?

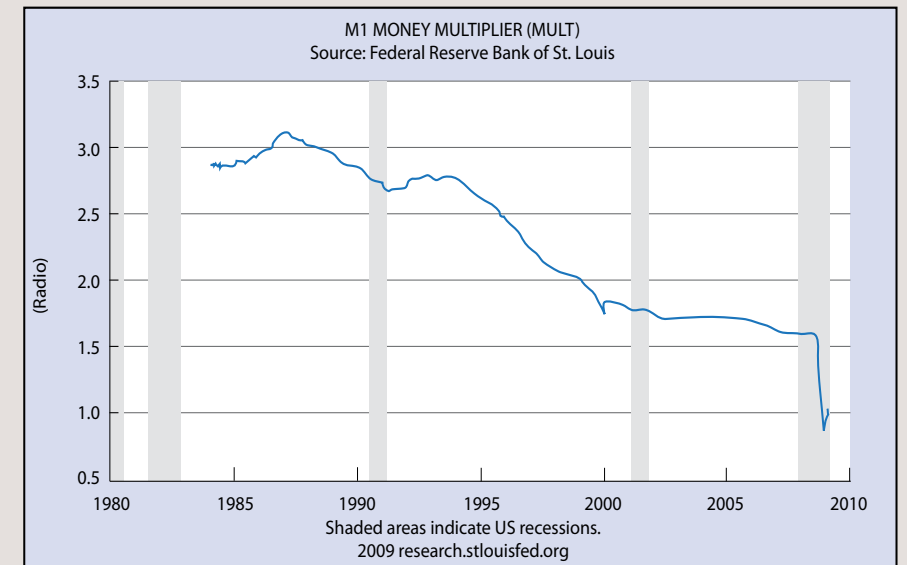
Some people made better bets than others and a feeding frenzy ensued to help perpetuate the downward trends, drive higher defaults and for some, there was a solid payday from the tactics. This is why the insurance companies and investment banks have been so central to the economic unraveling. Today the total CDS market is estimated to have ~\$25T in contracts with ~\$14T held in the US. Still a lot of risk out there that is yet to flush out of the economy.

Effects and Tactics:

The first phases of the effects were seen in the spread between the interest charged in LIBOR (London inter bank) and from the US Fed (TED Spread). Shortly thereafter the velocity of money just froze. Take a look at the chart below from the St. Louis Federal Reserve Bank.

The net change in turns was ~62% in just ~100 days, a giant change compared to any other period in recent history. That along with all the other data like the producer price index, unemployment and prime interest rate all point to a deflationary cycle. In a stable or deflationary cycle, you want to compress your supply chain as much as possible. This allows you to drive value for two reasons;

- The future cost will be lower
 - Delay of payment/terms extension promotes improved cashflow and better ROIC
- All good practice and tactics to take—today.



Tomorrow may be a different story. Right now capital constriction in the world economy is crystal clear. However, this is also certain to change. One very interesting measure of things to come is automobile fleet-turnover. Transportation is always a leading indicator of economic future and helpful to untangle what is really going on. Fleet-

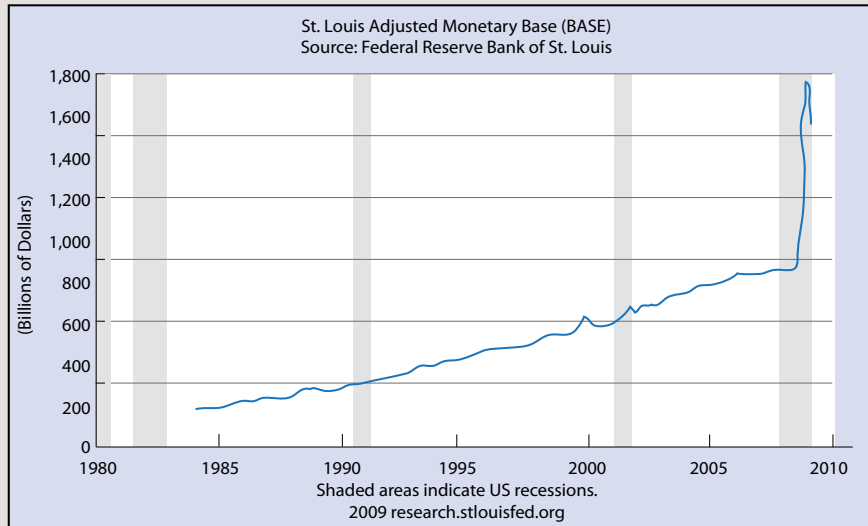
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turnover rate reflects how long the current auto supply will stay in consumers' hands before they decide to replace their current car with a new one. The NY Times reported in February of this year on this trend. In the article, they reported the projected rate of US vehicle sales for 2009 was ~9.2M units. If we divide this by the total number of vehicles registered in the US, 247.3M in 2008 we end up with a fleet turnover rate of ~26.8 years. Are you planning on keeping your car for a quarter century before replacement? Me neither. So you can be sure that credit will ease and growth for consumer products will then follow once transportation begins moving, but will it stop there?

Not likely. From the news reports, we all hear over and over million/billion/trillion—it's hard to know when a number is big enough to really care about. The chart below will help you get your mind wrapped around just what a historic time we are in. In just a little over a single quarter we grew the US monetary base by over 100%.

So, just when the pressure from pent up demand for

transportation and consumer products hits, it will be matched with an epic spike in the supply of available dollars. There is little doubt inflation will be at least one very negative outcome.

If a tight supply chain is desirable in stable/deflationary cycles, what is the right strategy once inflation starts? The answer depends on if the inflation is just from currency or if there is some underlying growth driving some part of business and commodities in addition to how price sensitive the market is to the products being sold. In broad general terms, opportunities from an inflationary cycle come by the management of holding inventory to avoid production disruption from shortage risks and cost escalations from future price changes. If we re-ignite stagflation (stagnant growth + inflation) then you will probably want a hybrid supply chain model because there will be a mix of commodity price declines in some market segments and price increases in others. This is rare and usually driven from some outside influence. The catalyst in the 70s was from the

oil embargo. The energy prices rose way out of proportion to the rest of the economy and some commodities even declined.

Summary:

Recall from above that there have been several massive market changes that have erased ~35% of the world wealth in just a few months. Almost everyone that relied on standard new and information sources was at least a step behind how fast the world was moving. Information is critical for success. We all must better leverage all our sources and keep in better contact with our worldwide supplier base.

By the way, this is a great reason why it makes sense to keep carving out time to attend trade shows. Good communication is invaluable. Direct contact is the most reliable and valuable. Reduce your current risk by validating your suppliers and knowing their financial health. In addition, structure your business offerings to be as agile as possible. The ability to respond to market changes will give your company more value to offer? your Clients in addition to a strong measure of protection. Oh, one last item—hold ON! RLM



L. Bryant Underwood is Director, Supply Chain for Elbit Systems of America, a leading provider of high performance products and

system solutions focusing on the defense, homeland security, commercial aviation and medical instrumentation markets.

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Returning thoughts

USING THE SCOR MODEL TO IMPROVE YOUR REVERSE LOGISTICS



Access to a Reverse Logistics operations framework is an invaluable reference tool to understanding, measuring and monitoring the performance of your Reverse Logistics operations. Until recently, few reference tools were available. Fortunately, the IT committee at the Reverse Logistics Association has been working with the Supply Chain Council, Inc. The Supply Chain Council has developed the highly regarded SCOR Supply Chain Operations Reference Model that is utilized around the globe by over 1000 corporate members of the consortium as a standard diagnostic tool.

As a member of the Reverse Logistics IT committee, I have had the pleasure of working closely with the Supply Chain Council and Returns management portion of their SCOR model. Our objective was to assess their current model and recommend if it would be a useful tool for the RLA members. We did this by comparing the SCOR process model to an example workflow of a product returned to a manufacturer by a sample Reverse Logistics Association customer. The SCOR Manual Version 9.0 is a comprehensive 641 page document with over 60 pages devoted to "Returns" including a model, framework, process, inputs/outputs, performance attributes, metrics, and best practices. The Returns and Reverse Logistics section is a recent ad-



dition to the SCOR manual. It is an excellent Reverse Logistics reference tool in its current state and with the cooperation of the Supply Chain Council membership and the Reverse Logistics Association membership, there is a real opportunity to nurture and grow the model into an even more powerful reference tool. The Supply Chain Council kindly dedicated a team of very talented and enthusiastic members led by Caspar Hunsche, Chief Technology Officer of the Supply Chain Council. Hunsche and his team worked with us to educate and perform our analysis. They assisted us to assess, match or "normalize" our example process with their SCOR model. Deanna Yee and Kevin Brady, two experienced volunteers from the Satellite Logistics Group, helped us learn and understand how flexible and powerful the SCOR model can be. "We utilize the SCOR model as our "opportunity engine" to identify the best impact changes for our Returns processing operations" explained Brady. Good luck!

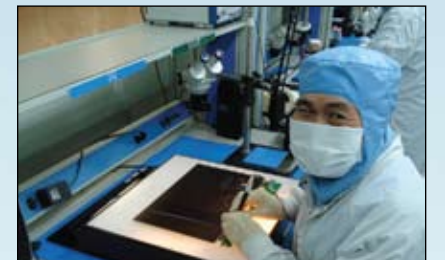
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