



White Paper

Add Revenue In Reverse

Reverse Logistics is a critical cost factor for your customers. In these papers you will discover how managing reverse logistics can be a revenue source and drive you closer to your customers.

One high growth value add area of specific competitive advantage is Reverse Logistics.

Reverse Logistics represents a disproportionate cost to a distributor, based on the activities performed. Manufacturers and Distributors are typically experts at making and marketing the products they sell. They are not, usually, expert in the moving or storage of product and are often inefficient at managing the processing of returns.

Simply handling the logistics of returned stock won't provide the intimate relationship that is required to attract high margins and tie customers to you. Successful 3PL's in this space are extending their reach to cover the entire Reverse Supply Chain, from Customer Service and Returns Authorization to testing, repair, restocking and reshipping.

According to Aberdeen Group findings (1) some 16% of all goods (from their 164 respondent organizations) are returned. This means one in six of all outbound movements come back for some form of review and reprocessing. With the growth of on-line retailing this will only increase.

Wikipedia defines Reverse Logistics as the process of moving goods from their typical final destination for the purpose of capturing value, or proper disposal. Reverse Logistics has always been a drain on resources, representing both a disproportionate cost (compared to the level of activity) and a significant influence on customer service. With the explosive growth of on-line retailing the level of returns are increasing and both the challenges and opportunities are growing. While cost containment remains a significant justification for this focus on reverse logistics, with 59% citing it as a major factor, Aberdeen found that customer service was now approaching cost as the primary driver (55%). Managing the reverse logistics for your customers can provide both an opportunity to increase high margin revenue and to reduce the risk of customer loss to price based competition. In a February 2010 study (2) The Aberdeen Group determined that 87% of manufacturing and service companies saw reverse logistics as either 'extremely' or 'very' important elements of the business. This represents a 13% year on year increase over the period since 2007. As a 3PL removing the necessity for your customers to manage the return process and the subsequent recovery, repair or disposal activities will enhance your role and tie you more closely to your customer.

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White Paper (cont.)

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Returned product may be repaired and returned to the customer, inspected and (if necessary) repaired and placed back in inventory, disposed of or stripped for parts. Having a system that can manage the process from RMA (Return Merchandise Authorization) to disposition of the returned stock is critical to the success of your venture into reverse logistics. Working closely with your customer to determine and document processes, and to train appropriate staff in inspection and/or repair, will provide the opportunity to develop a partnership that goes beyond a price based relationship with a faceless procurement department driven by dollars.

(1) Aberdeen Group – Reverse Logistics, Driving Improved Returns Directly to the Bottom Line. February 2010

(2) Aberdeen Group – Reverse Logistics, February 2010

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