



articles

## 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

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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**



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