

Improving Your Retail Reverse Logistics P&L Profits

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On May 29th the RLA consumer Electronics committee hosted an interactive webinar where Tim Quinn from BJ's Wholesale Club presented several topics and questions that he seeks solutions for or best practices as he leads a strategic review of the reverse logistics and return functions for his company. The session was well attended by a number of Reverse Logistics professionals and visitors from the CE committee including retailers such as OfficeMax and Staples. Below is a quick list of a number of take away "nuggets" that may help you improve your Reverse Logistics operations:

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Establish Baselines and Develop Scorecards - establish key indicators for the Reverse Logistics scorecards such as return rate, credits to customer, vendor credits, liquidation recovery amounts. Establish a baseline for these indicators. Focus on the low hanging fruit to close the gap quickly and use the baseline to identify opportunities. For example Credits to Customers: try to recover a much of this credit as possible, such as a return to store shelf is a 100% recovery; an open box unit may be discounted and sold; a defect may be returned to manufacturer for 100% credit (less handling), etc.

Buyers and Store Managers Need Access to the Same Data - typically, buyers are responsible for all aspects of "Product P&L": product sales and margin and have visibility into all components (rebates, allowances, damages, freight, shrink, etc.). On the other hand, store managers are accountable for "Store P&L", including margin, however, they have differing levels of visibility to the components of it. Often they have excellent visibility to shrink and salvage, but limited visibility to things such as Returns transportation costs, returns that are denied by vendor and no control over the buyers deals. This financial data gap may cause decisions to be made that impact portions of the P&L without understanding the total impact.

Segregate for Liquidation - sometimes it is beneficial to segregate products or product families for higher liquidation values. For example, electronics vs. office supplies. You may also find liquidation partners who specialize in certain categories can provide higher returns. Alternatively, you may find it better to lump together desirable vs. less desirable goods may be a better strategy to enable the disposition of lower grade or less desirable goods.

Allocate Liquidation Funds Back to the Stores - allocating liquidation profits to the original store can drive good behavior, such as better product segregation, presentation, preparation and palletization, leading to higher recoveries.

Vendor and Buyer Data Sharing and Analysis - regular data analysis and conversations with buyers enables them and you to work with vendors to educate and avoid surprises. Vendor category analysis is helpful to compare a vendor with others in their category. Often using the 80/20 rule for focus will provide significant ability to identify key issues and work

with the vendors to reduce the returns.

Finance is from Mars and Reverse Logistics is from Venus - Another excellent resource for Retail Reverse Logistics P&L analysis is Finance is from Mars and Reverse Logistics is from Venus “how we can talk to each other” by the Reverse Logistics Association Consumer Electronics Committee can be found at <http://rlmagazine.com/ED25.pdf> The committee also has an excel version of the worksheet to assist your analysis.

Watch for more webinars in the future from the RLA CE committee. This kind of community resource is an excellent source of knowledge. Sharing our knowledge and experiences benefits us all.

Good Luck!

Paul Rupnow