

## Reverse Logistics: How to Find Hidden Profits by Managing Returns



**Curtis Greve**  
Principal of Greve-Davis

Former President of Genco, world's largest reverse logistics provider

Former VP of Reverse Logistics at Walmart

June 2, 2011

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# Reverse Logistics: How to Find Hidden Profits by Managing Returns.

## My Goal

- Provide an overview of reverse logistics
- Describe how to improve returns management and increase profits
- Discuss the future upheaval in manufacturing and why reverse logistics will be critical to profitable growth

## What Is Reverse Logistics?

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 to the point of origin for the purpose of **recapturing value** or proper disposal.\*

\* *“Going Backwards: Reverse Logistics Trends and Practices” by Drs. Dale Rogers and Ron Lembke*

## Reverse Logistics Includes

- Customer return policy administration
- Aftersales services
- Return privileges terms and conditions
- Physically processing returned items
- Product liquidation and recycling
- Product and process visibility

## The Problem

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- Management often undervalues the potential of returned product.
- Few companies understand the real impact of returns and reverse logistics.
- Most executives do not know where to start to improve reverse logistics.

## The Opportunity

Companies can increase earnings by as much as 5% of sales, by improving their reverse logistics capabilities.

## A Global Snapshot

U.S. consumers returned \$200 billion in 2010, which is more than the GDP of 66% of the countries in the world.

In 2010, the U.S. retail return rate was 8.12% of total sales.



In 2010 regulatory agencies like the FDA and the Consumer Product Safety Commission ordered over 1,000 recalls.

## Reverse Logistics in the EU

- The return rate in the EU averages 6.3%.
- WEEE compliance is a key driver behind all EU returns management services.
- A 2008 survey found 60% of retailers and manufacturers in the EU said that reverse logistics was important, but only 13.6% of companies even track the cost of returns.

## Reverse Logistics in China

- 3.4% returns rates for all industries
- 45% of companies surveyed plan to invest in reverse logistics
- 55% of firms surveyed will outsource reverse logistics



## Understanding Reverse Logistics

Manufacturers spend 9% to 14% of sales on returns.



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Only 20% of goods returned are actually defective!



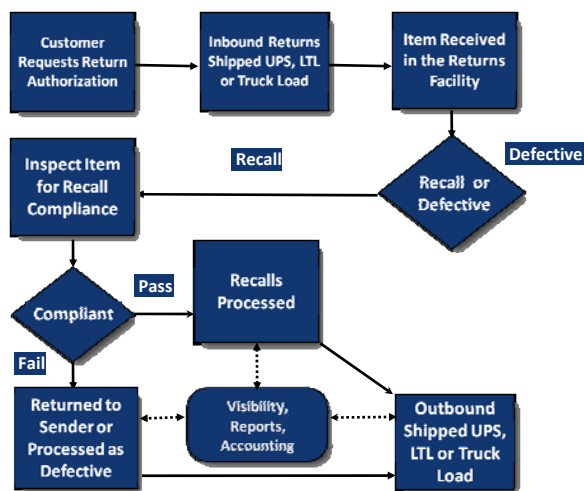
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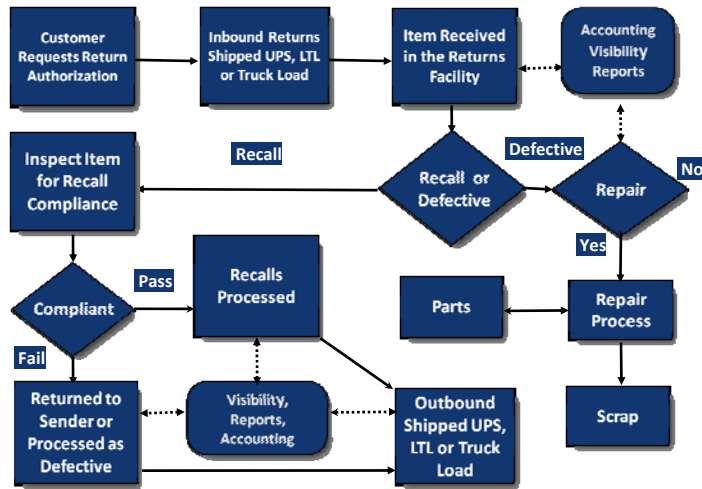
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The goal of reverse logistics is to maximize the net asset value of returned goods.

## The Reverse Logistics Process



# The Reverse Logistics Process

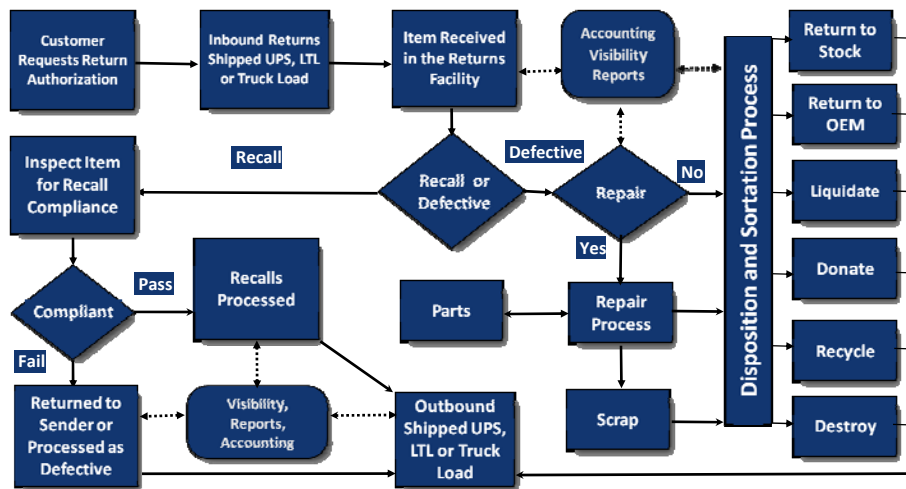


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# The Reverse Logistics Process



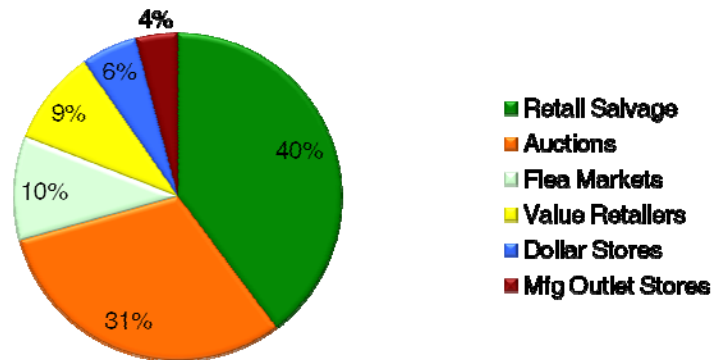
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## The Secondary Market

2.28% of U.S. GDP



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Returns are not like wine. They don't get better with age.



Some items lose **10%** of value every 30 days!

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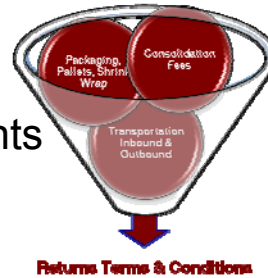
Best practices that you can use to increase your reverse logistics bottom line contribution.

## Reduce Customer Return Rates



## Improve Returns Terms & Conditions

- Invoice allowances
- Consolidation fees
- Return condition requirements
- Packaging requirements
- Return authorizations
- Transportation expenses

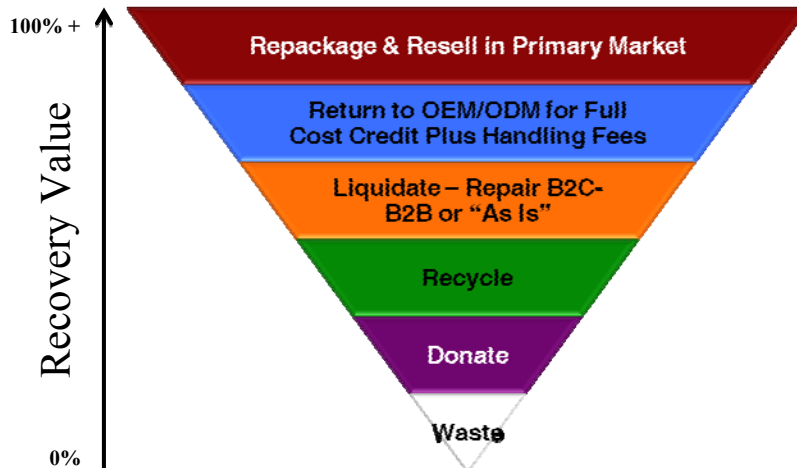


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## Improve Disposition

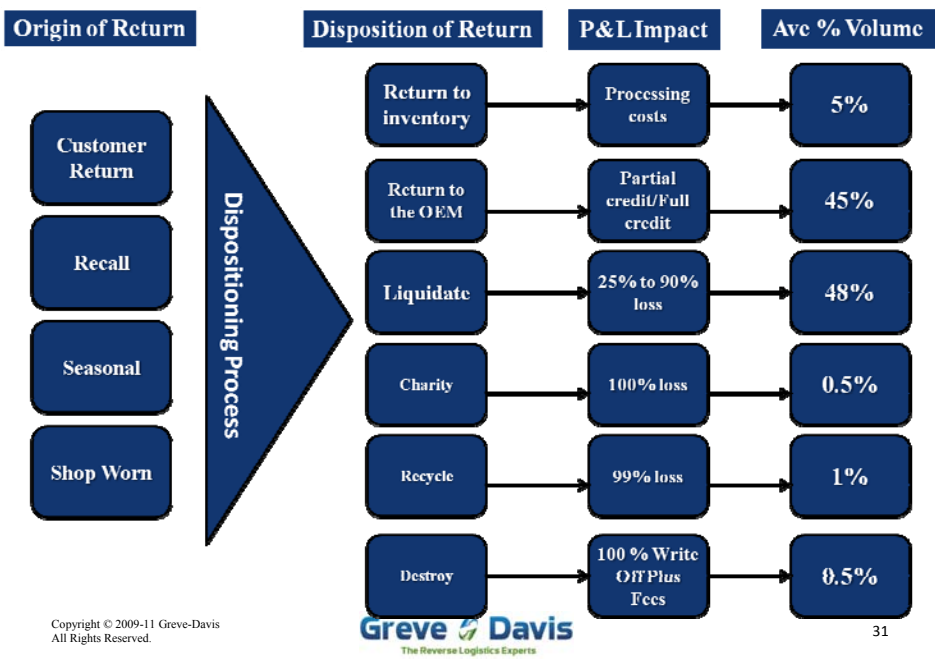


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## Typical Mass Merchandise Retailer's Disposition by Inventory Mix



# The Future of Reverse Logistics

Over the next 10 years there will be an upheaval in manufacturing and reverse logistics will become a critical part of every supply chain.

## Increasing Costs and Liabilities

- Transportation costs will likely increase by 50%+
  - Today's reverse logistics networks are modeled based on \$2.00 per gallon fuel prices
  - Every existing returns network will have to be redesigned
- Growing number of governmental regulations will impact returns processing and will increase risks and liabilities

# The Big Issue: Rare Earth Minerals

Rare Earth Metal	Estimated Reserves
Antimony	15 - 20 Years
Hafnium	5 - 10 Years
Indium	5 - 10 Years
Platinum	10 -15 Years
Silver	15 - 20 Years
Tantalum	20 - 30 Years
Uranium	30 - 40 Years
Zinc	20 - 30 Years



## Hybrid technology is totally dependent upon Rare Earths

**HYBRID electric motor and generator**

- Neodymium
- Praseodymium
- Dysprosium
- Terbium

**HYBRID NiMH battery**

- Lanthanum
- Neodymium
- Cerium

Enabling better emission standards and lower energy consumption

lynas



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**China supplies 97% of the world's rare earth minerals.** — National Geographic June 2011



## Hybrid technology is totally dependent upon Rare Earths

**HYBRID electric motor and generator**

- Neodymium
- Praseodymium
- Dysprosium
- Terbium

**HYBRID NiMH battery**

- Lanthanum
- Neodymium
- Cerium

Enabling better emission standards and lower energy consumption

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## The Big Solution: Servicizing

- Servicizing - The emergence of product-based services which blur the distinction between manufacturing and traditional service sector activities. \*
- Think of Servicizing as product life cycle extension.

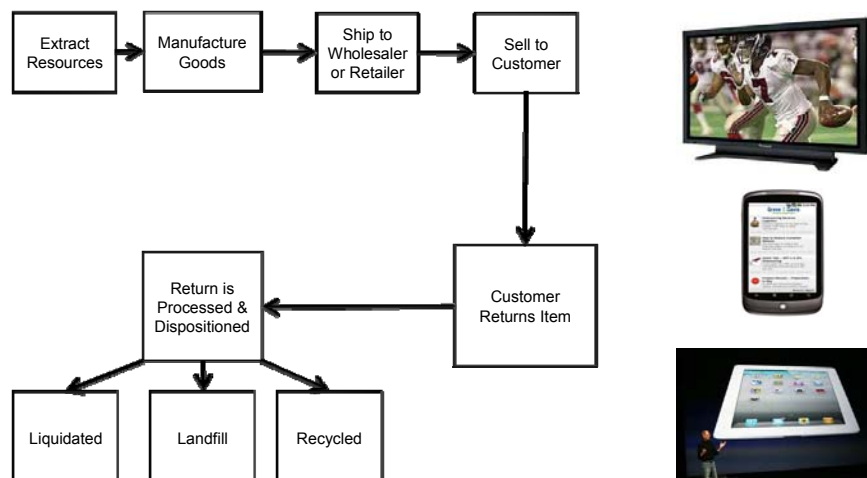
\*("Servicizing: The Quiet Transition to Extended Product Responsibility" by Allen White, Ph.D., Mark Stoughton, and Linda Feng)

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## Today's Product Life Cycle Diagram

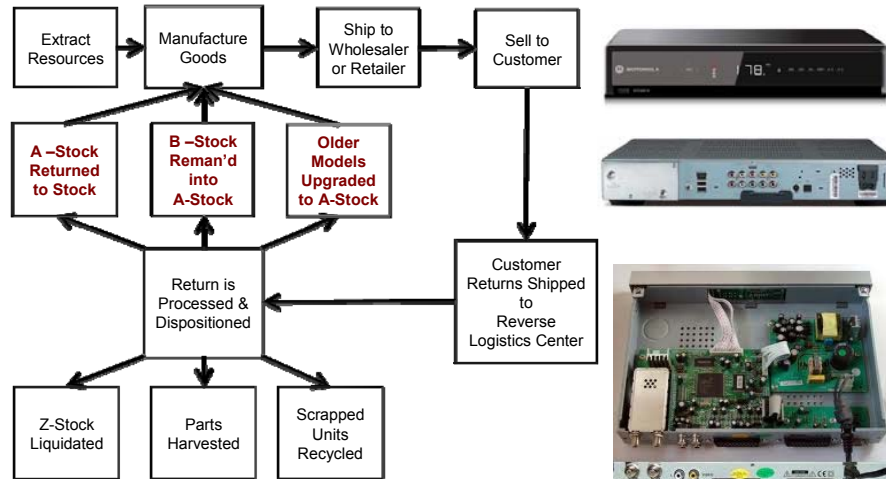


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## The Product Life Cycle Extension Loop©



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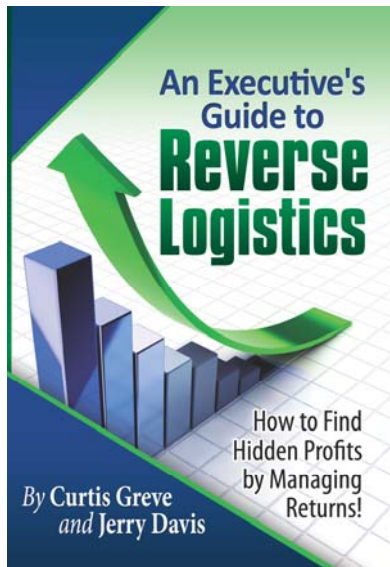
## Servicizing Will Drive Change

- Reduce dependence on natural resources
- Reduce reliance on offshore factories
- Avoid disposal costs and related liabilities
- Develop customer lease programs
- Develop lifetime upgrade services
- Expand warranty programs
- Increase customer's cost of change

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Thank You

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