

Reverse Logistics Executives' Council



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PILOT, Zaragoza,

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Reverse Logistics Executive Council

- Mission

- The Reverse Logistics Executive Council is a not-for-profit professional organization whose purpose is to:
 - develop best practice industry standards that take costs out of the system for consumers, retailers and manufacturers;
 - provide on-going benchmarking;
 - return causal information in order to improve the entire Reverse Logistics process.

www.rlec.org



Current RLEC Members

- Avery Dennison
- Black & Decker Inc.
- Braun Inc.
- Canadian Tire Corp.
- COSMAIR
- Federated Department Stores
- GENCO Distribution Systems
- Kmart Corporation
- Levi Strauss & Co.
- Sears, Roebuck & Co.
- Sharp Electronics Corp.
- Sony Electronics Inc.
- Nintendo of America Inc.
- Surplus Direct/Egghead Software
- Thomson Consumer Electronics
- University of Nevada, Reno



Reverse Logistics Executive Council

- Manufacturers and retailers
- Dedicated to taking cost out of the returns process, for both retailers and manufacturers
- Industry-directed research efforts
- RLEC funding supports graduate student research assistance at University of Nevada, Reno



RLEC Structure

- Annual Membership Dues \$5,000
- Three meetings per year
- Meetings held at various reverse logistics facilities around US, and UNR
- Committees devoted to:
 - Product disposition
 - Information systems

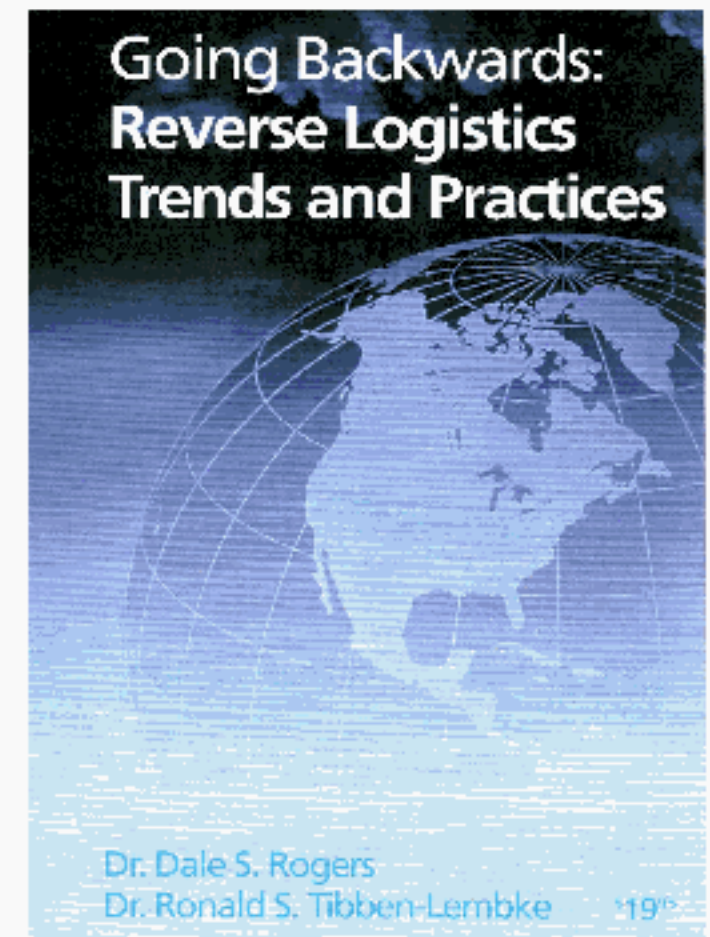


RLEC Projects

- Monograph
- Consumer Focus Group Study
- Electronics Manufacturers Study
- Apparel Manufacturers Study
- Small Appliance Benchmark Study
- E-commerce returns

Going Backwards: Reverse Logistics Trends & Practices

- Published by RLEC
- Available from Amazon.com
- Download complete text in pdf format www.rlec.org
- Give me your card or email me at rtl@unr.edu, and I'll email you a copy





Logistics is:

The process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements.

Source: The Council of Logistics Management



Reverse Logistics is:

*The process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of consumption toward the point of origin for the purpose of **recapturing or creating value or for proper disposal.***

Source: Rogers & Tibben-Lembke



US focus on Reverse Logistics

Products:

- End-of-Life take-back required for very few products
- Consumer returns and unsold merchandise main source of reverse flow

Packaging:

- Plastic, metal, newspaper recycling collected by municipal and private organization
- Transport packaging: environmental concerns



Green vs. Reverse Logistics

REVERSE LOGISTICS

- Product returns
- Marketing returns
- Secondary markets

“GREEN” LOGISTICS

- Recycling
- Remanufacturing
- Reusable packaging
- Disposal issues

- Air & noise emissions
- Environmental impact of mode selection
- Packaging reduction



Size of Reverse Logistics

- Logistics costs are estimated to account for approximately 9.9 percent of the U.S. economy, approximately \$921 billion in 1999. (Bob Delaney, State of Logistics Report, 2000)
- Exact amount of reverse logistics activity is difficult to determine because many companies do not accurately track reverse logistics expenses.
- Reverse logistics costs amounted to approximately \$37 billion in 1999. The magnitude and impact of reverse logistics varies by industry.



Key Reverse Logistics Management Elements

- Gatekeeping
- Compacting Disposition Cycle Time
- Reverse Logistics Information Systems
- Centralized Return Centers
- Zero Returns
- Remanufacture and Refurbishment
- Asset Recovery
- Negotiation
- Financial Management
- Outsourcing



Key Reverse Logistics Management Elements

- Improve return “gatekeeping.”
- Compact disposition cycle time.

Information systems





Compact Disposition Cycle

- Respondent firms that have very short reverse logistics disposition cycle times have lower average reverse logistics costs as a percentage of logistics costs.
- Shorter reverse logistics disposition cycle times result in **reverse logistics costs having a smaller impact on profitability.**



Typical Benefits from Centralized Return Centers

- Simplified store procedures
- Improved supplier relationships
- Better returns inventory control
- Improved inventory turns
- Reduced administrative costs
- Reduced store level costs
- Reduced shrinkage
- Refocus on retailer core competencies
- Reduced landfill
- Improved management information



Centralized Return Centers

- Consistency - Impose procedures
- Space Utilization
- Labor Savings
- Transportation Costs
- Improved Customer Service
- Compacting Disposition Time
- Visibility of Quality Problems
- Forward/Backward
- Accounting Issues
- Information system improvement
- Bottom line impact



Outsourcing: Bottom-Line Impact

By what percentage did reverse logistics costs reduce your profits?

	<u>In-House</u>	<u>Outsourced</u>
Central Return Center	4.8%	3.7%

Companies that outsourced Central Return Centers saw profits reduced by smaller amount due to returns.



Return Policies: From the Consumers' Point of View

- Purpose

- Determine return habits and examine attitudes surrounding return policies and processes for both brick and mortar and e-commerce retailers.



Focus Groups

Group	Location	Date
Stay at home moms	Reno, NV	3/13
Stay at home moms	Fabyan, CT	3/21
Hispanic, immigrants	Reno, NV	4/11
Hispanic, immigrants	Reno, NV	4/12
Young professionals	Toronto, Canada	4/14
Affluent women	Marin County, CA	4/27
College students	Azusa, CA	4/27
College students	Chicago, IL	4/29
Women (35-45)	Grand Rapids, MI	5/4
Senior women	Lansing, MI	5/5
Jazzercise women	Cleveland, OH	5/6
College students	Newnan, GA	5/19
Women (45-70)	Newnan, GA	5/19



Internet Results

- Most college students and affluent women had purchased over the web
- Surprising number of college students have credit cards. Students likely to take return policy into consideration when buying over the Internet
- Experienced Internet shoppers consider return policies
- Fear of giving out credit card over Internet



Easier than returning to a traditional store?

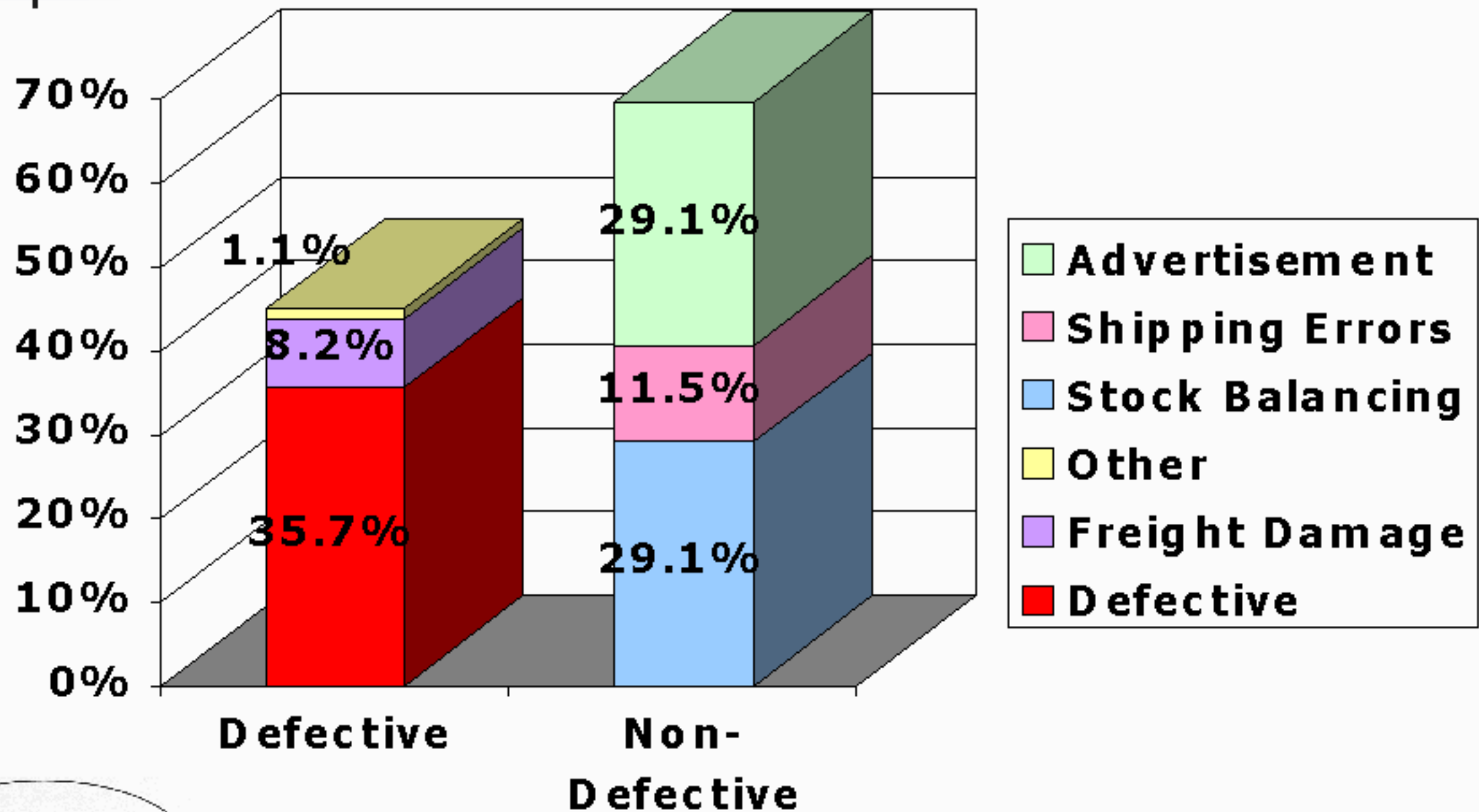
- Generally, the belief was that it is easier to return Internet items
- Prefer on-line store that has brick-and-mortar location to return to
- “They come pick it up”



Electronic Returns

- 65 Electronics manufacturers surveyed
 - Reasons for returns
 - Reasons for disputing chargebacks
 - Return Rates for products
 - What information could retailers provide to help with returns processing?

Reasons for Returns





Return Rates

- Average 8.5%
 - Median 5%
 - Maximum 45%
 - Minimum 0%
 - Std. Deviation 9.1
- 7 firms gave non-quantifiable responses like "very high," and 15 would not respond



Disposition Options

- Recycle 35.4%
- Reman., sell to second. mkts. 25.6%
- Throw away 18.1%
- Sell to secondary markets as-is 7.5%
- Break down for parts 5.3%
- Return to stock 3.0%
- Donate 1.5%



Apparel Manuf. Survey

- 45 apparel manufacturers participated
- How should returns process be improved for benefit of Retailers and Manufacturers?
- What is your return rate?



Apparel Return Rates

■ Average	19.4%
■ Median	18%
■ Minimum	8%
■ Maximum	34%
■ Std. Dev.	5.5



Apparel Dispositions

- Re-sell to secondary markets, including outlet stores 37.9%
- Throw Away 29.1%
- Re-stock 24.1%
- Donate 8.6%



Small Appliance Manufacturers

Average Return Rates

- Juice extractors 8.26%
- Canister Vacuums 6.09%
- Coffeemakers 4.92%
- Oral Care 3.18%
- Hair curling irons 2.71%
- Deep Fryers 2.44%
- Coffee grinders 1.96%
- Refrigerators, White goods 1.57%



E-Commerce Study

- Estimating and understanding return percentages
- Understand importance and impact of returns on B2C, B2B e-commerce



Returns Rates

- Online Returns Rate
 - 5.6% Shop.org 12/00
 - $\leq 5\%$ for 67% of sites Jupiter
 - 8% Shop.org 7/00
 - 12% Wall Street Journal 12/99
- Store retail rate: 6% Shop.org, RLEC
- Off-line catalog sales 9.9% Shop.org
- 20% of online shoppers kept products to avoid fees of returning products NFO Interactive



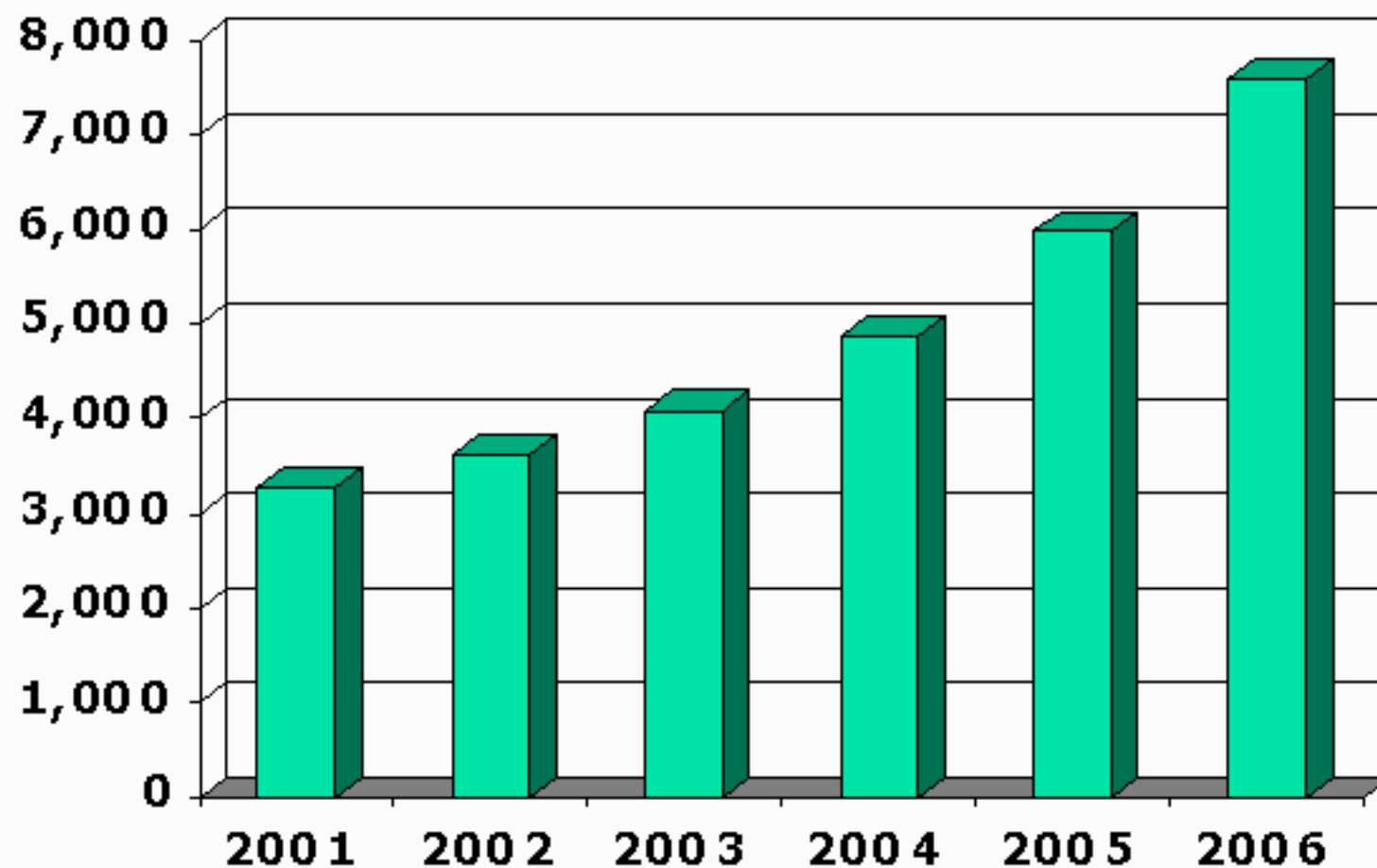
Dislike Mailing Returns

- 16% charge a returns penalty Bizrate
- 16% e-tailers paid return shipping Bizrate
- 41% would return more, except for hassle
 - 66.6% complained about paying shipping
 - 50% dislike having to take to USPS, etc.
 - Not being able to take to a store PriceWaterhouseCoopers 8/00
- Pre-approval (Accenture)
 - 60% e-tailers
 - 17% catalogs
 - 29% brick & mortar



Cost of Sending Returns

Estimated customer returns expense \$m





Return Options

- 2 of 10 respondents had returned item purchased online in last 6 months
 - 89% mailed the item back
 - 7% returned item at the store NFO Interactive
- 56% of multichannel retailers now accept online returns in their stores (Shop.org)
- 14% of pure plays have created partnerships with retail chains to accept returns on their behalf (Shop.org)



Bricks & Clicks: Store Dropoff

- Go whenever you want
- Immediate credit for item
- Pick up replacement item immediately
- Malls are conveniently located, UPS is not
- Web shoppers won't wait for credit/exchange
- Customer may have already seen item in store, and be less likely to return it.
- Returns desk difficulties
- UPS will pick up



Brick & Click Return Problems

- Strain on store capacity
- Difficult to blend into inventory
- Different companies:
 - Product lines
 - Different I/S: crediting returns
 - Different SKUs for same item
 - J. Crew acts as Post Office
- Concern about loss of tax-free status if online and brick & mortar too close



Questions?

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