

Expert Advice to Transform Retail Reverse Logistics

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How much better would your Reverse Logistics team perform if you had a whole group of Reverse Logistics experts providing you with advice? Good advice and best practices are hard to find... until now. The Reverse Logistics Association Consumer Electronics Committee is hosting some very innovative interactive sessions to share experiences and best practices on Reverse Logistics issues. With the guidance of CE committee co-chair Paul Baum of PlanIT ROI, attendees shared experiences and successes on topics and challenges presented by Chris Galletto, Senior Manager, Reverse Logistics at OfficeMax. The key discussions of this session were methods to drive, measure and monitor Reverse Logistics performance for a large Retailer. The session was attended by over one dozen very experienced Reverse Logistics professionals from retailers and manufacturers who all provided a wealth of feedback and wisdom.

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Returns Handling

Central to any discussion related to measuring and monitoring performance is the ability to gather data on the activities of the tasks. So the conversation often led back to methods and practices to better process returns from the instant they arrive at the retailer. The following suggestions were provided:

1. System Licence Plates (SLP) - "Many retailers who handle returns effectively utilize a unique bar-coded "license plate" (SLP) on returns to track the items through the process" says Jack DeButts, Director Returns and Exchange Management at Dell. These license plates should be created and applied to the returned item right at the return desk or cash register. Additionally the returns system needs to tell the clerk what action or disposition to take to process the returned item, e.g., Return to shelf, return to stock, return to vendor, recycle.

2. Vendor Contracts - "You need to closely monitor and manage your Vendor contract parameters relating to product returns" stated Tony Sciarrotta, CEO of Reverse It Sales & Consulting, "and ensure you manage each item based on the vendor contract terms and return conditions parameters. Tony also suggested using a Vendor Agreement Compliance group to review returns processing and to ensure you are setting and meeting agreement terms. For example: not missing time windows to return goods due to delayed or slow processing of returns inventory that has been sitting around idle for too long.

Collaborating and Sharing with Vendors

"Collaborating and sharing returns data is essential to a good Reverse Logistics relationship between a retailer and vendor," emphasized Elaine Gasser of HP. Some suggestions to enhance this collaboration are:

1. Visibility Reports - create visibility reports to share with the vendor, e.g., a triage report
2. Systematic Reports - Share current returns info with Vendors on a regular basis or systematically provide scheduled reports or access to returns data.
3. Meet Regularly - the retailer and each vendor need to meet to share and review on regular basis. These sessions are healthy for the relationship, even though one or both parties may not be happy with the report results.
4. Adjust return rates for Lag - Vendors track returns on shipments but the returns for these shipments will lag, e.g., an item returned today may have originally shipped to the retailer 3 months ago. Both parties need to ensure proper matching of shipments and returns so it does not skew the results.
5. Retailer/Vendor alignment metrics - each party should develop return metrics that focus on the organization goals. The metrics should consider how the returns influence the goals, such as cost, customer satisfaction, product acceptance, return rates (adjusted for sell through lag).

Retail Returns Metrics

With thousands of product SKUs and hundreds of Vendors, Chris Galletto has a lot of OfficeMax data to analyze. "A good analyst is a high priority" emphasized Tony Sciarrotta. Additional suggestions were:

1. Data for Each Item - keep detailed metrics on each item - sales, returns, exchanges, % of returns
2. Work Closely with Finance - be sure to align with your finance team on the lag issue. Manage dates very carefully - purchase date, sell date, return date, return to vendor date. Different categories have different lags. It helps conversations when the lags are considered properly.
3. Industry Comparatives - compare items to Return Rates by category. The CEA Consumer Electronics Association has return rates by category data available to members. These metrics are very useful for comparing and monitoring returns.
4. Focus on high value items first - when faced with many products from many vendors, it is easier to focus on high value items first, since they may provide the biggest returns from process improvements.

Join the RLA CE Committee and Start Transforming Your Reverse Logistics

This kind of session was a great sharing and learning experience for all who attended. The CE committee encourages you to join them as well. We are fortunate to have a resource like the Reverse Logistics Association to enable us to get together and share best practices. Visit the RLA.org website today and join a committee that can help your organization get expert advice, share best practices and transform your Reverse Logistics.

Good Luck!

Paul Rupnow