
“Innovative Strategies in Reverse Logistics”

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ABSTRACT

In today's fiercely competitive business environment organisations trying to get competitive advantage must address those areas of value chain which were overlooked or not adequately addressed. One area which has caught their attention is Reverse Logistics. Organisations have started focusing on Reverse Logistics for economic, customer and environmental legislation reasons. A lot of challenges are faced in the area of Reverse logistics. These challenges need to be overcome by devising appropriate innovative strategies. This paper is an attempt to compile the different innovative strategies and best practices been adopted and followed by organisations in Reverse Logistics. These strategies are helping these organisations to overcome the problems faced in the area of Reverse logistics and managing their overall supply chains more effectively.

Key Words: *Innovative, Strategies, Reverse Logistics.*

Introduction:

Reverse Logistics (RL) has been defined as the movement of the product or materials in the opposite direction for the purpose of creating or recapturing value or for proper disposal. Reverse logistics is basically 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 creating value or for proper disposal.

Growing concern for green supply chains makes it more relevant to focus on Reverse logistics.

Reverse logistics is also termed as Reverse Supply Chain, After Market Supply Chain, After Market Logistics, Retrologistics by different Industry people and Academicians.

Reverse logistics is less glamorous, less neat/ orderly and less predictable than forward logistics. It is rather more complex in nature as it is irregular, has a lot of randomness, and is unplanned, having difficulty in inventory control and less orderly. There are more touch points in reverse logistics as compared to forward one.

The returns can be broadly classified into three types:

- a) Manufacturing Returns: raw materials, excess materials, rejections, leftovers, byproducts.
- b) Distribution Returns: product recalls, stock returns, commercial returns, reusable products.
- c) Customer Returns: Guarantee/warranty returns, service returns, end of use / end of life returns.

The parties involved in RL are the forward supply chain actors, specialized RL players, Government Institutions and Other Opportunistic players,

The RL process moves from product collection to inspection, separation, sorting till final disposition.

The various options in RL could be return to seller, reuse, resell, redistribute, salvage, repair, recondition, refurbish, remanufacture, recycle, donate, disposal thru incineration or to landfill.

There is a myth that RL is merely a cost chain and not adding any value. RL is a revenue opportunity if properly managed. RL is major source of untapped profitability. RL activities are having an increasing impact on the corporate image of the firm and can influence the customer loyalty.

Innovation refers to the creative process through which new products, services or production processes are developed. Intent is to find a better way to handle an existing process. Reverse logistics innovation is related to performances as defined by Cost Effectiveness, Processing Effectiveness, Operating Effectiveness, Customer Service Effectiveness and Compliance Effectiveness.

Strategy refers to a plan of action to achieve a long term aim. This is generally a long term plan to be accomplished with limited resources. In context of this research paper the plans for costs reductions, service improvements, customer satisfaction, gaining competitive advantage and better compliance to environmental laws were studied.

Properly executed Innovative Strategies in RL can make a treasure from trash.

Research Methodology:

The findings presented in this paper are the outcome of the study of secondary data conducted by the researchers on Reverse Logistics. A number of research papers and books on Reverse logistics were referred. A number of websites of various companies and reverse logistics companies were studied for getting insights into the different innovative practices adopted and followed by these practicing organisations. The literature review findings of the various innovative strategies and best practices are given in the section Innovative Strategies in Reverse Logistics.

Importance of Reverse Logistics:

Considerable costs are there in Reverse logistics but also many opportunities are there to improve the profitability.

The drivers to reverse logistics basically are the costs, customers, competitors and the compliance to environmental legislation. The corporate citizenship is also forcing the organizations to adopt better Reverse logistics practices.

The bottom line is directly affected by Reverse Logistics.

Reverse logistics has become a competitive weapon in many industries like retail and consumer electronics. A good Reverse logistics strategy is required to improve the financial and operational health of an organization.

Problems / Challenges in Reverse logistics:

This section gives the various problems faced by organisations in RL These list is not industry specific nor any company specific but gives a fair idea of the different challenges faced by organisations in the area of Reverse logistics:

- Difficulty in assessing costs related to RL.
- Low Awareness of the potential impact of RL on the bottom line.
- Low importance given by management as compared to other functions.
- Low investment in Information technology for RL.
- Low reliability of the Information technology solutions for RL.
- Lack of information visibility and capability.
- Absence of policies and systems in RL related to returns / repairs / reuse / remanufacture/recycle / credit/warranty / replacement leading to frustrated customers.
- Uncertainty of Product returns regarding volumes and timings.
- Finding the most suitable disposition action and the time and money for these actions.

- Not including RL in the Strategic planning.
- Shortage of top level executives for RL processes.
- Lack of Collaboration and Communication between channel members of RL.
- Resistance to Change in the organization.
- Lack of communication and rules enforcement with customers about returns policies.
- Shorter Product life cycles leading to obsolescence.
- New and faster product developments.
- Demanding customers.
- Increased volume and frequency of Returns.’
- More touch points in RL process.
- Retailers growing in size and numbers.
- Dual channels adopted by businesses due to emerging E Commerce.
- Competitive environment forcing to follow liberal, free return policies.
- Increased costs of product disposition- incarnation and landfill costs.

Innovative Strategies in Reverse Logistics:

Designing an Innovative Strategy in Reverse logistics is a necessity for organisations to stay and grow in business. Many stakeholders are ready to invest in technology supporting Reverse logistics. The implementation of innovative strategies / best practices can be done in four steps:

- a) Determine the present maturity level.
- b) Identify RL problems & challenges.
- c) Suggest possible solutions to overcome problems.
- d) Consult & implement best practices based on solutions.

Some best practices and approaches which have been adopted by progressive organisations are given below:

- Focusing on Increased Awareness of RL amongst all stakeholders.
- Including RL in strategic planning.
- Employing dedicated top level manager for RL, This is seen on the business cards / titles of many progressive companies.
- Investing in special and reliable software for Reverse Supply chains. (Develop In house or Bought Out).
- Developing effective logistics information systems capturing all required data for RL and providing visibility across the supply chain.
- Developing effective Gate keeping systems with clear guidelines for acceptance of goods in RL and their disposition actions.
- Having Centralised Reclamation centers with proper authorities controlling these CRC's.
- Reducing / compacting the cycle times in the reverse supply chain.
- Designing performance measures linked to reverse logistics processes and linking financial incentives of employees with Reverse logistics performance indexes.
- Better tracking by use of Electronic data interchange and Radio frequency identification.
- Better visibility and control by use of Bar Codes and Smart Labeling for products in RL.
- Accurate Data capturing and use of data for product / process / customer relationship improvements.
- Training for all staff working in RL so as to increase awareness and reduce resistance to change.
- Designing a formal return program with clear cut guidelines to all members.
- Standardisation and Codification of RL processes.
- Returns processing allowances to channel members
- Analysis of Returns data and classifying as Critical / Non Critical.
- Using returns to fill in the requirements of other downstream members.
- Top Management Commitment.
- Stage wise Valuation of goods.

- Integrating forward and reverse logistics wherever required for optimal utilization of resources.
- Using internet for RL processes.
- Seeking feedback from customers thru surveys and visits. Some are offering incentives for feedback.
- Developing Operational frameworks for Reverse logistics measurements, monitoring and control.
- Collaboration between competing channel members.
- Use of Quick Response Codes.
- Simple Systems and ease of returns for customers.
- Outsourcing the whole supply chain to a third party logistics player.
- Alliances with upstream and downstream supply chain members.
- Re use and Re cycling programs like cartridge refilling.
- Automated Warehouse systems.
- Collection and Re use of packing material by the manufacturers.
- Setting benchmarks for improvements in Reverse Logistics.
- New companies having expertise in RL been employed by many organisations.
- Online companies coming up to buy and sell used/repared/refurbished/remanufactured electronic and household appliances. They collect and pay for your e waste.
- Some startups are offering exchange offers for your used / end of life products.
- Many IT companies are coming up with dedicated software for RL.
- Big brands are focusing on RL and tying up with logistics companies for collection and managing returns.
- Looking for the Best Practices been followed by others in the Industry.

Other Developments:

- ❖ Excellence Awards been initiated and given by Industry Associations to appreciate the good work in RL.
- ❖ Including RL in the syllabus at Universities so that student's awareness in RL is increased.
- ❖ Tax benefits to firms donating products to old age homes / orphanages/ economical backward people.
- ❖ NGO's are coming forward for collection of food products at the end of shelf life for giving them to orphanages and old homes. Some are collecting excess medicines leftover after treatment to handed over to needy in the society,

Conclusion:

The innovative strategies identified during the study have proved to be useful by practicing organisations and their implementation will give a competitive advantage to them. They would be able to manage their reverse supply chains effectively leading to improved profitability, customer satisfaction, and improved compliance of environmental legislation. This is leading to reduced raw material costs, operational costs, packing costs, reduced landfill and Compliance costs. The organisations have to rise above day to day transactions to adopt and follow these innovative approaches. Sound RL practices will lead to a win - win situation for all stakeholders in the supply chain. Organisations who adopt and follow good innovative strategies would be the winners in today's hyper competitive business world.

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