



BEST PRACTICES FOR REVERSE LOGISTICS MANAGEMENT

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Abstract:

Reverse Logistics is the key area in the present business world in order to retain the current market and also to attract the new opportunities for any organization. Since, it is relatively a new area in the field of Supply Chain Management and its importance is not felt in a macro level of business. The Reverse Logistics is a bridge between achieving success and maintaining balance in socio-environmental issues. In this paper the reverse logistics process is discussed in brief. The aim of this paper is to understand, types of returns under reverse logistics and to suggest best practices for reverse logistics by which organizational performance could be enhanced.

Index Terms: Reverse Logistics, Returns Management & Supply Chain Management.

1. Introduction:

Reverse Logistics is the process in which products/services have to move from point of sale backwards in the supply chain. According to Reverse Logistics Association (RLA) the term "reverse logistics" refers to all activities associated with a product/service after the point of sale. The ultimate goal of reverse logistics is to optimize or make more efficient aftermarket activity, thus saving money and environmental resources. In the present scenario, there is a definite need for all the business entities to look into reverse logistics process in order to survive and thrive in the competitive market. In today's context of business, any organization cannot afford to neglect the importance of Reverse Logistics because it has become an integral part of Supply Chain strategy and Operations. For few decades the importance of reverse logistics has not been understood by the organizations, but now the law of the land and customer relationship management issues abide the companies to focus a lot on these issues. Recent survey carried out by [6] Deloitte & Arvato shows that reverse logistics process affects Company's cost structure from 0.1 to 1% of the sales value of a product. They analysed that properly managed reverse logistics flow can claim 32% of the original product value on an average.

The products under reverse logistics are classified as according to [1] Marisa P. de Brito and Rommert Dekker (2002) as food, civil objects, consumer goods, industrial and professional equipment, transport equipment, packaging and distribution items, mineral oils, oil products and chemicals, pharmaceuticals and military equipments. There is variety of products liable for returns across various fields therefore; any organization should be ready to tackle returns at any point of time to satisfy customers and to follow legislative rules. In this paper an effort has been made to define types of returns as well as reverse logistics process in analogy with production system. Mainly best practices for reverse logistics management have been discussed at the end.

2. Returns:

A product is said to be returned when it goes back from customers to manufacturing in the reverse order of supply chain. Based on the nature of returns the products are classified into five categories viz., Recalls, Commercial returns, Repairable returns, End-of-use returns and End-of-life returns as shown in Figure 1. A brief explanation of each of these types of returns is discussed below.

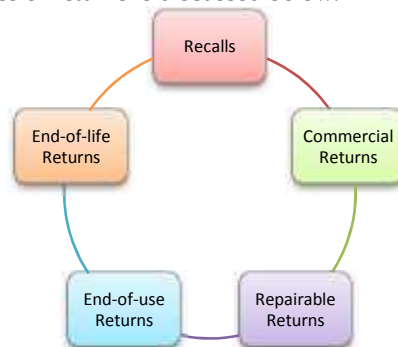


Figure 1: Types of Returns

3. Recall:

Some manufacturers recall the products due to defect or some conditions which will affect its operations at zero cost to the customers. For example, General Motors (GM) in 2014 approximately [3] recalled 25 million vehicles of over 50 different models in the United States. Recently, Nestlé had recalled [2] Maggi noodles in India due to high amount of monosodium glutamate (MSG) which is not good for health. In August 2015, The Indian government sues Nestlé for US\$100 million for unfair trade practices. Nestlé had to destroy 400 million

packets of Maggi products and stop production in the wake of the tests. The product recall cost the company \$67m. There are similar instances throughout the world wherein, the companies have recalled their product for one or the other reasons. By doing, this the organizations can retain the customers and can have more loyalty towards their products/services. Having better Total Quality control, design integration and close look at the supply chain stages are few ways by which one can reduce the recalls.

3. Commercial Returns:

Commercial returns are those for which there is an immediate demand at another market location/segment. Customer dissatisfaction, overstocks, obsolescence, exchange for new product are some possible causes for commercial returns. Commercial returns can occur any time after sales. Due to the advancement of information technology nowadays, one can sell any product any time for any reason. Mobiles phones, Cars and other home appliances are best examples for commercial returns where products are exchanged with new products.

4. Repairable Returns:

Here returns will occur at some stage due to defects or suspect in components of a product. If it is under warranty, company has to bear all repair charges or even replacement of it with new product. Prediction of it is difficult in many cases, so the company has to set up good reverse logistic policies to manage these issues.

5. End-of-Use Returns:

Products are returned which are of no use to the original owner, but may be used by new customers due to end-of-season, end-of-lease, trade-in, product replacements etc. Automobiles, Mobile phones, computers, household items are few of those under this category.

6. End-of-Life Returns:

Items of no use to any one which can be returned for scrap, land filling, incineration etc will be called as End-of-life returns. Any product which has reached will come under this category due to legislative obligations.

7. Reverse Logistics Process:

There are various definitions of Reverse Logistics process is available in the literature, in this paper an analogy of production system is considered to explain best practices for reverse logistics since Reverse Logistics is a subtopic under the operations management. Therefore, Reverse logistics can be thought of a process where inputs are converted by some process to get efficient output. Inputs for this system would be the reasons by which the products are returned for various issues. Customers may return the products at any point of time due to [5] Quality Issues, Recall, Wrong Products, Wrong Destination, Damage/Repair, Not Ordered, Missing Parts, Changing Minds, Obsolescence, Over-stock, Warranty Return, Trade-in, End of Life, and End of Use.

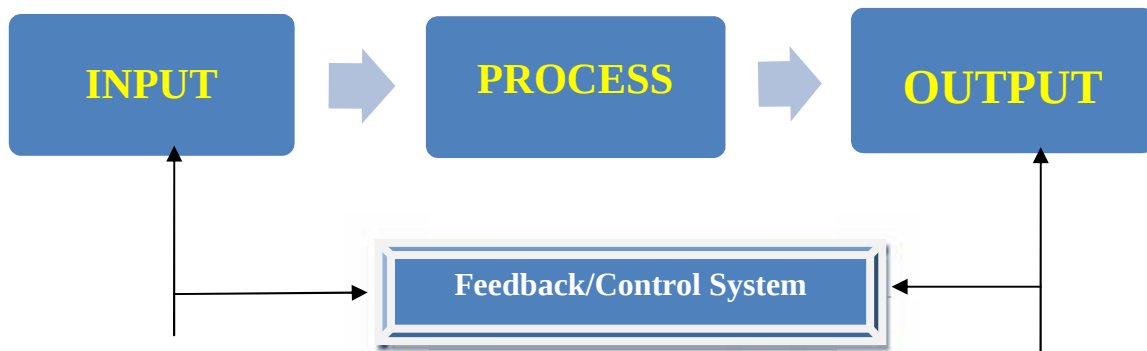


Figure 2: Reverse Logistics Process

The objective of reverse logistics process is to perform any of the actions viz., Collection, Authorize Return, Inspection, Grading, Sorting, Reprocessing, and Redistribution based on the need in order to classify the products into various categories to get the best output. In the output stage Repair, Refurbish, Rework, Repack, Resale, Reuse, Recycle, Destroy, Landfill, Donation are done for respective type of products at minimum cost. At each stage feedback/control system is useful to have information flow across various stages to have timely solutions for the reverse logistics problems.

8. Best Practices for Reverse Logistics Management:

A proper business practice reverse logistics will help any organization to keep track of customer's opinions and needs for a long time. By considering contemporary business practices and legislative norms and keeping reverse logistics process in mind an effort has been made in the paper to suggest general best practices for efficient management of reverse logistics.

- ✓ First and foremost thing is to set up a Reverse Logistics team which is accountable for all the reverse logistics activities. This team would consist of top management and experienced people who will be held responsible for all reverse logistics activities of the organization. It should be given all rights to take decisions at any point of time and
- ✓ Set up proper Management Information Systems which will track all the activities end to end of reverse logistics process. Information of returns should flow across various departments more specifically in the areas of design and R&D. Also the customers should be able to keep track of their products at various stages of the process.
- ✓ Build a customer support team which will track only returns and which will help customers to ease their returns. Customers thereby understand the way by which their product is flowing through reverse supply chain.
- ✓ Frame policies and procedures regarding returns at each of product life cycle till disposition of the products which will satisfy all the legislative norms of the state.
- ✓ If setting up a separate logistics is not feasible for the organization, it can have the option of outsourcing its reverse logistics functions to third parties. Since proper collaboration with third party logistics will reduce not only the cost but also provide enough time to improve its core competent areas.

9. Conclusion:

Reverse logistics is the happening area in the present business world where every organization must try to keep up customer's satisfaction level and it should adhere to legislative norms of the state. Organizations are now realising the importance of reverse logistics and acting according to need of the hour. In this paper reverse logistics process and types of returns are studied in brief and also general best practices for reverse logistics have been suggested in brief. There is a lot of scope reverse logistics in future as customers are nowadays concerned about quality as well as environmental issues.

10. References:

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