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REVERSE LOGISTICS DIGITAL magazine®

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OFFICIAL MAGAZINE OF THE REVERSE LOGISTICS ASSOCIATION®

Edition 46


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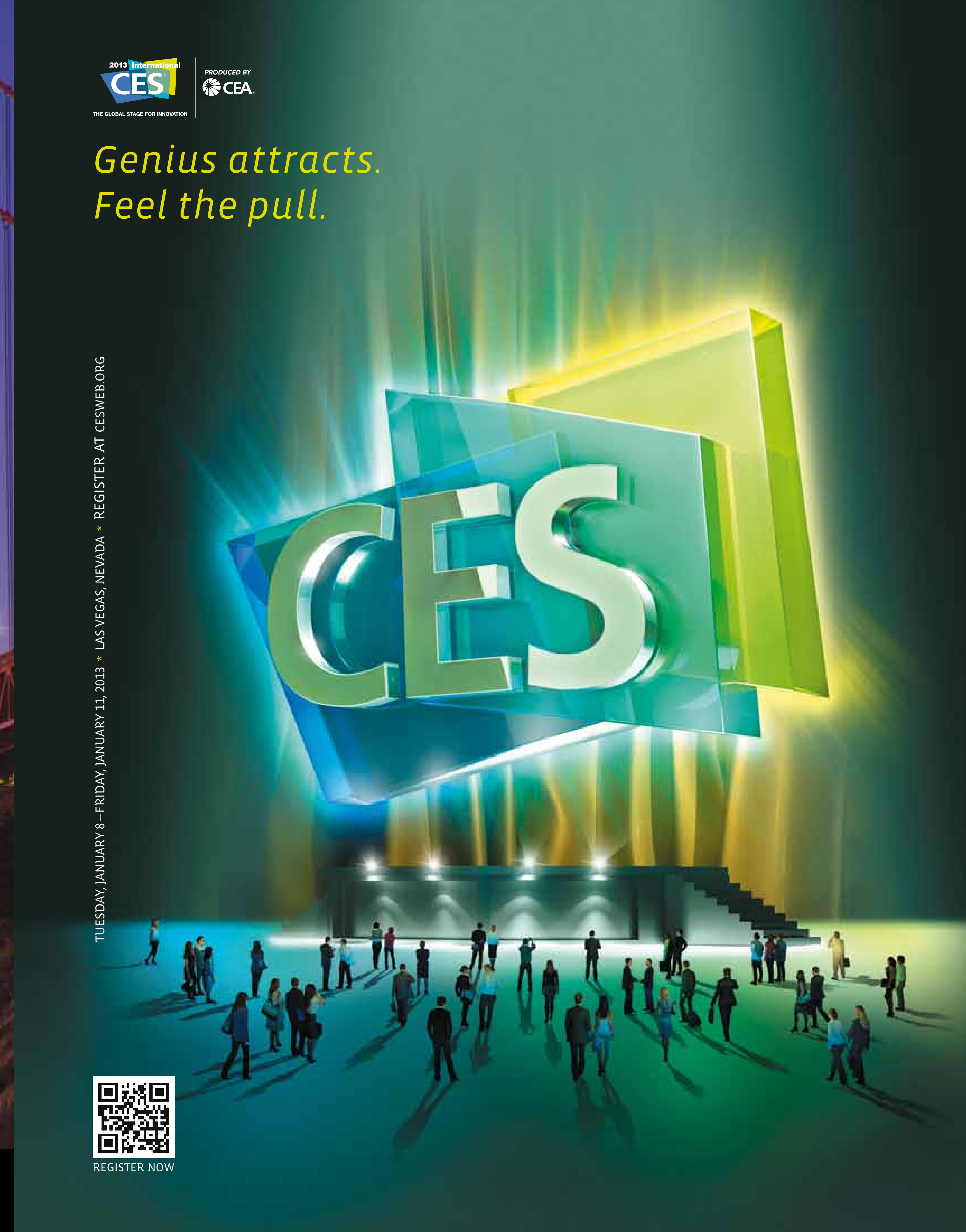
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RL Magazine will publish 12 issues annually — 12 new digital editions!

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Reverse Logistics Is Fundamentally Logical

by Roger L. Franz, Engineering Systems Analyst at TE Connectivity

Reverse logistics has become a way to recover otherwise lost profits and thus is gaining acceptance.

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What is the Reverse Logistics Association?

by Reverse Logistics Association

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Message from the Editor

While a company's brand represents a standardized image with its goals, products, and services, there are always the unexpected consequences (positive or negative) of an opinion. An audience is composed of many diverse individuals, all with their own objective beliefs and values.

A company's image is not always the property of a distinct individual. Often comprised of various parts and originating with a purpose in mind, is now defined by the values beliefs within the company as well. Hot topics that cover religion and politics can be a very sensitive subject and can often cost a brand profoundly by distorting its image. It is therefore important to consider how to handle those opinions and learn how to use them to one's advantage.

Individuals can always elicit their own values, but it makes it difficult to remain separate when a brand is being represented. It is important to keep in mind that the public does not separate personal opinion from a brand. This is because people care about their personal values. When you express your personal values, it can weaken your audience's support and cause distrust with a brand. There are times that consideration is given to supporting a questionable topic and then that brings up the thought of whether controversy is still publicity, but will the rewards outweigh the cost?

Just remember that the loud speaker is always on and whether or not the topic is controversial, it will be heard and will inevitably go viral. It is often best to avoid aligning your brand with political or religiously related stances. Neutrality is important because you are always targeting 100% of the audience, even if they aren't doing direct business with you. Word of mouth matters and you always want to be a recommendation.

A brand is composed of many different individuals, all with their own values. While it is unreasonable to force belief on others, when they are expressive of your brand, they are responsible for representing the core values of the company, and not the individual themselves. With the values established, there is still the question of how your brand can embrace the values and beliefs of fellow employees.

Bad public relation situations can often be the result of allowing individuals to express their own values and not take into consideration the brand as a whole. An effective way of managing these types of situations is by encouraging opinions and welcoming honest and open feedback. Allow employees to be open with you, yet remain discreet as well. This can often help to ensure that the brand is "real" and in touch with the world, not outside it.

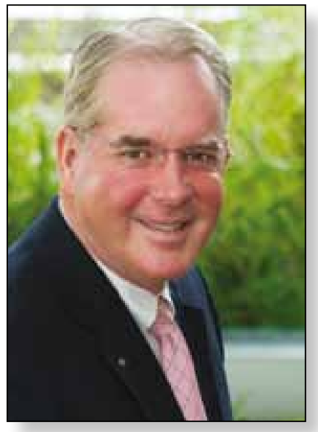
Brands and opinions are often hard to separate, but can be even more difficult to combine unless you have the right formula created. Be sure the brand and company image takes a stand on its values and that those that represent it always stay in the bounds of enforcing and endorsing those values.

Laura Nixon, Editor • Editor@RLA.org

OUR MISSION

Our mission is to educate and inform Reverse Logistics professionals around the world. RLA focuses on the reverse logistics processes across all industries. No matter the industry — High Tech, Consumer Electronics, Automotive, Medical/ Pharmaceutical, Food and Beverage, Apparel, or other — our goal is to provide RL process knowledge to all industries. We want to educate everyone about the Reverse Logistics processes that are common to all industries and to be a catalyst for innovation in developing and implementing new RL processes. We have been and will continue to provide our services to the industry at a moderate price.

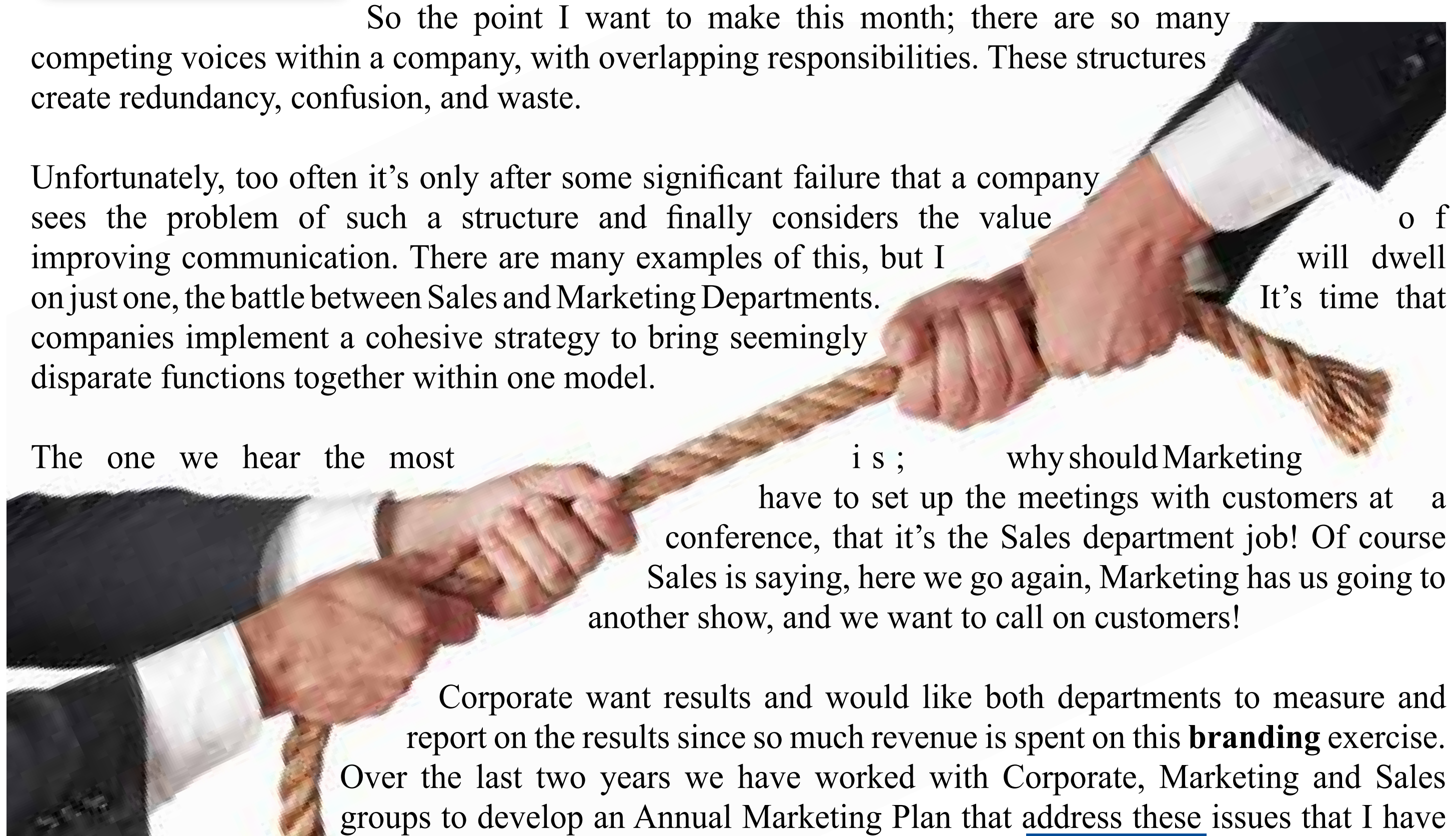
Managing the latest information in services such as repair, customer service, parts management, end-of-life manufacturing, service logistics, field service, returns processing and order fulfillment (just to name a few) can be a little intimidating, to say the least. Yet that is exactly what the Reverse Logistics Association provides through our membership services. We serve manufacturers and retailers in a variety of settings while offering ongoing updates on market trends, research, mergers and acquisitions and potential outsourcing opportunities to 3PSPs. We have gained the attention of 3PLs like FedEx, DHL, USPS and UPS. 3PSPs like Teleplan, Foxconn, Flextronics, Canon, Sony and Jabil, along with small- and medium-sized service providers have found that RLA resources help advertise their services to a regional and global audience. OEMs like Microsoft, HP, RIM, and Sony, along with Retailers like Wal-Mart, Canadian Tire, Tesco and Best Buy all participate at our events. Through RLA Events, RLA Connect services and our publications – RL Magazine and the Weekly News Clippings email – we help OEMs, ODMs, Branded and Retail companies find service partners and solutions providers that were previously unknown to them.



Message from the Publisher

CONNECT YOUR SALES AND MARKETING DEPARTMENTS

I think our editor, Laura Nixon makes a great point this month in her message on Branding with her thoughts on image, property and core values. Our RLA Standards Committee has been researching this subject on Warranty cost and is writing a paper (you can download a draft copy now!) that will be published in February at our Conference & Expo in Las Vegas.



So the point I want to make this month; there are so many competing voices within a company, with overlapping responsibilities. These structures create redundancy, confusion, and waste.

Unfortunately, too often it's only after some significant failure that a company sees the problem of such a structure and finally considers the value of improving communication. There are many examples of this, but I will dwell on just one, the battle between Sales and Marketing Departments. It's time that companies implement a cohesive strategy to bring seemingly disparate functions together within one model.

The one we hear the most is; why should Marketing have to set up the meetings with customers at a conference, that it's the Sales department job! Of course Sales is saying, here we go again, Marketing has us going to another show, and we want to call on customers!

Corporate want results and would like both departments to measure and report on the results since so much revenue is spent on this **branding** exercise. Over the last two years we have worked with Corporate, Marketing and Sales groups to develop an Annual Marketing Plan that address these issues that I have mentioned. Take some time to look at the details.

Here is a document to stream-line some of your other departments;
Defining Organizational Roles: A Case for Change
If you are a RL user, you can download it.

Again welcome our new partnership with KamiKaze B2B Media in Mumbai, India. On January 23 & 24 at the Asia Manufacturing Supply Chain Summit, KamiKaze and RL Magazine are sponsoring a Reverse Logistics Forum. I hope you will tell your colleagues in Asia to come and meet with other RL professionals at the RL Magazine display on the main floor of the conference.

Best Regards,
Gailen Vick, Founder & Publisher
www.RLA.org

Board of Advisors

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

John Benardino - Comcast

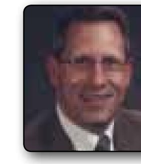
Christopher Gant – FedEx, Chris Gant is Director for FedEx Supply Chain Sales. He is responsible for all business development strategy and execution for both the FedEx SupplyChain Systems and FedEx Emerging Products Sales teams.

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

Complete biographies of Advisory Board Members are available from the RLA site at: www.ReverseLogisticsAssociation.org/company_advisory.php

Reverse Logistics Association Industry Committees

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

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

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- Regan Pasko, TESSCO Technologies, Inc.
- Blake Vaughn, Brightpoint
- Joe Walden, University of Kansas

Join today at www.RLA.org

Focus Committees & Regional Focus continued on to page 17

The Next Frontier Of Competitive Wars In Supplier Management

by Vineet Seth, Head of Product Management, SAP Global Business Incubator

If you are responsible for managing the supply base within your company, in order to be very successful you must not only be a procurement expert and an operations whiz, but also an analytical data junkie. In the face of ever-shortening product life cycles, increased cost pressures and lean supply chains, you are continually faced with potential supply disruptions due to issues such as an unexpected change in supplier lead times, drop in component quality, slowdown in shipping lanes or financial problems at suppliers.

These supply disruptions are expensive. For example, 50 percent of respondents to a recent study by Gartner Research who had experienced a supply chain disruption within the past year experienced a loss of more than $1 million because of that disruption. Sometimes these disruptions appear suddenly because the problems are at the lower tier suppliers, hidden from plain view. Businesses are always looking for ways to predict and address these disruptions before they hit them.

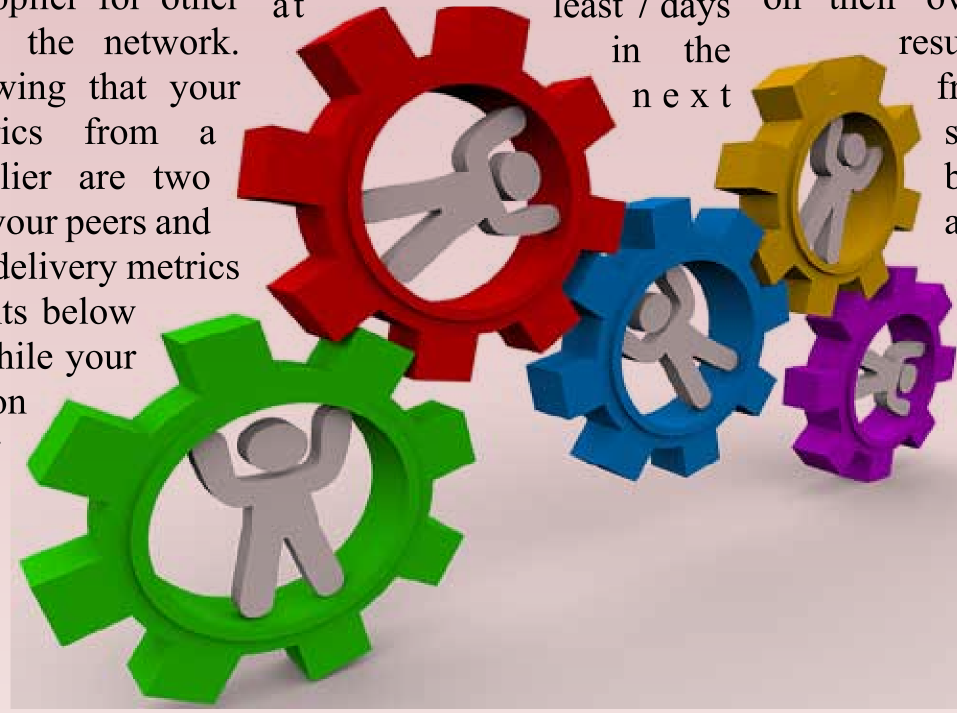
Traditional supply chain analytics and supplier scorecards can't solve the problem completely — they only report what you can see in your internal operational data, and often after-the-fact. They don't provide you with any ability to incorporate external information and benchmarks to assess and predict potential supply disruption risk before it hits you. Emerging technologies are now coming to market that incorporate external information into your analytics to give you a 360 degree view into your suppliers so you are better able to predict such risks and address them in a timely manner.

These emerging technologies collect key supplier performance information from your enterprise system, as well as from the systems of a number of your peers in the industry, and aggregate it. They then combine this information with publicly available credit, demographic, and other financial information, and the latest industry news about the supplier to give you a 360 degree view into your supplier – an operational, financial, and business view.

Analytics and insights on top of this information enable you to:

- Gain visibility into lower tiers of your supply chain, so you can understand their performance trends and use this information to further improve performance. This is a significant advancement, because not only are you able to track your own suppliers, but you are also able to gain significant visibility into the performance of your suppliers' suppliers, and even further down the chain. A large majority of the supply chain risk originates from lower tier suppliers and catches manufacturers by surprise because they lack clear visibility into the lower tier of their supply chain. For example, according to a recent automotive industry report, the financial condition of the majority of auto market suppliers continues to deteriorate, resulting from a historically weak demand and high dependence on a shrinking number of automakers. According to the Original Equipment Suppliers Association, 12 percent of the auto industry suppliers do not have sufficient working capital to support a 10 to 25 percent expansion in production, even as automakers expand production and need their suppliers to step up. Imagine the benefit of knowing early that a specific lower tier supplier is beginning to experience financial issues or lacks sufficient working capital to support your growth, or that has operations in countries that are likely to face shipping lane disruptions. Such early knowledge can allow you to take proactive steps to ensure delivery reliability - a huge source of competitive advantage.

- Benchmark your supplier's performance continuously against your peer group. The analytics provide a dashboard that allows you to check how a supplier performs against relevant KPIs, and how that relates to the performance of that same supplier for other customers in the network. Imagine knowing that your quality metrics from a specific supplier are two points below your peers and your on-time delivery metrics are three points below your peers, while your landed cost is on par with your peers. Such insight can enable you to prioritize where to focus your improvement efforts with that supplier. In 2008, research by the Procurement Leaders Network revealed that as many as 95 percent of procurement executives would welcome an independent benchmarking tool. This illustrates not only the importance of benchmarking as a means of measuring and improving results, but also the need for benchmark standardization so comparisons to benchmarks are easier and provide context for comparison.



- Deliver qualified predictions about developments based on the trends in KPI scores in the aggregated information. For example, the analytics can tell you that the delivery time of a supplier will increase by at least 7 days in the next three months (supported by change in trends both internally and at other manufacturers) due to specific factors such as the closure of a production facility. Such valuable insights give you advanced notice to either identify another component source and/or to proactively reset expectations with customers depending on your customer relationship strategy.

- Assess future risk within your supply base and proactively take corrective actions. The risk may be due to external factors such as plant closings or financial issues with one of their key suppliers, or clogging of a supply line. As organizations seek to get a better handle on their overall risk as a result of pressure from activist shareholders, board members, and other stakeholders, an ability to assess risk and proactively make course corrections is an important operational capability.

These emerging technologies will also provide you news alerts about suppliers you want to track. For example, it will tell you if your supplier was recently sued for not paying their bills, or if one of their production facilities was shut down as caused by a natural disaster, etc. Since all such information is in context of your business relationship with your supplier – your dollar volume of spending with them, potential at-risk revenue that could result from a disruption, sole sourcing vs. multi-sourcing relationship etc. – the alerts can be categorized red, yellow, or green depending on the seriousness of the situation for you.

With a 360 degree view into your supplier's operational, financial, and business data in context of your relationship with them, risk management is the ultimate frontier that these analytics address. Analytics allow users to create heat maps where they can start with an aggregate view and where suppliers may be grouped by industry or spend. The heat map identifies red/yellow/green areas for various metrics — red being where the risk of a predicted metric value is higher than their threshold (based on your risk appetite). The user can then drill down to metrics and information about an individual supplier to identify specific risk factors and their cause. Such an approach to supplier risk management is based on a broad set of information about the suppliers, not just the operational data in today's supplier scorecards.

This technology provides you better visibility into the lower tiers of your supply chain, continuously benchmarking your suppliers (and their suppliers), identifying areas of improvement, assessing risk, and proactively addressing issues as much as possible to reduce future disruptions. In short, it provides you with the tools so you can be the superhero you are expected to be as a supply chain manager.

RLM

Vineet Seth has a proven track record in both strategy and execution, plus successful business development. He has demonstrated the ability to lead large scale product launches and has a particular expertise in creating unified team. Vineet has established and managed offshore product organizations and has an extensive background in leading product management, marketing, and development.

Industry Events

CES - Las Vegas
January 8-11, 2013
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Asia Manufacturing Supply Chain Summit - Mumbaii
January 23-24, 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
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What is the Reverse Logistics Association?

REVERSE LOGISTICS ASSOCIATION®

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

www.RLA.org • www.RLAshows.org • www.RLmagazine.com

Reverse Logistics Association Focus Committees

REVERSE LOGISTICS ASSOCIATION®

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- Liz Barnes, PC-Doctor, Inc
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- Roger Levi, Intel Corporation
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Reduce capital costs by performance-based contracts

by Jürgen Donders, member of the RLA EMEA committee, Managing Consultant, Gordian Logistic Experts B.V.

Between OEMs and operators of capital assets, there is virulent tension. The perception of huge margins on spare parts is an example for that. By so-called 'Performance Based contracts', this can be avoided. Jürgen Donders of Gordian Logistic Experts describes the opportunities that exist for both OEMs and operators.

Capital assets require large investments and therefore depreciation costs during their useful life. In addition, costs of maintenance and spare parts are significant. All these costs over the life cycle are part of the Total Cost of Ownership (TCO).

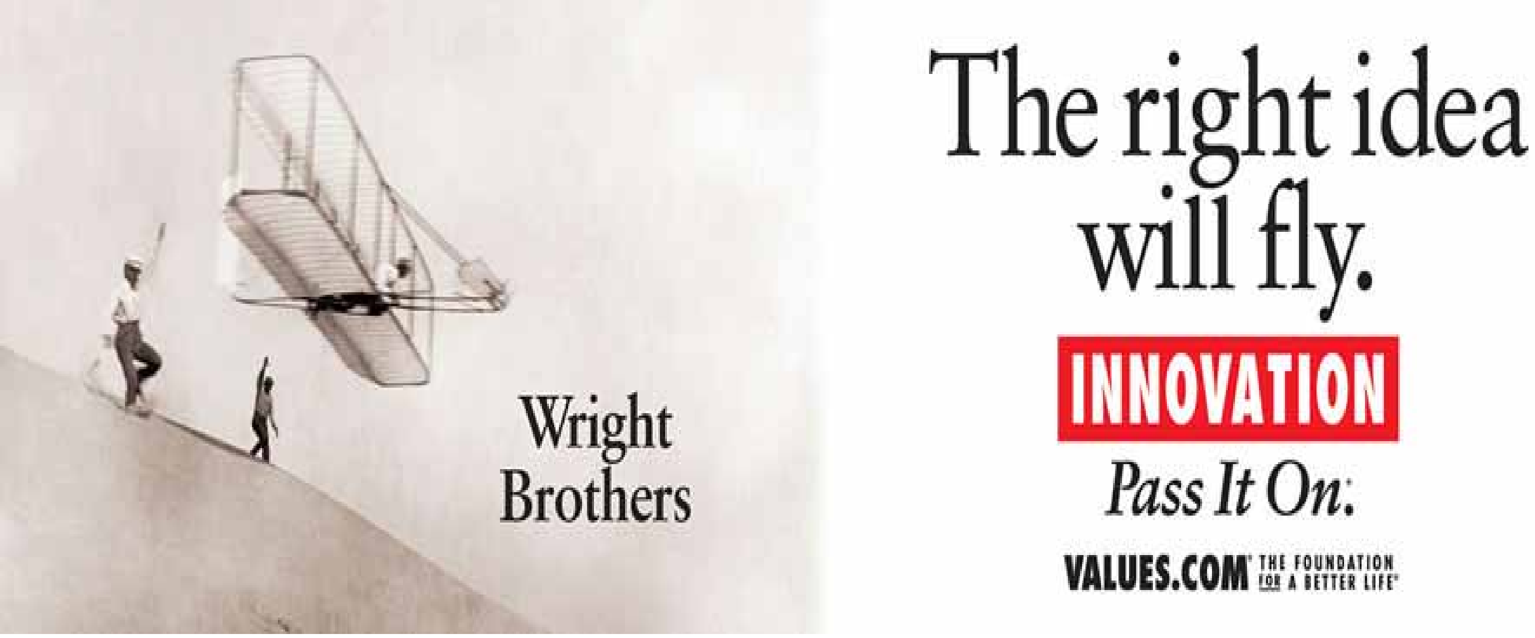
Between OEMs on the one side and operators on the other side, there is (still) a virulent conflict and therefore operators are confronted with too high costs. The perception of huge margins made on sales of spare parts is an example for that. Because of the apparent trend in which operators increasingly ask for so-called 'Performance Based contracts', there is movement in the existing situation. In 'Performance Based contracts', spare parts are no longer sold, but are one of the costs in maintaining the capital asset by a service provider (OEM or a third party). OEMs and sometimes even operators, see 'Performance Based contracts' often as a threat, while in fact there is a logical win-win situation. This article shows the opportunities that exist for both OEMs and operators.

CONFLICTING INTERESTS

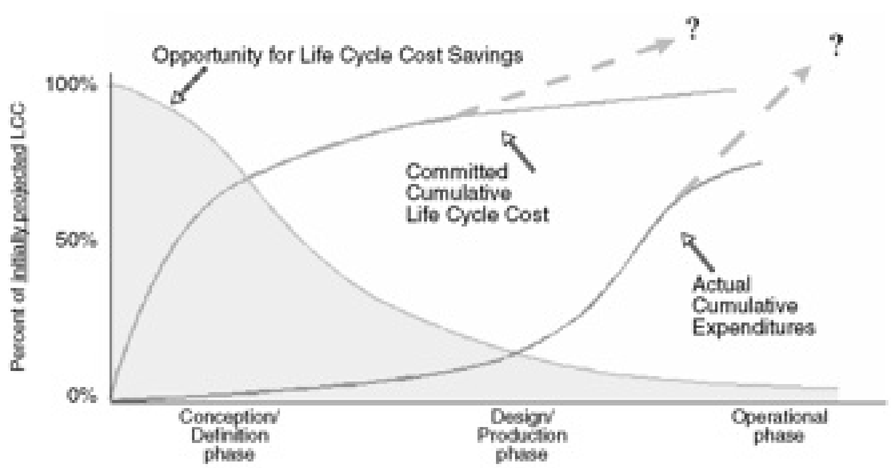
The following figure shows the contradiction between OEM's on the one side and operators of capital-intensive goods on the other.

OEMs strive for a low initial sales price and possibly for a not very reliable product. After all, there must be many years with a certain amount of after sales support, including spare parts, sold with high margins. Operators however, strive for low TCO. Investing more in the design, a higher initial purchase price as a result, will often lead to lower TCO by a reduced need for after sales support and spare parts.

In recent years, operators are more and more concerned



with reducing the TCO of their capital in the operational phase. Although the largest amount of TCO is actually made during the operational phase of a capital asset, the size of this amount is already determined during the design phase. The figure below makes this clear.



When an operator starts projects to reduce the TCO of a capital asset in its operational phase, the potential savings to be found are very minimal. For the TCO to be really low, this must already be taken into account in the design phase.

Here we find a difficult contrast. The design is carried out by the OEM. The question is to what extent the OEM benefits from low TCO. If operators actually base their purchasing decisions on TCO, the OEM may be inclined to pursue this low TCO. In many cases however, there is an operator that is guided by a budget that is available for initial purchase. In these situations, an OEM therefore benefits by keeping initial development costs at a low level (which in fact provides a low initial sales price). An OEM also benefits from a design that is not so perfect, by selling more after sales support and spare parts in the future.

PERFORMANCE BASED CONTRACT

Since operators are increasingly unwilling to invest in capital-intensive goods and maintain these themselves, there is an increasing need for results-based contracts in which an operator only pays to OEMs in proportion to the actual production delivered. For example, Rolls Royce delivers aircraft engines to airlines, which are only paid in proportion to the number of operating hours of the engine (Power by the hour contracts). In this situation, Rolls Royce itself has become responsible for maintenance, spare parts and asset management of its engines in use by its customers (airlines).

Because airlines now lease an engine based on a low hourly rate (of course given a certain confidence), the OEM is motivated more than beforeto achieve low TCO. In this way, achieving low TCO and the design are in one hand, where most can be done to influence the TCO. The OEM now benefits from a robust, reliable and low maintenance product with a low demand for spare parts that are as cheap as possible. The initial design costs go up, in favour of lower maintenance costs over many years and (thus) low TCO.

OPPORTUNITIES AND THREATS

If this is all so obvious and easy, why does Performance Based contracting not yet grow very rapidly in popularity? The following table tries to give more insight:

	OEM	Operator
Opportunities	Extend the product portfolio with full service for its systems (more value added activities, more business)	Focus on core business, lower TCO
Threats	High initial costs, loss of lucrative aftermarket (spare parts) business	Loss of maintenance organization, increased dependence on third parties

It is mainly the above-mentioned threats why OEMs and operators in many cases still are reluctant to move to performance based contracting. However, if all this above is taken into consideration, the reliability of capital goods will be greatly improved and TCO significantly reduced. The huge savings can be shared in a win-win structure between the OEM and operators. The OEM gets more business that generates more revenue while at the same time he gets to know its own capital goods better and better. The operator on the other hand can fully concentrate on its core business and is in a position to produce his products or services at much lower costs. RLM

Jürgen Donders is managing consultant at Gordian Logistic Experts B.V. Gordian is a fast growing consultancy firm with a focus on service supply chain management. He has a background as an air force officer. In that role he served as a Logistics Manager and Engineer in several positions. In his last assignment within the air force he was the Squadron Commander of the 921 Logistics Squadron of Airbase Leeuwarden (F-16 Fighter base). Further he was responsible for air force logistics in the United Nations Mission in Ethiopia and Eritrea (UNMEE). He combined these activities with several master studies on procurement, transportation, production and inventory management.

Supply Chain Predictability - Turning The Vision Into Reality

by Jo Adail Stephenson, Public Affairs POC, Defense Contract Management Agency

Supply chain predictability means understanding what risks exist in the supply chain and delivering that information to the agency's customers at the right time so they can make informed decisions. The Defense Contract Management Agency is globally positioned to gather insight to provide predictive information to its customers and leverage this opportunity to benefit the acquisition enterprise.

"The agency's vision statement specifically states we will strive to be the Department of Defense's leading expert in supply chain predictability. We need to take the vision and turn it into reality," DCMA Director Charlie E. Williams, Jr. said in a recent webcast.

To address the agency's vision of supply chain predictability, Williams kicked off an enterprise-wide Lean Six Sigma project in May 2012. He commissioned a team of cross-functional and Lean Six Sigma experts from across the agency and named Karron Small, DCMA Engineering and Analysis executive director, the project champion.

"One of the best things about 'Lean' is it can lead you to find answers to your questions and solutions to your problems," Small said. "Lean Six Sigma's disciplined and structured approach provides a standardized, consistent roadmap with checkpoints and tollgates throughout the process. The process creates accountability and furnishes clear direction and guidance." The team, launched in June 2012, is using a modified Lean Six Sigma process called DMEDI – define, measure, explore, develop and implement. This approach is used when a current process is not well understood or documented. It helps in identifying and focusing an organization to meet the project's objectives, according to Chris Knaggs, DCMA Continuous Process Improvement director. The team has completed the first three phases – define, measure and explore. "This effort will provide a consistent way to execute responsibilities at all levels and allow integration of data into actionable information," Small said. The goal is to provide insight to the agency's customers at a point in time which allows them to make smart decisions to improve their program outcomes, Williams said. "Our customers want us to be more proactive in identifying risks that can cause supply chain disruptions," Williams said. "They want us to focus on proactive communications, take preemptive action on those high-risk suppliers and mitigate future disruptions." Williams added the agency needs to collectively capture and make visible supply chain intelligence throughout the enterprise in order for DCMA to meet this objective. "At the end of the day, our job is not merely to react faster to interruptions in the supply chain but to use credible measures to help us predict interruptions before these happen," Williams said.

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Jo Adail Stephenson works in the public affairs sector for the Defense Contract Management Agency.

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Entercoms Names Michael Smith as Chief Commercial Officer

Dallas, TX—11 December 2012—Entercoms, Inc. (Entercoms), a provider of aftermarket supply chain services, today named Michael Smith as chief commercial officer. He brings more than two decades of experience to the company after serving in leadership roles with Foxconn and Motorola. In his new role, Smith will be responsible for commercial strategy and development in marketing sales, product development and customer service, as the company seeks to drive business growth and expand market share.

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Flextronics and Motorola Mobility Partner to Streamline Supply Chain Operations

1Singapore & Libertyville, IL—10 December 2012—Flextronics (NASDAQ: FLEX) and Motorola Mobility LLC, owned by Google, announced today that the companies have signed a definitive agreement, under which Flextronics will acquire Motorola's manufacturing operations in Tianjin, China, and will also assume the management and operation of its Jaguariuna, Brazil, facility. Employees and assets at both locations will transfer to Flextronics after the transaction closes. The agreement also includes a manufacturing and services agreement for Android and other mobile devices. The companies expect to complete closing activities by the first half of 2013, subject to customary closing conditions including regulatory approvals. Financial terms of the agreement are not being disclosed.

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Blue and Brown Make Green

6 December 2012-In a video address to a global audience, U.S. Postal Service Postmaster General and Chief Executive Officer Patrick Donahoe, and UPS Chairman and CEO Scott Davis announced a unique partnership designed to offer better service to customers, reduce greenhouse gas emissions and optimize operational efficiencies.

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Inmar CIO Named as one of Computerworld's Premier 100 IT Leaders for 2013

Winston-Salem, NC—5 December 2012—nmar, a technology company that operates intelligent commerce networks, today announced that its Chief Information Officer (CIO) Mark Wright has been named one of Computerworld's Premier 100 IT Leaders for 2013. According to the publication, those named to the list have displayed exceptional technology leadership in their organizations, fostered ideas and creative work environments, envisioned innovative approaches to business problems and effectively managed IT strategies. The Premier 100 honorees and their achievements will be highlighted in the February 25, 2013 issue of Computerworld.

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Global Survey: IT Departments Making Companies More Efficient, Yet Not Driving Business Growth

Sunnyvale, CA—5 December 2012—uniper Networks (NYSE: JNPR), the industry leader in network innovation, and the Economist Intelligence Unit released findings today from a recent global survey, which revealed that over half of businesses surveyed primarily rely on IT departments to increase efficiency of their operations. But IT is largely falling short of expectations to drive business growth in new areas. The survey of 474 respondents spanned Germany, Japan, the U.K. and the United States. Fifty-one percent of respondents are C-level and board members and the remaining are senior executives and managers.

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The Green Consumer and The History of Packaging

by Brad Shorr, Director of Content & Social Media at Straight North

Few industries have taken more heat on the environmental front than packaging. Companies are vilified regularly for paper packaging, plastic packaging, over packaging, and over the top packaging. Sustainability, once a non-factor for packaging manufacturers and consumers, has become the driving factor.

Despite the frequent bad press, the packaging industry has in fact moved aggressively over several decades to bring sustainable packaging options to market. As one who has part of this journey since the late '70s, I can share a couple of notable but often overlooked examples from the world of industrial packaging.

THE HISTORY OF BUBBLE, PART 2

When I entered the scene, there were two popular options for void fill and protective packaging: polystyrene "peanuts" and Saran-coated bubble packaging. Polystyrene was (and remains) a poor sustainable choice, as it is hard to recycle, doesn't degrade, and is potentially toxic to boot. Bubble materials, made from polyethylene, were easier to recycle, although few cared to do it at the time. However, bubble was heavy and bulky, which increased shipping and related fuel costs.

Product innovation and technical innovation have given us far better sustainable options. Today, bubble materials are uncoated

and made from thinner, yet stronger, polyethylene resins, reducing weight and bulk. And whereas earlier generations of bubble product were made from virgin resins, many today contain high percentages of pre- and post-consumer recycled polyethylene.

Entirely new products, such as inflatable air bag packaging, use a minimal amount of plastic and rely almost completely on air – a very sustainable option indeed. And at the other end of the spectrum, old-school "peanut" packaging is now made from cornstarch, recycled paper and plastic materials as well as polystyrene.

Want paper? Innovations in dispensing systems have brought paper back as an economical void fill and protective packaging option. Machines dispensing single- and multilayer paper at high speed are now common sights in high volume packaging operations.

Bottom line: With a proliferation of economical sustainable packaging options, any firm can improve its sustainable profile.

CORRUGATED EVAPORATES IN BEVERAGE PACKAGING

As a friend of mine, a VP of sales for a multinational corrugated manufacturer, was about to retire, I asked him to reflect on his career. What stood out? With a sigh and a wry smile he said, "I've spent my whole life working with customers whose main goal was to eliminate my product."

If this sounds sad or cynical, it shouldn't: it's simply the truth, a reflection of the sustainability and economic pressures that have transformed the corrugated packaging industry. My friend's primary product was beverage packaging – water bottles, canned and bottled soft drinks, wines and liquor. Taking bottled water as an example, it's easy to see the sustainable evolution in packaging design:

- Originally, cases of bottled water were packaged in heavy, two-piece corrugated boxes.
- Boxes were replaced by corrugated trays, which substantially reduced corrugated content.
- Trays were replaced by flat corrugated slipsheets – pretty much reducing corrugated content to a theoretical minimum. But this wasn't enough …
- Cases of bottled water can now be packaged with heavy-duty shrink packaging – eliminating the need for corrugated altogether.

Successful corrugated manufacturers adapted by creating new packaging designs, and developing stronger and more sustainable materials. While many of their innovations still resulted in less tonnage running through their plants, they were at least able to meet the needs of their existing markets and offset inevitable losses by finding new applications in existing and new markets.

These stories have been repeated for virtually every product that protects and prepares products for shipment. While primary packaging – the stuff you see on the store shelves – gets all of the press, behind the scenes, industrial packaging manufacturers (representing a multi-billion dollar industry, by the way) have made enormous sustainable strides – even when in some respects they hurt their own business. And while there is still a long way to go, it's going strong.

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Brad Shorr has an extensive background in B2B marketing, with in-house, agency, and entrepreneurial experience. Skilled in content marketing strategy, business blogging, SEO copywriting, and social media, Brad works with clients of all sizes, giving him a broad perspective on marketing challenges and solutions.

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Reverse Logistics Is Fundamentally Logical

by Roger L. Franz, Engineering Systems Analyst at TE Connectivity

In the past few years, many electronics companies have begun to embrace full lifecycle management of their products.

Programs are in place to collect and recycle end-of-life goods as required by the EU's WEEE Directive. Attention to corporate social responsibility has also led companies to support product collection and recycling in other regions. Better yet, the useful life of prior-generation products is being extended by redeploying them for other purposes, like making cellphones available for emergency communications.

Reverse logistics has become a way to recover otherwise lost profits and thus is gaining acceptance.

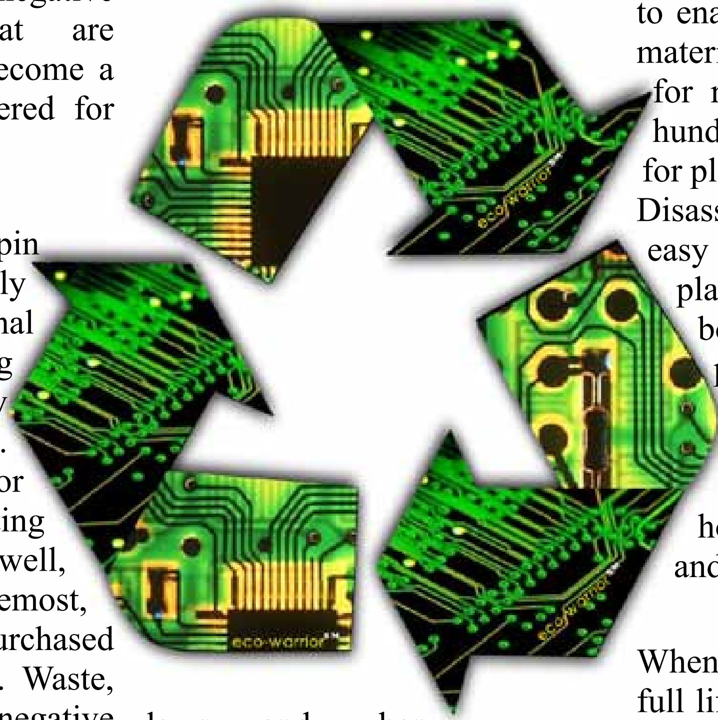
While controlling the internal cost of quality nonconformance is very clearly a business activity, it has not always been so clear who benefits from controlling the overall costs across a product lifecycle. One of the reasons for this is that environmental externalities, which may include effects of pollution, carbon footprint, solid waste, etc., are not traditionally allocated to the cost borne by the manufacturer, or included in most accounting ledgers. In some industries, including the occasional electronic manufacturing plant, fines have been levied to make up the external cost differences after the fact. As a result, end-of-pipe solutions have largely given way to pollution prevention.

Some would go so far as to argue that lack of accounting for external environmental costs is a flaw in the free market system itself. Paul Hawken, for example, in his book, The Ecology of Commerce, says it this way: "Markets are superb at setting prices but incapable of recognizing costs.”

But costs can work two ways. Aside from being a negative factor, resources that are considered waste can become a positive value if recovered for further use.

Given a positive spin (read: profit), previously unaccounted-for external costs are now beginning to be a part of everyday product management. There are good reasons for reverse logistics completing the circle initiated by, well, forward logistics. Foremost, resources -- like any purchased materials -- have value. Waste, on the other hand, is a negative cost. The net benefit of waste recovery depends on how it is collected, how far it is transported, how it is treated, and its inherent value. Many of our waste streams unintentionally (and unbeknownst to many) contain precious metals that are more concentrated than ores mined from the earth. These resources are termed “urban ore.” Electronics scrap is typically a relatively rich source of urban ore.

Electronics goods contain precious metals (silver and gold) and other metals like copper, aluminum, and steel, all of which have established recycling streams. These processes are not perfect, since there are offsets like energy use, while ways to economically recover critical shortage metals like indium, used in flat-panel displays and touch screens, are in need of development. But most states now have electronics recycling

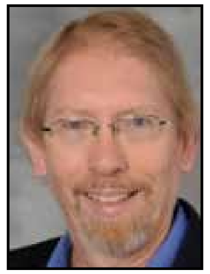


laws, and when one understands the overall cost sheet it is surprising that we ever just tossed our old equipment in the trash.

Electronics OEMs know this now and are vigilant about taking care of their precious metal, including getting it back after goods have shipped and become obsolete. Many have established contractual arrangements with reverse logistics partners. Individuals can also find ways to save their old cellphones and batteries from landfill with organizations like Call2Recycle. And you can find outlets so that a wide variety of other goods do not becoming a lost cost either, for example at Earth911.

Fundamental logic has not escaped the notice of environmental standards for electronic product assessment. EPEAT, for example -- based on the IEEE 1680 family of standards -- includes criteria to enable separation of different materials for recovery. Markets for recycled metals date back hundreds of years, while uses for plastics regrind are maturing. Disassembly is not always as easy it looks, though, since gold plating on a connector or wire bonds in an IC will require professional size reduction and separation. But the steps remain the same as we have heard about in our home life: reduce, reduce, and recycle.

When balance sheets represent full lifecycle costs, logistics will work effectively -- both forwards and backwards. When it comes to paying for resources and their external costs, complying with regulatory requirements, and meeting voluntary standards, everyone agrees: Reverse logistics is fundamentally logical. RLM



Roger Franz integrates electronics and material technologies to achieve sustainable business results. Certified Six Sigma Green Belt and advocate of continuous improvement. He is also an author and speaker and has four patents pending. Committed to innovation, quality and sustainability.

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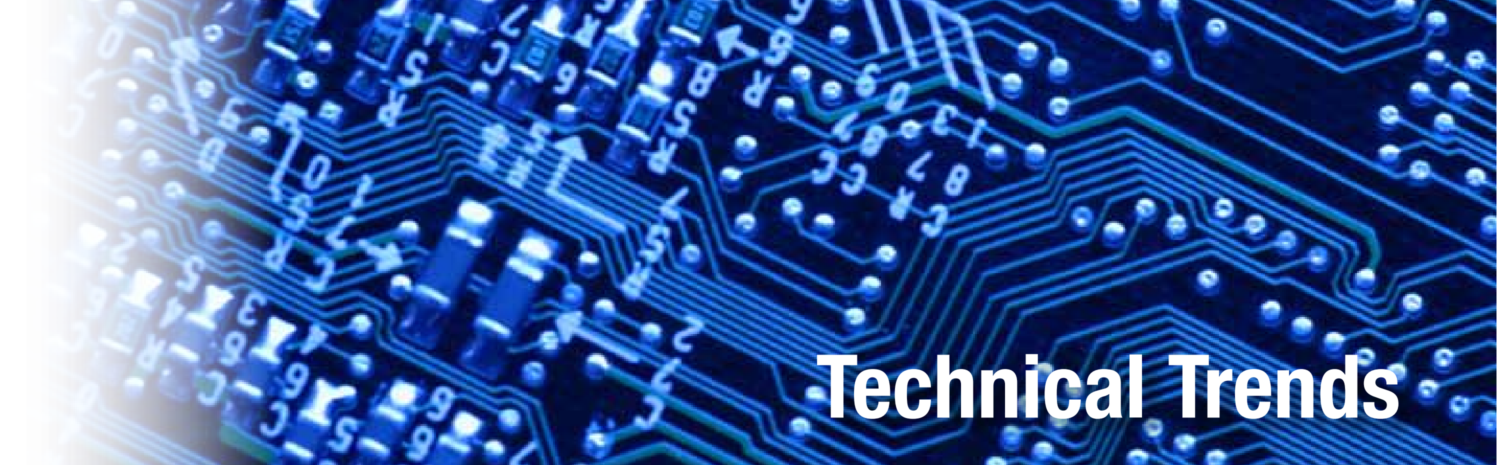


Technical Trends

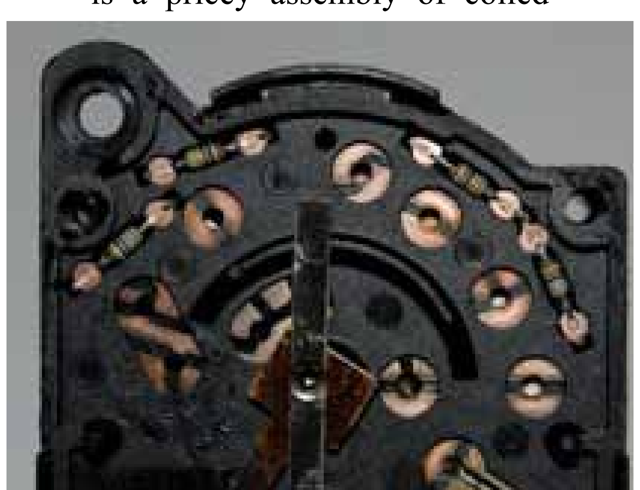
How to pay $700 for a fuse, And be happy about it

We often bemoan the issues and complexities of Reverse Logistics (RL) with regard to computing or communications. However, one of the largest, interesting and most compelling aspects of RL is automotive service. For most of us, the way automotive service is delivered is a mystery when it's good and a nightmare the rest of the time. Let me pull the curtain back and expose a little of the technical complexity in delivering automotive service with a real world example.

Recently a friend asked for help with a domestic SUV that had a very strange problem. The problem started when the cruise control became very intermittent. Sometimes when the owner attempted to turn the cruise control on or to set the speed they might have to press the button several times to get the cruise to set. The problem became progressively worse and then the cruise control just completely stopped working. Just before the cruise control stopped working the airbag warning light came on. So now we had two symptoms, the switches on the steering wheel for the cruise control and the airbag both reported errors. The trouble codes indicated the ignition switch was bad. I pulled the switch to check it to make sure before replacement. This in itself was no easy task because the switch is not really just a switch. It has a series of internal voltage dividers. These allow the vehicle control systems to detect multiple switch positions with less wiring and lower costs.

So to perform the test, I needed to validate the switch continuity and the various resistor values. The switch was fine and the resistors were all dead-on correct.

The next item in the troubleshooting tree is a little item called a 'clockspring'. This is a pricey assembly of coiled cable that connects the airbag with the steering wheel controls. Since the airbag and cruise control were on the same circuit this looked like a bingo. Testing a clockspring can vary greatly. On this vehicle the assembly also housed the steering angle sensor for the traction control and anti-lock brake systems. With this configuration the testing would be almost impossible outside of an engineering lab. A replacement was the next logical step. The best price I could find for a new clockspring with shipping was for ~$650 for the entire assembly. I purchased one, changed it out. After getting the dash all back together I turned the key and started it up. In just a moment all hope left the building. I was greeted with the exact same warning lights and error codes as before. Did I mention you cannot return electronic parts for credit? I went back to the documentation. The only other part that could be causing the problem was the switch. At $50 it looked cheap. So even though my testing said all was fine, I picked one up and replaced it. Again, the same errors and warning lights flashed



their insult at me from the instrument console. At this point I am ready to 'get medieval' on this problem.

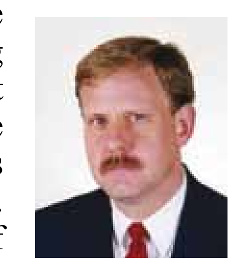
What happened? Well I did get it fixed. After considerable troubleshooting and research I traced the problem to a spare 10A fuse. Notice I did not say blown fuse, I said spare. Turns out the owner towed a trailer that blew the fuse for the rear lights weeks before these problems cropped up. At the time the owner opened up the fuse holder and replaced the blown fuse from one in the 'spare' slot. All was good for a month or so with no issues. Then the gremlins started to appear.

Here is what happened. Almost all modern vehicles have an under-hood power distribution system packaged into what looks like a fuse holder. These typically are referred to with phrases like 'Integrated Power Module'. A look inside reveals this is not a simple fuse holder but a very complex power distribution system.

So what was the problem? It turns out that most of these integrated power modules are made by one contract manufacturer as an ODM supporting several domestic auto manufacturers. To save costs, the ODM uses the same design with differing packaging and software depending on what vehicle or manufacturer the module is used on. On the vehicle I was troubleshooting the fuses that were labeled spare, would be used when the module was installed in another vehicle with differing software loads.

Since these particular fuses were not used on this car, someone decided to give them the "spare" label and just remove software references to them from the module. Clearly they are not spare and all the software was not corrected. There is some piece of rouge code that did not get modified properly for this SUV. Once the fuse was gone these obscure events eventually kicked off a software routine and the module started reporting errors. These errors were not mapped properly because at the root cause level they were errors for another vehicle, not this one. Since this is such an odd set of circumstances it most likely took years for this problem to bubble up for the manufacturer to see in the warranty repair data. Also, let me add there are no technical advisories that describe or address this problem in any way for the factory technicians. The factory techs I spoke with about this error were aware of the power module problems but had no idea about how crazy the problem was or how cheap the solution could be. These factory-trained techs performed the same troubleshooting I did. Except the next step for the factory-trained technician would be to replace the entire module for $700 followed by the wiring harness for $3000. This explains why I feel at least slightly satisfied to have gotten away with just $700 spent.

Why no technical bulletin? My guess is that this problem was known and understood by the factory and that the actuaries that did the math decided when all risks were considered it was not worth it. Sometimes there is a benefit to being silent. RLM



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

Returning Thoughts

Do You Know Where Your Reverse Logistics Inventory Is? A Primer on Secondary Markets

Do You Know Where Your Reverse Logistics Inventory Is? A Primer on Secondary Markets

Do you know where your inventory is? You are likely very knowledgeable about where your products are sold through your primary channels, but are you as familiar about where customers are buying your products in the secondary markets? These days there are a lot of secondary market channels. Secondary markets have evolved considerably and become very sophisticated in recent years. These Secondary markets can represent a huge opportunity for a Consumer Electronics OEM. However, they can also cause significant problems. A solid understanding of these markets is essential not only to capture high values in reselling your returned, excess, obsolete or at risk inventory, but more importantly, a solid knowledge of the secondary markets is required to protect your brand and your primary market margins.

The Consumer Electronics Committee at the RLA Reverse Logistics Association is currently working on some white papers to help us all gain a better understanding of the secondary marketplace. Below is a quick preview summary of some of the work they are assembling.

SECONDARY MARKET METHODOLOGIES

Below is a basic description of some of the Secondary Market methodologies or options available to sell or dispose of returned, obsolete, excess or at risk inventory. Typically, several methods can be utilized for any condition of at-risk inventory.

- **Auction**: Products are placed on a bid opportunity website. Bidders are invited to participate in or are part of an automated notification process alerting that an auction will be taking place. Bidders place their bids on associated opportunities. Highest bidder wins. A minimum reserve price can be set.
- **Liquidation**: Product is sold to a third party for remarketing. Product is sold at a discount off of COGS or Retail.
- **Internal Sales**: Product is sold by the OEM internal sales force.
- **Online Marketplace**: Product is sold on a popular online site Amazon, Buy.com, Woot, etc.
- **Sell To Channel Partners**: Product (usually excess/ obsolete) is sold to current retail and distribution partners at a discounted rate.
- **Sell Outside the USA**: Product is sold to markets outside of the US. South America is currently a commonly used geographic location for consumer goods.
- **Broker**: Middle man between seller and buyer. Does not touch product or take possession. Collects a commission for connecting the dots and putting the deal together.
- **Use as exchange stock, alternate to repair**: Product is utilized for RMA exchanges of warranted returned product.
- **Harvest for spare parts**: Product is broken down and the parts utilized for the repair of returned, non-working product.
- **Scrap/Recycle**: Product is sent to scrap house for recycling purposes.

REVERSE LOGISTICS SECONDARY MARKET CHALLENGES

When seeking to sell inventory in the secondary markets, often the first challenge that comes to mind is achieving the highest possible price. However, there are many more challenges or concerns that arise when seeking to sell your secondary inventory for a high margin to the highest bidder. Other common challenges you may encounter are:

- **Highest Selling Price** – depending on the age and market demand for the products, sometimes you can seek the highest margin or sometimes with excess or obsolete, you need to sell below cost but at least you will be recovering some cash on the goods.
- **Channel Control** – managing or authorizing the resellers of your secondary market goods can sometimes assist you to control the market and achieve higher margins.
- **Protect Margins of Secondary Market** – sometimes if you are able to control your secondary channels and the rate of release of your excess or obsolete goods, you can help your company and your secondary partners achieve and maintain higher margins.
- **Protect Margins of Primary Market** – a secondary market flooded with inventory can force the secondary market prices downward. At the same time this may put significant pressure on your primary market to hold the selling price of new goods.
- **Post Sale Warranty Costs** – goods sold in the secondary market are often sold with the intention or understanding that no warranty is available on the goods. However, the end user who buys the goods and experiences a problem, will often seek assistance or warranty from the OEM for a solution. Any warranty service provided on these secondary market goods, essentially means the OEM is paying a second time for warranty on these items.
- **Brand Protection** – brand protection is important and for many companies, brand protection is extremely important. For instance, if your products are sold only through authorized or exclusive dealers, a secondary market full of current or past products can reduce or dilute your brand image and pressure your primary market margins.
- **Effort Required** – different channels may require significantly different amounts of effort (and skill). Selling items one at a time (on ebay for instance) vs. a bulk sale in an auction vs. a credit allowance where the retailer partner keeps the returns and resells them. Many OEMs prefer to sell large volumes to distribution channels rather than fulfilling orders to end users, one unit at a time.
- **Additional Investment** – sometimes it can be wise to invest further funds into the returned or obsolete inventory to make the products more attractive (e.g. attractive retail packaging) or improve the condition of the goods for a higher margin.
- **Time** – in the consumer electronics marketplace, often time is a very important factor affecting cash recovered on at risk inventory. The earlier the sale can be made in the product lifecycle, the higher the possibility of recovering a higher value. Similarly, the faster the returned goods can be processed and prepared for resale, the higher the recovery rate.

Secondary Markets represent a significant opportunity to recover significantly higher cash value for your operations on the disposal of returned, obsolete or excess inventory. Knowledge of these markets and the challenges you may face will assist you to achieve a higher recovery rate with less risks and issues. More cash for at risk inventory always pleases your senior management team. Keep an eye on the RLA website for more information on the CE committee Secondary markets work. Alternately, you can contact myself or someone on the RLA Consumer Electronics Committee to stay abreast of progress on this topic. RLM

Good Luck!

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