



Forward Thinking on Reverse Logistics:

Four Things to Think About When Implementing Reverse Logistics

Common reverse logistics scenarios include:

- Processing goods for reconditioning, remanufacturing and refurbishing
- Returned damaged inventory
- Seasonal/excess inventory overage returns or recall
- Recycling packaging materials and reusing containers
- Hazardous material programs
- Asset recovery.

Reverse logistics manages inventory that flows “upstream” —back toward a source—to capture value otherwise lost or under-realized. Often considered the “forgotten stepchild” of supply chain planners (who tend to plan supply chains that deploy forward) poorly managed reverse logistics can be costly, and those costs can be extremely hard

to discover.

Rules-driven *avoidance management* and *gate keeping* are essential to reducing costs in reverse logistics operations. But even though most ERPs are capable of rules-driven *avoidance management* and *gate keeping* reverse logistics, many companies don’t take the time to set ERPs up properly. As a result, mis-labeled, unacceptable, or non-labeled inventory is put-away and lost to possible resale because the ERP is simply unaware that it exists.

Implementing a reverse logistics strategy is not difficult, though it does take expert planning and often some “software accessories” to supercharge your ERP.

Here are four things to consider when forward thinking on reverse logistics:

- 1) Though “avoidance management” is a resource planning issue whose aim is to avoid flooding your market with overages that are bound to come be returned, you can establish “gate-keeper” rules in your ERP that automate the registry of returned

- inventory. With automated gate keeping, even low-skilled workers can accept, sort, and properly re-label (or discard) items without having to examine each one. Barcode- or RFID-based returns gate keeper systems are a cinch to implement, and inventory can be labeled as “available” for forward supply chain operations or appropriately relegated for repair, recall processing, refurbishing, or trash.
- 2) Establish a complete set of code categories within an ERP—right down to the RF gun level—to accommodate the full range of possible returned inventory. A dock worker who cannot find a valid entry code for an item is likely to store it without checking it into the ERP, forever relegating it as latency inventory that can never be monetized.
 - 3) Availability is what drives any inventory-based businesses. Since an ERP system makes an essentially binary distinction about inventory (it *is* or *isn't* available for fulfillment), the rules driving reverse logistics should absorb and label inbound inventory with the determination of availability as their goal. Items that float in a grey area between unacceptable and almost available are likely never to move. Available inventory will be promised and fulfilled before items languishing in limbo between not-yet-good-for-sale and available-for-sale.
 - 4) Dock personnel should aim for immediate inventory turns, and they should have the authority to request or directly edit reverse logistics rules, as the nature of the inbound inventory changes. Labeling a recently recalled product with a “refurbish” code—for lack of a better code or because the CIO was distracted—can be costly and expose companies to liability.

Reverse logistics isn't difficult, just pushed to the sidelines in favor of higher-volume fulfillment of forward supply chains whose managers are eager to push new product out quickly. With affordable software accessories and easy-to-implement “rules mapping,” most ERPs can help turn orphaned reverse logistics into a profit center.

Author is Tom Dziersk, CEO of ClearOrbit. Call with inquires: John Wagner 919 929 8429.