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Reverse Logistics magazine

Eco-Responsibility Is a Key Component of Reverse Logistics. Page 18

Pictured: David Douglas,
Vice President, Eco-Responsibility,
Sun Microsystems, Inc.

The Six Hidden Costs of Reverse Logistics Page 14

FALL 2006
US: \$4.95



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Printed in the U.S.A. on paper containing 50 percent recycled content with 10 percent post-consumer material. Reverse Logistics Magazine (ISSN 1934-3698) is published quarterly by Reverse Logistics Association. The information presented in this publication has been provided by corporations and is believed to be accurate; the publisher cannot assure its completeness or accuracy.

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Lighter Side of Reverse Logistics



Cover Story



Eco-Responsibility Is a Key Component of Reverse Logistics Pg. 18

Today's major computer manufacturers are all faced with mounting reverse logistics issues, but one of the most interesting is how to use reverse logistics as a competitive weapon.

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To Our Readers



A Letter from the Editor

Unlike most of our readers, Reverse Logistics Association is not an OEM or a retailer or even a 3PSP. We have no product... although we do offer services. As we have no product, we do not repair or refurbish. What we do is teach reverse logistics at conferences, seminars, workshops and "best practices" in publications. And that's okay—our mission is to educate others about reverse logistics and as an authority in this arena, we can provide direction and offer guidance to others.

During a recent staff meeting, we were discussing how we as an association incorporate reverse logistics activities into our daily operations. Well, our magazine is an example of reverse logistics. At the end of a distribution, rather than toss (or even recycle), we have found ways to use our excess inventory. We distribute copies at various tradeshows such as EScrap, CES, Storage Visions and Aviation Week; provide copies to participants at all of our RLTS Seminars; and we found that we could sell our unused copies of the magazine instead of producing reprints, and at a better value for our customers! In addition, our research shows that copies of Reverse Logistics Magazines are passed from person to person, then land on bookshelves to be saved as reference material.

I encourage everyone to evaluate how your company uses reverse logistics practices in your day-to-day operations. Think about ways you can introduce new RL processes or expand the use of existing processes. Investigate whether a small investment would provide the opportunity to process returns or perhaps repair and refurbish products with greater monetary benefits for the bottom line of the company. Perhaps you could expand on the product lines you service to capitalize new revenue while increasing customer satisfaction and value!

We all need to pause and think about the ways that reverse logistics activities can add to your companies' bottom line.

Best regards,
Christine Morrow
Editor, Reverse Logistics Magazine

Reverse Logistics Association Mission

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

Logistics Processes that are common to all industries. We have been and will continue to provide our services at a moderate price to our members.

Managing the latest information in repair, customer service, parts management, end-of-life manufacturing, service logistics, field service, returns processing and order fulfillment (just to name a few) can be a little intimidating, to say the least. Yet, that is exactly what the Reverse Logistics Association provides with our membership services. We serve manufacturers and retailers in a variety of settings while offering

ongoing updates on market trends, mergers and acquisitions and potential outsourcing opportunities to 3PSPs. We have gained the attention of 3PL's like FedEx, DHL, NYK & UPS. 3PSPs like Teleplan, Ozark, Solectron, Jabil along with small service providers have found that the RLA resources help advertise their services. OEMs like Microsoft, HP, Palm along with Retailers like Wal-Mart and Best Buy all participate at our events. Our online RLmagazine and weekly NewsClipping help OEM, Branded & Retail companies find service partners that were unknown to them.



Message from President and Founder of RLA

I'm always traveling to see Reverse Logistics processes around the world. I've seen Operations from mediocre to fantastic! Sometimes I'm shown a RL process that would scare anyone to death while at the same time providing an opportunity for a 3rd Party Service Provider and RL consultants to fix. But everyone always wants more business.

Recently while traveling to Utah for a little R&R, one of my sons took me to Cabela's. I was shocked, this retail store made anything that I had ever seen look juvenile. Cabela's retail stores bring back memories of a school field trip, something between a museum and the Monterey Bay Aquarium. There were animal displays, huge aquariums stocked with native fish and a centerpiece indoor mountain displaying trophy animals in realistic re-creations of their natural terrain. These folks know how to mix the shopping experience for the whole family. Yes, mother, dad and all the children were checking out the retail shelves and filling up their shopping carts.

Now, I'm no hunter--the last time I shot a gun was when I was living on a farm in Arkansas, back in 1961. Fishing, well that's another story--if someone invites me I'll go, but I'm catch and release guy—I prefer the grocery store!

So, what does this have to do with Reverse Logistics—everything. Cabela's customer service was extremely high and their return policy was similar to Costco or Wal-Mart. Every item has a 100% satisfaction guarantee.

Just look at some of the high tech opportunities that Cabela's could outsource to a 3PSP:

Optics

- Binoculars
- Riflescopes
- Red Dots & Lasers
- Rangefinders
- Nightvision
- Sighting In

Electronics

- GPS Handheld
- 2-Way Radios
- Cameras
- Home Electronics
- Auto & ATV Electronics
- Boating Electronics



I know many 3PSPs that could manage all the returns from screening, sorting, refurbishing, and repairing to the final recycling disposing of the raw materials to recover the remaining assets (look at the Sun cover story).

So, what is the moral of the story for all of us? To the 3PSPs; are you servicing LCD displays for HP in the computer industry, but not providing the same service for Lowrance in the Sonar/GPS boating industry. Have you decoupled your marketing teams to the point that they don't call on other industries for similar services? How many 3PSPs repair cell phones for Motorola, but don't know about Innotek's dog training collars with a handheld transmitter locator feature?

OEMs and Retailers should take stock also, have you partnered with a 3PSP that can provide the customer support you want? How do you find the best 3PSP when "best practices" might be outside of the industry that you are in?

Sometimes we just need to sit back, take a little time and do a little self-reflecting.

Gailen Vick
President
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www.RLTShows.com

Board of Advisors

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



Jose Garcia— Microsoft Corporation
Jose Garcia is Director - Repair and Refurbishing at Microsoft Corporation. Jose joined Microsoft 4

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



Michael R. Blumberg — D.F. Blumberg Associates.
Michael R. Blumberg is a Certified Management Consultant (CMC) and

President & CEO of D.F. Blumberg Associates, Inc. His firm focuses on providing strategic and tactical assistance to client organization for improving the overall profitability and quality of aftermarket service operations. Mr. Blumberg has established himself as an expert and industry authority on Reverse Logistics and Closed Loop Supply Chain Management.



Chuck Johnston — WAL-MART Stores, Inc.
Chuck Johnston is General Manager at the Bentonville Return Center, WAL-

MART Stores, Inc. Chuck has been with Wal-Mart for the past 13 years and his responsibilities include Returns, Imports, Exports, Tires and Printing and Mailing Distribution.



Jim Hunt — Jabil Global Services
Jim Hunt is Vice President of Business Development at Jabil Global Services

Jim has been with Jabil Global Services since October 2002 but has been in the contract manufacturing and contract post-sales business for the last ten years. He has held various positions including business

unit director, global account director, and his current position of vice-president of global business development and account management.



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

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



John Bernardino — Hewlett-Packard, Inc.
John Bernardino is currently a Director of Reverse Logistics for HP's Imaging and Printing Group. In

his position, John is responsible for credit issuance, engineering, remanufacturing, and all return related costs. His product responsibilities cover printing, digital imaging, supplies, scanners, and shared printing.



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

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



Dan Gilbert— Cisco Systems
Dan Gilbert is Vice President of Worldwide Reverse Logistics at Cisco Systems, Inc. His

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



Tony Sciarrotta — Philips Consumer Electronics
Tony is Director of Returns Management at Philips Consumer Electronics

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

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



Reverse Logistics: The Least Used Differentiator

by Rodney Moore

An opportunity to generate additional revenue, differentiate market position and support product demand is available to companies in the form of reverse logistics. It is estimated that reverse logistics costs account for almost one percent of the total United States gross domestic product and is rapidly becoming an integral component of retailers' and manufacturers' profitability and competitive position. Product returns are the most common aspect of reverse logistics; yet, most companies do not handle returns well because it is not a part of their core competency.

While many companies are working closely with third-party logistics providers, many others are still considering the best way to handle reverse logistics. A primary reason for this is the massive shift in revenue opportunity that now follows each product sale. Customers spend 5 to 20 times the initial sales price on subsequent services and consumables. This leaves some companies seriously considering a "closed loop" approach to the supply chain that

includes product returns, service contract returns, product recalls, used equipment and replacement parts for refurbishment, as well as reuse or sale as raw material. Increasingly, reverse logistics must be considered part of a successful growth strategy. Today, having a solid disposition

In fact, the gate keeping function can actually provide an opportunity to up-sell and cross-sell.

plan is an essential aspect of an asset-recovery strategy. Returns, repairs and used items can also have brand implications. For some companies, brand protection is paramount and most companies want to ensure their

goods are not sold in secondary markets or end up in discount stores. The Center for Logistics Management at the University of Nevada conservatively estimates that 6 percent of all goods may be returned, but concedes that the true number may be closer to 8 percent.

Companies often mistakenly believe that outbound operations can also handle returns by running everything in reverse. Not so. Reverse logistics operations must manage a number of unique functions that are not included in outbound operations: collection of outdated, unwanted or damaged products as well as packaging. It is also true that the more complex the product, the higher the percentage of returns due to several factors including more variables that can go wrong, greater numbers of unqualified operators, and often regulated end-of-life disposition. While many companies have begun to recognize the need to address reverse logistics, few have strategically examined the opportunity or established explicit contribution objectives and formal processes/metrics for asset refurbishment, resale or disposal.

Difficulties of Reverse Logistics

Many companies do not have an awareness of the current costs associated with reverse logistics. The reasons for this may include poorly defined processes and lack of system support. Due to the variable nature of returns, both processes and systems must maintain a degree of flexibility to manage the returns process.

Most products are engineered to incorporate manufacturing efficiencies (postponement of manufacturing and modularization), but few product designs take into account the impediments to disposition that a product's lifecycle should incorporate. And while business partners often play key roles in the disposition of a product, all parties need to be well-informed about the true costs and possible revenue opportunities, so when entering into an agreement the financial and marketing goals are clearly understood.

If customer service representatives and/or sales personnel are not trained or encouraged to manage the reverse logistics needs of customers, they can become impediments to operating a successful returns logistics process. But, if properly motivated, these personnel can be gate keepers for the process.

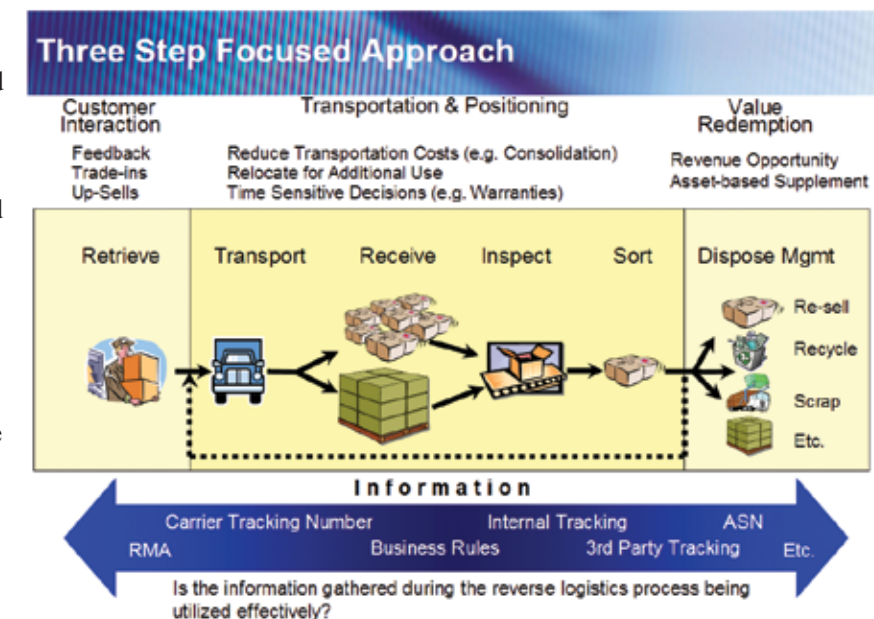
They can often walk consumers through set-up and early usage issues and, in effect, talk them out of returning products.

Company policies and employee incentives must not be barriers to offering an advantageous reverse logistics program.

Reverse logistics programs are also typically complicated by a number of factors. Paperwork and poor workflow processes tend to plague reverse logistics operations. This is exacerbated by the multiple entities – customer, manufacturer, reseller and disposer – that need to partner to develop a smooth reverse logistics program.

Improving Reverse Logistics Operations

Complex business systems, such as reverse logistics and the decisions affecting it, are often not made inside the operational process.



Improvements must happen well before operations and even before a product reaches production. Marketing should define:

1. How the secondary market affects original equipment demand
2. What customer experience is sought

Once these numbers are determined a manufacturer can focus on the operational improvements needed to achieve results.

An often overlooked strategic aspect of reverse logistics is that it "clears the channel" for future purchases.

An often overlooked strategic aspect of reverse logistics is that it "clears the channel" for future purchases. By working with customers to trade up to replacement or new products, companies are able to elude inefficiencies and costs by avoiding product obsolescence. This also releases capital and display or storage space for replacement products.

Reverse logistics can be used as a differentiator to distinguish one company from another, which further increases "switching costs" to competitors. A well-defined reverse logistics program can be used to capture customer

opinions and needs that can deepen the collaborative relationship. Key incentives to implement and conduct an effective reverse logistics program include: customer retention/satisfaction; container reuse, recycling, damaged materials returns, asset recovery/restock; downstream excess inventory; hazardous material programs, tracking obsolete equipment and recalls.

Making Returns Profitable

Returning goods to the supply chain is equally as important as moving goods

to market, so assigning key executives to manage and improve the asset-recovery program is fundamental to achieving profitable results. Each center should have an executive team to handle administrative functions relating to facility management, material flow and marketing efforts, while contract labor can be used to perform sorting functions. A company might find it more beneficial to outsource the post-production environment completely. Materials being returned from customers and distributors might be handled by various contractors with assigned territories, while the product disposition is coordinated with a network of decision matrices set forth by the central outsourcing company.

When developing a reverse logistics program, process responsibilities should be clearly defined. While a company's logistics division may coordinate the product return operation, the production department may manage asset recovery. Therefore, the production department would

handle the material that has fallen out of the system prior to reaching the customers. Well documented approaches benefit both consistency and traceability – which leads to greater efficiencies.

High-level Example of an Effective Reverse Logistics Program

Each point below represents a step in how a reverse logistics program can work. It is important that each company define how an effective reverse logistics program will affect customer experiences and original equipment demand while contributing to revenue. Each step requires more detailed characteristics to be defined:

1. At the installation site, authorized personnel complete the appropriate forms and attach them to the items being funneled to the recovery operation. (Customer service and logistics processes must be defined and communicated.)
2. Supply trucks bringing new

products and materials to nearby sites can backhaul the older parts and materials to the local supply location. (Schedules, transportation, networks must be established and effectively managed.)

3. Dedicated staging locations at all supply locations as well as at some customer locations specifically for materials bound for the processing centers. (Customer processes and expectations must be clearly defined and communicated.)
4. An intranet connection that facilitates communications between the processing centers, supply centers and customer locations. (Communication processes and infrastructure must be established.)
5. A database of buyers categorized by certain classes of materials should be maintained. (New processes must be developed to support new revenue streams.)
6. When the trucks arrive at the processing centers, sort the material, categorize it according to buyer, then notify the appropriate buyers that the material will be placed for

Reverse Logistics Association Publications



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

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

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

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

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



silent bid. Processing centers may also include company stores, where customers can shop among the items that make the journey through the processing center and are determined by site managers to have purchase appeal. (Processing center network, operations, and organization needs to be established and managed for on-going improvement.)

7. Each lot of material is described and placed for auction on a medium such as the company's web site. The lots generally remain up for bid for a specified time, e.g., five days (Sales techniques and mediums must be identified as well as processes, business rules and metrics.)

8. The winning bidder typically gets a specified time, e.g., an additional five days to pay for and pick up the material. Buyers are responsible for transport. (Expectations and business rules must be developed and communicated.)

9. Track materials inbound and through the sorting, bid, sale and release processes with a central accounting system. All cash collected

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from sales should be sent by the buyer to a central clearinghouse, which authorizes release of the material and performs all the reporting, accounting and reconciliation activity. (Central tracking system should be developed and analyzed.)

Solutions to Reverse Logistics Obstacles

Depending on your current operation, proven solutions exist that can improve customer retention through a reverse logistics program. These answers could be strategic in nature from process development and expansion to improvement portfolio development. The solutions include: possible options for reclaimed product; refurbish (improve product beyond original specs); recondition (return product to original specs); salvage (separate components for reuse); repair (prepare for sale as a used product); sell to third-party or recycle (discard/liquidation) to a landfill.

Conclusion

First, develop a strong reverse logistics strategy. Second, clearly outline financial, corporate, brand, marketing and other objectives. Treat the reverse logistics function as a business; it is not the returns department, it is an operation. Give it goals, give it objectives, support it with resources, assign executives to manage it and let it be part of the “lifecycle” design for your products and your customers.



Rodney Moore is a senior consultant with UPS Supply Chain Solutions Consulting Services, where he focuses on supply chain optimization with an emphasis on procurement and inventory analysis. His experience includes leading teams through process improvement and technology enablement of the supply chain while working on supplier connectivity, inventory management and e-procurement. He possesses a deep knowledge of and experience in program management including the rational unified process methodology used for application development.

think returns

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The Six Hidden Costs of Reverse Logistics

by Lee Norman and Warren Sumner

Companies make money selling things, not taking them back. But companies automating the reverse logistics process have discovered a nontraditional but relatively easy way to move dollars to the bottom line. For many companies, reverse logistics is the last frontier of waste in today's supply chain. Take a look at the "industrial equipment" sector, where return rates run 4-8%. The total revenue impacted by returns is \$52-104 billion in just the U.S. alone. For computers and network equipment, the return rate is 8-20%. For an industry with total U.S. revenue of \$486 billion, the revenue impacted by returns is an astounding \$39-97 billion. Unfortunately, many companies have not yet had the information or tools necessary to turn this untapped source of value into additional revenue gains or cost reductions for their companies. A big reason for this is that the costs of reverse logistics are "hidden" across the organization, and no one functional group has line item responsibility for managing those costs.

To help identify where poorly managed returns may be affecting your bottom line, let's take a look at

six hidden costs of reverse logistics, the area of greatest concern being Hidden Labor Costs, in addition to Grey Market Items, Lack of Visibility, Inaccurate Forecasts, Credit Reconciliation, and Poor Response Time.

1- Hidden Labor Costs. Just as sales fulfillment impacts all facets of an enterprise, handling returns does too. From customer relations all the way to Sarbanes Oxley compliance, there are layers of cost incurred if your returns process is not automated. A reverse logistics operation is automated if it uses enterprise returns management software (used internally and externally by channel partners) which offers rules-based, product-specific protocols for how to handle any returned items. Based on information linked to the product's SKU—which can be activated by scanning or RF guns—this class of software can best determine what return rules and parameters apply if its attributes are drawn from the authoritative inventory, warranty, policy, and accounting information

housed in the company's central ERP. These enterprise returns management systems work best when linked directly to a customer-facing web interface (more on this below), thereby integrating every link in the returns process to the ERP, allowing visibility across every station in the value chain 24/7.

Let's look at the common areas of hidden labor costs:

Customer Relations: Costs are incurred when manually deciphering return policies on a one-off basis, determining a product's eligibility for return, determining the timing of credits back to the customer, and

identifying what warranties apply (if one applies). Moreover, you risk the perception that your company is interested only in customers who buy and not those who return.

Customer Service: Costs are incurred

determining which warranty policies to enforce, which service contracts apply, what credit rules are in place, how a product should be coded when it is replaced with a new one, and for determining special needs (e.g. expedited return shipping). Further, handling return-related contacts is alone time consuming. On average, customers call up to four times to inquire about each return. The opportunity cost of not eliminating one to two of those contacts is too significant to ignore. Imagine eliminating 35% of your return-related contacts, thereby redirecting the newfound capacity to generating additional revenue.

Finance: Financial reconciliation of the return is required, as is issuing credit to customers. Most onerous, so is the inventory reporting for Sarbanes Oxley (where forward and reverse activity can very possibly be logged across two different quarters). Add in the appraisal / write-down process and the charges incurred if a returned product is not covered by warranty but is returned anyway.

Sales: In many cases, account sales reps spend much of their valuable time dealing with nagging returns issues instead of new sales activities with clients. By implementing a web-based self-service customer portal, a major consumer electronics company was able to free up 40% of their sales reps time that was formerly tied up in dealing with returns issues.

Traffic and shipping: Because you bear the costs of shipping of returned items, it will cost you more in labor to individually assign a shipping method for each returned item. There are carrier-control rates to consider, as well as damage incurred in-transit, one-off shipments, inability to track returned items and cost-effective aggregation and routing. Without the application of rules, these decisions are made and costs incurred on ad hoc basis. Certainly, the processes aren't monitored regularly via metric reporting.

Receiving and Warehousing: Facility and labor planning takes employees' time. Mostly because organizations

have few systems in place to adequately support any such planning. And remember your warehouse costs, especially when occupied for long periods of time with inventory whose fate is unclear until a returned inventory assessment and recovery program is put in place to extract its value.

Asset Management: Repairing, replacing, liquidating, or recycling products is costly, if it is done product by product by an ill-informed or undereducated worker. Also, assets and subcomponents devalue rapidly in some markets (2-5% per month in some cases) and value is lost if disposition isn't timely. Value recovery of a product means appraising its residual market value before it goes to costly repair. A cell phone whose market value is \$5 isn't worth fixing for \$15. But what returns manager can know the difference without physically opening the return shipment? Using business rules, some items can be scrapped in the field

rather than returned and processed, based on a serial number or part number that is easy for end users to obtain.

2- Grey Market Items. Even if a warranty program is controlled by serial numbers or SKUs, manual lookups are costly, and grey market contamination is a risk. Grey market contamination is a risk on many levels, not the least of which is warranty processing or the cost of determining that a product is not even eligible for warranty service. Controlling both asset history and required disposition systematically at the SKU or product category level helps to minimize this risk. For example, assets designated as scrap may reappear for warranty service. Manual operations are not able to quickly ascertain this, and costly work is performed against an asset that has been deemed to have no residual value. The key to avoiding this cost is to establish a rigorously enforced returns authorization process

- 1- Hidden Labor Costs
- 2- Grey Market Items
- 3- Lack of visibility
- 4- Inability to forecast accurately
- 5- Credit reconciliation



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that grants you the power to deny any unacceptable return and offers you advanced knowledge of what's coming at you.

3- Lack of visibility.

Customers want visibility to the status of their return requests. If they don't have it, they'll call. Or email. Repeatedly. Merchandising would like to know what inventory is on hand, immediately. Are they short on the latest hand-held device...do they need to order more or is a sufficient supply in-transit as a return? Design would like to know if a product line is experiencing high return rates due to a single component failure. Marketing wants information about the instructions on the new phone system that is so confusing that customers think the phones don't work. A well-run returns operation can derive more efficient use of capital by capturing, synthesizing and publishing intelligence about your returns population to the relevant functional areas in your organization.

4- Inability to forecast accurately.

Detailed historical information about returns may be trapped in local Excel spreadsheets and static databases. Sales staff is often asked to provide forecasts for reserves,

but they can see across the various stations and links in the supply chain to make those predictions accurate. Operations is unable to accurately predict whether additional (temporary) resources are needed to process a large influx of returns.

They may be paying overtime to ensure internal cycle times are met, or up-staff too far in advance and have to send employees home early, if they have no returns to process.

5- Credit reconciliation. Large customers often calculate their own credits – and take a debit on next payment, which is a very labor-intensive problem to resolve in the accounting office. And that's not the only reconciliation problem. Return requests are approved, but not valued or matched against receipts. This prevents accurate accruals, claims recoupment or effective vendor management. Manually processing this information is a method made obsolete 30 years ago. It can be automated and integrated, and the cost eliminated.

6- Poor response time and brand toxicity. Manual return request processing and validation cause delays in approving or rejecting return requests. This frustrates customers and communicates lack of concern, which tarnishes your brand and drives up call and email volume. It also ties up their "open-to-buy" dollars and prevents more sales. So do delays in validation, cycle count

discrepancies in receiving, and many other "simple" problems. Customers expect you to stand by your products during the entire lifecycle. They demand that your returns processes work as well as your sales process. Do you have this same expectation and a path to implement enterprise reverse logistics to solve it?

Reducing Hidden Costs by Automating the Reverse Logistics Process

A few approaches to reverse logistics have been tried and shown to be inefficient. For some companies, it seemed like a good idea to ship a product with a pre-printed return label. This process guarantees only one thing: The returned inventory will be shipped to the proper address because it is printed on the label. Beyond that, the data management process hasn't advanced much because these labels declare neither the quantity of goods, or if the return shipment is a mixed lot. Nor do they control the timing of the return of those goods.

Other companies have tried call centers. Fair enough, as you typically get the data right (or nearly right) with an agent, and you can even take time to sort through the various mix-matched SKUs in the shipment. But manual, human intervention in a returns process (as with any supply chain task) is costly because it is time consuming. According to Gartner: If you were to automate your reverse logistics with a web interface that demanded an RMA and compliant label before any return – it would save 35-50% over a live call center. If you were to set up an entirely web-based RMA system that linked directly to your ERP, your company could save 50-80% over pre-printed return labels.

Clearly, automating front-end RMA approval and labeling processes, as well as rule-based receiving, disposition and settlement, is the path insightful companies are taking for managing reverse logistics. C-level

officers are eager to reduce costs, and the return-on-investment for an "enterprise returns management" (ERM) system can be achieved in a remarkably short time, given the margins and the money now left on the table. Set up a web-based RMA system, link it to your ERP, and train your customers to respect and adhere to your rigorous returns process, as enforced by web services. This need not alienate your customers, nor be perceived as inflexible. Returns can be made remarkably easy, given the flexibility built into powerful ERPs for manipulating highly granular data, the wide availability of "distance printing" of customized "returns compliant" labels, and the availability of sophisticated web services that can access and distribute data from a central ERP...and update that ERP with awareness of inventory that is heading back to the warehouse, and better yet, what to do with it once it arrives.

Leading companies today are recognizing the damage that hidden costs of reverse logistics are having on their profitability. Increased profits and excellence in the returns management process is found once companies focus on reverse logistics. With a logistics team "thinking in reverse" and the process automated at the industrial level, an effective reverse logistics operation offers a significant opportunity to recover returned goods and dollars that can dramatically impact the bottom-line of a company of any size and structure. *RLM*



About the Authors:
Lee Norman is senior manager of Enterprise Returns Management for ClearOrbit.



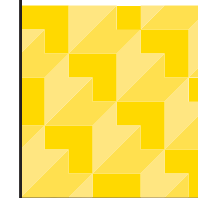
Warren Sumner is Vice President of Marketing and Strategy for ClearOrbit.

ClearOrbit provides real-time supply chain execution (SCE) and reverse logistics software solutions. Founded in 1994, ClearOrbit serves more than 275 leading manufacturing and distribution companies including Cisco Systems, Motorola and Texas Instruments. *ClearOrbit.com.*

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Eco-Responsibility Is a Key Component of Reverse Logistics



David Douglas, VP Eco-Responsibility,
Sun Microsystems, Inc.

by RLM Staff Contributor

Today's major computer manufacturers are all faced with mounting reverse logistics issues, but one of the most interesting is how to use reverse logistics as a competitive weapon.

Computer and information technology (IT) manufacturers compete for customers by constantly delivering more powerful, more efficient, and better computing and storage systems. The competition is fueled by the fact that business customers themselves need those advantages to compete in their markets. Business customers, especially enterprise-size IT staffs, need to keep their data centers filled with always-faster computers, called servers, to keep up.

As a result, computer manufacturers are in a race to render their own hardware products obsolete at a rapid pace.

Meanwhile, the pile of used computers grows mountainous. About 12 million computers a year end up as 'ewaste,' and a single computer can contain 700 distinct compounds -- some valuable, some toxic. Disposal and recycling for reuse are complex and expensive processes.

In this environment, reverse logistics rises to strategic importance.

Efficiency and the Lifecycle of Products

Fortunately, the industry has learned how to design modular computers that are increasingly easy to disassemble, repair, and recycle. Sun Microsystems

in particular prides itself on delivering some of the industry's most powerful computers and storage systems that also lead in eco-friendly efficiencies.

"Looking for efficiency is in our corporate DNA," says David Douglas, Sun's Vice President of Eco-Responsibility. "Saving energy and reducing waste are not just good for the environment, they're good for business."

Eco-responsibility at Sun is a multi-layered approach and includes efficiencies targeted at the supply chain to help streamline and economize the reverse logistics process.

As a top-tier, broad-line IT manufacturer, Sun provides hardware, software, and services to corporations worldwide. Much of the company's hardware revenues come from high volume sales of servers -- the networked computers that process applications and deliver data to business and Internet users. Sun customers typically purchase hundreds or even thousands of VCR-sized servers at a time, stacked dozens high in racks and placed in secured, cooled, raised-floor rooms called data centers. As an innovative, engineering-driven manufacturer, Sun has a history of designing information technology products that use less energy, occupy less space, and conserve resources -- all an advantage to its customers.

"Sun has some worthy competitors -- IBM, HP, Dell -- and efficiency is one of the ways we stay competitive, at many levels," says Douglas.

Sun has used its repair network as a competitive advantage for many years. In fact, Sun established its first reverse logistics network more than 20 years ago. "And it is constantly undergoing change," says Steve Simpson, Sun's Senior Director for its Service Supply Chain. "It becomes smarter, more efficient, and more eco-friendly at each step."

Douglas claims that now is the time for technology manufacturers to look at important reverse logistics changes on the horizon, and he offers some tips. First, network technology can extend the reach of your process and help it move more smoothly by delivering the right information to the right person wherever, whenever it's needed. Second, initial product design that anticipates product returns can significantly accelerate and economize reverse logistics. Third, energy efficient designs can expand the useful life of a product to both the customer and the manufacturer.

And finally, continue preparing for increasing environmental regulation in the areas of ewaste and hazardous substance management. Under the EU WEEE regulations, for example, manufacturers are responsible for the ultimate disposal of all electronic equipment they sell, and that paints a target directly on the reverse logistics organization.



Steve Simpson, Sr. Director, Service Supply Chain holding reusable, field replaceable units.

Applied Technology Keeps Reverse Logistics Moving

"Our first advantage is that we manufacture much of the technology used in our logistics process, and we aggressively implement our own innovations," Douglas explains. "Our own hardware systems -- from

inexpensive desktop 'virtual clients' and enterprise servers to huge storage area networks, are saving us money and improving our network capability as user demand grows. Java technology, which we invented, drives much of our software code and allows deep and diverse cross-platform compatibility with our supply chain, including handheld and embedded computing devices. We use our own operating system, Solaris OS, widely recognized as the most scalable, highest volume 64-bit UNIX platform available, our own enterprise infrastructure software platforms, and our own servers and storage."

As a result, Sun has developed a highly integrated reverse logistics network that offers endless opportunities to connect people, products, and information inexpensively. "Building future flexibility today through compatible, integrated, industry-standard systems is important," says Douglas.

If the Product Isn't Designed for Reverse Logistics, It's Not Designed Right

Sun has also learned over the years how to design computers and storage devices, from the desktop to the data center, that minimize the reverse logistics effort through the initial product design.

Extreme modularity is key. Computers that are designed to be disassembled quickly move through reverse logistics quicker. At the same time, extreme modularity also benefits Sun's IT customers, who often do instant, on-site modular component replacements themselves. Here, modularity and redundancy work together. Customers who need highly reliable, always-on computing power choose servers with a high number of "field-replaceable units," for example dual, hot-swappable power supplies, fans, and disk drives that can be removed and replaced without shutting the system

Know Your Regulations

California Electronic Waste Recycling Act of 2003 (SB20 & SB50 amendment) http://www.reverselogisticstrends.com/regulatory_cek.php	Establishes a fee, to be paid by the consumer and collected by the retailer, on all brands of designated electronic devices sold in California, including CRTs and LCDs
EU REACH EU regulatory framework for the Registration, Evaluation, and Authorization of Chemicals http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm	Requires manufacturers to register information on substances in their products in a central database
RoHS Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment http://www.sun.com/aboutsun/ehs/rohs.html	An EU directive that bans the sale of some electronic equipment with concentrations of lead, mercury, hexavalent chromium, and other hazardous chemicals
WEEE Waste Electrical and Electronic Equipment Returns http://www.sun.com/aboutsun/ehs/weee.html	Requires that producers of electronic equipment be responsible for the collection, reuse, recycling, and treatment of equipment in the EU market

down, thus, improving system uptime. "Customers are always happy not to have to take a server offline because of a bad fan, and we're glad to receive just the fan, not the whole unit," adds Simpson.

In the reverse logistics system, the part instantly becomes a candidate for Sun's robust repair and remanufacturing programs.

"We have very active Trade-in and Remanufactured Systems programs," says Douglas. "It makes sense in a

business where customers want to constantly upgrade units for the fastest technologies. But because enterprise customers have such a high need for extremely reliable equipment, even in used equipment, we build, test, and certify our systems to the quality standards of our new products and offer same-as-new warranties."

Also, the company has learned to design products for higher recycling yields. Many manufacturers are working to reduce their returned-product landfill percentage from 35 percent down to approximately 25 percent of product. Sun's progressive product designs have helped cut ewaste down to under five percent. "We're able to put over half of the product back into use," says Douglas, "and can recycle almost all of the rest. Currently less than five percent ends up in the waste stream, and we have goals to drive that even lower."

Eco Legislation Is the New Reality — Plan on It

"We recognize a clear trend towards increasing regulatory complexity, from labeling and certification to energy efficiency and eco-safe disposal," warns Douglas. "For example, if you want to continue doing business with electronic products in Europe, you'll have to conform to WEEE regulations. That means planning how you'll eventually take back every bit of equipment you sell. It's a serious challenge and will get bigger as similar regulations are adopted elsewhere around the world."

And that's just one example. "Manufacturers should also expect a series of escalations in hazardous substance regulations, limiting the use of toxic chemicals and regulating their disposal," says Douglas. "Just as we've seen strict laws regarding mercury disposal throughout the world, we can expect to see other chemicals receive similar treatment. For example, the EU's RoHS regulations place restrictions on six chemicals, and we expect others to pass similar legislation in the next 12 months."

Each of these factors could cost you a lot in time, lost opportunities, fines, and finally, new process investments to get it right. But Douglas has some advice, from experience: "Start now to address these challenges, ahead of your competition. You'll certainly lower the risk to your own business, but may find that competitive opportunities may arise as a result as well. Since many of these regulations involve disposal as well as manufacturing, understanding the reverse logistics implications up front can lower risk and save money."

Now, Sun is actively involved in lobbying for uniformity and consistency within and between this cluster of directives and regulations. "Regulation uniformity and more predictability will help all

manufacturers plan ahead and save on design costs," says Douglas.

Help Customers Cut Costs through Energy Efficiency and They Will Upgrade

One of Sun's website headlines says, "More computing power has always demanded more energy consumption." The subheadline echoes a Sun mantra, "Let's change this."

Noting that a large data center may house more than 10,000 servers and can consume the energy equivalent of 80 barrels of oil every day, Douglas claims, "We really can change this, and our customers are very interested in us doing so."

Picture this: The average house requires approximately 225 kWh/year (kilowatt-hours per year) of electricity. The typical corporate headquarters draws about 15 million kWh/year. Today's largest data centers can draw over 100 million kWh/year. That's enough power to run 400,000 homes, at a cost of around \$10 million a year.

But you certainly don't need to have a large data center to benefit from energy-saving IT equipment. Sun's ultra-low power servers, powered by the Sun UltraSPARC T1 processor with CoolThreads Technology, have helped everyone to see what's possible. They have also improved Sun's supply of incoming legacy parts.

Product Upgrades: Good for Customers, Good for Sun, Good for Reverse Logistics

Introduced in 2005, the Sun Fire T1000 and T2000 servers use one-third the power of other servers in their class while delivering a 3x improvement in performance. That means you can get more compute

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power out of the same size room and still pay less in power costs, including air conditioning. One server can process up to 32 simultaneous threads, or process flows. For multi-threaded processing, no other system can pack as much performance in a rack of computers.

These servers are so energy efficient that they now earn a rebate for Pacific Gas and Electric (PG&E) customers in the Western U.S. As a first-of-its-kind program for PG&E, the California energy provider gives Sun customers a cash savings of \$700 to \$1000 per server when they replace old, inefficient servers with Sun Fire T1000 or T2000 servers.

"This is a growing trend," says Douglas. "Energy efficiency makes economic sense, and we take it seriously, as do our customers. It really does pay off."

For Sun and its customers, the benefits are multiple. Beyond cutting energy

costs, a system that uses less power will produce less heat, and heat is the enemy of reliability. For most computers and their components, reducing the heat in the system improves the mean time between failures (MTBF). And that improves customer satisfaction.

And for the benefit of reverse logistics, product innovations such as these help entice customers to upgrade to newer servers, especially through trade-ins. When they do, it fills the reverse logistics pipeline with good, usable parts and material, which are used to service customers who need repairs on older equipment. "For repairs, I'd rather re-use what's already out there than buy new," says Simpson. "It's less expensive and better for the environment."

In this way, product innovations help reverse logistics become a cost-cutting competitive weapon. "I've always said every bit of legacy material I'll ever need is already deployed," says

Simpson. "I just need a catalyst for customers to want me to take it off their hands. Now we've got one."

Just the Beginning

Douglas predicts that smarter design and manufacturing will help manufacturers deliver eco-responsible products and processes while reducing the cost of reverse logistics. At the same time, anticipating an environment of regulatory tightening can help you make changes at the design stage and reduce the need for retrofits.

Each is an opportunity to gain unique competitive advantages, no matter how big your competition is. RLM

For more information, visit Sun Eco Center at www.sun.com/aboutsun/environment Sun Remanufactured Systems at www.sun.com/remanufactured

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further in to the issues and to network with others who share your interest in a particular topic.

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Wednesday also offers RL Workshops and Seminars. Check out the line up of speakers, then sign up for one or more.



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Partnerships In Managing Electronic Waste Streams In Harmony with Nature



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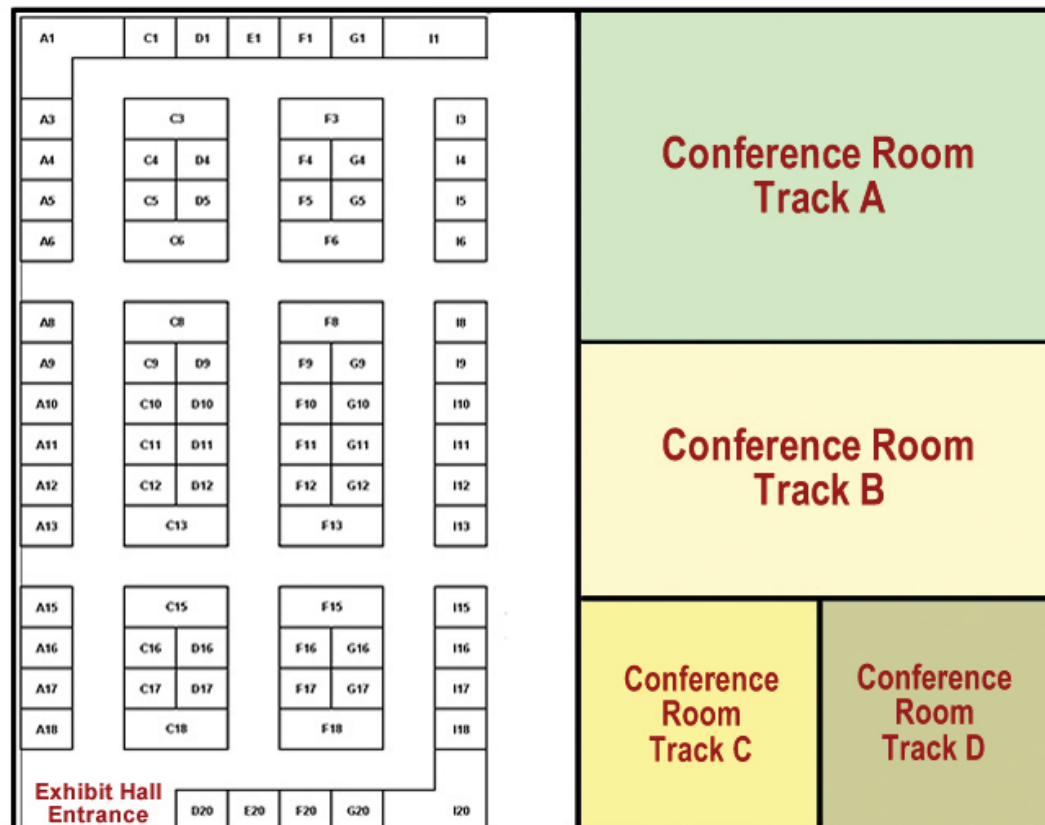
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Conference Schedule

MONDAY - FEBRUARY 5, 2007

- 8:30AM **EXHIBIT HALL OPENS**
RLTS Las Vegas 2006 Welcome
- 10:00AM Gailen Vick - President - Reverse Logistics Trends, Inc., "Industry Overview Size and Forecast"
Industry Keynote Address
- 10:30AM "The Major Challenges Facing Reverse Logistics"
- 11:30AM - 1PM **Buffet Lunch - Exhibit Hall**

	Track A	Track B	Track C	Track D
1PM	Maximizing Revenue Opportunities in Reverse Logistics Through Integrated and Outsourced Online Marketplace Solutions	Global Challenges in IT Asset Recovery and Electronic End-of-Life	Real-Time Decisions, Taking Time Out of Reverse Logistics	Using Technology To Lock In Customers to Your Aftermarket Sales & Service Strategy
2PM	Retail Reverse Logistics Issues	Revenue Opportunities within the Reverse Logistics Process	Outsourcing Recovery Programs to Increase Profits	Wireless Carriers, OEMs & 3PSPs - Working Together for Customer Support
3PM	Customer Returns - A Delicate Business - Will RFID Help?	IT Asset Disposition: A Unique Reverse Logistics Challenge	Pioneering Customized Support Strategies to Meet Dynamic Customer Requirements	Industry Analysis on the Wireless RL Market Size
4PM	Online Auctions - Changing the Way We Do Business	Predictive Analytics in Support of Improved Quality	Channel Returns and Asset Management	Developing an ERP with a strong RL Component

- 5:00-7:00PM **Roundtable Discussions**

TUESDAY - FEBRUARY 6, 2007

8:30AM	EXHIBIT HALL OPENS			
9AM	Track A Partnering for RL Solutions	Track B Reverse Logistics - Pro's and Con's of Outsourcing	Track C RL Operational Strategies for New Product Releases	Track D Methods of Outsourcing
10AM	Mid-Morning Breakfast - Exhibit Hall			
11AM	Reverse Logistics Issues in the Storage Industry	Options in the Reverse Logistics Transportation Model	Entitlements - Managing Costs on Returns and Warranties	Global Warranty Support
12:00PM	Buffet Lunch - Exhibit Hall			
2:30PM	Turning Costs Into Value with Innovative Reverse Logistics Through Optimizing Your Customer Service and Marketing	Managing the Global Impact of Electronic Waste Legislation	Challenges Associated with Outsourcing Reverse Logistics and Repair	New Ways to Streamline Operations, Drive Profits, and Delight Customers
	WEEE & RoHS Impact on OEMs & 3PSPs	Supply Chain Sustainability - Integration of Forward and Reverse Value Chains	Returns and Loss Prevention Strategies	RL Shared Costs Between Carriers and Manufacturers

- 3:30PM Gailen Vick, President, Reverse Logistics Trends, Inc., "Closing Remarks"
- 4PM **LUCKY DRAWING** for DVD RW, Portable DVD Players, External Hard Drives, Digital Cameras (you must be present during the drawing to win)

WEDNESDAY - FEBRUARY 7, 2007

- 7:00-11:00 Golf Tournament
- 9:00AM - 4:00PM Post-Conference Workshops





Depot Repair & the Reverse Logistics Road Trip

by Joe Costa

You can't move forward on a journey unless you map the course. These days you'd be hard-pressed to find a road that hasn't already been paved. However, when moving through new ground, utilizing a few necessary tools, thorough research and the drive for success you just might be able to make that trip faster and more efficiently while making some unexpected discoveries along the way.

Know Where You've Been

Traditionally, depot repair companies provided little beyond a basic menu of products, services, and prices—nothing more. There was no urgency to extend value outside this standard. With all efforts internalized the best organizations focused on building outstanding reputations for quality, responsiveness and efficiency. Many of these companies were incredibly successful for a time, but where are they today? While market forces were changing rapidly, they continued with emphasis on base line services but did little to enhance their value to customers. The price they paid was a costly one... consolidation or extinction.

The needs and priorities of their customers evolved quickly and dramatically. Repair, while still important, became proportionately less significant to customers as they identified additional opportunities to gain efficiencies not directly related to repair. For

service based companies, survival and success in the burgeoning world of Reverse Logistics and after-sales support meant realigning resources to achieve these advantages for their customers.

Building Relationships with the Locals

Building relationships is key in all walks of life.

Maximizing yield from any venture demands a solid working relationship between customers and vendors. Both parties must strive to develop a true partnership. At the outset, the companies identify objectives, assign responsibilities, define mutual expectations, and schedule time lines. Encouraging a "team" mentality from the start energizes both sides positively while minimizing bureaucratic obstacles. Each customer project is unique; therefore the program for effective service must also be unique and flawless for ultimate success.

Crush Canned Solutions: Take the Road Less Traveled

Service companies must have an internal organization in place to meet the special challenges that will present themselves and all personnel must compulsively provide and manage solutions swiftly. Listening and un-

derstanding specific needs and goals will lay the groundwork for developing personalized programs that will complement customers' own internal measurement systems. Canned solutions simply can't meet all of the specific demands of every customer; so service organizations need to step out of the box and be creative in designing solutions that meet their customers' specific needs while never assuming that customers can or should modify their internal functions to fit into that canned solution! Excellent results are almost always possible when the foundation of a service company is a flexible workforce that is driven by continuous analysis of the facts and a consistent drive to improve quality and productivity.

Be Flexible: A Small Detour Can Save Big \$

A flexible workforce provides management with powerful tools for developing innovative services. Personnel with exposure in multiple areas of the business have confidence level in working programs with customers. Employees who are effectively cross-trained have more range and the ability to adapt to constant change in the Reverse Logistics and after-sales environment.

Although it is important to have flexibility within the workforce, it is critical on the systems side as well. Customers with highly complex ERP, DMS, WMS and other systems are reluctant to customize any aspect of them for management of short-term special projects. And they shouldn't have to; the cost of modifying one of these complex systems is usually too large to justify the effort. Extended time and the risk of corrupting or diminishing performance of the overall system are other factors causing reluctance. Depot repair vendors must be able to bridge this gap because effective use of systems can yield great results in managing customers' Reverse Logistics projects, so a means must exist to overcome customers' internal limitations.

Adapt & Thrive with Each Bend in the Road

Critical to filling a customer need is the adaptability of a vendor's software.

If the expense and time involved in customizing software is minor compared to the overall project scope, then the team can realize significant benefits. Together the customer and vendor can outline the initial needs necessary to implement the project and the customer can have access to all phases of the operation as if the project were in house. This seamless integration generates a rapid response from customers who readily see the value in obtaining real time data from "their" service operations.

Tracking Each Journey to Ensure Future Success

Well defined reporting will lead to greater productivity on both sides, and guide improvements within the customized repair/inspection processes. Screening, testing, shipment tracking, parts replacement criteria, labeling and packaging are reevaluated and upgraded as needed. Once the reporting fields are identified, they

can be further modified to yield more positive results in the future. An example would be the use of failure data to enhance outside call center operations. With accurate updated information and regular training, a call center's effectiveness increases as end user satisfaction improves and the customer realizes significant reductions in valid warranty claims--and an increase in their bottom line.

The Open Road to Success
The economic realities of this age demonstrate the huge shift in business thinking over the last 25 years. We have moved from independence to interdependence. The advantages of this change have been reduced waste and inefficiency, higher productivity, better quality in products and services—in brief a series of benefits unimaginable a short time ago. With focused attention and cooperation between customers and depot repair vendors, this trend will continue. The continuous review and analysis of processes and data by team members insure that projects yield projected results, some pleasant surprises along the way, and a road map for additional successes in the future. RLM



Joseph Costa is President of Depot America, Inc. one of the largest independently owned service companies in the US. He holds a BS in accounting and an MBA, both

degrees from the University of Southern California. In his career he has been controller of a food manufacturing business, VP Finance & Administration for NYSE member firm, William O'Neil & Co., Inc. and for the last 25 years partner or co-owner of service companies including Depot America during the last 18 years.

Today, Mr. Costa and Depot America have successfully expanded into the Original Equipment Maintenance market, as well as the Self Maintainers market. They plan on continuing to enrich their services by adding complementary products to their already impressive line.

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The Five Cs of Outsourcing

by Mark DeLong, Bob McCallister and Brad Hendrick

A young executive gazes absentmindedly out his airplane window as his fingers drum on the top of his closed laptop. He looks at his watch and thinks of his wife and kids just getting home from a soccer game. This is the third trip this month he's made to his company's off-shore call center. He knows his company is saving money by locating its call center there, but he wonders if it's really worth it; the travel, the phone calls in the wee hours of the morning and the comments from customers who have become frustrated by multiple calls to get what they need. He wonders if there isn't a better way.

Well, there is, and it's a new trend sweeping the country. Near-shore outsourcing combines the best of both worlds.

Off-shore outsourcing refers to any place that takes an entire day or more of travel time to and from. Most people think of places like India, the Philippines and China in this respect. These are places that generally have different time zones, wages lower than the U.S., robust labor pools and English as a second language.

On-shore outsourcing refers to anything within the continental United States. It's usually divided into two

categories, urban and rural. Rural is just what it sounds like, any site that is not a major city. These sites are usually close as far as globally, but can require connecting flights and drive time, so short travel time isn't always a given. Urban sites are usually more accessible, and travel time is such that you can get there, put in a day's work and get home that evening.

The term *near-shore* refers to places that are near enough to the U.S. that travel time is very similar to on-shore. Usually near-shore refers to places like Canada and Mexico, but the term is also used for Panama and Costa Rica. There are advantages and disadvantages to each of these; cost isn't the only consideration when choosing a site. Corporations must determine the kind of experience they want to provide to their customers as well as what kind of call center they need, then make a decision based on what is most important. There are always trade-offs, and businesses must prioritize.

Arvato has developed **The Five Cs of Outsourcing**, a system that can help corporations make an informed decision on which type of outsourcing best suits their needs. The Five Cs consists of: culture, convenience, cost, complexity and customer satisfaction. Off-shore, near-shore and on-shore rate differently in each of these areas.

Five Cs of Outsourcing	On-shore	Off-shore	Near-shore
Culture	5	1	4
Convenience	4	1	4
Cost	1	5	3
Complexity	5	3	5
Customer Satisfaction	5	1	5

Corporations must decide which of the Five Cs are most important to them. This ratings scale measures the strengths and weaknesses of each site with 5 being the highest rating and 1 the lowest.

These metrics are basic issues that greatly affect both your customer satisfaction and your bottom line.

Culture refers to colloquialisms, language and life experience. The biggest differences in culture between customer and operator generally take place with off-shore outsourcing. The nearer the call center, the more likely cultures are similar to the callers. In some cases, near-shore call centers are actually a better cultural match to the callers such as with Mexico and Spanish-speaking customers.

Convenience goes hand-in-hand with accessibility. This refers to location, i.e. travel times, ease of making travel plans, parking or commuting

circumstances for operators, and similar work days, i.e., same time zone. Convenience also refers to access to the kind of technology your call center requires, i.e., high-speed networks, interfacing capabilities, etc.

Cost refers to overall cost of the location of the call center, i.e., wages, travel expenses, benefits, capital costs. In short, it can be measured by the cost of each transaction, be it per sale, per call, per return, etc. When determining cost, it is important to look for hidden costs such as attrition.

Complexity refers to the needs the call center is fulfilling for the company. Taking an order or answering a billing question requires far different needs than trouble-shooting or organizing returns or repairs. The more technical the call, the greater the complexity needs.

Customer Satisfaction refers to the expectations of your customers and their experience with your

organization. Were their questions answered? Were their expectations met? Would they recommend your services to a friend? Can you provide one-call resolution?

The significance of each of these varies according to the needs of your business.

In order to prioritize these areas, companies need to take a good, hard look at what is most important to their business. If you need to have frequent in-person communication between your company directors and the staff at the call center, then convenience is a high priority to you. If the call center handles complex issues where supply chain issues come into play, then complexity may rate higher for you. If most of your customer base speaks another language, say Spanish for example, then culture is a high priority for you.

The Five Cs are intertwined to some degree and a company must decide

what is most important. Sometimes customer satisfaction outweighs cost and may be directly related to culture. Sometimes what looks like a big savings in cost ends up costing you money if convenience and complexity needs aren't met.

When making decisions about where to locate a call center you need to keep a few other issues in mind as well. It's important to take a good look at the labor pool in the area you are considering. In the past 10-20 years, India and the Philippines have been popular areas because of the educated labor pool and wage scale. These places have become so popular that companies are now competing for labor, increasing costs for attrition and wages.

It's also important to know that there is a lifespan for the location of a call center. You may find an area that is virtually invisible to competitors with the kind of labor pool you need, only to find that others follow your lead.

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Your "great find" may become too costly as competition for labor and attrition costs rise.

Is there a best of both worlds?

When choosing a site for a call center, what you really need to do is keep the customer's experience at the forefront of your decision. After all, if you lose your customers, the rest don't really matter that much.

We are finding that near-shore outsourcing is solving many of the problems businesses have encountered with off-shore and on-shore outsourcing. Near-shore outsourcing is convenient as far as travel and access to the technology needed. Call centers located in Canada provide customers with operators of similar cultural backgrounds, usually increasing customer satisfaction by eliminating

language barriers, etc. For companies with a high rate of Spanish-speaking clientele, locating a call center in Mexico eases language issues as well, as most of the labor pool there is bilingual.

Near-shore outsourcing is still less expensive than on-shore outsourcing and provides most of the benefits. It really depends on your priorities. RLM



Mark A. DeLong, Director-Technical Support Services at Arvato Services Inc., has over 25 years RL experience in the wireless industry. He has extensive experience with wireless carriers such as McCaw Communications, AT&T

Wireless and T-Mobile. Mark has been with Arvato Services Inc. since 2005 as a consultant and employee, managing a technical services outsourcing project for a national wireless carrier.



Bob McCallister has been in the CRM business for 25 years with 15 years dedicated to the wireless industry. Bob spent 10 years in AT&T's Direct Marketing Services division before joining McCaw Cellular/AT&T

Wireless in 1992. Bob spent 4 years with AirTouch Cellular/Verizon Wireless as the Director of Telesales before joining arvato/Bertelsmann in January of 2005.



Brad Hendrick has over 22 years RL related experience with companies including Nokia Mobile Phones, Solectron Global Services, Sprint PCS and most recently as President and CEO of Applied Resource Technologies.

Brad has been with Arvato Services as Executive Director of Sales and Business Development for the Wireless Sector since 2005.

Read the Press

Full articles available from: RLA News Center

Wal-Mart Launches Five-Year Plan to Reduce Packaging

Wal-Mart Stores, Inc. (Bentonville, Ark.) plans to measure its 60,000 worldwide suppliers on their ability to develop packaging and conserve natural resources. This initiative, scheduled to begin in 2008, is projected to reduce overall packaging by five percent. The announcement came at the conclusion of the Clinton Global Initiative in New York City.

Newgistics Strengthens Customer Service with Enhanced Returns Resource Team

Newgistics Inc., the leader in returns management solutions for direct retailers, today introduced enhancements to the Returns Resource Team, a group of highly experienced client service professionals that provides personalized consulting services to support effective returns management. To ensure maximum operational efficiency, the Returns Resource Team works in close partnership with customers to ensure a rapid and seamless end-to-end implementation of Newgistics' intelligent returns management solution.

Breaking Down the Walls: Leveraging a Virtual Contact Center for Skilled, Global Customer Service

Most people can visualize the classic customer service environment – hundreds of agents sitting side-by-side in a large contact center, all working off the same script, working the same shifts and being monitored in the same manner. The mass media has reinforced this vision of customer service facilities as work farms located in the middle of nowhere, staffed with unhappy employees.

On the Move in Reverse Logistics

Robert R. Auray, Jr. has recently been named president and chief executive officer of GENCO subsidiary, GENCO Marketplace, which markets and liquidates customers' surplus inventory to maximize the financial return on their assets. Mr. Auray will be responsible for increasing GENCO's position in the liquidation market and leading business activities, including strategy and business development as well as operations management. With 26 years of executive management experience, Mr. Auray has proven success in leading high performance teams in developing and executing strategic plans and successful acquisitions, which generate significant increases in shareholder value.

Scott Selle has been named the president of EADS North America's Fairchild Controls Corp. subsidiary, which develops, produces and supports power conversion and control

electronics, environmental control systems and turbo-machinery for military and commercial customers worldwide. Scott brings significant expertise in supply chain management, aftermarket services and quality assurance. Prior to Fairchild Controls, Scott was the Director of Component Aftermarket Services for Honeywell Aerospace.

Warren Sumner has been named Vice President of Marketing and Strategy for ClearOrbit. Mr. Sumner had served as ClearOrbit's Vice President of Professional Services for the past five years. Sumner has over 20 years of experience in manufacturing and supply chain operations, software, and consulting. He joined the ClearOrbit Executive Team in 2002 as Vice President of Professional Services and was responsible for the implementation and enhancement of all ClearOrbit and partner products.

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Reverse Logistics Association Membership Benefits

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News clipping services (weekly)	✓	✓	✓	✓	✓	✓
Posting Approved member's white papers	✓	✓	✓	✓	✓	✓
Corporate Logo and Home Page Link from RLA web site	✓	✓	✓			
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Publicize company event (trade show, summit, etc.) in News Clippings	✓	✓	✓	✓		
Publicize company event (trade show, summit, etc.) in Newsletter	✓	✓	✓			
Annual Fee	\$6999/yr	\$5999/yr	\$3999/yr	\$1999/yr	\$1199/yr	\$199/yr

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RL Road Show Series of Seminars Highlights



The Reverse Logistics Road Show Series of Seminars continues to cross the United States, bringing leading reverse logistics professionals to key service locations throughout the country. Recent RL Seminars have highlighted returns processes, retail strategies, and environmental issues in reverse logistics.

Indianapolis

In July, the Reverse Logistics Road Show Series headed to Indianapolis and hosted more than 50 reverse logistics minds from 33 different companies. Mike Snell of NCR, Mark Wallace of AT&T and Laura McDougall of HP shared experiences and strategies in returns and vendor relations.

Attendees then boarded the shuttle for the GENCO-sponsored Best Buy Repair and Returns Facility Tour. They got a first-hand view of one of retail's most efficient repair and returns facilities. The afternoon featured Warren Sumner of ClearOrbit reviewing various examples market development within the RL sector and an interactive panel discussion featuring the day's speakers. The productive day ended with an evening reception sponsored by Telamon. The mingling and networking went into the night and attendees left with new strategies, knowledge and contacts.

Boston

The Boston RL Seminar featured insights, strategies, and challenges in retail and consumer products. Mike Perkins and Barb Wood of L.L. Bean shared returns management philosophies. They examined the critical role reverse logistics plays in operations and highlighted specific challenges of retail and apparel. Len Wierzbicki of Black & Decker talked about launching a reverse logistics operation. He shared figures of how much reverse logistics can impact profitability and took questions on organizational structure and collaboration.

Attendees toured the Appleseed's returns and distribution facility in Beverly, MA. They looked at the returns processes and structure utilized by Appleseed's, a leading catalog retailer, and were able to see how it ensures that its reverse logistics strategies increase customer satisfaction and loyalty. After the facility tour, Lee Norman of ClearOrbit explored finding hidden value through visibility, automation and reconciliation in returns management. Ann Grackin of ChainLink Research led a group discussion on RL challenges and successes and outlined her views on the current state of reverse logistics.

Denver

In September, RL Seminars tackled "Environmental Issues of Reverse Logistics." Steve Simpson of Sun Microsystems talked about Sun's approach to Eco Responsibility and shared supply chain effects of regulatory requirements and showed how exercising eco responsibility can be a profitable strategy. Jade Lee of Supply-Chain Services covered current regulatory requirements, the impact legislation has had on business practices and how pending laws will affect businesses and consumers before and after the purchase.

Attendees visited the Sun/StorageTek Reverse Logistics Warehouse and saw the challenges and opportunities within Sun's center for storage products returns. Anne Peters of Gracestone led the speakers and audience in a session focused on further environmental issues, challenges and regulatory requirements facing these businesses.

Reverse Logistics Association Road Show Series of Seminars will continue to provide attendees across the U.S. the chance to engage in high-quality discussions with their reverse logistics colleagues. For the complete schedule and more information, please visit www.rltshows.com.

Industry Events

The Reverse Logistics Association staff takes advantage of every opportunity to evangelize the reverse logistics message thus raising awareness of the process and increasing visibility for our association and its members.

Gailen Vick, President of RLA regularly speaks at industry events including the recent Ingram Micro

Logistics 2006 Annual Supply Chain Executive Summit attended by a diverse group of logistics executives, academics and industry experts.

If you would like to have RLA present at an event or if you have an event you would like to publicize in RL Magazine, please send an email to editor@RLmagazine.com.



Upcoming Events

RFID Implementation: How to Evaluate, Justify and Deploy Your RFID Solution

November 13-15, 2006
Las Vegas, NV
www.continuinged.ku.edu/programs/rfid/implementation/

CPI FOR AIRCRAFT MAINTENANCE

Phoenix, AZ
November 14-15, 2006
Arizona Biltmore Hotel
www.aviationweek.com/forums/

RL Seminar

Miami, FL
Hilton Miami Airport
November 15, 2006
www.rltshows.com/mia06_event.php

AIAG Interoperability Showcase

November 15, 2006
Rock Financial Showplace, Novi MI
www.aiag.org/

Smart Label Summit Europe

November 15-16, 2006
Hotel Okura Amsterdam
Amsterdam, Netherlands
smarteurope.labelsommit.com

RL Seminar

Phoenix, AZ
December 6, 2006
www.rltshows.com/phx06_event.php

Storage Visions

Las Vegas, NV
January 6-7, 2007
The Flamingo Hotel
www.storagevisions.com

Consumer Electronics Supply Chain Conference

Las Vegas, NV
January 8-10, 2007
Las Vegas Convention Center
www.entertainmentsupplychain.com/

International CES

Las Vegas, NV
January 8 - 11, 2007
cesweb.org/default.asp

RL Seminar

Los Angeles, CA
January 11, 2007
www.rltshows.com/ont07_event.php

5th Annual Global RFID ROI Summit

January 29-30, 2007
ExCeL Conference Centre
London, UK
www.rfid-roi.com/index.asp



RLTS Las Vegas Conference & Expo
Riviera Hotel
February 5-7, 2007
www.rltshows.com/vegas.php

Asset Management Conference & Expo West
San Diego, CA
San Diego Convention Center
February 21-22, 2007
www.assetexpo.com

A New Value Proposition for Reverse Logistics in Europe

by Gerben Willems

Creating valuable consumer insights while managing costs and increasing customer satisfaction

Someday you will see your products back, whether you like it or not. A growing number of manufacturers are increasingly aware of this new reality, but many have yet to realize that product-returns can also work to their advantage when consumer goods are concerned.

Whereas in the mid-1990s, photocopier manufacturers were amongst the first to take advantage of the integrated business proposition that Reverse Logistics offered them, the majority of manufacturers have now integrated this concept into their supply chain. In contrast to Business- to-Business Reverse Logistics, Consumer-to-Business Reverse Logistics is still relatively immature. With developments in the areas of warranty, recycling and recalls, manufacturers need to evaluate the way they are handling returns of smaller and medium sized consumer products and find new ways to turn costs into value.

There are a number of issues when evaluating Reverse Logistics for smaller sized consumer products in

Europe. Costs are often relatively high in relation to the actual product value and, when using 'Express solutions,' can vary significantly per consumer. Another obvious challenge is that Europe is incredibly diverse. Each country comes with its own set of rules, regulations, tax regimes, consumer preferences and language. Manufacturers on the other hand want to ensure that they have a single solution in place across all of Europe. But the most important issue and at the same time biggest opportunity is that many manufacturers simply do not know who their end-consumers are. They sell their goods through different channels and have not been able to establish direct communication with their consumers. This is a real concern for manufacturers and should actually be one for their shareholders as well. Innovative Reverse Logistics solutions can help to re-connect manufacturers with their consumers.

The main categories for product returns of small sized consumer products, excluding distance sales, are warranty returns, product recalls, end-of-life products, and the WEEE Directive (for consumer electronics). Manufacturers, the logistics industry, and to some extent the relevant authorities, have developed a variety of concepts and channels to assist the consumer when returning a product.

Turn around time, cost, reliability and consumer experience vary largely across these different concepts and channels.

How can Reverse Logistics be more cost-efficient? Evaluating cost should be part of a broader discussion that is centred on the question if the solution is suitable to achieve the desired

The main categories for product returns of small sized consumer products, excluding distance sales, are warranty returns, product recalls, end-of-life products, and the WEEE Directive (for consumer electronics).

results. For example, turn-around-time is critical but certainly not uniform across all types of products. Another question is whether one should use drop-off or pick-up solutions. Many may argue that drop-off solutions are more consumer-friendly, provided there are enough drop-off points available. The number of drop-off points of postal companies in the 25 EU countries, combined with Norway

and Switzerland exceeds 160,000. Drop-offs are certainly more efficient, since there are no failed pick-up attempts. The consumer simply decides when and where he wants to drop-off the package.

How can Reverse Logistics be effective on a pan-European level? It is important that the concept should be similar throughout Europe, bringing ease of management and ease of implementation. Consistent and detailed information about the returned products needs to be achieved throughout the pipeline and as close as possible to real time. The solution should be simple and cost effective for all parties involved. For example, being able to better structure product returns from across Europe enables a manufacturer to optimize resource planning, optimize defective to good stock-control as well as inventory management, better control the administrative process and save costs in both handling and resources. Reducing the number of contracts with logistics service providers also brings the benefit of reduced costs across the board.

How can Reverse Logistics solutions help to re-connect with the consumer? Currently, most consumer products are sold through the retail channel. This means the manufacturer does not know the majority of its end-users. The benefits of obtaining information about the consumer are numerous, and open up the possibility to turn Reverse Logistics into value. Optimizing communication with the consumer brings additional benefits, such as being able to launch targeted marketing campaigns, consumer loyalty programs, and to enhance the channel strategy. Both manufacturer and consumer should be able to track and trace the product throughout the logistical pipeline. Now more detailed information about the product and the consumer is easily accessible through a database, and suitable for Customer service, communication and marketing purposes. The access to real-time information about the consumer and

the logistic process helps to improve the average speed of answer which is a key call centre metric. It will even decrease the total number of calls since traffic can now effectively be redirected to the website and consumers will pro-actively receive information.

It is obvious that there is a real drive to find innovative concepts in C-to-B Reverse Logistics. The sheer number of seminars and workshops held on this topic reflects the global demand. It seems that almost every manufacturer is seeking better, and more valuable, concepts in Reverse Logistics. The need to achieve the best possible results is driven by more than just the desire to reduce costs. Integrating Reverse Logistics into the supply chain and complying with relevant rules and regulations can help a company to achieve a competitive edge.

Manufacturers will constantly need to review the way they have organized their product returns since it has become a critical instrument to re-connect to their consumers. Through close cooperation with leading universities, European authorities, logistics branch-organizations and the logistics industry, companies can ensure they have access to the latest research and information. RLM



Gerben Willems is CEO and one of the founding partners of Cycleon. Headquartered in the Netherlands, Cycleon is the only dedicated provider of pan-European Reverse Logistics solutions, leveraging the postal networks for the first-mile and creating valuable consumer insights for its clients. Gerben's professional experience includes a career as management consultant at McKinsey & Company where he has worked across multiple industries with a particular focus on strategic development, restructurings, M&A and turn-around management. Gerben holds an MBA from INSEAD and has extensive entrepreneurial experience.



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Service Parts Management

by Stephen Buckler

Beyond Planning, Success Through Market Execution

Today's macroeconomic environment of globalization, outsourcing and consumer market visibility has resulted in the commoditization of products and erosion of margins. This has put pressure on manufacturers to not only drive efficiencies from their supply chain through outsourcing of non-core competencies, but to distinguish their products through superior levels of customer service. After-market service has not only proven to be a critical component of customer satisfaction but is a key component of top line revenue and profit. According to the Aberdeen Group, after-market service generally accounts for up to 20% to 30% of gross revenue and 40% of profits. To realize these gains manufacturers must have end-to-end supply chain solutions that encompass planning and execution with equal weight. The selection of strategic partners throughout the supply chain is critical to the success of any service parts management program.

The challenge of maintaining a seamless supply chain in the technology sector that preserves customer satisfaction where product quickly falls into obsolescence is critical to maintaining a company's

reputation and brand loyalty. Challenges identified by manufacturers are many. Lack of visibility into inventory levels and demand, resulting in stock-outs, excess inventory, and poor response time to customers have proven to be critical pain points. Manufacturers quickly realized that their existing systems and planning software, geared towards production runs, were ineffective in managing their service parts programs. This in combination with relentless pricing pressure and revenue demands has resulted in OEMs parceling out processes that are not core competencies to strategic partners that are better suited to drive efficiencies from their after-market service programs.

Use of strategic partners within the electronics industry, such as third party logistic providers (3PLs) or electronic manufacturer service (EMS) providers, has helped original equipment manufacturers (OEMs) improve service levels of after-market services (AMS). The purchasing function of execution within the electronics industry takes three forms: direct from manufacturers, franchised distribution, and independent distribution to support repair demand. However, many AMS programs fail to realize the full potential of their supply chain by failing to apply the same due diligence when selecting an open market supplier. To realize the gains

of effective planning one requires best in class execution throughout the supply chain. Selection of best in class distributors that understand the AMS business model, possess the tools, requisite quality systems and strategic relationships that drive out inefficiencies and mitigate risk within the supply chain is critical in driving superior revenues and customer satisfaction levels.

In selecting a supplier as a strategic partner, it is critical that they possess the required insight into the AMS provider's business model with the proper focus on items that will drive the greatest value into the supply chain. By narrowing down the list of service parts to the highest cost and highest failure rate components, the best service parts supplier is able to focus its services and business model on supporting the line items that cause AMS programs the most difficulty. Industry research has identified storage and display as two of the highest cost and highest failure rate items impacting the AMS supply chain for computing and technology applications. It is important that the selected distributor structures its business model and services to best support those line items that give the AMS the greatest value in terms of market intelligence, cost reduction, quick response times, and re-distribution of excess inventory.

Identifying independent distributors that have the necessary tools that give the AMS supply chain visibility into the global market will prove critical in supply chain execution. An example of such a tool is software that allows customers to create pre-established preferences of price, quantity, utilizing both their internal and manufacturer's part numbers, which monitors global supply and demand on a real time basis. Such a database leverages the liquidity of the global market by aggregating LCD and storage supply and demand globally by matching past, present and future product supply against customer defined metrics. When a match occurs, the customer is immediately alerted. Such tools give AMS providers critical agility by having the ability to monitor global supply and demand on a real time basis. This greater visibility and control in supply, allows AMS providers to make critical adjustments to their supply chain, resulting in reduced stock outs, improved response times and a reduction in excess inventory.

In addition to analytical tools and global sourcing capabilities, the supplier should have relationships with component manufactures to fulfill end-of-life part number demand. As an example, for storage products this may mean being an authorized distributor of Seagate and Western Digital's factory re-certified hard drive programs. One of the major markets for factory re-certified hard drives is fulfillment of repair demand for Enterprise, Desktop, Mobile Computing, and Consumer Electronics applications.

The last requirement of a best in class distributor is mature quality systems that are ISO 9001:2000 certified. As well as a global logistics footprint and the resources to fulfill value added programs required in AMS fulfillment such as testing, repair and firmware updates, ensure that your suppliers track critical metrics on a real time basis, offering full documentation of their quality procedures. A few

examples of metrics to look for include Customer Satisfaction, On-Time Delivery, Supplier Performance, In-Bound Non-Conformance and Sourcing Fill Rates.

Today's business environment requires a robust supply chain with flawless end-to-end execution that contributes to net revenue while delivering a superior customer experience. Selecting best in class suppliers with the requisite database management tools, strategic relationships, quality programs encompassing test and repair, global footprint and logistics capabilities will allow AMS providers to realize the full benefit of their supply chain. RLM



As Vice President of Business Development, Stephen Buckler brings a decade of industry experience to Horizon Technology. Along with being responsible for the advancement of the company brand, Stephen will align Horizon's quadrant focus with its strategic account development.

RL Job Center



"In today's rapidly growing marketplace, anyone with an interest in the reverse logistics industry can't afford to miss any RLTS event"

- Jim Hunt, VP Business Development, Jabil Global Services

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

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





RLTS Amsterdam Conference & Expo

Over 150 companies gathered in Amsterdam in June for Europe's largest reverse logistics conference. Reverse logistics professionals from throughout Europe met to share best practices and discuss the most pressing reverse logistics challenges. "We ran out of standing room," said Gailen Vick President of RLA. "Attendance increased by 50% over 2005." In addition, 2006 saw the addition of a third track of sessions.

Companies participating included Philips, IBM, Nokia, Cisco, HP, DHL, Flextronics, Erasmus University and Flanders Institute of Logistics — just to name a few.

Pre-conference workshops were held on Monday as well as a reception for exhibitors, sponsors and speakers. On Tuesday the conference began with a Welcome Address by RLA

President and CEO, Gailen Vick, and was followed by the keynote address by Tony Sciarrotta, Director of Returns Management at Philips Consumer Electronics. Tony drew an overflow crowd when he presented "Reverse Logistics: Understanding the Business Impact of Returns: Who Do We Serve?" which highlighted

Philips' returns management strategies and reviewed their short term and long term reverse logistics goals.

The afternoon keynote featured Jack Allen, Director, Global Supply Chain Processes, Scientific Atlanta. Jack presented "The Best Defense is a Good Offense ... Reducing costs in Reverse Logistics by creating better Forward Logistics."



Conference sessions and panel discussions focused on industry-specific issues such as Returns and Warranties, Reverse Logistics versus Service Logistics, Managing WEEE and Outsourcing Reverse Logistics.

"Timely discussions on a subject matter that affects everyone. The event allows you to have visibility into how

colleagues across the Industry are tackling the most pressing reverse logistics issues."

Jesse Sibarium, Director, European Business Development, Arvato Services.

Running concurrently with the sessions was the Expo where attendees had the opportunity to meet with Exhibitors such as Cycleon, DHL, Spring and many more. "There was a lot of traffic in the exhibit hall and we were able to connect with the right people," said Jennifer McLendon, Marketing Specialist at Technology Conservation Group. The first day ended with Round Table



Discussions hosted by the session speakers where attendees got to meet with the speakers and continue discussing topics introduced during the sessions.

Day two began with a keynote address by Tim Postel, Service Parts Operations Executive, EMEA at IBM. Tim presented "Moving Reverse Logistics to the Forefront."

Additional conference sessions and panel discussions followed with the conference concluding with the announcement of award recipients including the "Best Use of VIP Program" presented to Andre Olde Hampsink of Cycleon and the much anticipated "Lucky Draw."

"Our vision is 'turning costs into value', which is exactly what participating at the Reverse Logistics Trade Show has been. Very valuable to meet our clients and future clients at this exciting event!"

Andre Olde Hampsink, Sales Director, Cycleon on RLTS Amsterdam 2006

Presentations Included:

- » Reverse Logistics versus Services Logistics (M. van Duijnhoven)
- » Managing WEEE in a Business to Business Context (A. Dickinson)
- » Challenges Associated with Outsourcing RL and Repair for OEM Mobile Phone Business (M. Bellwood)
- » Options in the RL Transportation Model Strategies (J. Tarantino)
- » Supply Chain Sustainability and Integration of Forward and Reverse Value Chains (S. Zanone)
- » Effective Close Loop Supply Chain Sustainability (J. van Nunen)
- » Entitlements – Managing Costs on Returns and Warranties (B. de Sousa, T. Sciarrotta)
- » Turning Costs Into Value with Innovative RL through Optimizing Your Customer Service and Marketing (A. Olde Hampsink)
- » Returns and Loss Prevention (P. Junger)
- » RL Trends in the Flanders Region (S. Verstrepen, K. Neyens)
- » Managing the Global Impact of Electronic Waste Legislation (L. Antal)

Make plans now to join us in Amsterdam for the 2007 RLTS Conference & Expo to be held June 25-27. For more information about speaker opportunities or to exhibit, visit www.RLTShows.com.



Hans and Gailen discuss a recent article in RL Magazine

RMA Service in the Heart of Europe

During the June 2006 trip to Amsterdam, Gailen Vick, President of Reverse Logistics Association, had the opportunity to visit multi-event participant and long-time RLA supporter FRS. The company has been operating for almost 25 years as a leading provider of repair, logistic and distribution facilities for the ICT and Electronics industries. The Almere facility is located not far from Amsterdam's Schiphol Airport and situated in an area of Europe that is key to efficiently carrying out its many service activities.

Hosted by Hans Cohen Rodrigues,

CEO, and Dick van der Vuurst, General Manager, Gailen was guided through the Amsterdam facility and was impressed by the process volume of more than 10,000 items every month.

Dick pointed out the sophisticated tracking system FRS uses for RMA handling and technical support. Upon arrival at the receiving area, each product is entered into the system and is bar-coded for internal tracking and tracing.

Dick also led Gailen through the various areas of the technical department where customer products are repaired.

First, they saw the Optical Repair line where for more than 15 years products such as CD, DVD and combination drives have been repaired. Next, Gailen was shown the station where Point of Sales terminals are refurbished and tested, followed by the station where FRS repairs and refurbishes laser printers and, finally, the station that handles LCD and Plasma Display repairs.

Concluding the tour, Dick showed Gailen around the shipping area.

FRS recognizes that reporting is a very important part of the whole process and Hans demonstrated how FRS has set up a wide range of web-based reporting options for its customer base. Customers can track the progress of their products and receive the current status of repair processing.

Quick Facts about FRS:

- Service provider targeting OEMs, Computer Manufacturers, Distributors and Field Service/ Depot Repair Centers.
- Support includes assembly, repair, distribution and logistic services.
- Provides advance exchange (next day delivery) throughout Europe.
- Administers various forms of warranty claims of end users, dealers, service organisations and computer manufacturers (RMA-procedures).
- Experienced with end-of-life support, including the transfer of non-profitable repair lines.
- Experienced in Assembly, Rework and Engineering changes.
- Repair/logistic services include, but are not limited to, the following products:
 - Notebooks, PCs
 - LCD TVs, Plasma Displays
 - HDD, Storage Products
 - Laser Beam Printers
 - Optical Drives
 - Modems
 - Communication Products
 - Electronic Boards



Hans Cohen Rodrigues and Dick van der Vuurst



Technician working on Plasma Screen



FRS handles over 10,000 items per month



Worker repairing circuit board

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The Evolving Model in Electronics Reverse Supply Chains

by Steve Manning

Think of aftermarket services or reverse supply chain and you probably think warranty repair. If that is the case, you wouldn't be completely wrong. But in the past 18 months, the industry has undergone a quiet but profound transformation.

While warranty repair continues to be a key area of focus in reducing costs and improving the customer experience, the trend toward providing an end-to-end services supply chain continues to evolve with the potential to create even greater value for OEMs, their channels, partners and end customers. However, a drive toward end-to-end services requires improved efficiency throughout the entire reverse supply chain to realize maximum benefits.

Let me illustrate with an example.

For several years, a prominent PC manufacturer had achieved significant business benefits by outsourcing warranty repair. The key factor that drove the company toward outsourcing was the rise in warranty costs as a

percentage of cost of goods sold (COGS), and its need to look for ways to maintain or improve warranty services while reducing costs.

By working with an electronics manufacturing services (EMS) partner, the company reduced warranty repair costs significantly while maintaining service level agreements and quality metrics.

But as the OEM took a deeper look into the entire services supply chain, it found an opportunity to increase efficiency, accomplish greater cost reductions and improve customer experience at lower costs through an end-to-end approach.

As the firm evaluated its services supply chain, it recognized that old systems contained a lot of waste, creating inefficiencies. These systems were not viable when compared with those in the company's peer group. Additionally, costs were not predictable and there was little room for change. This led to inconsistent customer experience and created an additional drain on the IT infrastructure.

Today, the new model revolves around aftermarket partnerships that cover the entire supply chain, each partner executing its own role in concert to achieve a leaner, more flexible supply chain.

In this model, the customer experience is owned and delivered by the OEM while the partner delivers whole unit repair plus spare units and parts. Commodity suppliers are linked directly to the outsourcing partner creating a unified relationship with the OEM.

What are the results of such an approach? Let's take a look at some of the success metrics. One, by collaborating together, the OEM and its EMS partner dramatically reduced inventory carrying costs and excess and obsolete (E&O) levels. Hard drive support inventory reduced by over 60%, with overall inventory going from 60 days of supply to 14 days. Second, reductions occurred while maintaining best-in-class service level order fill rates of at least 98%. Lastly, no fault found on all commodities reduced by 50%.

What we learn from this illustration is that the true value of aftermarket services is growing well beyond warranty repair.

Drivers of Change

Like many OEMs, speed and customer expectations are rapidly changing the aftermarket services industry. Today, several market drivers are creating opportunities to lean out the entire services supply chain.

- For one, product price erosion continues to accelerate and products are becoming more complex. To stay ahead of the competition, OEMs are introducing new products at ever-faster rates, adding more products to the channel which is creating greater service challenges.
- Meanwhile, growing global environmental regulation is forcing OEMs to look for ways to turn costs associated with disposing of products into profit opportunities through refurbishment, remarketing and parts harvesting.
- Of course there is the ongoing challenge of protecting the quality of all the products in the channel – new and old – around the world.
- And if that were not enough, end customers are demanding greater product reliability and uptime.

As a result of these market drivers, there are several aftermarket services trends to watch as the services supply chain demands increased efficiency through the optimization of the extended services environment.

- End-to-end services are replacing siloed solutions, such as warranty repair
- Global outsource solutions are emerging
- Lean outsource approaches require involvement from all aspects of the same environment, including retail service, parts management, repair, asset recovery and remarketing

Today, the new model revolves around aftermarket partnerships that cover the entire supply chain.

Aftermarket Services – Taking a Playbook from EMS Sector

There are a lot of parallels between the reverse supply chain today and where the EMS sector was 15 years ago. In the 1980s, competition for electronics devices rose sharply. With the increase in demand came an increase in waste and inefficiencies within the supply chain. By the early 1990s, as competition among major electronics firms increased, OEMs looked for every opportunity to reduce costs by enhancing efficiency through a lean supply chain.

Over the past 15 years, EMS providers have offered streamlined operations and cost reductions achieved through global scale, improved efficiencies and productivity gains. Consultants saw the problems within the forward supply chain as a huge growth opportunity to sell services, and greatly increased customer supply chain capabilities to address the challenges facing the industry. Technology and software firms also introduced new products to automate processes.

Similar patterns exist in aftermarket services. At Solectron, we see aftermarket services as the last mile of the supply chain desperately in need of greater efficiency. This has been a key focus of ours for a long time. Meanwhile, major consulting firms have begun to invest heavily in offering services to help OEMs revamp the reverse supply chain, much like they have in the forward supply chain. Additionally, more tools are being developed to address automation of reverse supply chain challenges

from the factory floor out to the enterprise.

What this suggests is that the reverse supply chain has tremendous opportunities to reduce waste and variability within the extended environment of partners. It means the aftermarket must adapt to ever-changing customer, business and competitive needs through a leaner environment.

Extending the Outsourcing Model

To win in today's hyper-competitive global landscape, it's not enough to be fast. It's not enough to be innovative. It's not enough to be better.

For an OEM to have a successful services supply chain, it will need to pursue an end-to-end service outsourcing model, work across the company to reduce waste, leverage best-in-class capabilities, never lose focus on improving customer satisfaction, and ruthlessly simplify.

Remember, the extended reverse supply chain environment is always changing. As it evolves, so must the members within the environment to maintain balance. Success will be predicated on driving improved customer value by leaning out the entire services supply chain, focusing on a complete end-to-end services strategy and having the right partners in place to execute results. RLM



Steve Manning joined Solectron in 1999, with extensive finance, sales and executive management experience. Manning is senior vice president of strategy, marketing and business development for Solectron Global

Services. Manning is responsible for overall business management and development of the company's global services accounts. Solectron Corporation (www.solectron.com) provides a full range of electronics manufacturing and supply chain management services to the world's leading networking, telecommunications, computing, consumer, automotive, industrial and medical device firms.

When the Time Comes to Sell

by James Goldstein

When a business wants to sell, the largest influence on the price achieved is the fundamental economic law of supply & demand. Generally, people do not buy a business for what it is; they will buy for what the business does for them - earn them enough money to repay their investment, provide them with a lifestyle, and build for the future.

“Work-out periods” are common, and need to be valued and planned. So any action that can be taken in advance to help the process go smoothly, retain customers, and support the key skills within the organization, needs to be put in place at the earliest opportunity.

In the global economy of the 21st century, businesses need to consider not only investors from the USA, but also from overseas, particularly in

value, and demonstrate confidence and efficiency in systems and processes.

Two such standards are ISO9001 (quality) and ISO14001 (environment). When a company holds ISO 9001, it is telling its customers, prospects and suppliers worldwide that it has a logical and documented management system. Good quality systems improve efficiency and open up market opportunities.


with action stages, can increase the valuation. However, many businesses feel that conforming to these standards is time consuming and costly, and therefore are reluctant to proceed. Using a supplier who will simplify the process, by providing a fixed fee, fixed timescale, integrated solution, with qualified assessors who have specialist industry experience, can really save a lot of headaches,” notes IMSM Business Manager, James Goldstein.

When a business goes through the process of becoming ISO9001:2000 Certified, it takes an objective look at its systems and processes, then streamlines and documents them. The manuals add value to both the company and the staff, which will better understand how the organization works. Certification is an added bonus, helping a company to work with more valuable customers, and get onto many preferred supplier lists.

ISO 14001 looks at current practices in an Environmental Audit, and then helps the company develop an Environmental Policy and action plan. Simple elements include using natural light to reduce the need for artificial light, recycling or reducing the usage of photocopier paper, and reviewing packaging requirements.

“The environment has no borders, so we all need to show that we are acting responsibly for the future of the planet.” he continues. “We are seeing increasing pressure as national legislation is tightened. For example, minimum recycling targets for all types of waste are being raised, and the recovery target for packaging waste is also under review. It is just this combination of environmental expertise, ISO knowledge and both US and overseas experience that can really deliver total environmental control and compliance for smaller companies.” Ultimately, any business is only

worth what you can get for it, at the time you sell it. A mathematical calculation of value is simply an indication of potential worth, used during the negotiation process. By careful planning, and implementing internationally recognized standards, a company can attract more buyers, locally, domestically and internationally. Holding ISO standards gives both buyers and sellers increased confidence, while customers can be assured of a continuation of the relationship, with “business as usual.” Author James Goldstein, PhD, IMSM Business Manager. RLM



James is a resident New Yorker managing a team in the metropolitan New York area for IMSM, for IMSM, the quality systems specialists. He focuses on medium-sized businesses that supply major corporations helping them acquire ISO standards for Quality, Environment, Occupational Health and Safety and IT



EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is an accountancy term that represents the sustainable cash profits of the business, assuming nil borrowing costs.

The decision to sell is always complex: timing is essential; there may be family or succession factors to consider, while emotional ties can prompt an over-valuation. For many employers, there is a strong feeling of loyalty to staff, and a desire to see them help the new owner, and work together for a rewarding future.

Europe, the Far East, and the Indian sub-continent. Many expanding corporations are looking for a foothold in the USA, as well as acquiring US management and marketing knowledge.

Being able to demonstrate financial strength, working with a skilled and experienced team, identified Unique Selling Points (USPs), and holding a sound customer base are all recognized critical success factors. Conforming to recognized international standards, such as ISO (International Standards Organization) can add significant

ISO 14001 is an international standard that recognizes the actions of responsible businesses in management and control of their environment. ISO 14001 leads to lower distribution costs, reduced waste, and identifies savings in energy and materials.

“Achieving ISO standards adds value by differentiating from the competition, improving efficiency and attracting new clients. A set of manuals, detailing the process from beginning to end, and a carefully thought out environmental policy,



Good business sense - in anyone's language...

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Returning thoughts...



Some parting thoughts on Reverse Logistics:

I have gathered a number of interesting Reverse Logistics facts and figures

- **100 million cell phones** are retired each year in the U.S. Currently, only a small percentage of those phones are refurbished or recycled. Around the world, more than 1.7 billion people use mobile phones as their primary means of communication – and every second of every day about 23 new mobile handsets roll off the world's assembly lines.



**Business Insights and Strategies
for Managing Product Returns**

- **\$60 Billion** annually is the value of Retail returns in the USA representing about 4 to 6% of all Retail purchases.
- **\$43 billion** or 4.5 percent of the \$950 billion that US companies spend annually on logistics is related to returns.
- **40% savings in processing costs** can be expected by companies who document their returns processes.
- **35% of product returns are unplanned** by the manufacturers, wholesalers or retailers receiving them.
- **30 to 70 days is the time** it takes for an average company to get a returned product back into the market.
- **4 – 6 weeks** is the time it will take to get a replacement laptop battery from a manufacturer recall.

Many happy Returns...
Paul Rupnow

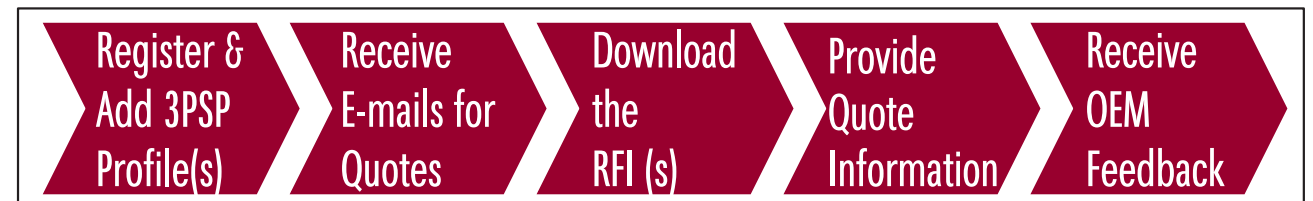
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