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Reverse Logistics

magazine

**Outsourcing
Reverse Logistics**
Pg. 24



May/June 2007
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SPECIAL SHOW EDITION

think returns



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Over 400 RL Professionals and 30 Exhibitors

Europe's premiere Reverse Logistics Event will provide 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: www.rltshows.com/amsterdam.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.



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20 Speedy After Sales Service Can Mean Increased Profits

by Phil Corwin, UPS Supply Chain Solutions

Consumers have traditionally had high expectations of the way their high-tech products perform, but those expectations have grown to include exceptional customer service as part of the post-sales experience. Today, consumers expect their high-tech products to work reliably right out of the box. And when something goes wrong with the equipment, they want the defective product repaired or replaced and returned to them quickly.

22 The Risks of Inadvertent Data Disclosure

by Robert Gallagher, Gallagher Associates Consulting

In today's digital world, data security is becoming more important for everyone. Corporations have spent tens of millions of dollars on front-end data security of their IT assets and infrastructure. However, in many cases they have all but overlooked what are today's biggest threats and easiest methods of inadvertent and fraudulent data loss and ID theft of confidential information – recovery of data from decommissioned and discarded computer and storage media.



29 Five Considerations for Evaluating Returns Software Solutions

by Lee Norman, ClearOrbit

We will, with this article, assume that you are in some way motivated to find a solution to better manage your returns. Perhaps you're highly-motivated and are simply being proactive in addressing the needs of your constituencies. Or, maybe your leadership requires significant cost reductions from your organization and you think the returns arena may be a great source of those savings.



33 Product Recalls: Now What?

by Carl Brewer, Integrated Warehousing Solution

Recently, recalls have made headline news. From pet food and peanut butter to washing machines, recalls take all forms and can happen to any manufacturer. For most manufacturers, nearly all of the brainpower and muscle goes into pushing products out the door – often overlooking the critical moment in the customer relationship that comes when something is returned. Those who invest in planning for a reverse logistics event before one happens will find that when done right, returns can deliver opportunities for building better relationships with customers, salvaging revenue and learning from past mistakes to build a better, next generation product.

37 The “New” Mexico – Better than Ever

by Mark DeLong and Brad Hendrick, Arvato Services Inc.

Second of a two-part series on near-shore outsourcing or “near-shoring.” In the not too distant past, the label “Made in Japan” denoted cheap products that did not always adhere to high quality standards. Today, Japan has become a leader in the electronic and technical industries.



Cover Story



Outsourcing Reverse Logistics

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OUTSOURCING, everyone is talking about it, some are doing it, but few are doing it well. If you are going to outsource Reverse Logistics, make sure you have proper training.

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

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Read the Press

Full articles available from: RLA News Center
www.reverselogisticstrends.com/news.php

Costco Caps CE Returns at 90 Days
Succumbing to profit pressure from its open-ended return policy on consumer electronics, Costco has capped the time limit on CE refunds to 90 days. The No. 1 warehouse club hinted at the move last December when chief financial officer Richard Galanti said it would explore every alternative to reduce returns, including home TV installation and live tech support, before changing the customer-friendly policy. But the company ultimately pulled the plug after losing tens of millions of dollars in returns, mainly in big-screen TVs that consumers couldn't operate or which they exchanged for better and cheaper models as prices fell.

The Electronics Industry's Compliance Blues

It's no wonder that the channel is suffering from electronics regulation fatigue: Europe's Restriction on Hazardous Substances (RoHS) isn't even a year old, and China is phasing in its own environmental mandate. Staying one step ahead of the latest compliance acronym is taxing the distribution industry, but smart players are figuring out how they can work this directive-laden environment to their advantage.

Major Retailers Using SIRAS Technology Reduced MP3 Player Return Rates by 47%

Providing relief for retailers and manufacturers aiming to reduce losses on improper returns of electronic gear, SIRAS.com, the pioneer in point-of-sale electronic product registration, announced that retailers using its product tracking technology reduced MP3 player return rates by 47% in 2006, to less than half the industry average.

"Product returns cost the industry billions of dollars a year, and both retailers and manufacturers are looking for ways to limit those losses," said Peter Junger, president of SIRAS.com. "Our system simply enables foolproof enforcement store return policies and manufacturer warranties, with 100% accuracy."

5th Annual RLTS Las Vegas Conference and Expo 2008

America's Premiere Reverse Logistics Event

Planet Hollywood On the Strip

February 4-6, 2008



Over 100 Exhibitors – More than 1500 RL Professionals Attending

Make plans now to join us for the 5th Annual Reverse Conference and Expo on February 4-6, 2008 in Las Vegas, California.

Monday offers pre-conference RL Workshops and the RLTS conference kicks off on Tuesday with the keynote address, followed by sessions presented by RL professionals, leading academics and also includes panel discussions.

Be sure to visit the Expo where 3PSPs will be showcasing their RL services and solutions.



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

More information available at: www.RLTShows.com

To Our Readers

A Letter from the Editor



Manufacturers and service providers alike are acutely aware of the "need to be green." Both from a regulatory requirements standpoint and also in an effort to be good corporate citizens, companies are taking steps toward improving their recycling processes and overall reduction of waste stream.

At RLA, our mission is to make people aware of the reverse logistics process which through the repair, reuse, refurbishment and recycle of products, contributes to the reduction of waste and ultimately the protection of the environment. We raise awareness through publications and events.

In a previous issue, I touched on magazine reuse – how excess inventory of magazines at RLA never go to waste; they are distributed at RLA and partner events. But what about RLA events...I have recently heard the terms "green meeting" and "carbon-neutral" and after some investigation, I'm happy to say that we already incorporate some green planning in our events. For example:

Paperless Technology – RLA utilizes online registration, confirmation and advertising. In addition, we incorporate conference information and VIP notification in our RL Magazine and by making RL Magazine multi-purpose, we have eliminated the need for direct mail conference advertising.

Instead of printing lists of attendees and providing printed copies of presentations, we make both available for viewing and download from our website.

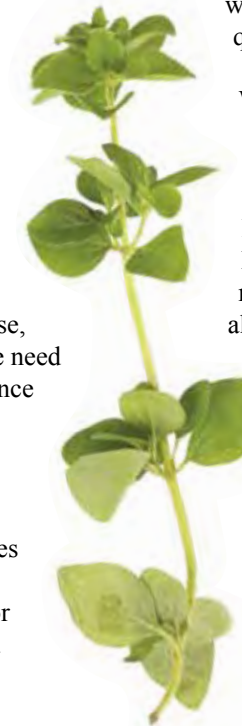
Food and Beverage – In an effort to minimize waste, we ask delegates, through our pre-conference survey, to identify

which social events they will attend and provided meals they will eat, so we can more accurately calculate quantities.

We request venues use reusable cutlery, dishware and linens, whenever possible and that left over food be donated to a local food bank or other charity. Beverages are provided in recyclable packaging (i.e. glass, aluminum cans) and we specify that they are to be recycled.

Now that we are aware of all the possibilities, we can increase our efforts to be "green."

Best regards,
Christine Morrow
Editor Reverse Logistics Magazine



Reverse Logistics Association Mission

Our mission is to educate and inform Reverse Logistics professionals around the world. RLA focuses on all industries in the reverse logistics process. No matter what industry, High Tech, Automotive, Medical/Pharmaceutical, Publishing, Apparel, 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, USPS and UPS. 3PSPs like Teleplan, Foxconn, Solectron, and Jabil, along with small service providers have found that the RLA resources help advertise their services. OEMs like Microsoft, HP, Palm, and Sony, along with Retailers like Wal-Mart, Canadian Tire, Tesco and Best Buy all participate at our events. Our online RL Magazine and Weekly News Clippings help OEM, Branded and Retail companies find service partners that were unknown to them.



Message from President and Founder of RLA

The cover of this edition of the Reverse Logistics Magazine graphically depicts the search that OEMs and retailers undertake to find third party service providers. Over the years I've noticed that manufacturers try their very best to assimilate all the resources they have to meet the needs of their growing reverse logistics requirements. What happens if you don't know any vendors that can support you in your existing or new reverse logistics requirements? That is one of the challenges today of reverse logistics professionals—the difficulty in finding partners that can help you reach your objectives to support the needs of your customers while at the same time assisting in the growth of your company. We hope that you will look at our RL Quote request for information process.



Over the past two years, since we introduced RL Quote, we've seen a number of retailers and OEMs benefit from the process. The amount of time that it has taken for them to prepare a statement of work has been greatly reduced, all at the same time increasing their awareness of the many worldwide vendors that exist in the area of service that they need. Companies like Lexmark, VTECH and Home Depot are just a few companies who have benefited from this RLA service.

Almost every week, I'm invited to visit the reverse logistics operations of manufacturers, retailers and third party service providers that are supporting OEMs. I'm always amazed at what I see; some operations should be given an "A+" while others, well an "F" would be too good of a grade. I'm always encouraging everyone I meet to look for best practices. But this is difficult when you're trying to manage the day-to-day operations, while at the same time trying to find new ways to improve your processes. There isn't enough time in anyone's schedule to do both, that's why we have our conferences and expos along with our RL Seminars and Workshops. These events give everyone a chance to share best practices while making good contacts from companies that are your counterparts from a noncompetitive environment.

During my sites visits, it is apparent that some mistrust exists between vendors and suppliers in the reverse logistics process. This is always counterproductive and leads to destructive outcome. For those companies that have created an open environment for exchange of best practices between the manufacturer and third party service providers, the outcome is always the same, great customer satisfaction, reduced process time and costs and finally a better working environment.

I hope this edition of RL magazine will be a catalyst for opening new ideas on your internal process of selecting partners and vendors.

I look forward to seeing our old friends at Reverse Logistics Conference & Expo in Amsterdam while at the same time making some new friends!

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:



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.



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.



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.



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).



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.



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.



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

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- Spare Parts Management



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Board of Advisors, Continued

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.



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.

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

www.reverselogisticstrends.com/company_advisory.php

Money Talks

Full articles available from: RLA News Center www.reverselogisticstrends.com/news.php

Cisco invests in networking start-up Avega

Cisco Systems is expanding its home networking efforts by participating in a \$7 million round of funding in Avega Systems, a maker of wireless home technology.

Spire Capital Purchases a Majority Interest in SalvageSale

SalvageSale, the leading online marketplace and services provider for the insurance industry and corporate end-of-life assets, announced today it has completed a recapitalization with New York-based private equity firm Spire Capital Partners. Terms of the recapitalization were not disclosed.

Dexterra Closes \$36 Million Funding Round Led By New Enterprise Associates

Dexterra, Inc., the fastest-growing mobile business software company worldwide, today announced the close of \$36 million in funding. New investor New Enterprise Associates led the round, joining existing investors Canaan Partners, Intel Capital, Mesirow Financial, Motorola, and Sigma Partners. The funds will be used to position Dexterra for strategic, measured growth in 2007, while working to achieve profitability by the end of the year. Dexterra has achieved more than 250 percent year-over-year growth since its inception in 2002, and leading industry analysts predict the mobile business software market will be more than \$1 billion by 2010 – one of the fastest-expanding segments in the enterprise software market.



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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:

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Advisor – Gailen Vick, RLA

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- John Coffield, GENCO
- Bob Sullivan, The Wireless Source
- Al Mahesh, TOPP Service Solutions
- Joseph Tarantino, Sprint Nextel
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Imaging

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- Clare Lindsay, U.S. EPA
- Ken Purfey, AICPA
- Emily Rodriguez, The Results Group

Food & Beverage

Chairperson – Don Rombach, GENCO

Committee Members:

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- Lori Kleinschmit, ConAgra Foods
- Sharon Joyner-Payne, Carolina Logistics

India Market

Chairperson – Sanjeev Kakar, RT Outsourcing Service Limited

Automotive

Medical/Pharmaceutical

Publishing

Apparel

China Market

Aerospace

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

Reverse Logistics – an Enterprise Issue

by Emily G. Rodriguez and Kevin J. Steele

Anyone who has a passing awareness of how products are made, packaged and shipped is aware of “logistics.” As defined by CSCMP (Council of Supply Chain Management Professionals) logistics is “that part of the process that plans, implements and controls the efficient and effective flow of goods, services and related information from the point of origin to the point of consumption in order to meet customers’ requirements.” This is a forward focus—from origin to customer.

The Reverse Logistics Executive Council (RLEC) defines its namesake process “as a specialized segment of logistics focusing on the movement and management of product and resources after the sale and after delivery to the customer.” Although RLEC correctly focuses on activity after the sale and delivery of goods, it defines reverse logistics as a “specialized segment” and not an industry unto itself, nor potentially a routine or normal part of business.

Even the SCOR (Supply Chain Optimization Review) model developed by the Supply Chain Council, which now includes returns, shows it as the last link in the supply chain process. Although returns may be the last step in supply chain, it is the first step in the world of reverse logistics, a world where processing a single return transaction can take as many as 10 times the number of steps required by a forward transaction.

An article by Jean Murphy in the September 2004 issue of Global Logistics and Supply Chain Strategy takes into account some of the additional issues related to product returns. “It includes not only product that needs to be quickly restocked for

resale, but also product that needs to be repaired or refurbished, often under warranty, and product that needs to be sold to an alternate channel or disposed of safely and in accordance with environmental regulations.”

Dealing with product returns is complex. There are service, repair, and transportation costs, and customer satisfaction, financial and disposition needs. In an effort to deal with all the related issues, some companies have begun to look at the customer service, financial, disposition decisions, material handling, testing, repair and refurbishment associated with warranty and service parts from an enterprise point of view. Even when companies create positions with titles like VP of Reverse Logistics, in too many cases it is still a fragmented situation, where service and warranty are most commonly managed separate from the “customer service” issues of transit damage and fulfillment errors, and excess product returns are handled by a third function—even though they

may all affect the same customer. The enterprise view of Reverse Logistics Management is just now beginning to be understood. The industry is still defining itself, much like the earlier evolution of the logistics and supply chain industries.

Companies who really care about customers, quality and product design, and about reducing costs, are beginning to explore what can be done to satisfy the customer while minimizing the internal impact. They are also finding ways to get valuable information about the returned product back to where it can do the most good—back to product design.

Quantum, a leading manufacturer of storage products, reengineered their entire returns management process to develop the capability to provide this feedback to product design. The key element involved a very fast triage process to segregate returns into two categories, one for product design related issues and a second for all

others such as configuration, stock rotation, packaging, etc.

Returned product was then routed to the appropriate Failure Analysis and Disposition Center. Design issues were rapidly diagnosed by appropriate engineering resources, a resolution established and fed forward to design teams working on next generation products. Returned inventory was then reworked, resold, or scrapped as appropriate. Overall savings came both from rapid design issue resolution and effective management of the returned inventory that was reprocessed and resold. But the greatest savings came from the returns that were avoided through improvement in next generation product designs. Today, the reverse logistics space is still poorly defined, complex, costly, seemingly not very customer focused, nor part of a centralized corporate

Dealing with product returns is complex. In an effort to deal with all the related issues, some companies have begun to look at the customer service, financial, disposition decisions, material handling, testing, repair and refurbishment associated with warranty and service parts from an enterprise point of view.

effort. But change is coming and Reverse Logistics Management is being recognized as more of an enterprise issue with a focus on reducing costs and capturing value. Rapid evolution in solutions with the ability to automate this complex area and to link it with the rest of the enterprise is taking place. Knowledgeable help, needed

for process redesign and functional reorganization, is also now available to help companies solve this major business and customer satisfaction issue. RLM



Emily is a Senior Consultant with The Results Group, with over 25 years of logistics and supply chain experience, and a special focus in the area of returns management. She is a frequent speaker, workshop presenter and has had a number of articles published on the reverse logistics industry.



Kevin Steele’s twenty-year career has been focused on working with companies ranging from start-ups to multi-billion dollar corporations. He is noted for his expertise in product development acceleration, manufacturing and supply chain process improvement, strengthening customer support operations, and international logistics management.



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Can WEEE Cope? How to Turn a Problem into an Opportunity



by Paul James

Any brand owners and importers of electrical equipment obligated by the new WEEE regulations have officially missed the boat if they have not yet joined an approved compliance scheme. Paul James, head of WEEE services at DHL takes a look at some of the main issues facing companies and says that it's not too late to turn a problem into a business opportunity.

The seriousness of fulfilling your obligations under the WEEE regulations cannot be underestimated. As a pan-European piece of legislation, the Waste Electrical and Electronic Equipment Directive is a cornerstone of the EU's approach to environmental responsibility.

Hence, the new legislation demanded that obligated WEEE producers should have registered with a compliance scheme by 15 March, with full compliance coming in by July 2007. Certainly, the Environment Agency and the DTI are initially likely to use a light touch when it comes to 'bedding down' the WEEE regulations, but be warned, there are sharp teeth behind the wan smile of the agencies tasked with the smooth implementation of the legislation.

Research from DHL, supported by figures from the Environment Agency, suggests that as few as 30% of businesses affected by the WEEE Directive actually met the deadline of 15 March, when all obligated companies should be registered with a Producer Compliance Scheme.

Clearly, awareness levels of the new legislation are "depressingly low," especially among small and medium sized businesses, with up to a quarter of affected companies not even being aware of the new regime.

Research from DHL's WEEE compliance scheme indicates that as many as 10,000 smaller UK brand owners and importers of electrical equipment are not prepared for this new burden on their business.

Before launching our own publicity campaign to highlight the WEEE legislation, we undertook research among smaller businesses in the UK. We were shocked by the low levels of awareness and understanding about this important new law that was introduced in the UK in January this year.

Using independent agencies to undertake research into current

awareness levels of the new law, we found that while most larger retailers, electrical equipment manufacturers and importers were generally well aware of the issue and progressing towards compliance, many small and medium sized importers and manufacturers of branded goods were largely in the dark over the WEEE regulations. Nearly 20% of companies we spoke to either didn't know if they needed to register with a compliance scheme or admitted that they would miss the deadline.

While many larger brand owners and importers are working towards compliance, many businesses run the risk of being left behind or facing fines simply through ignorance. If these businesses do not act now, they could find themselves at a competitive disadvantage when the legislation comes fully into force and risk heavy recycling bills, or even prosecution, for non-compliance.

Under the legislation, all retailers of electrical goods will be required to provide a free 'take-back' service to non-business customers who purchase a new electrical product. The customer would either bring their old product to the store when they buy a like item or, in the case of deliveries, the

retailer may be expected to collect the old appliance from the customer's house. The retailer will be responsible for covering this cost as well as delivering the WEEE to a designated collection point, the next stage in the logistical chain, to be recycled in accordance with the new regulations. Alternatively, retailers can contribute towards the funding of local authority collection infrastructure to which they can then direct their customers.

Companies who manufacture or 'produce' electrical or electronic products will be required to meet the collection costs of WEEE from local authority sites as well as the treatment, recovery and environmentally sound disposal of it in accordance with the regulations. This involves correctly documenting the type of WEEE, storing and handling it correctly, contracting and managing appropriate recyclers and providing an auditable trail to the Environment Agency to prove that the old products have been recycled in accordance with the regulations.

For those businesses that have not yet joined up, electing a compliance scheme that can be relied upon to discharge your company's legal obligation is not a simple job and deserves serious consideration. ►

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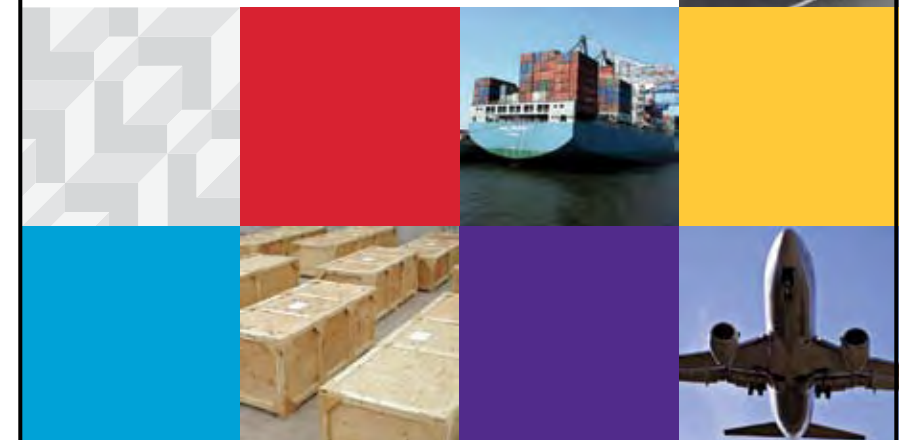
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Similarly, choosing a compliance scheme based purely on its ability to fill in forms and quote possible WEEE costs is unlikely to provide a wholly satisfying solution for most companies. A quality scheme should be able to offer much more strategic level advice, helping your business to understand more of the bigger issues surrounding the new legislation, particularly the potential impact on customers. Taking a pan-European view of the issue could also, for example, enable many larger businesses to take full advantage of economies of scale and international experience.

Brand Values

Businesses and their compliance scheme could get a rude awakening once they begin to appreciate that the WEEE regulations will oblige them to interact with that most unpredictable of creatures; the general public. While offloading your WEEE responsibilities to a third party certainly takes away a lot of the pain, the wrong choice of partner could cause havoc with your hard-earned reputation.

Remember, the fulfilling of the WEEE regulations will mean that the supply chain needs to work in both directions and far more customer interaction is likely to occur than is currently the case. You need to make sure that your compliance scheme understands your brand values – otherwise you might find a discrepancy between your idea of ‘quality aftersales service’ and theirs.

In short, it would be wise to appoint a compliance scheme with a strong reputation of its own to protect before entrusting it with yours.

Logistics Costs

Relatively little has been written about the logistics element of WEEE regulations, which most industry experts predict will account for around 60% of the total cost of compliance.

While a track record in the waste sector is an obvious prerequisite for any potential WEEE partner, proven capabilities and experience in the logistical challenges of the new legislation will be equally important. Make sure you ask your prospective compliance scheme about its previous experience of WEEE in other EU states and its transport capabilities in the UK. Has it previous experience of collecting waste electrical equipment or returned goods, how will it minimise costs and environmental impacts, can it ensure adherence to waste and transport legislations and does it understand how to maximise value recovery?

Global WEEE Experience

Being able to join the dots when it comes to WEEE is another important capability that a good compliance scheme should be able to offer. For any business operating in more than one EU country, being able to handle collection and recycling on a pan-European basis will bring benefits of sharing best practice and achieving economies of scale for customers.

Also, a good working knowledge of the practical implementation of WEEE across Europe – which differs from country to country – will be a major issue for those businesses operating across borders.

Money Talks

Few people realise that compliance schemes, like businesses, that go

belly up have no legal obligations towards their members should they fold. So, once you’ve paid your membership fee – which might tie you in for more than one compliance period – you’re taking a gamble that your chosen scheme will be around for at least that period. With the large number of schemes having applied for EA approval, it’s a fair bet that some will fall by the wayside as the WEEE market matures.

Without sounding over-dramatic, it is worth considering the financial stability of any prospective schemes before handing over any monies.

Undoubtedly, the WEEE regulations form an important part of the UK’s new legislative landscape. Choosing the right compliance scheme should not be a case of sticking a pin in the donkey and hoping for the best. It should be about forming a long-term partnership with a service provider that really understands your business and how the WEEE regulations will affect relations with your customers.

WEEE gives good businesses another opportunity to turn a negative into a positive. The right choice of compliance scheme is a central part of this decision making process. Getting it right takes time, care and a lot of management input. Getting it wrong could take just minutes, but cost years to repair.” RLM

Paul James is general manager of DHL’s environmental compliance solutions and is based in Coventry, UK. DHL is the global market leader of the international express and logistics industry, specializing in providing innovative and customized solutions from a single source.

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. Be sure to join us on the canal cruise sponsored by Cycleon on Tuesday evening!

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
Exec. VP and General
Manager of Philips
Consumer Electronics
Region Europe

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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- ▶ Streamline the processing of your returns using our automated returns management software - OrderVision®
- ▶ Improve cash flow by increasing operational controls
- ▶ Unearth hidden value in your supply chain



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DATA EXCHANGE CORPORATION

Expo Floor Plan

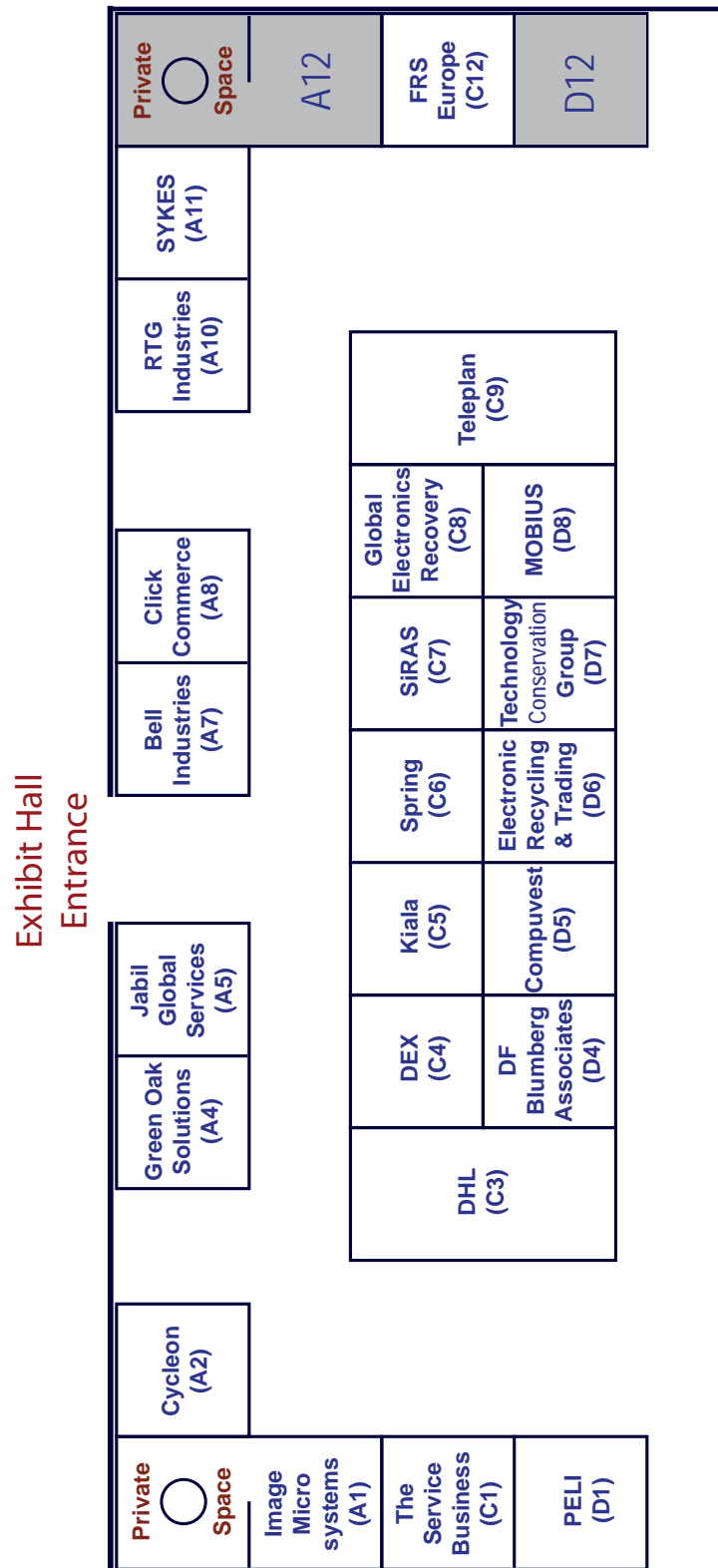


Exhibit Hall
Entrance

RLTS AMSTERDAM CONFERENCE & EXPO

Conference Schedule

MONDAY - JUNE 25, 2007			
9AM to 4PM	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 Association	Industry Overview, Size and Forecast Steve Huff - Director of Market Research Reverse Logistics Association	
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	Reverse Supply Chain - The Challenges Fabrice Lamarche, Director Reverse Supply Chain Operations, Hewlett-Packard GmbH	A New Value Proposition for Reverse Logistics in Europe Andre Olde Hampsink, Sales Director Cycleon	Scenarios and Strategies in Retail Asset Protection and Recovery Kristin Secreto, Senior Manager - Client Services SiRAS.com Inc.
2:30PM	Panel Discussion: Increasing Customer Loyalty and Managing Environmental Challenges Moderator: Ray Martin, Director Solutions Management, ClickCommerce	Thinking Forward in Reverse Logistics Mark Eldridge, Director Strategy & Marketing Spring Global Mail	The Added Value of Quantitative Decision Support Systems in Reverse Logistics Peter Vanderschaeghe, Partner & Senior SCM Consultant, MÖBIUS
3:30-4:00PM	REFRESHMENT BREAK - EXHIBIT HALL		
4:00PM	Panel Discussion: WEEE & RoHS Impact on OEMs & 3PSPs Moderator: Chris Ernst Founder, Accerio	Presentation of Research on Reverse Logistics John Cullen, Professor of Accounting Management, University of Sheffield	Case Study: Reducing Costs and Enhancing RL Practices Scott Ermeti, VP International Business Pelican Products
5:00-6:00PM	Round Table Discussions (Hosted by Speakers) - Hors d'Oeuvres/Refreshments		
6:30-9:00PM	Evening Canal Cruise Sponsored By Cycleon		
WEDNESDAY - JUNE 27, 2007			
8:30AM	EXHIBIT HALL OPENS		
	Track A	Track B	Track C
9:00AM	How Green Is Your Software? Conor Carton EMEA Operations Manager, Adobe Systems Ireland	Optimising Reverse Logistics in a Globalised World Jacob Verhagen, SVP Sales & Marketing, Global Service Logistics, DHL Exel Supply Chain	Reverse Logistics Trends Sven Verstrepen, Logistics Expert Flanders Institute of Logistics
10:00	INTERMISSION - REFRESHMENTS - EXHIBIT HALL		
11:00AM	Panel Discussion: New Ways to Streamline Operations, Drive Profits, and Delight Customers Moderator: Eelco Dijkstra, Managing Director, Euphoria Consulting	Strategic Response to WEEE Directive Dr.ir. Harold Krikke, Senior Researcher CentER Applied Research Tilburg University	Cradle to Cradle: Product Re-birth, The True Goal of Recycling Gary Bothmann, VP Business Development, Electronic Recycling & Trading
12:00-1:30PM	BUFFET LUNCH - EXHIBIT HALL		
1:30PM	Panel Discussion: Reverse Logistics Issues in the Retail Industry Moderator: Michael Blumberg CMC, President, Blumberg Advisory Group, Inc.	Creating Value from Returns Brad Schultz, VP Global Customer Service Operations, Sun Microsystems	Product Return Solutions Frank Jahn, Director Benelux Kiala
2:30PM	Panel Discussion: Methods of RL Outsourcing Moderator: Jan Willem Rustenburg Partner, Gordian Logistics Experts BV	Cisco's Reverse Logistics Journey Francine Carrick, Operations Manager, Cisco Systems	Who Cares About The Customer? Nick Sellers, Marketing Director - EMEA, Sykes
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)		

*Schedule subject to change.

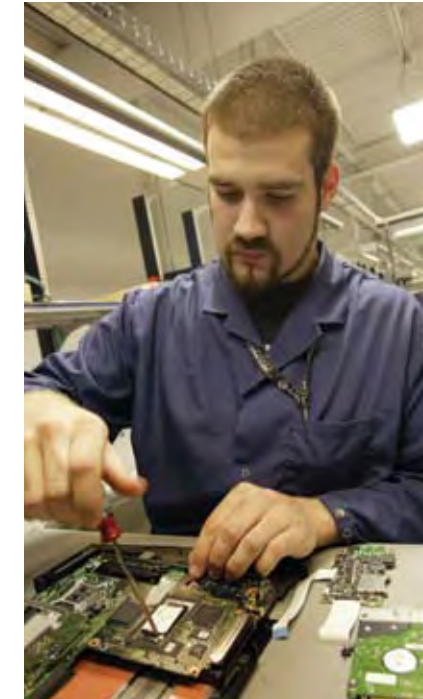
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|  Gailen Vick - Pres. & CEO, Reverse Logistics Association |  Dr Jacqueline Bloemhof - Asst Professor, RSM Erasmus University |  Francine Carrick - Operations Manager, Cisco Systems |
|  Steve Huff - Dir. of Market Research, Reverse Logistics Association |  Andrew French - Director of Corporate Development, RTG Industries |  Nick Sellers - Marketing Director, EMEA, Sykes |
|  Reinier Jens - EVP and GM, Philips Consumer Electronics, Europe |  Robert McKechnie - CEO, Green Oak Solutions |  Gary Bothmann - VP Business Development, Electronic Recycling & Trading |
|  Fabrice Lamarche - Director Reverse Supply Chain Operations, Hewlett-Packard GmbH |  Sven Verstrepen - Logistics Expert, Flanders Institute of Logistics |  Michael Blumberg CMC - President, Blumberg Advisory Group, Inc. |
|  Andre Olde Hampsink - Sales Director, Cycleon |  Jacob Verhagen - SVP Sales & Marketing, Global Service Logistics, DHL Exel Supply Chain |  Katrien Van Crombrugge - Service AfterSales Manager, DYMO |
|  Kristin Secreto - Senior Manager, Client Services, SiRAS.com Inc. |  Eelco Dijkstra - Managing Director, Euphoria Consulting |  Peter Junger - President, SiRAS.com Inc. |
|  Ray Martin - Director Solutions Management, ClickCommerce |  Gerben Willems - CEO, Cycleon |  Karina Grassy - Operations Manager Digital Commerce, Nike |
|  Mark Eldridge - Director Strategy & Marketing, Spring Global Mail |  Charlie O'Shaughnessy - Global Returns Manager, Intel |  Jan Willem Rustenburg - Partner, Gordian Logistics Experts BV |
|  Peter Vanderschaeghe - Partner & Senior SCM Consultant, MÖBIUS |  Frank Roch - Sr. Consultant SCM, Mobius |  Lisette Limmen - Program Manager Global Logistics, IBM |
|  Chris Ernst - Founder, Accerio |  Dr.ir. Harold Krikke - Senior Researcher, CentER Applied Research, Tilburg University |  Tom Inhetveld - Director Business Development, EMEA, Jabil |
|  Bob Cleary - Sr Regional Service Manager, Microsoft |  Frank Jahn - Director Benelux, Kiala |  Ron Kula - VP Supply Chain Solutions, DEX |
|  Marco Hogenboom - Regional Customer Manager EMEA, DHL Worldwide Express Logistics |  Chantal Leclercq - Partner Relationship Manager, Hewlett-Packard |  Ian Rusher - EMEA Logistics Program Manager, Cisco Systems |
|  Brad Schultz - VP Global Customer Service Operations, Sun Microsystems |  John Plunkett - Director of Client Relations, Bell Industries | |

Speedy After Sales Service Can Mean Increased Profits How post-sales can benefit high-tech manufacturers

by Phil Corwin

Consumers have traditionally had high expectations of the way their high-tech products perform, but those expectations have grown to include exceptional customer service as part of the post-sales experience. Today, consumers expect their high-tech products to work reliably right out of the box. And when something goes wrong with the equipment, they want the defective product repaired or replaced and returned to them quickly. When original equipment manufacturers (OEMs) demonstrate excellent post-sales repairs, they can reasonably count on enhanced levels of customer loyalty, which translates into future purchases. These lessons learned are changing the way high-tech OEMs operate their business.

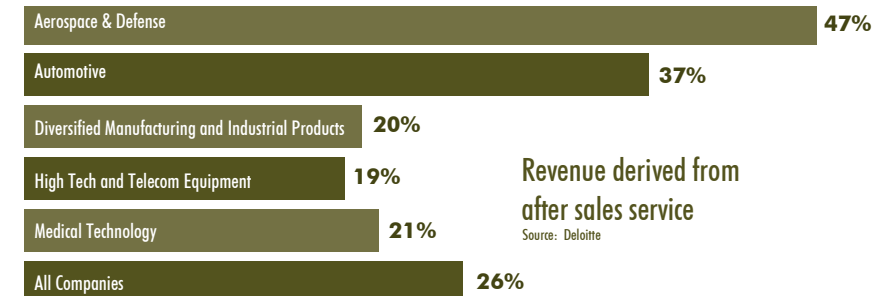
post-sales services was 75 percent higher than it earned from the original product sale.



Post-sales Service Leads to Profit and Differentiation

Post-sales, once viewed as a necessary evil by many companies, now operates as a profit center for many OEMs. In fact, a Deloitte Consulting LLP survey of more than 80 manufacturers, revealed the customer service fees (for

OEMs are also realizing that providing best-in-class repairs is a competitive differentiator. As many high-tech products become more commoditized,



which premium prices can be charged) accounted for more than 25 percent of total sales revenue, and in some cases, as much as 50 percent. A survey referenced by Transport Intelligence Ltd., a London, England-based research firm, found that the average profitability a company received from

how an OEM responds to a service failure can become a competitive advantage. In an Aberdeen Group survey about service, 59 percent of respondents claimed to invest in their post-sales services as a way to gain an advantage in new product sales.

The 3PL Advantage

Most high-tech manufacturers know that achieving speed and consistency in post-sales service can be a real challenge. By hiring the right 3PL, high-tech equipment manufacturers can meet or exceed their customers' service level expectations and leverage repairs as a brand differentiator. When searching for a 3PL, companies should ensure the 3PL has the following capabilities:

- A global field stocking network
- Strategically located distribution centers
- Parts and inventory planning capabilities
- Advanced IT and visibility systems that allow companies to locate inventory at all times
- Expertise to guide the manufacturer through import/export, customs brokerage and freight forwarding processes

Conclusion

By outsourcing their post-sales service needs to a 3PL, high-tech companies can focus on their core competency – manufacturing innovative products. A 3PL can also provide added value in an increasingly competitive marketplace where even the most cutting-edge technology can transform into utility or commodity status. By executing a strong repairs strategy, companies can have healthier profits, a competitive advantage and increased customer loyalty. RLM



Phillip Corwin, marketing director, is responsible for the UPS Supply Chain Solutions' post sales portfolio which includes service parts logistics, reverse logistics and repair services. He sets strategic

direction, measures customer satisfaction, develops new services and initiates quality improvement for the post sales product portfolio.

The Risks of Inadvertent Data Disclosure

by Robert Gallagher

In today's digital world data security is becoming more important for everyone. Corporations have spent tens of millions of dollars on front-end data security of their IT assets and infrastructure. However, in many cases they have all but overlooked what are today's biggest threat and easiest method of inadvertent and fraudulent data loss and ID theft of confidential information – recovery of data from decommissioned and discarded computer and storage media.

When you consider both business and consumers, the estimated pieces of computer equipment being scrapped over the next five years is estimated to be one billion.

It is imperative that sensitive and confidential data be properly and securely destroyed before electronic storage devices are discarded or reassigned.

As consumers continue to amass large amounts of digital content, they require enhanced storage capacity on their consumer electronic products. A recent report by In-Stat stated that total worldwide shipments of hard drives will increase dramatically over the next five years, growing from approximately 304 million in year 2004 to 500 to 600 million in year 2009.

Data Capacity

Let's look at an 80-gigabyte hard drive.

What fits inside?
You Choose:

- A stack of documents 11,100 feet high

- 8,000 digital photos
- 20,000 downloaded songs

New Laws and Acts Governing Data

- Health Insurance Portability and Accountability Act (HIPAA)
- Sarbanes-Oxley-Act (SOX)
- Gramm-Leach-Bliley Acts
- National Industrial Security Program (NISP)
- Patriot Act
- Identity Theft and Assumption Deterrence Act
- The Fair Credit and Accurate Transaction Act (FACTA)
- Family Educational Rights and Privacy Act (FERPA)
- Securities and Exchange (SEC)
- Canada's Personal Information Protection and Electronics Documents Act (PIPEDA)
- Federal Information Security Act (FISMA)
- Children's Online Privacy Protection Act (COPPA)
- Federal Trade Commission Act
- Federal Data Protection Act
- Basal 11
- Other emerging Federal, State and Local regulations and laws

Currently there are nearly 30 state laws on data protection offering varying degrees of security and enforcement.

Liability Issues

Non-compliance of these laws and regulations may lead to sanctions, fines, imprisonment and civil law suits. The real cost to companies may be far greater than any fines and civil lawsuit.

The Federal Trade Commission (FTC) has reported that companies and financial institutions had losses totaling \$48 billion. Consumer losses were \$4 billion in out-of-pocket expenses.

Corporate Responsibility and Social Accountability

Companies need to develop compliance policies, processes, and chain-of-custody practices in

an effort to perform due diligence in their responsibility to protect the "Intellectual, and personal Property Rights" of their employees and customers.

The first, fourth and fourteenth amendment of the United States Constitution gives us the fundamental right of privacy. As such there is a legal responsibility by company executives and IT managers to protect personal information, (financial, medical and personal).

Failure to protect and destroy sensitive and confidential data can have catastrophic consequences to a company on numerous levels, financial loss, irreparable damage to a company's reputation and brand, as well as civil and criminal liability for directors, officers and IT managers.

Can you afford the exposure created by the inadvertent loss of data resulting in fraudulent use of secretive, sensitive and personal data?

Consequences and Penalties for Non-Compliance

Directors, Officers & IT Managers	GRAMM LEACH BLILEY	SARBANES OXLEY	FACTA	HIPAA
Penalty Per Violation	\$10,000	\$1,000,000		
Institution				
Penalty Per Violation	\$100,000	\$5,000,000	\$11,000	\$50k to \$250,000
Years in Prison	5 to 12 years	20 years		1 to 10 years
FDIC Insurance	Terminated			
Impact on Operations	Cease and Desist			
Individual				
Civil Fines	\$1,000,000		Civil Action	
Institution				
Civil Fines	1% of Assets			

Recent Headlines

Civil Lawsuits and Fines

Criminals Target Discarded PCs

A recent probe has discovered that confidential bank account information has been recovered from computers donated to Nigeria. Recycling centers were the source for many of the computers involved in the bank account breaches.

- BBC News

Disk Drives and Data Sold on eBay

Idaho Power Company, the Idaho-based utility, hired a disposal firm to recycle 230 SCSI drives. Some of the drives were sold on eBay and still contained sensitive customer information.

- Computerworld

Patients Sue Doctor Over Old Computer

Patients of plastic surgeon filed a class-action lawsuit against him after

he placed an old computer containing private patient records in his trash. The lawsuit seeks unspecified damages for negligence, invasion of privacy and breach of fiduciary duty.

- The Kansas City Star

State of Montana Find Data on Disposed Computers

State auditors found two thirds of computers from eight state agencies contained data on them that was easily retrievable using readily available data recovery software. Auditors found disposal practice ineffective.

- Government Technology

Financial Institution Fined

Nationwide Building Society, a leading financial institution in the UK was fined \$1.9 million USD by the Financial Services Authority following data loss of 11 million customers.

- BBC News



Robert Gallagher is President of Gallagher Associates Consulting which specializes in global reverse logistics for the consumer electronics and computer markets.

Gallagher Associates provides business strategy, organizational transformation, tactical and strategic direction for both national and global business development. Robert is actively involved in many professional industry associations and regularly speaks on subjects such as Sarbanes Oxley, HIPAA and other laws pertaining to data security and destruction with respect to end-of-life electronic assets.

Outsourcing Reverse Logistics

OUTSOURCING, everyone is talking about it, some are doing it, but few are doing it well. We're constantly being asked to do research at the Reverse Logistics Association (RLA) on outsourcing and our findings will surprise you. Here are a couple of questions that we are asked time and time again;

- What percentage of companies have outsourced to third party service providers (3PSPs)?
- What are the main principles to outsourcing your Reverse Logistics (RL) process?

"Traditionally research in RL means collecting data and analyzing in a particular area of concern, such as best practices in spare parts management or the size of the returns market. While the decision to outsource may seem to be more intuitive than analytical, using typical research methodologies is very helpful in determining whether outsourcing is indeed the right solution," says Steve Huff, Director of Research at RLA. Our research shows that approximately 50 percent of companies are outsourcing their reverse logistics process today.

The most important step for outsourcing any part of your reverse logistics process is to define your company objectives. Objectives should be goal oriented and have metrics to measure the progress of the project. When developing the objectives, you should leave room for creative solutions. Your outsourcing team may discover a new process or technology

that might totally change your defined objective. If you treat outsourcing like a research project, then you make a better decision. Outsourcing definitely has benefits, provided it's implemented properly for your organization. Through collection of good data and analysis, you will gain a better understanding of what is best for your organization.

Another area to consider early in the process is whether your company is ready to outsource. Just because "everybody else is doing it," probably is not a good enough reason for you to outsource. But if you can quantify the costs of your present operations, then that could become a crucial piece of information in the process of deciding when to outsource. Make sure you evaluate your real cost. Many times a manufacturer hasn't included engineering, quality and procurement management as part of their internal cost. As the vendors respond to your future RFQ, you may be surprised that some quotes are higher than the internal costs that you have projected. This is usually because your measurement has not included all of the hidden costs that exist in your present process; items like engineering hours to support your line, assistance from procurement being billed to another department or parts that you use in your process which transfer at no cost from manufacturing. However, what are the internal organizational and process changes that would have to be implemented for an outsourcing solution?

You'd be surprised how companies make decisions to outsource without taking a course on how to handle an outsourcing operation. All sorts of metrics need to be measured, decision points to overcome, subjective decisions have to be overcome with objective ones and

measuring process for selecting a vendor?

The answer is that some sales and marketing teams are able to convince companies that "what they see and measure is not

everything that's important." In other words, "smoke and

Initially, you might want to look at other companies in your market area or even your competitors. Are they outsourcing now? If not, why not? If they are, what are they outsourcing? Do any of these correlate to your own company's practices and processes?

The first step for outsourcing is to prepare a "Request for Information" (RFI) to send to as many potential vendors as possible. Those that respond to your RFI will be the list of

vendors that might offer the solution you need. This is where most companies falter—they have a small list of qualified vendors and have no idea of how to find new

The Outsource Decision

Department	Item	Business Fund.	Cost	Weight
Accounting	Cost Tracking			
IT	Invoicing			
Materials	Problem Resolution			
Process Eng.	Process Control			
Quality	Reporting			
Facilities	Real Time Data			
Management	Repair Tracking			
	Transmission Capability			
	Returns Mgt.			
	Purchasing			
	Inventory Control			
	Process Control			
	Process Doc Control			
	Engineering			
	Repair Expertise			
	Test Expertise			
	ESD Control			
	Organization			
	Practices			
	Methodology			
	Document Control			
	Training/Document			
	Warehouse			
	Environment			
	Power Stability			
	Expansion			
	Senior Mgt.			
	Operations Mgt.			
	Operations Flexib.			
	Cost Reduction Eff.			
	Production Flexib.			

Outsourcing Matrix

Department	Item	Business Objective	Critical Issues	Risks
Accounting	Cost Tracking			
IT	Invoicing			
Materials	Problem Resolution			
Process Eng.	Process Control			
Quality	Reporting			
Facilities	Real Time Data			
Management	Repair Tracking			
	Transmission Capability			
	Returns Mgt.			
	Purchasing			
	Inventory Control			
	Process Control			
	Process Doc Control			
	Engineering			
	Repair Expertise			
	Test Expertise			
	ESD Control			
	Organization			
	Practices			
	Methodology			
	Document Control			
	Training/Document			
	Warehouse			
	Environment			
	Power Stability			
	Expansion			
	Senior Mgt.			
	Operations Mgt.			
	Operations Flexib.			
	Cost Reduction Eff.			
	Production Flexib.			

3PSP Ranking Matrix

Statement of Work

most of all, reaching a clear-cut decision on the type of partner that you want. Many times a manufacturer will select a 3PSP after measuring all the details in their selection process along with detailed weights on each criterion and still make a decision to select a vendor whose score was very low. How can this happen when the selection team has developed a

"mirrors" can get in the way of making good decisions. They have a "gut feeling" that overcomes their intellectual analysis. It's just called "good old fashion" salesmanship. Don't be fooled—stick to the facts and you will end up with a good outsourcing experience. We encourage you to take a course on outsourcing. RLA teaches these courses several times each year, look at the www.RLTShows.com event page for the next available course.

ones. A large response from many different 3PSPs is more advantageous for potential outsourcing partners. The 3PSPs are out there, you just have to search, search and search. If your database of suppliers consists of only 4 or 5 companies, then you will not have a good chance of successful outsourcing. There are many consultants that specialize in helping companies

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outsource their reverse logistics. RLA has a searchable database of 3PSPs and consultants. Don't try to outsource your process if you've never done it before—including a consultant who is knowledgeable in the outsourcing process will save you time and

that is outsourcing should have the candidates visit their process where the work is currently being performed. The 3PSPs should have an opportunity to evaluate the process and give feedback on best practices. While at the site the 3PSPs should help write the statement of work (SOW) during the visit. It will only take these 3PSPs a few hours to write a SOW, where it would normally take you months. The 3PSPs are experts in the RL process, and are the best qualified to write an SOW. Later on you can use the SOW with revisions to meet your objectives. Our RLA research has found that programs are outsourced 6 to 18 months earlier by the manufacturers when this process is used. It saves a great deal of time and money for both the manufacturer and the 3PSP. "Using RL Quote saved us three months off our outsourcing process, and it gave us a much wider selection of companies than we would have had using our own resources," S. A., The Home Depot, Inc.

Now it is time to determine the cost of using a vendor outside of your company by asking for an RFQ (Request for Quote). After the OEM has approved the written SOW by the 3PSPs, the OEM sends the RFQ to the most qualified 3PSPs. The evaluation criteria should be based on more than the lowest cost; also consider the 3PSPs ability to complete the project, quality of work and the reputation and recommendations that you receive from professionals in your industry.

The last step is the selection of a vendor and transfer of the process to begin implementation. The 3PSP with best ability to complete the objectives is selected. The OEM and 3PSP begin implementation and the OEM monitors the 3PSP by:

- Setting Measurable Objectives
- Quality Audits
- A Management Structure for handling unexpected problems

In summary, just to recap the most important elements of outsourcing:

1. Find as many potential vendors as possible
2. Create a method for measuring your findings
3. Be sure of your internal process cost
4. Stick to the facts—don't let your feelings overcome your research
5. Allow 3PSPs to write your SOW—it saves you 4-6 months of your time
6. The 3PSP quote might be higher than your internal costs—you have probably missed something
7. Employ a knowledgeable consultant to assist you in your outsourcing process

Five Considerations for Evaluating Returns Software Solutions

by Lee Norman

We will with this article, assume that you are in some way motivated to find a solution to better manage your returns. Perhaps you're highly-motivated and are simply being proactive in addressing the needs of your constituencies. Or, maybe your leadership requires significant cost reductions from your organization and you think the returns arena may be a great source of those savings.

Irrespective of your motivation, however, we want to provide you a blueprint for evaluating software solutions that have the potential to assist you in meeting your objective. It will not be comprehensive, as the needs specific to your market and company should dictate requirements. However, we will outline below, the top ten variables to consider when soliciting requests for proposal, or for designing and developing your own solution in-house. These are not necessarily listed in any order of importance, as only your business needs can adequately establish the most appropriate prioritization.

I. Gatekeeping.

As initially conceived in 1947, the term "gatekeeping," was used to describe a mother as the person who decides which foods end up on the family's dinner table. Extending the concept to supply chains, it is more commonly used today to describe a decision point at which information or materials are determined acceptable for entry into a system.

As it relates to returns, the concept is a bit more complex. Two primary functions are served. First, the traditional role remains in that unauthorized materials are refused from entering the reverse flow. Second

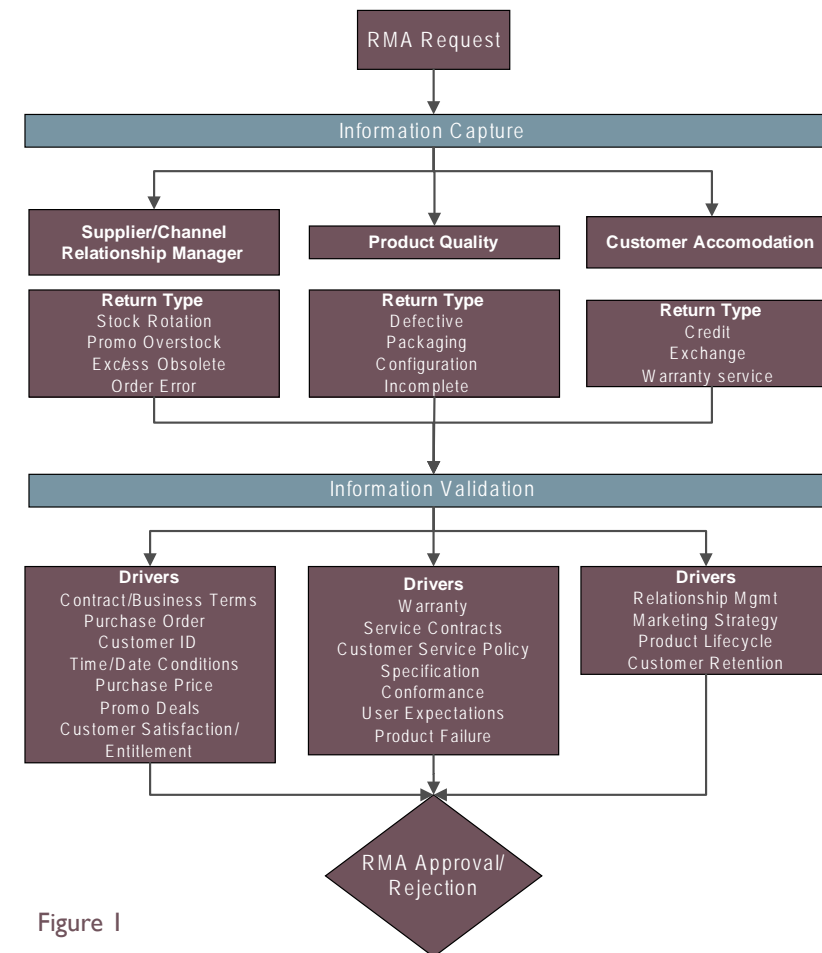


Figure 1

and just as importantly, its purpose is to capture data related to that specific return so that the opportunity exists to drive a disposition determination at the point of inception, or alternatively, so that synthesized intelligence about the returns population can be published to interested parties (e.g. Quality, Supply Chain, Customer Service, Aftermarket Services).

This function occurs at the point in time where a Returns Material Authorization (RMA, also known as Returns Goods Authorization or Returns Merchandise Authorization) is granted to the initiating party (e.g. Distributor, Customer, Vendor). It is critical to differentiate here between the ability to simply issue an RMA

(which many systems can do), and the ability during the process whereby an RMA has been requested to validate individual items against predetermined variables (which fewer systems can do). The latter is where the heavy lifting associated with gatekeeping is performed. Figure 1 depicts the data sources that enable gatekeeping via automated rules and validation.

2. Configurability.

Equally important, buyers should consider the ease of which the gatekeeping criteria or system flows may be altered to support ever-changing business needs. While some solutions in the market today demonstrate robust functionality, business users remain reliant on ▶

Our research shows that approximately 50 percent of companies are outsourcing their reverse logistics process today.

money. For companies that need a unique process there is RL Quote (www.RLQuote.com), a tool for RLA members to reach out to those who are presently managing a similar process or one that is identical to yours. Once you have received the information from the 3PSPs, you should narrow the list to the 4 or 5 best candidates. The company

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information technology resources (internal or external to their organization) to alter the returns system. Solutions do exist, however, that provide greater flexibility via user empowerment, thereby minimizing this dependence on others. Consider the following two areas during the evaluation process.

a. Rules. User-defined, rules utilize data attributes to define acceptable actions in a system. For example, rules may be applied to requested returns as a point of validation, automating the decision point for acceptance or rejection.

As a point of illustration, consider that Customer A maintains a 5% return allowance with your company. This allowance, having been established as a rule in your software, will dictate whether a request by Customer A to return 500 units falls within the 5% parameter. The resulting action would be an acceptance (full or partial) or rejection of that specific request.

Using the same example above, factor in rules for a return reason type of 'defective' and a determination of whether a specific serial is in warranty, a possible outcome using the ruleset might be: approve the return, send the asset to Destination B, trigger a replacement order and send an email to both Customer A and to internal Quality Assurance personnel as confirmation.

Incorporating this level of flexibility into the application makes incremental improvements to process much easier to execute for the business user.

b. Workflow. The processes that materials undergo may

differ dramatically in your business by: facility; product type; the condition of materials; or say return reason (e.g. warranty repair or trade-in). Moreover, a need to drive incremental throughput improvements may require alterations to the material flows. Irrespective of the driver, it is quite likely that your business will experience change and as such, flexibility should be considered for a software solution.

Equally important to flexibility is the ease with which users may automate and implement those flows. Business users should be able to rely upon user-friendly software such as Microsoft Visio or other proprietary software to define process flows for specific parts or subassemblies (see Figure 2), as well as upload those flows into the returns management software. Supporting this type of work

minimizes dependence on internal IT resources for system changes, and also empowers the functional constituencies that derive value from the application.

3. Platform.

The technology platform and integration methods are important considerations with any Returns Management solution. The returns process typically involves multiple systems and locations supporting a variety of communication protocols. The integration points may include ERP systems, WMS systems, and proprietary systems at 3PLs and Repair Depots, among others.

The returns system should have native integration support for the most popular systems such as the ERPs from Oracle and SAP to help

accelerate deployment. To further streamline integration, the returns system should support standards-based integration protocols and a connector methodology to easily connect existing business processes without duplicating the work already taking place. In the case where the ERP is already effectively managing 20% of the returns process, it is important that the returns management system may be plugged into the existing process and provide incremental, required functionality without disruption.

Service Oriented Architecture (SOA) is the key to efficiently tying all these complex systems together. This interoperability is driven through the use of web services that leverage XML-based open standards such as Web Services Description Language (WSDL) and Simple Object Access Protocol (SOAP). These services can also bridge the gaps through communication protocols such as RosettaNet and EDI. Without the use of web services and a connector methodology, the implementation of a returns management system can turn into an integration nightmare.

Performance is another important consideration related to integration. The returns system must be flexible enough to support real time validation to external systems when needed, but also support batch upload processes when data is less volatile and performance is critical.

4. End-to-End Process Automation.

Presently, systemic gaps exist in the management of returns. This is due to two primary factors. First, many organizations have outsourced a significant portion of their supply chain (including the reverse logistics elements).

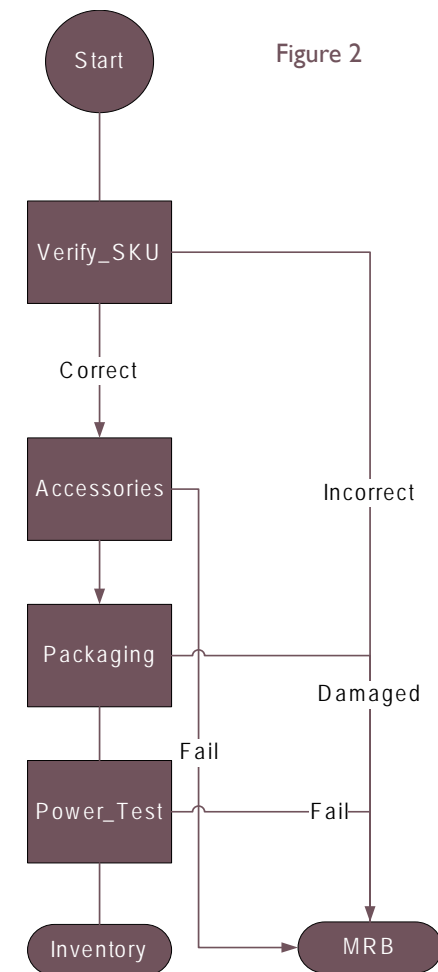


Figure 2

Secondly, systemic capabilities do not meet the needs of most organizations. Generally, the market can be partitioned into one of two camps. Either the organization remains manual in processes (85% employ the use of Microsoft Excel spreadsheets), or they have cobbled together systems to handle the myriad functions related to returns. Few solutions incorporate the primary functions into one package. Thus, the entire process flow is generally not automated.

5. Intelligence Accessibility.

An application that yields the aforementioned benefits will do wonders for any company. However, those elements alone prove insufficient in today's competitive market. It is critically important to provide access to not only the data but also the intelligence garnered during the process to internal and, as appropriate, external stakeholders.

a. Web-based user interface. Increasingly, organizations are outsourcing, or planning to outsource, activities related to returns management. AberdeenGroup recently published a study identifying the fact that nearly 70% of telecom and utility companies currently outsource repair/refurbishment functions and 44% rely on partners for asset recovery.

Continued on Page 40 ►

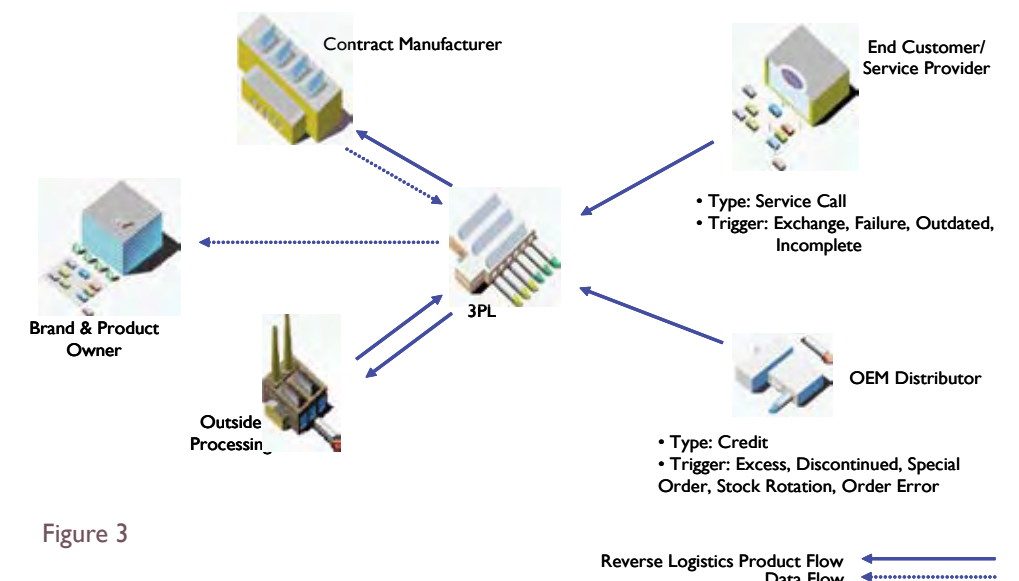


Figure 3

On the Move in Reverse Logistics

Kip Ferris, former Vice President of Sales at Celestica Global Services, has joined Jabil Global Services as the new Vice President of Business Development. Kip will be responsible for maintaining Jabil's market leading growth in its industry leading Global Services Operations. After spending 13 years in the logistics and after-market services industry with companies like Exel, Sanmina-SCI and Celestica; Kip intends to leverage Jabil's world-class reverse logistics, depot repair and service parts logistics capability to provide industry leading execution and customer service solutions.

Sean Grady, former V.P. of Sales and Marketing at RazorLynx, has joined Solectron Global Services as the new Global Account Manager for one of Solectron's largest OEM customers, a world leader in networking hardware. Sean will have bottom line responsibility to manage this strategic account and will actively pursue new global service and supply chain solutions including global strategic alliance strategies.

After having spent 14 years in business with Schenker, TMI Integrated Logistics and Solectron, **Stef de Bont**, is launching a new company – Logi3. Logi3 aims to support companies with improving their logistics and supply chain competences by offering Interim Management and Management Consultancy services. The focus areas of Logi3 are: Distribution Logistics, Service Management (Service Logistics) and Organizational Development.

Catastrophic Failure and Recalls

RL Quote provides OEMs, ODMs and Retailers a way to connect with 3PSPs. With RL Quote, a manufacturer or retailer can send out RFIs anonymously to our worldwide database of companies that specialize in recalls, screen through the responses and narrow down the prospects.

Product Liability and Recalls

Product liability and recalls create a challenge of crisis management, if not handled properly, the effects can be catastrophic. Public safety is at stake. Corporate reputation and corporate responsibility are at stake. Product liability and recalls can lead directly to massive litigation, from both consumers and the government.

Missteps and poor communication can have a catastrophic impact on the brand, stock price, and reputation. Choosing the ideal 3PSPs for best practices in handling product liability and recalls, can seem to be a near impossible task given the short time allowed by government regulations. The RL Quote program can help find 3PSPs fast. For more information please visit www.rlquote.com

articles

Product Recalls: Now What?

by Carl Brewer

Recently, recalls have made headline news. From pet food and peanut butter to washing machines, recalls take all forms and can happen to any manufacturer. For most manufacturers, nearly all of the brainpower and muscle goes into pushing products out the door – often overlooking the critical moment in the customer relationship that comes when something is returned. Those who invest in planning for a reverse logistics event before one happens will find that when done right, returns can deliver opportunities for building better relationships with customers, salvaging revenue and learning from past mistakes to build a better, next generation product.

The key to any successful return process – whether due to product failure, public pressure or criminal tampering – lies in having a plan in place that can be implemented on a moment's notice and addresses the major components of recall management. Leaders are defined by their ability to act quickly and decisively, especially in a crisis, making internal communication and accurate real-time data essential. Knowing what's happened and when, and communicating it throughout the chain often provides the ability to get in front of a recall – holding back what is still in the network, before it hits the streets.

When faced with a product failure or any issue that requires products be returned, answering these five questions gives manufacturers a reliable plan of action:

- **Who controls the process?** A plan is only as good as the people who execute it. Create a reliable team that takes responsibility for the plan. From the CEO to the dock manager – make sure that there is ownership down the hierarchy – everyone needs to know what their role is and be able to execute the plan on a moment's notice.

Remember: This is a critical time and the checks and balances that you would normally rely on to assure quality, consistency and accuracy need to stay in place for the reverse logistics process.

- **How to communicate it?** All recalls need to be quickly communicated to the internal staff, stores selling your products and end-users.

Inform employees! While everyone at the organization needs to be apprised of the situation, the most important people are those that will

handle the external communications and warehouse/receiving center. The first step is to create a checklist of activities that need to be done for communicating outward.

Next, identify who needs to be spoken with, and what the priorities are for outreach. Instinctively, one would think that it would be a great starting point to simply identify where products have been shipped. This is not as easy as it sounds, as most products distributed today are tracked by the case and pallet levels. Even if you are not a pharmaceutical company required to comply with the Federal Drug Administration's (FDA) stringent chain of custody regulations – these processes have value. Whether you're a manufacturer doing direct ship or a 3rd-party logistics provider, tracking products at the lot and serial number levels; and capturing where products are shipped, who the receiver was and

how to get in touch with them can be the best way to mitigate the risks inherent in a recall.

Lot numbers are

typically tracked over a period of time, so the better the time-based view of inventory within each lot, the better limits or controls the organization can have on a recall. If you know that an issue occurred at a certain time, all inventory in the lots affected can be proactively managed. With serialization of inventory, each product is uniquely identified (i.e. timestamps within a lot), so the better the serialization the better the visibility in managing product recalls.

Since you'll never know what product will be recalled, make this part of your regular routine. Think about how much easier it is to track down products when you have detailed information on when it

Remember that not all recalls can be proactively managed, be sure that you're available to answer incoming queries and get the message across to your buyers.

was made and where they were sent, rather than trying to rebuild the information afterwards.

Remember that not all recalls can be proactively managed, be sure that you're available to answer incoming queries and get the message across to your buyers. From service phone lines to public announcements in the news and on web sites, customers want to have a way to get information fast. For example, in the battery

recall last year, Dell set up a website so that customers could enter the numbers on the bottom of their laptop and the site would automatically recognize which batteries needed to be returned. Not only did Dell reduce the numbers of "missed" returns, they were able to communicate with the customer specifically

what they needed to do to send products back and proactively let customers know when a replacement product would be available.

What's wrong with it?

Determine the scope of the problem. The key is to have a system in place that diagnoses the problem quickly. Not all recalls are a total loss, so find out what value remains in the products that can be recaptured. Communicate to the end-user what is wrong and how you can correct the issue. Sometimes all it takes is a replacement part or an upload of a software patch.

If there isn't a simple fix, communicate this down to the end-user and be upfront about the worst case-scenario. If you can't define the select set of customers affected, it may be best to send your whole customer base a notice. Customers would rather be forewarned, than not warned at all. So, don't leave any rocks unturned.

Where do I accept it?

Establishing a central location where all returns are accepted, recorded and assigned a chain of custody is the critical next step in ensuring control over the process. Recalls can often cause chaos. Automate processes so that the receiver knows exactly what to do with products before they start showing up on the dock. Depending on what's wrong with the product – especially critical

in medicine – special steps such as "gate-keeping areas" may need to be put in place to accept the product back into the warehouse. Again, good communication is essential at this stage: customers want to know that a credit or replacement is on the way; different points throughout operations need to know that inventory has returned, a product might have a quality issue, a customer might need a higher touch, shareholders might want to know how well a crisis is being managed and reports need to be filed with regulators.

What do I do with it?

There are really only three options: resale, reclamation of critical components or destruction. Each requires systems and infrastructure that will ensure that resolution is complete, regulations are complied with and that the best possible outcome – where loss is minimized – is achieved.

It's fair to say that most manufacturers will never have to deal with returns on the scale of those in the headlines, but that doesn't mean that the reverse logistics process should be an afterthought. Establish processes that capture the complex array of issues. Best-in-class organizations have tools and procedures in place to successfully avoid, as well as deal with product recalls. RLM



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Asia's premiere Reverse Logistics Event will bring three full days of Reverse Logistics. Starting on Tuesday, October 2nd, with RL Workshops and continuing on Wednesday and Thursday with sessions and exhibition.

Workshop topics include "Progressive Dispositioning Process," "Lean Repair and Reverse Logistics Trends" and "Best Practices & Benchmarks in Reverse Logistics." For more information on workshops, visit: www.rltshows.com/singapore.php

The RLTS conference kicks off on Wednesday with the Keynote Address, followed by sessions presented by RL professionals, leading academics and panel discussions on topics such as:

- Global Challenges in IT Asset Recovery and Electronic End-of-Life
- Managing Costs on Returns and Warranties
- Service Logistics including Field Service, Spare Parts Management and RMA

A wide range of leading regional and global 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 the Far East, along with identifying solutions for Europe 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 and the Conference and even book flights and hotel. Exhibitor space is available for purchase as well.



The "New" Mexico – Better than Ever

by Mark DeLong and Brad Hendrick
Second of a two-part series on near-shore outsourcing or "near-shoring."

In the not too distant past, the label "Made in Japan" denoted cheap products that did not always adhere to high quality standards. Today, Japan has become a leader in the electronic and technical industries.

In much the same way, Mexico has struggled with a stamp of disapproval. Americans developed a stereotypical view of an inferior production and unmotivated workforce in Mexico.

The 1990s proved to be a wake-up call to Mexico and the world. Mexico's catastrophic financial woes led them to recreate themselves. Today, Mexico's economy is thriving and its workforce is robust – in both large and small cities.

NationMaster.com rates Mexico's economy as 12th out of 230 countries (just below Canada and Korea) and 14th in exports (20th in technical exports). Mexico has made a dramatic financial recovery and continues to make impressive improvements in education and literacy. In fact, it is

becoming one of American companies' favorite near-shore options for outsourcing.

U.S. companies have found great benefits in near-shore outsourcing with Mexico. Going south of the border rates well in all of the Five Cs of Outsourcing mentioned in Part 1 (RLMagazine Fall 2006) – Culture, Convenience, Cost, Complexity and Customer Satisfaction. Mexico's proximity allows for quick turnaround and delivery, offering transportation modes not available from countries located across an ocean.

In addition, Mexico's culture is familiar to many Americans. Workers are increasingly bilingual, which is ideal for companies needing call centers that cater to both English- and Spanish-speaking customers. Mexican cities also provide for the complexities and strengths many corporations need: skilled workers and current technology. Mexico has a strong labor force and hosts such companies as Volkswagen, Lextronics, Flextronics, Celestica and General Electric.

As with all outsourcing decisions, one must consider several factors

before finding the right solution. You must find a company that meets your requirements in several key areas to assure your partnership will be successful. We've made a list of these considerations; they include location, labor pool, wages, stability, border relations and technical confidence. If you make an incorrect decision in any one of these areas, you could see a substantial hit to your bottom line. Unlike the Five Cs addressed in Part 1, making a mistake in any one of these areas can greatly affect your experience and, ultimately, your bottom line. Organizations should look carefully at each of the following:

Location – Companies that choose Mexico as an outsourcing partner usually do so because they depend on a quick turnaround of products. Repair centers, especially, depend on getting products back to the customer or store within a day or two. Companies need to be aware of all transportation options available to and from their outsourcing partner. Mexican companies may offer low labor costs but may be located in an area that adds time in transportation. ▶

Labor pool — Mexico's labor pool is robust, with workers ranging from unskilled to being highly skilled, technically. Many of these workers (the percentage increases as the skill set increases) are bilingual. They are motivated and have a strong work ethic.

Wages — Here's where companies tend to underestimate the cost of outsourcing to Mexico. The higher the skills needed for laborers, the nearer the wages compare to those paid in the U.S. If your company needs high-skilled labor, the wages you pay may not create the savings you may be expecting. The disparity in labor costs occurs mainly when relying on lower-skilled workers.

Stability — As Mexico's economy improves, many new companies continue to spring up. It is important to

make sure that the company you choose (or the management of that company) has a proven track record. This is true in almost all areas of business, from management to border relations.

Border crossing — Getting your product across the border can be tricky and/or time consuming unless the company you work with has a positive relationship with customs on both sides of the border. Stops by inspectors can add hours or even days to your transportation process.

Technical confidence — Depending on the needs of your company, ensure that the outsourcing company you choose has a proven track record in technology. The labor pool is rich with workers at all skill levels, but you need to know the company you hire is set up to meet your needs. Some outsourcing

MADE IN MEXICO

companies take on several types of manufacturing and repairs in the same facility. Whether you make dog bones or are doing sophisticated electronic repairs, be sure the company has what you need to get the job done quickly and efficiently.

Conclusion: It's important to look at the big picture. Companies must take into account all costs when deciding where and how to outsource. Many businesses tend to believe that outsourcing to a foreign country automatically costs less. This can be true if the company you choose is reputable and lives up to the standards you set. Mexico's thriving economy, strong educational systems and proximity make it a great candidate for near-shore outsourcing. Just make sure you do your homework. RLM



Mark A. DeLong, Director-Technical Support Services at Arvato Services Inc., has over 25 years RL experience in the wireless industry. He has extensive experience

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



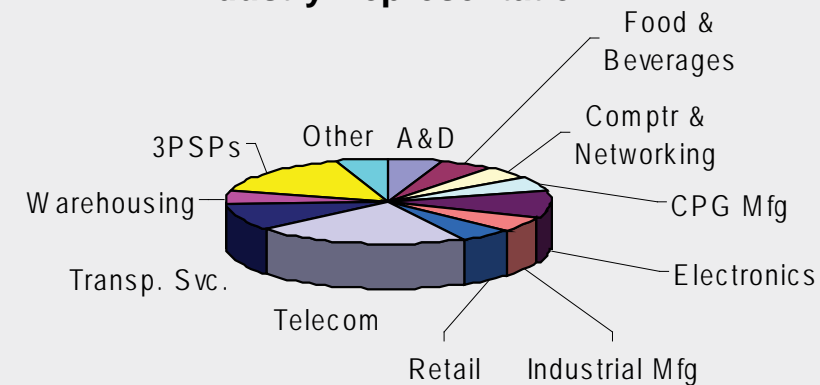
Brad Hendrick has over 22 years RL related experience with companies including Nokia Mobile Phones, Solectron Global Services, Sprint PCS and most recently as

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

IT Subcommittee Update

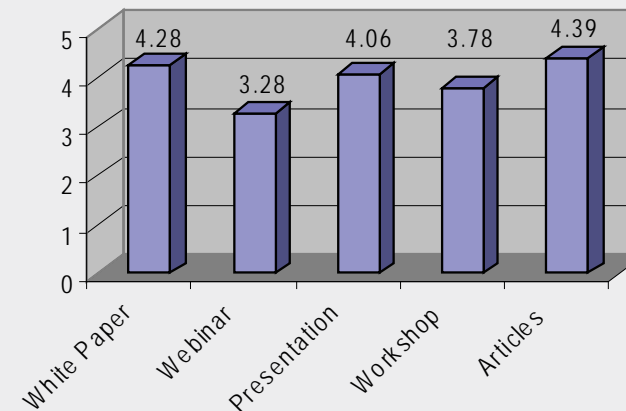
The IT Subcommittee recently published a survey of the Reverse Logistics Association membership. The Subcommittee will continue to utilize the feedback to guide and direct resources for the benefit of the membership. At this point, the top five areas of interest to members are as follows:

IT Subcommittee Survey: Industry Representation



1. Building a business case for returns management/reverse logistics
2. A Returns management process model
3. Identifying a best-of-breed reverse logistics IT solution
4. Reporting, business intelligence and returns
5. Metrics definition and benchmarking

Preferred Distribution Method



Also of importance is the fact that 37% of respondents to the survey to date have been executives. This, in concert with the fact that just over 21% of respondents hail from the telecommunications industry, yield interesting insights.

Should you like to share your views, please take 5 minutes to fill out a survey at: www.surveymonkey.com/s.asp?u=209783205881

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RL Research



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Call 510-440-8565 or send e-mail to "research@rltinc.com" for more information.

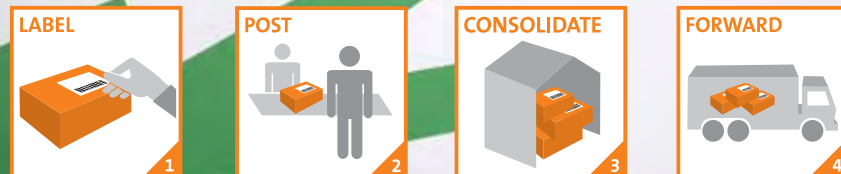
Multi-company sponsorships welcome!

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Further, 30% of Aerospace and Defense, and 20% of High Tech firms plan outsourcing initiatives in repair/refurbishment and returns management over the next 12 to 24 months.

This partnership orientation creates a geographically disperse environment that potentially spans multiple time zones and work shifts. Moreover, by employing user- and role-based authentication, users from across the world can login and perform functions or access data or intelligence, consistent with their permissions, at all hours of the day, each day of the year. Thus an inherent limitation of the outsourced model is minimized.

b. Dashboard. Supply chain executives close to returns management identify with this one fact: most do not have good data or

intelligence related to their returns population. AberdeenGroup published the following findings:

- 30% do not know the value recaptured from returned parts/products
- 33% do not know the percent to new products returned within the initial warranty period
- 32% do not know their overall reverse logistics costs as a percent of sales

Given these figures, it is apparent that a solution must provide readily available and meaningful information. This intelligence should be actionable, the underlying data and its presentation should be configurable to the business need, and it should provide scorecards for performance against either a benchmark or goal.

Best practices in this arena are to afford individual users the ability to customize their views (of the 'portal'), searches, and/or key performance indicators to their business function. Further, the system should support the export of information into various file formats, including Microsoft Excel, as well as presentation on mobile devices for quick reference. RLM



Lee Norman is senior manager of Enterprise Returns Management for ClearOrbit.



Technical Trends with Bryant Underwood

Building Diagnostic Technical Repair Capability

When developing RL solutions, the portion of the work that focuses on inventory control and logistics or that provide screening and testing, tend to be processes that are relatively easy to implement, well developed and consistent. For most clients, the scope of their needs extends far beyond these basic services. If you are an RL service provider, at some point in the process, solid depot repair capability will need to be developed internally or found through partnerships.

When I speak with other RL Operations Managers, the number one topic by far is how to setup and configure the technical side of the RL operation that will be performing the component level repair. For many, this becomes so difficult a proposition that in an effort to overcompensate for technical gaps, so much staff and equipment gets loaded into the planning that pricing exceeds market acceptable ranges or the RL vendors just reduce their scope to Level 1 and 2 types of repairs and refurbishment. Let me share some thoughts on how to bring structure and order to solutioning highly technical repair operations and greatly improve the value add you can provide.

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In order to bring clarity and structure to addressing depot repair, we need to do some simplifying of the chaos and complexity that exists. Some points to keep in mind as we build our outline are:

A. There are only three tasks that can be performed to repair an electronic device.

1. Replace a part
2. Soft fix (SW upgrade, flash, tuning, etc...)
3. Reflow (repair of poor soldering – this is a more significant issue with lead free builds)

B. The repair service resources must reflect the needs of the product. For example, if you are doing module level repair for PCs, then an "A+" tech will be fine. If you need to provide component level repair of switch mode power supplies in servers, then an "A+" level technician will be of almost no use and greatly lacking in the capabilities needed.

C. Training is key to success. Many try to overlook the training aspect as just more cost. It is not. Good training does many things and they are all beneficial.

1. Think of training as software for your most expensive piece of test equipment. Consider this – the typical lease cost for a major piece of test equipment from R&S or Agilent may range from \$1500-\$2000 per month. Would you lease test equipment without the SW to operate it? No, it would be a wasted investment. Highly competent technicians will cost 2.5X that amount and training is the software they need to perform consistent, high quality work.

2. For most staff pay is only a short term motivator; for technicians, this is especially true. These tend to be people who enjoy challenges and problem solving. Good training will better promote positive attitudes and better performance for these staff. This higher job satisfaction will reduce 'HR issues' and the costs from churn through staff that are dissatisfied with the work environment.

3. When an employee is first hired there is a very narrow window of time to instill into that person your company's beliefs and values. This is critical if the company is to be a market leader. The reason is this – work gets performed either ►

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from ‘effort’ or from ‘systems and culture.’ Most novice managers attempt to drive all solutions through effort – this is not a sustaining solution. You can tell that ‘effort’ is the key strategy at a company when performance seems to go OK, that is until someone goes on vacation or gets ill. etc... Then it all just falls apart in a storm of corrective action plans. A much more successful way to achieve good operational outcomes is to leverage systems and culture. The systems part we will save for another time – but culture is based on the beliefs and values the employee associates with the company. These associations drive a sustaining performance driven culture and good training is how this is achieved.

With these points in mind, let’s talk about how to structure the toughest part of RL supply chain – Component Level Repair (AKA Level 3 or Level 4 Repair). If you are starting up a Component Level Repair Service from scratch then you need good engineering management resources to help in the screening process to find the right technical staff. If you are not a strong technical manager, do not try to do this yourself. Get someone with a high degree of technical knowledge and experience in this industry. What level of technical knowledge am I speaking to? A typical question that I might ask of a technician candidate during an interview for hire as a Level 3 technician might be, “ why would a totem pole drive configuration be used to control a MOSFET in a switch mode power supply and how would you diagnose a failure in that drive circuit?” If that sentence makes sense to you, your good to go for technician screening interviews.

Now that you know how to find the right technicians, what should the line configuration and mix look like? For most products, there are three categories of staff skills needed for the component level repair portion of an RL Operation:

1. Rework. Percent needed in typical component level repair line-25%. These are staff with a high degree of fine pitch and BGA solder training. You will want them to be IPC 7711/7721 certified. You can hire staff with these skills or add them with your training suite. The

For most products, there are three categories of staff skills needed for the component level repair portion of an RL Operation: Rework, Diagnostic and Rote Repair.

reason you want certified rework staff is to minimize board damage. The number one reason that product is returned as un-repairable, is damage to the board caused by the rework staff at the repair operation. Most clients will want

to be compensated for the damage created. The value of competent, certified staff is more than worth the cost of the skills.

2. Diagnostic or Level 3 Technicians. Percent needed in typical component level repair line-20%. These are your real ‘brain trust’ for repair. They have been well-trained and most likely helped develop much of your product specific training for the rest of the operation. They will discover the root cause of your failure modalities and keep your engineering team advised of trends to update and improve your process. In my opinion, the best level of general certification for this level of technician can be obtained from ISCET (International Society of Certified Electronics Technicians). All ISCET certified technicians must pass a rigorous associate level test and then pass follow on tests that cover specific product technologies. These include communications,

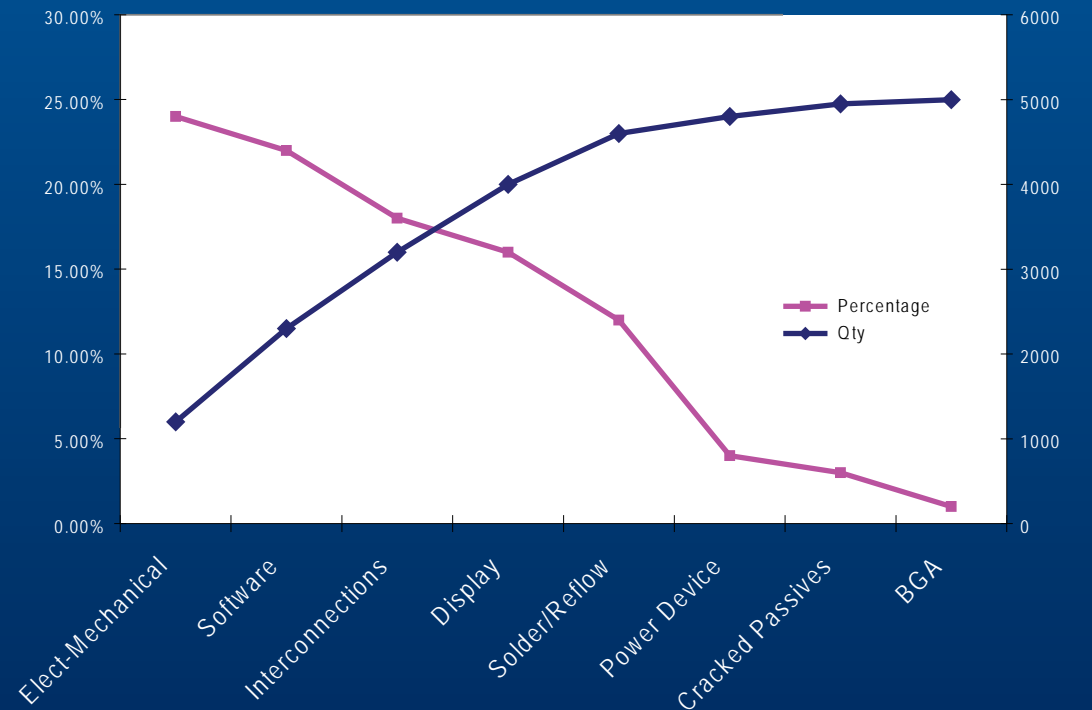
computing, TV/Displays, Appliance, Industrial Controls, etc... The associate level test is tough enough that most staff employed as Level 3 diagnostic technicians would not be able to pass it.

3. Rote Repair of Level 2 Technicians. Percent needed in typical component level repair line-55%. These are the guys that are the real backbone of the operation. Most have worked their way up at the company or on the product being repaired and typically have little training and no certifications. They will need to have high rates of production and should be managed to only have a limited amount of time to accomplish the repair before moving the product to the Diagnostic Technician.

The reason for this structure is based on the assumption that most products are well designed. This level of solid engineering we see in the marketplace on electronic products tends to produce failures modes that are predictable with a trend that can be documented. The trends even have a high degree of consistency across product lines. The typical Pareto of failures for 5000 units to benchmark a startup operation against can be seen in the following chart.

What you will notice from the chart is how many of the failures really do not require a highly skilled diagnostic technician. This is why the mix of staff with these skills is targeted to just ~20% in the Level 3 production

Failure Modes



line. Too many of these staff adds unnecessary cost and since they have high skills you need to keep them tasked and busy. Some of the most poisonous work environments I have ever seen are caused by having high skills technical staff with too little work to perform. The Diagnostic Technicians are an absolute requirement, just be sure to get the highest skills and watch your staffing mix to ensure you can keep them busy.

Once you have a reasonably well functioning diagnostic repair operation in place, then you need to be looking at the data. The failure modalities, parts usage, labor minutes per unit; these are all critical metrics that allow you to keep the process in control. Various drivers of the failures WILL CHANGE over time and you must be looking at the data. This is the only way to keep training up to date and keep quality and costs under control. In addition, distilling data into information will ensure you become a critical partner for your client. By forwarding as much of this information as possible upstream, your

client will have much better tools for their own business control. Notice, I said information not data. Clients have little need for data. Data just means more work needs to be done – information on the other hand has immediate value and demonstrates a thoughtful purpose and message. This will be treated like gold by your clients. I recall from the last RLTS Conference in Las Vegas, Gailen Vick asked the question of the audience at the keynote address, ‘who here is happy with their IT system?’ Only one person raised their hand. This just further emphasizes the need to collect good data and USE IT to provide closed loop control of the process and to drive actionable information back into your client’s hands.



L. Bryant Underwood is Director, North Americas Service at Foxconn Technology Group. Bryant's past positions include GM, Director and VP level assignments in support of Operations, CRM, Materials and IT.

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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.

Back by popular demand, Gailen Vick, RLA President and CEO and Krista Finazzo, BSN Service Improvement, US Postal Service, co-presented "What's New in Reverse Logistics" at the National Conference on Operations & Fulfillment in Schaumburg, Illinois on May 1, 2007.

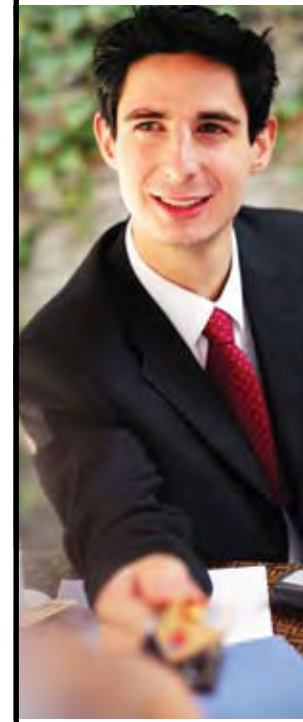
During the presentation, Gailen defined

reverse logistics for the attendees as "anytime money is taken away from a company's logistics budget." Other key points from the presentation included that reverse logistics typically eats away 30-35% of potential profit and that 70-90% of every dollar generated through asset recovery goes straight to the bottom line, per A.T. Kearney. To learn more, download the NCOF presentation from the RLA home page.

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.



RL Job Center



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

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



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Upcoming Events

RLTS Conference & Expo – Amsterdam

Dorint Sofitel Amsterdam Airport Hotel
June 25-27, 2007
<http://www.rltshows.com/amsterdam.php>

Entertainment Supply Chain Academy (ESCA) – Los Angeles, California

Century Plaza Hotel
June 27-28, 2007
www.entertainmentsupplychain.com

Six Sigma in Retail and Service Industries Conference – Chicago, Illinois

The Congress Plaza
June 13-14, 2007
www.wcbf.com/quality/5071/

RL Seminar – Milwaukee, Wisconsin

July 18, 2007
www.rltshows.com/mil07_event.php

National Electronics Service Dealers Association – Denver, Colorado

Marriott Tech Center Convention – July 24-28, 2007
Trade Show – July 26-27, 2007
www.nesda.com/npsc/index.html

RL Seminar – Chicago, Illinois

August 15, 2007
www.rltshows.com/chi07_event.php

RL Seminar – Columbus, Ohio

September 12, 2007
www.rltshows.com/col07_event.php

RLTS Conference and Expo – Singapore

Le Meridien Singapore Hotel
October 2-4, 2007
www.rltshows.com/singapore.php

RL Seminar – Austin, Texas

October 17, 2007,
www.rltshows.com/aus07_event.php

PARCEL Forum 2007 – Chicago, Illinois

October 29-31, 2007
www.logisticsmgmt.com/event/15721.html

Wireless News

iPhone a threat to marketplace?

The latest ChangeWave consumer cell phone survey shows the startling impact the Apple (AAPL) iPhone continues to have on the cellular industry. The survey of 3,489 members of the ChangeWave Alliance – conducted April 4-10 – reveals the huge ripple effect created by the upcoming June release of the iPhone.

Business sells 'protection clothing' to keep you safe from cellphones

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Gailen and Ken Ueltzen viewing Comtek's cutting edge BGA equipment.

Comtek Computer Systems

On a recent trip to the Sacramento area, Gailen Vick, President of Reverse Logistics Association took the opportunity to visit and tour Comtek Computer Systems, one of the world's leading 3rd party technical services and supply chain providers. Comtek has been specializing in 3rd party depot repair services since its inception in 1989. Throughout Comtek's history, it has continued to expand its integrated value added supply chain services to include warehousing, fulfillment and distribution capabilities. Comtek is ideally situated to service the US marketplace, Asia Pacific and the Silicon Valley OEMs.

During his tour of one of Comtek's Sacramento-based operations, Gailen was impressed by the large scale operations and highly specialized

capabilities in the high-end and mid-range electronics and equipment industry.

Ken Ueltzen, VP/GM led Gailen through the 100,000 sq ft warehouse and 75,000 sq ft production space, where he experienced Comtek's unique offering and ability to successfully manage and process complex products in a high-mix environment. As they walked the floors, Gailen saw production lines focused on enterprise servers, networking and test & measurement repairs and refurbishment. He had a chance to see the infrastructure required to support some of the world's largest OEM customers. That infrastructure included environmental chambers, ICT, RoHS and cutting edge BGA solder equipment to support an operation focused on mission critical

and high-yield production equipment. He also witnessed Comtek's proprietary web-based quality systems with unique detailed data collection, failure analysis and reporting functions.

Service providers working in the repair and refurbishment of products ranging in the low-end to high-end space are constantly being challenged to improve delivery, quality, and service while driving down cost for their customers. Comtek balances all these requirements and continually improves their ability to provide world class services on complex and high value products.

Quick Facts About Comtek Computer Systems:

- Located in the Sacramento, California area
- Over 400 employees
- ISO 9001/2000 Certified
- 3rd Party Technical Services and Supply Chain Services targeting high-tech OEMs
- Supports whole unit (entire systems), and FRU (Field Replaceable Units) like PCBs/PCBAs, Power Supplies, Electro/Mechanical and Opto/Mechanical
- Services include, but not limited to:
 - Screening
 - Repair & Refurbishment
 - Engineering Services
 - Warehousing
 - Fulfillment/Distribution

Product experiences include, but not limited to:

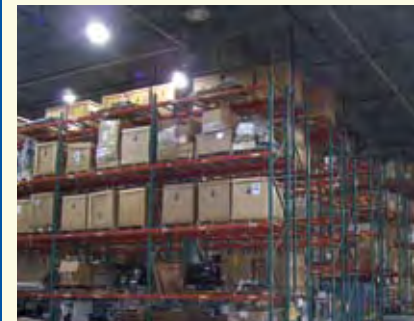
- Enterprise Servers & Workstations
- Test & Measurement Equipment
- Semiconductor Capital Equipment
- Communication and Networking Equipment
- Storage Systems



Comtek Rocklin, CA (Sacramento) Operations



Dominick DeRosa, Ann Nguyen and Paul Tran



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Sims Recycling Solutions – Roseville Facility

Gailen Vick, President and CEO of the Reverse Logistics Association recently paid a visit to one of the Sims Recycling Solutions plants located in Roseville, California. The electronic scrap recycling facility is located near Sacramento and was opened (as Noranda Recycling Inc.) in 1996 to meet the challenge of recycling obsolete electronics which are a growing concern as technology drives consumers to replace their computers, printers, televisions, and electronic products more rapidly. In the mid-nineties, the facility was one of the first in North America providing this type of service to large OEMs and organizations. The facility is ISO 14001 certified, as well as an approved collector and recycler in the California monitor recycling program, SB-50. The plant's 100 employees serve the local community with a free monthly consumer electronics drop off day.

Joining Gailen on the tour was Plant Manager, Director of Engineering Rafael Reveles and Operations Manager Scott Sodenkamp. The tour of the 200,000 square foot facility began in receiving where material is received onto a custom database that uses barcodes to track material throughout the process. The group then walked through the disassembly area where hazardous materials such as ink, toner, batteries, and mercury bulbs are removed at special work stations. Adjacent to this process was a hydraulic bin dumper and sorting conveyor. Employees rapidly sort through material that arrives in large Gaylord boxes; the boxes are then re-used to ship out commodities. Next, there was a dedicated area where devices that still have market value are tested for re-sale and packaged. All the employees in that area were observing ESD (electro-

static discharge) precautions with special smocks and grounding mats to protect the inventory from damage. Data erasure to DOD (Department of Defense) specs occurs during this process to ensure the security of the customer's data.

The tour group then walked to the other half of the building where the massive recycling equipment is located. Several large hydraulic shredders and a 500HP granulator shred the electronic scrap into 1-inch nominal pieces that allows clean steel and aluminum to be separated with magnets and eddy currents. The copper and precious metal streams produced are sent to a North American smelter for refining. The area was very clean and had industrial hygiene controls such as a 30 foot tall dust collector and Hepa filter system to handle dusts produced from shredding.

In concluding the tour, the group was informed of security measures taken to ensure the protection of the customer's material. A tall perimeter fence completely enclosed the building, along with 24/7 manned security personnel. Mounted cameras and sensor enhanced windows provide another level of protection.

Sims Recycling Solutions, an Australian publicly held company, now operates six facilities in North America in addition to those in Europe, and can offer its customers a global solution for their asset recovery and recycling needs. The company's core values embrace continuous improvement, and routinely use Lean Manufacturing and Six Sigma tools to optimize the process and maximize customer returns. The company plans to grow the business and apply new technologies for material recovery.



L-R: Gailen Vick, Rafael Reveles, Scott Sodenkamp



Monitors being received



An associate disassembling a monitor



Copper output from the shredding process



Ferrous product from the shredding process



Returning thoughts...

Reverse Logistics Professional Profile: John Osmer



Reverse Logistics Role: General Manager, Solectron Global Services, Milpitas, California

Responsibilities: Leader of a fast growing aftermarket electronics service and repair team.

Path To Reverse Logistics: John has a diverse background that he draws upon for his role as team leader:

Manufacturing: In my college days I worked in an operation that manufactured Chevy Suburban doors, hoods and fenders.

Supply Chain Management: I completed my MBA in Supply Chain Management at Michigan State University. I then worked in electronics manufacturing Materials and Procurement at Solectron.

People Skills: For my undergraduate degree I studied Political Science. I am constantly drawing on the lessons I learned on people organization, people interaction and how to encourage and support good ideas.

Planning: As a planner for new products, I was often responsible for planning the inventory required for replacement items and service contracts. I was always very surprised at the volume consumed. It was this curiosity that led me into Reverse Logistics.

Reverse Logistics Pleasures:

“Enabling something we can all appreciate: service after a sale. I enjoy Reverse Logistics when we are able to make peoples’ lives a lot easier than they expect.”

Biggest Reverse Logistics Challenge:

“I am constantly striving for more certainty. My biggest challenge in reverse logistics is the uncertainty, such as trying to manage our repair operations production and output, when the main input, the returning items, do not break and are not returned for repair on a schedule.”

Escapes from Reverse Logistics:

“When I am not enjoying my three young children, my free time activities seem to involve planning for uncertainty as well.” John is on the board of directors for his local fire department, helping to assess the appropriate plans, people and capabilities required for the uncertain environment of emergencies.

Most Amusing Reverse Logistics Experience:

“We once received a box that contained the item for repair, a pair of eye glasses, medicine and a ten thousand dollar check from the sender’s employer. Since the eye glasses and medicine were not our prescription, we figured the check was not intended for us either. We of course called the customer immediately and to his relief, sent all the items (including the repaired unit) back right away.”

Paul Rupnow writes about Reverse Logistics best practices, insights and strategies at ReverseLogisticsProfessional.com



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