

REVERSE LOGISTICS magazine™



Opposites Attract: a Happy Marriage of Forward and Reverse Supply Chain

Page 12

Edition 17

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CONTENTS



Page 12

Opposites Attract: a Happy Marriage of Forward and Reverse Supply Chain

by Dr. ir. Harold Krikke, Open University

Logistics systems have developed from operational 'make-and-delivery' engines into an essential part of a companies' base of competition. Increased power of customers and retailers, expansion into international markets and increased competition require cross company concepts; enabled by (web based) IT. Although supply chain management in its purest form may be an illusion, companies have spent a lot of time to their forward supply chain in the last decade or two.

Supply chain management is defined as in 'the integration of key business processes from end user through original suppliers that provides products, services and information that adds value for customers and other stakeholders (Stock and Lambert, 2001). A painful conclusion is that reverse logistics is not yet part of this definition.

Articles



Page 16

The Reverse Logistics of Beer: Combating Keg Theft by Better Managing the "Float" in the Very Unique Supply Chain for Draft Beer

by Dr. David C. Wyld, Southeastern Louisiana University

The humble beer keg. A single keg is a staple for small events such as fraternity parties, football tailgating and backyard barbecues. However, this simple beer storage container has suddenly become a huge problem for the brewing industry. Today, beer kegs have suddenly become hot properties – literally – making one of the most unusual reverse logistics equations even more difficult for brewers and beer distributors to manage.



Page 20

Are Online Stores "Going Bricks?"

by Jeroen Weers, Spring Global Mail

Having witnessed a trend of traditional brick-and-mortar stores and mail-order cataloguers embracing virtual sales channels, it now appears that dedicated web shops are going in the reverse direction and moving in on traditional retail ideals. The fact is that the trend for today's business traders supports multi-channel selling – and with it comes the need for companies to be able to adopt an after-sales returns strategy that fits these multichannel needs.



Page 26

Customer Service Counts

by Jeremy Vick, Reverse Logistics Association

With the current global recession and economic failures with the banking and lending industries globally, there is no doubt that times are tough. We see companies falling into bankruptcy, laying off employees, cutting costs at every turn and even shutting their doors—either as a precaution, or as an end to an era. Countries are failing, considering bankruptcy as well and even paying immigrant workers to go back to their native countries. This plan is put into play to assist the country from further recession support of noncitizens. We see that the retail chains are not bouncing back as fast as anyone would hope, seeing quarterly drops in sales and losses. Even new terms are being used in these industries to help lighten the negative that has come so readily, such as describing losses as "negative growth."



Page 30

Customer Service in Reverse Logistics – What benefit?

by Nick Sellers, Sykes Enterprises, Inc.

In a perfect world, products would be... perfect. Never superseded, work straight out of the box, and never fail. If the world were perfect, customers would never need help and businesses would have no need for After-Sales processes. The mention of "Reverse Logistics" conjures up the image of products returning from users to makers, having become faulty and in need of repair or replacement. When this happens for real, emotions rise and problems become real and take on greater importance.



Page 34

Increased Transparency and Profit in Reverse Logistics Improving the Liquidation Process Using the 'Eaches Model'

by Paul St. James, Warehouse 86 Ventures, LLC

Reverse logistics has created a booming industry for liquidators and distributors that sell by the pallet through channels such as online stores, liquidation sales and deep discount retailers. Typical of the reverse logistics model, retailers and manufacturers can lose as much as 90 cents on the retail dollar for distressed inventory. When participating in a traditional liquidation process, most retailers and manufacturers are not able to receive a share of the profit made by liquidators in selling the inventory by pallet to the discount retailer; nor do they receive a cut from the discount stores which, in turn, sell the product individually.

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Reverse Logistics Magazine welcomes articles and abstracts. Please send to: editor@RLmagazine.com

Feature Article



Page 40

Gallery of Retail Fraud

Return fraud in the United States represents a \$11.8 billion* annual criminal enterprise, with the perpetrators of these crimes range from organized crime syndicates to normally law-abiding citizens who put their ethics aside because, "Who's it going to hurt?"

The SIRAS Gallery of Retail Fraud has been developed to shed light on these criminal acts by sharing some real-life examples of the many, oftentimes creative, ways criminals take advantage of retailers and manufacturers through the fraudulent return of products.

Features

To Our Readers - Letter from the Editor	6	Read the Press	37
Message from the Publisher	8	On the Move in RL	44
Advisory Board	9	Technical Trends	46
Industry Committees	10	Returning Thoughts	50
Industry Events	22	Advertiser Index	50



To Our Readers

A Letter from the Editor

In this edition, we focus on customer service in it's many forms and fashions. Jeremy Vick of Reverse Logistics Association writes how that now OEMs and Retailers are feeling the pinch of the economy, the temptation is to cut costs by cutting service; and, how that temptation will lead to long-term effects on customer satisfaction and loyalty.

I can attest to that statement, as I have my favorite stores (both brick and mortar and online) where one of the purchase considerations is ease of returning items which I do not wish to keep. The satisfaction guarantee and return process is what keeps me returning to those particular retailers.

One online jewelry retailer includes with every shipment, a convenient pre-addressed return label. Any items to return, simply go back in the original packaging, get sealed and dropped at my local drug store which has mail services. It's quick and easy and my charge card is credited within 5 days.

Nick Sellers of Sykes Enterprises, Inc. discusses the importance of knowledgeable and experienced call center representatives properly equipped with the necessary tools to quickly resolve customer issues. One recent purchase of mine resulted in a duplication of charges. Upon receipt of my confirmation email, I noticed that each item had been charged twice.

At 11:00 pm, I called their toll-free number and within 10 minutes the problem had been solved and to my great relief, charges reversed. Customer service counts - word of good or poor service gets around. Keep customer service a priority and keep your customers!

Happy shopping!

Christine Morrow



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 attention 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.

Did You Know?

With an RLA Membership You Can:



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Get passes to attend:

- Worldwide RLA Events
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Access Industry Best Practices with free downloads of RLA Conference & Expo presentations

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To learn how to obtain these plus additional benefits through membership call 1-801-331-8949 ext 40 or visit www.ReverseLogisticsAssociation.org



Message from the Publisher

Since our inception, we have provided solutions for our membership to save time and money. I'm happy to announce several new RLA services that are launching in July under the banner of RL Connect. RL Connect is a family of tools that allows businesses involved in reverse logistics to connect with each other more efficiently.

Our first tool in the RL Connect portfolio was launched over 2 years ago and members are already familiar with RL Quote. RL Quote will now be known as "3PSP Services, RL Quote."

RL CONNECT

1. RL Quote 3PSP/OEM

2. Consultants

3. Facilities

- Moving into a larger facility, don't leave those assets behind
- Looking for a RL facility that is already set up

4. Research

- Low cost research on critical subject matter

5. Mergers & Acquisitions

- Looking to sell
- Looking to acquire

6. Internship Programs

- Posting of students from Universities with an RL focus
- Private industry looking for Interns

7. Industry Careers

- Private Industry looking for an RL Professional
- RL Professional looking for a Position

8. Forum

- A forum for industry discussion

9. Recalls Solutions

- Find the right recall partner today



HERE ARE DETAILS OF TWO NEW AND EXCITING RL CONNECT:

CONSULTANT CONNECTIONS

Those looking for a Professional Reverse Logistics Consultant can find one to match the task that is to be accomplished. They just submit a request for a consultant and receive online responses from professional RL consultants with the right capabilities, expertise and knowledge.

And what about consultants who don't have the time to look for their next client? We take the hassle out of finding clients for consultants.

FACILITIES WITH RL INFRASTRUCTURE

Are you moving out of a facility that has RL infrastructure installed? At this very moment, RL companies are looking for facilities with RL infrastructure already in place. Facilities Connection takes the hassle out of having to restore your facility to its original state upon move out. There simply isn't a more cost effective way to vacate a facility.

Facilities Connections finds someone who needs to obtain what you need to liquidate. Are you looking for an Automated Reverse Logistics Facility that is fully equipped? Find an RL Facility to match what you need. Browse from our database of facilities for companies who are moving to larger facilities or downsizing.

Both of these new services are secure, confidential and FREE.

Be sure to take full advantage of RL Connect tools to help your company thrive during the economic downturn. And, watch for more ways that RLA will be helping the RL community.

Gailen Vick
RLA President
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.



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.



Christopher Gant—Fedex

Chris Gant is Director for FedEx Supply Chain Sales. He is responsible for all business development strategy and execution for both the FedEx SupplyChain Systems and FedEx Emerging Products Sales teams.

A 20-year veteran of transportation, logistics and electronic commerce, Chris has extensive expertise in the development and delivery of complex supply chain solutions for some of the world's largest corporations inclusive of both Forward and Reverse Logistics. He began his career with FedEx Ground (formerly RPS) in 1989 as an operations coordinator before joining the company's sales team in 1991. He quickly rose through the sales leadership ranks, holding the posts of area sales manager, district sales manager and senior national account manager for FedEx Ground.



Edwin Heslinga – Microsoft

Edwin is currently the Director of Global Services of Microsoft Devices – Zune and Xbox. In his position, Edwin is responsible 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 ConsumerElectronicsNorth 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 BusinessExcellenceGroup, 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



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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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OPPOSITES ATTRACT: A Happy Marriage Of Forward And Reverse Supply Chain

by Dr. ir. Harold Krikke

Introduction

Logistics systems have developed from operational ‘make-and-delivery’ engines into an essential part of a companies’ base of competition. Increased power of customers and retailers, expansion into international markets, and increased competition require cross company concepts; enabled by (web based) IT. Although supply chain management in its purest form may be an illusion, as my colleague Semeijn will argue in his inaugural speech, companies have spent a lot of time to their forward supply chain in the last decade or two.

Supply chain management is defined as in ‘the integration of key business processes from end user through original suppliers that pro-

vides products, services and information that adds value for customers and other stakeholders (Stock and Lambert, 2001). A painful conclusion is that reverse logistics is not yet part of this definition.

But increasingly companies pay attention to their reverse chain too. Reverse logistics is defined as the movement of goods from the point of collection to the point of reuse. It comprehends the processes collection, testing, disposition, recovery and re-distribution (Fleischmann et. al, 2000). Closed-loop supply chain management is defined by Guide and Van Wassenhove (2006), as “the design, control and operations (of a system) to maximize value creation over the entire life cycle with dynamic recovery of value from different types of returns over time.” Note that value

here means economic value, but as will become clear later on also refers to environmental value.

The closed-loop supply chain integrates the reverse chain in the full supply chain, thereby creating mutual benefits. It aims at ‘the integration of business processes that create additional value for all original and new players in the supply chain through closing goods flows” (Krikke et al. 2004). The reverse chain is no longer a disposal channel; it recaptures resources locked up in the product (or package, part) returned. For this reason, the reverse chain is to be seen as the natural partner of the forward chain, although they are each other’s opposites.

Now like in a good marriage there are certain rules for a successful

relationship. Below we elaborate on this guided by the following questions.

- Why is reverse logistics the opposite of forward logistics?
- Why is it the reverse chain the ideal partner of the forward chain?
- How can the relationship be successful?

The ‘opposite’ aspect: The Reverse Chain

Today, still many supply chain professionals associate closed-loops with (mandatory) returns management. This constitutes the ‘opposite’ aspect. Legislators increasingly hold the original supply chain actors responsible for the collection and recovery of products, once they have reached their End-Of-Life (EOL) phase. (Krikke and Zuidwijk, 2008) describe different types of systems worldwide, based on so-called Extended Producer Responsibility. Extended Producer Responsibility

(EPR) is defined as ‘a policy approach in which producers accept significant responsibility, financial and/or physical, for the treatment or disposal of products’ (OECD, 2001). These policies have led to collective, often national, recycling systems.

During the product life cycle also many other types of returns occur, such as claims and recalls, consumer warranty rights, marketing returns, catalogue sales (mail order/ e-commerce), ending of lease and empty containers. Although not always mandatory because of government policies, the market expects take back of these types of returns too. The different types of returns are processed by different recovery options. Table 1 describes six recovery options, namely direct reuse, repair, refurbishment, remanufacturing, cannibalization (also called harvesting) and recycling, as coined by Thierry et al. (1995). Different recovery options require different (designs of) processes. For example, collection for material

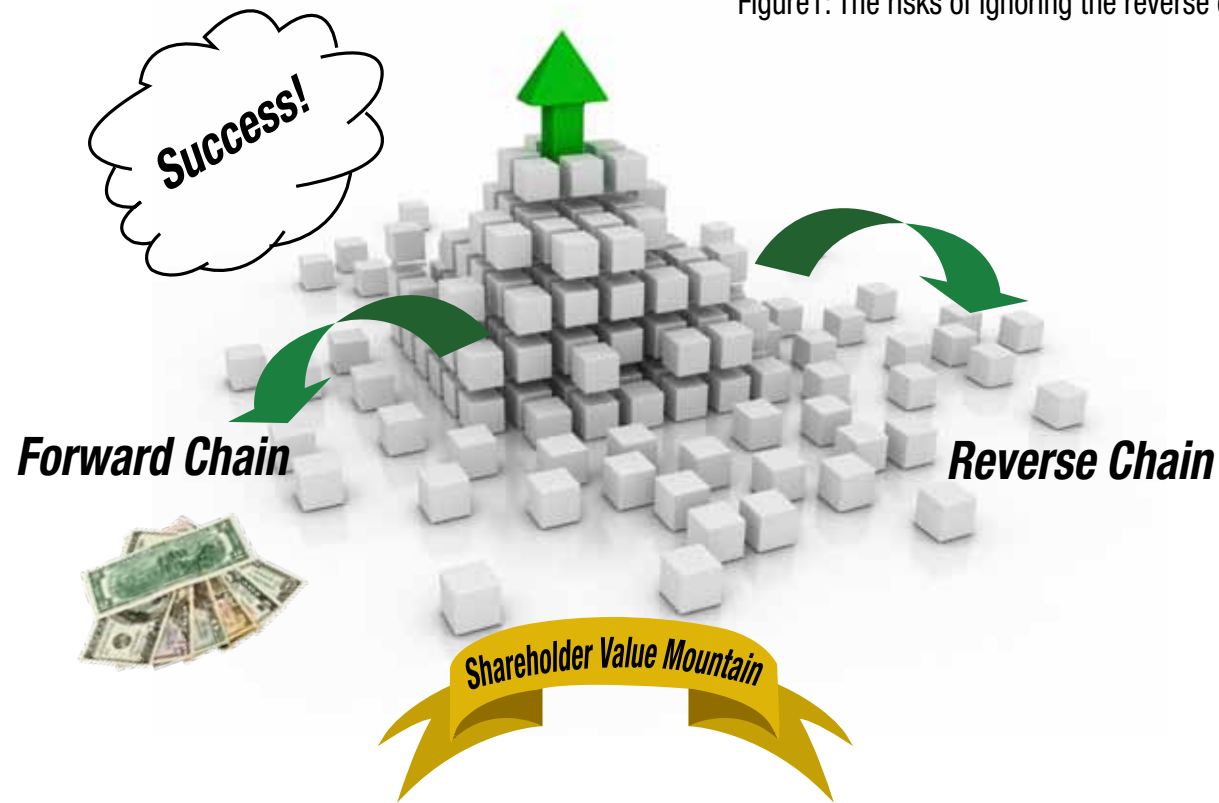
recycling may be a bulk process, however for remanufacturing more care needs to be taken. Here for instance good packaging is required to avoid damage. Processes such as separation and testing may also differ strongly per type of return and per recovery option. Moreover, next to operations many other business processes such as R&D and marketing must be involved in closed-loop supply chain management.

The sole focus on the return channel may explain its low status and the lack of managerial attention. It is only a decade ago that Caldwell (1999) presented survey results that showed clearly the lack of attention amongst managers, including the board of directors. However, change is at the horizon. In an era of raising prices of commodities and energy (although temporarily halted by the recession), material supply as well as environmental issues are now strategic concerns. In other words, returns are to be seen as valuable resources.

Table 1: Outline of recovery options (adapted from Thierry et al. 1995)

Options	Operations	Resulting Output
Direct reuse	check on damage and clean	item as is
repair	restore product to working order, some component repaired or replaced	original item
refurbishing	inspect and upgrade critical modules, some modules repaired or replaced by upgrades	upgraded item
remanufacturing	manufacture new products partly from old components	New item
harvesting	selective retrieval of components	Service logistics
scrap	shred, sort, recycle and dispose of	Materials and residual waste

Figure 1: The risks of ignoring the reverse chain.



As mentioned, closed-loops are not in mainstream definitions of supply chain management yet. Figure 1 illustrates that in creating shareholder value, the forward chain is seen as the way up to the top, and the return channel is the way down. And all mountaineers know: the descent is more dangerous than the climb.

The cradle-to-cradle paradigm advocates that 'waste = food' (McDonough & Braungart, 2002). This puts a different perspective to reverse chains: they will become suppliers of secondary materials, components, products or even energy. Although it is naive to presume that all returns can be reused, much more is possible than is happening today. According to research of MGH Consulting, the total Americas 2008 high technology warranty market for the segments considered is valued at \$13.3bn. And these are just warranty returns. It is estimated that the global reverse logistics market, including e-waste, will grow to over 180 billion dollars by the end of this decade. Particularly end of life recycling will be boosted by government directives

in Europe and Asia. Today, a staggering amount of e-waste is generated in the US (7 million tons), Europe (6 million tons), China (3,1 million tons) and Japan (3 million tons) annually. However, globally speaking, less than 40% is actually collected and recycled (Zoeteman, 2006). Table 2 details this data.

To wrap up: there is plenty of potential for a successful marriage; and plenty of risks also. Just like real life. The key is: are both partners ready for marriage? Is it really natural? And how about balancing the different interests?

Opposites Attract: a Happy Marriage of Forward and Reverse Supply Chain" part 2 and part 3 will be published in upcoming editions of RL Magazine.

RLM



Harold Krikke is 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 works as an assistant professor at Erasmus University Rotterdam and also as a business consultant at Tebodin consultants. As of 2002, he is a project manager of Center Applied Research and later became Associate Professor at the faculty Economics and B.A. of Tilburg University.

As of April 2008, he is the RLA Professor of Closed Loop Supply Chain at the Open University Netherlands.

Table 2

The data shows clear differences between the market segments, both in value and service operations. Some leading companies like HP, Apple, Sony, and LG are common to multiple market segments, although their market share and presence varies by country. The total Americas 2008 high technology warranty market for the segments considered is valued at \$13.3bn.

Summary of key market segment metrics:

IT hardware	<ul style="list-style-type: none"> Americas product sales: US \$106.3bn Warranty claims (% of product sales): 2.7% Americas warranty market: US \$3.1bn Average warranty reserve cover: 8-10 months
Networking equipment	<ul style="list-style-type: none"> Americas product sales: US \$27.9bn Warranty claims (% of product sales): 3.0% Americas warranty market: US \$653m Average warranty reserve cover: 12 months
Printers & Copiers (small devices)	<ul style="list-style-type: none"> Americas product sales: US \$20.6bn Warranty claims (% of product sales): 1.75% Americas warranty market: US \$361m Average warranty reserve cover: 10-16 months
Consumer electronics	<ul style="list-style-type: none"> Americas product sales: US \$72.4bn Warranty claims (% of product sales): 3.5% Americas warranty market: US \$2.5bn Average warranty reserve cover: 8-10 months
Mobile phones	<ul style="list-style-type: none"> Americas product sales: US \$45.9bn Warranty claims (% of product sales): 4.5% Americas warranty market: US \$2.1bn Average warranty reserve cover: 4-8 months
White goods & domestic appliances	<ul style="list-style-type: none"> Americas product sales: US \$46.3bn Warranty claims (% of product sales): 4.5% Americas warranty market: US \$2.1bn Average warranty reserve cover: 3-6 months
Aerospace and defence	<ul style="list-style-type: none"> Americas product sales: US \$366.6bn Warranty claims (% of product sales): 0.7% Americas warranty market: US \$2.5bn Average warranty reserve cover: 24-50 months

Whilst sales growth are often pronounced in the emerging markets, the recent economic downturn has highlighted the possibility of equally dramatic slow-down and even market contraction. This echo of boom-bust economics could leave many manufacturers exposed in new geographies, opening the door to both local competition as well as outsourced service providers who can offer clean-up services

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The Reverse Logistics of Beer: Combating Keg Theft by Better Managing the “Float” in the Very Unique Supply Chain for Draft Beer

by David C. Wyld



customers. Likewise, bars and restaurants must keep numerous kegs on hand to cater to their patrons. If kegs are lost – or increasingly stolen – the brewer charges its local distributor for the loss, meaning that the dollar losses are felt throughout the beer industry’s supply chain. According to industry sources, almost 400,000 kegs are “lost” annually in the United States, out of a total keg count of just under 11 million. This translates into an estimated loss in excess of \$52 million to the beer industry in the U.S. alone!

According to Jeff Becker, who is President of the Beer Institute, the Washington, DC-based trade group for the U.S. brewing industry, the beer industry is taking the keg theft problem very seriously. He recently commented: “It really got people’s attention because that’s a significant flow of our kegs that we’ll never see again. We know some of it’s very innocent, but some of it’s not.” Indeed, kegs often show up in the funniest places, ranging from fraternity house basements to floating boat docks. Increasingly however, kegs are being intentionally not-returned by customers and targeted for theft by criminals. Keg theft is often a crime of opportunity, as many times, keg thieves will look for an unsecured stack of kegs behind a bar or in a restau-

rant’s unlocked storage room or fenced-off area. However, there have been reported cases where entire semi-trucks, laden with empty kegs, have been stolen for their increasingly valuable sheet metal scrap. And such keg loss is not just an American problem. The British Beer and Pub Association (BBPA) reports that hundreds of thousand of kegs go missing in the United Kingdom each year.

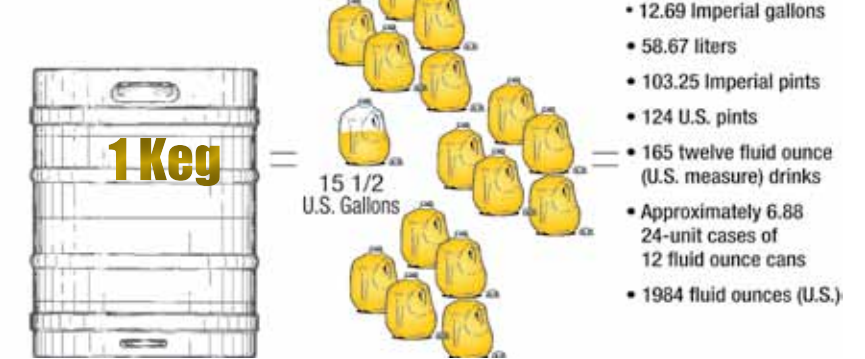
THE ECONOMICS OF KEG LOSSES

Why do so many kegs go missing? The answer is simple economics. While economists have pointed to many reasons behind the spike in commodities prices across the board, Chuck Carr of the Institute of Scrap Recycling Industries remarked that metal prices are being driven up by the increased demand of developing nations in their construction and manufacturing sectors, along with rising income levels and the attendant rise in consumer and industrial demand. Rising energy prices also contribute to rising metal commodities prices. As energy is necessary in the manufacturing, processing, and transporting of metals, the surge in oil and gas prices only serves to accelerate the rise in metals prices as well. Rising commodity prices have led to increased theft levels for all sorts of metal items. Across America, copper

wiring, aluminum gutters and air conditioner coils have been ripped from homes. Cemeteries have been looted for brass grave urns. Metal bleachers have been stolen from schoolyards and little league baseball fields, and guard rails have been removed from highways. Empty beer kegs weigh approximately 30 pounds and since they are made of a heavy grade of stainless steel, it makes them a valuable, if stolen, commodity in today’s marketplace.

Thus, for a keg that has a manufacturing cost of approximately \$150 and a scrap-value of between \$40-60 – based on the value of the sheet-metal it contains, customers have typically been charged deposits of as little as \$10. The customer deposit is refunded so long as the keg – and the tap mechanism utilized to serve beer out of the keg itself – is returned

WHAT IS A KEG?



intact. This low deposit has been in many cases dictated simply by tradition, while in some states, the keg deposit is actually set by alcoholic beverage regulators and/or by statute. Today however, many customers are realizing that they can get double, triple or quadruple the cost of their deposit by selling the empty keg to local scrap dealers. And, word of mouth on this subject – on college campuses, in the restaurant industry and in criminal circles – is only magnifying the problem.

For years, metals dealers had routinely accepted kegs, not knowing they were not legitimately being sold for scrap. Breweries themselves often sold their unusable kegs for scrap, but slowly, more and more individuals were showing-up with kegs to sell, either in singles or, increasingly, in multiples. The Beer Institute’s Jeff Becker expressed his frustration about scrap dealers still taking-in the valuable keg inventory of his members. He commented that kegs are easily recognizable

The humble beer keg. A single keg is a staple for small events such as fraternity parties, football tailgating and backyard barbecues. However, this simple beer storage container has suddenly become a huge problem for the brewing industry. Today, beer kegs have suddenly become hot properties – literally – making one of the most unusual reverse logistics equations even more difficult for brewers and beer distributors to manage.

Kegs are the property of the brewer, and they are lent through the remainder of the supply chain on a deposit basis, right down to the customer level. In turn, beer distributors must manage significant inventories of kegs to service their commercial and institutional



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due to their distinctive shape and size, and all kegs are clearly marked with the name of the brewer stamped on the metal. Keg thefts are only profitable if the thief can find a buyer for the ill-gotten good, and as Marty Forman, the President of Forman Metal in Milwaukee, Wisconsin commented, "It would take a moron to 'accidentally' buy a beer keg for scrap because everybody knows what a beer keg is."

"FLOAT" IN THE BREWING BUSINESS

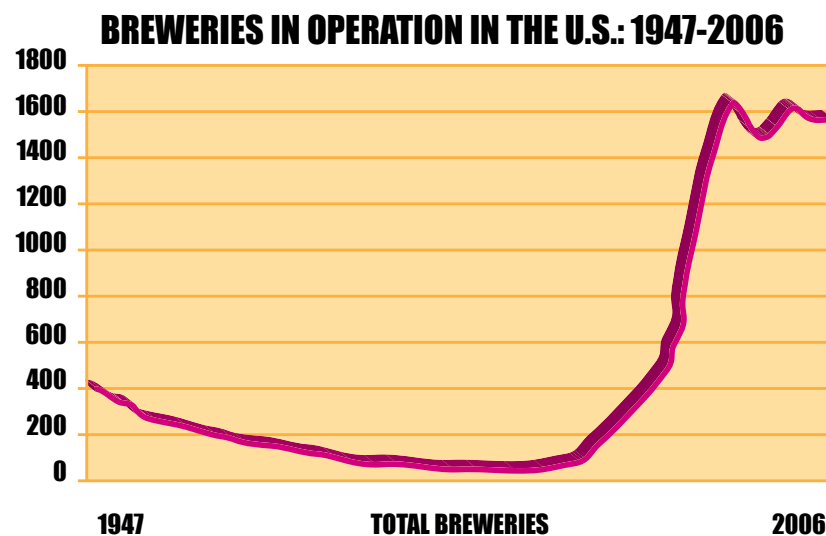
In the beer industry, the brewer's "float" refers to its total keg inventory. As a rule of thumb, for each tap using a specific beer product, even though only one keg can be physically supplying that pour location at any one time, eight kegs are needed in the float to keep that tap supplied. This is because in addition to the keg currently "tapped," there will need to be empty kegs to be refilled, full kegs awaiting shipment in cold storage at the brewery and the distributor, along with kegs in transit, and finally, kegs in storage at the service site. And with brewers today typically marketing multiple brands and variations with them (light beers, flavored beers, etc.), the size of the float

necessary to support a beer company's non-store sales is far larger than in the past. Consider that while many locations, such as sports stadiums and small restaurants, may offer only a few draft beer choices, many bars and clubs today are competing based on the variety of beers they offer on tap – sometimes numbering into the hundreds. In some cases, breweries have outsourced the management of their float to what are known as keg-leasing companies.

For small breweries, the sale of their "microbrew" products

at pour sites comprises a far greater percentage of their sales mix than for large beer companies – as much as 40% in some cases. Thus, the loss of kegs from the float cycle is even more impactful on small breweries, especially when one considers the loss of a container after perhaps only a few uses that had a decades-long usable life. Paul Gatza, who directs the Brewers Association, a Boulder, Colorado-based trade group representing 1,400 small, craft breweries, said that keg thefts represent "a significant hit" for small brewers (those making less than 500 barrels a year), as "a hundred dollars here or there can put them on the brink between making and losing money." For large breweries, their keg losses can easily top several million dollars annually. Al Timothy, who is the Vice President for Government Affairs for Denver, Colorado-based Molson Coors Brewing, put his company's keg inventory at in excess of 800,000 units. So, in short, for his company and other major brewers, when it comes to keg theft, "the bottom line is it's a big problem."

FIGURE 1



Source Data: The Beer Institute



Despite industry consolidation, as with InBev's recent acquisition of Anheuser-Busch, and the past Molson-Coors combination, there has been a dramatic increase in the total number of brewers in the United States in the past two decades, as can be seen in the figure below. This is largely due to the rapid growth of the so-called microbreweries, small brewers that often grow to serve not just regional markets, but find distribution nationwide and even internationally. Last year alone, these "craft breweries" produced 8 million barrels (a barrel of beer equals 31 U.S. gallons), and the microbrew portion of the beer industry, comprising approximately 90% of all breweries, are consistently experiencing double-digit growth rates, as opposed to a growth rate of just over 1% for the overall American beer industry.

Thus, so-called "microbrews" represent the fastest growing segment of the market, with some – exemplified by Abita Brewing and Samuel Adams – to be growing quite large themselves. Today, there is only

one keg manufacturing facility remaining in the United States, and with its capacity of approximately 300,000 kegs a year will not even keep up with the need to replace stolen kegs from breweries floats, let alone to replace unworkable kegs or meet new demands from increased production and new entrants. Thus, the keg loss problem may not just cost beer companies in today's dollars, but inhibit their growth potential and prospects for the future.

CONCLUSION

In the next issue of *Reverse Logistics Magazine*, we'll take a look at the legal and educational efforts underway to help combat the growing problem of keg theft. We'll also explore the technological solutions being developed to not just prevent keg theft, but to allow competitors in the beer industry to better manage their very unique forward and reverse supply chains. **RLM**



David C. Wyld is the Maurin Professor of Management and Director of the Strategic e-Commerce/e-Government Initiative at Louisiana University in Hammond, Louisiana. He is the author of the recent research report, "RFID: The Right Frequency for Government," to be issued by the IBM Center for the Business of Government. The complete report can be downloaded from the IBM Center's website at: www.businessofgovernment.org/main/publications/grant-reports/details/index.asp?gid=232. Contact David at dwyld@selu.edu

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Are Online Stores “Going Bricks?”

by Jeroen Weers

Having witnessed a trend of traditional brick-and-mortar stores and mail-order cataloguers embracing virtual sales channels, it now appears that dedicated web shops are moving in the reverse direction and moving in on traditional retail ideals. The fact is that the trend for today’s business traders supports multi-channel selling – and with it comes the need for companies to be able to adopt an after-sales returns strategy that fits these multi-channel needs.

Multi-channel selling combines brick-and-mortar (physical stores), mail-order catalogues and internet sales activities. The combination is powerful in enabling companies to increase sales opportunities and extend brand recognition and customer loyalty to a wider audience. So far, traditional companies have embraced the strategy more readily and now actively sell their products online. However, now we are also seeing successful dedicated web shops establishing an offline environment in the form of brick-and-mortar retail outlets. The reason?

Because, research demonstrates that businesses that sell to consumers through various channels are significantly more profitable and have customers who are significantly more loyal.

Online sales can never completely substitute other sales channels. A number of traditional mail-order cataloguers have already tried to substitute their printed catalogues completely for a web shop and the result has been plummeting revenues. In reality, the two sales channels are actually complementary to each other. Even though 7% of all companies are still only online retailers, in the long run they would become more successful if they adopt other sales channels as well. Dell’s decision in 2007 to start using retail as a sales channel proves that one needs to use all channels to have the most success. And the reasons for “going bricks” are many: retailers can reach a wider consumer audience, improve brand awareness by giving the brand a “face,” and improve after-sales services.

If re-organising to a multi-channel model is to be advantageous, however, careful brand management is essential. Companies must endeavour to communicate a single brand value across all its sales apparatus. If their order management, customer database and inventory database are centralised, they must be done so in a consistent manner to enhance the customers’ overall brand experience. It also means that any after-sales service must also be implemented in a multi-channel manner as well. When consumers have cause to complain or a need to return a product, they should be able to do this in a variety of ways: via e-mail or the website, by telephone, by visiting a retail store or even by post or pickup service.

FOCUS ON MULTI-CHANNEL AFTER SALES

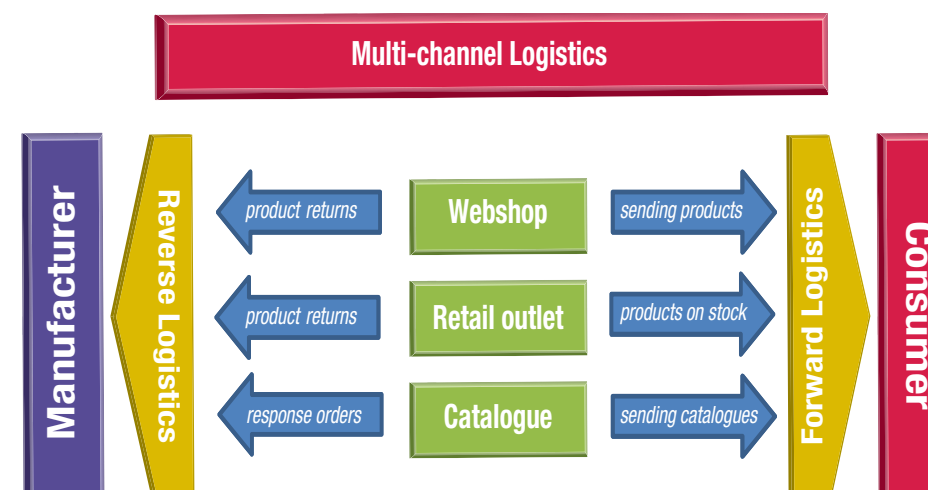
Returns are a fact of life. And it’s therefore necessary that multi-channel marketers focus on the right type of reverse logistics solutions for their products. For some

products, 25% of the goods sold are returned. By taking on the operational challenges of returns in an effective manner, and delivering a brand promise to customers for returned goods, companies can experience a serious increase in sales and competitive advantage. Studies show that 95% of consumers say that they would shop again if the return process is convenient, whilst 85% would stop buying from a company if the returns process is a hassle.

An easy returns policy is therefore an important differentiator between competing companies. Even so, some find the logistics process complex and costly and under-

standably they like to avoid having returns as much as they can. Most companies choose to opt for multiple return policies that match their sales channels, products and value of the products and which match the long-term economic value of their customers. Some policies, for example, allow for retailers to pay for the return of faulty items, while customers will be expected to foot the bill for a returned product following a “change of heart.”

To setup a strong returns programme that takes into account multiple sales channels and return policies, businesses need to be able to rely on a strong logistical partner that can best advise and deliver



OPEN UNIVERSITY INAUGURATION



In its ongoing commitment to education in the field of reverse logistics, the Reverse Logistics Association in 2008 sponsored a chair in Supply Chain Management at the Open University of the Netherlands. The chair was offered to the eminent professor of SCM, Dr. Harold Krikke; a leading academic with many publications to his name.

Professor Krikke accepted the chair and his public acceptance and inaugural address took place at the Open University, Heerlen, The Netherlands on April 27th 2009. Representing the RLA at the ceremony were Gailen Vick, President and CEO and David Meldrum-Taylor, Director of Research.

Dr. Krikke's address was titled "Opposites Attract: a happy marriage of forward and reverse supply chain." In this he discussed the development of logistics systems from operational 'make-and-delivery' engines into an essential part of a companies' competitive edge. He went on to look at Reverse Logistics and its key role in the business process with emphasis on Closed-loop SCM, maximizing value creation over the entire life cycle with dynamic recovery of value from different types of returns over time.

Cont. from page 21 on the various return solutions needed – not only for the inbound collection of faulty or unwanted items but also for the swift outbound deliveries of new, repaired or replacement products to their consumers. For inbound logistics or reverse logistics, this partner should be able to offer drop off and pickup solutions on an international scale, so that a consistent solution can be implemented worldwide. A logistics partner should also work with a business to drive down costs and improve after-sales service.

Only when a returns logistics pro-

vider acts as a true business partner, will a company benefit from a solution that becomes a competitive differentiator and create a brand presence that stands away from the crowd. RLM



Jeroen Weers is Development Manager Reverse Logistics for Spring Global Mail. Spring is the world's largest independent mail company with innovative solutions on distance selling and reverse mail.

Industry Events



Aberdeen's Chief Service Officer Summit – Boston, MA
October 8-9, 2009
summits.aberdeen.com/index.php/cso.html

RLA Seminar – Atlanta, GA
Understanding the Process of Consumer Returns
October 21, 2009
www.RLASHows.com/atl09_event.php

RLA Seminar – Salt Lake City, UT
December 10, 2009
www.RLASHows.com/slc09_event.php

International CES 2010 - Las Vegas, NV
January 7-10, 2010
www.cesweb.org/

RLA Conference & Expo – Las Vegas, NV
February 8-10, 2010
www.RLASHows.com/vegas.php

RLA Conference & Expo – Sao Paulo, Brazil
April 13-15, 2010
www.RLASHows.com/brazil.php

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The RLA conference kicks off on Monday with a number of activities including RL Workshops, RL Industry Focus Committee meetings and the opening of the Exhibit Hall. For those who like one-on-one time with their clients, join us at the RLA Golf Tournament.

Tuesday will start with an industry overview and forecast presented by RLA President, Gailen Vick. Afternoon sessions and panel discussions by RL professionals and leading academics will focus on cutting edge reverse logistics practices. Check the schedule available at www.RLASHows.com for session topics. The day concludes with roundtable discussions with each of the speakers.

More sessions and panels will follow on Wednesday. A wide range of leading global Reverse Logistics companies will be in attendance including: Home Depot, USPS, HP, Genco Western Digital, Sprint Cisco and Dell.

Be sure to visit the Exhibition Hall where ODMs and OEMs will be looking for 3PSPs that can manage Reverse Logistics in the Americas, along with identifying solutions for Europe and the Far East. 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 and complete details, visit www.RLASHows.com.



2/7	RLA FOOTBALL PARTY - 3:00pm - 7:00pm					
2/8	5th RLA ANNUAL GOLF TOURNAMENT - SIENA GOLF CLUB - 8:00am - 1:00pm PRE-CONFERENCE WORKSHOPS - 8:00am - 5:00pm EXHIBIT HALL OPENS - 1:00pm RLA Industry Committees - Open Discussions - 1:00pm - 5:00pm Exhibitor, Sponsor & Speaker Reception - EXHIBIT HALL - 6:00pm - 9:00pm					
2/9	Track A	Track B	Track C	Track D	Track E	Track F
	Welcome Remarks & Keynote Address - 10:00am - 11:30am					
1:00pm	Rob Brinkman - VP of Operations, Vizio Managing Reverse Logistics Across Various Retail Platforms	Remanufacturing and its Challenges	Chris Griffin - Sr. Manager Wireless Industry Repair Services & Reverse Logistics, Sprint Wireless Industry Repair Services & Reverse Logistics	Craig Sultan - Sr. Manager Reverse Logistics, The Home Depot Customer Satisfaction through Returns Voice of the Customer	Repair and Asset Recovery to Support Leased PC	Sales Lifecycle Tracking - Retailer Return Prevention Solutions
2:00pm	Steve Brown - HP Ken Ueltzen - Comteck Minimizing Service Parts Expense by Coupling Your Repair Strategy With an Alternate Sourcing Strategy	Edward Higgins - Vice President, Masterworks International Measuring Success in Outsourced Reverse Supply Chain Solutions	James Cochran - VP, Ground Shipping, USPS New Ways to Use Returns to Bring in Profit While Greening your Business	Thinking Forward in Returns	Developing a Set of RL "Business Rules"	Reverse Logistics Issues in the Data Storage Industry
3:30pm	Greg Hazlett - Principal, Tompkins Associates Creating a Customer Centric Reverse Supply Chain Strategy	Jay Richards - National Business Development Executive, NVC Environmental Supply Chain - SmartWay Transport Partnership - A Shipper & Carrier Perspective	Reverse Logistics' Visibility: See your Way to Process Improvement	Hannah Kain - President & CEO, ALOM Before You Outsource: 5 Secrets That Your RL Provider Does Not Want You To Know	Reverse Logistics - The Next Generation of Support and Value Add Services	Universal Model for Reverse Logistics IT
4:30pm	Roy Steele - President Panel: Service Parts Management	Marc Melkerson - VP Business Development, Renova Aligning Customer/Supplier Resources & Core Competencies to Realize Maximum Supply Chain Efficiency	Shrinking the RL Pipeline: How to Reduce the Flow of Product	Dick Kluis - VP, Product Management, ClickCommerce The Impact of "Conditional Awareness" on your Service Network	Integration Delivers Value Beyond Repair	Integration of RL Processes & Systems
	EVENING RECEPTION - 5:30pm - 8:00pm					
2/10	Track A	Track B	Track C	Track D	Track E	Track F
	Key Note Address - 9:00am					
10:30am	New Technologies in Reverse Logistics	Dan Barrett - Business Development Manager, USPS Before You Outsource: 5 Secrets That Your RL Provider Does Not Want You To Know	Going Green in Retail Returns	John Mehrmann - VP Business Development, ZSL Inc. Navigating the Economic Changes	Reverse Flow From A Retailer's Perspective.	RL Quote, Research and Consultants Co-op
11:30am	Inventory Asset Recovery and Liquidation	Dustin Ares - Senior Account Manager for Asset Protection, SIRAS Sales Lifecycle Product Tracking - Retailer Return Prevention Solutions	Strategies for Marketing Global Reverse Logistics Solutions	Jeffrey Harrison - Dir. of Business Operations, BlueRaven Recycling to support end of life Product Repair Requirements	Sustainability and Corporate Social Responsibility in Environmental Management	Reverse Logistics Management Systems Software State of the Art
2:00pm	Recycling to support End of Life Product Repair Requirements	Mark Servidio - VP-Environmental Supply Chain, Sharp Environmental Supply Chain	Creating Value from Returns - The Design of Service Networks	Stephen Fraser - President & CEO, Genco Recessionary Impact on the Reverse Supply Chain and Some Best Practice Considerations	Reverse Logistics as an Asset	Maximizing Opportunities From Managing Sustainability Risk
3:00pm	Reversal of Fortunes: Maximizing Revenue in the Reverse Logistics Supply Chain	Cayce Roy - EVP & President, Liquidity Services Inc. Using a Multi-Channel Reverse Supply Chain Strategy to Thrive in a Down Economy	Global Warranty Support	Drafting the Perfect Agreement: A "How To" Guide	Reverse Logistics: It's Not a Challenge, It's an Opportunity	Reverse Logistics Mobile Visibility
	Closing Remarks - Leslie Harms, RLA - 4:00pm • Lucky Draw - Lyndsey Turner, RLA - 4:30pm					

Customer Service Counts

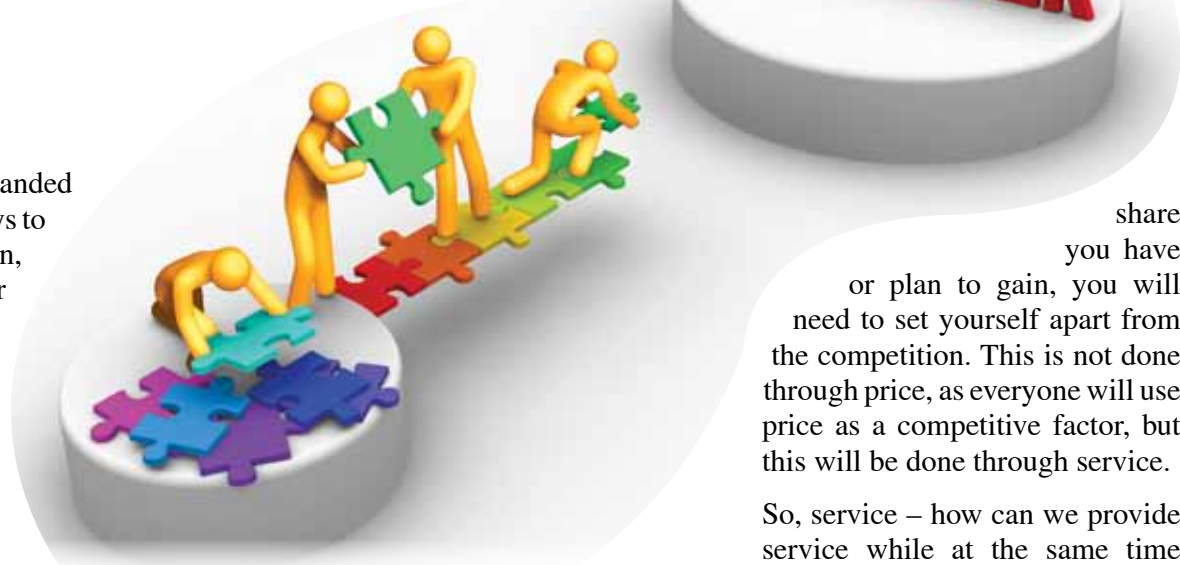
by Jeremy Vick

With the current global recession and economic failures with the banking and lending industries globally, there is no doubt that times are tough. We see companies falling into bankruptcy, laying off employees, cutting costs at every turn and even shutting their doors – either as a precaution, or as an end to an era. Countries are failing, considering bankruptcy as well and even paying immigrant workers to go back to their native countries. This plan is put into play to assist the country from further recession support of non-citizens. We are seeing that the retail chains are not bouncing back as fast as anyone would hope and seeing quarterly drops in sales and losses. Even new terms are being used in these industries to help lighten the negative that has come so readily, such as describing losses as “negative growth.”

With this continued path to a possible global depression, we see many companies worrying about the bottom line, worrying about the share holders and worrying about their own jobs. The one key factor in all of this is who is still worrying about the customer? Yes it is true, that if one does not focus on the bottom line and the shareholders, there someday, may not be a job or a company for a customer to take care of. Each of the aspects mentioned are very important, but without a customer to even purchase a product, there is no company in the long run. This is the time for each Retail

Company, OEM, or Branded Company to look for ways to maintain that well-known, high-level of customer service and support. This will be the time when a company can gain customer loyalty that is far beyond best price. Yes, price will play a big part of sales in an economy such as ours; price can be a deal breaker at times – price will draw the potential customer in the door and price will be the last thing the customer worries about – the final part of gaining a customer is receiving payment from them.

With all of that price talk in mind, the differentiator will need to be the quality of the product and maintaining and servicing the product throughout its life cycle. When we talk about quality, we always imagine new products coming off the production line, moving into the forward supply chain and into the customers’ hands. We then will consider the existing warranties and extended warranties to which the customer is entitled. At times though, we forget that many of us are now providing what is called “B” stock, like new or refurbished product, that customers have the opportunity to purchase. This is a value add to the customer. Any time, in an economy like ours, there need to be options for the customer – and in times like this, sometimes we just cannot afford a new “computer,” “cell



phone” or other item. Sometimes we just cannot put out the money, but thank goodness for the reverse logistics industry and the ability to take the “B” stock, like new or refurbished product to the customer and provide them an option to have what they desire at a price that is more manageable.

With the variety of new or even “B” stock product being sold, any company can still gain the ever valued customer, but with the understanding that support on the product, either new or refurbished, needs to be supported. In the past, Retail and OEM companies looked to sell new, then upgrade a customer with a new, better, faster, more popular item as the older one became obsolete. As with most cases, now, the tendency for the customer will be to buy the best product they can, for the best price, looking at longevity versus popularity. So, what does this mean for the Retail or OEM Company? Well, it means customer service. If you want to maintain the market

CUSTOMER

share you have or plan to gain, you will need to set yourself apart from the competition. This is not done through price, as everyone will use price as a competitive factor, but this will be done through service.

So, service – how can we provide service while at the same time cutting costs and delivering what the shareholders expect? This is done in a few ways that may seem simple, but are crucial to this process.

- Maintain the level of warranty support for all products sold, be it new or “B” stock.
- Offer longer extended warranties to support product. This is a revenue generator, but also a value add to a customer looking for long-term support.

- Provide customer service at the highest level, doing things right the first time and not allowing customers to become frustrated during support processes.

- Treat your third party service provider (3PSP) like a partner, an extension of your company, not a vendor that you look at and plan to reduce their operating expenses.

Each of these will play a key part in the customer experience and will provide an overall great relationship for the customer, Retailer

or OEM and the 3PSP. These steps will generate revenue, but will also help gain market share and loyalty. Let’s take a look at each bullet point for a clearer understanding. Please note that the perception of only refurbished product to be sold in the future is not the case, but understand that these items are a true market and a growing marketplace as well. Billions are generated each year from “B” sales. We need to be open to change and accept this new world.

- Maintain the level of warranty support for all products sold, be it new or “B” stock. As customers look to drive their electronics or other purchase items for longer use, the support of those items become key. There is nothing worse than to hear that a company from which you purchased an



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item cannot support it any longer and that you need to replace it. In this economy, that is a negative customer support issue. It is easier for a customer to pay for extended warranty and get parts support, or even get parts support without a warranty – as long as they can maintain the use of the item, and keep their costs low.

Keep in mind that a justification for a customer is not just longevity, but the “Green” solution as well.

- Offer longer extended warranties to support product. This is

not only a revenue generator, but a value add to a customer looking for long-term support. This cannot hurt at all. A few extra months or years adds to the overall cost of the warranty, but brings peace of mind to a customer. Even when they are buying the “B” stock item, it is nice to know there is coverage rather than

the alternative of a new and out of their price range item.

- Provide customer service at the highest level, doing things right the first time, and not allowing customers to become frustrated during support processes. I recently had a friend call and tell me that they had purchased a game console a year ago from a major retail company. During the time of purchase, an extended warranty was sold to my friend and peace of mind was delivered. One year later, the system crashed. With the understanding that things happen with electronics, my friend began what would become one of the worst customer experiences ever. My friend received poor communication; delivery times were promised but never kept. In fact, at one point, a refurbished machine was sent to him, as is the process, only to find out it was not fully functional and that it also contained the previous owners’ information.

The process as a whole should have taken no more than 2 weeks.

After four long months, he finally called me asking for help. The bottom line is that the retail chain has lost a customer for life. The level of service was poor, the desire to please and support a customer who paid for extended warranty

was not there and it took escalating to senior management before anything would be fixed correctly. Due to the economy, the company had chosen to provide fewer call center agents and lower the standards of the repair by requiring the 3PSP to lower costs– which meant lowering service levels.

- Treat your third party service provider (3PSP) like a partner, an extension of your company, not a vendor that you can look at to reduce their costs. Understanding the previous bullet point and connecting it with this last point is vital. A simple scenario of action I see taking place now is OEM companies asking their 3PSP vendors to drop their pricing for processing any customer support, return and repair processes. This is not the solution. Take for example some simple math–when a 3PSP is asked to drop their pricing, it is not a simple dropping of the pricing and keeping the same service, but more of a drop in pricing means the drop in service offering or quality as well.

For example, many companies receive a returned computer.. At the current rate of \$100 to repair the unit, the process is to create an RMA, ship the unit into the repair center, test and diagnose the unit, complete repairs and retest, then ship back out the door to the customer. If quality controls are in place and then a request is made or a threat of lowering the price in order to keep the business, then the quality of the work will drop as well. Third party service providers are experts in processing returns and leveraging an entire facility to capture every cost savings possible for the OEM or

Retail customer. These 3PSPs are also providing a service to generate revenue for their company as well. When you choose to lower the price, then you are in actuality asking the 3PSP to cut out a process. Each 3PSP will argue not to do this, but the customer is the customer. So do the math – if you are charged \$100 to process a return, test and repair it, then get it back into the customer’s hands, with the high level of quality you expect, then you expect it to be completed in a timely manner and at a high quality for repair. The cost, again is \$100. If the request is made to lower the cost, cutting out a step or rushing the 3PSP to get through the process faster, then quality of the work will need to be lowered. So now a new rate is provided of \$80. Major savings per unit or is it? If a step is taken out, or the process is rushed, how many more times will that computer show up at the repair facility? Even if the answer is 25% of the time, you are now spending \$100 anyway on the return of the first 25%. Calculate that for each 25% return ongoing from the first batch that returned a failure. Your cost will now become over \$100 per unit, but the customer satisfaction is dropped as the machine could not



Reverse Logistics and Aftersales Support

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be repaired properly. Where will the customer loyalty and customer experience be? Consider losing 25% of your customers due to the desire to try to spend less and offer low quality customer service.

With all of this said, there is a continued need to support the customers, regardless of the product, and there is a need to each party, OEM/Retail and 3PSP alike to work together. Each group should focus on their areas of expertise. Each company should communicate concerns to the other and look for solutions together. Each company should expect the best from each other, as that is what I expect as a customer. At the Reverse Logistics Association, we see constant growth in outsourcing, a continued need of support from 3PSPs in helping OEM and Retail companies alike cut costs where

needed, free up capitol for R&D and proper finance management.

RLM



Jeremy Vick is the Vice President of Global Marketing Solutions and Sales at The Reverse Logistics Association. In addition to his

responsibilities in sales and marketing, Jeremy also provides support to RL Magazine, the Association's trade magazine for the reverse logistics industry. Jeremy has also been involved with the development and implementation of the research program for the Association as well as the RLA Industry Committees.

Customer Service in Reverse Logistics – What benefit?

by Nick Sellers



In a perfect world, products would be...perfect. Never superseded, work straight out of the box, and never fail. If the world were perfect, customers would never need help and businesses would have no need for After-Sales processes.

The mention of “Reverse Logistics” conjures up the image of products returning from users to makers, having become faulty and in need of repair or replacement. When this happens for real, emotions rise and problems become real and take on greater importance.

Customer Service is the function in the front line that deals with customers facing the realities of products that no longer function as intended. Taking a phone call, answering a question, providing advice and information are all ways in which customer service

is provided, and this isn’t delivered only from call centres but by retail outlets, repair centres and carriers. Consideration of how the consumer is affected after they’ve purchased a product is vital to keeping costs under control and ensuring that customers are not disenfranchised by their experience.

The degree of sophistication and focus applied throughout Reverse Logistics today by most companies is evidence of the importance of this activity. In the past, the cost of retrieving, handling and reworking products was high but accepted. Modern businesses now pay a lot of attention to controlling these costs, as well as other impacts such as compliance and customer satisfaction. These are all necessary to improve overall performance and manage the

situation associated with products that no longer work at the point of consumption.

CUSTOMER SERVICE – FOR REVERSE LOGISTICS

Whenever a person or company buys, leases, or acquires a product they expect that the seller or maker will provide help should the need arise. Customer Service has become the standard term used to describe this help. This is normally delivered in the form of a customer helpline where experts are on hand to listen to the customer’s explanation of the problem, identify the cause, explain what has happened, and provide guidance and resolution.

Customer Service, as applied in Reverse Logistics, falls into two key areas:

- Technical Support – the user is given expert help to resolve an issue they’ve experienced when using the product. Most often, this help is provided by the manufacturer’s own, or outsourced, team and ranges from expert user advice right through to engineer level expertise.
- RMA & Service Support – agents provide users with a focal point for return and repair or field service actions being instigated and followed

through. In most cases this is provided by the manufacturer’s own, or outsourced, service resources.

Customer Service is, above all things, about clear communication and great people skills.

THE BENEFITS OF GOOD CUSTOMER SERVICE

Applying the necessary skills and focus brings a number of benefits which can easily offset the cost of providing this, and maintain or even improve customer relations. Examples of how Customer Service helps:

- One to one help for users – when a product fails to work as expected, expert advice provides support that keeps the customer on board in a way that can only be bettered by a face to face conversation. This early contact can be particularly important if the product failure is mission critical, as would be the case with healthcare appliances or network failures. It also involves dealing with powerful emotions such as anger and frustration.
- Reduce service transactions – by providing technical support through a skilled resource, the number of product failures that require a field service visit or return for repair is reduced dramatically, as can be seen in Figure 1. By providing knowledgeable resources from a central point, such as a call centre, efficiencies are achieved with the cost of each transaction being much lower than physically moving and touching the product.
- Gather advance information – not every support call can avoid a service request but the

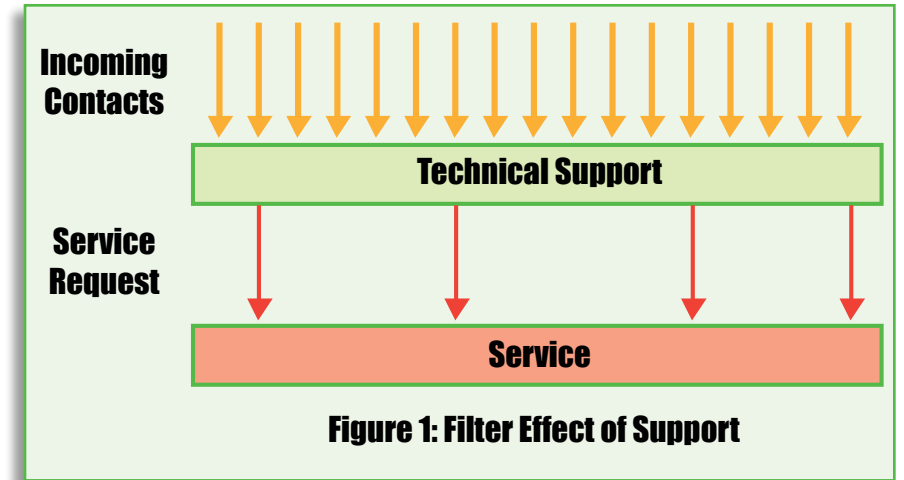


Figure 1: Filter Effect of Support

information gathered during the call, including the diagnosis steps and outcomes recorded by the agent in the call centre, can be helpful in speeding through a repair, saving both time and money. Comparing “indicated fault” (call centre) with “found fault” (repair process) provides a useful way to calibrate agent train-

ing, improve call centre processes, and minimise service transactions.

- Maintain, restore and improve relationships – whether engaging with consumers or business users, relationship is always of paramount importance if a company’s reputation is to be protected. Even when things go wrong, the



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soft skills used by customer service agents can bring the most irate customer back to a point where conversation is productive.

THE CUSTOMER EXPERIENCE

Customer satisfaction surveys are often used to judge how successful After-Sales activities have been. Targets of 70, 80 or 90% top two boxes are fairly typical. These surveys are just one way of measuring the effectiveness of customer facing activity. Analysis of customer contacts provides indicators that operations scoring well in both customer support and service may not be functioning as well as intended and are leaving customers disappointed. A typical breakdown of contacts (see Figure 2) shows that:

- 50% first time – regular requests for assistance
- 15% repeats – callers provide more information that wasn't available before or discuss again a problem that was not resolved on the first call.
- 25% service process – carrier hasn't collected/delivered yet, engineer hasn't arrived as arranged, update request for in-progress repairs, or the product remains faulty after repair.
- 10% complaints – about one or more aspects of the After-Sales process

This gives a clear indication that the consumers' experience differs from reported delivery even if surveys and key performance indicators show otherwise. At the very least, the customers' expectations are not being met.

That only approximately half of contacts received are desirable provides rich opportunities to reduce costs substantially and improve customer satisfaction at little or no additional expense. Achieving these necessitates co-operation throughout the Reverse Logistics process with focus on service provider co-operation, access to information, training, and managing customer expectations.

PRACTICAL APPLICATIONS OF CUSTOMER SERVICE EXPERTISE

The overarching need in any After-Sales process (other than those dealing with end-of-life processing) is to keep the product in the hands of the user and working as intended/designed.

SERVICE AVOIDANCE

As the first step in the Reverse Logistics process, the customer service function filters out cases where user inexperience, lack of technical knowledge, or environment have prevented the product from performing as intended. The cost of doing this

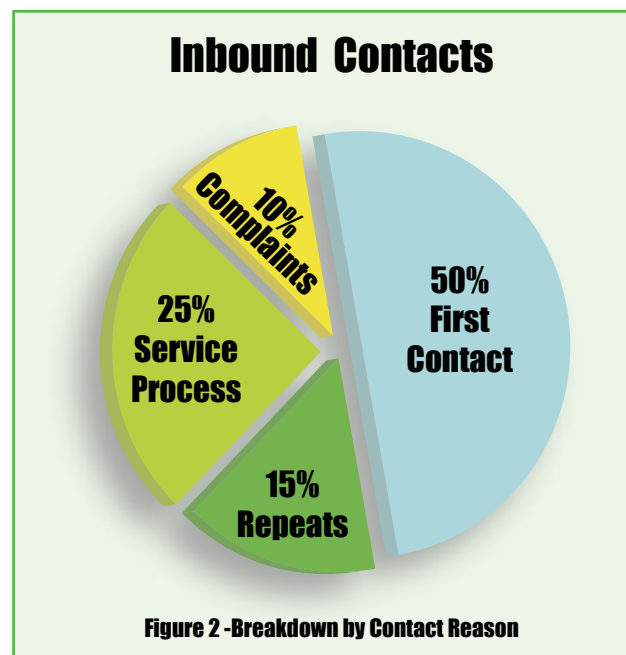


Figure 2 - Breakdown by Contact Reason

varies from product type to product type and with local conditions, but comparing successful remote help at a cost of, say, \$10 with collect and repair or field service engineer transactions (at a cost, let's say, of \$40 and \$100) where no fault is found needs no explanation. Where a Support to Service ratio of 10:1 between user requests and RMA or field service visits is typical a cost avoidance of between 75% and 90% is achieved, using the numbers indicated above, and the user is not inconvenienced by being unable to use the product while waiting for service.

NO DEFECT FOUND

The rate of No Defect Found (NDF) varies from product

type to product type. Retailers, especially, experience a high NDF rate when the consumer's "out of box" experience isn't straightforward. By providing help using experienced Technical Support specialists rather than regular Customer Care staff return rates can be dramatically reduced. If each NDF customer return costs a retailer \$300 in transport, handling, reduced margin, lower resale value and other associated fees, the potential saving by providing the customer with the right support of \$290 per transaction is very attractive. Deploying support may have the impact of reducing the retail return rate from 40% to 10%, repaying the cost of support many times over in a very short time.

APPLES AND ORANGES

NDF as a percentage of total returns can be used as an effective measure, not of Technical Support effectiveness, but of real-life experience. To compare a user's experience of, say, a computing product's unwillingness to work as expected at home with a technician's workbench and diagnostics tools is like comparing apples with oranges. By combining customer feedback, as gathered in the contact centre, with NDF findings in the repair process an early indication of the necessary changes is given. The outcome can be improved product design, or updated documentation, or technical support guidelines. In any case, a better customer experience and fewer service transactions should result.

FINAL WORD

Customer Service is best provided by carefully recruited

and trained people to give the customer the best support possible and have impact throughout the Reverse Logistics process. A bad customer experience at this first step can set the tone for later interactions that is unhelpful and possibly destructive. The question "how difficult can answering the phone be" is best answered by replaying personal experiences when calling a helpdesk. Compare two types of experience – one where the person at the other end was unable, or unwilling, to give any constructive help with another where the customer service agent had access to the necessary information and subsequent steps happened exactly as promised – and the difference is obvious.

It's possible to design Customer Service processes in the same way as any other kind, but beware – support deals with information and emotion and is quite different from products, parts and closely engineered services.

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Nick Sellers is Director of Marketing for SYKES in EMEA, with global responsibility for technology sector solutions

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Example:		
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NDF		
@ 40%	4,000 @ \$300	\$1,200,000
@ 10%	1,000 @ \$300	<u>\$300,000</u>
Reduction		\$900,000

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Increased Transparency and Profit in Reverse Logistics

Improving the Liquidation Process Using the 'Eaches Model'

by Paul St. James

Reverse logistics has created a booming industry for liquidators and distributors that sell by the pallet through channels such as online stores, liquidation sales and deep discount retailers. Typical of the reverse logistics model, retailers and manufacturers can



lose as much as 90 cents on the retail dollar for distressed inventory. When participating in a traditional liquidation process, most retailers and manufacturers are not able to receive a share of the profit made by liquidators in selling the inventory by pallet to the discount retailer; nor do they receive a cut from the discount stores which, in turn, sell the product individually. These third party logistics providers (3PLs) add to their customers' profit loss by charging for an itemized 'touch and handle' fee that diminishes revenue profit potentials by selling goods by the truckload for pennies on the dollar. In most cases, retailers and manufacturers must sacrifice control when outsourcing their asset recovery management needs, thereby becoming reliant on what is reported to them by the liquidators.

As the economy is squeezing more and more out of companies, many retailers and manufacturers are taking more interest in the process of handling their product in order to better gauge the profit lost from returns and unsold merchandise through current liquidation channels.

In an effort to eliminate excess cost and better allocate revenue earnings throughout the process, the online auction format creates a truly transparent reverse logistics model. This process has the effect of both streamlining liquidation and producing a profit from the growing mountain of returned, slightly flawed and unsalable merchandise collected by manufacturers, retail storehouses, logistics companies and insurance agencies. Typically, operating under a revenue-share model, the online auction process aligns its interests entirely with its customers, thus eliminating the 'per item touch and storage' expense charged by traditional 3PLs. Other benefits of the 'eaches' liquidation model include the creation of total transparency for customers and visibility for the end users, as they are able to see the value that other bidders assign to products.

Reverse Logistics Association Seminars

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The highlight of each RLA Seminar is the facility tour showcasing some of the most efficient return, repair and services operations such as Best Buy, Appleseed's, Sun StorageTek, FedEx, HP, Sun Microsystems, Motorola, Colgate-Palmolive & Dell

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"When dealing with multiple high-volume global customers that demand speed, transparency and accuracy, as well as ethical behavior, it is imperative to find the right partner who can provide the best solution," states Dave Phipps, Senior Vice President of Operations at AON.

"Tracking an item through

all phases of the sales cycle and providing detail reporting on a real time basis is the key to success in this industry."

Incorporating a National Returns Center into the process allows the system to bypass all, or most, of the traditional expense centers normally associated with the handling, verifying and accounting of products. By rolling national returns into an 'eaches' online liquidation model, the system is able to provide more in-depth information (e.g., testing, descriptions, photographs) and higher salvage recoveries all in one cost-free step.

"Using a transparent, innovative system and online auction technology, we were able to substantially increase the recovery



of our overages, shortages and damages, while at the same time saving us millions of dollars in yearly expenses,” states Jack Sussbauer, former Senior Security & Operations Executive at UPS.

Under this model, the listing process (or record keeping) becomes more efficient and effective, as the information used to prepare an item for an online auction sale (i.e. photo, condition, title, description, UPC number, etc) is the exact same information most companies pay 3PLs to gather about their returned goods. With this understanding, the online liquidation model combines the two tasks into one function by leveraging a more accurate data collection in

the preparation of the individual item for e-tail sales; the higher net gain through the ‘eaches’ sale not only transfers to the bottom line, but allows for complimentary data collection that is more accurate and completely transparent. The end result accomplishes everything a traditional reverse logistics process would, only with greater data, transparency and profits.

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Paul St. James is one of the original founders and serves as the Chief Technology Officer for Warehouse86 Ventures, LLC, the leader in a group of offerings that provides innovative e-commerce solutions for the diverse vertical needs for the reverse logistics and liquidation industries.

Manufacturers, retailers and distributors can now see, in real time, what stage of the process an individual item is at, what the item looks like (i.e. with a digital photo), the price the item sells for, as well as who purchases it. This process is completed at zero cost for the customer thereby eliminating channel conflict, increasing revenue and brightening the otherwise dark, expensive and often misleading world of liquidation. As more retailers and manufacturers recognize that they can gain control and save money, the ‘eaches’ online liquidation model will move from being an option in the marketplace to being the norm for the reverse logistics industry.

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READ THE PRESS

Full articles available from RLA News Center.

GENCO Marketplace Launches Online Store for Bargain Shoppers – NoBetterDeal.com

GENCO Supply Chain Solutions, recently announced the launch of NoBetterDeal.com – an online B2C store where bargain shoppers can purchase high-quality surplus inventory and retail returns at below wholesale prices.

NoBetterDeal.com is operated by GENCO Marketplace, a subsidiary of GENCO Supply Chain Solutions, which works with retailers and manufacturers to liquidate their returned and surplus product. Every day GENCO Marketplace liquidates more than \$5 million worth of product, most of which is sold in carton, pallet and truckload quantities. A select portion of new and like-new product is sold as single units on NoBetterDeal.com.

Don't Fumble that Handoff

Outsourcing, in general, has been a hot topic in American business for the past several years. And the debate only heats up when the outsourcing discussions start focusing on supply chain functions. In theory, outsourcing is simply another procurement exercise, subject to the same basic procurement rules and recommendations as everything else. But we tend to regard supply chain outsourcing in a special light. Supply chains are our lifelines, the way products reach customers.

Providers of outsourced logistics services are prominent—even leaders—in our profession. Yet despite the visibility and good reputations of these providers—call them 3PLs for the moment—estimates are that 25 to 50 percent of outsourcing deals fail, or at least fail to meet expectations.

Computer Businesses Could Gain Advantage Over Competitors by Adopting Reverse Logistics in Downturn

During an economic downturn companies, particularly in the computer sector, could gain an advantage of their

competitors by adopting reverse logistics, according to researchers writing in the International Journal of Environment and Sustainable Development.

Sayed-Mahmoud Aghazadeh of the Department of Business Administration at the State University of New York, Fredonia, explains how reverse, which deals with the movement of products from consumers back to producers could give companies an economic and environmental boost.

Environmental pressures across the globe have led to the development of legislation and regulations that place the onus on consumers as well as manufacturers to collect used products, and facilitate the disassembly of these products into their constituent parts and then distribute these for reuse, recycling, or safe disposal. The remanufacturing of used products has become accepted and identified as an advantage for many corporations and precludes the wasteful and environmentally damaging option of sending such goods to landfill or incineration.

Maintaining the Customer Experience

Stinting on customer service is a common and sometimes costly response to tough economic times. By managing the customer experience more rigorously, companies can maintain quality while still saving money.

The challenging economy is putting consumer companies such as airlines, banks, and retailers in the difficult position of cutting back the service levels that customers have come to expect in recent years. These companies are closing retail locations, reducing hours of operation, and making do with less staff in stores and call centres.

Meanwhile, faced with rising costs, they are also increasing prices, either overtly or through fees. As a result, our customer experience research shows that satisfaction scores are reversing the upward trend of the past few years and actually dropping in a number of industries. *continues on page 42*

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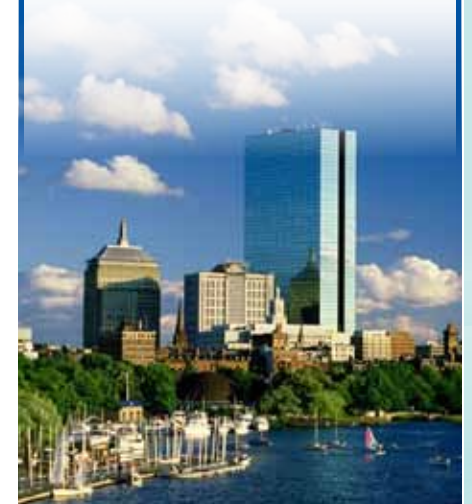
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The sixth annual RLA Conference & Expo held in Amsterdam again saw over 450

registered attendees representing over 200 companies and nearly 35 exhibitors and sponsors. This is quite a statement considering the state of the economy and significant drop in the number of participants in other industry events.

The event was again held at the Dorint Hotel on June 16-18, 2009 where Reverse Logistics professionals and leading academics met to share best practices and discuss the most pressing reverse logistics challenges. Companies represented included Belgacom, Canon, Cisco Systems, DHL, Erasmus University, GE Medical Systems, Hewlett-Packard, Iomega, Nokia, Open University, Plantronics, Sharp, Sony, TomTom plus many more.

Tuesday offered pre-conference workshops and an evening reception for exhibitors, sponsors and speakers. The conference kicked off on Wednesday with the Welcome Address by RLA President Gailen Vick followed by the keynote address by Adam Sherry, Vice President Consumer Care Philips. Adam spoke about what makes the Philips brand different. Philips focuses on:

- Meaningful innovations in the areas of healthy living, independent living, preventive health care and sustainable home lifestyle.
- How maintaining customer relationships is key to growth and profitability. How they retain customers through understanding and anticipating their needs and by providing the right products and solutions to fit those needs.

Philips has changed their RL/After-Service Team into the Consumer Care Team chartered with service including web/live chat and call centers, processing returns, repairs and refurbishment as well as warranty management. The Consumer Care Team goal is to "exceed consumer & CFO expectations with outsourced partners." Learn more Philips Consumer Card Team—download the Adam Sherry presentation from the RLA web site.

Wednesday afternoon and all day Thursday, conference sessions and

panel discussions focused on industry-specific issues such as "Eco-footprint & Reverse Logistics," a case study on "How to make your Reverse Logistics profitable" and a panel discussion on "Efficient Returns Management." Attendees also had the opportunity to meet with exhibitors including Flextronics, Sykes and Spring Teleplan during the 2-day Expo. The Wednesday evening Amsterdam Canal Cruise Sponsored by DHL and Spring Global Mail, provided attendees a chance to see some of Amsterdam plus the opportunity to meet with potential customers.



The conference concluded Thursday afternoon with Award Presentations and the "Lucky Draw." Winner of the "Best Use of the VIP Program" went to Teleplan and Teleplan also won the "Best Booth" award with Spring Global Mail as the runner-up for best booth. Many thanks to our drawing sponsors including: RIM, Philips, Iomega, Sun and Plantronics. Thank you to all participants for another outstanding RLA event!

RLA AMSTERDAM CONFERENCE & EXPO SPEAKERS

<p>Adam Sherry Vice President Consumer Care Philips</p>	<p>Dr.ir. Harold Krikke RLA Professor of Closed Loop SCs Open University</p>	<p>Mark Jackson VP, Global Account Sales UPS</p>
<p>Adrian Clitheroe Managing Director, Amark International</p>	<p>Ian Rushe Supply Chain Field Operations Manager EMEA, Cisco Systems</p>	<p>Martin Reiss Director, Key Account Management Reverse Logistics Group</p>
<p>Bob Cleary Sr Regional Service Manager TomTom</p>	<p>Itamar Veneman Senior Consultant Gordian Logistic Experts B.V.</p>	<p>Michel Blom Reverse Logistics Manager EMEA Plantronics</p>
<p>Bryan Maguire Regional Vice President for EMEA Jabil</p>	<p>Dr Jacqueline Bloemhof Assistant Professor RSM Erasmus University</p>	<p>Morgan Johnson, BA, MBA Director, Global Service Delivery Global Service Delivery</p>
<p>Chris Ernst, Founder Acceri</p>	<p>Jelle Schoenmaker Sales Director Cycleon</p>	<p>Nick Sellers Director of Marketing EMEA SYKES Global Services Ltd.</p>
<p>Claude Laval, Services Program Manager Hewlett-Packard</p>	<p>Jeremy Vick Vice President, Global Marketing Solutions and Sales, RLA</p>	<p>Oliver Lemanski Asia Pacific Regional Manager MGH Consulting Ltd.</p>
<p>Cyrille Regardin Senior Manager Business Sony France's Technology Centre</p>	<p>Jeroen Weers Development Manager RML Spring Global Mail</p>	<p>Paul Bruce VP, Global Services FLEXTRONICS</p>
<p>David Cope Founder MGH Consulting</p>	<p>Joe Cahalane Managing Director ARISE Europe</p>	<p>Peter Ten Thije Reverse Logistics Manager Iomega International</p>
<p>Derek Scott European Parts Technical Support Specialist, Canon Europa N.V.</p>	<p>John Cullen Professor of Management Accounting University of Sheffield</p>	<p>Ron Kula Vice President of Supply Chain Consulting, DEX</p>
<p>Dick Kluis, Vice President Product Marketing ClickCommerce</p>	<p>Johnny Kusters, Sr. Manager in the Product Development and Business Development Department, DHL</p>	<p>Ronald Plooij Logistics Manager EMEA New Balance</p>
<p>Eamonn Reay VP Business Development Multis Group</p>	<p>Leonard Schneeman SVP, CTO DEX</p>	<p>Sean Keenan CEO Multis Group</p>
<p>Ernst Klaassen EMEA Reverse Logistics Manager Sun Microsystems</p>	<p>Leslie Harms Registration/Membership Relations Director, RLA</p>	<p>Sofiane Rachedi GM COMPAL Bizcom</p>
<p>Feargal Mac Conuladh Vice President - Services Lenovo</p>	<p>Liam O'Halloran Senior Vice President Dex in Europe</p>	<p>Stefan Reisner Director Business Development Central Europe, SYKES Enterprises</p>
<p>Fiona Kelday European Environmental Compliance Specialist, Canon Europe</p>	<p>Marcel Kaal WEEE Consultant Pincvision</p>	<p>Thomas Müller Director, Care Supply Chain Management, Nokia</p>
<p>Gailen Vick President and CEO Reverse Logistics Association</p>	<p>Marco Hogenboom Regional Customer Manager EMEA DHL</p>	<p>Timmy O'Dwyer, EMEA Regional Service Parts Planning & Logistics Senior Manager, Dell</p>
<p>Ger Burke Director of Operations ARISE Europe</p>	<p>Mark Hilton After Sales Manager TomTom</p>	<p>Tony Sciarrotta Director, Asset Recovery Philips</p>

GALLERY OF RETAIL FRAUD

by Maridee Maraz

Return fraud in the United States represents a \$11.8 billion* annual criminal enterprise, with the perpetrators of these crimes range from organized crime syndicates to normally law-abiding citizens who put their ethics aside because, “Who’s it going to hurt?”

The SIRAS Gallery of Retail Fraud has been developed to shed light on these criminal acts by sharing some real-life examples of the many, oftentimes creative, ways criminals take advantage of retailers and manufacturers through the fraudulent return of products.

*Source: National Retail Federation

1. “Apples and Oranges”

Three digital media player boxes: One returned with a granite tile, the second with AAA batteries and the third with a deck of playing cards.

These examples represent a national fraud epidemic of “brick-in-box” returns where similar cases are reported by nearly every retailer and from every region of the country. With this return fraud, customers bought digital

media players and replaced them in the original box with something of relatively similar size and weight. In these cases, the thieves carefully repackage the “brick” in the original product carton, shrink-wrap it, then return it to the retailer as “new” for a full refund.

The stolen units are commonly then sold through on-line auction sites, to pawn shops, or even shipped overseas.



Sometimes the “returns” look so convincing, they even end up back on store shelves and are re-sold to unsuspecting customers. Imagine their surprise when they get home.



2. “Trade-in Program”

Film camera returned inside a digital camera box This is an example of an all-too-familiar scenario where individuals, tired of their old item, purchase a new one to replace it. They then “return” the old one in the new item’s box and with the new item’s receipt – in effect getting the new one for free.



3. “Retoiled”

Wii console from Nintendo returned with computer hard drive, pennies, batteries, glue Illustrating unusual craftiness, this “retoiled” Wii™ gaming console, the guts of it replaced with an old computer hard drive, batteries and pennies – all “hot-glued” in place, weighs the same as the product that was originally in the box. This was undoubtedly a response to Internet blogs espousing that video game retailers and manufacturers were simply weighing returns – not checking inside.

4. “Something’s Fishy”

Nintendo DS™ box with sardine can Nintendo, like nearly every consumer electronics manufacturer, has seen an unusual variety of brick-in-box return fraud. The sardine can returned in a handheld device box was one of the more humorous ones.



5. “Kill Your Television?”

Tombstone returned in a plasma TV box Who knew that a tombstone has similar shape and weight to a plasma television?



6. “Fraud Fiesta!”

Piñata returned in a printer box At first surprised to find a piñata where they were expecting a printer return, the crew at this manufacturer’s return center found some satisfaction in discovering that the “brick” in this return was a vessel full of candy to share.

Maridee Maraz, Senior Manager, Sales and Marketing Maridee Maraz brings more than a decade of consumer goods sales, merchandising and marketing experience to her position at SIRAS. Since joining SIRAS in July 2006, she has expanded awareness of the company’s patented electronic product registration and returns management solution to the consumer products industries, resulting in the recruitment of many of the most prominent consumer brands and retailers in the world.





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READ THE PRESS

continues from 39...

Cycleon wins World Mail Growth Award 2009

Cycleon, the only dedicated provider of pan-European reverse logistics solutions and part of Reverse Logistics Group (RLG), has been awarded the Growth Award at the 10th Annual World Mail Awards. Cycleon, was chosen by a panel of industry experts ahead of a global field of leading industry players including InPost, Magyar Posta and Slovenska Post.

Cycleon has quickly grown to be the leading player in pan-European reverse logistics. Established in 2005 in Utrecht, the Netherlands, Cycleon is the preferred reverse logistics partner for market leaders in consumer electronics, retail, ICT and imaging & printing. Its reverse logistics solutions cover the entire product life-cycle, from try-and-buy, e-commerce, warranty, service parts, product recalls to end-of-life product returns. Amongst their clients are companies like: Canon, Brother, Freecom, Konica Minolta, Nokia, Samsung, and Medion. Cycleon allows organizations to take full control of the return process with their proprietary IT system which unlocks the hidden value of optimized product returns.

ClearOrbit Changes Name to TAKE Supply Chain

ClearOrbit, provider of real-time supply chain execution and reverse logistics software solutions, has formally changed its name to TAKE Supply Chain. This change reflects the company's continued expansion and transition into a single, global division under parent company, TAKE Solutions, Inc.,

which acquired ClearOrbit in 2007. The new name represents a unified identity for the supply chain resources, products and services offered by TAKE Solutions' worldwide.

TAKE Solutions, Inc. is a leading international business technology company with supply chain management, life sciences and business process management divisions and was named by Deloitte as India's 10th fastest growing technology company in 2008. TAKE Supply Chain's current organization will remain the same and will continue to be based in ClearOrbit's current Austin, TX offices, which serve as the headquarters for TAKE's global supply chain operations. The company will also maintain its focus on providing supply chain products and services that leverage customers' investments in enterprise ERP systems.

GENCO Marketplace Selects Truition to Launch Online Store for Bargain Shoppers – nobetterdeal.com

Truition Inc., the leading on demand ecommerce platform provider for retailers and brand manufacturers is pleased to announce the launch of nobetterdeal.com to augment and support GENCO Marketplace's rapid online growth. GENCO Marketplace is one of North America's largest business to business wholesalers of surplus inventories, liquidating more than \$5 Million worth of merchandise daily. GENCO remarkets customer returns and new closeouts/overstock items by the pallet or truck-load and direct to consumer through several online channels.



7th Annual RLA Conference & Expo
AMSTERDAM

Over 500 RL Professionals

Location:

Amsterdam, The Netherlands

Venue:

Dorint Amsterdam Airport Hotel

Date:

Workshops - June 15, 2010

Conference & Expo - June 15-17, 2010



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 15 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 the 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



CONFERENCE & EXPO

ON THE MOVE

James Hunt has joined Celestica as Vice President, After-Market Services. In this role, James is responsible for leading the strategic direction of the After-Market Services business, which includes repair, refurbishment, recovery and recycling services. James is joining Celestica with over 15 years of progressive experience in a variety of senior management roles in business development and operations, a decade of which was spent in the electronics manufacturing services industry. He has specific experience in business development, customer relationship management, logistics, manufacturing and repair services. Most recently, James was the Vice President, Business Development, Research & Development, for Seagate Technologies, a leading digital storage solutions company. Prior to that, he was the Vice President, Business Development at Jabil Global Services, where he directed the global organization in expanding key customer relationships.

Bert Munnikhuis has joined GENCO Supply Chain Solutions as Sr. VP and GM of Reverse Logistics. He will concentrate on broadening GENCO's presence and service offerings in the CE and IT market space. Bert has served the industry as an independent consultant at Agnitio Management Consultants and held executive positions with leading Reverse Logistics companies such as Solectron Global Services, Teleplan International and Magnetic Data Technologies."

Former FedEx Kinko's executives **Ken May** and **Bill Doherty** have landed back in Memphis as partners at reverse logistics provider **Warehouse86 Ventures LLC**. Memphis native May, who previously served as president and CEO of FedEx Kinko's Office and Print Services, will serve as chairman of Warehouse86. Doherty, former vice president of U.S. operations for the eastern division for FedEx Kinko's, will take over CEO duties for Warehouse86.

DEX, a leading supply chain solutions provider for high-tech industries, announced recently that Jerry Kohnke, former Executive Vice President of Logistics and Distribution at UPS, has

joined DEX as Senior Vice President and General Manager of DEX Services Northeast and Dennis Cain, formerly of Solectron, has come aboard as Director, Supply Chain Services.

At UPS, Kohnke played a key role in growing the supply chain solutions business. He has thirty years of experience in the supply chain industry in management roles at Honeywell, Interlogic Trace (Datapoint), and Decision One. In his new role at DEX, he will have operational responsibility for the ISO-certified facility and maintain DEX's reputation for outstanding service.

Cain previously was Vice President of Services Sales at Solectron Corporation, where he provided leadership to the sales team, program management organization, and eight sites around the world. He also held various positions at Hewlett-Packard Company, including Vice President Americas Global Supplies Organization and General Manager Support Materials Organization. In these roles, he had direct responsibility for the services supply chain and service parts management organization. At DEX, he will be responsible for leveraging and delivering solutions using the DEX portfolio of services, software, and engineering.

Cycleon, the only dedicated provider of pan-European reverse logistics solutions and part of Reverse Logistics Group (RLG), recently announced the appointment of **Ernst W. Hoestra** as COO, Cycleon. In this role, Hoestra will be mainly responsible for the Procurement and Operation of the postal and logistical services, the acquisition of new customers into the Cycleon System, Key Account Management and the Operation and Development of IT Systems.

In the past, Ernst has held senior positions in both the post and the express sectors. Recently, Ernst held the position of Global Industry Director Postal at TNT and thereafter Vice President Postal Solutions at Pitney Bowes.



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- The Reverse Logistics Association will promote its member companies among the world's leading electronics manufacturers, retailers and distributors.
- Current RLA Members can help to staff the RLA display to promote their company and the solutions they provide.
- RLA will distribute a digital Member Directory to attendees that shares information about each of our member companies.
- Reverse Logistics Magazine will be distributed at CES 2010 and your company can advertise in the issues that are made available to all attendees at the event.

Jump on this opportunity to be a part of the world's leading tech event. Contact the Reverse Logistics Association now at membership@rltinc.com to advertise in RL Magazine and to ensure that your company's RLA Membership is current through February 2010.

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TECHNICAL TRENDS

L. Bryant Underwood

Power And Other Change Vectors Part 1

The word of the year is clearly Change. At a political, social and technology level there are massive disruptions emerging. Being aware of these is critical for achievement of success or your very survival in business. My take on these trends is not meant to be definitive. Believe me, I know my limitations and prophet is not my calling. Instead consider this as proffer to stimulate your own development of scenarios for strategic planning. My list of the top four change vectors;

- **Power & Transportation**
- **Operating Systems**
- **Robotics**
- **Currency**

POWER & TRANSPORTATION

A friend of mine works in a program dedicated to assessment of risks. His group's main focus is "Continuation of Government." I once asked him at lunch to tell me about something in plain sight that no one really understands the risk involved. His answer was the power system. He went onto describe several chilling scenarios. All involved power distribution.

Let me share one. The US power grid has several very large transformers scattered around the US. If several of these transformers were to fail in a coordinated fashion much of the power grid will be down, potentially for weeks. The reason behind this weakness is logistics and supply chain compression. These transformers are so massive they cannot be transported by aircraft, only ships. In addition there only a handful of companies that make these and most are in Europe. If more than one or two fail, there will likely not be a replacement. Forget about having a spare in country. If we were fortunate there might be a replacement at a storage yard, in another hemisphere. A more negative outcome would happen if we had to wait for a replacement to be manufactured and shipped. Consider the effect to any city when the power is off in a section for just a few hours. Imagine a power outage that involves several entire cities and last for days or weeks.

36.1% EFFICIENCY

Most are unaware how much energy is lost in power generation. But the losses are huge.

The chart from the US Department of Energy below outlines

that most of the energy used to generate power is wasted.

As bad as this looks, 36% is more than double the efficiency that can be achieved by the average car. What this chart does not break out is that ~16% of the lost energy as waste heat is from the transmission and distribution system.

In addition to energy efficiency and avoiding even more troubling power disruption nightmares, are what many government leaders intend to avoid with several new initiatives. A short list of these include:

- **Smart Grid**
- **Advanced Metering Infrastructure**
- **High Voltage Direct Current**
- **Automatic Meter Reading**
- **New SCADA control layers**
- **Co-generation**
- **Vehicle to Grid**

CONTROL

Today the entire US power grid is controlled by a mish-mash of pro-



ocols all under the umbrella of a control system loosely defined as SCADA. These control systems date back to the 70s and 80s. They are weak, slow and rely on security from obscurity. All that is changing. The level of government and private monies pouring into upgrading the power grid totals in the tens of billions. With this level of spending, not only will the power control systems be upgraded, but the distribution infrastructure will be improved. The extension of higher capacity distribution is meant to better leverage wind power generation. In addition, there will be much more research into storage technology. Better battery storage technologies will further perfect transportation. However, the benefits will not stop there. Battery technology improvements are poised to touch every aspect of our lives.

However, it will be the control and metering systems of the power networks that will have the greatest impact. IBM illustrates this point by noting the ratio of semiconductors to humans. That ratio is now ~one billion semiconductors per person on earth. Imagine the data that is already being gathered by that many electronic devices. The problem is that there is a lot of data, but very little of it is connected. Without the connection there is no way to analyze, optimize and control.

Network metering is key to performing that linkage. Consider the Wii game console. It connects to your home network on Wifi and then connects to the controllers wirelessly with Bluetooth. The advance metering for the Smart Grid will leverage this type of topology. The meters will share and transport data that they collect directly or from a 'Bluetooth' type connection to devices in the home or business. These metering solutions for the most part are using wireless technologies based on a form of mesh-networking. In a mesh network, each node only needs to see the next 'meter' for

the data to move to the source. Some wireless meters are using WiFi variant protocols operating on lower frequencies for greater propagation. It is these technologies that will not only connect the meter to the utility/government but can also connect every aspect of your home or business. Consider the possibilities when the usage and timing of heating, cooling, refrigerator, dryer, washer and lighting data is known and can be uploaded for monitoring, billing and control?

Most of the solutions for power system control are integrated in

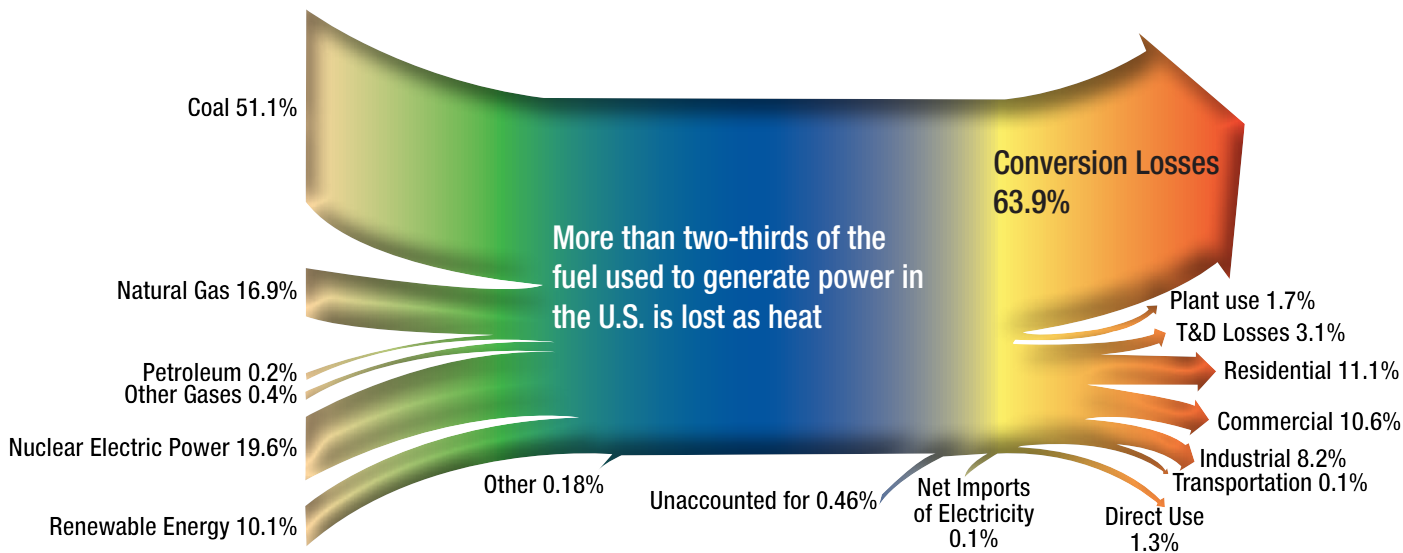


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Source: DOE Energy Information Administration Annual Energy Review 2007

one form or another with the internet or IP protocol on separate physical connections. For virtually the entire history of power generation, the selected control technologies have always relied on physical separation and obscurity/secrecy for security. That history causes a lot of concern for security. How well can the modernization of the power control network fare with the level of network risks that exist today and are growing?

SPEC CARS

Transportation may seem an odd topic to be included with power. I included transportation and power together because they are so intertwined. Also because I believe that battery technology will be the key to solving many power generation issues and right now battery technology is being propelled by transportation.

Today the automobile business is in tremendous turmoil that has engulfed all manufactures. The

outcomes we are seeing from this are a higher level of cross licensing and production agreements that share and spread risks. A good example of the current state is that Chrysler has several platforms with Daimler technology and Chrysler is in the process of being acquired by Fiat. Fiat has licensed some Opel technology, Opel is owned by General Motors. So in the near term, we could very easily see a Fiat car with Chrysler/Daimler/General Motors/Fiat technology all in the same car and that is a good thing. Much of what drives cost in the auto industry is lack of standardization. Today we have vertical standardization within a manufacturer. But this needs to expand and flatten the auto manufacturing business to a much larger degree.

Consider the current level of reliability of the average car. A typical \$25K car can be expected to be operated for ~150-180K miles before it is dismantled and scrapped.

That is a very high level of reliability. Maybe too high. What if that car only cost ~\$8-10K and would last just 90-100K miles? What kind of a market and sales could a car like that have? It would be huge. How would we get there-cross manufacturer standardization?

Why does a turn-signal level need to be different between cars? Why not the same? Should every manufacturer have a separate design for their engine? Probably not. There is a model for a better way. For virtually every electric appliance or tool there is an industry standard motor that can be ordered to replace a defective one. The standardization is so ingrained it is almost unheard of today for any manufacturer to have a unique electric motor design. Doing so would quickly make your business model un-competitive. This standardization of electric motors is a great example of how to lower production costs with high quality.

Today there is resistance to this notion. At some point there will be no choice but for the automobile manufactures to build working committees and develop a specification for a world-car. This will change everything. When the plug-n-play parts of a car are all standard, there are massive costs that will just disappear. And that will allow much more advanced technology to get to market faster with higher quality and greater profit.

So whether from improved efficiency and greater reliability or from tighter monitoring with the end user or from new power storage technologies, is it clear that electric power generation, delivery and consumption, will be changing in ways and scope that were inconceivable just a few years ago.

Part 2 of "Power and Other Change Vectors" will be published in RL Magazine Edition 18 and will cover robotics and currency. Don't miss it!

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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BABEL IN REVERSE LOGISTICS LAND

Intel has to handle product returns from every corner of the globe. To accomplish this, they need the help of numerous outsourced Reverse Logistics service providers. To work with these providers effectively, they need to quickly share numerous types of data to enable an efficient, effective and responsive Reverse Supply Chain. This is where we find ourselves in confusion, upon a Reverse Logistics Tower of Babel. "No one speaks the same language," says John Rinehart, Intel Corporations manager responsible for Reverse Logistics Information Services. "Since each new partner speaks the 'Reverse Logistics language' differently, it is a slow and costly process to develop, understand, and begin sharing data communications with a new partner."

Intel is not alone. Based on feedback from members, both the IT Committee and the Standards Committee at the Reverse Logistics Association have identified partner

data communications and collaboration as a key issue. To address this request, the committees have begun some preliminary research to identify or develop methods to achieve better data communication and collaboration standards for Reverse Logistics.

Better data communication and collaboration is needed between the manufacturers and outsourced third party service providers for reverse logistics services such as depot repair, logistics and warranty fulfillment. Some of the processes that require better data and collaboration standards are return order (RMA, RA) management, case management, warranty entitlement, order status, repair status, failure rate, in-transit, advance ship notification and discrepancies management.

Standards in these areas will help define processes and collaboration for the industry and enable partners to connect electronically to share data via methods such as XML (Extensible Mark Up Language or



EDI (Electronic Data Interchange). Additionally, the Reverse Logistics Association Standards Committee is currently assembling a Reverse Logistics lexicon to develop terminology standards.

WORKING TOGETHER TO REDUCE THE BABEL

In a struggling economy, companies are desperately trying to reduce costs and maximize speed in the supply chain. Data communications and collaboration are key elements for a successful reverse supply chain. Everyone does not need their own language. With the help of groups like the IT Committee, the Standards committee and input from Reverse Logistics professionals like you, we can reduce or escape the confusion of the Reverse Logistics "Tower of Babel" and develop a "common language" for us all to be successful. Contact the committees contribute your knowledge or to learn more about how you can incorporate better data communications and collaboration to improve your Reverse Logistics operations.

Good Luck!

Paul Rupnow

Learn and Share Reverse Logistics best practices, insights and strategies with Paul Rupnow at ReverseLogistics Professional.com.

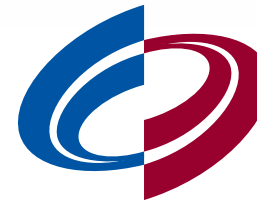


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- Developing "Green" Public Relations while supporting Corporate Social Responsibility
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CLS-Inmar	www.cls.inmar.com	45
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CSR Green Summit	www.RLTShows.com	51
ergo-Trade	www.ergotrade.ag	17
Flextronics	www.flextronics.com	15
Jabil	www.jabil.com	47
MGH Consulting	www.mghconsulting.co.uk	2
Multis	www.multigroup.com	31
RLA Amsterdam	www.rltshows.com/amsterdam.php	43
RLA Brazil	www.rltshows.com/brazil.php	19,21
RLA Las Vegas	www.rltshows.com/vegas.php	3
RLA Membership Benefits	www.ReverseLogisticsAssociation.org/memberships.php	7
RL Quote	www.RLQuote.com	49
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