Returning Thoughts: Reverse Logistics Outlook and Challenges for 2010

Contributed by Paul Rupnow
Thursday, 08 April 2010

Despite an economically challenging year, a lot of progress was achieved by Reverse Logistics professionals in 2009 to mature, understand and improve our industry. Especially noteworthy, were the great leaps by third party Reverse Logistics service providers (3PSPs) with new and better outsourced service offerings, likely prompted by a recessionary environment and a need for their customers, the manufacturers, to monitor costs much more closely.

So what lies ahead for the year of 2010? To find the answer to this I interviewed a number of Reverse Logistics executives and have assembled the key topics that recurred in many of my conversations. Interestingly, the focus continues to be on many of the key Reverse Logistics issues we all know and love, but many of these recurring issues are maturing and evolving to new levels.

1. Reduce Returns

When I started in this industry over ten years ago, the primary focus for most returns handling departments was on managing warranty and defect returns. While these defective returns still remain, many Reverse Logistics managers have now also been tasked with the important task of handling of retail returns which are typically higher in volume and for some industries like electronics and consumer goods, the returned products are in valuable resalable condition with a NTF (No Trouble Found) rate that can reach 80% or 90%.

For 2010, retailers and manufacturers are continuing to work together much more cooperatively to reduce store returns by finding ways to improve the customer experience, both before making a purchase and after opening the box at home, with a goal to reduce the number of products returned at the store level.

Manufacturers are also working cooperatively with retailers to negotiate an allowance in lieu of returns. This reduces handling, turn around time and logistics costs. Additionally, this creates an opportunity for third parties who specialize in the resale of open box items that will result in higher value recapture.

2. Increase Value Recovery

As the market has been maturing, there are a lot of sophisticated partners, options and channel alternatives to resell processed or unprocessed returned goods. More manufacturers are realizing that a huge contributing factor in recapturing a higher value is the ability to process and sell the returned goods quickly. More emphasis on disposing of the goods locally or working with the local retailer who has the returned goods, can help speed the value recovery and increase the amount of cash recaptured (not to mention the reduction in logistics costs and the related transportation carbon footprint). Speed and working locally can net your company a higher profit and provide your CFO with a few pleasant surprises for a change.

3. Global Reverse Logistics Processing

Many manufacturers are working hard this year to roll out their Reverse Logistics programs to their worldwide operations. These initiatives are often providing significant challenges. Many of the global regions are much less capable in key reverse logistics areas such as logistics and technology. The result is large increases in cycle time due to issues such as slower transport, a need to consolidate to reduce higher transportation costs, or slower end to end processing. Other challenge factors include customs, inventory overstock of both defective and replacement items, and the need to understand or report to meet local regulatory requirements.

4. Recycling and Sustainability

Corporate initiatives for recycling and sustainability are leading to new requirements and actions for the Reverse Logistics teams. Challenges for this year will be finding recycling partners who can recover value out of product and help the manufacturers reduce the corporate impact or footprint of handling, logistics and separation. Additionally, Reverse Logistics managers need to ensure their recycling efforts are meeting a myriad of rapidly changing laws and regulations around the world.

5. Reverse Logistics Cost Control

The recession has put downward pressure on manufacturer’s margins. However, Reverse Logistics costs are often not easy to reduce. Many manufacturers are seeking opportunities to move portions of their reverse logistics costs to less expensive repair providers or regions.

Additionally, with the volume reductions resulting from the recession, many Reverse Logistics leaders are having difficulty maintaining the solid processes and partner networks that were developed prior to the recession. The challenge will be to carefully manage the infrastructure that was designed for pre-recession volumes, without crippling their reverse supply chain.

In the face of the challenges outlined above, this year promises to be a strong year for Reverse Logistics teams. Senior corporate executives are really starting to understanding of the value opportunity available from a well managed reverse logistics operation. Good technology and software is available to process, capture data, measure, monitor, and manage more effective reverse logistics processes. And lastly as the industry matures, there are a lot of very talented reverse logistics professionals available to lead, manage, service or advise on significant improvements for your operations and for our industry. 2010 is shaping up to be a strong year for Reverse Logistics.

Good luck!

Paul Rupnow Editor of www.ReverseLogisticsProfessional.com

Also Co-Chairman of the RLA IT Solutions Committee