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Reverse Logistics
magazine

A Pragmatic Approach to Partners
by John Mehrmann, Data Exchange Corporation   Pg. 24

March/April 2007
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REVERSE LOGISTICS TRADE SHOWS™

Reverse Logistics Association is offering three full days of RL immersion starting with pre-conference workshops followed by two days of conference sessions and exhibition.

Workshops are offered on Monday, June 25 on a variety of topics including Successful Outsourcing—RFQs, Contracts and SOW and Marketing & Selling Service Logistics. For more information on workshops, visit: http://www.rltshows.com/a06_pre_event.php

The RLTS conference kicks off on Tuesday with a Keynote Address by Reinier Jens, EVP and General Manager of Philips Consumer Electronics Region Europe, followed by sessions presented by RL professionals, leading academics and also includes panel discussions. A highlight of this Conference will be on the subject of "green and regulatory laws," particularly on WEEE & RoHS.

Session topics include field service, RMA, support and help desk/call centers. A wide range of Reverse Logistics companies are in attendance from repair/refurbishing to recycling/e-waste and transportation logistics.

Be sure to visit the Exhibition Hall where ODMs and OEMs will be looking for Third Party Service Providers (3PSPs) that can manage Reverse Logistics in Europe, along with identifying solutions for Asia and the Americas. There will be many exhibitors showcasing their Reverse Logistics services and solutions. This is a rich opportunity for OEMs and Branded companies to identify future service partners.

If you are a Reverse Logistics professional – don't miss this event!

For more information and complete details, visit www.RLTShows.com.
Attendees may register online for workshops, conference and even book flights and hotel.
Exhibitors can purchase exhibit space as well.

MARCH/APRIL 2007
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Cover Story

A Pragmatic Approach to Partners
by John Mehrmann, Data Exchange Corporation Pg. 24

A common theme which emerged
from RLTS in Las Vegas is the
importance of partnerships. It
is a theme echoed repeatedly as
an observation and as a need for
the next step in the evolution of
Reverse Logistics. The complexity
of the supply chain requires more
than integration, it requires a
culture of collaboration.

Departments

Reverse Logistics Magazine welcomes
unsolicited articles and abstracts.
Please send to
editor@RLmagazine.com.

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REVERSE LOGISTICS
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From Our Readers
Letter to the Editor

Dear Editor,

I have an informal agreement with our Administrative Support staff – if they receive a magazine addressed to employees no longer at the company, it is delivered to me. This is how I came across Reverse Logistics Magazine.

Before the magazine, I had never heard the term Reverse Logistics, but as I read I became familiar with the term (and even know what 3PSP stands for now!). I commend you for an excellent magazine on a very interesting topic.

It dawned on me that in my field of email marketing, reverse logistics is key to a marketer's success. Due to the enormous amounts of spam that are sent by illegitimate marketers, receiving ISPs (Internet Service Providers) like AOL, Microsoft's Hotmail, and Yahoo! Mail must filter email so that users are not deluged by spam. One of the measurements these ISPs use to determine if a message is from a spammer is by how many messages sent to recipients no longer using an email account.

When somebody sends an email to one of these unused email addresses, the ISP usually returns a bounce message to the sender. It is the sender's job to process that bounce message and remove that recipient from their list. If the marketer has a flawed process and does not remove the recipient's unused email address and continues to send to that address, the ISP may penalize that marketer by refusing to deliver email to the inbox of other recipient's at that ISP.

This illustrates how reverse logistics is an essential aspect of email marketing particularly in maintaining good ISP relations and therefore good deliverability. Thanks again for a great magazine on the topic of Reverse Logistics.

Jonathan Ogden
Email Analyst
Office Depot
Delray Beach, FL

Reverse Logistics Magazine welcomes feedback from our readers. If you have comments, please send them to editor@RLmagazine.com.

To Our Readers
A Letter from the Editor

I recently received an article forwarded by a frequent RLTS participant, Dr. Harold Krikke of Tilberg University. The article focused on the shipment of empty ocean containers and how these containers will become an important feature of Asian supply chain operations in the coming years. Research suggests that more than 40% of containers arriving in Europe from Asia are shipped back empty and that US-Asia numbers are even higher.

How is it that transportation and manufacturing companies fail to recognize the amount of money to be made (and also saved) from filling these containers for the return voyage? How can consolidators not take advantage of this opportunity? Well, someone is thinking about it, because the article goes on about how there is growing interest in filling those empty containers with "recyclable materials such as recovered paper and electrical/ electronic product waste for their return journey to Asia." [1] It seems obvious that companies need to consider transportation in both directions, forward and reverse.

Dr. Thomas O'Brien of the Center for International Trade and Transportation at California State University at Long Beach recently spoke at the Ingram Micro Summit. He stated, "The problem of what to do with empty containers is an issue long before the container gets put on an ocean going vessel. An import container load is transported to a warehouse or distribution center. Once that

container is unloaded it is typically hauled back empty to the port terminal where a bobtail is dispatched to take it to another exporter. This is both inefficient and an unnecessary source of congestion and poor air quality. There is hope for 'virtual container yards' to coordinate street turns using the Internet but they're not widely used as of yet." Forward and reverse.

Another example, RLA has toner cartridge service—a local company delivers toner cartridges for all our printers and also paper. This is a great service—very convenient. They drop off new and pick up empty cartridges at the same time. Why then, when they deliver paper do they not pick up our used paper? Don't they realize how much money can be made from recycling paper from all their accounts? They do now because we told them. Forward and reverse.

Perhaps it's time to assess your business. Is it stuck in forward mode? Or, maybe in reverse mode?

Best regards,
Christine Morrow
Editor Reverse Logistics Magazine

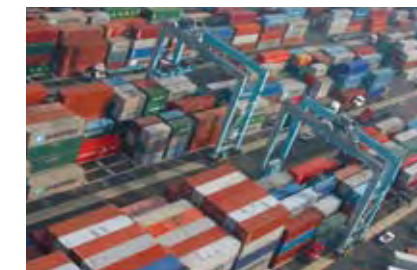*1 "Study looks at how to fill empty boxes" by Phil Hastings CargonewsAsia.com*

Reverse Logistics Association Mission

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

Managing the latest information in repair, customer service, parts management, end-of-life manufacturing, service logistics, field service, returns processing and order fulfillment (just to name a few) can be a little intimidating, to say the least. Yet, that is exactly what the Reverse Logistics Association provides with our membership services. We serve manufacturers and retailers in a variety of settings while offering ongoing updates on market trends, mergers and acquisitions and potential outsourcing opportunities to 3PSPs. We have gained the attention of 3PLs like FedEx, DHL, NYK & UPS. 3PSPs like Teleplan, Ozark, Solectron, Jabil along with small service providers have found that the RLA resources help advertise their services. OEMs like Microsoft, HP, Palm along with Retailers like Wal-Mart and Best Buy all participate at our events. Our online RLmagazine and weekly NewsClipping help OEM, Branded & Retail companies find service partners that were unknown to them.

Message from President and Founder of RLA

A few years ago one of my daughters left me her trail bike and I found that I enjoyed biking. With weekend riding and an occasional ride to my office; this last year I purchased a road bike and became a "fair-weather" bike commuter--just like my distant Dutch relatives. I have even reduced my demand on fossil fuel! Almost everyone in The Netherlands bicycles to work. Just take a look, www.cicle.org

So, this is where the story gets to Reverse Logistics. No matter how many times I took my new bike to the REI service center, within a few days, something else would go wrong (tail light, in hub gear changer, screws coming out, etc.). Everyone at REI was always friendly and helpful, but after a while I found I was going to REI every month for something. When I complained,, the store clerk told me "the bike is 100% guaranteed and that I could return or exchange it."

 I told the clerk that I wasn't interested in a refund, but I wanted a bike to meet my needs of commuting to work. He suggested that I exchange my bike and pay the difference in price between the old and new model. That seemed fair to me, so I agreed. A few days later, my bike was ready and as I checked out of the store I mentioned the story to the Manager. As I told her how many times I had brought my bike back for service, I compared my commuter bike purchase to that of someone purchasing a lemon car. She immediately exchanged the bike without requiring me to pay the difference! That is customer service and deserves 5 STARS! Needless to say, I'll always do business with REI.

Here is another story that happened this month to another RLA employee; he purchased a tool which was the last in inventory, only to find that the "new box" had been tampered with by a customer who replaced the new tool with an old model that had been used, was missing parts and had rust on it. When he called the Home Deport store on a Saturday, during the busiest time, he received a call back from the store manager within 20 minutes telling him to "if you bring the tool back I will test the display unit and replacement it for you personally." Again, 5 STARS for customer service!

So what is my point, I have a few:
1. Does your corporate policy allow for make good customer service decisions?
2. What are your corporate standards for customer service?
3. What is the real cost to have a 100% guarantee policy for customers?
4. Is your company's returns procedure adequate to stop tampering?
5. Is your product really ready for customer release?

Gailen Vick
President
www.ReverseLogisticsAssociation.org
www.RLTShows.com

Board of Advisors

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

Jose Garcia— Microsoft Corporation Jose Garcia is Director - Repair and Refurbishing at Microsoft Corporation. Jose joined Microsoft 4 years ago to establish World Wide repair of X-box console from the ground up. Building a world class team he integrated systems, processes and partnerships with expert service partners.

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

Chuck Johnston — WAL-MART Stores, Inc. Chuck Johnston is General Manager at the Bentonville Return Center, WAL-MART Stores, Inc. Chuck has been with Wal-Mart for the past 13 years and his responsibilities include Returns, Imports, Exports, Tires and Printing and Mailing Distribution.

Dan DeBello—Jabil Dan DeBello is currently Senior Director of Business Development for Jabil Global Services, Inc. (JGS), a wholly-owned subsidiary of Jabil Circuit. Jabil Circuit, Inc. is a top-tier global Contract Electronics Manufacturer (CEM).

Steve Jones - Managing Director Supply Chain Services & Reverse Logistics, FedEx Corporation Steve is a 22-year veteran of the transportation industry, with extensive experience in sales and sales management of transportation and logistics services to corporate accounts. Steve was selected to lead the Supply Chain Services and Reverse Logistics sales organization with responsibility for new business development, base business growth and supply chain integration across all the FedEx operating companies.

John Benardino — Hewlett-Packard, Inc. John Benardino is currently a Director of Reverse Logistics for HP's Imaging and Printing Group. In his position, John is responsible for credit issuance, engineering, remanufacturing, and all return related costs. His product responsibilities cover printing, digital imaging, supplies, scanners, and shared printing.

ENSURES THAT EVERY ITEM YOU PURCHASE AT REI MEETS YOUR HIGH STANDARDS—OR YOU CAN RETURN IT FOR A REPLACEMENT OR REFUND.

OUR 100% GUARANTEE

Board of Advisors, Continued

Howard Rosenberg — eBay, Inc.
Howard has been with eBay for over 4 years and runs the Company's Trading Platforms business serving companies interested in maximizing their recovery rates on excess and refurbished inventory through the Reseller Marketplace or through their own, private-label auction marketplaces. He has 14 years of experience in various capacities, including operating, advising and investing in, companies in the consumer product, consumer services and business services sectors.

Dan Gilbert— Cisco Systems
Dan Gilbert is Vice President of Worldwide Reverse Logistics at Cisco Systems, Inc. His charter when joining Cisco in 2005 was to define and create a world-class reverse logistics organization. Dan's global team is responsible for driving excellence in product recovery, receiving, inventory, and recycling operations, and for transforming returned product into value for Cisco shareholders.

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

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

Reverse Logistics Association would like to thank Joe Beck and the UPS family for being so generous in serving for over three years on the RLA Advisory Board (typical term is two years). In addition, we recognize that UPS helped put us on the map and gave RLA the chance we needed to provide RLTS events around the globe.

Technical Trends
with Bryant Underwood

DRM and the Potential Effects for 3PSPs

There are a number of interesting trends going on in the market place that will be critical for anyone in the Reverse Logistics Supply Chain for computing products to know. In fact, these trends will likely affect all RL 3PSPs that support any product that even touches computing. This easily extends to:

- Interface cards
- Monitors
- LCD/DLP Projectors
- Or even 5.1/7.1 high end audio systems

You already are at least somewhat aware of the various implementations of DRM (Digital Rights Management) and the issues and opportunities that surround the success of products based on a given implementation. For example, the brilliant implementation that we see with Apple with iTunes is a big reason for the success of the iPod.

With the release of Microsoft's latest OS, Vista a very complex and robust DMR suite has been implemented. The capabilities and functionality of DRM in Vista and its risk to RL is a topic that most operations or engineering managers are not yet aware. Let's start off with a couple of new terms:
- COPP (Certified Output Protection Protocol)
- PVP-OPM (Protected Video Path – Output Protection Management)

From the wording of these phrases you have a glimpse at the possible outcomes.

Imagine this scenario, as a good early adopter you upgrade your media center PC with a new PC with Vista as the OS and include both an HD and Blue-Ray Player. You plug this into your HDMI or component-enabled LCD/DLP projector and route the S/PDIF output to your high end 2000 watt Dolby 7.1 surround sound system. Ready to enjoy the fruit of your labor, you settle back and load a HiDef DVD which has "Premium Content." Clearly you are now ready to have a state-of-the-art entertainment experience-right? Wrong - what is likely to happen is this.

Since the S/PDIF output does not provide content protection, Vista will turn off the sound. That high end sound system is now just 2000 watts of silence. The same fate is possible for the projector or even your new giant HiDef Plasma monitor. It could very well be just blank screen. If the projector does display anything it will be from a process that 'reduces image quality' and then up-converts the data stream back to look like HiDef data that will be lightly 'fuzzy.' All of this is to prevent bit-for-bit copying of the content and to ensure rights are traceable and controlled by the content owner…

As a 3PSP with call center support or a distribution center for evaluating and sorting of the computing products you can well imagine the rate that products could be returned based on DRM performance confusion and then be determined to be true NTFs.

All of this is because the new requirements for DRM need technology and encryption that must be robust. To accomplish this need, the new DRM suite has functional requirements that extend all the way into the very bus structures of cards and devices. I do not want to get too technical here but you need to get a flavor for what is going on to get a sense of the RL/Service implications.

Let's look at a few examples. There is a standard called AES-128. The new DRM suite loaded into Vista requires that all traffic going to the video card be encrypted with an asymmetrical encryption protocol using a 2048 bit RSA key for every 40 byte chunk of video data. The effect of this is massive processor load. Some estimates indicate that 20 clock cycles are needed for every byte of video data!

Then there are the 'tilt bits.' Vista's DRM requires that every device report a status called a tilt bit. These alerts monitor any 'glitches' and report the event to the OS. Depending on the

Reverse Logistics Association Focus & Industry Committees

Focus Sub-Committees were 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 RLTS Conferences. Focus Sub-Committees educate the industry on reverse logistics:

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

Industries we currently monitor are:

High Technology
Wireless/Telecommunications
Chairperson – Larry Maye, Palm
Advisor/Secretary - Gailen Vick, Reverse Logistics Association
Committee Members:
- Art Teshima, Bell Tech.Logix
- John Coffield, GENCO
- Bob Sullivan, The Wireless Source
- Al Mahesh, TOPP Service Solutions
- Joseph Tarantino, Sprint Nextel
- Bill Kenney, OnProcess Technology
- Bryant Underwood, Foxconn

Data Storage
Chairperson – Ed Inal, Western Digital
Advisor/Secretary - Dave Whitley, Reverse Logistics Association
Committee Members:
- Matt Fouts, Iomega
- Wafa Dahel, Seagate Technology
- Steve Maglior, Quantum
- Gary Gear, Toshiba
- Don Collier, Solectron
- Glenn Grube, Moduslink

Notebook/PC
Consumer Electronics
Imaging
Printers

Information Technology Solutions
Chairperson - Lee Norman, ClearOrbit
Advisor/Secretary - Dave Whitley, Reverse Logistics Association
Committee Members:

- Len Wierzbicki, Black & Decker
- Matt Fouts, Iomega
- Paul Rupnow, Andlor Logistics Systems
- Anne Patterson, FreeFlow
- Elliot Klein, Intellareturn
- Paul Trulove, Newgistics

Spare Parts Management
Chairperson – Michael Shelor, Shelor Consulting Inc.
Advisor/Secretary - Dave Whitley, Reverse Logistics Association
Committee Members:
- Roy Steele, RoShar Associates

Standards
Acting Chairperson - Ken Jacobsen, Connexus
Co-Chairperson – Ken Purfey, AICPA
Co-Chairperson – Emily Rodriguez, The Results Group
Advisor/Secretary – Gailen Vick, Reverse Logistics Association
Committee Members:
- Holly Elwood, U.S. EPA
- Larry Maye, Palm, Inc.
- Paul Rupnow, Andlor Logistics Systems
- Norman McEachron, Consultant
- Larry Chalfan, Zero Waste Alliance
- Bill Guns, SRI Consulting
- Clare Lindsay, U.S. EPA

Food & Beverage
Chairperson – Don Rombach, GENCO
Committee Members:
- Eugene Schachte, HJ Heinz
- Lori Kleinschmit, ConAgra Foods

India Market
Chairperson – Sanjeev Kakar, RT Outsourcing Service Limited

Automotive
Medical/Pharmaceutical
Publishing
Garment
China Market

More information regarding the RLA Industry Committees is available at: www.reverselogisticsassociation.org.

China Delegates Visit U.S. and Reverse Logistics Association

On November 3, 2006 the China Logistic Information Management Delegation, sponsored by China International Talent Exchange Foundation visited the Reverse Logistic Association in Fremont, California. The group consisted of logistics management from OEM, ocean shipping and highway transportation companies all over China. Third Party Logistics in China remains in the early stages of development. The main purpose of the delegation study tour was to study American logistic information systems and supply chain management.

"The group was very much impressed by the presentation of Gailen Vick regarding Aftermarket Supply Chain Solutions" said Julie Li of US China Exchange Council. "There is no reverse logistic business in China. The visit to RLA is really an eye opener to them." In addition to visiting Reverse Logistic Association, the group also had site visits in NAVIS, PRISM, MIL, DEPENDABLE, KUEHNE & NAGEL, ABX and Golden Gate University.

Delegates meet with RLA Staff

Gailen provides delegates valuable information resource in the form of RL Magazine.

Tempest Telecom Solutions, LLC recently announced that **Gordon Smith** has joined the company to serve in the newly created position of Vice President, Services where he will be responsible for Tempest's three Services portfolios: Depot Repair, Professional Services and Logistics Management. Gordon was previously Vice President of Services for Somera Communications.

....

Maynard Webb who retired as eBay's chief operating officer in August 2006 was recently named chief executive of Silicon Valley startup LiveOps, a company whose technology routes customer service calls to 9,000 work-from-home agents around the country.

The Increasing Importance of Reverse Logistics in Technology Companies

by David Cope

The environment in which Logistics and Service Professionals find themselves is changing rapidly and they are under pressure to keep up. Manufacturing is increasingly being outsourced to ODMs, leaving the "manufacturer" as either an assembler, or in the extreme, purely the brand on the product.
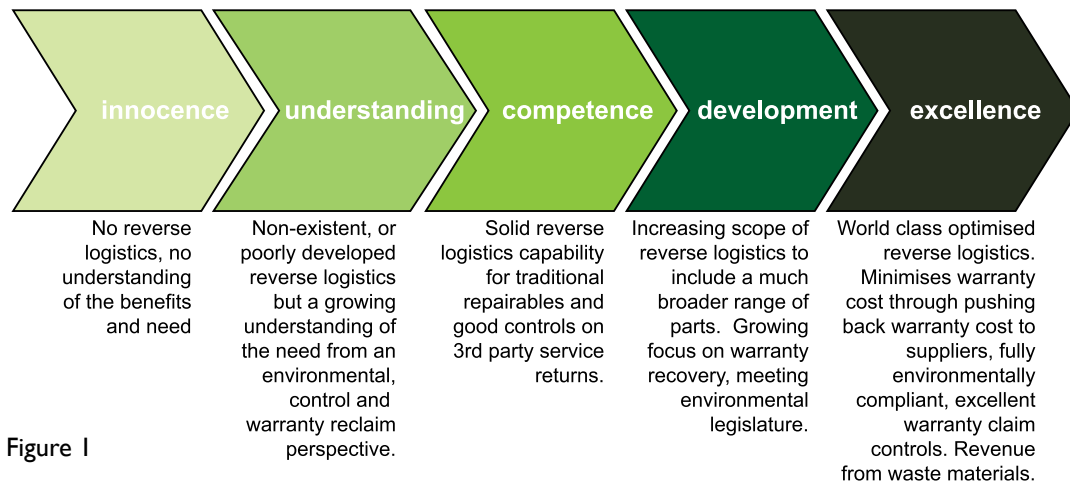
This changes the reverse logistics dynamic as the repair supplier base reduces and the links between Manufacturing and Service become weaker. Often the move to increased outsourcing of manufacturing drives up the size and cost of the repairables, which, when uncontrolled, has a devastating effect on stock holdings and obsolescence.

Add to this the ever increasing global legislation on hazardous materials, such as WEEE and RoHS. These force operations to not only look at reverse logistics for repairables, but for a much wider range of low cost parts, previously treated as consumables.

All this occurs against a backdrop of pressure on system prices and the need for the service organization to minimize its warranty costs, while striving to improve the quality of its service delivery, through better fill. This market change now affects companies that previously didn't even consider having a reverse logistics loop and many of these organizations at the consumer end of market have the most ground to make up. Companies need to take a "drains up" approach to their reverse logistics operations.

Figure 1

innocence	understanding	competence	development	excellence
No reverse logistics, no understanding of the benefits and need	Non-existent, or poorly developed reverse logistics but a growing understanding of the need from an environmental, control and warranty reclaim perspective.	Solid reverse logistics capability for traditional repairables and good controls on 3rd party service returns.	Increasing scope of reverse logistics to include a much broader range of parts. Growing focus on warranty recovery, meeting environmental legislature.	World class optimised reverse logistics. Minimises warranty cost through pushing back warranty cost to suppliers, fully environmentally compliant, excellent warranty claim controls. Revenue from waste materials.

They need to be asking themselves, whether the operation they have today will work tomorrow;

- Does the repair supplier base fit with the manufacturing profile?
- Are we optimizing the push back of warranty costs to our suppliers?
- Are we WEEE compliant in Europe and do we meet the developing environmental legislation in the Americas and Asia Pacific?
- Are we realising any potential revenue from the salvage of precious metals and other valuable materials in our waste components?
- Are we paying for repairs that are covered under the supplier warranty?

How challenging the solution to these questions is, is very dependent on the level of maturity of the reverse logistics operation. Figure 1 depicts five stages of maturity of reverse logistics.

Although there are large variances in individual companies, we can roughly plot different market sectors against this profile. At the mature end of the spectrum we see the best-in-class IT organisations who are heavily focused on pushing back warranty costs to their component suppliers and keeping tight controls on their Service Supplier base. At the less mature end of the scale we see many of the consumer electronics companies where parts have historically all been deemed as consumable and expensed on issue.

Companies finding themselves in one of the first three boxes are more than likely feeling the need to react. The challenge is how? Especially when starting with nothing. Many companies need to change both their geographic and their functional perspective of reverse logistics.

Geographic perspective

For global organisations, reverse logistics is a global operation and needs to be viewed as one. Trying to manage and control a myriad of country initiatives, or manufacturing led repair groups is close to impossible. So one of the first challenges is to get everyone looking at the issues from a regional and global level. One key question that operations should be asking themselves is; Is this a regional, few place or localize activity? Figure 1

gives some examples of where key processes tend to fall.

Functional perspective

Reverse logistics used to be the dirty end of logistics, simply focused on repairables. It was targeted on minimizing repair costs, minimizing new buy and meeting the outbound demand for repaired stock. In today's world reverse logistics is not just about repairables. For every part, the question is not just "does it make sense to repair," but also;

1. What needs to be done with the disposal of this material to meet environmental legislation?
2. Is there a warranty on the product that can be reclaimed?
3. Can R&D or the original suppliers improve reliability by testing returns?
4. By collecting the material can abuse of the warranty system be reduced?
5. Can we generate revenue from the recycling of valuable waste materials?

Summary

There really isn't a choice for most European companies whether to review their reverse logistics, as the financial ramifications of not complying with WEEE and other environmental legislation will become too great. The differentiator is that the companies who achieve excellence in this area not only meet environmental targets, but are able to significantly reduce the cost of service and warranty, and this is not a bonus restricted to any continent. With ever increasing pressure on product margins, 1 or 2 percent out of the warranty cost starts to look extremely attractive. **RLM**

David Cope has over 20 years of experience in after sales service and

Figure 2

Localized
- Distributed collection hubs
- Logistics consolidation
- Return point management

Region/Country
- Repair and repair management
- Recycling
- Coupled flow control
- 1 for 1 replacement

Global
- Warranty recovery
- Reverse logistics strategy and direction

logistics operations from a number of `blue chip' service environments including; IT, Medical, Telecommunications and other High Technology sectors.

Prior to establishing MGH in 1996, David was with Coopers & Lybrand as Principal in the After Sales team. He has also worked for IKON as Service Director and with Xerox in various After Sales roles.

MGH Consulting specializes in management consultancy and interim management, providing a range of services primarily to the high technology sectors, (IT, Telecommunications, Medical Diagnostics and Printer / Copier). For more information visit www.mghconsulting.co.uk.

Cycleon

The Reverse Logistics Company

Transparency and control throughout the entire return process

| LABEL 1 | POST 2 | COLLECT 3 | FORWARD 4 |

WWW.CYCLEON.EU

The RFID Value Proposition for Reverse Logistics: Part II RFID in Action

by David C. Wyld

The Spring-Summer 2006 issue of Reverse Logistics Magazine, provided an overview of RFID (Radio Frequency Identification), which is fast proving to be the one of the most exciting and disruptive new technologies to enter the realm of retail and supply chain management in many a year. Part 2 will examine RFID uses as applied to reverse logistics.

In a nutshell, the technology involves using radio waves to identify objects to which small (and increasingly inexpensive) RFID tags are attached. These tags can be used on pallets and cases of goods, and even individual retail items or parts. And, unlike bar coding, which is an optical technology, RFID allows for the immediate (and even constant, if necessary) reading of hundreds of items simultaneously.

Why are big retailers like Wal-Mart, Best Buy, and Target in the United States and Metro and Tesco in Europe, so excited about RFID? Why is the U.S. Defense Department mandating that RFID be used throughout its global supply network? In short, it is because of the visibility that RFID gives to organizations—visibility that is needed, and expected—in today's increasingly fast-paced, interconnected and competitive world.

From a strategic perspective, we increasingly live in what this professor likes to term a "Google Earth" world. To draw upon this analogy, think about how much our own lives have been transformed by the power of information. A decade or so ago, if we were looking for a specific address in an unfamiliar area, how would we find it? Well, it would most certainly be done in a low-tech manner, likely by calling for directions or stopping at a gas station or a convenience store to ask for directions (note, the latter option never applied to men). Five years ago, we began to use MapQuest and, to a lesser extent, other web-based navigation tools. Now, it became possible to leave our homes with a print-out that had complete, turn-by-turn directions from any point A to any point B. Then, we began to see in-car navigation systems like OnStar come of age, and we can see graphical directions and even hear voice prompts telling us which road to take and where to exit, turn, and stop. Today, we can sit at our desktop or view a laptop propped on the passenger seat to use Google Earth and view incredibly detailed photos from the sky of exactly what we will see on the ground, enabling us to zoom in on the exact parking space of the building at the address to which we are heading. Thus, everywhere we could physically go on the planet—from Boise to Baghdad—we can now expect to have incredible visibility and real-time information.

The same is becoming true, and necessary, in today's retail supply chains. With the global supply chains necessary to stock Target's store shelves in Wichita Falls or the Best Buy in Memphis stretching back to Hong Kong, Managua and other far-flung locales, major retailers must seek to have global business intelligence systems in place, managing movements of goods from manufacture through shipment to their distribution center to the stock room to the store shelf through check-out. But bar codes present a crucial limitation, in that they can only identify a class of items (as detailed in the initial article, bar codes can only identify a type of box of cereal as opposed to RFID, which can uniquely identify the specific box of that cereal that you are holding at the moment or the dozen on the store shelf). The promise of RFID in retail is to provide ROI through increased sales, increased inventory availability, reduced stock-outs and labor cost savings and the ultimate "retail nirvana," still probably a decade or so away, where every item is tagged with RFID and the "smart store," with interactive shelves and "roll through" checkouts. All this is made possible through the increased visibility that RFID brings and the imagination to use this data to better manage retail operations.

Take a simple example—in-store promotions. Let's say that for Super Bowl XLI, a major retailer and a major snack food supplier are cooperating on a promotion for tortilla chips and salsa. For the big game, the supplier had stocked the products in four different locations in the store: the snack food aisle, the middle of a major traffic aisle, a special display set-up on the adult beverage aisle, and point-of-purchase displays in the check-out aisles. In today's present environment, with bags of chips and jars of hot sauce being identified through bar codes, while it would be possible to gauge the overall effectiveness of the campaign (i.e., sales were up X% over last year at the same time and Y% over a "normal" weekend), it would be impossible to really assess the true, operational-level results of the Super Bowl promotion. Fast forward to the near future when the products are RFID tagged and uniquely identifiable, the retailer and the snack food company could dig into far deeper and richer sets of data to ascertain, with great precision, the campaign's effectiveness. For instance, both parties could discover previously undiscoverable consumer behavior insights (i.e., from which display the items were purchased, which combinations of items were bought (sizes, flavors, etc.), which promotional items were bought with other non-promotional items, etc.). Thus, from this simple example one can only imagine how the increased visibility can be used by retailers (and their supply chain and logistics partners) to create new ways of managing the entire extended enterprise.

For all the excitement about the advantages that RFID will bring to the forward retail supply chain, the really untold story regards the benefits that the technology will bring to the reverse supply chain. How so? Let's start at the store level. With each item individually identifiable, the reverse logistics operation can begin with far greater intelligence. Shelves and stock rooms can be scanned to locate expired items that should be discarded and unsold stock that should be returned to the manufacturer for credit and/or shipped to a reseller. Likewise, when an item is returned by a customer, the retailer can track the specific purchase history of the item (where, when, how it was bought). Thus, retailers should be able to immediately spot a fraudulent return, and in time, eliminate that problem, which costs retailers billions annually. In the same way, when an item is returned for warranty work, the specific history of that item can be compiled. For both the retailer and the manufacturer, this will add an "early warning system" for problem items with high return and defect rates, enabling them to pinpoint such concerns far more effectively and quickly than today's return data.

Perhaps the most important reverse logistics benefit will be in the area of recalls. Today, when products are recalled, it's a matter of recalling way, way more than necessary—just to be safe. The quintessential example of this is the 2000 recall of Bridgestone/Firestone SUV tires, which involved the recall and replacement of over 6 million tires on Ford Explorers and other like models. If RFID tagging had been in place, rather than the mass recall, and mass hysteria that resulted from it, Bridgestone/ Firestone could

have been much more precise in its recall and replacement effort, since the problem was deduced to be specific production runs on specific days at its plant in Decatur, Illinois. This would have enabled the company to replace perhaps thousands of tires rather than millions, saving it and Ford immeasurable losses in the marketplace from their damaged brands and reputations. The recall could have been made even more effective by focusing more on the South and West, where warmer temperatures were correlated to higher failure rates for the problem tires.

Thus, in the future, when recalls happen, whether it be for pharmaceuticals (as with the recent Perrigo recall of store-branded acetaminophen) or suspect food items, the recalls can be accomplished with far more precision and speed than in the past, thanks to RFID tagging. Retailers can quickly separate cartons and individual units of recalled items from their retail shelves, stockrooms, and distribution centers, eliminating the need for hand searching for the suspect lots of goods. Manufacturers can also be more certain as to the overall completeness and effectiveness of their recall efforts, with new metrics and abilities to analyze the incoming items.

In the end then, the newfound visibility that RFID will provide will create new opportunities for growth and new ways of doing business for retailers and their forward and reverse supply chain partners. We will see exciting developments at all points in the movement of goods to, and from, retailers and consumers. Today, the projections are that by 2010 we will begin to see widespread use of RFID at the wholesale level, affecting pallets and cases of goods, and by 2015 we will see in individual item-level tagging become the norm. How

soon until RFID becomes the de facto standard for product identification? That day may be farther down the road, as while simple tags will rapidly decline from the approximate 20-25 cents today in bulk to pennies a tag in the next 5-10 years, even at that price, it will be impractical to tag everything. In retail, I use the "99 cent store test," as the danger is that even a penny tag will be too high for retailers to bear on low cost items. There is also the privacy aspect to be considered, for consumer reaction to RFID and the potential for increased monitoring

often brings to mind images of Big Brother and the biblical "Mark of the Beast." Thus, it is incumbent on retailers and manufacturers to work with organizations like EPCGlobal (www.epcglobal.org) to educate consumers as to the workings and benefits of RFID technology. Certainly though, it can not be a one-sided equation, with all benefits going purely to manufacturers, retailers, and shippers, without touting the very real benefits that the technology offers to consumers with very little downside, once it is understood.

For all of us, RFID thus represents one of those "game-changing" technologies—like the Internet, cell phones, and bar coding itself three decades ago. Billions and billions of dollars are being invested in companies that are developing and marketing RFID hardware, software, tags and reading devices for them and hawking their RFID consulting services. The RFID market is today a free-wheeling affair, as despite some recent acquisition activity, the marketplace is not dominated by a Microsoft, IBM or Sun, even though all are highly involved with the development of the technology. Fortunes will be made by these innovative, largely small and medium-sized firms who can find ways to profitably leverage the visibility made possible by RFID-enabling enterprises and entire supply chains. Likewise, end-user companies will find competitive advantage through their ability to implement and use RFID technology effectively in their own operations and in tandem with their supply chain partners.

Thus, in today's environment, owing to the famous scene in the movie, The Graduate, when Dustin Hoffman was given a one word, can't miss business tip— "plastics," the one word advice for today in business is actually an acronym, "RFID." **RLM**

David C. Wyld (dwyld@ selu.edu) is the Maurin Professor of Management and Director of the Strategic e-Commerce/e- Government Initiative at Southeastern Louisiana University in Hammond, Louisiana. He is the author of the recent research report, "RFID: The Right Frequency for Government," to be issued by the IBM Center for the Business of Government. The complete report can be downloaded from the IBM Center's website at: http://www.businessofgovernment.org/ main/publications/grant_reports/details/ index.asp?gid=232.

RLTS Amsterdam – June 25 through June 27, 2007

Join us for Europe's largest Reverse Logistics Event! Companies from throughout Europe as well as many other international delegates will be in attendance. ODMs and OEMs will be looking for 3PSPs that can manage Reverse Logistics in Europe, along with identifying solutions for Asia and the Americas.

Third Party Service Providers (3PSPs) will be exhibiting their Reverse Logistics services and solutions at the Dorint Sofitel Airport Hotel in Amsterdam. The focus of 3PSPs will be to help European OEMs and Branded companies become aware of RL support on a global basis. This is a rich opportunity for companies to identify future service partners. Here is an opportunity for 3PSPs to sit down face-to-face with the key outsourcing decision makers from the major OEMs and Branded Companies.

Pre-conference workshops will be held on Monday, June 25 with topics such as Successful Outsourcing - RFQs, Contracts and SOWs and Reverse

Logistics Software Systems State of the Art. Tuesday morning sessions start with Gailen Vick, RLA President, providing Industry Overview Size and Forecast. Next is the Keynote Address by Reinier Jens, EVP and General Manager of Philips Consumer Electronics Region Europe. Speaker sessions will commence after lunch and continue throughout Wednesday.

Listen to industry leaders and top academics as they share their ideas on such hot topics as returns and loss prevention, revenue opportunities within the reverse logistics process, outsourcing and regulatory requirements. See the conference schedule for a full listing of session topics.

A wide range of reverse logistics companies will be in attendance from recycling/e-waste to repair and transportation logistics. RLTS Amsterdam provides a great opportunity to network and share best practices. Don't miss it.

PHILIPS

Reinier Jens

RLTS Keynote Session

Reinier Jens, Executive Vice President and General Manager of Philips Consumer Electronics Region Europe, will deliver the 2007 RLTS Amsterdam Keynote Address.

Philips CE Europe is the Amsterdam-based sales and marketing organization serving 46 countries in Europe. Reinier joined in August 2006 following a highly successful two-and-a-half year period running the North American sales organization of Philips Consumer Electronics. He brings to the European marketplace 19 years of Philips experience in strategic marketing, sales and general management in the retail and business-to-business sectors.

Reinier has long recognized the importance of reverse logistics and the effect it can have on a company's bottom line as well as overall customer experience. In the Spring/Summer 2006 issue of Reverse Logistics Magazine, Reinier said "We want to improve year-after-year in our reverse logistics strategies and never forget how critical it is to our bottom line. We also will strive to be innovative while thinking of the customer first." Join us for the keynote address on Tuesday, June 26, 2007.

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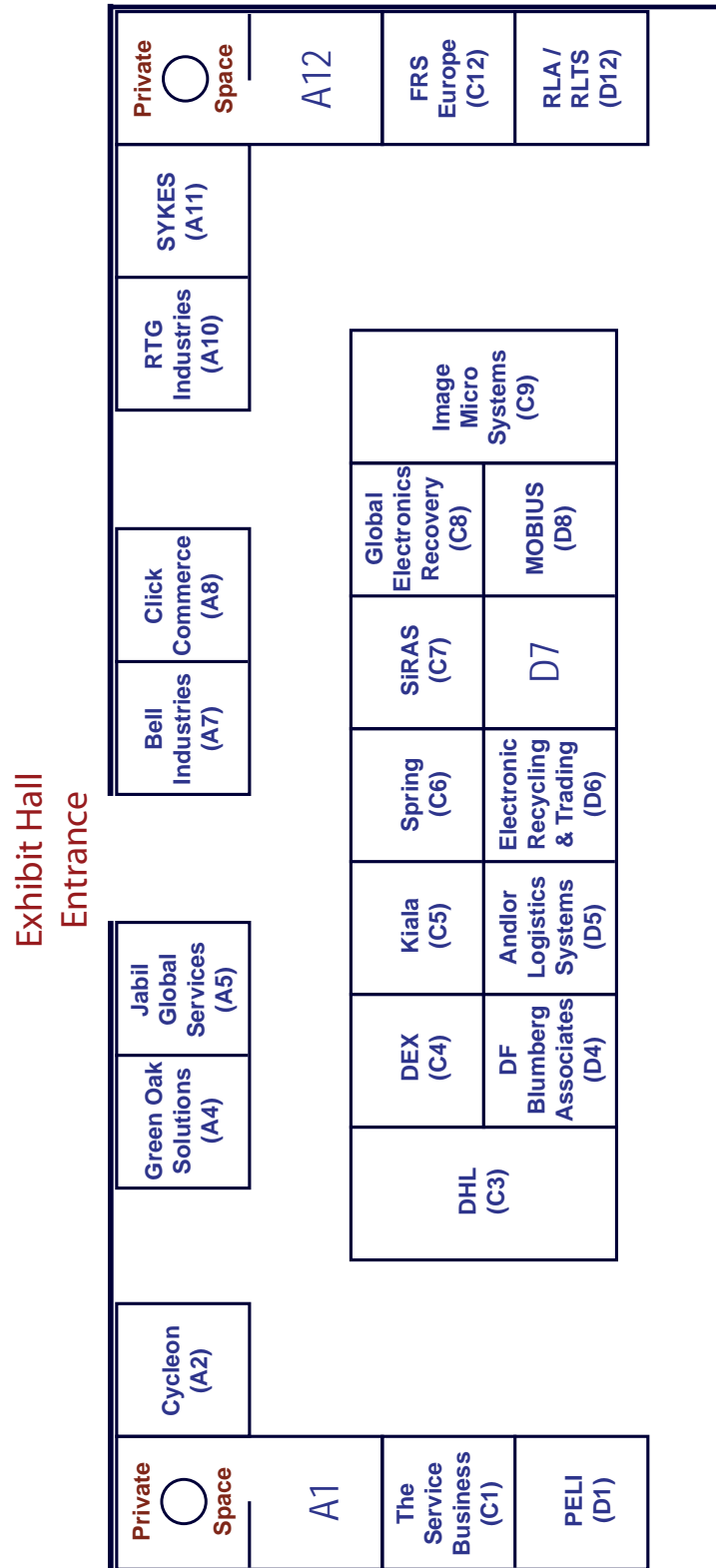
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Expo Floor Plan

Exhibit Hall Entrance

Private Space | A12 | FRS Europe (C12) | RLA/ RLTS (D12)

SYKES (A11)

RTG Industries (A10)

Image Micro Systems (C9)

Global Electronics Recovery (C8) | MOBIUS (D8)

Click Commerce (A8)

Bell Industries (A7) | SiRAS (C7) | D7

Spring (C6) | Electronic Recycling & Trading (D6)

Kiala (C5) | Andlor Logistics Systems (D5)

Jabil Global Services (A5)

Green Oak Solutions (A4) | DEX (C4) | DF Blumberg Associates (D4)

DHL (C3)

Cycleon (A2)

Private Space | A1 | The Service Business (C1) | PELI (D1)

Conference Schedule

MONDAY - JUNE 25, 2007	
9:00AM - 4:00PM	Pre-Conference Workshops
5:00PM	Reverse Logistics Association - Advisory Board Meeting
7:00PM	RLTS Reception for Event Exhibitors, Sponsors and Speakers

TUESDAY - JUNE 26, 2007			
8:30AM	EXHIBIT HALL OPENS		
10:30AM	RLTS Amsterdam 2007 Welcome Address Gailen Vick - President & CEO, Reverse Logistics Trends, Inc. "Industry Overview Size and Forecast"		
11:00AM	Industry Keynote Address Reinier Jens Executive Vice President and General Manager Philips Consumer Electronics, Europe		
12:00-1:30PM	BUFFET LUNCH - EXHIBIT HALL		
	Track A	Track B	Track C
1:30PM	Leveraging Your Reverse Logistics Operations For Competitive Edge and Advantage	Challenges of a Forward Logistics Solution with a Fitting Reverse Logistics Solution	Returns and Loss Prevention Strategies
2:30PM	Panel Discussion: WEEE & RoHS Impact on OEMs & 3PSPs	Increasing Customer Loyalty and Managing Environmental Challenges	Reverse Logistics at a Higher Level
3:30-4:00PM	REFRESHMENT BREAK - EXHIBIT HALL		
4:00PM	Panel Discussion: Global Warranty Support	Revenue Opportunities within the Reverse Logistics Process	Managing Costs on Returns and Warranties
5:00-7:00PM	Round Table Discussions (Hosted by Speakers) - Hors d'Oeuvres/ Refreshments		

WEDNESDAY - JUNE 27, 2007			
8:30AM	EXHIBIT HALL OPENS		
	Track A	Track B	Track C
9:00AM	Transportation Management in the Reverse Logistics Model	Global Challenges in IT Asset Recovery and Electronic End-of-Life	Outsourcing Recovery Programs to Increase Profits
10:00	INTERMISSION - REFRESHMENTS - EXHIBIT HALL		
11:00AM	Panel Discussion: New Ways to Streamline Operations, Drive Profits, and Delight Customers	Strategic Response to WEEE Directive	Real-Time Decisions, Taking Time Out of Reverse Logistics
12:00-1:30PM	BUFFET LUNCH - EXHIBIT HALL		
1:30PM	Challenges Associated with Outsourcing Reverse Logistics and Repair	Moving Reverse Logistics to the Forefront	Creating Value from Returns - The Design of Closed Loop Supply Chains
2:30PM	Panel Discussion: Methods of Outsourcing	Reverse Logistics – Glue For The Fragmented Supply Chain	Solving the Pain Points of Reverse Logistics Through Online Marketplaces
3:30PM	Closing Remarks Gailen Vick, President & CEO, Reverse Logistics Trends, Inc.		
4:00PM	LUCKY DRAWING for DVD RW, Portable DVD Players, External Hard Drives, Digital Cameras (you must be present during the drawing to win)		

Industry Events

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

RLA President and CEO Gailen Vick served as the moderator of a panel discussion entitled: "Turn Your Returns Nuisance into a Competitive Advantage" at the first annual Consumer Electronics Supply Chain Academy (CESCA) held in early January at the International Consumer Electronics Show (CES) in Las Vegas.

The event, which attracted over 110 leaders from companies including Sony, Samsung, LG, Hewlett-Packard, Dell, Best Buy and Circuit City, among others, was designed to address pressing issues for senior operations and logistics executives at consumer electronics manufacturers and retailers.

The reverse logistics panel, which Mr. Vick moderated included presentations by Charlie Covert, UPS Supply Chain Solutions and Richard Motilal, Sprint Nextel, both of whom expressed that returns are the most pressing and costly issue facing today's CE operations. Their presentations explained that maximizing profits via minimizing returns requires adherence to post sales-reverse logistics strategies that streamline returns and credit processing, while providing a closed-loop system for asset recovery, technical repair and warranty services. The topic will

also be part of the program at the Second Annual Entertainment Supply Chain Academy (ESCA), scheduled for June 2007.

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

DRM and the Potential Effects for 3PSPs

output of the bits the OS might change the resolution of the output to match the copyright license requirement or even reboot the video subsystem in extreme cases. Can you imagine the average call center or employee at a big box store responding to a typical end-user type complaint, "…the video just got fuzzy in the middle of the movie?"

As you might imagine, when the OS based DRM does work with current or minimal processing power, instability is a high risk. Add to the mix the real world situation that the average PC has 6-20 instances of spyware running and you have a situation where end users could easily become overwhelmed by the systems functionality and then dissatisfied with the performance.

If you ask any Client of an RL 3PSP what they hold as the 'holy grail' of information it is this-"what are the issues driving my NTF (no trouble found) returns?"...

Requirements for OS based DRM capabilities are taking the root drivers for NTF product returns to whole new levels. It is critical that 3PSPs engage now with their Clients to build staff training, end-user question scripts

and screening tests that can highlight real NTFs from those based on implementations of DRM suites that are performing properly.

There is still time to prepare because "premium content" is not widely distributed. That is all changing ,and changing fast. In addition, the Feb/09 drop dead date for analog TV broadcasts to shutdown will speed the movement toward more and more 'premium content.' Preparing now is critical to providing sustaining value to Clients and protecting the success of the RL solutions.

If you found this article interesting, let me know. There is a great deal more going on here than might first appear. The scale of which involves: Linux, HP, Apple and Wal-Mart. RLM

Upcoming Events

A Pragmatic Approach to Partners

by John C Mehrmann

The Reverse Logistics Trade Show Conference & Expo offers more than the standard fare of entertainment or a chance to connect with peers. RLTS is an educational experience that provides visionary insight from some of the brightest minds in the industry.

A focal point among the many issues and opportunities addressed by the panel members and speakers is a common theme that centers on the importance of partnerships. It is a theme echoed repeatedly as an observation and as a need for the next step in the evolution of Reverse Logistics. The complexity of the supply chain requires more than integration, it requires a culture of collaboration.

The first challenge to developing a culture of collaboration is overcoming the very nature of the competitive commercial environment. To provide best-in-class solutions for a customer, companies frequently find themselves in the uncomfortable position of a partnership with potential competitors. We believe that we are unique, that our individual capabilities are the best, and that our product or service is substantially different in the market. In reality, the flattening of the world economy and technology has leveled the playing field. Differentiation between many competitors is subtle

at best, primarily identified by a collection of core competencies and a reputation for delivering results. In sports, no matter how strong or talented an athlete may be, the individual would not succeed on a court or on the playing field if facing an opposing team alone. Individual companies may compete independently, but teamwork is essential to a partnership approach that maximizes collaborative performance.

Creating a culture of collaboration is the core component to a successful partnership. The partnership may only exist for the purpose of a single customer, a single bid or a single solution. Regardless of the extent of the partnership, it is necessary to align the vision, clearly state the goals, share the risk, share the reward and share the spotlight. Communication and trust are critical.

The TRIAD Project

In 1994 three competing companies, Toshiba, IBM and Siemens determined to work together on a joint venture project with 100 leading scientists and the purpose of developing the Next Generation Computer Memory Chip. Despite the common chosen field of practice, a commitment of intellectual resources and common goal with potential for substantial financial gain, the project deteriorated over a period of three years and ended

without success. How did the personal and cultural differences interfere with the business objectives to such a degree that the organizations could not overcome the diversity? What should have been different in the strategy or implementation to avoid these mistakes? In any joint business efforts, alliances or partnerships there is diversity in culture. Managing diversity can be an enormous impact on the degree of your success.

Speculation was that the goal of inventing a revolutionary memory chip would be enough to develop synergy between the scientists from the three diverse organizations. In the beginning of the project excitement of the scientific atmosphere and the promise of the future were enough to sustain good will and communication. However, with time, the three groups became more isolated in methods, processes and behavior. The diversity of regional cultural differences escalated the company culture differences.

Scientists from all three organizations lived and worked together on this important project in a campus environment in upstate New York. Each organization solicited the top scientists to represent their company and invested equally in the project. They believed that placing all of this talent in one place would be enough to generate results. On the contrary, each

of the three groups strongly believed that their own individual company and culture was superior to the other two. Rather than achieve collaboration, the intense competition created fragmentation, distrust, secrecy and isolation between the three groups. One effort to bridge the differences backfired. In an attempt to overcome personal differences in the workplace by developing teamwork outside of work, the Triad Project coordinated a softball event. The Americans and Japanese knew the game well, but the Germans did not. Highly motivated to represent the German culture, one scientist hit the ball and raced to the first base. He beat the throw, but made the mistake of hitting the base stiff-legged and fractured his hip. A Japanese co-worker took the German scientist to the hospital. An American colleague loaned him a laptop computer to use while at home nursing the injury. As a result, the groups finally reached consensus on canceling any further cross-cultural softball projects. In the end, the most

significant collaborative consensus between the groups was a mutual commitment to end the Triad Project and stop the failed investment without any further expense.

The story of the TRIAD PROJECT is most remarkable because it was not successful. IBM, Siemens and Toshiba have been partners on many successful projects, in many industries and in many geographic regions. Although the three companies are competitors in certain product categories,

technologies and markets, they also understand the intrinsic value of collaborative partnerships as a strategic opportunity to achieve targeted results. Sometimes the targeted result is to overcome a common competitor, or to design a solution that makes all other competition irrelevant. Occasionally the targeted result is a communal effort to reduce costs by leveraging core competencies. These three organizations have a history of remarkable repeated successes with partnerships, so why should we study one example of an endeavor that did not end well?

In the words of Thomas Edison, "I have not failed. I've just found 10,000 ways that won't work."

Steps to Developing a Successful Partnership

First, identify and document the common goal. In Reverse Logistics, the common goal is often a specific customer or opportunity. The common

goal should be focused, clear and concise. It must have a measurable purpose and value. A goal 'to be the best' is vague and meaningless. However, establishing a target to eliminate specific expenses, reduce time or enhance specific performance metrics may have value for all of the partners and the mutual customer. This common goal becomes the mission and defines the culture of the partnership with a purpose.

Establish guidelines and boundaries for the relationship. There may be confidential or proprietary information shared between partners. In some cases, it may be necessary to share intellectual property. In other cases, the partners may need to segregate access to confidential or proprietary information or relationships. Work together to quickly define which aspects of the relationship are included in the collaborative efforts and which other aspects of the business are mutually exclusive. This short but important step helps to define the boundaries between secrecy, confidentiality and collaboration.

Define core competencies, roles and responsibilities that pertain specifically to the common measurable goals outlined in the first step. There is a reason for the partnership. Quite often, partners may have overlapping capabilities, technologies, resources or experience. The purpose of the partnership is to leverage the unique strengths of each partner to achieve a defined set of common goals. Review the mutual core competencies that pertain to the common goals, not as competitors, but as a collaborative union to select the capabilities that maximize performance. It is important to set aside organizational pride and prejudice for the purpose of mutual success.

Develop the milestones and metrics that will be used to measure mutual success. Metrics may include the schedule for design and

implementation. When selecting the metrics, be sure to include the ancillary result of other performance goals impacted by the intended improved process. In other words, consider the domino effect of the intended actions and include measurements of related performance. If the goal is to reduce time to receive and process returns, also measure the impact on resulting sales and margins. If the common goal is to reduce cost or resources, also consider the potential impact on speed, quality and output.

Gather historical data to identify trends and share measurements with all partners for mutual support and aligned effort.

> Promote a common culture based on the aligned vision, measured by shared metrics and milestones.

Promote a common culture based on the aligned vision, measured by shared metrics and milestones. For example, if three companies collaborate on a common purpose, the result should be the development of a fourth unique culture that blends the core competencies of the three contributing member organizations. This is not a philosophical utopia, but it is a pragmatic approach to partnership. Segregation by cultural differences breeds distrust and contempt. To build a strong foundation of collaboration, partners must share unique individual capabilities in a common culture of integrity.

Plan, Do, See

A reliable partnership requires continuous effort and attention to the performance of the relationship. Prepare a plan together. Commit

and implement changes according to the common plan and communicate progress. Measure the results of the performance and progress in a mutually supportive community effort for continuous improvement. See the results as measured by the metrics and return to plan again.

Reverse Logistics offers a plethora of potential partners. Collaboration can exist between complimentary and competitive companies based on applying core competencies toward a common aligned vision. There are organizations with expertise in freight, warehousing, technology, repair, boxes, resale, asset management, Vendor Managed Inventory, component procurement and waste management, just to name a few. Ease of doing business for common customers require uncommon teamwork and collaboration. Even superstar athletes rely on team effort. In the evolution of Reverse Logistics, integration is only the beginning of collaboration. To achieve best-in-class performance, it is necessary to apply a pragmatic approach to partners. RLM

John Mehrmann has more than 20 years of management experience that spans logistics, operations, e-commerce, finance, customer relations, marketing, training and consulting. John has served the business community as Regional Sales Director at Data Exchange Corp, Director or Service Operations for Toshiba America Information Systems, Inc, Toshiba Imaging Systems Division, Toshiba America Consumer Products, and SatisFusion.

John Mehrmann is President of Executive Blueprints Inc., an organization devoted to improving business practices and developing human capital.

Taking a Look Back Helps Retailers Stay a Step Ahead

Tapping into Hidden Revenues with Returns Management

by Dave Hommrich

Industry analysts and leading academics agree, merchandise returns now amount to more than $100 billion per year, with returns management draining away as much as 35% of potential retail profits every year. In a tough economy where companies face increasing pressure from big box competitors and growing demand from customers, recovering that cost is critical to bottom line growth and long term competitive advantage. To combat these challenging issues many retailers are transforming their returns process, seeking cost reductions by taking a true end-to-end supply chain view of their 'reverse' supply chain.

For example, many retailers (apparel in particular) have a very high percentage of returns that go directly back into inventory (return to stock). In fact, when viewed from the perspective of the fulfillment process, a company's own return center can often be one of the largest 'suppliers' they deal with. Taking this point of

view on returns leads companies to naturally expect the same level of visibility, accountability, etc., that they have come to expect from other suppliers.

Today's savvy retailers are discovering that the reverse supply chain is as full of opportunity as its forward-moving counterpart. By taking this novel new approach to returns, companies can gain benefits similar in size to those seen in the early days of supply chain management.

Real-time visibility

Increasingly, the Internet is being used to help automate reverse logistics management because its Web-based approach cuts costs and increases visibility into purchase and return behavior. According to Gartner Research, in online sales alone, automating the front end of returns offers an opportunity to reduce costs on returns as much as 73%. Automation provides insight into what goods are currently in the reverse supply chain, helping companies lower shipping costs and labor dollars and increase asset recovery.

Customer care with a personal touch

Using a Web-based returns management approach also allows

retailers to electronically capture the reasons behind each return, gauge the perceived quality of a new product and evaluate their customers' return habits, thus providing useful insight on shopper behavior. This tracking data is available in real time so retailers know within hours when a returned item is en route back to the company. They can use this data to start a dialogue with the customer, such as an e-mail note thanking them for their business and offering incentives on future purchases.

Managing returns for speed-to-revenue

Once returned merchandise reaches the return center, these assets can sometimes remain there without proper attention, losing value with each passing day. It is critical that retailers control the speed of the returns process to help their businesses recover assets and recoup lost revenue.

Control shipping costs

Shipping also contributes to the overall cost of the returns process. Controlling the transportation method used for a return can result in significant savings derived from carrier discounts. Additionally, shipping a pre-paid return label with a return (or allowing one to be generated online from a Web site) presents the customer with an easy—and "cash-less"—transaction. In this way, shipping costs are known and can be netted out of a customer's refund.

Cross-marketing opportunities

With a better understanding of the returns process, it is easy to see how the benefits of a reverse logistics management solution can extend beyond initial asset recovery. By providing historical data and reports that specify which items were sold, which didn't, how often goods were returned, and why, a solid returns process can have a major impact on an overall logistics program. For example, tracked data can show which items customers are more responsive to, thus helping companies adjust inventory to increase sales and decrease potential returns.

An afterthought no more

The visibility and automation gained through a reverse logistics management solution helps streamline the returns process. As the overall number of customer returns logged continues to rise, it is not surprising that companies are investing more

in their reverse logistics processes. Thus, taking a look backwards at key logistics processes such as returns processing can actually help companies move forward and stay ahead. **RLM**

About the Author
Dave Hommrich is senior director, Reverse Logistics for Manhattan Associates, Inc. In this role, he is responsible for all aspects of the firm's Reverse Logistics Management solutions, including product development and marketing. Mr. Hommrich has a deep background in reverse logistics across numerous industries and vertical markets and is a veteran software professional, having founded two successful software companies prior to joining Manhattan Associates. Mr. Hommrich received a degree in chemical engineering from Ohio State University.

For more information, visit: www.manh.com.

RLTS Las Vegas Recap

Over 1,000 registered attendees representing nearly 500 companies gathered in Las Vegas on February 5-6 for the fourth annual Reverse Logistics Conference and Expo. Thanks to attendees, speakers and exhibitors, this was the largest worldwide event focused on reverse logistics!

For two full days, OEMs, Retailers, 3PLs and 3PSPs gathered to discuss issues, share ideas and leverage best practices. Companies represented included Dell, Wal-Mart, Cisco, Microsoft, Best Buy and FedEx—just to name a few.

Conference sessions and panel discussions focused on industry-specific issues such as Service Parts, Warranties, Retail Returns, Outsourcing, Online Marketplace Solutions and Environmental Compliance.

Thomas Maher, Director America's Enterprise Logistics, Dell, delivered the Monday morning Keynote Address. The presentation, "How Do You Use Reverse Logistics to Impact Forward Logistics and Customer Satisfaction?" highlighted four business propositions: Social Responsibility, Customer Satisfaction, Brand Protection and Bottom-Line Contributions.

On Tuesday, Dan Gilbert, Vice President, Worldwide Reverse Logistics, Cisco Systems, kicked-off the sessions with his Keynote Address "Unlocking Value in Reverse Logistics" and covered

the four keys to delivering bottom-line results. "The RTLS in Las Vegas provided a great platform for individuals to enhance, expand and extend their knowledge around the topic of Reverse Logistics. The presenters, panelists and participants all shared their excitement around Reverse Logistics which is viewed as THE up and coming value proposition for corporations" said Len Wierzbicki of Black and Decker. "I left the conference with newly established networks and 'things to think about and implement' in my organization. I would recommend to anyone interested in Reverse Logistics that they actively participate in the next conference."

In the expo hall, attendees had the opportunity to meet with over 65 Exhibitors and Sponsors including GENCO, FedEx, Touchstone Wireless, Image Microsystems and the US Postal Service, just to name a few. "BMI has leveraged the full range of Reverse Logistics Association vehicles—trade show, seminars, magazine advertising, and sponsorship—to enhance our profile and create high-impact networking opportunities," said Geoff Ziegler, Beacon Management Inc. "You'd be hard-pressed to find such a premium and targeted group of companies gathered under one roof

than at the recent RLTS in Las Vegas." The Foxconn sponsored reception held Monday night boasted great food and live entertainment by "Faux Collins." This along with the Football party and the golf tournament offered additional networking opportunities.

The conference proper concluded with the announcement of award recipients including the "Best Use of VIP Program" presented to OnProcess and the runner up being OnePak. "We're honored to receive the "VIP Program" award for the second consecutive year. The VIP program at the RLTS has been a success for OnProcess Technology," said Ed Barry, Founder and CEO. "We were able to promote the educational benefits of the event to our clients and potential clients plus it's been a good way for OnProcess to make initial contact, allowing them to then see examples of our work and talk one-on-one at our booth." "Best Booth" was awarded to PTS and the runner up was again OnePak. The highly anticipated "Lucky Draw"
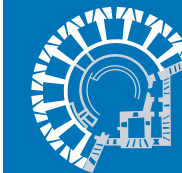

RLTS Las Vegas 2008 promises to be the best RL event ever with a new venue and larger expo. Make plans now to join us on February 4-6, 2008! For more information about speaker opportunities or to exhibit, visit www. RLTShows.com.

included great prizes such as digital cameras, cell phones, DVD players and an Xbox generously donated by Western Digital, Microsoft, Dycern, Toshiba, Philips, The Wireless Source and Pelican Products. Post-conference workshops and the golf tournament ended conference activities on Wednesday.

Conference presentations are available to all RLA members at: http://www.rltshows.com/v07_event.php. For a limited time, RLTS Las Vegas 2007 conference attendees may upgrade their $999 registration fee to an Associate Membership in the Reverse Logistics Association. For just $200, attendees will gain access to all conference materials. Visit http://www.reverselogisticstrends.com and choose RLTS presentations from the Publications dropdown.

For more information about speaker opportunities or to exhibit, visit www.RLTShows.com.

RLTS LAS VEGAS CONFERENCE & EXPO SPEAKERS

Gailen Vick - President & CEO, Reverse Logistics Trends, Inc.

Thomas Maher, Services Director, Dell, Inc.

Ron Tibben-Lembke, Ph.D., Associate Professor of Supply Chain Management, University of Nevada

Jose Garcia - Director - Repair and Refurbishing - Microsoft

Tim Neale, Process Control Manager, Walmart Stores, Inc.

James Boccarossa, National Director of Sales, Channel Velocity

Pete Carfrae - VP Marketplace, GENCO

Jim Rollins, VP Business Development

Steve Andon, Founder and CEO, OnePak, Inc.

Larry Maye, Senior Director RL Global Repair & Logistics, Palm, Inc.

Tony Sciarrotta, Director of Returns Management, Philips Consumer Electronics North America

Dan Gettens, VP Managed Services, OnProcess Technology

Nick Patterson, Senior Manager, Dell, Inc.

Lori York Sibert, Senior Manager US Logistics, Avaya

Dan Barrett, Manager of Business Development, United States Postal Service

Michael & Joy Johnson, Founders, BlueRectangle.com

John Gullo, Manager of Ground Packages, United States Postal Service

L. Bryant Underwood, Director NA Service, Foxconn

Barb Wood, Senior Manager - Returns Operations, L.L. Bean

Andrew Katcher, CEO, Rapid Results

Howard Rosenberg, Director, Trading Platforms, eBay, Inc.

Bill Frischling, Chief Operating Officer, Dyscern

Bob Mullaney, VP of Services Remarketing, Solectron

Timothy Reilly, Sr Manager Liquidation & Fullfillment, Circuit City

Ray Martin, Director Solutions Management, Click Commerce

Neil Dunch, Materials Manager Dell

Len Wierzbicki, Senior Manager Transportation & Reverse Logistics, Black and Decker

Thomas M. Coughlin - President Coughlin Associates

Ed Inal - Sr Director Customer Service & Support, Western Digital

Glenn Grube, Global Product Director - Storage, Moduslink

Don Collier, Global Account Manager, Solectron Global Services

Curtis Greve, EVP Reverse Logistics, GENCO

Heather Steer, Reverse Logistics Consultant

Art Teshima - Vice President, Business Development, Sales & Marketing, Bell Tech.logix

J..Carlos Roo-Ortiz, Director Services Operations, Kyocera

Warren Sumner, Vice President Professional Services, ClearOrbit

Dan Gilbert, Vice President of Reverse Logistics, Cisco Systems

Mike Shelor, President, Shelor Consulting Inc.

Charles Johnston, General Manager, Walmart Stores, Inc.

Greg Klingaman, Sr Manager Store Operations, The Home Depot

Andrew Lange, Vice President Business Development, GENCO

Gary Bothmann, VP Supply Chain Solutions, NAL Worldwide

Stephen Strann Regional Director of Sales CompUSA

Wes Shepherd, Chairman & CEO, Channel Velocity

Michael Blumberg - President - D.F. Blumberg Associates, Inc.

Richard George, Sr. Global Planning Manager - Xbox Repair & Refurbishing, Microsoft

Emily Rodriguez, Senior Consultant, The Results Group

Eugene Schachte, Reverse Logistics Manager, HJ Heinz

Paul Rupnow, Partner, Reverse Logistics Solutions – Andlor Logistics Systems Inc.

Susan Cessar, Sales Support Manager - Genco

André Oldé Hampsink, Sales Director, Cycleon Netherlands BV

Steve Maglior, Director Worldwide Repair Operations, Quantum

Sharon Webb, Global Commondity Manager, Hewlett-Packard

John Mehrmann, Regional Director, DEX (Data Exchange Corporationn)

Robert Gallagher, Consultant, Gallagher & Associates

Pam Rapp, Strategy Manager, Walmart Stores, Inc.

John Slothower, Manager - Innovation, Best Buy

Jay Frayser, .com Returns Manager, Walmart Stores, Inc.

Thomas St John, President, AMCOR

Thomas Welsh, President, Pro Mobile Inc.

John Coffield, VP Sales Reverse Logistics Solutions, GENCO

Bob Sullivan, CEO, The Wireless Source

Paul Snyder, Senior Manager Reverse Logistics, Palm, Inc.

William P. Angrick - Chairman & CEO, Liquidity Services, Inc.

Ed Wodarski, Senior Executive, Accenture

Lee Norman, Senior Manager, Enterprise Returns Management, ClearOrbit

John Rinehart, Manager RL Information Services, Intel Corporation

Leonard Schneeman, Chief Technology Officer, DEX (Data Exchange Corporation)

Robert McKechnie, CEO, Green Oak Solutions

Christine Fisher, Director of WW Reverse Logistics, Cisco Systems

Levy Antal, Vice President Business Development, Image Microsystems

Joseph Tarantino, National Transportation Manager, Sprint Nextel

Peter Junger - President, SIRAS.com Inc.

Rod Berrhill, Sr. Manager Supply Chain, Juniper Networks

Tom Marcellino, VP Sales, CLS

Jeff Moore, Logistics Manager, Dell

Tyler Miller, VP Global Procurement, Asurion

Tony Miller, Director of Tactical Procurement, Asurion

Mark Hanson, President, Supply Chain Alliance, Inc.

Bill Kennedy, EVP, OnProcess

Manthos Economou, Sr. Manager Compliance, Palm

Tom Burnam, Global Service, Western Digital

Jeff Cantlebary, WW Repair Operations Manager, Quantum

Packaging: The Common Thread in Collecting IT Assets

by Shawn Stockman

One factor often overlooked in successful reverse logistics is packaging during the asset collection process. Whether your customers are shipping goods back to a company for return, repair or for end-of-life disposition, packaging plays an important role in reducing the risks of damage and theft.

In the Summer/Fall 2006 issue of this magazine, Cindy Brannon's article about IT asset disposition touched on the absence of uniform packaging standards. This article will explore the possibilities and benefits of uniform packaging for collecting IT assets.

Standardizing Packaging for Returns
For electronics that are shipped for return or repair, it is critical that the item is packaged in a box the appropriate size with sufficient padding to avoid damage. If the customer no longer has original packaging, the choice for a box and padding is often left to the consumer, which increases both the consumer's cost and risk of damage.

Why not offer the customer the option to have proper packaging sent to them? If the company handling the return provides the package used to ship the asset, the entire collection process is simplified and expedited. Depending on the value of the item and the customer, OEMs may want to offer this service for a fee or simply include it in the cost of new items.

End-of-Life Asset Collection
The packaging challenge for end-of-life asset collection is shared by (at least) four parties with a stake in a successful reverse logistics process:

• The OEM, who wants to remove old assets in order to install new assets promptly

• The end customer, who is trying to dispose of their electronic equipment
• The logistics providers, who are trying to remove assets efficiently from the customers' premises and deliver them to the service provider
• The service provider, who will reuse, remarket or recycle the assets

Other than the asset itself, the packaging is the most common thread

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Returning Merchandise is a Walk in the Park

By RLM Staff Contributor

If your idea of a leisure activity is more likely to be a walk in the park than a jaunt across town to make a product return, then you'll be happy to know that some of your favorite retailers are listening to you. Today's savvy shoppers have better-than ever online access to their favorite products, including designer clothing in a wider array of styles and sizes than can be typically found in stores.

Top clothing designers know that attracting and retaining customers means providing more than just the shirt on their backs. Designers like Eddie Bauer are offering clothing lines that deliver the cachet and visual recognition of a must-have brand while meeting the lifestyle needs and preferences of the wearer.

Eddie Bauer knows that their customers value their recreation and leisure time, and don't want to spend it searching for a size or hassling with a merchandise return. Customers have access to their favorite clothing line through the company catalog and online at EddieBauer.com. The challenge for Bauer was to find a product return solution that was convenient and that would provide excellent service and product visibility to enhance the shopping experience.

Bauer decided to partner with another company that is rising to the challenge of providing quick, easy and convenient customer solutions—the United States Postal Service. The Postal Service partnered

Bill Terry, Eddie Bauer's Director of Transportation

with Eddie Bauer and third-party returns management provider Newgistics to pilot "Parcel Return Services," a convenient method for returning merchandise that also provides workshare discounts and product tracking.

> "We found that making the returns process easier didn't increase the rate of returns," said Terry. "What did increase was customer loyalty and satisfaction with the online shopping experience."

"We wanted a returns process that was self-sufficient and customer friendly," said Bill Terry, Eddie Bauer's Director of Transportation. "We also wanted convenience, consistency and

competitive pricing. We found that with Parcel Return Services."
Parcel Return Services are designed for high-volume shippers like Eddie Bauer. With Parcel Return Services, merchants include a pre-paid return label with the customer's purchase or provide it by mail, fax or through their company website.

If a customer
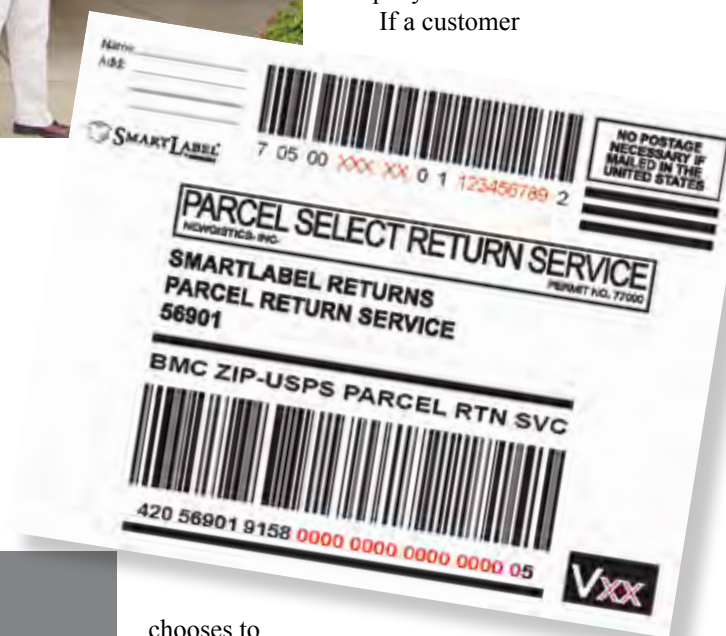
chooses to make a return, they simply place the Parcel Return Services label on their package—the merchant only pays for the labels that are used. What makes the service unique is the convenience. The customer can hand the return to their letter carrier, drop it in a neighborhood collection box or take it to one of the Postal Service's 38,000 Post Offices, Stations and Branches. "We found that making the returns process easier didn't increase the rate of returns," said Terry. "What did increase was customer loyalty and satisfaction with the online shopping experience."

"We welcomed the opportunity to partner with the Postal Service and Eddie Bauer to provide their

Bill Terry with returned merchandise

customers a streamlined and reliable first-rate returns experience," said Ken Johnson, Newgistics' Vice President of Corporate Development. Eddie Bauer's implementation of parcel returns services launched in 2003. A recent survey conducted by Harris Interactive® shows that most retail shoppers agree with Terry. Of consumers surveyed 96% of respondents said the ability to return the merchandise from home is very important, important or somewhat important to their purchasing decision. Additionally, the survey results confirm that given the option to return purchases directly from home with a pre-paid label, adults are nearly five times as likely to shop with the retailer again.

Because packages returned using Parcel Return Services can be tracked on the Eddie Bauer web site, customers feel more secure about the returns experience and

have less need to contact the Eddie Bauer Call Center. "The tracking capability also helped us streamline our operations," says Terry. "We can forecast the number of returns we will be receiving at our warehouse each day so that we can manage our staffing accordingly. This helps us keep our costs down."

Terry encloses a Parcel Return Services label in every Eddie Bauer shipment and encourages customers to use the label provided so that their refund can be processed more quickly.

For the Eddie Bauer customer, making a product return is as easy as a walk in the park! RLM

> Terry encloses a Parcel Return Services label in every Eddie Bauer shipment.

About Eddie Bauer: Established in 1920 in Seattle, Eddie Bauer is a specialty retailer that sells casual sportswear and accessories for the modern outdoor lifestyle. Eddie Bauer believes the Eddie Bauer brand is a nationally recognized brand that stands for high quality, innovation, style and customer service.

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Huge Reverse Logistics Savings Potential Exists in the Heart of Europe

by Sven Verstrepen and Kris Neyens

All too often, Reverse Logistics (RL) is being overlooked by companies as a way to realize considerable savings by deploying relatively simple means. Especially in view of the fact that most outbound processes have already been squeezed and optimized, more logistics managers should look at the way they are handling reverse flows. This is one of the striking conclusions of a large-scale survey on reverse logistics conducted by the Flanders Institute for Logistics.

Flanders, the northern part of Belgium, lies at the geographical heart of Europe and is according to independent studies the most important logistic gateway to and from the European consumer markets. The region around the Port of Antwerp has the highest concentration of European Distribution Centers of the entire continent (almost four EDCs per every 100 square kilometres).

The Flanders Institute for Logistics interviewed as many as 55 companies, manufacturers and logistics service providers about their reverse logistics processes. The study revealed that about 75% of them are frequently dealing with reverse flows. And, an even larger number of companies report they have frequent reverse flows of packaging materials and returnable transport items (RTIs) such as pallets and boxes.

A rough calculation of the physical, operational and administrative workload, comes up to an average of 15% of the capacity of the total logistics apparatus in a company.

The most important RL processes have to do with: picking-up of products and transport (87% of all interviewed companies), claims handling (84%), administrative and financial processing (65%), sorting (58%), destruction (58%) re-distribution (49%), inspection and testing (45%) and re-packing (42%).
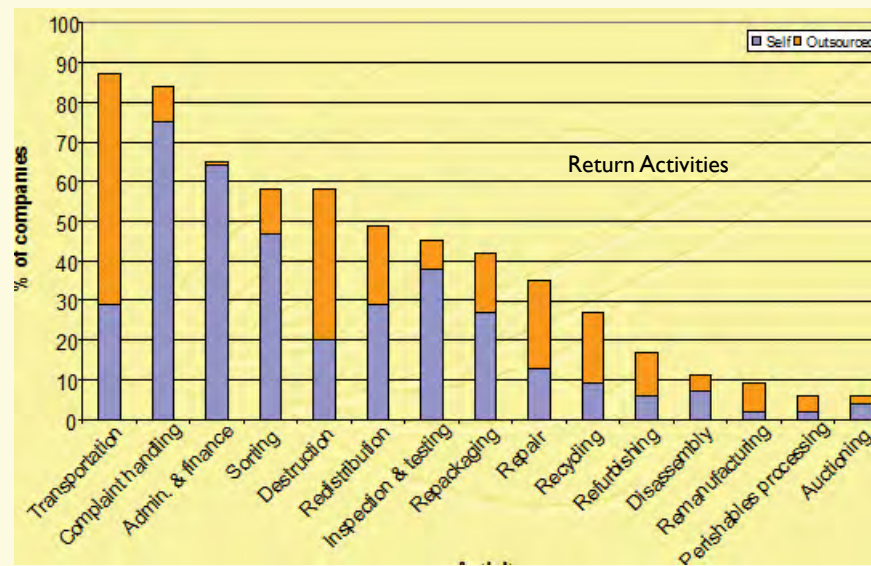
Yet, only a few companies in the region had ever paid any attention to RL and many companies had never discussed the subject of RL with their customers This is remarkable as a wave of European and national laws and regulations has been building up, and a great deal of time and money are obviously being wasted in a flawed reverse logistics pipeline.

Mostly Manual

A surprisingly large portion of the reverse logistics activities are the result of transport damage or wrong deliveries. In a way, these are avoidable flows. By making the outbound logistics process more accurate, companies can avoid unnecessary transport and obtain considerable cost savings. By actively managing the reverse flow and setting up a structured process, companies can realize even greater savings. As a side-effect, return stocks and working capital will dwindle.

The hidden cost of reverse logistics flow is heavily underestimated. A rough calculation of the physical, operational and administrative workload, comes up to an average of 15% of the capacity of the total logistics apparatus in a company. Another remarkable conclusion is that about 44% of all reverse flows are still being processed manually. ICT departments have no interest in RL as it is not yet being considered a core logistics process. 41% of companies therefore have no or limited information and reporting capabilities about their reverse flow of products. Here too, a lot of improvement possibilities exist…

An interesting market for outsourcing RL is developing in Flanders. About 25% of the companies already outsources, and another 50% plan to look into the idea in the near future. The most obvious areas for outsourcing lie in picking-up and transport.

International process

More than half of the returned products are eventually written off or destroyed. By selling more such products or materials outside of the regular market channels, e.g. via internet auctions or alternative channels, one can make good money. The UK, the US and Germany already seem to have a well-developed aftermarket system, e.g. via eBay. This practice is clearly still missing in Flanders.

The Flanders Institute for Logistics is setting up a similar survey in other European countries, because it strongly suspects that Flanders does not perform worse than other regions or countries. The fact that more than two-thirds of the all interviewed companies are active on a European or global scale, reinforces this belief. RL is clearly an international process.

The researchers recommend the development of clear legislation and best practices in order to demonstrate the possibilities of RL. The market is asking adamantly for RL examples, tools and roadmaps. The Flanders Institute for Logistics is currently in the process of developing such tools in order to support logistics service providers in the region. RLM

Sven Verstrepen has been working as a logistics expert at the Flanders Institute for Logistics since 2004. His main research domains include supply chain collaboration and reverse logistics. He holds Master's degrees in Applied Economics, Marketing and Logistics.

Kris Neyens has been working as a logistics expert at the Flanders Institute for Logistics since 2006. His main research domains include value added logistics & new technologies and reverse logistics. His main focus lies on implementing innovative concepts as pilot-projects.

More info: please contact Sven Verstrepen or Kris Neyens, +32 (0)3 229 05 00, sven.verstrepen@vil.be

RLTS Singapore 2006 Recap

Singapore's third annual RLTS Conference and Expo took place on October 24-26, 2006. OEMs, ODMs, Branded Companies and 3PSPs gathered from across the world to share best practices and discuss industry issues. Companies in attendance included Nokia, Agilent Technologies, Cisco, Apple, Toshiba, Fujitsu and many more.

The keynote address was delivered by John Benardino of Hewlett-Packard who looked at both internal and external challenges in the post-sales environment. He discussed proper recognition of costs associated with those services and production strategies that can allow companies to leverage opportunities during the post-sales life cycle. Conference sessions and panel discussions focused on industry-specific issues such as Increasing Customer Loyalty and Managing Environmental Challenges, Returns and Loss Prevention Strategies and Managing the Global Impact of Electronic Waste Legislation.

Exhibitors from around the globe including Repair Group, AER Worldwide and Cycleon, just to name a few, took advantage of the opportunity to connect with current and potential key business partners. "This event has proved to be very successful for us," said Jeroen Weers of Spring Global Mail. "We have made many business contacts and also met up with quite a few potential strategic partners. The Spring yo-yo which symbolizes our capability of doing forward and reverse logistics proved a major hit."
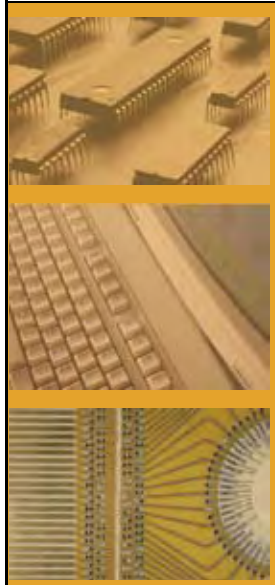
At the closing session, Gailen Vick, RLA President provided a recap and thanked all participants. iPods donated by Bell Industries and portable disk drives from Western Digital were among the many great prizes in the Lucky Draw. Repair Group was named "Best Booth" and Jabil took the award for "Best Use of the VIP Program."

Session Topics Included:

Examining HP's Global Reverse Logistics Collaboration Strategies (J. Benardino)

Operations - Managing Locally Today Whilst Building Globally For Tomorrow... (Simon Patterson)

Increasing Customer Loyalty and Managing Environmental Challenges at Konica Minolta (Andre Olde Hampsink)

Think Forward! Challenges of a Forward Logistics Solution with a Fitting Reverse Logistics Solution (Olaf Kwakman)

Returns and Loss Prevention Strategies: A Behavioral Approach to Systematic Solution (Joseph Wong)

Managing the Global Impact of Electronic Waste Legislation (Levy Antal)

Think Recall – Reverse Logistics at a Higher Level (Wim de Rooij)

Using Your Reverse Logistics Operations to Drive Profitability and Achieve a Competitive (Andrew Katcher)

Warranty Standards Using XBRL – A New Application

by Kenneth J. Purfey, CFS, CMA, CPA

Many companies think of warranties or warranty expense as an afterthought and for some companies warranty expense may indeed be small. However for larger and Fortune 1000 companies warranty expense can and does dramatically impact their bottom lines. For example, General Electric warranty expense in 2005 was over $700 million or 4.3% of Net Income. With warranty claims from just the top 50 US-based warranty providers totaling over $27 billion in 2005 alone, warranty expense is larger than the Gross National Product of some European countries or the annual budgets of many US States! The ability to save even a portion of this amount would be a major coup for many warranty providers.

An "electronic consumer warranty management program" using XBRL (Extensible Business Reporting Language) can provide new applications for these companies to apply, track, monitor, analyze, and reduce warranty expense, and provide multiple benefits to consumers alike. XBRL is a worldwide standard for the publishing, exchange, and analysis of financial reports and data based on XML (Extensible Markup Language). XBRL "tags" financial data much like a bar code on commercial products allowing investors and analysts to search not only forms, but the information within them with speed and consistency. It will permit information to be immediately downloaded into application software. A typical example of XBRL use is the ability to define and track fact elements such as warranty expense by product, by country, by region, by account, as a percent of sales, as a percent of warranty reserves, in total, or by any other dimension. The ability of XBRL to do this can go far beyond this simple case and the metadata specifications provide an important extension of the ability of XBRL to easily represent the dimensional information that exists in financial reporting.

Some of the current issues and problems faced by manufacturers and warranty providers include:

- There is little standardization of warranty reporting now among US companies and even less among international companies. This makes benchmark comparison among companies and across industries difficult or incompatible. There are no common standards even for the vocabulary or data-sets related to warranty management.
- Warranty programs cost an average of 1.5% to 2% of sales; and sometimes double or triple that amount as a % of Net Income. The process is highly manual and prone to error.
- It is estimated that between 10% and 15% of all warranty claims should not be paid due to warranty fraud or incomplete or incorrect registration data.
- Incomplete or inaccurate data on consumer ownership leads to higher cost of ownership, higher replacement and shipping costs, and consumer dissatisfaction.
- Consumer dissatisfaction blunts and sometimes destroys the original objective of warranty coverage: that of building brand and consumer loyalty.

- Some of the current issues and problems faced by consumers include:
- Many consumers consider warranties as an afterthought – tending to misplace product manuals and the warranty coverage language and literally cannot find it when it is needed the most.
- As a result, consumers are not sure if their product is under warranty or not.
- Consequently, consumers cannot easily connect with manufacturers and third-parties for parts, repairs, service, or consumables.
- Consumers find further difficulty connecting with manufacturers for technical help, training, service, product returns or to provide feedback.
- Additional frustration is encountered when consumers attempt to share their good or bad experiences with other consumers and cannot describe the precise type of item they have because they have lost the registration or warranty paperwork.

Here is a typical scenario. How often does this happen?

A consumer wishes to return something but cannot find the manufacturer's phone number or address. After searching for minutes or hours the consumer finds the documentation and calls the manufacturer only to go through a maze of telephone logic alternatives to finally be put on HOLD. While listening to elevator music for what seems like hours, the consumer is interviewed by someone who usually has difficulty determining if you are

under warranty. This wastes more time. Assuming the telephone line is not accidentally disconnected during the process; the service person may or may not issue the consumer a Return Material Authorization (RMA). Then the consumer must find a way to ship the product back to the manufacturer, wasting additional time and effort. This is clearly a very frustrating experience for all parties. Once the product is shipped, the receiving dock verifies the RMA and serial number match, then send the returned product to inspection—often with no record for why the return was authorized. Inspectors then do not know what to look for, and incorrectly reject the item – causing further damage to the customer relationship.

Here is perhaps a better solution: The manufacturer includes a CD ROM containing the documentation in electronic format. The CD also includes a warranty registration application that automatically connects the user to the appropriate web site setup by the manufacturer. This application includes a simple record into which the manufacturer has pre-loaded certain data such as the serial number and the UPC code. We are calling this record a "token" since it is passed back and forth as a record of the registration event. The user adds their consumer data to this token and it is automatically sent to the manufacturer as the warranty registration.   At the time of purchase this single click warranty registration leaves a copy of the token on the consumer's computer together with a hot-link to an RMA portal. When a return is necessary, the consumer simply clicks the link and is immediately sent to the appropriate manufacturer's URL together with the product warranty token. A simple questionnaire is attached for explanations. The manufacturer is able to automatically verify the validity of the RMA request by comparing the returned token with their database. An automated process generates the RMA and returns it to the consumer along with instructions. A second click and the consumer's information together with the RMA are sent to a mail service provider for pickup. A UPS shipping form can be printed right from the consumer's computer. This entire process can be completed in a matter of minutes and usually at no cost to the consumer. No human intervention is required. This is a much more satisfactory experience for the consumer.

Many of these issues could be addressed if a standard warranty format existed that could be read by any of a variety of applications. Such a standard should be "Open Source" and based upon the XBRL standards. It should be created by all of the various stakeholders in the warranty process. The XBRL standards body is dominated by accounting concerns. The development of a warranty standard would appropriately have as much input from the Logistics Departments, Quality Assurance, Customer Support, and Marketing. The content of such a standard would be an acceptable definition of warranty data fields and descriptions.

It would be most appropriate for manufacture's to support an application like this for many reasons:

- Reduces service phone calls as it makes product information readily accessible
- Reduces human error inputs of warranty information
- Reduces manual labor costs
- Creates a marketing segue for update information and after-market communications for things like extended warranties
- Increases customer satisfaction and brand loyalty
- Easily enables real-time tracking and monitoring of warranty expense via the XBRL interface and allows auditors and accountants to better manage warranty reserves. Management of warranty reserves has been a sore area with many auditors, and better tracking also allows improved compliance with Sarbanes-Oxley internal control requirements.
- Supports multiple products from multiple sources enabling the electronic bookcase to be perceived as a valuable tool by consumers.

Thus manufacturer's would be able to significantly reduce manual labor costs, service costs, and warranty costs through reduced fraud and errors, better manage an audit trail and reduce accounting costs, while improving customer satisfaction and loyalty.

A helpful milestone in creating such a successful environment for manufacturers would entail the creation and development of standardized warranty data. Standardized warranty data would allow for commonality of warranty information reporting, analysis, and accounting.

Unfortunately there are no current warranty reporting forms, data, or reporting among US or foreign manufacturers, but the use of both XML and XBRL would clearly ease the marriage process among these tools and warranty applications.

Such a standardized reporting process i.e. "warranty reporting standards" could be developed similar to the example set by the Insurance industry over twenty years ago in their development of common forms, formats, and reporting ("ACORD" forms and software). Further, it is suggested that warranty reporting standards could best be developed using an open-source format whereby the input of all concerned groups such as the accounting profession, manufacturers (logistics, sales, customer service, etc), and freight / delivery transporters requirements would be considered and continuously improved. In this way, a fully integrated framework crossing several industries can be developed in the future that would significantly reduce costs for all concerned parties and improve the consumer experience at the same time.

Perhaps the time is right to develop standards for this type of cost-effective application. While the XBRL standards body is focused on financial issues, other industry groups focus on other stakeholders in this process. The Reverse Logistics Association (http://www.reverselogisticstrends.com/) is one such body. We have over 200 member companies and about 50,000 subscribers to our magazine. This year, over 1000 people attended the RLA annual trade association event in Las Vegas. We have organized a special interest group within the association in order to address this issue. However, the RLA membership does not generally include the financial or IT inputs that are necessary to make this concept into a reality. In fact, a joint standard created by resources from the XBRL perspective as well as Reverse Logistics resources are necessary to achieve this goal. We are organizing such a joint standard convention and hope that readers will agree with us regarding the value of such a task and would like to help with the leadership of this project. We are especially soliciting participation from both the IT and Financial perspectives. RLM

Want To Advance Your Reverse Logistics Operation?

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Recalls: Report Safety Risk Within 24 Hours or Else…

by RLM Staff Contributor

Federal law requires firms to report to CPSC immediately (within 24 hours) after obtaining information reasonably supporting the conclusion that a product contains a defect which could create a substantial risk of injury to the public, presents an unreasonable risk of serious injury or death, or violates a federal safety standard.

As an example, the U.S. Consumer Product Safety Commission (CPSC) announced March 1, 2007 that a

major toy manufacturer has agreed to pay a $975,000 civil penalty. The penalty, which the Commission has provisionally accepted, settles allegations that the company failed to report to the government that a nail fastener in the barnyard toy could separate and pose a serious choking or aspiration hazard to young children.

About 67,000 of these toys were sold nationwide from June 2002 through July 2002. In September 2002, the company received its first report of a nail fastener coming loose from one

In the past two years, there have been 10 major recalls of batteries. The companies involved had recall programs in place and handled the situation quickly and effectively.

The cost of the combined recalls was more than $1 billion dollars. In order to save time and money for all members of the Reverse Logistics Association, we have published information on our website on how to prepare for recalls. Visit www.CatastrophicRecall. com for more information.

For more information regarding the U.S. Consumer Product Safety Commission, please visit www.recalls.gov.

of the toy barn's stall doors. Over the next two months, the manufacturer received nine additional reports, including one case of a child placing the nail fastener in her mouth.

By February 2003, the manufacturer had received two reports of parents concerned that this problem posed a choking hazard to children and a report of a December 30, 2002 incident in which a 14-month old child aspirated a nail fastener into his lung. The child was taken to the hospital and underwent an emergency surgical procedure to have the metal nail fastener removed.

It was not until March 2003 that the company reported the safety

hazard with the barnyard toy to the Commission. By that time, they were aware of at least 33 reports in which the nail fastener came loose from the stall doors. These included four reports of children who put the metal nail fastener in their mouths and the one case of the child who aspirated the nail fastener.

In April 2003, CPSC and the manufacturer announced the recall of the toy and recommended that consumers take the toy away from young children immediately and contact the company to receive a free repair kit.

In agreeing to settle the matter, the manufacturer denies CPSC's

allegations that the company knowingly violated the law.

Another example is the recent pet food recall. A major manufacturer of dog and cat food recalled 60 million canned and foil-packed wet pet food products after reports were received of kidney failure and animal deaths. The company alerted the Food and Drug Administration has been notified and they are investigating.

The Federal regulations for the Consumer Product Safety Act are found in Title 16 CFR parts 1101 through 1406. Reference CPSC Release #07-119. ᴿᴸᴹ

Packaging: The Common Thread in Collecting IT Assets

that affects all parties involved. If assets are improperly packed or are packed in incorrect packaging, all parties suffer.

Proper packaging benefits all parties, and the cost is offset by increased efficiencies in the logistics process.

Each player in the asset recovery process has different priorities, however. When an OEM is working with the customer to arrange the removal of used equipment to make way for new, the most important factors are cost and speed. The OEM wants the old assets removed quickly and inexpensively as a value-added service to sell new products. To the end customer, convenience is the major factor. For example, a bank with 300 assets scattered across 20 locations may not want to tie up staff time packing computers. And even

if they do choose the self-service option, most do not have the right size of boxes, padding and packing tape available to handle the job. They simply want someone to come and pack it up and haul it away.

The logistics providers have their own issues. When their staff arrives on site, reality rarely matches what the customer had estimated. They may come to pick up 100 IT assets and there are 150 (plus miscellaneous cables, mice, keyboards, etc.). They may arrive to find them in nice stacks on pallets, or they may have to search the premises for the old equipment and crawl under desks to unplug them. Truck drivers may be stacking laptops on pallets in a way that will crush the majority of their LCD screens because no one ever explained that laptops should stand on edge for shipping.

Service providers who accept used IT assets for reuse, demanufacturing, remarketing or recycling also have standards that need to be met. Most do not want pallets that are inadequately shrink-wrapped with equipment poking out the sides, or dissimilar units stacked precariously so that they pose a risk to their warehouse staff once unloaded (if they make it through the shipping process in one piece). Packaging must be easy to open and durable enough to move around the warehouse.

According to Steve Andon, CEO of OnePak, Inc., Dell is one of the few OEMs that provides a shipping kit to the client who wants to dispose of an item at the end of its life. "Other OEMs charge the client about $30 to send them just a prepaid shipping label with packing instructions. The client must provide the box and all packing materials. This lack of standardized packaging significantly impedes the success of the entire asset recovery process. Standardized packing increases the speed, efficiency and value of collecting IT assets."

A summary of various consumer computer take-back programs can be found at www.computertakeback.com.

Packaging Solution
There appears to be a need for a packaging system that could be:

- locked to ensure against theft
- sealed for quick visual inspection for signs of tampering
- serialized or bar coded
- configured with sufficient padding for laptops, CPUs or other data devices
- sent onsite ahead of pickup for either do-it-yourself packing or for a service to prepare assets for shipping

> Service providers who accept used IT assets for reuse, demanufacturing, remarketing or recycling also have standards that need to be met. Most do not want pallets that are inadequately shrink-wrapped with equipment poking out the sides, or dissimilar units stacked precariously.

A reusable packaging system could be similar to the "pod" concept in the moving industry, where a reusable crate is sent to the user's site, the user (or a service) packs it up, and (in the case of IT assets) a shipping company comes to pick it up when ready.

In some cases a do-it-yourself approach to packing IT assets that contain sensitive data is preferable to having anyone else do it. It depends on who you trust. If the OEM sends a logistics firm to your site, you are in a position in which you must trust the OEM's judgment of the firm's credibility. If the leasing company installs new equipment and removes the old, you must trust that they will handle your data assets appropriately. Even the aftermarket service provider receiving your assets to erase data and prepare them for remarketing or

recycling must be trusted to handle sensitive assets appropriately.

One way to discern the legitimacy of any firm that may handle your IT assets is to look for a certification from The National Association of Information Destruction (www.naidonline.com). Their certification program involves an annual audit process, as well as unannounced audits, that verify compliance with standards for a secure destruction process including such areas as security, employee hiring and screening, operational destruction process, and insurance.

Aside from this certification, one should confirm that any company handling your IT assets is insured with professional liability insurance. However, there is currently no certification that covers the companies transporting your assets (nor is there a legitimate standard for the packaging in which they travel).

At present, the best solution to minimize risk would be to have trusted onsite personnel inventory and pack IT assets into proper packaging for shipping. Make sure the recorded inventory matches the packing slip, and require the aftermarket service provider receiving your assets to verify that what they receive matches what you sent.

Proper packaging creates exponential savings in cost, labor, and exposure to risk. RLM

Shawn Stockman is responsible for business development for OnePak, a leading provider of asset collection solutions for the reverse logistics industry. OnePak provides shipping kits and logistics support for asset recovery programs of OEMs, third party service providers and IT asset managers. He can be reached at shawn.stockman@onepak.com.

Returning thoughts…

Reverse Logistics Profit Opportunity: Shorten Your Timeline

One of the best opportunities to profit from your returned assets is sell them for the highest price. And one of the best ways to get the highest price for your returned assets is to sell them as soon as possible.

The Time Value of Money in Reverse Logistics

At a bank, your assets earn interest over time. In a warehouse, returned assets can lose a lot of value over time. In the electronics industry, a product life cycle can be very short, even as short as 3 months for some of the rapidly emerging product lines, such as wireless networking or LCD displays. This can translate to almost 1% every couple of days, 5-10% every couple of weeks, 30-40% every couple of months. Wouldn't it be nice to get a bank to pay that much interest? In

many companies, that "interest" is available for bottom line corporate profit. All you need to do is shorten your timeline.

Analyze Your Entire Reverse Logistics Timeline

There are very few antique collectors in this business, but there seem to be a lot of warehouse stacked with prehistoric products. Over the past few years there have evolved many excellent and very sophisticated channels to assist you to capture the highest value from your returned or refurbished assets. Now you need to start getting more sophisticated by taking a close look at shortening your reverse logistics timelines, so you can get your returned assets converted to cash sooner.

Shorten your Timeline – from Request to Cash Receipt

A Reverse Logistics timeline starts with a request to return an item. The

timelines does not end until that returned unit is sold, delivered and cash collected. Many companies today focus a great deal of energy on the repair/refurbishment turn around time, but do not look closely at the opportunities to shorten time before or after the repair process. Often refurbished inventory sits idle in a repair vendor's warehouse for several weeks or months before any attempt is made to sell the finished goods.

Turn Your Time into Money

Create timelines for the full life of your returned items, return methods or return processes. Gray Williams at Logitech says that "price erosion is the silent killer." You may be surprised to find a lot of profit for your time.

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