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# REVERSE LOGISTICS DIGITAL magazine®


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SAO PAULO BRAZIL SHOW EDITION

Edition 37

OFFICIAL MAGAZINE OF THE REVERSE LOGISTICS ASSOCIATION

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Issue 3 Volume 7

## On the Cover



Tuesday offers pre-conference workshops. Wednesday is the keynote address by **Jose Paulo Pereira, VP de Logistica, Walmart**, followed by sessions presented by RL professionals and leading academics.



## Articles



The device landscape has changed markedly with the move to smart-phones and with this a rapid change in the manufacturer landscape.



The stereotypes associated with outsourcing are often very negative in nature. However, it is actually possible to utilize the concept of outsourcing to receive the highest quality of work possible.

## Feature Articles







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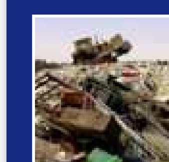
## Feature





Reverse Logistic must be a prerogative in Brazil, as strategy to deals with the amounts of waste. Reverse logistic can also improve Brazilian competitiveness, as part of a way to upgrade the quality of products produced there.

## Video



## Features

# Message from the Editor

In 2008, I was visiting the island of Macau on my way to Thailand. Macau is an island off the coast of China, under Portuguese rule until 2000; it is considered the Las Vegas of Asia. Recently Macau has experienced growing pains: while tourism is booming for near by visitors the island is now starting to see tourist from far off places. The environment, economy and locals are feeling the strains of the growing number of vacationers.


Macau's government is making strides to correct and capitalize on these issues. The DSEC says, " The government's commitment to increase the local Quality of Life; to ensure the sustainability of it's development model; and to ensure that everyone enjoys the benefits of economic growth." Macau has brought natural gas public transport to the island to reduce carbon emissions since most tourists will take tour buses or public buses. In addition the government is going to sponsor car owners to transform their existing car into natural gas cars. Public swimming pools are being heated by solar power and if this project proves successful they might implement solar panels in all major casino hotels. Macau's transportation got the lowest rating from tourism surveys. The government has tried to improve the transportation problems by rearranging public bus routes, which has helped a lot. Also, bus routes were hard for international tourist to understand as all signage and information boards were written in Portuguese and Cantonese. Macau has now added English and in is trying to implement English as their official third language.

I had a great time in Macau and I imagine that if I go back my experience will be much different.. Four years have gone by giving this very active government a lot of time to implement more RL programs. Macau's green city strategy does not only create green jobs and reduce CO2 emissions – it also brings a long line of documented social and economic benefits for the city as a whole. I look forward to seeing these improvements when I visit in the future.

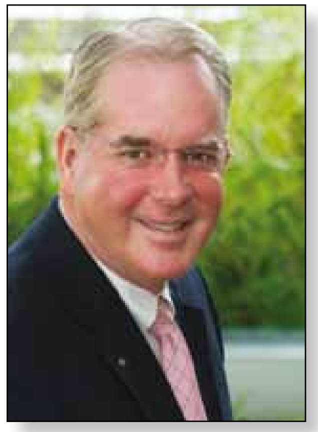
Happy Travels!

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.



# Message from the Publisher

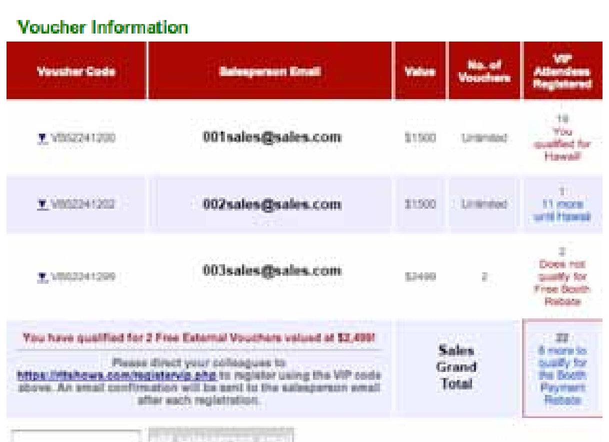
STAYING STRATEGIC INSTEAD OF FOLLOWING OTHERS

In today's information age, reported business trends and styles can have a huge impact on policy and direction of your company. Senior management can easily become distracted and move away from proven business methods as a result of board pressure. The business world is not mundane at all, confusion from not having a global marketing plan or strategic direction for revenue growth can and will be problematic.

That is why RLA has, from its beginning in 2002, assisted our members to stay strategic in their support of vendors and customers. Both the VIP Program and the Lead Generator Program laid the foundation for our exciting annual global Conference Invitation Program (CIP) that was beta tested in 2011!

So what is the CIP? This program reminds 3rd Party Service Providers to stay focused on their strategic objections while measuring the success of individual sales/marketing members and rewarding their team for meeting their company's milestones. The CIP also allows OEMs and Retailers to conduct Quarterly Business Reviews well in advance on an annual basis so no vendors or prospective vendor are missed. Best practices are formulated and debated before implementation. We all know the importance of reducing and staying within travel budgets while conducting meetings with vendors, well the CIP assists to reduce those costs.

How is this done? Management is provided a dashboard for monitoring the success of each contributor. Marketing/Sales and Procurement Management can visually see who their team is arranging meetings with on a global basis. Now you can measure how often you are meeting with vendors and customers. Don't hesitate to ask your Account Manager or Business Solutions Team on the details of the CIP.



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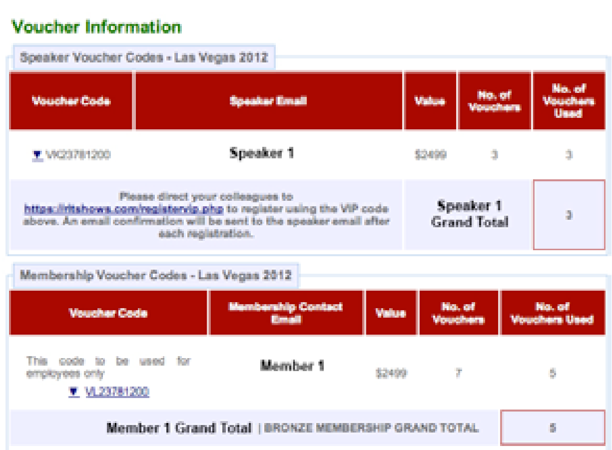

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| Member 1 Grand Total \| BRONZE MEMBERSHIP GRAND TOTAL | | | | 5 |

Again, I invite you all to come to the Reveres Logistics networking event in Brazil , this region has become a power-house for a growing economy with companies that need support to meet the their expanding growth. So don't forget to book your flight and room in São Paulo at the Hotel Novotel São Paulo Jaragua Convention Center where you will see the size of the market in South America.

Just a reminder to use the CIP annual marketing solution to invite your vendors and customers to RLA Conference and Expo to São Paulo, Brasil.

Gailen Vick - Founder & Executive Director
www.RLA.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:

**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.

Prior to working for Microsoft Edwin worked for Jabil Global Services as the Director of IT Solutions, where he worked with various teams on the proposal and implementation of reversed logistics services for various companies at the Jabil factories around the world.

**Charles Johnston – WAL-MART Stores, Inc.**

Charles Johnston is Sr. Director of Reverse Logistics 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.

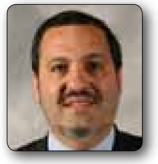
**Bernie Schaeffer – Motorola**

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 Senior Manager of Asset Recovery 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

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- Joe Walden, University of Kansas

**Join today at www.RLA.org**

Focus Committees & Regional Focus continued on to page 19

ARTICLE

# The Challenges and Opportunities for Mobile Phones After Sales in 2012

*by David Cope, MGH Consulting*

The mobile phone market is in turmoil. After years of continuous growth, the global economic downturn has had a marked effect on sales in both developing and mature markets. With major pressure on revenue and margin, service organisations are being forced to cut costs rapidly, with the danger that they will do so at the detriment of customer service, increasingly the key market differentiator. The device landscape has changed markedly with the move to smart-phones and with this a rapid change in the manufacturer landscape.

Five years ago, after sales was viewed by many operators & retailers as an unfortunate by product and cost of doing business. Previously ignored and rarely truly understood and managed, it is essential today that operators & retailers start to see their after sales operations as both a considerable cost risk and a potential customer winner.

This article is one of three in which we will investigate the mobile phone after sales market, challenges and opportunities, from three perspectives. Firstly, that of the Mobile Phone Operators, MVNOs and retail. The second article will look from the device manufacturer's perspective and the third will focus on repair and 3rd party logistics organisations.

New products - new problems

Go back 5 years and the after sales world from an operator's or retailer's perspective was a simpler place. The manufacturer service model was, by and large, the same - two years manufacturer warranty, manufacturer subsidised swap stock, handling fees and plenty of authorised service partners to choose from and manage directly. In the main this put all, or nearly all, of the same IMEI repair costs with the manufacturer and only where the organisation chose to offer an exchange proposition, were there any considerable costs. With one or two service providers, the after sales operation could directly control nearly all of their repairs / exchanges and confidently manage turnaround times, multiple repairs and the customer service experience. Although inconvenient, No Fault Founds (NFFs) were a manufacturer issue, at least in terms of cost, and received little attention.

The smart-phone and the entry of Apple and HTC and the rapid growth of RIM changed all of that. RIM favoured a highly centralised repair model, one they managed directly. Although supported with seed stock and handling fees, most operators were faced with a growing percentage of their repairs / exchanges handled outside of their chosen repair operation. For the first time they also had to focus on what they were sending to repair. With charges for NFF many organisations had to build in screening operations to make sure they were able to control NFF costs. HTC adopted a broadly similar model to RIM, but were more open to authorising service providers in their major customers. However, it was Apple that changed the rules of the after sales game. Coming from an IT heritage, Apple's after sales terms on the iPhone are pretty much common place IT terms - a standard one year warranty, no seed stock, no DOA process, no handling fees and no repair network, just a centralised exchange model. Pretty quickly many operators found themselves with a considerable chunk of their after sales activity and cost not under their direct control and often off-shored.

Whilst these new entrants were changing the after sales landscape the "traditional" manufacturers were also busy. With a strong focus on warranty cost reduction there was a gradual move to off shoring level 3 and 4 (component level) repairs and in de-authorising low volume service agents , especially in countries with smaller repair volumes. Added to the different service models of RIM, Apple, and HTC this has resulted in operators & retailers having to manage the complexity of several different processes and relationships, whilst trying to provide a consistent customer experience. Today operators and retailers have a far more complex after sales service back end network to manage and far higher costs. Not surprisingly this is receiving increasing focus across the organisation, with supply chain operations very much in the spotlight.

## THE "ME TOO" PROPOSITION

Such a radical change in the device market should drive a very different end to end customer proposition. Certainly, it is generally acknowledged that the customer use, expectations and service requirements of smart-phones is very different from those for feature phones. However, if we look at service offerings in any country across different operators, the service models tend to be very similar. Germany and the UK have a high level of exchange especially for high value consumers and business customers, whereas outside of Western Europe the standard model is typically same IMEI repair across all segments. The support front end is typically managed by generic call centres handling the whole range of devices and customer issues, with very few specialising in remote support and repair and returns avoidance. Many of these call centres are focussed / paid on call answer times and productivity, rather than on trying to resolve user perception and usage issues. The result, not surprisingly, is a large quantity of devices being pushed through the reverse supply chain incurring logistics, handling and for exchange, refurbishment costs, for no reason. With the customer problem not resolved it also results in high repeat repairs leading to a poor customer experience and lower NPS scores.

So the challenge is clear, the managers of the reverse supply chain are faced with increasing costs and complexity whilst under considerable pressure to drive the cost base down without sacrificing NPS. To meet this challenge the typical response of squeezing suppliers for cost reductions will not work. Many repair companies are struggling to stay afloat, recent developments in some of the largest European organisations bear witness to this. We believe that to successfully tackle today's challenges operators & retailers must understand and act in a truly holistic way, starting from understanding why product comes back in the first place.

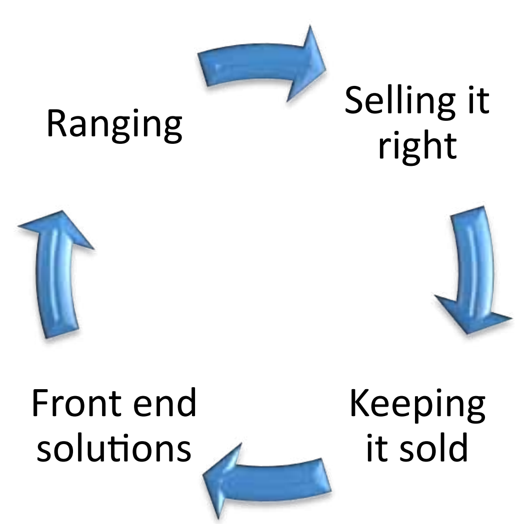
## WHAT DRIVES REPAIR AND RETURNS?

**Selling it right** - Stating the obvious, if you don't sell the customer the right product it is going to come back. Either in the first few days through change of mind as a return, or later on as a defective when the customer gives up "trying to make it work!" Given this, how many sales organisations are targeted on net sales rather than gross? Often no account is taken of the end to end cost from cross sell promotions or pushing excess product to customers.

**Ranging** - Knowing what to sell. Increasingly we see operators & retailers starting to focus on the end to end costs of supporting specific manufacturers and even devices. Return rates across the lifecycle of a device vary massively by manufacturer, hand in hand with the cost of support and in opposition to NPS. Smart ranging has a major impact on the bottom line of after sales support.

**Keeping it sold** – Few companies really focus on making sure that the customer is happy with their device from the start or even make significant efforts to help once the customer is having problems. However, those that do with pro-active out-bound phone calls or emails and texts with links to on-line training reap the rewards of lower return rates and improved NPS and customer retention.

**Lifecycle support** – Promoting software updates through FOTA, via retail stores and over the web can considerably reduce both repair and returns. Likewise dedicated call centres handling returns and repairs, with the right tools and training are also able to take out the majority of usage and perception issues at lower cost and higher NPS.




With a cohesive approach from ranging to front end support, operators & retailers are able to make a step change reduction in the number of devices coming back into the reverse supply chain. Resulting in - Lower volumes – Lower complexity – Lower cost.

Without accurate and timely data, both in terms of operational and financial KPIs this is close to impossible. Operators & retailers need to understand their after sales costs accurately at a manufacturer level at minimum and ideally at a device level.

## WORKING WITH MANUFACTURERS

Often the after sales relationship between operators & retailers with manufacturers has been combative, with each side trying hard to minimise their own costs, but with little focus on reducing the end to end cost. With the right data operators & retailers are positioned to engage with manufacturers in a proactive way. Rather than solely continuing to focus on pushing costs "over the wall", operators & retailers need to engage manufacturers in looking at how supported training or web support can help reduce return rates. Highlighting high return rates on product launch can help manufacturers develop and implement solutions before the warranty population grows. However, in the end, poor quality product, both hardware and software, is the manufacturer responsibility and operators and retailers should be pushing manufacturers to reach agreed return and failure rates or shoulder the cost burden.

## UNDERSTANDING CUSTOMER NEEDS

We believe that the traditional "me too" propositions detailed above can only lead to increasing cost and customer dissatisfaction. Operators and retailers need to take a scientific approach to understanding what customers really want

| Option | Strengths | Weaknesses |
|---|---|---|
| **Transactional** | • Lower cost<br>• 3PL responsible for in warranty costs<br>• 3PL manages volume variations<br>• Easy to manage<br>• Suits multi client environment | • Repair organisations struggling to survive on manufacturer's warranty reimbursement<br>• Charges for additional services<br>• Consistency of service delivery |
| **Cost plus** | • Consistency of delivery<br>• Additional services determined by headcount | • Manageability<br>• Lack of flexibility on volume changes<br>• Complex in multi client operations<br>• Manufacturer warranty reimbursement becomes operator/retailer concern |
| **Split reverse and forward logistics** | • Allows for specialisation<br>• Simpler financial management<br>• Ease of changing supplier | • 2 suppliers to manage<br>• Movement of stock from reverse site to forward site and back |
| **Combined reverse and forward logistics** | • Optimised returns management<br>• Single point management | • Difficult to move supplier<br>• Tends to lack specialisation in either repair or logistics |

and value and match this to what they can afford to give away for free and what they need to charge for. How can you know if your customers truly value an exchange or swap proposition unless you ask them? Similarly, how can you know what customers expect for free and what services they are willing to pay for if you don't ask them? The proposition needs to not only focus on the device warranty, but the life of the contract with a workable out of warranty by age or damage proposition. In many organisations not only is there little or no science behind the selected proposition but the business area deciding on the proposition doesn't understand or sometimes even feel the cost. The right services strategy will not only drive up NPS but will enable the service organisation to gradually build a services revenue stream.

## PARTNERING WITH 3PLS AND REPAIR ORGANIZATIONS

Devices will go wrong, they are subject to continuous use, all sorts of climates, dropped, sat upon, wear out or sometimes, just break. There will always be the need for a back end repair and exchange solution and here we believe it is imperative that operators and retailers are really focussed on working with their 3PLs and repair companies with a win-win focus.

Looking at the operator/retailer relationships with 3PLs and repair organisations across the market it is hard to find one that could be used as the benchmark. There is considerable change of suppliers, contractual financial structures and scope of operations (multiple specialist suppliers or one stop shop) as operators and retailers search for the ideal solution. However, whatever the mix of capability, cost plus or transactional pricing, separate repair, distribution and forward logistics or 4PL managed service there is nearly always some level of dissatisfaction. The table summarises the relative strengths and weakness of the various options;

We believe operators and retailers need to be looking at new ways of contracting with 3PLs / repair partners. The contract needs to focus on a win-win solution for reducing return rates and increasing NPS. The solution needs to include the end to end process and therefore progressively we see specialist technical call centres and insurance management progressively coming under a cohesive solution. However, specialisation should not be sacrificed for the sake of single point management; potentially the best solutions come from a single point responsibility managing specialist suppliers.

## SUMMARY

In summary yesterday's models are no longer fit for purpose. The after sales landscape for retailers and operators has changed to such an extent that after sales must become a key focus area at board level. Reverse logistics needs to be integrated into the end to end supply chain, from ranging and sourcing, web and call centre support, through to upgrade programmes and recycling. It may not be the most glamorous part of the business, but it will be one that differentiates both operators & retailers over the coming years in terms of both cost and NPS. The diagram below shows the key after sales areas we believe operators and retailers need to focus on in 2012 and in the years to come. RLM

David Cope, Founder, MGH Consulting. Managing Director of MGH Consulting with 21 years experience in After Sales Service and Supply Chain Management. Major operational roles in Xerox and ICON with multi-million Euro P&L responsibility. Global Consultancy experience as a Principal in Pricewaterhouse Coopers. Successful delivery of major change initiatives in some of the largest global service operations.

# What is the Reverse Logistics Association?

REVERSE LOGISTICS ASSOCIATION®

At this year's RLA Conference & Expo in Las Vegas you may have noticed a television crew roaming around. The crew was there to capture response to the conference and make a video that displayed the essence of the Reverse Logistics Association. They were also filming segments for a new video series in RL Digital magazine called RLA Rewound. As you view it, you may see some familiar faces. A big thank you to everyone who took time out from their busy conference schedule to stop and talk with our reporter. We hope you will share the video with friends and colleagues as you introduce them to the association and explain what we do and how we can support them. Stay tuned, because we may be talking to you for the next series of videos for RLA Rewound.

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# Reverse Logistics Association Focus Committees

REVERSE LOGISTICS ASSOCIATION®

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ARTICLE


# Reverse Logistics as a Legal Demand in Brazil: The New Solid Waste Act

## Logística reversa como uma demanda jurídica no brasil: Nova lei de resíduos sólidos - Página 24

*by André Luiz Pereira*

### INTRODUCTION

In Brazil, at 2008, only 27.7% of the cities surveyed laid their Solid Waste in sanitary landfills[1]. Nearby 22.5% of the cities deposited trash in controlled landfills, and 50.8% intended to discard it in open dumps. The majority of municipal solid waste collected in the Brazilian cities do not receive adequate final destination, being dumped in non- ruled dumps without treatment nor receiving inhibitory pollutants effects neutralization [2].

Reverse Logistic must be a prerogative in Brazil, as strategy to deals with the amounts of waste. Reverse logistic can also improve Brazilian competitiveness, as part of a way to upgrade the quality of products produced there.

The Council of Supply Chain Management Professionals (2010) defines Reverse logistic as "A specialized segment of logistics focusing on the movement and management of products and resources after the sale and after delivery to the customer. Includes product returns for repair and/or credit"[3]. According to Rogers and Timber-lembke, Reverse logistic is the process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of consumption to the point of origin for the purpose of recapturing value or proper disposal. By that, the new Brazil's solid waste act – which sets the legal basis for reverse logistic - is discussed. It's called, in a literal translation "Nation Policy on Urban Solid Waste".

### RESULTS

Since the 1968 General Assembly of the United Nations (UN), many discussion of the human environment and their solutions are mentioned. August 2nd, 2010 was a milestone in waste management in Brazil: was approved the law 12,305, which rules the Solid Waste Act. The model of waste management which is established in the country resembles many foreign experiences and brings the reverse logistic to the forefront.

After then, the issue of waste in Brazil, according to the legal responsibilities of the actors involved was a complex and difficult matter to define. Now the government, companies and society are formally responsible for all "waste chain" and its consequences. This relationship is not required just to outsourcing solutions or allocation to third parties providers, except in the case of home generators, which is a progress.

The reverse logistic became a national prerogative, requiring

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manufacturers, importers, distributors and marketers of certain products to develop actions, procedures and means to facilitate the collection and recovery of manufacture waste, for reuse in their economic cycle or productive cycles and different environmentally appropriate disposal. The major group related to reverse logistics supply chain nodes are, according to the "Nation Policy on Urban Solid Waste":

1. Pesticides, their waste and packaging as well as other products whose packaging after use, may be considered hazardous waste, ruled by hazardous waste management provided by law or ruled in standards set by government or technical standards;
2. Batteries;
3. Tires;
4. Lubricating oils, their waste materials and packaging;
5. Fluorescent lamps, sodium vapor and mercury and mixed lighting;
6. Electronic products and its components.

The definition of reverse logistics expressed in the law extends this original law scope. It is believed that with the increase of technological options for recycling and processing available in the country, the above list may be expanded in a near future. The list does not limit the products that can be part of reverse logistic, just express the first focus.

With the creation of the reverse logistics database systems (inventories, declaratory annual solid waste system, the National Information Systems, registers and licenses databases), it will be possible in the future to have many waste information, facilitating the creation of eco-efficiency parks in which waste from one company become primary material for another organization and there is an industrial symbiosis.

The state assumes an important role by encouraging the formation of rearrangements which integrates the waste management mentioned above. Among the instruments stand out as tax incentives, financial and credit in the tax field, the scientific and technological research, in cooperatives to promote recycling and other forms of reuse, in health, environmental and agricultural sectors, the resources of the National environmental, scientific and technological development, the importance of continuing education and training; in providing credit lines for infrastructure projects, recycling, reverse logistics, decontamination of contaminated areas and others. Therefore reiterates its role of acting besides in minimizing the harm resulting from the disposal of waste without exempting those responsible for the damage fully reimbursing the government for the expenses arising from actions taken.

RLM

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Andre is Mastering in administration, studying reverse logistics. Works in the Minas Gerais Health Department State – Brazil, in matters related to accreditation and Health Services Waste. Conducts researches in reverse logistics at Fumec University. André is also responsible for the website www.logisticareversa.net.br

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# Logística reversa como uma demanda jurídica no brasil: Nova lei de resíduos sólidos

## INTRODUÇAO

No Brasil, em 2008, apenas 27,7% das cidades pesquisadas, descartaram seus resíduos sólidos em aterros sanitários[1]. Das cidades mais próximas – em torno de 22,5% depositaram o seu lixo em aterros controlados, e 50,8% fizeram a remoção dos referidos resíduos para áreas a céu aberto. Os chamados “lixões”. A maior parte dos resíduos sólidos municipais coletados nas cidades brasileiras não recebem um destino final adequado, sendo enterrados em aterros, sem controle ou de controle insuficiente por parte das autoridades sanitárias responsáveis, sendo fácil deduzir que sem que o material coletado receba qualquer tipo de tratamento, e passem por processos inibidores de poluentes com vistas à neutralização de seus agentes danosos ao meio ambiente, necessariamente, à saúde pública.

Se implantada no Brasil, a logística reversa proporcionará a este país formular políticas estratégicas para lidar com seu volume de resíduos sólidos de modo eficiente e eficaz, com drástica redução dos problemas apontados em nosso parágrafo anterior A logística reversa pode também melhorar a competitividade brasileira, como parte de uma cadeia de ações com o objetivo de melhor qualificar os produtos ali produzidos.

O Conselho de Profissionais de Gestão de Cadeias de Abastecimento (Council of Supply Chain Management Professional [CSCMP]) (2010) define a logística reversa como “Um segmento de logística especializada, enfocando a circulação e gestão de produtos e dos recursos após a venda e após a sua entrega ao cliente. Inclui as devoluções de produtos para reparo e/ou crédito” [3] . De acordo com Rogers e Timber-Lembke, logística reversa é o processo de planejamento, implementação e controle da eficiência, custo eficaz do fluxo de matérias-primas, estoques em processo, produtos acabados e informações relacionadas desde o ponto de consumo até o ponto de origem, a fim de recuperar valor ou fazer-se o descarte apropriado. Com isso, o novo ato brasileiro de resíduos sólidos -- que estabelece a base jurídica para a logística reversa -- é discutida. É chamado, na tradução literal “Nação Política de Resíduos Sólidos Urbanos”.

## RESULTADOS

Desde a Assembleia Geral das Nações Unidas (ONU), de 1968, muitas discussões sobre o meio ambiente e suas soluções são mencionadas. Dia 2 de agosto de 2010 foi um marco na gestão de resíduos no Brasil: foi aprovada a Lei 12.305, que “Institui a Política Nacional de Resíduos Sólidos”. O modelo de gestão de resíduos sólidos que está estabelecido no país se assemelha às experiências de vários países estrangeiros que trazem a logística reversa na vanguarda da prática dessas ações

Antes do mencionada lei, a responsabilidade jurídica do tema de resíduos no Brasil e de seus autores, era complexa e difícil de definir. Agora, o governo, as empresas e a sociedade são formalmente responsáveis por todos os “desperdícios da cadeia” e suas consequências. Esta relação não é exigida apenas para as soluções de terceirização do setor de atividades, ou atribuição ou de prestadores de serviços exceto no caso de geradores da casa, na qual se encontra em progresso.

A logística reversa se tornou um imperativo nacional, que exige fabricantes, importadores, distribuidores e anunciantes de certos produtos e desenvolver ações, procedimentos e meios de facilitar a coleta e recuperação dos resíduos de fabricação, para a reutilização em seu ciclo econômico ou ciclos produtivos e a eliminação ambientalmente adequada. Segundo a “Nação Política sobre Resíduos Sólidos Urbanos”, o principal grupo relacionado para reverter logística como o foco da cadeia de abastecimento é:

pesticidas, seus resíduos e embalagens, bem assim outros produtos cuja embalagem, após a sua utilização, podem ser considerados resíduos perigosos, disciplinado por lei ou regulado em normas estabelecidas pelo governo ou por normas técnicas;

baterias; pneus; óleos lubrificantes, os seus resíduos e embalagem; vapor de sódio; lâmpadas fluorescentes e mercúrio e tipos de luzes misturadas; produtos eletrônicos e seus componentes. A definição de logística reversa expressa na lei estende esta lei ao escopo original. Acredita-se que, com o aumento de opções tecnológicas para reciclagem e transformação disponíveis no país, a lista acima mencionada possa ser expandida num futuro próximo. A lista não limita os produtos que podem ser parte da logística reversa, apenas manifesta o primeiro foco. Ou seja, apenas o passo inicial.

Com a criação de sistemas de base de dados na logística reversa (inventários, declaratório anual do sistema de resíduos sólidos, o Serviço Nacional de Informações, as bases de dados de registros e licenças), será possível no futuro ter muitas informações sobre resíduos em geral, facilitando a criação de parques de ecoeficiência em que os resíduos de uma empresa se tornem matéria principal para uma outra organização e a existência de uma simbiose industrial.

O Estado assume um papel importante ao incentivar a formação de rearranjos que integram a gestão dos resíduos acima mencionados. Entre os instrumentos de incentivo que se destacam estão os de natureza fiscal, os financeiro e os de crédito em matéria fiscal, a pesquisa científica e tecnológica em cooperativas para promover a reciclagem e outras formas de reutilização, na saúde, no meio ambiente e produções agrícolas, os recursos do nacionais do meio ambiente, da cooperação científica e desenvolvimento tecnológico, a importância da educação e formação contínua; em fornecer linhas de crédito para projetos de infraestruturas, reciclagem, logística reversa, a descontaminação de áreas afetadas e outros. Por isso, reitera-se o seu papel de acionamento, além de minimizar os danos decorrentes da eliminação de resíduos sem eximir os respectivos responsáveis pelos danos, com pleno reembolso ao governo para as despesas decorrentes da ações realizadas. RLM

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André está majestrando em administraçao, e estudando logística reversa. Ele trabalha no Departamento de Saúde do Estado de Minas Gerais-Brasil, em questões relacionadas com o credenciamento de Serviços de Saúde. Ele realiza pesquisas sobre logística reversa na Universidade Fumec. André também é responsável pelo website: www.logisticareversa.net.br

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# Read the Press

**Microsoft and Movideo Forge Global Cloud-Based Strategic Alliance**

Redmond, WA & Hong Kong—22 March 2012—Microsoft Corp. and Movideo Pty Ltd. today announced a four-year strategic agreement in which Movideo will migrate its integrated online video platform to Windows Azure to drive business growth across Asia Pacific (APAC) and beyond.
*CLICK HERE*

**Future Group initiates pitch for supply chains vertical**

16 March 2012-Future Supply Chain Solutions, the logistics and supply chain vertical of the Future Group, is scouting for a creative partner. The process began around a couple of weeks ago and is still in its nascent stages.
*CLICK HERE*

**DHL Receives Approval to Handle Electronic Scrap in Australia**

14 March 2012-The logistics company DHL Supply Chain (Australia) Pty Ltd. says it has been approved as the first organization to deliver services under Australia's National Television and Computer Recycling Scheme, an initiative that seeks to reduce electronic scrap that is landfilled in the country.
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**RLA Conference & Expo: EUROPE 2012**

The RLA EMEA committee looks forward to use your feedback to provide you valuable and relevant content on the RLA Conference & Expo: EUROPE 2012. By filling out this survey, you will not only improve the quality for the coming event, also you can win a free pass worth (USD 2499) for the event.
So please don't hesitate and fill out this survey, which will only take around 10 minutes of your valuable time.
We look forward to seeing you at the RLA Conference & Expo: EUROPE 2012 in Amsterdam on June 12, 2012.
Thank you for your feedback!
The RLA EMEA Committee
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**Teleplan Developed After-Market Service Solution for Mobile - and Smartphones for the Asia Pacific (APAC) Region**

Amsterdam, The Netherlands—13 March 2012—Teleplan International N.V., the leading global provider of high-tech end-to-end after-market services for the Computer, Communications and Consumer Electronics industries set up a regional service solution providing total repair management for the entire Asia Pacific (APAC) region for one of the leading brands in the smartphone and wireless infrastructure segment. The service program includes reverse logistics, screening and performing repairs up to the complex repair level 3. To realize this customized solution Teleplan enhanced its footprint in Jakarta, Surabaya, Kuala Lumpur and Bangkok. Existing Teleplan service facilities in Hong Kong, Sydney and Seoul are also included in this service concept. *CLICK HERE*

**eBuilder teams up with Swedish business consortium to support transport industry in China**

13 March 2012-eBuilder announces its association with Team Sweden, a business partnership between official actors and industry that aims to advance cooperation and trade between Sweden and China in the transport industry. Team Sweden is comprised of the Swedish Trade Council, the Swedish Embassy and Consulates, Growth Analysis, and Invest Sweden.
*CLICK HERE*

**Staub Electronics Uses ProcessWeaver Multi-Carrier Shipping Solutions to Support Automation and Compliance With UPS, Purolator, and Canada Post Within SAP Business One**

Santa Clara, UT—13 March 2012—Organizations running SAP Business One have a significant advantage. However, if a business ships orders via Parcel, LTL/TL/FL, and/or Ocean Freight, it usually relies on external 3rd-party systems or black box solutions. Staub Electronics Ltd, a leading distributor of consumer electronics, is one such company that embarked on a mission to streamline their distribution process. The company turned to ProcessWeaver, Inc to embed compliance with business partners, gain full visibility across the enterprise, and completely automate their shipping process. *CLICK HERE*

**'Supply chain, inventory costs in e-tailing slightly lower than retailing'**

11 March 2012-For an online retailer, logistics strategy dictates the kind of products that it offers to sell. *CLICK HERE*

**BrightPoint Americas Announces Logistic Services Agreement With Lytro**

Indianapolis, IN—9 March 2012—Brightpoint, Inc., a global leader in providing device lifecycle services to the wireless industry, today announced that its subsidiary, Brightpoint North America L.P., has entered into a logistic services agreement with Lytro, Inc., maker of the world's first consumer light field camera. Under the terms of the agreement, Brightpoint Americas will provide fulfillment and logistic services to support Lytro. *CLICK HERE*

**ADSI Expands U.S. Sales Network for its Shipping Software and Supply Chain Visibility Solutions**

Schaumberg, IL—9 March 2012—Advanced Distribution Solutions, Inc. (ADSI), a leading provider of flexible logistics management solutions that streamline supply chain operations, today announced the expansion of its sales organization to accommodate sales growth in its southern and western U.S. territories.
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 REVERSE LOGISTICS ASSOCIATION CONFERENCE & EXPO

# RLA Conference & Expo São Paulo, Brazil

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We are pleased to announce the RLA Conference & Expo Brazil in April 2012! Companies from all over the world and especially South America & Central America along with many other international delegates will be in attendance. ODMs, OEMs, Branded Companies and Retailers will be looking for 3PSPs that can manage Reverse Logistics in South & Central America.

Temos o prazer de anunciar a Conferência e Exposição RLA Brasil em Abril 2012! Empresas do mundo inteiro e principalmente da América do Sul e Central junto com muitos outros delegados internacionais, estarão presentes. ODMs, OEMs, Companhias de Marca e Varejistas da América do Norte e Sul, Europa e o Extremo Oriente estarão procurando Empresas Tercerizadas que lidam com a Logística Reversa

Nos complace anunciar la Conferencia y Exposición RLA Brasil en abril de 2012! Empresas de todo el mundo y especialmente América del Sur y Centroamérica, junto con muchos otros delegados internacionales estarán presentes. Fabricantes ODM e OEM, minoristas y empresas de marca de la América del Norte y del Sur, Europa, y del Extremo Oriente estarán buscando terceros que puedan gestionar la logística inversa.

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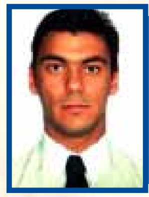

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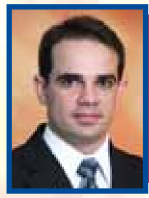

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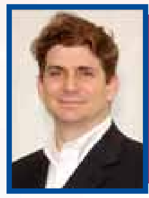

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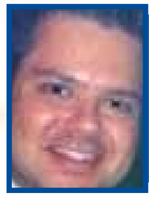

**Fabio Garcia,**
Executive
MAN Latin America

**Maria Fan,** General Manager, Cargo Business Unit, Azul Linhas Aéreas Brasileiras

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## KEYNOTE SPEAKER

Walmart Save money. Live better.

**Jose Paulo Pereira,**
VP de Logistica, Walmart

O Sr. Pereira integrou a equipa da cadeia de suprimentos do Wal-Mart Brasil em 1998, com responsabilidades nas áreas de distribuição, transporte, comércio, exterior e abastecimento. Em 2001, ele assumiu o papel de Director Distrital de Operações da marca todos os dias da rede de supermercados na região sudeste do Brasil. Em 2005, o Sr. Pereira foi promovido a Diretor de Logística para as regiões nordeste e sudeste do Brasil. Em agosto de 2007, ele foi promovido a vice-presidente de Logística Integrada e distribuição para toda a Wal-Mart Brasil, com responsabilidades de gestão para todos os centros de distribuição, transporte, comércio exterior e melhoria contínua de negócios.

Mr. Pereira joined the supply chain team of Wal-Mart Brazil in 1998, with responsibilities in the areas of distribution, transportation, foreign commerce and sourcing. In 2001, he assumed the role of District Director of Operations for the Every Day brand of supermarkets network in the southeast region of Brazil. In 2005, Mr. Pereira was promoted to Director of Logistics for the northeast and southeast regions of Brazil. In August of 2007, he was promoted to Vice President of Integrated Logistics and Distribution for all of Wal-Mart Brazil with management responsibilities for all distribution centers, transportation, foreign commerce and continuous business improvement.

ARTICLE

# Raising The Bar Through Outsourcing

*by Ryan Smith, MyCirclePal.Com*

The stereotypes associated with outsourcing are often very negative in nature. However, it is actually possible to utilize the concept of outsourcing to receive the highest quality of work possible. Outsourcing no longer only refers to overseas sweatshops where employees work long hours for meager pay.

Outsourcing now also occurs domestically and often at prices which are more than generous. Thanks to savvy entrepreneurs who realize the benefits of offering their services on a contract basis, outsourcing has become the wave of the future. This article will take a look at how outsourcing can actually lead to superior work and increased profitability.

## TOP QUALITY WORK FROM INDUSTRY EXPERTS

One of the most advantageous aspects of outsourcing is the ability to employ industry experts for the completion of certain tasks. This becomes beneficial in situations where a business is faced with a complex problem which is beyond the expertise of the in-house employees. Outsourcing gives the business the opportunity to outsource the task of solving the problem to a highly qualified candidate.

Although the business may pay a hefty sum for the individual's services this fee will likely be significantly less than what it would have cost them to solve the problem with their in-house staff. The amount of time it would have taken coupled with the potential for costly mistakes makes it clear outsourcing is the right decision in this scenario.

Another scenario where tasks may be outsourced to an industry expert is when the business is faced with the task of performing more work than they are capable of handling in-house. During aggressive deadlines or unexpected delays, outsourcing can be used to complete projects according to unyielding deadlines.

## FLEXIBILITY IN SCHEDULING

Many businesses balance the workload they take on based on the number of employees they have on staff capable of assisting in each individual task. However, outsourcing gives businesses the ability to consider accepting more work than their in-house employees are capable of completing.

An example of when this is beneficial is when consultants are awarded more projects than they had anticipated and are suddenly in a situation where they are not able to meet their deadlines due to larger than anticipated workloads.

Another advantage to outsourcing is the ability to take on larger projects than usual. One of the most elementary factors often considered when awarding projects to consultants is the number of staff members who are available to work on the project.

Clients evaluate this number with their project needs and schedule to determine whether or not they think the consultant is capable of completing the project on time. Consultants who outsource portions of their projects are effectively able

to increase the amount of employees they can afford to have working on a particular project.

### REDUCED OPERATING COSTS

Finally, outsourcing can help companies to produce higher quality work by enabling them to reduce their operating costs. Outsourcing can save companies a great deal of money because they often do not have to pay benefits such as social security, workers' compensation and Medicare to those who perform work on a contract basis.

Additionally, those who perform the outsourced work typically do the work from their own office meaning the company does not have to provide resources for the individual. Although these costs may seem trivial, they can really add up especially if outsourcing is used on a regular basis.

Combined with the reduced operating costs, many companies find that productivity is increased through outsourcing. By outsourcing work to qualified individuals, the in-house employees are freed of additional responsibilities and can focus exclusively on the tasks they were hired to perform. This is significant because without outsourcing these same employees might be tasked with attempting to perform complicated tasks for which they are not properly trained or qualified.

When this happens there is a significant decline in productivity as the employees take longer than necessary to complete the more complicated tasks and do not have time to complete the simpler tasks

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Ryan Smith is the owner of MyCirclePal.Com, one of the Net's hottest community and social neworking sites! Post your free profile today at http://www.mycirclepal.com/

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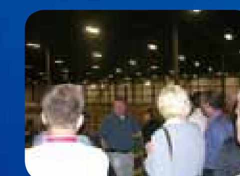

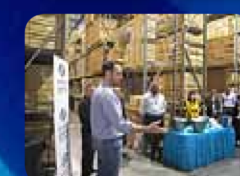


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FEATURE


# Technical Trends

## Gedankenexperiment

One of the things that Albert Einstein is noted for was the method he used to solve problems. He would approach questions by amplifying the principles associated with the problem in his mind by what he called in his native German, a gedankenexperiment or "thought experiment". He would then reconcile the extremes into a new idea that would become the solution to a problem. Interestingly, there is a similar approach you can take in gauging your target position in pricing and where you need to transform your business versus market share in RL. The basis of this method is using a demand curve.

Information on using Demand Curves for market analysis is mostly centered on new products and commodities. A lot of this thinking is not quite as portable for use in RL. But with a little tuning of the methods and some thought from your subject matter experts, we can use demand curve analysis to learn a great deal about your business.

**Real World Example:**

Let's consider a company that has a depot repair and refurbish operation that focuses on smart phones for one manufacturer. The key metrics for this company are;

Volume 53000/Mo

AUP $58.00 (Labor+ Mtls)

SGA $185K/Mo,

GM % 35%

The first step is to define the TAM (total available market h/t Steve Manning) expressed in gross units. For smart phones the repairs will be a subset of the gross returns. The gross returns can be estimated to be ~0.7% - ~1.2% of the installed base per month. For smart phones in the US, subscriber numbers recently crossed 100M units. That would equate to a gross return rate across the US of ~900K units per month. For a single brand of product with a 30% market share the TAM would be ~180K units total per month. We can instantly see that our example supplier above with 53K units/Mo, has ~29.44% of the TAM.

Next, we need to set the slope of the demand curve. For the RL business this is tough because there is so little information sharing or open benchmarking. However, since we are most interested in the slope and not the actual values, educated estimates coupled with some G2 from an informal survey over lunch or dinner will work very well. In this example I am setting the extremes at;

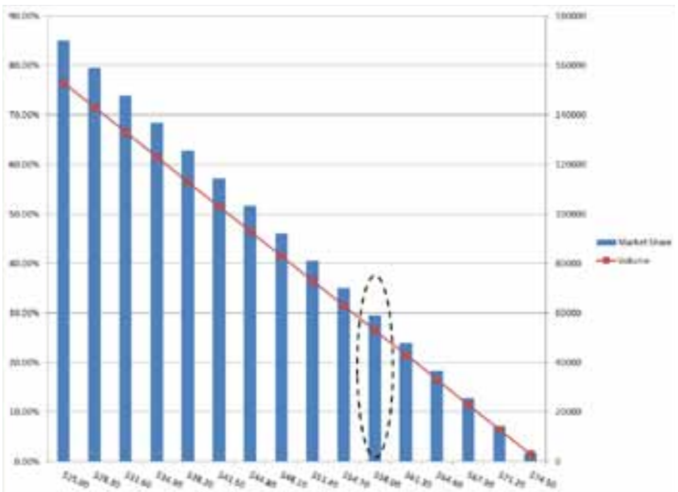
| Market Share | Total AUP |
|---|---|
| 2.0% | $74.50 |
| 85.0% | $25.00 |

With the limits set, you then spread the data linearly in a spreadsheet across the extremes. You will end up with a dataset that looks something like this;

| Market Share | Volume | AUP |
|---|---|---|
| 85.00% | 153000 | $25.00 |
| 79.44% | 143000 | $28.30 |
| 73.89% | 133000 | $31.60 |
| 68.33% | 123000 | $34.90 |
| 62.78% | 113000 | $38.20 |
| 57.22% | 103000 | $41.50 |
| 51.67% | 93000 | $44.80 |
| 46.11% | 83000 | $48.10 |
| 40.56% | 73000 | $51.40 |
| 35.00% | 63000 | $54.70 |
| 29.44% | 53000 | $58.00 |
| 23.89% | 43000 | $61.30 |
| 18.33% | 33000 | $64.60 |
| 12.78% | 23000 | $67.90 |
| 7.22% | 13000 | $71.20 |
| 1.67% | 3000 | $74.50 |

Chart this data and you can see where our example business falls in relation to the demand curve.

You can see they are at the lower third of the TAM and have a higher price point compared to the range of possible competitors. If you go back to your spreadsheet and add calculations for Revenue, SGA and PBT we can start to see some interesting inflection points.



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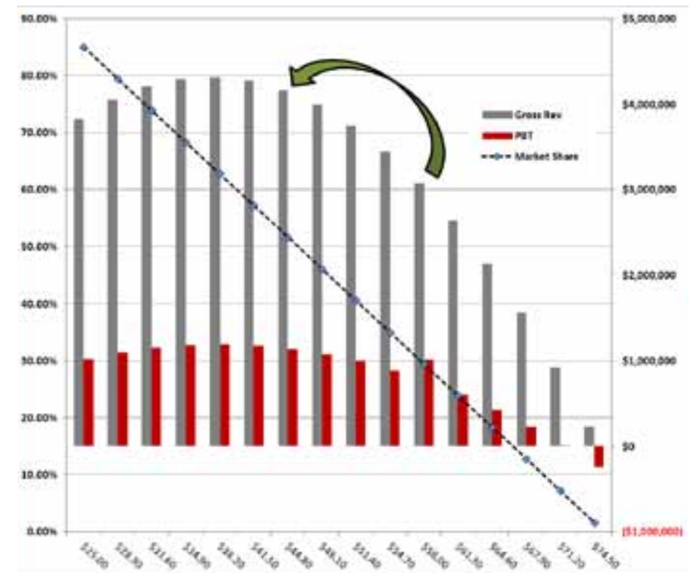
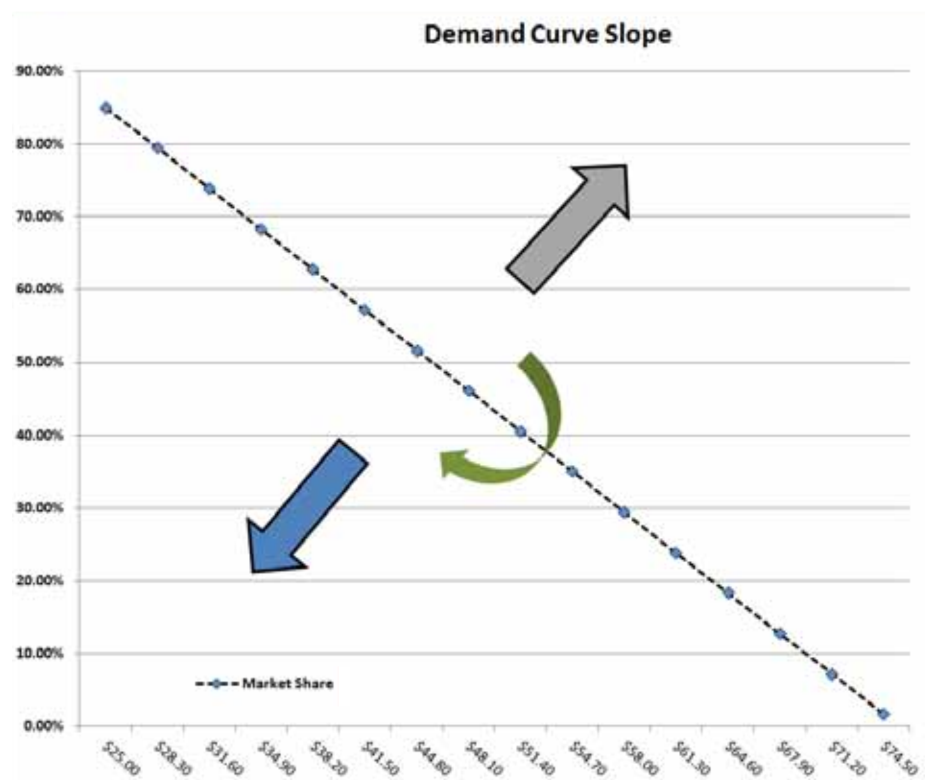


As a Manager, you can now take this data back to the Operations and Business Development Team to assess your new target market position. In this example the team decided they could hold their current margins and move their AUP to ~$46 total for new business if they could get the volumes up. After looking at the data, Management decided that the increase in retained earnings did not vary enough to justify the risk of an AUP lower than $46/unit.




**Trending Over Time:**

If you maintain the data for the demand curve over time there is quite a bit of additional information that can be learned.

If the curve moves outward (gray arrow) then the complexity of the devices has typically increased and is being reflected in higher materials cost or greater labor time needed for the repair. The blue arrow would most often point to a change in service technology. A good example would be a faster RF Test Set that reduces the test time for screening and quality. A rotation of the curve almost always benefits the higher volume and reflects a reduction in fixed costs or other costs related to volume like freight.

So while not immediately obvious there is a lot that can be gained with some simple thought experiments, even in RL. Let me share one last thought from Albert to keep in mind as you work through this analysis; "A man should look for what is, and not for what he thinks should be ". Good – Charting.

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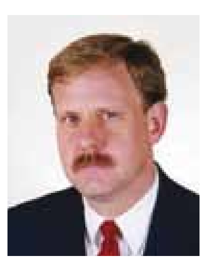

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FEATURE

# Returning Thoughts

## Increase Profits using the Reverse Logistics Cost Equation

The challenge of every Reverse Logistics Professional is to increase your corporate profits by improving the handling of your returns. Returns processing is made up of many people, processes and costs, so it can be a considerable challenge to assess where to focus your energies to ensure you can achieve the biggest return for time or money invested.

One way to tackle this challenge is to view your reverse logistics from a financial perspective. It is also helpful to arrange your returns processing into a framework to perform ongoing analysis, prioritize your decisions and benchmark your performance.

An excellent tool to help you perform this analysis and identify your profit opportunities is the Reverse Logistics Cost Equation.

**The Reverse Logistics Cost Equation**

The Reverse Logistics Cost Equation is an assembly of the key cost components or categories related to the creation, handling, processing and final disposition of a return item. The equation is as follows:

**The Reverse Logistics Cost Equation:**

**Processing Costs**
**+ Logistics Costs**
**+ Credits/Replacements Cost**
**<u>+ Asset Depreciation</u>**
**Total Reverse Logistics Costs**

It is very important to note that a reduction in any one of these Reverse Logistics Cost Equation components goes straight to your corporate bottom line profit.

**Reverse Logistics Cost Components**

A closer look at each component is as follows:

**Processing Costs:** are all costs incurred to process and handle your returns. For example, your returns process may start with the authorization of the return by a call center representative, followed by the receipt of the returned item at your warehouse and then the repair or refurbishment of the returned item.

**Logistics Costs:** are all costs related to moving and handling the retuning units as well as the cost related to the shipping of any replacement units. This may include freight costs for pickup and for shipping. It may also include warehouse handling and storage costs not already captured as a processing cost above.

**Credits/Replacement Costs:** most products that are returned require the issuance of a credit or the exchange with the same or a similar replacement product.

Asset Depreciation: most returned products have some value, whether it can be re-stocked, refurbished or even sold as scrap. Often these items have a higher recovery value than you may think. It is very important to consider the financial value that may be lost over time if these returned products are held too long and not dispositioned quickly.

**Impact of a reduction in the Reverse Logistics Cost Equation Components**

As mentioned earlier, a reduction in any one of these Reverse Logistics Cost Equation components goes straight to your corporate bottom line profit. So what happens to your corporate profits when you make small improvements to each of these cost components?

Small improvements to processing often result in some financial savings that increases corporate profits. For instance, it may cost you $30/unit to process a warranty return. If you are able to improve the process and save 10% of your processing costs, you will send $3/unit to your corporate bottom line profitability.

Small improvements in the area of credits/replacement or the area of asset depreciation can often result

| Cost Component | Potential Savings Range<br>$ (very small) to $$$$$ (very large) |
|---|---|
| Processing Costs | $ - $$ |
| Logistics Costs | $ - $$$ |
| Credits/Replacements Cost | $$$ - $$$$$ |
| Asset Depreciation | $$ - $$$$$ |

Processing Costs $ *CAN DRIVE* ->

Logistics Costs $$$
Credits/Replacements Cost $$$$$
Asset Depreciation $$$$$

in much larger profit impact. The reason for this is often driven from the impact of your cost per unit. If we look at the example of one of your retailers returning one of your electronics items due to a product defect. The cost to issue a credit to the retailer is equal to the amount you sold that unit to the retailer for, let's say $80 as an example. The impact of this return is an immediate reduction in your corporate profit of the full $80 for this unit. Hopefully, you will be able to recover some value from this returned unit, but the immediate impact to profit can not be overlooked. Nor can the immediate gain you could achieve by somehow reducing the credits issued to the retailer by one unit. In this case, the impact of issuing an $80 credit for a unit is certainly much greater than the $3/unit you achieved above with the small improvement in per unit processing cost.

Similarly, large opportunities are often available in the area of asset depreciation. The number of channels to dispose of returned goods (in any condition) has grown significantly over the past few years. The profit impact of this opportunity can be very significant. For instance an electronic manufacturer recently learned that they could dispose of returned items collecting dust in their warehouse at 80% of retail value. The per unit selling price was above their original manufactured cost, but since these were returned units their book value was already written off to zero, so the gross profit margin was 100%. The profit impact of returned asset depreciation is essential to monitor, because time can rapidly reduce the value of idle returned goods and their potential positive impact of corporate profits.

**Inter-Relationship between the Reverse Logistics Cost Equation Components**

When performing your analysis of potential profit improvements in each area of the Reverse Logistics Cost Equation, you must also keep in mind the inter-relationship or effect that one equation component can have on the others. The best example of this is processing costs.

A small change in one part of the equation, such as processing, can drive very large changes in the other parts of the equation. For example an improved verification process when returned goods are received may involve an investment in technology or software and training. This change in processing costs may drive a large reduction in the number of unauthorized credits you have been issuing customers for goods that may have never actually been returned properly. So a small investment in processing technology drove a large change in bottom line profits since fewer credits are now issued.

A small change in processing costs can also often achieve a significant increase in profits through a reduction in Asset Depreciation. By speeding the turn around time of a rapidly depreciating product line, there is often an opportunity to significantly increase the profit recovered by selling the "newer" goods for a higher price to the secondary markets. This rapid turn around time can be achieved through a small change in processing costs, such as an investment in better IT systems that enable visibility and alerts to ensure the goods are flowing through the system at a much faster pace.

The Reverse Logistics Cost Equation can be a powerful tool for you to analyze your operations and determine where to spend your limited time and financial resources. RLM

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