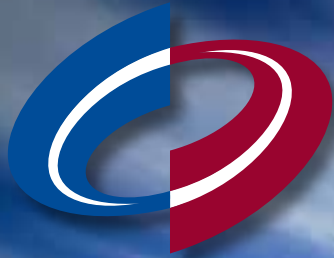


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Find Outsourcing Clients**  
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# **REVERSE LOGISTICS** **magazine**®

**The Road To  
Opportunity In  
Wholesale Distribution**  
- pg 18

**Edition 43**

OFFICIAL MAGAZINE OF THE  
 **REVERSE LOGISTICS**  
ASSOCIATION™

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### Five Ways To Find Outsourcing Clients

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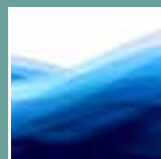


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RL Magazine will publish 12 issues annually — 12 new digital editions!

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## Message from the Editor

While traveling on the Trans-Siberian I was able to visit the capital city of Mongolia, Ulan Bator. I remember vividly that the city is built on the outskirts of the Gobi Desert and had an unusual look to it. On the outskirts of the city I saw a huge building being built and now I know what it is.



Mongolia and the Republic of Korea signed a cooperation agreement to build a waste recycling plant in Ulan Bator. The recycling plant that was recently completed at a cost of 3.5 million U.S. dollars will sort out recycle and burn combustible waste to generate power. Ulan Bator founded in 1639 has become Mongolia's financial, industrial and cultural center with all manufacturing plants gathered around it. The main focus of this new plant is to recycle household waste into raw materials for industrial use that will feed into Ulan Bator's

Industrial community which would could replace raw materials that are currently imported.

On our way out to the desert we saw tons of garbage littered along the desert, just dumped anywhere. It's nice to see that recycling worldwide is turning a curve and is now seen as function rather than fashionable.

Happy Travels!

Lyndsey Turner, Editor • [Editor@RLA.org](mailto:Editor@RLA.org)



## OUR MISSION

Our mission is to educate and inform Reverse Logistics professionals around the world. RLA focuses on the reverse logistics processes across all industries. No matter the industry — High Tech, Consumer Electronics, Automotive, Medical/Pharmaceutical, Food and Beverage, Apparel, or other — our goal is to provide RL process knowledge to all industries. We want to educate everyone about the Reverse Logistics processes that are common to all industries and to

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

Managing the latest information in services such as repair, customer service, parts management, end-of-life manufacturing, service logistics, field service, returns processing and order fulfillment (just to name a few) can be a little intimidating, to say

the least. Yet that is exactly what the Reverse Logistics Association provides through our membership services. We serve manufacturers and retailers in a variety of settings while offering ongoing updates on market trends, research, mergers and acquisitions and potential outsourcing opportunities to 3PSPs. We have gained the attention of 3PLs like FedEx, DHL, USPS and UPS. 3PSPs like Teleplan, Foxconn, Flextronics, Canon, Sony and Jabil, along with small- and medium-sized service

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

### Conferencia y Exposición de Logística Inversa en São Paulo Brasil

16-18 de abril

Patrocinado por la Asociación de Logística Inversa

- Participação de profissionais de todo o mundo inclusive da América do Sul e Central
- OEMs e Varejistas Principais estão procurando empresas terceirizadas para prover serviços de gerenciamento e administração do processo de Logística Reversa nesta região.
- Desfruta do sol maravilhoso de São Paulo em pleno Outono.

Planear ahora para aprender de los expertos de Logística Inversa y hacer contactos con otros profesionales

**MARQUE SU CALENDARIO AHORA**

[www.RLAshows.org](http://www.RLAshows.org)

### Conferência e Exposição sobre Logística Reversa no Brasil

De 16 a 18 de Abril

Patrocinado pela Reverse Logistic Association

- Participação de profissionais de todo o mundo inclusive da América do Sul e Central
- Principais OEMs e Varejistas estão procurando por empresas terceirizadas para prover serviços de gerenciamento e administração do processo de Logística Reversa nesta região.
- Desfruta do maravilhoso sol Brasileiro de São Paulo em pleno Outono.

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



**Para maiores informações, visite: [www.RLAshows.com/brazil.php](http://www.RLAshows.com/brazil.php)**

[www.RLAshows.org](http://www.RLAshows.org)

### Reverse Logistics Conference & Expo in São Paulo Brazil

APRIL 16-18

Sponsored by the Reverse Logistics Association

- Professionals worldwide will attend this event.
- Major OEMs & Retailers are looking for Third Party Service Providers that can manage their Reverse Logistics in this region.
- Enjoy the fall season in the Brazilian sun!

Plan now to learn from the experts in Reverse Logistics and network with other RL professionals.

**MARK YOUR CALENDAR NOW**

[www.RLAshows.org](http://www.RLAshows.org)



# Message from the Publisher

## OUTSOURCING WILL WORK

This month's edition highlights the need for conducting your own survey for processes you should outsource and the core competences that your team alone can do.

RLA has courses and workshops to teach you how to conduct a survey for outsourcing, so please make sure that you take advantage this instruction.

### OEM Outsourcing Expectation Adjustments

- Managing the Service Provider takes a different set of management skills
- Lines of Communication are different & more difficult
- Understanding and measuring the performance of the Service Provider
- Extra expense due to startup/transfer costs and follow-up costs
- 3PSP "has its own priorities", perceptions, business objectives
- Market allegiance, security, strategic direction

Best regards,  
Gailen Vick, Founder & Publisher  
[www.RLA.org](http://www.RLA.org)



## The Service Contract

- **The Relationship**  
- A definition of the business relationship
- **Repair Warranty Statement**  
- A statement of the warranty offered
- **Cost Reductions**  
- How to divide the "spoils" of cost reduction
- **Property #1**  
- Define the use and 3rd Party responsibilities
- **Property #2 (Test Equipment)**  
- Define who is responsible for maintenance
- **Inventory Loss**  
- What happens when there is an inventory loss

## The Outsource Decision

Outsourcing Decision Matrix						
Department	Item	Business Fund.	Functional Issues	Risks	Cost	Weight
Accounting	Cost Tracking Invoicing Problem Resolution					
IT	Process Control Reporting Real Time Data Repair Tracking Transaction Capability					
Materials	Returns Mgt. Purchasing Inventory Control Import/Export Scrap Control					
Process Eng.	Process Doc Control Engineering Repair Expertise Test Expertise ESD Control					
Quality	Organization Practices Metrology Document Control Training/Documentation					
Facilities	Warehouse Environment Power Stability Expansion					
Management	Senior Mgt. Operations Mgt. Operations Flexibility Cost Reduction Efforts Production Flexibility					

## Board of Advisors

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



**John Benardino - Comcast**



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

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



**Jose Garcia - Motorola**, Jose Garcia joined Motorola as the Director of Reverse Logistics in September, 2012. Jose has been in the Consumer Electronics Industry for over 25 years holding leadership positions in Reverse

Logistics, Repair, Refurbishing, Technical Support Engineering Groups, Training Departments, and After Sales Support Policy. The last few years gave Jose the privilege to lead high volume Software Manufacturing and Games Operations for Microsoft as well as a Global program team that launched hundreds of products around the globe through a regimen of "milestone gates" and sign offs.



**Edwin Heslinga - Microsoft**, Edwin is currently Director of Reverse Logistics Programs and Policies for Microsoft Devices. In his position Edwin is responsible for development and

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

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



**Charles Johnston - Home Depot**, Charles Johnston is Director of Repair and Returns at The Home Depot Chuck was with WAL-MART for the past 14 years and his responsibilities include

Returns, Imports, Exports, Tires and Printing and Mailing Distribution.



**Hartmut Liebel - Jabil Global Services**

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



**Troy Kubat - Walmart**, Troy is now the Director of Logistics Engineering-Grocery at Walmart having worked is way up from Director, Logistics Operations, Industrial Engineering Manager at

Walmart - International Division and Japan Expatriate - Logistics Operations Lead at Walmart - International Division

A strong Logistics professional with a deep understanding of the Retail operation and market place. Extensive Distribution Center (DC)/Transportation operations experience and vast International Logistics operations experience focusing on growth, integrations, strategic planning, innovation, and process improvements.



**Thomas Maher - Dell**, Tom Maher joined Dell in 1997 and is the Executive Director for Global Service Parts. Mr. Maher is responsible for service parts life cycle support in over 100 countries. Mr. Maher's global

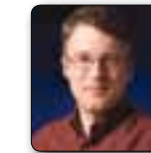
service parts responsibilities include: planning, procurement, distribution, returns, repair, inventory management, supplier management and parts disposal. These operations support 100% of Dell's warranty customers across all Business Units and all Product Lines.



**Ian Rusher - Cisco Systems**, 20 Years within Supply Chain Operations, of which the last 15 Years have been spent in reverse Logistics. Previous experience running 3Com EMEA Warranty/Service Repair

Operations, Responsible for both Internal and 3rd party repair operational performance and Engineering support. Moved the operations from a predominantly In-House business to a total outsourced operational model. Last 3 Years at Cisco within Supply Chain Field Operations, setting up the EMEA non Service returns and Cost Avoidance Operations within the Netherlands. Responsible direct for EMEA

Freight and Warehouse Operations. During the last 2 years has successfully set up Operational infrastructure to support the Teams Global Revenue targets.



**Dale Rogers- Rutgers University**, Dale Rogers is the Foundation Professor of Logistics and Supply Chain Management and the Director of the Center for Logistics Management at the University of Nevada. He is also the

chairman of the Reverse Logistics Executive Council ([www.rlec.org](http://www.rlec.org)), a professional organization devoted to the improvement of reverse logistics practices. He is the leader of the sustainable supply chain research project currently underway at the University of Nevada. ([www.sustainable-supplychain.com](http://www.sustainable-supplychain.com)) Dr. Rogers is the former cochairman of the RFID Users' Group, an organization researching the utilization RFID technologies in the supply chain. In 2001, he was the Paper Foundation Visiting Eminent Scholar Chair of Logistics at the University of North Florida.



**Tony Sciarrotta - Philips Consumer Electronics**

Tony is Senior Manager of Asset Recovery at Philips Consumer Electronics North America. In this position, Tony leads returns reduction and entitlement

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



**Susan Wackerman - Hewlett-Packard Company**

Susan Wackerman is currently a Sr. Operations Manager in the Americas Supply Chain for HP's Imaging and Printing

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

Complete biographies of Advisory Board Members are available from the RLA site at: [www.ReverseLogisticsAssociation.org/company\\_advisory.php](http://www.ReverseLogisticsAssociation.org/company_advisory.php)



# Reverse Logistics Association Industry Committees



Industry Committees are set up to provide a standing forum for Reverse Logistics Professionals to meet on a regional and global basis and discuss common Reverse Logistics issues at the RLA Conferences & Expos. Industry Committees educate the industry on reverse logistics:

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

## Apparel

Chairperson - Needed

- Jeroen Weers, Spring Global Mail

## Automotive

Chairperson - Charles Chappell, GENCO ATC

## Aviation

Chairperson - Steve Wallace  
COMPUMAR

- Steve Wallace, Planes of Fame Air Museum
- Bernie Gagnon, Kuehne

+ Nagel, Inc.

## Consumer Electronics

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Co-Chairperson - Liz Barnes  
Committee Coordinator - Ikechukwu Dike

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- Jeff Anderson, Fidelitone Logistics
- Paul Baum, PlanITROI
- John Beyers, United Radio
- Patrick Blinn, Microsoft
- Brianne Boettner, Best Buy
- Chad Burke, Ryder
- Charles Chappell, Genco ATC
- John Damm, Lexmark
- Maryellen Daniels, ITRAN Electronics Recycling
- Jack DeButts, Dell
- Ikechukwu Dike, Coventry University
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- Rubina Farooq, LG Electronics
- Elaine Gasser, HP
- Cintia Gates, Dell Inc
- Curtis Greve, Greve Davis
- Chris Griffin, Sprint Nextel
- Brad Larsen, Hewlett Packard
- David Liscom, Hyper

Microsystems Inc.

- John McGurk, Globalware
- Jason ONeill, UPS Supply Chain Solutions
- Mark Prol, Inmar
- Jeffrey Reed, InFonte
- Paul Rupnow, Andlor Logistics Systems Inc
- Jim Rushton, Encompass
- Tony Sciarrotta, Philips
- Chris Tejeda, Inmar
- Liz Walker, Image Microsystems
- Bryan Warner, Forse Inc
- Paula Whittington, Lifetime Service Center

## Data Storage

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Co-Chair - Alan Clark Seagate Technologies  
Committee Members:

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- Alan Clark, Seagate Technologies
- David Liscom, Hyper Microsystems Inc.
- Steven Snyder, IRSC
- Wes Stott, DEX

## Food & Beverage

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Co-Chair - Dr. Oliver

Hedgepeth  
American Public University  
Co-Chair - Bruce Stevenson, Independent  
Committee Members:

- Pat Coats, Kellogg Company

## Medical/Pharmaceutical

Chairperson - Needed

- Michael Blumberg, Blumberg Advisory Group
- Dan Gardner, ATC Logistics & Electronics
- John McGurk, Globalware

## Retailers

Chairperson - Sam Jackson, Target Corp.  
Co Chair – Raul Castilla, Wal-Mart Stores, Inc.  
Co Chair – Albert (Buddy) Burgess, Pep Boys  
Committee Members:

- Albert (Buddy) Burgess, Pep Boys
- Randy Compas, Canadian Tire Corporation
- Summer Irvin, Overstock.com
- Rene’ Kostosky, Dick’s Sporting Goods

- Andrea Newman, Best Buy
- Anthony Pereira, Barnes & Noble
- Gregor Thompson, GENCO ATC

## Telecommunications

Chairperson - Gary Cullen of 4PRL

- Joakim Jansch, eBuilder
- Gabriel Medel, Electronic Recycling and Trading Inc

## Wireless

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Co Chair – Blake Vaughn, Brightpoint  
Committee Members:

- Michelle Gross, T-Mobile
- Amit Mahajan, XCaliber Technologies
- Chris Nielsen, Teleplan
- Jordan Sielaff, Greenstream International
- Blake Vaughn, Brightpoint
- Javier Villarreal, Ace Wireless
- Joe Walden, University of Kansas



Join today at [www.RLA.org](http://www.RLA.org)

Focus Committees & Regional Focus continued on to page 17



## Stopping Waste Pollution by Profitable Bottle Recycling

by Bryn Desouza

With the urban development across the major cities of British Columbia, there is a fear of over-dumping of landfills and increased waste pollution. Especially, glass and plastic waste has been increasing in the recent times. We find a lot of waste comprising of plastic bottles, glass bottles, beverage cans and tins, alcohol containers etc. The Vancouver city is no longer untouched of the menace of over-crowding landfills and waste dumps. In order to fight this present situation, recycling has become a sort after method. It can be used to curb the waste deposition

and increase the reuse of various reusable material such as plastic and glass. More often than not, we tend to overlook the potential of waste as a potential commodity that can be reused after quality and professional recycling processes.

There are many recycling centers and bottle depots across the BC region that offer the consumers to come and deposit their plastic and glass bottles, cans, beverage containers, alcohol bottles etc and earn some extra money. The initiative has been taken up by some BC bottle depots that are targeting the end users to become aware of the rising issue of waste

pollution in their area and help in the environment cleaning procedures. And if you can earn some extra money in the process then nothing better than that.

Some of the important reasons identified for the need of recycling include the following:

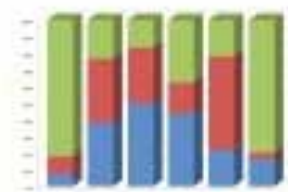
### REMOVAL OF WASTES



An important aspect of recycling is removal of waste; harmful and otherwise. With the recycling of bottles and glass, we can clean the environment and keep it free from the effects of land and water pollution.



**CONSERVATION OF RESOURCES**



environment results in the conservation of resources that can be used for other vital processes.

**PROTECTION OF LANDFILLS**

The reuse of waste material for the benefit of the

The protection of landfills is also a crucial aspect for the promotion of recycling all around the globe. The landfills are getting over-dumped with the chances of harmful toxins being spread in your own neighborhood. Hence, it becomes our prime duty to protect them for better use.

**EARN AND DON'T SPEND**

The process of recycling is

cost-effective and with the introduction of profitable recycling, one can also earn by deposition of wastes at the bottle depots and recycling centers in BC and earn some extra money for their efforts in conserving and protecting their Mother Nature.



one can deposit their plastic and glass bottle waste and earn by helping in the initiative of Recycling Bottle and protecting the environment from the

About hazards of waste. One can find various bottle depot and recycling centers across BC in East Vancouver, South Vancouver, Maple Ridge, Guilford, Walnut Grove and Scott Road.

**Interested in Networking?**



RLA Seminars are one-day events held around the world that bring RL professionals together to address specific industry topics pertinent to OEMs, Retailers, and 3PSPs. The highlight of these events is a facility tour showcasing efficient return, repair and services operations from industry leaders such as Best Buy, HP, Walmart, Motorola and Dell.

“I found the workshops and seminars to be a great opportunity to discuss best practices and real world experiences.” - Dean Schiavone - Director, WW Reverse Logistics, Cisco Systems

“The presentations at the Reverse Logistics Seminar were informative and pertinent. I definitely recommend these events to my RL colleagues.” - Arthur Teshima, VP Business Development, Bell Industries



# WHAT IS THE REVERSE LOGISTICS ASSOCIATION?



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

# Reverse Logistics Association Focus Committees



## FOCUS COMMITTEES

### Corporate Social Responsibility

- Chairperson - Brian F. Eddy, SubCon Industries
- Christopher Fabian, Professional Service Solutions, LLC
  - Wes Stott, DEX
  - Liz Walker, Image Microsystems

### Extended Warranties

- Chairperson - Needed
- Charles Chappell, Genco ATC
  - Mohan Kumar D, HP
  - John Duffy, Assurant Solutions
  - Michelle Gross T-Mobile
  - Edwin Heslinga, Microsoft
  - Amit Mahajan, XCaliber Technologies
  - David Novak, Assurant Solutions
  - Ann Rodriguez, Avnet
  - Martin Walsh, Test Technology Inc
  - Bryan Warner, Forse Inc
  - Paula Whittington, Lifetime Service Center

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  - M. Brian Carter, SAP Labs
  - Cynthia Cheak, Dell Inc
  - Haozhe Chen, University of Oklahoma
  - Matt Domachowski, GENCO ATC
  - Curtis Greve, Greve Davis
  - Bob Leeds, Kewill
  - Jeffrey Reed, InFonte
  - John Rinehart, Intel
  - Lee Sacco, Oracle
  - Seshagiri Singaraju, Sun Microsystems
  - Bryan Warner, Forse Inc
  - Matt Winger, Kewill

### Spare Parts Management

- Chairperson - Needed
- John Baehr, KLA-Tencor Corporation
  - Dan Gardner, ATC Logistics & Electronics
  - Herman Goemans, Sprague Magnetics Europe.
  - Edward Higgins, MasterWorks International Inc.

- Amit Mahajan, XCaliber Technologies
- Derek Scott, Canon Europa N.V.
- John Weatherup, Hewlett Packard

### Standards

- Chairperson - Ron Lembke, University of Nevada
- Co-Chairperson - Ken Jacobsen, Connexus
- Haozhe Chen, East Carolina University
  - Beth Foster, United States Postal Service
  - Jeffrey Reed, InFonte
  - Paul Rupnow, Andlor Logistics Systems Inc
  - Jeremy Vick, Entercoms

### Sustainability and Environmental Management

- Co-Chairperson - Raymond Glynn, Cavalry Sales and Marketing
- Co-Chairperson - Paul Gettings, Supply Chain Executive
- Rachel Blackwood, ROUND2
  - Gina Chiarella, WeRecycle!, Inc.
  - Robert Gallagher, Image Microsystems
  - Cintia Gates, Dell Inc
  - Robert German, Rochester Institute of Technology
  - Chris Kahl, Cinco Electronic Recycling
  - Joe Walden, University of Kansas

## REGIONAL FOCUS

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- Chairperson - Stephen Barnett, Repair Group Limited
- Co-Chairperson - Jason Juretic, eBuilder
- Sanjeev Kakar, Intarvo Technologies Ltd
  - Brian Noone, Infinet Service Solutions Pty Ltd
  - John Wilson, Infoteam Oceania

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- Chairperson - Paulo Gomes, Flextronics Global Services
- Co-Chairperson - Melissa Silva, Brazil Postal Service
- Djalma Barbosa, Dell Inc

- Carlos Chiu, Pegatron Computer do Brasil
- Henrique Domingues, FATEC Guarulhos
- Paulo Gomes, Flextronics Global Services
- Luciana Lacerda, HP
- OSVALDO NOBUO, UPS
- Andre Luiz Pereira, FUMEC University
- Douglas Piagentini, Telefônica Transportes e Logistica Ltda
- Chadad Rodrigues, universidade camilo castelo branco
- Giovana Salvatore, Fatec
- Nathalia Santos, FATEC Guarulhos
- Marcio Silva, Philips
- Melissa Silva, Brazil Postal Service
- Katelynn Weber, ProcessWeaver

### Canada

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- Co-Chairperson - Wayne Burgess, ReturnTrax
- Molly Zito, Avnet

### China

- Chairperson - Haozhe Chen, Ph.D., East Carolina University
- Glenn A Norem, eeParts

### EMEA

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- Co-Chair - Jeroen Weers, Spring Global Mail
- Co-Chair - Derek Scott, Canon Europa N.V.
- Herman Goemans, Sprague Magnetics Europe.
  - Sanjeev Kakar, Intarvo Technologies Ltd
  - Bob Leeds, Kewill
  - Ake Nylen, eBuilder
  - Ian Rusher, Cisco Systems
  - Howard Strowman, Wam Europe Ltd

### India

- Chairperson - Sanjeev Kakar, Intarvo Technologies Ltd
- Ian Rusher, Cisco Systems



## The Road To Opportunity In Wholesale Distribution

by Adam J. Fein, Ph.D.

Dynamic forces of change are converging upon the wholesale distribution industry. The business environment is changing and distributors must change, too. This sobering conclusion comes from new Facing the Forces

of Change: The Road to Opportunity report (available from the National Association of Wholesaler-Distributors at [www.nawpubs.org](http://www.nawpubs.org)).

Looking down the road ahead, wholesalers-distributors face a future in which the realities of the business environment differ from the past in novel and challenging ways. The traditional ways distributors make money

and grow will be rewritten through a combination of external forces of change and by the strategic responses of innovative wholesaler-distributors.

Despite these challenges facing distribution executives, our report delivers an underlying message of optimism about the industry's future. Today and in the future, we firmly believe wholesaler-distributors have many new opportunities to put themselves on the road to

renewed relevance and increased profits.

Our industry builds from a position of great financial strength and influence in the U.S. economy. In 2003, total sales of wholesaler-distributors reached \$2.9 trillion. The industry employs one in 20 U.S. workers and contributes 7% to the United States' private Gross Domestic Product. Wholesale distribution also drives our country's economic growth, contributing 25%

of the total productivity gains in the U.S. economy during the past decade.

### FORCES OF CHANGE

The business challenges ahead will come from a combination of customers, emerging competitors and suppliers. Some of these forces may be familiar, while others may just be emerging in your line of trade. However, our research suggests that all distributors will feel the impact as these forces gain

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critical mass throughout wholesale distribution.

### TREND 1: CUSTOMER SELF-SERVICE

Self-service options will change the way you do business with customers and transform your salesforce. Customers will roam online, searching for information and taking over more of the pre-sales and transactional activities typically handled by their wholesaler-distributors.

Distributors will not have a lock on information needed by customers to make purchasing and sourcing decisions, since manufacturers and online sources will make such information readily available.

In response, wholesaler-distributors of all sizes will complement their traditional selling methods with online technologies. Wholesaler-distributors expect to receive one-

third of their revenues from online orders by 2008. Smaller wholesaler-distributors will catch up to larger companies by 2008 as the costs and complexity of today's technologies drop.

Customer self-service will also significantly erode the perceived value of the wholesale distribution salesforce in educating customers about new products. The majority of wholesale distribution executives believe the Internet could actually replace their salesforce as a source of product information. Manufacturers will seriously question the effectiveness of the distributor's salesforce going forward. As a result, sales positions in wholesale distribution are forecast to grow at half the rate of overall U.S. job growth over the next five years.

### TREND 2: STRATEGIC SOURCING

Customers will gain additional bargaining power against distributors by analyzing their internal spending data. Strategic sourcing, a three step-process for reducing purchasing costs, enables customers to make more informed, rational sourcing decisions.

As a result, customers will become more confrontational, rely on increasingly sophisticated sourcing initiatives, and use new technologies to

counter the field-level sales tactics of distributors. Aggressive tools such as online reverse auctions, in which lowest product price wins, are here to stay and will continue to grow.

Furthermore, Pembroke Consulting's research indicates that customers will push for better internal contract compliance from end-users within their organization. Expect the elimination of regional pricing for large customers, local

price matching by small wholesaler-distributors, and new constraints on the ability of local buyers to choose brand and supplier. Wholesaler-distributors larger than \$1 billion should expect to get nearly half of their revenues from contracts by 2008.

### TREND 3: FEE-BASED SERVICES AND PRICING

Fee-based services and fee-for-service pricing will grow sharply, but significant barriers will



remain. Our data show that over 80% of wholesaler-distributors plan to charge fees separate from product costs. Customers will accept fees, but slowly. Some will simply change distributors rather than pay for service.

Fee-based services promise improved profitability for those distributors who can deliver innovative services with genuine value to the customer. Customers will consider paying for new services offered by distributors that can lower their costs and drive profits. We caution that attempting to charge new fees for currently free services will not work. Fee-based services will also require continuous reinvention over time to remain relevant.

Moving to fee-based services changes the relationship between customer and distributor.



measurable results as well as maintain a high level of excellence in their core activities.

Manufacturers, under product pricing pressure from both imports and domestic competition, have also identified services as a business opportunity. In fact, most manufacturers in our study plan to build on their design and research activities and offer fee-based services directly to end users, with or without their distributors.

#### TREND 4: LOGISTICS AND FULFILLMENT

Third-party logistics companies are on a collision course with distributors for control of the supply chain. Going forward, competition for wholesale distribution's core logistics and fulfillment functions will greatly intensify.

Eighty percent of the 200 largest logistics companies already offer pick-pack-ship services in direct competition to wholesale distribution. More than half of the Fortune 500 currently outsource supply chain functions to logistics companies.

Suppliers will treat logistics companies as viable alternatives to wholesale distribution. A majority of suppliers to distributors expect logistics companies to be competitive with wholesaler-distributors for customer order processing and fulfillment. However, wholesaler-distributors will retain a distinct advantage in post-sales service and support.

Alternative channels now provide additional options for material purchasing along with service levels that differ from traditional distributors. Customers turn to these channels for different buying situations, chipping away at wholesaler-distributors' longstanding share of channel sales.

#### THE ROAD TO OPPORTUNITY

New challenges bring new opportunities for savvy distributors. As products increasingly become

commodities, customer service will become the true differentiator. Distributors have an opportunity to become suppliers of customized and differentiated relationships throughout the supply chain instead of merely reliably providing goods.

Wholesale distribution has survived by continuously reinventing itself over and over again. Facing the Forces of Change: The Road to Opportunity highlights many strategies and tactics for wholesale distribution executives:

Get to know your customers all over again. Through years and years of day-to-day account servicing, distributors have developed an in-depth and unchallenged familiarity with customer needs and expectations. Test the understanding of yourself and your management team with external, objective data from customers. To understand the true service needs of your customers, sit down with both good and bad customers and walk through their buying processes.

### Industry Events



**CES - Las Vegas**  
January 8-11, 2013  
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**RLA Conference & Expo Las Vegas**  
February 11-14, 2013  
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**Live Video Streaming RLA Conference & Expo Las Vegas**  
February 11-14, 2013  
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Offer new fee-based services and solutions. Evaluate each of your salespeople to determine if he or she needs training in qualifying customers, uncovering problems, identifying solutions or bringing the company's resources together for problem solving. Make sure compensation plans are based on customer-focused needs, not just on history.

Remain a cost-effective channel by encouraging self-service by customers to reduce costs and boost internal productivity. Self-service should be the default alternative for customers whose level of spend does not justify labor-intensive interactions. Many distributors are already seeing internal cost reductions when customers begin entering their own orders.

Train your salesforce for tomorrow's challenges. Salespeople, who are accustomed to selling on price, will need training to compete in the evolving world of

services and solutions. Evaluate each of your salespeople to determine if he or she needs training in qualifying customers, uncovering problems, identifying solutions or bringing the company's resources together for problem solving. Make sure compensation plans are based on customer-focused needs, not just on history.

Act now to reinvent supplier relationships. Online auctions will force distributors to cut back on sales people and request more drop shipments to customers, undercutting the fundamental distribution role desired by manufacturers. If distributors do not take the lead, manufacturers will simply take more and more business direct.

Offer unbundled supply chain solutions to suppliers and customers. Distributors of all sizes are leveraging technology, warehouse infrastructure and logistics

as a fee-based service without performing sales and marketing activities. By adopting these and other strategies, your company can successfully seek out the new paths to profitability outlined in Facing the Forces of Change: The Road to Opportunity.

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Adam J. Fein, Ph.D. is the founder and president of Pembroke Consulting, a firm that helps senior executives of wholesale distribution, manufacturing and B2B technology companies build and sustain market leadership. He can be reached at (215) 523-5700 or on the web at [www.PembrokeConsulting.com](http://www.PembrokeConsulting.com). This article is adapted from Facing the Forces of Change: The Road to Opportunity, which is available for purchase online at [www.nawpubs.org](http://www.nawpubs.org). [afein@pembrokeconsulting.com](mailto:afein@pembrokeconsulting.com)

## Read the Press

### Zappos.com, Inc. to Keynote at RLA Conference & Expo Las Vegas

Chris Nielsen, COO/CFO of Zappos.com, Inc., will offer the keynote address at the Reverse Logistics Association Conference & Expo in Las Vegas on February 11-14, 2013. [CLICK HERE](#)

### Westcoast mourns Howard Strowman

12 September 2012-Westcoast is mourning the loss of channel stalwart Howard Strowman, who passed away yesterday after sustaining serious injuries in a motorcycle accident at the weekend. [CLICK HERE](#)

### The Warehouse use e-ordering and ASN's to streamline their stock procurement

11 September 2012-New Zealand's retail giant The Warehouse has, with the help of The ECN Group, updated its procurement procedures. The first four The Warehouse suppliers (SIMS Distribution, 3M, Energizer and Proctor & Gamble,) are now on-board with full: e-ordering, ASN and e-invoicing covering all three types of The Warehouse Orders. [CLICK HERE](#)

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### BrightPoint Americas Announces Logistic Services Agreement With Solavei

Indianapolis, IN—11 September 2012—Brightpoint, Inc. ("BrightPoint"), a global leader in providing device lifecycle services to the wireless and high-tech industries, today announced that its subsidiary, Brightpoint North America L.P. ("BrightPoint Americas"), has entered into a logistic services relationship with Solavei, LLC. ("Solavei"), a new social commerce company offering an affordable, contract-free mobile service that pays back consumers with recurring income for adding new members. [CLICK HERE](#)

### Ongoing economic uncertainty increases supply chain risks

11 September 2012-As retail supply chains grow increasingly larger geographical footprints, they become more susceptible to risk. Retailers have long prepared for natural disasters and geopolitical events, but ongoing financial crises and uncertainty has them even more concerned. [CLICK HERE](#)

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### Steve Milligan Will Become CEO of Western Digital on Retirement of John Coyne in January 2013

Irvine, CA—10 September 2012—Western Digital Corp. today announced that Steve Milligan will become chief executive officer of the company on January 2, 2013, succeeding John Coyne, who is retiring on that same date. Milligan, 49, is currently president of Western Digital and will retain the title of president when he becomes CEO. Following Coyne's retirement, Milligan will be appointed to the Western Digital board of directors. [CLICK HERE](#)

### Dell Positioned in the "Leaders" Quadrant in 2012 Leading Analyst Firm Report on Data Center Outsourcing and Infrastructure Utility Services

Plano, TX—6 September 2012—Dell, a leading provider of services and solutions has been positioned by Gartner, Inc. in the "Leaders" quadrant of the Gartner Magic Quadrant for North America Data Center Outsourcing and Infrastructure Utility Services[i]. [CLICK HERE](#)

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## Five Ways To Find Outsourcing Clients

by Henry DeVries, New Client Marketing Institute

Despite the recent frenzy around the boom in outsourcing, this “trend” isn’t a new phenomenon. The concept of U.S. firms outsourcing various functions to low-cost, high-talent labor pools has existed for more than 20 years.

Until recently, large corporations dominated the outsourcing landscape, often engaging the services of major players like IBM and Accenture for information technology projects.

What is new is that small to mid-sized companies are beginning to recognize the

value of outsourcing, not only for technology services, but also for business processes. It is predicted that 80 percent of U.S. companies have engaged in high-level outsourcing discussions, with the greatest interest in applications and business process outsourcing. Also of increasing interest and demand is the use of offshore delivery centers in an outsourcing strategy.

Often used interchangeably with “offshoring,” the term “outsourcing” has much broader-reaching implications. Whereas offshoring typically refers

to hiring supplemental manpower (usually from countries like India) on a per-head-count hourly rate, the practice of outsourcing exceeds this staff augmentation mentality. Today’s sophisticated outsourcing paradigm embraces a global delivery model, risk management/governance contingencies, and long-term service level agreements (SLAs) that span both technology and business process services.

Just as the market definition and scope for outsourcing services has evolved over the past decade, so too has

the purchasing audience. Historically, IT executives have been the primary buyers of outsourcing services, largely due to the technology intensive nature of early outsourcing arrangements. While the CIO’s role is still integral to the decision-making process, financial and business-line executives and CEOs are now driving the need for more business process-focused outsourcing solutions and therefore have emerged as a new buyer.

Mid-sized professional services firms that specialize in a particular market niche are in a strong position to reach today’s newer, middle-tier market with global application management and business process outsourcing solutions. There are a number of innovative strategies to differentiate oneself and educate this vertical market on the value of outsourcing.

“The rise of the outsourced economy is creating a new set of management challenges -- and opportunities. While the industry’s top players

have created the demand for global outsourced solutions, more mid-tier companies are getting into the game. This has opened up a viable market for managed solutions providers to serve this customer segment,” said Shiraz Patel, president of Kanbay Managed Solutions Inc.



### HOW TO FIND CLIENTS

Each company will have a different marketing approach to successfully engage a potential opportunity. The following advice is offered to IT services/software and professional service

firms looking to enter the outsourcing market

1. Seek objective analyst opinions. Meet at least quarterly with industry analysts who cover outsourcing industry and managed solutions companies. Schedule in-person visits to brief these groups on your firm’s history, client experience and vision. Likewise, analysts can help validate your marketing approach, serving as third-party, unbiased advisers that in turn educate potential customers, partners and investors.

Many analysts host conferences and publish newsletters and special reports on outsourcing topics in which you can participate.

2. Participate in industry/educational forums. Outsourcing conferences enable companies to showcase their clients’ success stories and achievements. This interactive, peer-to-peer format allows business

prospects in a similar industry to address common challenges, learn by example, and to meet the outsourcing partners behind customer achievements.

3. Host seminars and Webinars. In a market saturated with hundreds of seminar offerings, companies have the most success with brief (two hours or less), highly targeted programs that demonstrate solutions geared to business challenges within a specific industry. Webinars are also attractive to sponsors and clients alike because they are cost-effective, require no travel and contain similar content to live seminars.

4. Leverage the media. The media is a powerful and influential source for educating potential customers on outsourcing trends and solutions. Consider contributing to publications that feature customer case studies, quote industry experts and publish opinion articles authored by outsourcing company experts.

5. Evaluate your partnership strategy. Many smaller and mid-sized firms are attracted to the deep expertise and capabilities of the large outsourcing companies, yet often find their services cost-prohibitive. When targeting

this market segment, the best approach is to offer a blended model for the financial services industry, engaging with clients and managing risk-similar to larger outsourcers -- but at competitive rates.

RLM



Henry DeVries is a marketing coach and writer specializing in lead generation for professional service firms. An adjunct marketing professor at UCSD since 1984, he is the author of "Self Marketing Secrets" and the recently published "Client Seduction." Visit <http://www.newclientmarketing.com> or e-mail questions to [henry@newclientmarketing.com](mailto:henry@newclientmarketing.com).

## Money Talks

**Dell Board Approves First Quarterly Cash Dividend**

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**C.H. Robinson Agrees to Acquire Apreo Logistics S.A.** [Click Here](#)

**Toshiba Annual Report 2012**

[Click Here](#)

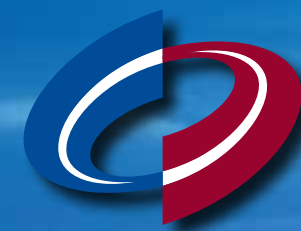
**FedEx Corp. Updates First Quarter Earnings Outlook** [Click Here](#)

**Best Buy Board and Founder Richard Schulze Reach Agreement Permitting Schulze To Form Investment Group And Conduct Due Diligence**

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**Dell Services Builds Momentum, New Q2 Contracts Approaching \$1 Billion**

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## KEYNOTE SPEAKER



**YOGESH SARIN**

Director - Supply Chain  
Dell India Pvt Ltd



Reverse Logistics Association held its 9th annual Conference & Expo September 24-26th in Singapore at the Novotel Hotel Clarke Quay. The event was a success with over 100 registered participants and over 50 companies.

The event opened with a pre-conference evening racing party on Sunday, September 23th, followed by workshops on Monday with a Welcome Address by RLA President Gailen Vick and a keynote address by SYogesh Sarin of Dell on Tuesday.

Industry specific issues were discussed Tuesday afternoon and Wednesday in conference sessions. Wednesday concluded with closing remarks by Gailen Vick and a "Lucky Draw."

We had a great event, and as always, thank those that attended. We look forward to Singapore 2013.



FOR COMPLETE DETAILS VISIT [WWW.RLASHOWS.ORG](http://WWW.RLASHOWS.ORG)

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## Technical Trends

### Profit? We need an APP

I spoke to several folks recently who are associated with large CM operations supporting the cellphone reverse logistics market. One had a very large operation in Mexico, the others all had US shops. These are big operations that are processing tens of thousands of units each week. They all reported a pretty negative status. Each one describing conditions with lots of WIP and defective product backlogs plus the typical parts issues. Some parts shortages were major, most were minor. In the world of RL I would call it a C-minus status and declining. When I tried to dive into what they are doing to turn things around, everyone I spoke with was just plain frustrated. The main frustration was that the business was not making money at all or not making money proportional to the risk of their investment and the pain inflicted from the

Clients. Of course there are the issues of the economy and the replacement cycle of new cellphone models that are amplifying some of these concerns. However what I heard over the past week from some of these folks was really a sense of resigned despair. Not really the response I expected from some very competent people who possessed endless force of will to make things succeed.

I believe we arrived at this point in the business cycle as the outcome of continued and aggressive competition between major contract manufacturers. That competition just moved work around and provided little value-add beyond the capacity of low-cost labor and a good location to lower freight costs. The result is that the cellphone repair business for

large volumes has become a commodity business and can only win commodity pricing. I believe however that this is a point with enough pain that someone will decide to do something different.

There is an oft used rule of good managers. Basically its this- 'don't bring me problems without solutions...'. My take on a solution is to leave the commodity model, go retail and chase a profitable trend from the PC side of RL. Every day you will see televised ads for some type of automated PC performance SW. These products are typically sold to fix an immediate problem and then stay resident under the subscription model, generating monthly residual income. On the PC side these services are really focused on the 'soft fix'. The manufacturers warranty or a local provider is then used

for the rare repair of HW as needed. The process works because of the value-add that is provided from a soft-fix that protects the Customers' information and saves the Customer time. Because of that value and the direct connection with the retail user, these offerings are very profitable and generate positive cash flow from the retail connection.

- system issues.
- Accrual of part of the recurring subscription fees for advance replacement of the HW, if needed.
- Could run self tests on demand for the user interface to test the keypad, display, ringer, backlight, etc...
- Monitored battery life and with one button provided a replacement to be sent out.
- Monitored connections/charging for intermittent cabling or very high temperature that would point to a defective accessory
- Advised the user of chronic problems and solutions other users have experience with the same product.
- Track acceleration events from dropping to better identify intermittent failures that need to be physically returned.

In contrast to PCs and notebooks cellphones are often more costly and almost always more valuable. The fact is that cellphones are the most personal piece of equipment we will ever own short of a prescribed medical device from a Doctor. We sleep with our phones we use them in restrooms; we would even rather forget a purse or wallet than be without our cellphone. Imagine the profit from an App that provided just a few features;

- Scanned the phone for immediate critical problems
- Performed regular health checks and emailed a performance report
- Kept a log of dropped calls by geo tag to smartly assess phone issues vs.

Imagine the value of the data that could be easily collected, aggregated and resold? The profit would be significant. Proportional to the profit of the business would be the value to the user. Both would be high and the RL provider

would be rescued from the maddening commodity trap and the joys of zero profit with net 90 day terms. Volume has little value if it is not generating incremental margins. Some of you may say, I cannot afford to hire developers and write an App. Really? Have you seen how much money you are loosing? What is the ROI on your current model?

Mark Cuban wrote a very interesting article that better describes this trend. It can be found on his blog titled "Which USA do you work in?". Read it. It is brilliant. There Mark describes that he sees dozens of App proposals like this each week. Dozens. The fact is there is no choice here. This is the future. Need more profit, go retail. There's an App for that, or there will be. I hope the App comes from you, not your competitor or Mark Cuban...



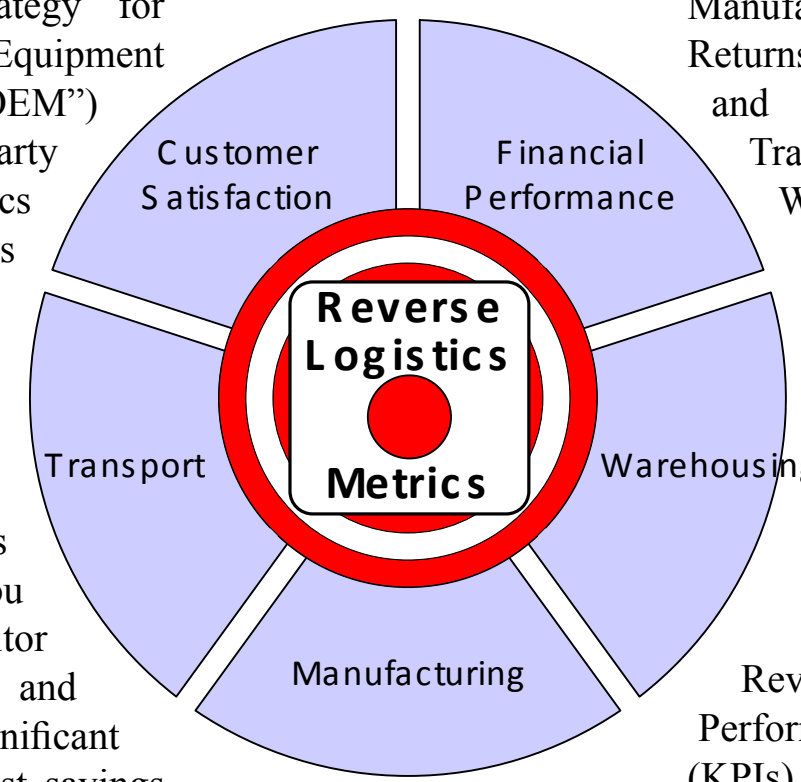
**Bryant Underwood** manages Public Safety Sourcing for Cassidian Communications, an EADS North America Company in Frisco Texas.

# Returning Thoughts

## Using Reverse Logistics Metrics to Improve Operations

Developing Reverse Logistics metrics to manage and improve your Reverse Logistics operations is an essential strategy for both Original Equipment Manufacturers ("OEM") and for third party Reverse Logistics service providers ("3PSP"). Developing a framework to define and monitor your Reverse Logistics metrics will help you measure and monitor your operations and should result in significant improvements, cost savings and higher value recovery on your returned items.

Reverse Logistics Key Performance Indicators ("KPI's") can be used to monitor performance and as: Customer Satisfaction, Financial Performance, Manufacturing Returns Processing and Refurbishment), Transportation and Warehousing. A Sample Reverse Logistics Performance Management Framework. Reverse Logistics Key Performance Indicators (KPIs) Within each operational area, key performance KPIs by analyzing the key



indicators can be established. Some sample indicators are outlined below as a starting point to develop an outline specific to your requirements. In addition you may want to include the indicators outlined with your customers in your Service Level Agreements (SLA's):

- Financial Performance
  1. Recovery Rate on Returned Assets
  2. Processing Cost Per Return
  3. Repair Cost per Return
  4. Credits issued for Returns
  5. Warranty Rate
  6. Warranty Allowance
  7. Warranty Expense
  8. Year over Year change in Warranty Expense
- Customer Satisfaction
  1. Return Rate (Defect and Non-Defect/No Problem Found))
  2. Order Fill Rate on RMAs
  3. Transit Time
  4. Backorder on RMAs
  5. Customer Order Promised Cycle Time
  6. Time to Process Credit

- 7. Time to Process a Warranty Claim
- Transportation
  1. Inbound Freight cost per unit shipped
  2. Outbound Freight cost per unit shipped
  3. On Time Pickups
  4. On Time Deliveries
- Warehousing
  1. Number of Inventory Turns (Unprocessed, Refurbished Goods, Work In Process, Goods Awaiting Parts)
  2. Replacement Inventory Months of Supply
  3. Parts Inventory Months of Supply
- Manufacturing
  1. Manufacturing Cycle Time (Receipt to Refurbishment)
  2. Defect Rate
  3. Scrap Rate
  4. No Trouble Found Rate
  5. Value recovered per returned item

Use these examples to develop your metrics and use a framework like the

one outlined above to build your data tools for Reverse Logistics success. Monitor them daily, weekly or monthly as required. Compare your metrics with others in the Reverse Logistics industry.

Good Luck!

Paul Rupnow  
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Good Luck!

RLM



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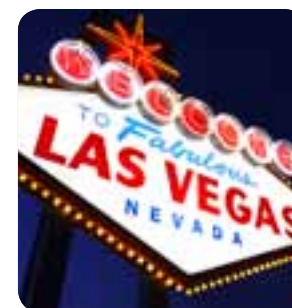
### THERE IS GREAT CONTENT AVAILABLE IN RLA WORKSHOPS THIS YEAR.

You're in town for the RLA Conference & Expo, why not take advantage of your Monday and learn more about RL in an interactive classroom setting.

Beginning at 9:00AM on the day prior to the conference, a registration fee of \$999.99 allows you to attend any three workshops.

#### Some Past Workshops

- Successful Outsourcing - RFQs, Contracts and SOW presented by Gailen Vick, RLA
- Customer Experience by Kok Huan Tan, Senior Service Program Manager, DELL
- Leverage RL to Drive Sustainability & Reduce Expenses by Jesse LaRose, ESE Solutions



## Closing or Moving out of a Reverse Logistics facility?

At this very moment, RL companies are looking for facilities with infrastructure already installed. Let us help take the costly hassle out of having to restore your facility to its original state.

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