

REVERSE LOGISTICS DIGITAL magazine™



**RLA Conference &
Expo Las Vegas -
page 16**

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For more information on the Board of Advisors, go to RLA.org

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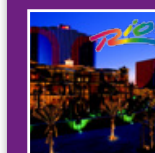
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RL Magazine will publish 12 issues annually — 6 printed editions and now with 6 new digital editions!

Cover Story



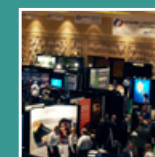
A Preview of the RLA Conference & Expo - Las Vegas, February 7-9, 2011

Get ready for the RLA Conference & Expo at Las Vegas in February, 2011!



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Articles



“Boothmanship” Post Show Follow Up: The Final Piece to Positive ROI

by Arte Maren

Profitable trade show returns begin with proper planning and that must include the all too occurring error of insufficient attention and action on post-show activities. In fact, the Center for Exhibition Industry Research reports that up to 80% of the leads gathered at a show are not followed up.

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Lessons in Spare Parts Planning-The Supreme Importance of Avoiding a False Start

by Joseph Karcher

The implications of a spare parts false start can be disastrous by sub-optimizing the inventory investment, failing customer expectations during the critical stage of a product's life, its birth and initial proliferation.

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Sneak Peak

United States Army: the largest logistics company in the world



Sneak Peak: Finance is from Mars and Reverse Logistics is from Venus “How we can talk to each other”

by the RLA CE Committee

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Message from the Publisher

This has been another great year at RLA, we launched our first global Conference & Expo in Brazil while having the largest single seminar in our history! On a personal note my 23rd grandchild was announced! Something is always changing around RLA and me personally. For some companies, this hasn't been the best year financially, while others have found it very profitable. For those that have followed our editorial direction and invested into the Reverse Logistics Process, I'm sure you have seen great return on your investment.

Change, EMBRACE IT! The one certainty in life is change. At least that is what everyone says. We should embrace it, even prepare for it, we should have courses on preparing for the unknown changes that you know are right around the corner. Then why do we resist it so much? History shows that change is inevitable. Because it is hard to accept change, we have worked to perpetuate what we

have been taught. Yes, we have to improve it and feel ownership of the new and improved "old way." So who would ever want to give up the very principle that your business plan, marketing objectives, operational/RL processes are based upon?

Edition 24 of Reverse Logistics Magazine is all about making changes (well, most of our editions are, but this one in particular). Please note the cover story on page 16 and see how the CEO of LG created a Reverse Logistics Department. This must have been very uncomfortable to senior management for a good while, but look at LG today, quality and customer satisfaction is second to none, that is real change... Bottom line, don't get caught-up in fighting a losing battle trying to protect the policy or process that has outlived its usefulness.

Gailen Vick
RLA Executive Director
www.RLA.org



Message from the Editor

As the new Editor of Reverse Logistics Magazine I want to say thanks to Mrs. Christine Morrow who served as our founding editor since 2006. I would like to thank everyone of our contributors, advertisers, along with the staff members who have helped and you, our readers for the success of this publication. It has made this professional transition a snap! Our circulation has grown to over 90,000.

With that said I would like to make a call for contributors and advertisers, please don't hesitate to contact me even if just to pass along an idea or to introduce yourself.

Lyndsey Turner
Editor - Editor@RLA.org

OUR MISSION

Our mission is to educate and inform Reverse Logistics professionals around the world. RLA focuses on the reverse logistics processes across all industries. No matter the industry — High Tech, Consumer Electronics, Automotive, Medical/Pharmaceutical, Food and Beverage, Apparel, or other — 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 and to be a catalyst

for innovation in developing and implementing new RL processes. We have been, and will continue to provide our services to the industry at a moderate price.

Managing the latest information in services such as 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 through our membership services. We serve manufacturers and retailers in a variety of settings while offering ongoing updates on market trends, research, 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- and medium-sized service

providers have found that RLA resources help advertise their services to a regional and global audience. OEMs like Microsoft, HP, RIM, and Sony, along with Retailers like Wal-Mart, Canadian Tire, Tesco and Best Buy all participate at our events. Through RLA Events, RLA Connect services and our publications — RL Magazine and the Weekly News Clippings email — we help OEMs, ODMs, Branded, and Retail companies find service partners and solutions providers that were previously unknown to them.

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:



Jack Allen – Scientific Atlanta, a Cisco Systems company

Jack Allen currently serves as Director of Global Supply Chain Processes at Scientific Atlanta. In his role, Jack is responsible for the creation, development and performance of Scientific-Atlanta's supply networks in the United States and internationally. His leadership and commitment to the recent success of several product and distribution center transfers, the development of a cross functional supply chain team and the development of an integrated forecasting/production planning/procurement supply chain planning process resulted in the improvements in Scientific-Atlanta's supply chain and significant annual savings for Scientific-Atlanta.



Christopher Gant – FedEx

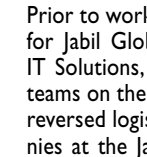
Chris Gant is Director for FedEx Supply Chain Sales. He is responsible for all business development strategy and execution for both the FedEx SupplyChain Systems and FedEx Emerging Products Sales teams.

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 Director of Reverse Logistics Programs and Policies for Microsoft Devices. In his position Edwin is responsible for development and enforcement of policies surrounding returns and 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.



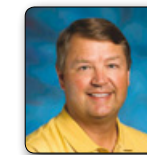
Hartmut Liebel – Jabil Global Services

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 vice president of Post Sales Support for Motorola Mobility. His global organization is responsible for providing both in- and out-of-warranty repair services to both consumers and carriers, provides consumer support services through call center, web access and on-device solutions, is the fulfillment engine for value-added services, manages asset recovery on equipment returns and is the source of information on product field reliability.



Doug Schmitt – Dell

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

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



Tony Sciarrotta – Philips Consumer Electronics

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



Susan Wackerman – Hewlett-Packard Company

Susan Wackerman is currently a Sr. Operations Manager in the Americas Supply Chain for HP's Imaging and Printing Group. In her position, Susan is responsible for the Recycling Operations for HP Americas and the Returns Operations / Remarketing for HP Americas Imaging and Printing Group. This includes supply chain development, reverse logistics, disposition and processing, refurbishment, resale, channel management. For Recycling Operations her product responsibilities cover all HP product categories including inkjet and laser printing, digital imaging, supplies, scanners, shared printing, PCs, notebooks, desktops, servers.

Complete biographies of Advisory Board Members are available from the RLA site at:

www.ReverseLogisticsAssociation.org/company_advisory.php



Reverse Logistics Association Industry Committees



Industry Committees are 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. Industry Committees educate the industry on reverse logistics:

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

Automotive

Chairman Needed

- Austin Rappe, Inmar
- Charles Chappell, DEX
- Dave Vikartofsky, A.T.S.

Aviation

Chairperson - Bernie Gagnon, Kuehne + Nagel, Inc.

Consumer Electronics

President - Chris Tejada, Inmar

Co-Chair - Maryellen Daniels, Itran

Co-Chair - Charles Dunton, Genco-ATC

Committee Members:

- Chad Burke, Ryder
- Jack DeButts, Dell (Past Chair)
- Brian Eddy, SubCon Industries
- Christopher Fabian, Professional Service Solutions, LLC (Founding Chair)
- Todd Fenix, Ozark
- Elaine Gasser, HP
- Matt Gwilliam, Reverse Logistics Association
- Joel Jacobs, The Recon Group
- Dave Keltner, Cerqa
- David Liscom, Hyper Microsystems Inc.
- Pedro Mauricio, CellBras
- John McGurk, Globalware
- Jeff Robe, RLA
- Paul Rupnow, Andlor Logistics Systems Inc
- Bitu Salimian, National Electronics Service Dealer Association
- Jordan Sielaff, Ace Wireless
- Steve Vertun, Segue Corporation
- Javier Villarreal, Ace Wireless

Data Storage

Chairperson - Needed

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- David Lick, Seagate
- Gary Gear, Toshiba
- Glenn Grube, Moduslink
- Wes Stott, DEX
- Doug Pratt, Iomega
- Kevin Arra, Onelife Digital
- Vladermir Gatti, Pandisc
- Herman Goemans, Sprague
- John McGurk, GlobalWare Solutions

Retail & Dot Com

Chairperson - Craig Sultan, The Home Depot

Co-Chair - Pat Sullivan, Inmar - CLS Reverse Logistics.

Wireless

Chairperson - Doug Zody, Microsoft

Committee Members:

- Will Blomqvist, The Kane Company
- Dennis Cain, DEX
- Gary Cullen, 4PRL LLC
- Bob Hathaway, TeleCycle, LLC
- Gailen Vick, Reverse Logistics Association
- Glen West, Celestica, Inc.

Telecom

Chairperson - Gary Cullen of 4PRL

- Glen West, Celestica
- Dennis Cain, DEX
- Bob Hathaway, Telecycle
- Will Blomqvist, Kane Company

Food & Beverage

Chairperson - Bruce Stevenson, RMS Inc

Co Chair – Mike Rawlins, Independent

Committee Members:

- Tad Anderson, CH Robinson
- Matt Gwilliam, Reverse Logistics Association

- Oliver Hedgepeth, Hedgepeth Transport, LLC
- Misty Hicks, Americold Logistics
- Elyse Lyons, Ocean Spray Cranberries, Inc.
- Mike Rawlins, Independent
- Jeff Robe, RLA
- Bruce Stevenson, Return Management Services, Inc.

Medical/Pharmaceutical

Chairperson - Needed

- Michael Blumberg, Blumberg Advisory Group
- Robert Ticknor, Services Innovations Group
- Dan Gardner, ATC Logistics & Electronics
- John McGurk, GlobalWare Solutions

Medical/Electronics Best Practices

Chairperson - Needed

- Eric Miller, Agnitio Management Consultants

Want to make a difference? The following committees need members:

- Apparel
- Appliances - White Goods
- Aviation
- Household/Small Appliances
- Home Improvement
- Marine Electronic Equipment
- Notebook/PC
- Office Equipment
- Photographic & Optical Equipment
- Televisions & Display Devices – Brown Goods

Join today at www.RLA.org

Focus Committees & Regional Focus continued on to page 25





“Boothmanship” Post Show Follow Up: The Final Piece to Positive ROI

by Arte Maren

Profitable trade show returns begin with proper planning and that must include the all too common error of insufficient attention and action on post-show activities. In fact, the Center for Exhibition Industry Research reports that up to 80% of the leads gathered at a show are not followed up. Amazing. And the reason usually traces to a failure to plan well. (You have heard the adage, if you fail to plan, you plan to fail. So true.

While it may be convenient to put the responsibility for exhibitor success

onto the show, there are often major procedures omitted by the exhibitor and opportunities missed. There are hard won rules, guidelines that must be followed in order to ensure a successful show, regardless of all other factors. As you are already at the show reading this article, I will address the post-show key factors which all revolve around a system, without which, there is scant time to follow up properly considering there was generally already a backlog of activity even before you left for the show.

“Better Boothmanship” requires that attention is paid to the “rhythm” of the entire trade show process, or what I refer to as “the trade show intensity curve” There is quite a bit of excitement and energy prior to the show; the preparation, design, literature to create, prospects to invite to the booth, etc. And then there is the manning of the booth itself, the meet and greet, the presentations, the connections, the socializing with those in the industry. And the intensity keeps rising until the show is over at which point the intensity begins to



fall off, when in fact, the intensity should continue on and through the connecting to all leads, the follow ups and the sales!

- You must have a purchased mailing list of all likely attendees and indeed all potential customers regardless if at the show or not so that a follow up mailing/newsletter can be sent, indicating that you missed them at the show but.....
- There should be a system set up prior to the show so that leads are sent back to the office and information prospects need ideally sent to prospects even before you return.
- Following standard

“Boothmanship” procedure, the leads obtained at the show would have reminder notes either on the back of the business card or a notebook wherein the data is stored with full info on the nature of the conversation with the prospect as memories often fade. The business card would be stapled onto the page of the book and all pertinent data written below the card. **AND THE BOOK IS ENTRUSTED TO ONE PERSON AND NEVER OUT OF SIGHT.**

- Some companies have employed the procedure of having an assistant or even an outside call center make the follow up contact call directly after returning home. This prospecting type call would then

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of assumption or attempting to pre-judge. All booth attendees should get a follow up email within 48 hours with a thank you, re-statement of the offer and any other personalized comment you may wish to make.

- Do not get caught in the “excuse trap”; “well everyone is just returning so I will wait” or “I am really backlogged, I will get to it next week” or “they have plenty to read from the literature I gave them, if they are interested they will call me”. These incorrect assumptions are very costly and negate all the hard work that was done to create the leads.
- The leads, broken down into A, B or C or 1, 2, 3, in terms of potential and the priority leads distributed. There is also the system of breaking down the leads into categories, such as those who need an info pack, those who should be called, etc. and making the priority the category.
- The leads are recorded in a database which then can be reviewed a month later, 6 months and even years. If an attendee you met became an account even a year later, the credit would still go to that show and therefore would reflect well on the ROI for that show. Without such tracking, this data is lost.
- A “debrief” is done by any and all employees or execs connected to the show providing key data on what worked well and should be written procedure

determine the level of continued interest and if there a call is warranted from the sales person, it is turned over to the sales rep thus ensuring rapid response. Note: The prospect has met with many others who may be providing the same products or service. The name of the game is “firstest with the mostest”.

- All leads are followed up, at minimum by email. None are ignored. A visitor to the booth may have seemed disinterested but perhaps that was simply the start of negotiation. A decision to wait could change in a moment based on some environmental of business factor. Any salesperson knows the liability of making any kind

Conferencia y Exposición de Logística Inversa en São Paulo Brasil

27-28 de abril

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- Desfruta do maravilhoso sol Brasileiro de São Paulo em pleno Outono.

Programe-se agora mesmo para aprender com os especialistas em Logística Reversa e aproveite para fazer uma network com outros profissionais do ramo.

Para maiores informações, visite: www.RLShows.com/brazil.php

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APRIL 27-28

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- Enjoy the fall season in the Brazilian sun!

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for the future, what did not work well and is in need of improvement and a review of statistics overall which would include the number of visitors to the exhibit, the number of “hot prospects”, the number of full presentations and, of course, actual sales made and orders taken. A review would be done of the booth appearance and presentation, a review of photos you may have taken of competition (always a good idea), competition analysis in general etc.

- The executive review would entail all of the above but would include a personnel evaluation in terms of the general productivity of those representing the

company. Their individual reports of the event would be a factor in evaluating the show itself and their performance.

- All financial factors are added up and a summary made for future reference and planning for the next show.
- A detailed checklist (love those checklists) can and should be created so that no important aspect is missed.

There are several KEY factors to a successful and profitable show. Leave out any one, and the results are less than expected. Pre-show planning; personnel training; logistics for the show; at show procedures and post show activities,

well executed are what “Better Boothmanship” and improved show profitability are all about.

RLM



Arte Maren is an expert in maximizing trade show efforts and was a recent presenter at the RLA Las Vegas trade show. He conducts training in trade show planning and execution as well as customer service, sales and company organization. He can be reached at 727 643 4638 or arte@artemaren.com.

Industry Events



RLA Conference & Expo – Las Vegas, NV

February 7-9, 2011

<http://www.rltshows.com/vegas.php>

RLA Seminar - Bentonville

May 19, 2011

http://www.rltshows.com/ark11_event.php

RLA Seminar - Toronto

July 18, 2011

http://www.rltshows.com/tor10_event.php

RLA Conference & Expo – Sao Paulo, Brazil

April 13-15, 2011

<http://www.rltshows.com/brazil.php>

RLA Conference & Expo – Amsterdam

June 15-16, 2011

<http://www.rltshows.com/amsterdam.php>

8th Annual RLA/RLTS Conference & Expo AMSTERDAM

Over 500 RL Professionals

Location:

Amsterdam, The Netherlands

Venue:

Dorint Hotel Amsterdam Airport

Date:

Workshops, Conference & Expo
- July, 2011

Three Full Days of RL Thought Leadership, Innovation and Networking!

The Reverse Logistics Association Conference & Expo kicks off on Monday with the opening of the Exhibit Hall. Tuesday and Wednesday are two full days with the Keynote address, sessions presented by RL professionals, leading academics and interactive panel discussions, followed by Workshops and Committee Meetings on Thursday.

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 OEMs, ODMs and Retailers will be looking for Third Party Service Providers (3PSPs) that can manage Reverse Logistics in Europe and around the world. This is a rich opportunity for OEMs and Branded companies to identify future service partners among the many exhibitors showcasing their Reverse Logistics solutions.

For more information, visit: www.RLAshows.org



**REVERSE
LOGISTICS
ASSOCIATION**
CONFERENCE
& EXPO

Generally Speaking: Third Army of One...Supplies Many

United States Army: the largest logistics company in the world



Brigadier General O'Connor is the Third Army Director of Logistics as well as the theater commander for Army Materiel Command and has been putting his skills to use in the largest logistical operation since World War II that is code named Nickel II. This operation will maximize 'boots on the ground' for units heading into Afghanistan by ensuring that equipment is in place before the units realize they need it.

Check out the full article in our upcoming edition - RLM

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We help OEM's, Retailers, Brands, and 3PSPs who are trying to find a partner for Reverse Logistics save time, energy, and money by using our proprietary process called RL Quote. OEM's, Retailers, and Brands post RFI's anonymously on the RLA website and 3PSPs respond. We help facilitate the search, and you reap the benefits.

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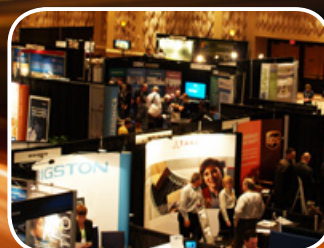




LAS VEGAS

REVERSE
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8th Annual Conference and Expo
February 7-9



6TH RLA ANNUAL CHARITY GOLF TOURNAMENT



to benefit



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Over 150 Exhibitors
and Sponsors –
1,500 RL Professionals
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700 Companies

The 8th Annual RLA Las Vegas Conference and Expo will be held on February 7-9 at the Rio Resort & Casino. RLA is offering three full days of Reverse Logistics immersion starting with RLA Workshops and Industry Focus Committee meetings followed by two days of sessions and exhibition.

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.org for session topics. More sessions and panels will follow on Wednesday and will end with the closing remarks and the Lucy Draw.

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.

SOME OF OUR PARTICIPANTS



FOR COMPLETE DETAILS VISIT WWW.RLASHOWS.ORG

Rio Hotel & Casino Convention Center Floorplan



Be Sure not to miss some this years most exciting sessions and workshops



Chris Joel - ECN Group
Philip Jayne - GM Operations, Panasonic



Mary Anderson - Mgr, Sales, Pricing and Communications, Expedited, USPS



Sharif Sleiman - Director, Global Procurement - Ebay

Panasonic Case Study: On Demand Returns Collaboration. New Zealand manufacturers and retailers collaborating to reduce costs and increase customer service.

Ebay Case Study: Developing Innovative Logistics Solutions for the eBay Community



Seshagiri Singaraju - Oracle Logistics Manager, Sun Oracle

Reverse Logistics Groups - Challenges in the Organization



Robert German - Senior Staff Engineer, Rochester Institute of Technology

Revers Logistics and Remanufacturing



Steve Pennington - Group Manager, Logistics, Ryder

David Lamb - Director, US/CAN SSCD, ClSCO

Cisco Case Study



Evelyn Boomer - Program Manager, Dish Network

The 'Voice of the Customer' is not limited to the Marketing department; it can be applied to Reverse Logistics processes



Daniel Barrett - Manager, (A) Business Planning, USPS

Gary Moore -

Senior Manager Reverse Logistics - Recycling, Sprint

Sprint Case Study:

Consumer Based Returns to a Merchant with Prepaid Envelope Inside the Outbound Package



REVERSE LOGISTICS ASSOCIATION
CONFERENCE & EXPO

Reverse Logistics Conference & Expo in São Paulo Brazil

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Finance is from Mars and Reverse Logistics is from Venus “How we can talk to each other”

by the Reverse Logistics Association Consumer Electronics Committee

Most companies focus on the drive to increase revenue. The battles to lower department budgets or to eliminate “unnecessary” costs are constant and oftentimes bloody. Hidden costs in areas such as Reverse Logistics can be missed because the managers in Finance and the managers in Reverse Logistics Operations do not speak in the same language. We hope to improve the discourse, or at least agree on the language for the battles.

The lack of collaboration between Finance and Reverse Logistics in many consumer goods companies is preventing easy improvements to the bottom line. If we can learn each other’s language the savings impact is tremendous, as we will show. By finding the passion to work across divisions, managers in these areas can improve a company’s bottom line by reducing returns, increasing asset recovery, putting in proper controls, and evangelizing best practices within the industry. “The first year Philips

took a serious look at returns resulted in savings of over \$40 million dollars, and Finance became best friends with Returns” says Tony Sciarrotta of Philips Consumer Lifestyle. Recently, the Reverse Logistics and Finance team at Cisco showed contribution of \$147 million to net income in 2009 by reducing returns and their associated costs.

Finance is the land of black and white numbers. The value add of RL Operations can be difficult to measure and report. However, as long as Finance drives the numbers, and RL Operations cannot quantify their value add, Finance will win. “A Returns Operations manager should have a finance manager as a best friend,” says Wayne Fillers, Director of Customer Care, Philips Consumer Lifestyle. Finance managers often have career goals to run some operations within their companies, and they should have a best friend who is successful in Reverse Logistics.

Reverse logistics and asset recovery may be the largest source of savings inside most companies. Companies without a true returns management group that operates independently of sales, marketing, or finance/credit, usually do not have controls in place to reduce the reverse flow of products from the market, or to sell the returned goods into the right channels for a profit. As will be shown in the examples in this article, the RL Operations managers that can slow the flow of returns, and show reasonable recovery of cost on returned goods, can deliver more to a company’s bottom line than sales increases.

Stay tuned for Edition 26 for the full article complete with graphs and figures!



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Read the Press

RLA Software Solutions Committee Presenting 2 Interesting Workshops at Las Vegas Conference & Expo

At the Reverse Logistics Association conference in Vegas in February, the RLA software solutions committee will organize 2 interesting workshops:

1. February 7th, 10.30 AM: 'Reverse Logistics Solutions Workshop: Test, Screen, Diagnose and Financial Management'

This workshop will address topics like:

- Key considerations for choosing RL software
- Assess these requirements by Goals, Functions, and Metrics
- Prioritize your requirements
- Customize when needed

2. February 7th, 1.30 pm: 'Sustainability and Recall Management'

Imagine the Power of Possibility...

Getting the most out of Reverse Logistics
Creating organizational alignment

This workshop will address topics like:

- Why do sustainability programs fizzle?
- Checking your Sustainability assumptions at "the door"
- Understand and manage the change process
- Are you in or out of Alignment?

http://www.rltshows.com/v11_pre_event.php

February 11, 2011 is Hydrogen Fuel Cell Friday in Graniteville, S.C.

18 January 2011-Join key federal and state government officials, leaders in sustainable energy solutions and executives from Kimberly-Clark, GENCO ATC, Plug Power and Air Products for a ribbon-cutting ceremony and technology demonstration. This event features the first hydrogen fueling station in the world to supply hydrogen directly for industrial, commercial and government use and showcases the fueling and use of hydrogen-powered forklifts in Kimberly-Clark's 450,000 square foot distribution facility,

managed by GENCO ATC. <http://www.reverselogisticstrends.com/shownews.php?id=8329>

Asset Science Releases Re-Cell-Suite Software for Mobile Devices

Santa Ana, CA—18 January 2011—Asset Science has released Re-Cell-Suite, a groundbreaking set of software tools for repair depots and mobile device refurbishing companies. Re-Cell-Suite includes four software tools designed to aid in increasing capacity and quality to ensure that mobile devices are clear of any undesired data when leaving the factory. A complete set of analysis and dashboard tools are included in the suite for tracking and reporting on data. <http://www.reverselogisticstrends.com/shownews.php?id=8336>

Cisco Names Ryder Supplier of the Year

Miami, FL—18 January 2011—Ryder System, Inc., a global leader in supply chain, warehousing and transportation management solutions, today announced it has been named Supplier of the Year by Cisco. This prestigious award recognizes Ryder for achieving the highest average Global Balance Scorecard performance in the Innovation and Distribution/Warehousing categories. <http://www.businesswire.com/news/home/20110118006838/en/Cisco-Names-Ryder-Supplier-Year>

CPS Unveils Its Unique Solution With Demonstrated Financial and Environmental Benefits With All Five US Facilities Open

Deer Park, NY—14 January 2011—Consumer Product Services Group, Inc. announces that all Five US facilities have opened and it has begun implementing its 'Single Source Solution' business model which includes reverse logistics of returned items, remanufacturing, recycling and re-selling of Major Appliances, Small Appliances, Outdoor Power Equipment (such as Pressure Washers) and Floor Care Products (i.e. vacuums). The company's capabilities include the complete repair of microwave ovens, refrigerators, washing

machines, dryers, power washers, grills, coffee makers, vacuums, heaters and air conditioners as well as many other large and small appliances. <http://www.prnewswire.com/news-releases/cps-unveils-its-unique-solution-with-demonstrated-financial-and-environmental-benefits-with-all-five-us-facilities-open-113625234.html>

Arrow Electronics launches three reverse supply chain brands

14 January 2011-Arrow Electronics has launched a full-service reverse supply chain business segment. The offering consists of three brands: ReSolve, a global reverse logistics services brand; Intechra, a source for IT asset disposition services; and Converge, a global provider of extensive electronic components distribution services and market expertise. <http://www.logisticsmanager.com/Articles/15332/Arrow+Electronics+launches+three+reverse+supply+chain.html>

Data Deletion Processes & Standards

14 January 2011-Even with widespread awareness of data storage and data deletion practices, the numbers from a recent Kroll Ontrack survey are eye-opening. The information management firm found that of the 49% of businesses that are systematically deploying a data erasure method, 75% don't delete data securely, leaving them susceptible to data breaches. <http://www.processor.com/editorial/article.asp?article=articles/P3301/32p01/32p01.asp&guid=>

Warranty & Service Issues To Consider

14 January 2011-Nowadays, new IT equipment is in many cases a luxury rather than a necessity. "Some people like having the extra comfort of having new equipment in their data center, but refurbished hardware will save you a lot of money in the long run," says Brandon Kasper, marketing specialist at Word Data Products (www.wdpi.com). <http://www.processor.com/editorial/article.asp?article=articles/P3301/12p01/12p01.asp&guid=>



Lessons in Spare Parts Planning-The Supreme Importance of Avoiding a False Start

by Joseph Karcher

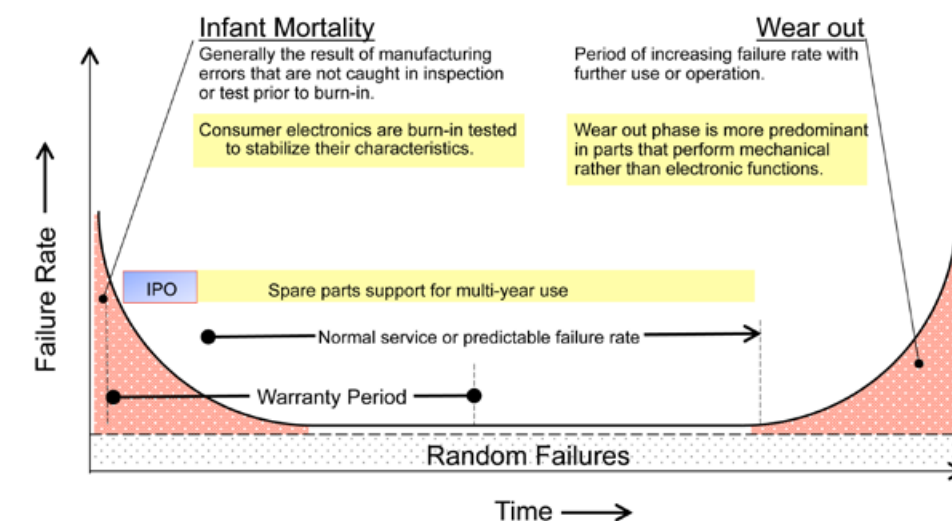
In an Olympic sprinting contest, a false start is not just measured by simply "jumping the gun;" according to the International Association of Athletics Federations (IAAF), strict rules govern the start of the race and powers are granted to the starting team to disqualify an athlete [1]. Practically speaking, the error occurs when the athlete attempts at guessing rather than waiting for the proper signal. Any athlete who commences their starting motion within 0.099 seconds after the starter's pistol is fired, is deliberately estimating the start of the race.

There are vital principles to be learned and applied to inventory planning as we examine this starting process. The problems associated with over or under-buying at the beginning of the product's life cycle are essentially a false start. The implications of which can be disastrous by sub-optimizing the inventory investment, failing customer

expectations during the critical stage of a product's life. Consequently, a healthy start can be rewarding and lead to high margin revenues if inventory is properly positioned.

This article examines the factors influencing the initial parts order process, provides insights in how to best use the data available and explores the affects of a false start. As you view the examples provided, the reader is encouraged to reflect on their initial

RELIABILITY BATHTUB CURVE



Actual Failure Rate first 90 days

Model Selected	PCB connect	Main PCB	Power S.	Adapter	Battery	HDD	CD-ROM	DVD	LCD	Keyboard
Model family 1	0.006	0.0096	0.0007	0.0009	0.0030	0.0045	0.0030	0.0645	0.0080	0.0912
Model family 2	0.001	0.0098	0.0006	0.0009	0.0009	0.0094	0.0079	0.0092	0.0080	0.0082
Model family 3	0.003	0.0021	0.0089	0.0084	0.0088	0.0088	0.0007	0.0401	0.0221	0.0101
Model family 4	0.004	0.0032	0.0003	0.0071	0.0028	0.0066	0.0007	0.0007	0.0200	0.0011
Model family 5	0.004	0.0033	0.0004	0.0021	0.0098	0.0099	0.0008	0.0003	0.0110	0.0023
Model family 6	0.004	0.0036	0.0002	0.0010	0.0017	0.0002	0.0011	0.0007	0.0500	0.0026
Model family 7	0.002	0.0010	0.0090	0.0004	0.0009	0.0011	0.0010	0.0009	0.0300	0.0008
rank	d1	a1	e1	b1	b2	a2	b3	b4	a3	c1

FIGURE 1 - IPO TABLE - FAILURE DATA

parts ordering (IPO) process and ask important questions:

- How do you anticipate the start of a new model?
- Are planners/buyers guessing or calculating, collaborating, aware of the severe consequences?
- What data factors enter into the calculus of your initial purchase decision?
- What distractions or emotions are limiting your ability to start according to your optimization strategies?
- What adjustments are being made for sales, forward stock locations, repair and part substitutions?

UNDERSTANDING THE LIMITS OF REACTION TIME

“On your marks, set...BOOM”. Resembling the sprinter anticipating the start of the race, your planning professionals have a narrow reaction window. The preparation of a new IPO is a fundamental skill to be mastered. Aquino and O’Marah lists new product develop and launch (NPDL) skills as foundational for supply chain professionals [2]. Is your supply chain organizational strategy fundamentally focused on sourcing, delivery, and execution and post sales? Are you obsessed with governance, performance

and technology and perhaps missing

the opportunity to develop reaction time? If the answer is yes then read on. A treasure awaits you.

PREPARING FOR THE RACE

We can get a clear idea of the entire race in the life of a spare part by first perceiving the context of the field where we are running. I have modified a reliability bathtub curve [3] to demonstrate the effect of normal failure on a service part. The graph below shows a typical consumer product.

Events are less predictable at first as we run down hill and experience the initial quality of a product. Manufacturing errors are captured though burn in and various testing. During this time a planner needs to make predictions about what is required to support the product during its birth, adolescent period. After the phase, a pattern emerges and stays constant through the life of the warranty period. The product proceeds to wear out over time due to mechanical rather than electronic failure, and the uphill failure continues until the product is retired.

THE IPO TABLE- GETTING OUT OF THE BLOCKS

Our exercise begins by gathering failure data based on a commodity sort, (figure number 1). In this example, I have included vital laptop computer parts. Data is aligned in relative months so that only the first 90 days of the

life cycle are assumed. The expected warranty period for these products is 12 months with 45 day lead times. It can be aggregated up to a model family level and expressed as a weighted failure percentage of the cumulative install base.

The next step is to group the failure into a view that allows the supply chain professional to examine best-worst performers in the initial 90 days and make assumptions. The failure rate assumption table (Figure 2), is formed from the initial data. Min/max numbers and average failure rates are then calculated. Additional formulas are inserted based on 20% and 90% of the max failure to provide a realistic guard rail range.

It should be evident that it is very easy to be unduly influenced by either the best or worst models. Such sentiments will lead to larger problems down the road. Unnatural failure rates get noticed and escalated far too often. Returning to our sprinter once again, keep emotions in check at the start of the race and don’t dwell on past performances.

A further step is required in order to keep the IPO process manageable; it is called ranking (Figure 3). A class and sub-class grouping is suggested and assigned (A-E). More groupings may be created to include very low cost items that are less essential but

FIGURE 2 - IPO TABLE - FAILURE ASSUMPTION

MAX failure	0.0062	0.0098	0.0090	0.0084	0.0098	0.0099	0.0079	0.0645	0.0500	0.0912
90% failure assumption	0.0056	0.0088	0.0081	0.0076	0.0088	0.0089	0.0071	0.0581	0.0450	0.0821
Average failure	0.0033	0.0047	0.0029	0.0030	0.0040	0.0058	0.0022	0.0166	0.0213	0.0166
20% Failure assumption	0.0012	0.0020	0.0018	0.0017	0.0020	0.0020	0.0016	0.0129	0.0100	0.0182
Min Failure	0.0012	0.0010	0.0002	0.0004	0.0009	0.0002	0.0010	0.0003	0.0080	0.0008

Rank	Commodity type
A	PCB, HDD, LCD,
B	FL-Inverter, CD/DVD-ROM, , AC-Adaptor, Main Battery
C	Base Assy., Cover Assy, LCD Mask, Fan, keyboard,
D	Small Plastic, Speaker, Harness, Cable, Latch, Switch, pcb connect
E	Label, Screw, Spring, Cushion, power supply

FIGURE 3 - IPO TABLE- COMMODITY RANKING

nevertheless may have a customer impact. When creating a rank for a particular commodity, they should be grouped based upon failure versus the install base.

A further element of the IPO table is volume related class to the new product that is being planned. The first 90 days of the product life cycle is used in this instance, ten classes based on ranges of 5000 whole units but the amount of variation and class size is limitless. If the range is too large however, the plan will be less precise and cause inefficiencies in the form of under/over buying of parts.

FORWARD STOCK ADJUSTMENTS FOR SALES DEMAND NETWORK CUSTOMIZATION

The combination of warranty failures and sales demand are the main drivers of usage during the initial period. Customer perception may be unduly influenced by either the best or worst models and this may inflate or limit customer preorder sales, fueling the burn rate of the IPO and a separate method for sales may be required.

Other adjustments are needed for forward stock locations (FSL) that will place the initial buy in a higher ranking. I recommend evaluating sophisticated planning tools such as Baxter Planning Systems when considering FSL network planning. For purposes of

argument, assume we are distributing from one

main distribution center and only minor stocking and sales usage adjustments are made.

CREATING A BASELINE FOR USAGE

So now we are in position in the starting blocks and ready to launch a new model. We are forecasting sales of 28,500 consumer products in the first 90 days and minor adjustments have been made for special front end demand considerations. The completed table (figure 4), represents the gross purchase required to meet demand during the initial period of the products life cycle. The planner/buyer should not stop here because further amendments are necessary for the repair loop and substitution parts.

THE ADJUSTED IPO- AN ASSERTIVE APPROACH

One of the critical failures made in planning the IPO is missing the opportunities for substitution and repairable items. Suppose that the “A” ranked items have common substitutes and are fully repairable with an 85% yield. By taking this assertive step, we can reduce purchases by 60%-65% for the most expensive class items. The chart below compares an emotional IPO posture versus a rational and

assertive approach.

Buying to 90% of the highest failure rate is emotional. If similar model failure curves are rationalized through average failure and then demand adjusted, the purchase is rational. If further fine-tuning is made for repair loop and substitution parts, I like to call it assertive. The savings are clear and the goal is to create an assertive plan. Let’s now enumerate the steps that are required to complete the assertive approach to guarantee the most benefit during the IPO period:

- Individual parts are sorted and grouped into part families
- Commodities are ranked by commodity type (A-E)
- Failure rates are calculated by average, min, max per family
- Volumes are placed in ranges and assigned a class (1-10)
- Adjustments are made for sales demand
- Adjustments are made for customized front end forward stock coverage
- Further adjustments are made for repair loop and substitution considerations on high cost or critical parts
- IPO rates should be revisited quarterly or seasonally driven by the new model launch schedule

FIGURE 4 - IPO TABLE - COMPLETED TABLE

New Class/ Subclass first 90 days		Formula= (Class X monthly Aver Failure X 3)										
Class	Install	Base	a1	a2	a3	b1	b2	b3	b4	c1	d1	e1
CLASS 1	1	5000	70	87	320	45	60	33	249	249	49	43
CLASS 2	5001	10000	140	174	639	89	120	65	499	498	99	86
CLASS 3	10001	15000	210	261	959	134	179	98	748	748	148	129
CLASS 4	15001	20000	279	347	1278	178	239	130	998	997	197	172
CLASS 5	20001	25000	349	434	1598	223	299	163	1247	1246	246	215
CLASS 6	25001	30000	419	521	1917	267	359	195	1496	1495	296	258
CLASS 7	30001	35000	489	608	2237	312	419	228	1746	1744	345	302
CLASS 8	35001	40000	559	695	2556	357	478	261	1995	1994	394	345
CLASS 9	40001	45000	629	782	2876	401	538	293	2245	2243	444	388
CLASS 10	45001	50000	699	869	3195	446	598	326	2494	2492	493	431
90% of max failure			794	802	4050	680	794	640	5225	7387	502	729

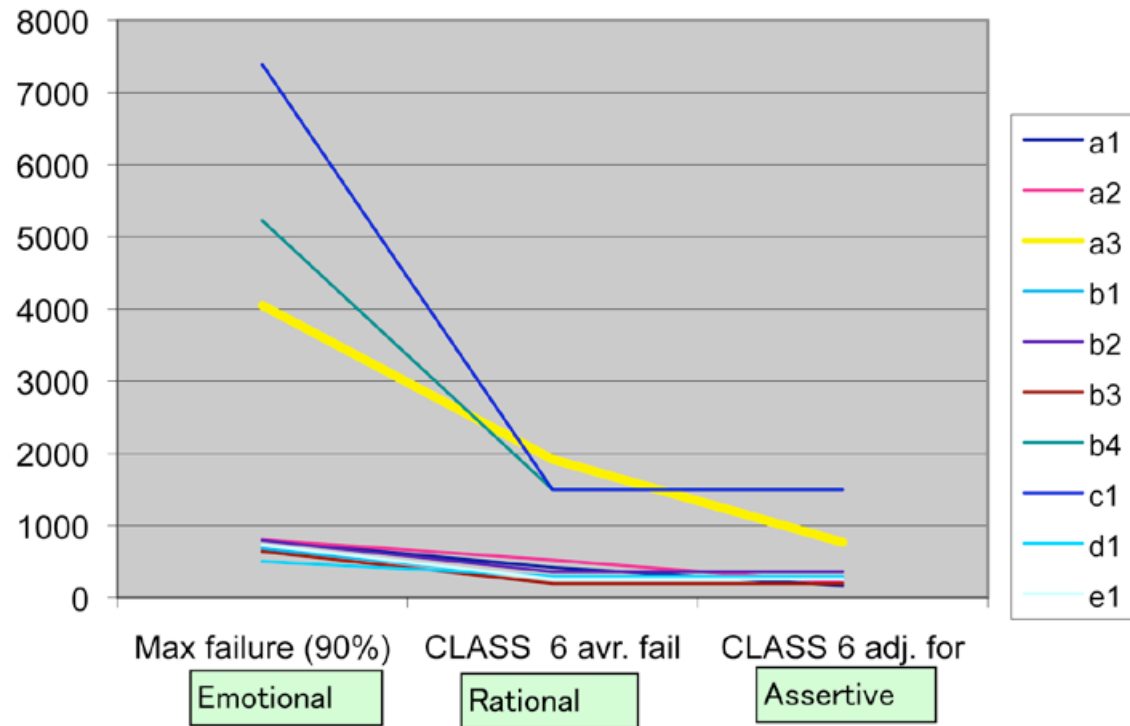


FIGURE 5 - IPO QUANTITY BY CLASS

PREPARING FOR THE NEXT RACE

A productive and timely start is critical for success. Some leeway may be granted for one false start or a field fault, but never two. The sprinter may risk throwing away years of preparation by his/her execution of a second false start. The failure forces the runner to leave the competitive area. The scratch damages his or her team's success and future. An IPO false start may feel the same way. The disastrous effects on the customer base and financial resources are often overlooked.

EXCESS INVENTORY AND CUSTOMER PERCEPTION

The financial implications of overbuying at the time of IPO will drive unrecoverable excess inventory, this is especially true for more expensive, repairable items. If the overbuy is acute and exceeds the peak demand at the time the service part reaches maturity, the losses will widen because the inventory cannot be absorbed through future demand, "burn off".

Under-planning at the time of IPO immediately creates scarcity, backorders, lengthy service repairs,

complaints and drives customer perceptions that the product is inferior. Evidence is available within the first few weeks of the new model launch. It is common for scarcity to fuel further buying as customers take a more conservative posture to avoid stock out. The brand will suffer and out-of-warranty revenue will be lost.

CONCLUSION-LOOKING FORWARD

The critical milliseconds at the start of a sprint may ultimately determine the outcome. The supply chain organization can learn this principle by giving renewed attention to the granularity of the IPO process and understanding how it fits into the products' reliability bathtub curve. With detailed care, preparation, and ample concentration, a competitive advantage can be obtained. The development of an IPO table that considers rank, class and preset conditions with flexible suppliers is one proven way to enable inventory optimization.

Finally, by rationalizing and eliminating the emotions from product launches, process improvements are available on subsequent model launches. Inwardly, an IPO team should be

assembled to gauge the tools and conjecture that individual buyer/planner specialists are using. Key job factors and job influencers need to be considered questioning how much organizational governance exists over the IPO process. From an outward perspective, what level of delivery flexibility do suppliers provide? What level of collaboration exists with suppliers to standardize and reduce new model cycle times?

It is never too late to lead through service. Increased customer recovery and significant cost savings are possible. To breakthrough, the IPO calculation must reach past a rational level based on simple averages and consider assertive corrections. If leaders are willing to take the steps necessary to resolve it, they will dart out of the blocks and win the race.



Joseph Karcher is the Director of Business Development at UPS Supply Chain Services and former Director of Reverse Logistics at Toshiba America Information Systems in Irvine California. He has had over 20 years of extensive leadership experience in Supply Chain and Reverse Logistics and recognizes the forces shaping the market today: globalization, social responsibility, and strategic information systems. He holds a Masters Degree in Organizational Leadership from Gonzaga University.

[1] IAAF STARTING GUIDELINES – April 2009. Retrieved from IAAF athletics. December 26, 2009.

[2] Aquino D., O'Marah K. (2009). What makes a Modern Supply Chain Professional? Supply Chain Management Review May, 2009.

[3] Muradyan A., (2007) Reliability Bathtub Curve Theoretical & Visual Representation– December 4, 2009.

Technology Spotlight

Army to Enlist Smartphones for Active Duty

When one thinks of equipping soldiers for the battlefield, the delicate glassy casing on an iPhone doesn't seem ideally suited for the job. Yet the Army plans to equip every soldier with an iPhone or Android smartphone early next year. Many smartphone vendors are positioned to make adjustments for the rugged needs of a war zone, says 451 Group's Chris Hazelton, making them more durable, as well as waterproof, windproof and dustproof. <http://www.technewsworld.com/story/Army-to-Enlist-Smartphones-for-Active-Duty-71462.html>

Wearable robots may help those who are paralyzed

Brain-machine interfaces – devices that let users control electronics with their minds – have long enabled paralyzed individuals to perform everyday tasks

such as sending e-mails and playing video games. But the problem with such interfaces is that they tend to lack the feeling of movement that typically goes along with these activities. http://www.msnbc.msn.com/id/40687535/ns/technology_and_science-innovation/

Analysts downgrade RIM on competitive threat

Research In Motion Ltd. will face intensifying competition in 2011 as the BlackBerry maker battles iPhone and Android-based smartphones and enters the nascent tablet market, analysts said Tuesday. <http://www.theglobeandmail.com/globe-investor/analysts-downgrade-rim-on-competitive-threat/article1828600/>

Acer to Phase Out Netbooks in Favor of Tablets

Add Acer to the growing list of

companies with new tablets in the pipeline. The Taiwanese computer manufacturer has announced plans to release both a 7-inch and a 10-inch tablet in 2011. <http://www.wired.com/gadgetlab/2011/01/acer-tablets-netbooks/>

RIM bets on existing users for BlackBerry growth

Amid reports that it is falling behind rivals Apple and facing imminent threat from Google in the enterprise smartphone market, Research In Motion (RIM) says it is growing its BlackBerry user base through a strong consumer base, particularly in emerging markets such as Indonesia and Thailand. <http://www.zdnetasia.com/rim-bets-on-existing-users-for-blackberry-growth-62205659.htm>

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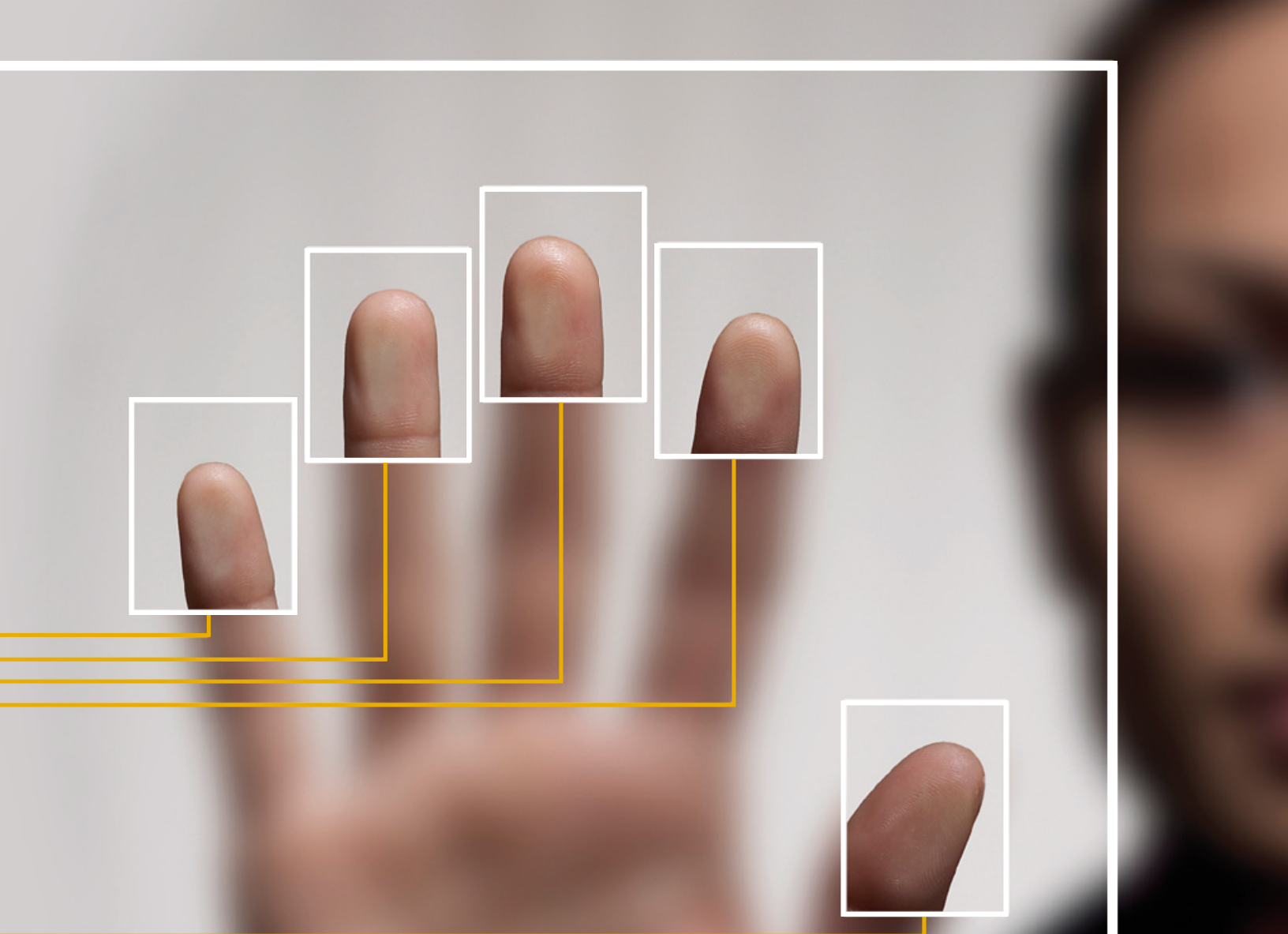
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- Customer Experience by Kok Huan Tan, Senior Service Program Manager, DELL
- Using Reverse Logistics to Enhance Customer Service and Competitive Performance by William Pollock, Aberdeen Group
- Leverage RL to Drive Sustainability & Reduce Expenses by Jesse LaRose, ESE Solutions

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