



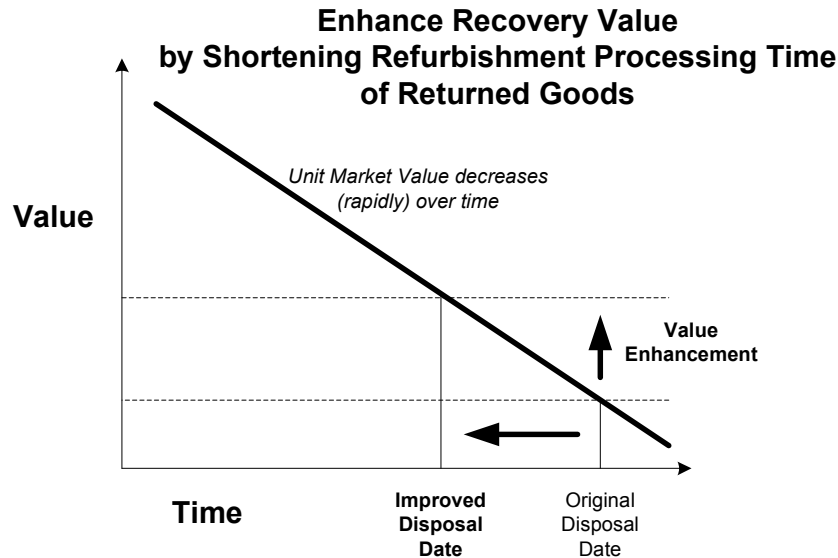
## The “Need for Speed” in Reverse Logistics

One of the best opportunities for profit in your reverse logistics operations is available in the area of asset disposition. One of the best ways to enhance the disposition value of your refurbished goods is through speed. The “Need for Speed” should be one of your top 3 objectives in your Reverse Logistics processing operations. Many high tech companies, processing high value returns, are often letting significant profit evaporate into thin air by not focusing enough attention on speed. There is a huge opportunity to recover significantly higher values from your returned assets by paying close attention to the impact of time on the disposition value of your rapidly depreciating returned goods.

The following paper outlines three possible ways for you to take advantage of the opportunity to recover greater value from your returned goods:

1. **Assess your Revenue opportunities.** You can start this assessment by looking at two areas:
  - a. **Customer vs. Corporate focus** - Many Reverse Logistics operation have a “customer” focus. Once the customer is satisfied, issued a credit or sent a replacement product, the staff breaths a sigh of relief and moves onto the next customer return. At this stage, however, your return processing is not complete. Your processing must now move its focus away from “Customer Satisfaction” and onto “Corporate Satisfaction” to take full advantage of the opportunity to recapture the highest possible value from those returned “assets”.
  - b. **Impact of Time on your Value** - Speed is needed to recover the highest value. You can assess the impact of speed by looking at the life cycles of each of your returned products and the related market value that is lost over time. One high tech company I worked with recently has a line of some of the hottest products you can find in computer stores today. These

hot products are changing so quickly that their life cycle on the store shelves is not much more than 3 months. That translates to about 1% per day of depreciating value.



A short life cycle product is an excellent example of the “need for speed”. If you can chop 2 weeks out of your recoverable Returns processing, you can add 14% of Revenue to your recovery value since you are not giving up that 1% depreciation per day to time. If you have 2000 refurbished units per month with an original cost of \$100, your opportunity is \$28,000 per month ( 14% gained depreciation x \$100 cost x 2000 units).

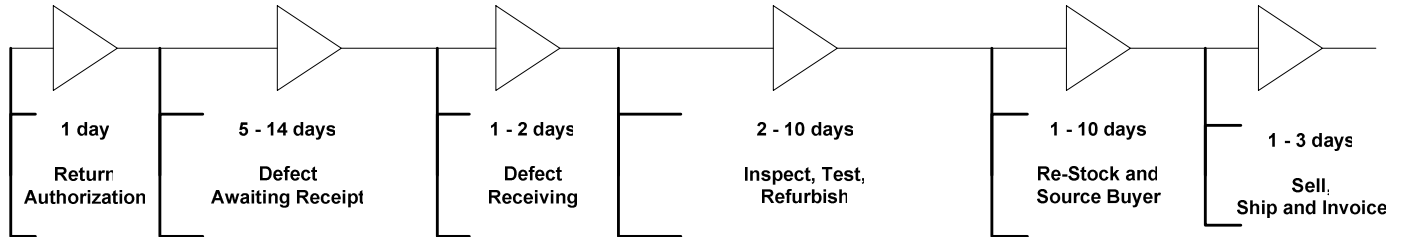
Your product timelines may not have straight line value depreciation, but a review of your major items will provide you with the appropriate curve to enhance your decision making on the profit opportunity that you can capture back from Father Time.

2. **Assess your Reverse Logistics Processing Timeline.** A detailed review of the time a unit takes at each stage of your reverse logistics process will help you find time saving opportunities. “It is a tragedy that so much value is lost to time”, says Paul Fletcher, Partner of Dealtree, specialists in recapturing the highest value for returned goods through eBay auctions. “Almost every company I visit has not effectively evaluated the impact of time on their Returns processing and asset recovery”.

An example timeline is outlined below to help you start to assess improvements to your timeline. Try to ensure you have included all the steps. For example: do not forget the unit that waits for several days on a pallet until enough units are consolidated to move that pallet to the next stage of processing. Look carefully

for opportunities to reduce time, so you can reduce the impact of depreciation and generate higher revenues.

### Example Reverse Logistics Timeline



- 3. Focus on Maximizing Recovery Value.** Reverse Logistics is the process of getting the goods back to your organization AND recovering value from those returned goods. At an individual unit level, the item needs to be returned from the customer, inspected and then streamed to the path that will yield the highest recovery rate for that unit. If you focus on maximizing your Recovery Value, you will drive Reverse Logistics process improvements, since speed is critical to higher recovery. In addition, maximum value is an excellent measurement to build processing benchmarks around.

The “Need for Speed” is an excellent opportunity for your Reverse Logistics processing operations to increase Revenues and profits by reducing lost value to time. It is also a great opportunity to look at your Returns operations from a new perspective which may help you improve many of your processes and reduce costs. Good luck!

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